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FOREWORD

The year 2007 marked 50 years of Malaysia's independence. Over this period, the Malaysian economy successfully evolved into an industrialised economy, driven by the manufacturing and services sectors. This success is very much due to the implementation of dynamic trade and investment policies, and the adoption of effective industrial policy formulation to meet the challenges of the rapidly changing international trade and investment environment.

Despite uncertainties in the external environment, Malaysia's economy continued its strong growth momentum and expanded by 6.3 per cent in 2007, compared with 5.9 per cent in 2006. The manufacturing and services sectors continued to be the major engines of growth and contributed 30.1 per cent and 53.6 per cent to the Gross Domestic Product (GDP), respectively in 2007. The services sector also registered a trade surplus of RM1.4 billion for the first time.

Malaysia's total trade in 2007 increased by 3.8 per cent to RM1.11 trillion, with a trade surplus of RM100.3 billion. The trade surplus was the second highest ever achieved and was also the 10th consecutive year that surpluses were recorded.

Malaysia continues to attract investments into all key areas of the economy, particularly the manufacturing and services sectors. This is supported by factors such as a well-developed infrastructure, pro-business policies and the availability of a skilled workforce. In 2007, total approved investments in both the manufacturing and services sectors exceeded the annual investment targets set by the Third Industrial Master Plan. Total investments in the manufacturing sector, amounting to RM59.9 billion, recorded more than a two-fold increase over its investment target, while investments of RM65.4 billion in the services sector surpassed the investment target by more than 40 per cent.

ASEAN adopted the ASEAN Economic Community Blueprint and the ASEAN Charter in November 2007. With the adoption, it is envisaged that the ASEAN Economic Community will become a reality by 2015. Malaysia is committed to ASEAN, which remains relevant to address political and economic challenges in the region.

The outlook of the world economy in 2008 has become increasingly uncertain, as a result of the current global economic developments. The slowdown in the US economy, weaker demand growth in Europe and Japan, and the rise in inflation ensuing from the escalating energy and food prices, have posed challenges to both the public and private sectors.

Going forward, the Government and industry must both collaborate to ensure Malaysia remains among the major global trading nations.

TAN SRI DATO' MUHYIDDIN MOHD YASSIN
Minister of International Trade and Industry
Malaysia

3 July 2008

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WORLD ECONOMIC, TRADE AND INVESTMENT DEVELOPMENTS

OVERVIEW

Overall, the world economy grew by 4.9 per cent in 2007, compared with 5 per cent in 2006. Emerging economies such as the People's Republic of China and India have continued to grow at a rapid pace. The growth momentum of the emerging and developing economies was driven by stronger productivity gains from continued global integration and better terms of trade for commodity exporters due to soaring prices of commodities such as oil and raw materials, as well as strengthening of macroeconomic policies.

In 2007, world merchandise trade grew by 5.5 per cent. Total world merchandise exports increased by 14.8 per cent to US$13.9 trillion, while merchandise imports expanded by 14.4 per cent to US$14.2 trillion. The expansion in merchandise trade was attributed mainly to developing countries whose share in total trade increased to 34 per cent in 2007. During the same period, total exports of world commercial services grew by 17.8 per cent to US$3.3 trillion, while imports increased by 16.4 per cent to US$3.1 trillion. The increase in exports of world commercial services, among others, continued to be led by telecommunications, construction, financial and insurance, cultural and recreational, and professional and technical services.

Global foreign direct investment (FDI) inflows increased by 17.8 per cent to US$1.5 trillion in 2007. Developed countries continued to be the major recipients of FDI, attracting over US$1 trillion or 65.1 per cent share of world FDI. FDI inflows to developing countries and countries in transition grew by 15.7 per cent and 40.8 per cent, respectively. The increase in global FDI flows was attributed to the high growth achieved by multinational corporations and robust economic performance by developing countries.

ECONOMIC DEVELOPMENT BY REGION

Asia

Asia as a region, excluding Japan, recorded a growth of 9.1 per cent in 2007, compared with 8.9 per cent in 2006. This was attributed to higher growth in the second half of 2007 despite some emerging signs of declining growth. Overall, growth in Asia continued to be led by the People's Republic of China and India. Output in the **People's Republic of China** grew by 11.4 per cent (2006: 11.1 per cent) with the expansion being driven by strong investment growth and net exports. Growth in **India** slowed slightly to 9.2 per cent (2006: 9.7 per cent), attributed to rising inflation and the adoption of tighter monetary policy resulting in a decline in consumer spending.

The **Association of South East Asian Nations** (ASEAN) recorded a growth of 6.5 per cent in 2007, compared with 6 per cent in 2006. The expansion was generally attributed to robust domestic consumption. In the **Philippines**, growth accelerated to 7.3 per cent (2006: 5.4 per cent) backed by growth in domestic consumption, net exports and investments. In **Indonesia**, the economy expanded by 6.3 per cent (2006: 5.5 per cent) owing to the growth in private consumption and investment, and net exports. However, Singapore and Thailand recorded slower growth. **Singapore's** growth eased to 7.7 per cent (2006: 8.2 per cent) due to sluggish growth in the exports of electronics and a decline in pharmaceutical production, while **Thailand's** growth slowed to 4.8 per cent (2006: 5.1 per cent) as a result of declining consumption and investment owing to political uncertainties.

Malaysia's economy continued its strong growth momentum and expanded by 6.3 per cent in 2007, compared with 5.9 per cent in 2006. The growth was driven by robust domestic demand despite the weaker external environment. The resilience of the Malaysian economy in facing uncertainties ensuing from any further global slowdown was reinforced by the resilient household and corporate sector, a strong domestic banking system, prudent fiscal management, large trade account surplus and the nation's high international reserves.

Although **Japan's** economy registered a slower growth of 2.1 per cent in 2007, compared with 2.4 per cent in 2006, it remained resilient in the face of the global slowdown in the final quarter of 2007. Japan's growth continued to be led by robust net exports, particularly to emerging Asian countries and business investments. However, higher food and fuel prices, as well as sluggish wages continued to weigh on Japan's consumption. Business investments to Japan could weaken if the global slowdown intensified and credit conditions tightened.

In 2007, **West Asia** maintained its pace of growth achieved the year before at 5.8 per cent. The oil-exporting countries within the region continued to benefit from soaring oil prices and the depreciation of the US currency which boosted export revenues. Growth in the region was also driven by trade and financial spill-over from oil-exporting countries. However, rising inflation continued to be a concern in the region.

North America

The **US** economy contracted to 2.2 per cent in 2007, compared with 2.9 per cent growth in 2006. The contraction was due largely to the sharp decline in consumption and business investments. The tightening of lending conditions due to the worsening housing correction resulted in financial crisis in the USA in the last quarter of 2007. Despite this, the USA was able to sustain its net exports due to their competitiveness ensuing from the continued depreciation of the US dollar and growing demand from its trading partners.

The **Canadian** economy recorded a growth of 2.7 per cent in 2007, compared with 2.8 per cent in 2006. The slower growth was due to weaker external demand and tighter credit conditions.

Table 1.1:
World Real GDP Growth

Selected Country	2007		2006
	Change (%)	GDP Value [1] (US$ billion)	Change (%)
World	**4.9**		**5.0**
USA	**2.2**	**13,843.8**	**2.9**
ASEAN			
Singapore	7.7	161.3	8.2
Philippines	7.3	144.1	5.4
Indonesia	6.3	432.9	5.5
Malaysia	**6.3**	**156.1**	**5.9**
Thailand	4.8	245.7	5.1
East Asia			
People's Republic of China	11.4	3,250.8	11.1
Taiwan	5.7	383.3	4.9
Republic of Korea	5.0	957.1	5.1
Japan	2.1	4,383.8	2.4
South Asia			
India	9.2	1,098.9	9.7
Pakistan	6.4	143.8	6.9
Bangladesh	5.6	72.4	6.4
West Asia			
Egypt	7.1	127.9	6.8
Iran	5.8	294.1	5.8
Saudi Arabia	4.1	376.0	4.3
Africa			
Angola	21.1	61.4	18.6
Kenya	7.0	29.3	6.1
Nigeria	6.4	166.8	6.2
South Africa	5.1	282.6	5.4
Canada	**2.7**	**1,432.1**	**2.8**
Australia	**3.9**	**908.8**	**2.8**
New Zealand	**3.0**	**128.1**	**1.5**
EU			
Netherlands	3.5	768.7	3.0
Germany	2.5	3,322.1	2.9
UK	3.1	2,772.6	2.9
France	1.9	2,560.3	2.0
Italy	1.5	2,104.7	1.8
Latin America			
Peru	9.0	109.1	7.6
Argentina	8.7	260.0	8.5
Venezuela	8.4	236.4	10.3
Colombia	7.0	171.6	6.8
Brazil	5.4	1,313.6	3.8
Chile	5.0	163.8	4.0
Mexico	3.3	893.4	4.8

Source: International Monetary Fund, World Economic Outlook, April 2008
Note: [1] GDP value at current prices

Europe

Europe continued to record robust growth in 2007 despite experiencing deterioration in consumer and business sentiments in the fourth quarter of 2007. This deterioration was due to the slowdown in the US economy and the impact of rising oil prices on real disposable income. Overall, **Europe's** economy grew by 2.6 per cent in 2007, slightly lower than the 2.8 per cent growth rate attained in 2006. The growth was fuelled by strong investments, steady employment growth and strong global demand. In 2007, growth in the **United Kingdom** (UK) expanded by 3.1 per cent (2006: 2.9 per cent) despite depression in its banking sector, while a slightly slower growth was recorded for **Germany** at 2.5 per cent (2006: 2.9 per cent). **France** and **Italy** also experienced lower growth at 1.9 per cent (2006: 2 per cent) and 1.5 per cent (2006: 1.8 per cent) respectively.

Australia and New Zealand

In 2007, Australia and New Zealand both recorded higher growth compared with 2006. **Australia's** economy grew by 3.9 per cent, compared with 2.8 per cent in 2006, while growth in **New Zealand** expanded by 3 per cent, compared with 1.5 per cent in 2006. The adoption of prudent fiscal policies and flexible exchange rates provided sufficient safeguards to both these countries against any substantial weakening in the external environment.

Africa

The **African** economy continued to expand in 2007 with growth reaching 6.2 per cent, compared with 5.9 per cent in 2006. The region's expansion was attributed to stronger growth in oil-exporting countries, improvements in macroeconomic stability at the regional level, increased capital inflows and rising oil production. The region's strongest growth was recorded by **Angola** at 21.1 per cent (2006: 18.6 per cent) due to its sharp increases in the production of oil and precious stones. **Nigeria's** growth of 6.4 per cent (2006: 6.2 per cent) was attributed to the robust growth in agriculture. The growth of **South Africa** contracted to 5.1 per cent from 5.4 per cent in 2006, following the implementation of a tighter monetary policy aimed at containing rising inflationary pressures caused by soaring food and fuel prices.

Latin America

The **Latin American** economy continued to record robust growth in 2007 and grew by 5.6 per cent, compared with 5.5 per cent in 2006. Growth remained steady in 2007 for major commodity-exporting countries in the region such as **Argentina** at 8.7 per cent, **Colombia** (7 per cent growth), **Peru** (9 per cent growth) and **Venezuela** (8.4 per cent growth). In **Brazil**, the 5.4 per cent growth (2006: 3.8 per cent) was attributed to the decline in real interest rates and strong employment. **Mexico's** economy slowed to 3.3 per cent, compared with the 4.8 per cent growth in 2006 due to the downturn in the US economy. On the whole, the increase in capital inflows to the region boosted growth in 2007. However, this has been tempered due to increased inflation from rising prices of food and energy.

TRADE DEVELOPMENTS

According to the World Trade Organisation, world trade in 2007 expanded at a slower pace in tandem with the slower global economic growth experienced in the same year. In 2007, world merchandise trade grew by 5.5 per cent, compared with 8.5 per cent in 2006. This was attributed to the decline in demand from developed countries such as the USA, Europe and Japan. The slowdown in the US import growth affected the export growth of countries dependent on the US market.

World merchandise exports in value terms grew by 14.8 per cent to US$13.9 trillion in 2007, compared with US$12.1 trillion in 2006 underpinned by rising prices[1] and the depreciation of the US currency which boosted the dollar values of international trade transactions. The appreciation of European currencies against the US dollar

[1] According to the IMF, in 2007, sharp increases in export prices were recorded for metals (18 per cent), food and beverages (15 per cent), and fuel (10 per cent), while export prices for agricultural raw materials expanded 5 per cent.

Table 1.2 :
Merchandise Trade Performance

Selected Country	Exports			Imports		
	2007 (US$ billion)	Change (%)	2006 (US$ billion)	2007 (US$ billion)	Change (%)	2006 (US$ billion)
World	**13,898.0**	**14.8**	**12,108.0**	**14,211.0**	**14.4**	**12,427.0**
Asia	**4,129.0**	**15.5**	**3,576.2**	**3,802.9**	**14.1**	**3,332.7**
People's Republic of China	1,217.9	25.7	968.9	955.8	20.8	791.5
Japan	712.8	10.2	647.0	621.0	7.1	579.6
ASEAN	**862.7**	**11.9**	**770.9**	**773.3**	**12.1**	**689.8**
Singapore	299.3	10.1	271.8	263.2	10.2	238.7
Malaysia	**176.2**	**9.7**	**160.7**	**147.0**	**12.1**	**131.2**
Thailand	152.5	16.6	130.8	141.3	8.2	130.6
Indonesia	118.2	14.2	103.5	91.7	14.2	80.3
Philippines	50.3	6.0	47.4	57.2	5.7	54.1
West Asia	**721.0**	**9.6**	**657.9**	**461.8**	**22.5**	**376.9**
USA	**1,163.2**	**12.2**	**1,036.7**	**2,017.0**	**5.2**	**1,921.0**
Mexico	**272.0**	**8.6**	**250.4**	**296.6**	**10.6**	**267.6**
Europe	**5,768.8**	**15.9**	**4,975.5**	**6,054.5**	**15.6**	**5,237.9**
EU-27	5,314.0	15.7	4,591.0	5,568.5	15.3	4,830.0
Latin America	**495.6**	**14.9**	**431.3**	**454.6**	**25.6**	**361.8**
MERCOSUR	224.4	18.0	190.2	184.1	30.9	140.6
Africa	**421.9**	**15.2**	**366.1**	**355.1**	**22.4**	**290.1**

Source : World Trade Organization

was also reflected in the increase in the dollar value of European exports in 2007. The People's Republic of China in 2007 overtook the USA as the world's second largest exporter in merchandise trade.

Over the same period, exports of world commercial services expanded by 17.8 per cent to US$3.3 trillion, compared with US$2.8 trillion in 2006. The increase in exports of world commercial services continued to be led by telecommunications, construction, financial and insurance, cultural and recreational, and professional and technical services. Collectively, exports of these services expanded by 19.4 per cent to US$1.7 trillion (2006: US$1.4 trillion) accounting for 50.7 per cent of total exports of world commercial services.

In 2007, the growth of world merchandise imports declined to 5.5 per cent from 8 per cent in 2006. Total world merchandise imports grew by 14.4 per cent to US$14.2 trillion, compared with an expansion of 15 per cent to US$12.4 trillion in 2006. The lower global import growth was due to the decline in import growth in the USA, Europe, Japan and net oil-importing developing countries in Asia.

During the same period, total imports of world commercial services increased by 16.4 per cent to US$3.1 trillion, compared with US$2.6 trillion in 2006. This was attributed mainly to the increase in imports of commercial services in Europe which expanded by 17.4 per cent to US$1.4 trillion.

Trade Development by Region

Asia

In 2007, **Asia's** total merchandise exports grew by 15.5 per cent to US$4.1 trillion (2006: 16.9 per cent growth, US$3.6 trillion), while imports expanded by 14.1 per cent to US$3.8 trillion (2006: 15.4 per cent growth, US$3.3 trillion).

Table 1.3 :
Leading Exporters and Importers in World Merchandise Trade, 2007

Rank	Exporter	Value (US$ bil.)	Share (%)	Change (%)	Rank	Importer	Value (US$ bil.)	Share (%)	Change (%)
1	Germany	1,326.5	9.5	19.7	1	USA	2,017.0	14.2	5.2
2	People's Republic of China	1,217.9	8.8	25.7	2	Germany	1,059.4	7.5	16.8
3	USA	1,163.2	8.4	12.2	3	People's Republic of China	955.8	6.7	20.8
4	Japan	712.8	5.1	10.2	4	Japan	621.0	4.4	7.1
5	France	552.2	4.0	11.4	5	UK	617.2	4.3	2.7
6	Netherlands	550.6	4.0	18.8	6	France	613.2	4.3	13.2
7	Italy	491.5	3.5	17.9	7	Italy	504.6	3.6	14.0
8	UK	435.6	3.1	-2.9	8	Netherlands	490.6	3.5	17.7
9	Belgium	432.3	3.1	17.8	9	Belgium	415.8	2.9	18.1
10	Canada	418.5	3.0	7.8	10	Canada	389.7	2.7	9.0
11	Republic of Korea	371.6	2.7	14.2	11	Spain	373.6	2.6	13.7
12	Russia	355.2	2.6	16.9	12	Hong Kong SAR	370.7	2.6	10.4
13	Hong Kong SAR	349.7	2.5	8.4	13	Republic of Korea	356.6	2.5	15.3
14	Singapore	299.3	2.2	10.1	14	Mexico	296.6	2.1	10.6
15	Mexico	272.0	2.0	8.6	15	Singapore	263.2	1.9	10.2
16	Taiwan	246.4	1.8	10.2	16	Russia	223.1	1.6	35.4
17	Spain	242.0	1.7	13.2	17	Taiwan	219.6	1.5	8.2
18	Saudi Arabia	228.6	1.6	8.2	18	India	216.7	1.5	23.6
19	**Malaysia**	**176.2**	**1.3**	**9.7**	19	Turkey	170.0	1.2	21.8
20	Switzerland	171.6	1.2	16.2	20	Australia	165.3	1.2	18.7
21	Sweden	168.2	1.2	13.8	21	Austria	161.8	1.1	17.9
22	Austria	162.2	1.2	18.6	22	Poland	160.8	1.1	26.6
23	Brazil	160.6	1.2	16.6	23	Switzerland	160.8	1.1	13.8
24	United Arab Emirates	154.0	1.1	8.1	24	Sweden	150.0	1.1	17.6
25	Thailand	152.5	1.1	16.6	**25**	**Malaysia**	**147.0**	**1.0**	**12.1**
26	India	145.2	1.0	20.2	26	Thailand	141.3	1.0	8.2
27	Australia	141.1	1.0	14.3	27	Brazil	126.6	0.9	32.1
28	Norway	139.4	1.0	14.2	28	United Arab Emirates	121.1	0.9	23.7
29	Poland	137.6	1.0	24.2	29	Czech Republic	118.0	0.8	26.6
30	Czech Republic	122.4	0.9	29.0	30	Denmark	99.4	0.7	16.2

Source : World Trade Organization

Within Asia, the **People's Republic of China** remained the region's single largest exporter with total exports increased by 25.7 per cent to US$1.2 trillion (2006: 27.2 per cent growth, US$968.9 billion). The People's Republic of China also accounted for 8.8 per cent of total world merchandise exports in 2007 and overtook the USA as the world's second largest exporter. In 2007, total imports of the People's Republic of China grew by 20.8 per cent to US$955.8 billion (2006: 19.9 per cent growth, US$791.5 billion) and remained the world's third largest importer constituting 6.7 per cent of the world's merchandise imports.

Japan's total merchandise exports in 2007 expanded by 10.2 per cent to US$712.8 billion (2006: 8.8 per cent growth, US$647 billion), while merchandise imports grew at 7.1 per cent to US$621 billion (2006: 12.6 per cent growth, US$579.6 billion). Japan was ranked the world's fourth largest exporter and importer of merchandise in 2007, accounting for 5.1 per cent of world's merchandise exports and 4.4 per cent of world's merchandise imports, respectively.

In 2007, **ASEAN's** total merchandise exports grew by 11.9 per cent to US$862.7 billion

Table 1.4 :
Leading Exporters and Importers in World Commercial Services Trade, 2007

Rank	Exporter	Value (US$ bil.)	Share (%)	Change (%)	Rank	Importer	Value (US$ bil.)	Share (%)	Change (%)
1	USA	454.4	13.9	14.2	1	USA	335.6	11.0	8.8
2	UK	263.4	8.1	16.6	2	Germany	245.4	8.0	15.0
3	Germany	197.3	6.1	18.2	3	UK	193.3	6.3	13.1
4	Japan	135.6	4.2	10.6	4	Japan	157.4	5.1	9.3
5	France	130.4	4.0	10.9	5	People's Republic of China	128.9	4.2	28.5
6	Spain	127.5	3.9	20.9	6	France	120.1	3.9	12.3
7	People's Republic of China	126.7	3.9	38.6	7	Italy	116.7	3.8	19.0
8	Italy	108.9	3.3	12.1	8	Spain	96.8	3.2	24.3
9	Netherlands	90.9	2.8	13.4	9	Ireland	92.5	3.0	17.9
10	Ireland	87.1	2.7	26.8	10	Netherlands	89.0	2.9	13.0
11	India	86.4	2.7	15.1	11	Republic of Korea	84.8	2.8	21.5
12	Hong Kong SAR	81.8	2.5	13.2	12	Canada	80.0	2.6	11.5
13	Belgium	72.9	2.2	27.3	13	India	78.1	2.6	23.8
14	Singapore	66.4	2.0	12.6	14	Singapore	70.1	2.3	13.6
15	Republic of Korea	64.3	2.0	27.6	15	Belgium	66.3	2.2	26.8
16	Sweden	62.7	1.9	25.6	16	Russia	56.9	1.9	30.2
17	Denmark	61.5	1.9	16.7	17	Denmark	55.6	1.8	20.6
18	Canada	61.2	1.9	5.9	18	Sweden	48.0	1.6	21.1
19	Switzerland	61.1	1.9	20.5	19	Hong Kong SAR	40.0	1.3	9.4
20	Luxembourg	60.0	1.8	18.3	20	Australia	38.1	1.2	20.6
21	Austria	53.8	1.7	17.8	21	Thailand	37.9	1.2	17.7
22	Greece	43.1	1.3	20.8	22	Austria	37.3	1.2	12.3
23	Australia	39.7	1.2	22.3	23	Norway	37.1	1.2	18.9
24	Norway	39.0	1.2	17.7	24	Luxembourg	35.5	1.2	17.6
25	Russia	38.3	1.2	24.8	25	Taiwan	35.2	1.2	8.1
26	Taiwan	30.4	0.9	5.2	26	Brazil	33.6	1.1	23.9
27	Thailand	28.0	0.9	16.9	27	Switzerland	32.6	1.1	13.9
28	Poland	28.0	0.9	36.3	28	Indonesia	32.0	1.0	-
29	**Malaysia**	**28.0**	**0.9**	**28.7**	29	United Arab Emirates	28.0	0.9	16.4
30	Turkey	27.2	0.8	12.4	**30**	**Malaysia**	**27.1**	**0.9**	**15.4**

Source : World Trade Organization

(2006: 17.6 per cent growth, US$770.9 billion), while total merchandise imports expanded by 12.1 per cent to US$773.3 billion (2006: 14.4 per cent growth, US$689.8 billion). Collectively, ASEAN accounted for 6.2 per cent of total world merchandise exports and 5.4 per cent of total world merchandise imports in 2007. Among ASEAN Member States, **Singapore** remained the world's 14th largest merchandise exporter, with 2.2 per cent share of world exports totalling US$299.3 billion, and the world's 15th largest merchandise importer, with imports totalling US$263.2 billion or 1.9 per cent share of world imports.

Malaysia maintained its rank as the 19th largest merchandise exporter, with 1.3 per cent share of world exports, valued at US$176.2 billion and was ranked the world's 25th largest merchandise importer.

West Asia's merchandise trade in 2007 continued to benefit from the development in the global oil market, particularly the surge in crude oil prices. Merchandise exports from West Asia increased by 9.6 per cent to US$721 billion (2006: 21.4 per cent growth, US$657.9 billion) and accounted for 5.2 per cent share of world merchandise exports. Merchandise imports into West Asia expanded by 22.5 per cent to US$461.8 billion (2006: 12.5 per cent growth, US$376.9 billion) and accounted for 3.2 per cent share of world merchandise imports.

Asia's trade in commercial services continued to expand in 2007. Total exports of commercial services from Asia increased by 19.1 per cent to US$745 billion (2006: 16.7 per cent growth, US$625.5 billion), while imports grew by 17.1 per cent to US$777.6 billion (2006: 14 per cent growth, US$664.3 billion). Asia as a region accounted for 22.9 per cent of exports of world commercial services and absorbed 25.4 per cent of world commercial services imports.

In 2007, **Japan** continued to lead Asia in the trade in commercial services and remained world's fourth largest exporter and importer of commercial services. Japan's exports of commercial services increased by 10.6 per cent to US$135.6 billion (2006: 13.6 per cent growth, US$122.5 billion) or 4.2 per cent share of world commercial services exports, while imports of commercial services expanded by 9.3 per cent to US$157.4 billion (2006: 8.6 per cent growth, US$144 billion) or 5.1 per cent of world commercial services imports.

The **People's Republic of China** was ranked the world's seventh largest exporter and the fifth largest importer of commercial services in 2007, and accounted for 3.9 per cent share of the world exports and absorbed 4.2 per cent of the world imports. In 2007, **India** ranked 11th as the world's largest exporter of commercial services and accounted for 2.7 per cent share of world exports. It was ranked the 13th largest importer of commercial services and absorbed 2.6 per cent of world commercial services imports.

North America

In 2007, **North America's** merchandise exports grew by 10.7 per cent to US$1.9 trillion (2006: 13.3 per cent growth, US$1.7 trillion) and imports expanded by 6.3 per cent to US$2.7 trillion (2006: 11.2 per cent growth, US$2.5 trillion). Exports of commercial services increased by 12.9 per cent to US$533 billion (2006: 9.4 per cent growth, US$472 billion), while imports grew by 9.3 per cent to US$439.9 billion in 2007 (2006: 9.5 per cent growth, US$402.4 billion).

In the **USA**, exports of both merchandise and commercial services outpaced imports in 2007. Exports of merchandise increased by 12.2 per cent to US$1.2 trillion (2006: 14.6 per cent growth, US$1 trillion), while exports of commercial services expanded by 14.2 per cent to US$454.4 billion (2006: 10 per cent growth, US$397.8 billion). Merchandise imports expanded by 5.2 per cent to US$2 trillion (2006: 10.7 per cent growth, US$1.9 trillion), while imports of commercial services grew by 8.8 per cent to US$335.6 billion (2006: 9.3 per cent growth, US$308.3 billion). The slowdown in the US import growth affected export growth of some countries which are dependent on the US market. The US merchandise imports from the People's Republic of China grew by 12 per cent, while imports from Japan and other Asian economies declined. Imports from the People's Republic of China were mainly electronic goods and apparel. In 2007, the USA was ranked the world's third largest exporter of merchandise trade, with 8.4 per cent share and the largest exporter of commercial services, with 13.9 per cent share. The USA was also the largest importer of merchandise trade and commercial services absorbing 14.2 per cent and 11 per cent of world imports, respectively.

In 2007, **Canada's** merchandise exports grew by 7.8 per cent to US$418.5 billion (2006: US$388.1 billion), while exports of commercial services expanded by 5.9 per cent to US$61.2 billion (2006: US$57.8 billion). Imports of merchandise expanded by 9 per cent to US$389.7 billion (2006: US$357.7 billion), while imports of commercial services increased by 11.5 per cent to US$80 billion (2006: US$71.7 billion). Canada accounted for 3 per cent of world merchandise and 1.9 per cent of commercial services exports, and absorbed 2.7 per cent of world merchandise and 2.6 per cent of world commercial services imports.

European Union

Europe continued to experience trade expansion in merchandise and commercial services in 2007. **Europe's** exports of merchandise increased by 15.9 per cent to US$5.8 trillion (2006: 13 per cent growth, US$5 trillion), while exports of commercial services expanded by 18.9 per cent to US$1.7 trillion (2006: 10 per cent growth, US$1.4 trillion). Imports of merchandise grew by 15.6 per cent to US$6 trillion (2006: 14.5 per cent growth, US$5.2 trillion), while imports of commercial services increased by 17.4 per cent to US$1.4 trillion (2006: 9.1 per cent growth, US$1.2 trillion). The trade expansion was attributed to the appreciation of European currencies against the US dollar resulting in the increase in dollar value of European exports, as well as the increase in FDI inflows.

In 2007, merchandise exports of the **European Union** (EU) grew by 15.7 per cent to US$5.3 trillion (2006: US$4.6 trillion), while exports of commercial services expanded by 18.6 per cent to US$1.5 trillion (2006: US$1.3 trillion). EU's merchandise imports increased by 15.6 per cent to US$5.6 trillion (2006: US$4.8 trillion), while imports of commercial services expanded by 17.3 per cent to US$1.3 trillion (2006: US$1.1 trillion). **Germany** remained Europe's largest merchandise exporter and importer, with exports growing by 19.7 per cent to US$1.3 trillion (2006: 14.1 per cent growth, US$1.1 trillion) and imports increasing by 16.8 per cent to US$1.1 trillion (2006: 16.7 per cent growth, US$906.7 billion).

In Europe, the **UK** continued to be the leading exporter of commercial services in 2007, with exports increasing by 16.6 per cent to US$263.4 billion in 2007 (2006: 9.7 per cent growth, US$225.9 billion). **Germany** remained Europe's largest importer of commercial services with imports growing by 15 per cent to US$245.4 billion (2006: 6.2 per cent growth, US$213.3 billion).

Africa

Africa's merchandise exports grew by 15.2 per cent to US$421.9 billion (2006: US$366.1 billion), while imports increased by 22.4 per cent to US$355.1 billion in 2007 (2006: US$290.1 billion). While most African countries experienced a decline in export growth and acceleration in imports in 2007, **South Africa** recorded a 20 per cent increase in export growth and a 17.7 per cent decline in imports.

Latin America

In 2007, **Latin America** accounted for 3.6 per cent share of world merchandise exports and absorbed 3.2 per cent of world merchandise imports. As a region, exports grew by 14.9 per cent to US$495.6 billion (2006: US$431.3 billion), while imports increased by 25.6 per cent to US$454.6 billion in 2007 (2006: US$361.8 billion). The trade expansion was supported by higher primary commodity prices, in particular those of oil and metals.

INVESTMENT DEVELOPMENTS

Foreign Direct Investment Inflows

In 2007, global foreign direct investment (FDI) inflows increased by 17.8 per cent to US$1.5 trillion, from US$1.3 trillion in 2006. This reflected that the global economic slow down in the latter half of 2007 had not seriously affected the volume of FDI flows.The inflow of FDI into developed countries expanded by 16.8 per cent, while FDI inflows into developing countries grew by 15.7 per cent in 2007. The South-East Europe and the Commonwealth of Independent States (CIS) showed a sharp increase in the FDI inflows and registered a 40.8 per cent increase compared with 2006. The increase in world FDI in flows was the result of high investment returns of multinational corporations and the robust economic performance by developing countries. A substantial portion of these FDI in flows were attributed to high value cross-border mergers and acquisitions (M&As).

Developed countries continued to be the major recipients for FDI in 2007 attracting over US$1 trillion or 65.1 per cent share of world FDI. Conversely, developing countries and countries in transition, namely in South-East Europe and the CIS accounted for 28.5 per cent and 6.3 per cent of the total world FDI respectively in the same period.

Table 1.5:
World FDI Inflows

Region/Economy	2007 [1]			2006 [2]	
	US$ billion	Share (%)	Change (%)	US$ billion	Change (%)
World	**1,537.9**	**100.0**	**17.8**	**1,305.9**	**42.5**
Developed Economies	**1,001.9**	**65.1**	**16.8**	**857.5**	**58.1**
European Union (25)	**610.0**	**39.7**	**14.9**	**531.0**	**25.9**
EU-15	572.0	37.2	16.2	492.1	26.9
UK	171.1	11.1	22.6	139.5	-15.2
France	123.3	8.0	52.1	81.1	27.5
Netherlands	104.2	6.8	...	4.4	-89.4
Italy	28.1	1.8	-28.1	39.2	96.0
Germany	44.8	2.9	4.4	42.9	31.2
New 10 EU member states	38.0	2.5	-2.3	38.9	14.4
Poland	18.1	1.2	30.3	13.9	80.5
Hungary	-0.3	0.0	…	6.1	-9.0
Czech Republic	7.6	0.5	27.3	6.0	-45.5
USA	**192.9**	**12.5**	**10.0**	**175.4**	**76.5**
Japan	**28.8**	**1.9**	**…**	**-6.5**	**…**
Developing Economies	**438.4**	**28.5**	**15.7**	**379.1**	**13.4**
Africa	**35.6**	**2.3**	**0.1**	**35.5**	**15.6**
Sudan	2.2	0.1	-37.9	3.5	52.2
Egypt	10.2	0.7	1.6	10.0	85.2
South Africa	5.0	0.3	…	-0.3	…
Morocco	5.2	0.3	78.6	2.9	0.0
Latin America and the Caribbean	**125.8**	**8.2**	**50.2**	**83.8**	**-19.2**
Mexico	36.7	2.4	92.9	19.0	0.5
Brazil	37.4	2.4	99.3	18.8	24.5
Chile	15.3	1.0	92.2	8.0	19.4
Colombia	8.2	0.5	30.5	6.3	-38.2
Argentina	2.9	0.2	-39.6	4.8	2.1
Asia and Oceania	**277.0**	**18.0**	**6.6**	**259.8**	**29.9**
West Asia	52.8	3.4	-11.9	59.9	73.6
Turkey	19.4	1.3	-3.7	20.1	107.2
South, East and South-East Asia	224.0	14.6	12.3	199.5	20.8
People's Republic of China	67.3	4.4	-3.1	69.5	-4.0
Hong Kong SAR	54.4	3.5	26.9	42.9	19.5
Singapore	36.9	2.4	52.6	24.2	20.4
India	15.3	1.0	-9.4	16.9	156.1
Thailand	10.0	0.7	2.3	9.8	164.9
Malaysia	**9.4**	**0.6**	**54.4**	**6.1**	**52.5**
Indonesia	5.9	0.4	6.3	5.6	5.7
South-East Europe and the Commonwealth of Independent States	**97.6**	**6.3**	**40.8**	**69.3**	**74.6**

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

Foreign Direct Investments in Developed Countries

In 2007, the **EU** as a region remained the largest recipient of FDI attracting investments totalling US$610 billion or 39.7 per cent of total world FDI. The **Netherlands** recorded a significant surge in FDI inflows amounting to US$104.2 billion, compared with US$4.4 billion in 2006. This was followed by **France** which registered an increase of 52.1 per cent in FDI to US$123.3 billion (2006: US$81.1 billion) and the **UK**, with a 22.6 per cent increase to US$171.1 billion (2006: US$139.5 billion).

The **USA** continued to rank as the single largest FDI recipient absorbing 12.5 per cent of world FDI totalling US$192.9 billion in 2007. The FDI inflows to the USA grew by 10 per cent, compared with 76.5 per cent in 2006. This was supported by new capital injections from various funds including sovereign wealth funds and continued investments from countries whose currencies had appreciated, such as in Europe and developing Asia.

Foreign Direct Investments in Developing Countries

In 2007, **Asia** continued to be the largest recipient of FDI for developing countries attracting investments totalling US$277 billion, and accounting for 18 per cent of total world FDI or 63.2 per cent of total FDI inflows to developing countries. FDI inflows within Asia were mainly to South, East and South-East Asia, increasing by 12.3 per cent to US$224 billion in 2007 from US$199.5 in 2006. The major recipients of FDI inflows in the sub-region were the **People's Republic of China** with investments totalling US$67.3 billion, **Hong Kong SAR** (US$54.4 billion) and **Singapore** (US$36.9 billion). These countries collectively accounted for 70.8 per cent of total FDI inflows to the sub-region. In 2007, FDI inflows to **Malaysia** increased by 54.4 per cent to US$9.4 billion from US$6.1 billion in 2006, with most of the investments being in the manufacturing sector, particularly the E&E industry.

In **West Asia**, overall FDI inflows in 2007 declined by 11.9 per cent to US$52.8 billion (2006: US$59.9 billion) due to geopolitical uncertainties in parts of the region. **Turkey** and the oil-rich Gulf States continued to account for most of the FDI inflows to the sub-region.

FDI inflows to **Latin America** and the **Caribbean** surged by 50.2 per cent to a record high of US$125.8 billion in 2007 (2006: US$83.8 billion). The FDI growth was driven by greenfield investments, strong regional economic growth and higher corporate profits as a result of high commodity prices. Within this region, a significant increase in FDI was recorded by **Brazil** with investment in inflows growing by 99.3 per cent to US$37.4 billion in 2007, from US$18.8 billion in 2006. The bulk of the FDI inflows were in resource-based manufacturing. FDI inflows to **Mexico** surged by 92.9 per cent to US$36.7 billion (2006: US$19 billion), while investment inflows to **Chile** increased by 92.2 per cent to US$15.3 billion (2006: US$8 billion).

In 2007, total FDI inflows to **Africa** amounted to US$35.6 billion (2006: US$35.5 billion) and this was supported by the continuing boom in global commodity markets, high value cross-border M&As in the extraction and related service industries, and new inbound M&As in the banking industry. Main beneficiaries of FDI inflows in this region include **Egypt** (US$10.2 billion), **Morocco** (US$5.2 billion) and **South Africa** (US$5 billion).

Foreign Direct Investments in South-East Europe and the CIS

FDI inflows to **South-East Europe** and the **CIS** also reached a record level with investment inflows increasing by 40.8 per cent to US$97.6 billion in 2007 (2006: US$69.3 billion). The privatisation of state-owned enterprises also attracted FDI to the region. **Russia** remained the largest FDI recipient among economies in transition with investment inflows increasing by 70.3 per cent to US$48.9 billion (2006: US$28.7 billion). However, the tightening of regulations on natural resources, environmental protection disputes and hikes in extraction costs could affect its FDI inflows.

OUTLOOK

The prospects for the world economy in 2008 has become increasingly uncertain due to recent global economic developments, such as the slowdown in the USA, weaker demand growth in Europe and Japan, and the rise in inflation owing to escalating energy and food prices. The International Monetary Fund forecast that the global output growth would decline to 3.7 per cent in 2008. In addition, the growth in the USA is expected to be 0.5 per cent in 2008, while growth in both Western Europe and Japan is projected at 1.4 per cent. Growth in Asia, excluding Japan is expected to remain robust at 7.5 per cent in 2008.

According to the WTO, a slowdown in world economic growth could impact global trade growth. For 2008, global trade is expected to grow at 4.5 per cent.

Food prices are likely to remain high in 2008. This will pose a greater inflationary risk in Asia and the Pacific region, compared with oil prices, as food accounts for a high proportion of consumer spending. Inflation in Asia and the Pacific region is projected at 4.6 per cent for developing economies and 0.6 per cent for developed economies in 2008.

The growth of global FDI may be affected in 2008 due to the continuing global external imbalances. According to UNCTAD, these include the slowdown in the USA, Western Europe and Japan, the sharp exchange rate fluctuations, rising interest rates and increasing inflationary pressures, as well as the high and volatile commodity prices. However, the growing demand for natural resources globally could result in new opportunities in the primary sector which would boost FDI in the extractive industries. Investment in the services sector poses good potential as export growth of world commercial services have continued on an upward trend.

OVERVIEW

Malaysia's total trade in 2007 reached RM1.11 trillion, an increase of 3.8 per cent from RM1.07 trillion in 2006. The increase was broad-based with growth contributed by the manufacturing, agricultural and mining sectors. Malaysia recorded a trade surplus for the 10th consecutive year. The trade surplus of RM100.3 billion in 2007 was the second highest ever recorded.

As a result of diversification both in products and markets, as well as continuous external demand in selected major markets, exports increased by 2.7 per cent to RM605.2 billion, compared with RM589 billion in 2006. Imports grew by 5 per cent to RM504.8 billion in 2007, from RM480.8 billion in 2006.

Table 2.1:
External Trade

Description	2007		2006
	RM billion	Change (%)	RM billion
Total Trade	**1,110.0**	**3.8**	**1,069.7**
Exports	605.2	2.7	589.0
Imports	504.8	5.0	480.8
Trade Balance	100.3	-7.3	108.2

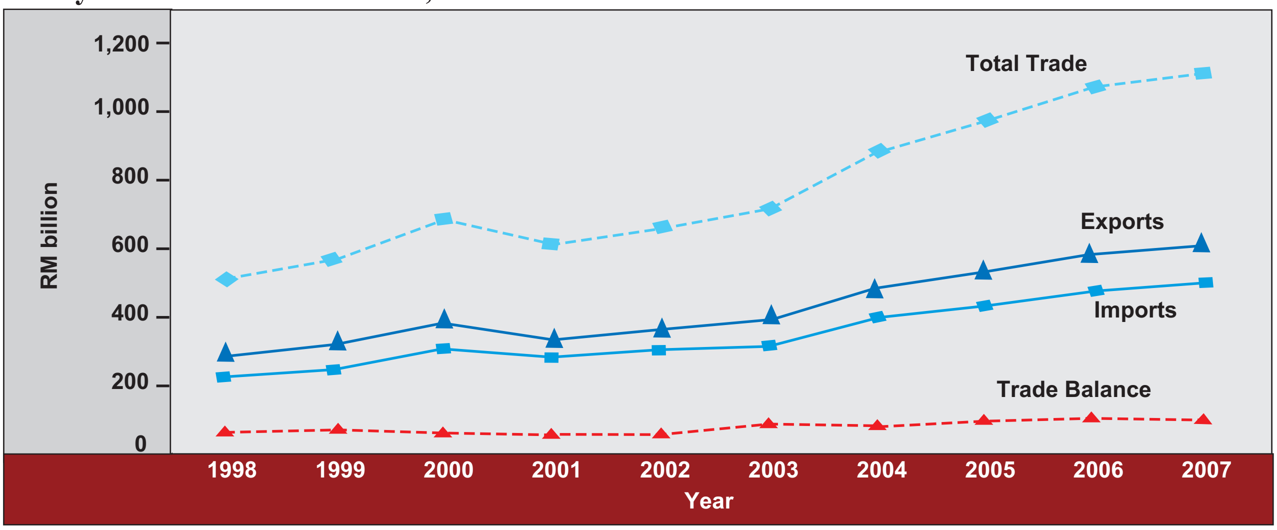
Compiled by Ministry of International Trade and Industry

The United States of America (USA), Singapore, Japan, the People's Republic of China and Thailand remained Malaysia's top five trading partners in 2007. Collectively, these countries accounted for 53.2 per cent of Malaysia's total trade. The share of Malaysia's total trade to Japan increased to 10.9 per cent, while the People's Republic of China increased its share to 10.6 per cent.

The World Trade Organization (WTO) reported that in 2007, Malaysia was the 19th largest exporter and 25th largest importer in world merchandise trade. Malaysia was also ranked the 30th largest exporter and 29th largest importer in world commercial services trade.

Regionally, Malaysia's top three major trading partners in 2007 were North-East Asia, the Association of South East Asian Nations (ASEAN) and North America. Malaysia's total trade with North-East Asia and ASEAN increased by 7.6 per cent and 2.9 per cent, respectively. Total trade with these regions accounted for 58.9 per cent of Malaysia's total trade in 2007.

Chart 2.1:
Malaysia's Trade Performance, 1998-2007



Compiled by Ministry of International Trade and Industry

Table 2.2:
Top 20 Trading Partners

Country	2007 Rank	2007 RM billion	2007 Share (%)	2007 Change (%)	2006 Rank	2006 RM billion	2006 Share (%)
Total Trade		**1,110.0**	**100.0**	**3.8**		**1,069.7**	**100.0**
USA	1	149.2	13.4	-12.6	1	170.8	16.0
Singapore	2	146.5	13.2	-0.3	2	146.9	13.7
Japan	3	120.8	10.9	4.3	3	115.8	10.8
People's Republic of China	4	117.9	10.6	16.9	4	100.9	9.4
Thailand	5	57.0	5.1	-0.8	5	57.5	5.4
Republic of Korea	6	48.0	4.3	1.7	6	47.2	4.4
Taiwan	7	45.2	4.1	6.9	7	42.3	4.0
Hong Kong SAR	8	42.6	3.8	2.0	8	41.8	3.9
Indonesia	9	39.1	3.5	18.3	10	33.1	3.1
Germany	10	38.3	3.4	13.1	9	33.8	3.2
Australia	11	30.6	2.8	19.6	11	25.6	2.4
India	12	27.3	2.5	15.2	13	23.7	2.2
Netherlands	13	26.9	2.4	8.4	12	24.8	2.3
Philippines	14	18.5	1.7	-0.5	14	18.6	1.7
United Kingdom	15	17.2	1.6	-2.0	15	17.5	1.6
France	16	15.1	1.4	-3.6	16	15.6	1.5
United Arab Emirates	17	14.6	1.3	22.8	17	11.9	1.1
Viet Nam	18	14.3	1.3	22.8	18	11.6	1.1
Saudi Arabia	19	9.2	0.8	-11.9	19	10.5	1.0
Italy	20	8.3	0.8	6.1	20	7.8	0.7

Compiled by Ministry of International Trade and Industry

Malaysia's trade with North America in 2007 contracted by 12.4 per cent to RM155.1 billion. Exports to the USA which accounted for 96.6 per cent of Malaysia's exports to North America declined by 14.5 per cent. The main reason for the decline was the slowdown in the USA economy and outsourcing to lower cost countries by the USA.

Malaysia has made inroads in trade with other regions where double digit growth were recorded. Trade with Africa grew by 34.8 per cent to RM16.5 billion, followed by Eastern Europe (26.7 per cent to RM4.7 billion), Oceania (18.4 per cent to RM35.6 billion), Latin America (14.7 per cent to RM18.3 billion) and South Asia (13.8 per cent to RM35.2 billion).

The increase in the utilisation of the preferential access under both the bilateral and regional Free Trade Agreements (FTAs) contributed to Malaysia's total trade in 2007.

EXPORTS

The profile of exports in 2007 was relatively unchanged, with all export sectors registering growth. The manufacturing sector continued to dominate Malaysia's exports, with a share of 74.8 per cent. Manufactured exports totalled RM452.5 billion, an increase of 0.2 per cent from RM451.7 billion in 2006. Mining exports accounted for 14 per cent share, increased by 7 per cent to RM84.8 billion, while agricultural exports with a 9.5 per cent share, showed an increase of 24.4 per cent to RM57.7 billion.

Significant increases were registered for chemicals and chemical products, which grew by 14.3 per cent to RM33.2 billion. This was followed by machinery, appliances and parts with 10.2 per cent to RM21.9 billion, manufactures of metal (17.4 per cent to RM16.6 billion), rubber products (13.4 per cent to RM10.6 billion), and iron and steel products (12.4 per cent to RM10.5 billion).

Table 2.3:
Exports by Sector

Description	2007			2006	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total Exports	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**
Manufactured Exports	**452,531.3**	**74.8**	**0.2**	**451,748.4**	**76.7**
Electrical and electronic products	266,454.4	44.0	-5.2	281,017.3	47.7
Chemicals and chemical products	33,242.0	5.5	14.3	29,080.0	4.9
Machinery, appliances and parts	21,871.1	3.6	10.2	19,842.9	3.4
Manufactures of metal	16,626.9	2.7	17.4	14,157.0	2.4
Wood products	16,294.1	2.7	-2.4	16,687.5	2.8
Optical and scientific equipment	13,611.9	2.2	0.4	13,558.0	2.3
Rubber products	10,583.1	1.7	13.4	9,332.7	1.6
Iron and steel products	10,523.0	1.7	12.4	9,358.5	1.6
Textiles and apparel	10,263.0	1.7	-3.2	10,601.9	1.8
Processed food	8,670.4	1.4	19.5	7,255.7	1.2
Transport equipment	8,397.1	1.4	-3.4	8,691.0	1.5
Manufactures of plastics	8,380.4	1.4	6.7	7,852.7	1.3
Jewellery	5,006.8	0.8	29.3	3,873.4	0.7
Non-metallic mineral products	3,936.2	0.7	12.6	3,495.9	0.6
Petroleum products	2,895.2	0.5	16.4	2,487.8	0.4
Paper and pulp products	2,540.9	0.4	17.2	2,168.2	0.4
Beverages and tobacco	2,195.0	0.4	14.2	1,922.2	0.3
Mining Exports	**84,818.2**	**14.0**	**7.0**	**79,299.2**	**13.5**
Crude petroleum	33,524.3	5.5	2.9	32,572.0	5.5
LNG	26,157.3	4.3	12.3	23,285.3	4.0
Refined petroleum products	23,193.9	3.8	5.2	22,057.8	3.7
Tin	1,064.5	0.2	43.8	740.4	0.1
Crude fertilisers and crude minerals	511.3	0.1	57.3	325.1	0.1
Metalliferous ores and metal scrap	341.5	0.1	14.4	298.4	0.1
Agricultural Exports	**57,728.8**	**9.5**	**24.4**	**46,411.4**	**7.9**
Palm oil	37,535.5	6.2	45.5	25,800.7	4.4
Crude rubber	7,335.3	1.2	-10.9	8,234.9	1.4
Saw logs and sawn timber	6,208.5	1.0	-5.8	6,593.6	1.1
Other vegetable/animal fats and oils	1,966.7	0.3	17.0	1,681.2	0.3
Seafood, fresh, chilled or frozen	1,938.0	0.3	16.7	1,661.1	0.3
Live animals and meat	534.6	0.1	17.9	453.5	0.1
Vegetables, roots and tubers	380.1	0.1	-1.6	386.2	0.1

Compiled by Ministry of International Trade and Industry

In 2007, exports of electrical and electronic (E&E) products, Malaysia's leading export sub-sector, decreased by 5.2 per cent to RM266.4 billion, from RM281 billion in 2006. The decline in exports of E&E products was attributed to the decrease in exports mainly to the USA, Singapore, Hong Kong Special Administrative Region (Hong Kong SAR) and Japan. E&E exports to the USA, which was Malaysia's largest market, registered a decrease of 18 per cent to RM70.4 billion in 2007, from RM85.9 billion in 2006.

The largest export category for E&E products was electrical machinery, apparatus, appliances and parts, which recorded a growth of 1.8 per cent to RM128 billion in 2007. Semiconductor devices, integrated circuits, microassemblies, transistors and valves, which constituted 75.3 per cent of this product category, grew by 3.2 per cent to RM96.5 billion. Items that registered double-digit growth under this product category were electrical and non-electrical household equipment, which expanded by 11.4

per cent to RM3.5 billion and electro-diagnostic apparatus, medical and radiological apparatus (17.6 per cent to RM355 million).

Exports of E&E products that recorded decreases were automatic data processing (ADP) machines, which declined to RM55.5 billion. This was followed by parts for office machines and ADP machines (RM36.7 billion), telecommunications equipment and parts (RM28.8 billion), and sound recorders (RM5.5 billion).

For chemicals and chemical products, major categories that registered increases in exports were organic chemicals, which expanded by 18.3 per cent to RM11.9 billion. This was followed by plastics in primary form (11.1 per cent to RM9.5 billion), chemical materials and products (15.4 per cent to RM4.9 billion), and essential oils and perfume materials, toilet and cleansing preparations (12.4 per cent to RM2.3 billion).

In 2007, higher demand from the United Arab Emirates (UAE) and Singapore, boosted exports of jewellery by 29.3 per cent to RM5 billion, from RM3.9 billion in 2006. Jewellery of gold, silver and platinum was the major export item in 2007, valued at RM4.9 billion, compared with RM3.8 billion in 2006. Exports to the UAE amounted to RM3.4 billion, accounting for 67.6 per cent of total exports of jewellery. Singapore was Malaysia's second largest export market for jewellery with 21.3 per cent share, valued at RM1.1 billion.

Crude petroleum, liquefied natural gas (LNG) and refined petroleum products were the major exports of the mining sector, with a total value of RM82.9 billion. These products accounted for 97.7 per cent of mining exports and 13.7 per cent of Malaysia's total exports. The average export unit price of crude petroleum in 2007 increased by 2.2 per cent to RM1,935 per tonne, while LNG increased by 6.7 per cent to RM1,153 per tonne. The export volume of

Table 2.4:
Top 20 Export Destinations

Country	2007				2006		
	Rank	RM billion	Share (%)	Change (%)	Rank	RM billion	Share (%)
Total Exports		**605.2**	**100.0**	**2.7**		**589.0**	**100.0**
USA	1	94.5	15.6	-14.5	1	110.6	18.8
Singapore	2	88.5	14.6	-2.5	2	90.8	15.4
Japan	3	55.2	9.1	5.8	3	52.2	8.9
People's Republic of China	4	53.0	8.8	24.3	4	42.7	7.2
Thailand	5	30.0	5.0	-3.8	5	31.2	5.3
Hong Kong SAR	6	28.0	4.6	-4.0	6	29.1	4.9
Netherlands	7	23.6	3.9	10.1	7	21.4	3.6
Republic of Korea	8	23.0	3.8	8.2	8	21.3	3.6
Australia	9	20.4	3.4	22.1	10	16.7	2.8
India	10	20.2	3.3	7.6	9	18.8	3.2
Indonesia	11	17.7	2.9	19.0	12	14.9	2.5
Taiwan	12	16.5	2.7	2.6	11	16.0	2.7
Germany	13	14.8	2.5	16.1	13	12.8	2.2
United Arab Emirates	14	10.1	1.7	21.8	15	8.3	1.4
United Kingdom	15	9.9	1.6	-7.6	14	10.7	1.8
Philippines	16	8.7	1.4	9.6	16	8.0	1.4
Viet Nam	17	8.0	1.3	23.8	18	6.5	1.1
France	18	7.4	1.2	-7.4	17	7.9	1.3
Pakistan	19	4.3	0.7	39.6	22	3.1	0.5
Mexico	20	4.0	0.7	19.8	21	3.4	0.6

Compiled by Ministry of International Trade and Industry

crude petroleum and LNG increased by 0.6 per cent to 17 million tonnes and 5.3 per cent to 22.7 million tonnes, respectively in 2007.

For the agriculture sector, exports of crude palm oil registered a significant growth of 45.5 per cent valued at RM37.5 billion in 2007, from RM25.8 billion in 2006. The increase in the average price of crude palm oil by 67.5 per cent to RM2,530 per tonne in 2007, from RM1,510 per tonne in 2006, increased significantly the value of agricultural exports to RM57.7 billion, from RM46.4 billion in 2006. Export volume of palm oil decreased by 4.7 per cent to 13.7 million tonnes in 2007, from 14.4 million tonnes in 2006.

In 2007, Malaysia's top five export destinations were the USA, Singapore, Japan, the People's Republic of China and Thailand, which accounted for 72.1 per cent of Malaysia's total exports.

A double digit export growth of 39.6 per cent to RM4.3 billion was recorded with Pakistan. Malaysia's major export product to Pakistan in 2007 was palm oil. Other countries that recorded double digit growth were the People's Republic of China (24.3 per cent to RM53 billion) mainly for E&E products, Viet Nam (23.8 per cent to RM8 billion) mainly for iron and steel products, Australia (22.1 per cent to RM20.4 billion) mainly for crude petroleum and the UAE (21.8 per cent to RM10.1 billion) mainly for jewellery.

IMPORTS

Malaysia's total imports in 2007 grew by 5 per cent to RM504.8 billion, from RM480.8 billion in 2006. The growth was attributed mainly to higher imports of intermediate and capital goods. Imports of intermediate and capital goods accounted for 85 per cent of Malaysia's total imports.

Imports of intermediate goods valued at RM358.8 billion, accounted for 71.1 per cent of total imports. Intermediate imports grew by 6.9 per cent, from RM335.5 billion in 2006. Higher demand for intermediate goods in 2007 was due to the expansion of manufacturing activities in Malaysia. As a result of higher capital formation from investment activities, there was also an increase in imports of capital goods by 7.2 per cent to RM69.9 billion from RM65.3 billion in 2006.

The largest import source in 2007 was Japan, accounting for 13 per cent of Malaysia's total imports, valued at RM65.5 billion. This was followed by the People's Republic of China with RM64.9 billion, Singapore (RM58 billion), the USA (RM54.7 billion) and Taiwan (RM28.7 billion).

Major imports from Japan were E&E products, machinery, appliances and parts, transport equipment, iron and steel products, as well as manufactures of metal. The top five imports from the People's Republic of China comprised E&E products, machinery, appliances and parts, chemicals and chemical products, iron and steel products, and manufactures of metal.

DIRECTION OF TRADE

In 2007, Malaysia's total trade with all regional markets with the exception of North America recorded growth. The North East Asian region continued to be Malaysia's largest trading partner, accounting for 33.8 per cent of Malaysia's total trade. This was followed by ASEAN (25.1 per cent) and North America (14 per cent).

North East Asia

For the period 1998-2007, bilateral trade between Malaysia and the North-East Asian region showed an upward trend with an average trade growth of 10.5 per cent. The total trade increased by 146 per cent to RM374.7 billion in 2007, compared with RM152.3 billion in 1998.

Malaysia's total exports to North East Asia in 2007 accounted for 29.1 per cent share of Malaysia's global exports. Exports to the region recorded an increase of 8.9 per cent to RM175.9 billion, compared with RM161.4 billion in 2006.

Table 2.5:
Imports by End-Use

Description	2007			2006	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Gross Imports	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**
Intermediate Goods	**358,755.5**	**71.1**	**6.9**	**335,531.5**	**69.8**
Parts and accessories	**172,809.8**	**34.2**	**0.4**	**172,047.5**	**35.8**
Semiconductors, printed circuits and parts	105,949.8	21.0	-3.8	110,156.7	22.9
Parts for office machines	24,679.0	4.9	24.5	9,819.0	4.1
Electrical apparatus and resistors	15,558.1	3.1	-8.9	7,080.1	3.6
Parts for checking instruments	828.1	0.2	-32.2	1,221.3	0.3
Processed industrial supplies	**110,787.5**	**21.9**	**14.8**	**96,470.8**	**20.1**
Iron and steel	17,765.0	3.5	34.3	13,229.6	2.8
Plastics in primary forms (excluding scrap)	10,264.6	2.0	5.2	9,756.9	2.0
Copper products	9,900.8	2.0	9.9	9,012.2	1.9
Organic chemicals	9,688.4	1.9	14.7	8,449.3	1.8
Paper and paperboard	4,589.2	0.9	10.7	4,147.3	0.9
Ferrous waste and scrap	4,246.7	0.8	38.8	3,059.1	0.6
Manufactures of base metals	4,132.2	0.8	-7.5	4,469.6	0.9
Fertiliser, except crude fertilisers	3,213.4	0.6	32.9	2,418.8	0.5
Inorganic chemicals (excluding spent fuel elements of nuclear reactors)	3,130.7	0.6	4.9	2,984.7	0.6
Plastics in non-primary forms	2,397.7	0.5	1.9	2,352.1	0.5
Dying, tanning and colouring materials (excluding artists' colours)	1,718.9	0.3	-3.8	1,786.2	0.4
Primary fuels and lubricants	**21,276.6**	**4.2**	**4.5**	**20,357.3**	**4.2**
Primary industrial supplies	**14,820.8**	**2.9**	**36.7**	**10,843.8**	**2.3**
Other processed fuels and lubricants	**13,992.8**	**2.8**	**-1.5**	**14,208.9**	**3.0**
Parts and accessories for transport equipment	**12,447.6**	**2.5**	**11.4**	**11,170.1**	**2.3**
Processed food and beverages, mainly for industry	**7,002.6**	**1.4**	**28.3**	**5,456.6**	**1.1**
Primary food and beverages, mainly for industry	**5,617.7**	**1.1**	**12.9**	**4,976.6**	**1.0**
Capital Goods	**69,934.1**	**13.9**	**7.2**	**65,256.6**	**13.6**
Capital goods (except transport equipment)	**60,055.6**	**11.9**	**5.6**	**56,867.9**	**11.8**
Automatic data processing machines	9,779.2	1.9	-2.5	10,030.5	2.1
Electrical machinery and apparatus (exclude parts)	9,299.3	1.8	3.6	8,974.1	1.9
Telecommunications equipment (exclude parts)	4,770.9	0.9	-7.2	5,138.7	1.1
Other machinery specialised for particular industry	4,206.7	0.8	6.7	3,941.5	0.8
Transformer and other electric power machines	3,316.5	0.7	6.5	3,114.8	0.6
Rotating electric plants and parts	2,989.4	0.6	13.4	2,636.3	0.5
Measuring, checking and analysing equipment	1,667.7	0.3	-17.3	2,015.8	0.4
Medical, dental and surgical instrument	1,182.7	0.2	2.6	1,152.9	0.2
Transport equipment for industries	**9,878.6**	**2.0**	**17.8**	**8,388.7**	**1.7**
Consumption Goods	**28,906.5**	**5.7**	**3.6**	**27,894.3**	**5.8**
Non-durable consumer goods	8,107.3	1.6	5.6	7,677.0	1.6
Processed food and beverages for household consumption	6,403.9	1.3	5.1	6,095.9	1.3
Semi-durable consumer goods	5,599.7	1.1	-10.9	6,287.2	1.3
Durable consumer goods	4,435.8	0.9	15.0	3,858.1	0.8
Primary food and beverages for household consumption	3,978.8	0.8	9.6	3,628.7	0.8
Transport equipment for non-industries	380.9	0.1	9.7	347.3	0.1
Dual Purpose Goods	**12,421.2**	**2.5**	**1.8**	**12,195.7**	**2.5**
Processed motor spirits	8,292.1	1.6	13.7	7,292.4	1.5
Passenger motor cars	4,129.0	0.8	-15.8	4,903.2	1.0

Compiled by Ministry of International Trade and Industry

Table 2.6:
Top 20 Import Sources

Country	2007				2006		
	Rank	RM billion	Share (%)	Change (%)	Rank	RM billion	Share (%)
Total Imports		**504.8**	**100.0**	**5.0**		**480.8**	**100.0**
Japan	1	65.5	13.0	3.1	1	63.6	13.2
People's Republic of China	2	64.9	12.9	11.5	3	58.2	12.1
Singapore	3	58.0	11.5	3.1	4	56.2	11.7
USA	4	54.7	10.8	-9.2	2	60.2	12.5
Taiwan	5	28.7	5.7	9.5	6	26.2	5.5
Thailand	6	27.0	5.4	2.8	5	26.3	5.5
Republic of Korea	7	24.9	4.9	-3.9	7	25.9	5.4
Germany	8	23.4	4.6	11.2	8	21.1	4.4
Indonesia	9	21.4	4.2	17.7	9	18.2	3.8
Hong Kong SAR	10	14.7	2.9	16.0	10	12.7	2.6
Australia	11	10.2	2.0	14.9	12	8.9	1.9
Philippines	12	9.8	1.9	-8.1	11	10.6	2.2
France	13	7.7	1.5	0.3	14	7.7	1.6
United Kingdom	14	7.3	1.4	6.9	15	6.8	1.4
India	15	7.1	1.4	44.7	17	4.9	1.0
Saudi Arabia	16	6.8	1.3	-20.7	13	8.5	1.8
Viet Nam	17	6.3	1.3	21.6	16	5.2	1.1
Switzerland	18	5.7	1.1	21.2	18	4.7	1.0
Italy	19	4.5	0.9	7.5	19	4.2	0.9
United Arab Emirates	20	4.4	0.9	25.0	20	3.6	0.7

Compiled by Ministry of International Trade and Industry

Major exports to the region were E&E products, LNG, palm oil, chemicals and chemical products and crude petroleum. These products comprised 73.1 per cent of Malaysia's total exports to North East Asia.

In 2007, imports from Japan were valued at RM65.5 billion, accounting for 33 per cent share of imports from the region. This was followed by the People's Republic of China (RM64.9 billion), Taiwan (RM28.7 billion), the Republic of Korea (RM24.9 billion) and Hong Kong SAR (RM14.7 billion). These countries remained Malaysia's main sources of imports from the region.

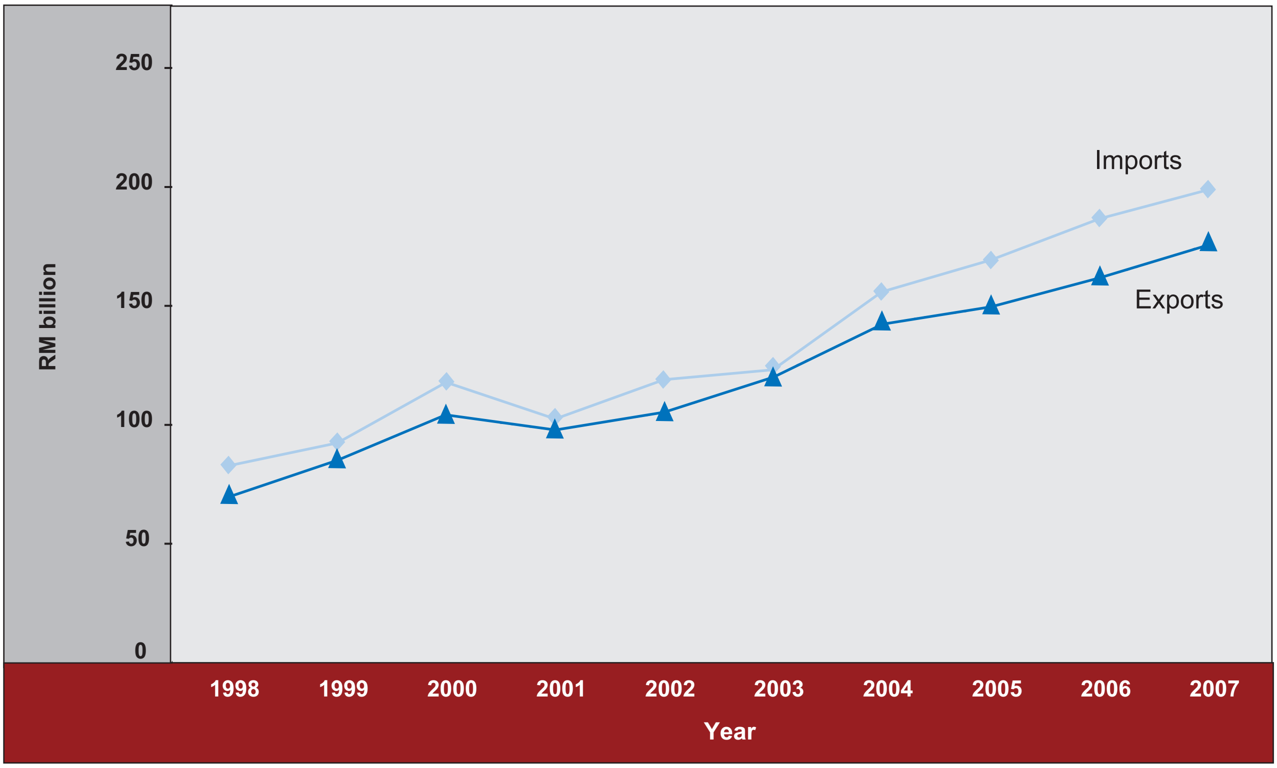
The main product imports from the North East Asian region were E&E products, valued at RM104.2 billion or 52.4 per cent share of Malaysia's imports from the region. This was followed by machinery, appliances and parts, iron and steel products, chemicals and chemical products, and manufactures of metal.

People's Republic of China
Malaysia's total trade with the People's Republic of China in 2007 increased by 16.9 per cent to RM117.9 billion, from RM100.9 billion in 2006. This value accounted for 10.6 per cent of Malaysia's global trade.

For the People's Republic of China, Malaysia was the ninth largest trading partner in 2007. Among the ASEAN Member States, Malaysia was the second largest trading partner after Singapore.

Malaysia's exports to the People's Republic of China maintained its record of positive growth over the past 10 years, averaging 26.4 per cent annually. Malaysia's exports to the People's Republic of China

Chart 2.2:
Malaysia's Trade with North East Asia, 1998-2007



Compiled by Ministry of International Trade and Industry

amounted to RM53 billion, an increase of 24.3 per cent from RM42.7 billion in 2006.

Malaysia's main exports to the People's Republic of China were E&E products, which accounted for 47 per cent of Malaysia's total exports. Exports of E&E products increased by 29.9 per cent to RM24.9 billion. The rapid development of information and communication technology (ICT) and household electronics industries in the People's Republic of China resulted in greater demand for Malaysia's E&E products.

Exports of palm oil, which was Malaysia's second largest export product to the People's Republic of China, expanded by 70.1 per cent in 2007. Malaysia continued to be the largest supplier of palm oil to the People's Republic of China, with exports valued at RM9.9 billion. Palm oil export volume to the People's Republic of China grew by 7.3 per cent to 3.8 million tonnes in 2007. The rapid growth of the domestic food industry contributed to the greater demand for palm oil in the People's Republic of China.

Other major exports to the People's Republic of China were chemicals and chemical products, which increased by 15.8 per cent to RM4.8 billion, crude rubber (decreased by 9.9 per cent to RM2.7 billion) and rubber products (increased by 20.7 per cent to RM1.7 billion).

The People's Republic of China was Malaysia's second largest source of imports in 2007, improving its ranking from third position in 2006. Malaysia's imports increased by 11.5 per cent to RM64.9 billion, accounting for 12.9 per cent of Malaysia's total imports.

Malaysia's imports from the People's Republic of China comprised E&E products, which grew by 2.2 per cent to RM36.2 billion, machinery, appliances and parts (32.2 per cent to RM5.7 billion), chemicals and chemical products (33.4 per cent to RM3.8 billion), iron and steel products (71.4 per cent to RM3.4 billion), as well as, manufactures of metal (41 per cent to RM3 billion). These products accounted for 80.1 per cent of Malaysia's total imports from the People's Republic of China.

Under the ASEAN-China Free Trade Agreement (ACFTA), a total of 12,456 preferential Certificates of Origin (COO) were issued in 2007. Exports under this Agreement increased by 46.7 per cent to RM5.6 billion, from RM3.8 billion in 2006. Major exported products under ACFTA in 2007 were compound rubber, vegetable fat and oil, glycerine and acetic acid.

Japan

Total trade between Malaysia and Japan in 2007 registered an increase of 4.3 per cent to RM120.8 billion, from RM115.8 billion in 2006. In the last five years, Malaysia's trade with Japan recorded an upward trend with an average annual growth of 5.4 per cent. The growth in trade was contributed mainly by higher exports, which grew by 6.9 per cent annually, compared with imports of 4.3 per cent annually.

Malaysia's total exports to Japan in 2007 amounted to RM55.2 billion, an increase of 5.8 per cent, compared with RM52.2 billion in 2006. This accounted for 9.1 per cent of Malaysia's total exports in 2007.

Malaysia maintained its position as the 11th source of imports for Japan, accounting for 2.8 per cent share of Japan's total imports. Among ASEAN Member States, Malaysia was the third largest exporter to Japan after Indonesia and Thailand.

Exports of LNG products to Japan increased by 23.4 per cent to RM16.3 billion in 2007, while E&E exports decreased by 2 per cent to RM16.1 billion. The decrease in E&E exports was due mainly to weaker global demand especially for telecommunications, sound equipment, office machines, and ADP machines and parts. Other exports were wood products, which decreased by 17.5 per cent to RM4 billion, chemicals and chemical products (decreased by 8.6 per cent to RM2.2 billion) and optical and scientific equipment (increased by 0.5 per cent to RM2.1 billion).

In 2007, Malaysia's imports from Japan grew by 3.1 per cent to RM65.5 billion, compared with RM63.6 billion in 2006. Japan retained its position as the largest source of imports for Malaysia, with a share of 13 per cent of Malaysia's total imports.

The leading imports from Japan were E&E products, which decreased by 3.6 per cent to RM24.2 billion in 2007. Other major imports included machinery, appliances and parts, which increased by 15.7 per cent to RM9 billion, transport equipment (increased by 44.3 per cent to RM6 billion), iron and steel products (decreased by 0.6 per cent to RM5.9 billion) and manufactures of metal (increased by 8 per cent to RM5.1 billion). Collectively, imports of these products accounted for 76.6 per cent of Malaysia's total imports from Japan.

In 2007, preferential COO issued under the Malaysia-Japan Economic Partnership Agreement (MJEPA) were valued at RM6.7 billion. The Agreement was enforced in July 2006. For the period July-December 2006, the export value using COOs were valued at RM3.1 billion. Major export products under this Agreement were industrial grade palm oil and sludge oil, stretch film, polyethylene bags, heavy cut alcohol and laminated veneer lumber.

ASEAN

Malaysia's trade with ASEAN has grown significantly since the implementation of the ASEAN Free Trade Area (AFTA) in January 2003. Over the last decade, Malaysia's trade with the ASEAN region registered an average growth of 11.5 per cent.

In 2007, trade with ASEAN accounted for 25.1 per cent of Malaysia's total trade, an increase of 2.9 per cent to RM279 billion, from RM271 billion in 2006. ASEAN was Malaysia's second largest regional trading partner in 2007. Within ASEAN, Singapore remained Malaysia's largest trading partner, with a 52.5 per cent share of total trade. This was followed by Thailand with 20.4 per cent, Indonesia (14 per cent), the Philippines (6.6 per cent) and Viet Nam (5.1 per cent).

Exports to ASEAN increased by 1.3 per cent to RM155.6 billion, accounting for

Table 2.7:
Malaysia's Trade with ASEAN

Country	2007							2006		
	Total Trade	Exports			Imports			Total Trade	Exports	Imports
	RM million	RM million	Share (%)	Change (%)	RM million	Share (%)	Change (%)	RM million	RM million	RM million
ASEAN	**278,981.9**	**155,560.5**	**100.0**	**1.3**	**123,421.4**	**100.0**	**5.1**	**271,002.6**	**153,560.4**	**117,442.2**
Singapore	146,463.5	88,508.0	56.9	-2.5	57,955.5	47.0	3.1	146,938.1	90,750.5	56,187.5
Thailand	56,990.2	29,983.9	19.3	-3.8	27,006.3	21.9	2.8	57,453.1	31,176.8	26,276.3
Indonesia	39,128.7	17,749.5	11.4	19.0	21,379.2	17.3	17.7	33,081.5	14,915.7	18,165.9
Philippines	18,513.8	8,738.8	5.6	9.6	9,774.9	7.9	-8.1	18,613.4	7,973.5	10,639.9
Viet Nam	14,289.7	7,985.6	5.1	23.8	6,304.1	5.1	21.6	11,635.5	6,452.4	5,183.2
Brunei Darussalam	1,709.2	1,381.3	0.9	9.0	327.9	0.3	18.8	1,543.8	1,267.7	276.1
Myanmar	1,199.0	720.8	0.5	19.0	478.1	0.4	4.2	1,064.7	605.9	458.8
Cambodia	533.8	460.6	0.3	16.0	73.2	0.1	-1.5	471.4	397.1	74.3
Lao PDR	153.9	32.0	neg.	53.8	122.0	0.1	-32.3	200.9	20.8	180.1

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

25.7 per cent of Malaysia's total exports. The three major export markets in ASEAN in 2007 were Singapore, Thailand and Indonesia, which together accounted for 87.6 per cent of Malaysia's total exports to the region.

Significant increases were recorded for Malaysia's exports to Indonesia and Viet Nam. Exports to Indonesia increased by 19 per cent to RM17.7 billion, while exports to Viet Nam expanded by 23.8 per cent to RM8 billion. The increase in exports to both Indonesia and Viet Nam were contributed largely by iron and steel products, chemicals and chemical products, as well as, machinery, appliances and parts.

Exports to both Singapore and Thailand decreased by 2.5 per cent to RM88.5 billion and 3.8 per cent to RM30 billion, respectively. E&E products remained Malaysia's major exports to ASEAN, accounting for 37.1 per cent of total exports to the region. Exports of these products decreased by 5.1 per cent to RM57.7 billion, compared with RM60.9 billion in 2006.

Other major exports to ASEAN were refined petroleum products, valued at RM16.3 billion, crude petroleum (RM11.5 billion), chemicals and chemical products (RM11.4 billion) and machinery, appliances and parts (RM8.9 billion).

Exports to Cambodia, Lao PDR, Myanmar, and Viet Nam (CLMV) also expanded. Collectively, total exports to these countries increased by 23 per cent to RM9.2 billion in 2007. Major export products to these countries were chemicals and chemical products, iron and steel products, E&E products, refined petroleum products and palm oil.

In 2007, Malaysia's exports under the ASEAN Common Effective Preferential Tariff (CEPT) Scheme increased by 19.8 per cent to RM13.5 billion, from RM11.3 billion in 2006. In 2007, a total of 130,137 COO under the CEPT Scheme were issued, compared with 116,809 in 2006. Total exports using this scheme accounted for 8.7 per cent of Malaysia's total exports to ASEAN. Major export products were

Table 2.8:
Malaysia's Exports under the CEPT Scheme

Export Destination	2007			2006	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**13,490.7**	**100.0**	**19.8**	**11,264.7**	**100.0**
Thailand	4,147.1	30.7	-11.0	4,658.5	41.4
Indonesia	3,216.6	23.8	61.2	1,995.1	17.7
Viet Nam	3,191.4	23.7	64.7	1,938.1	17.2
Philippines	2,250.1	16.7	12.0	2,008.4	17.8
Singapore	649.6	4.8	2.5	633.7	5.6
Brunei Darussalam	19.6	0.1	-25.7	26.4	0.2
Myanmar	12.2	0.1	630.1	1.7	neg.
Cambodia	3.1	neg.	47.7	2.1	neg.
Lao PDR	1.0	neg.	30.6	0.8	neg.

Source: Ministry of International Trade and Industry
Note: neg. – negligible

Table 2.9:
Malaysia's Major Exports under the CEPT Scheme, 2007

Product	RM Million	Share (%)
Refined, bleached and deodorised palm oil	790.5	5.9
Air conditioners	379.2	2.8
Non-alloy steel	304.5	2.3
Prime steel billets	254.8	1.9
Titanzex resin	2,423.0	1.8
Tinplate bars	226.3	1.7
Colour picture tube	197.4	1.5
CDI amplifiers	180.5	1.3
Tobacco	167.1	1.2
Urea	165.0	1.2

Source: Ministry of International Trade and Industry

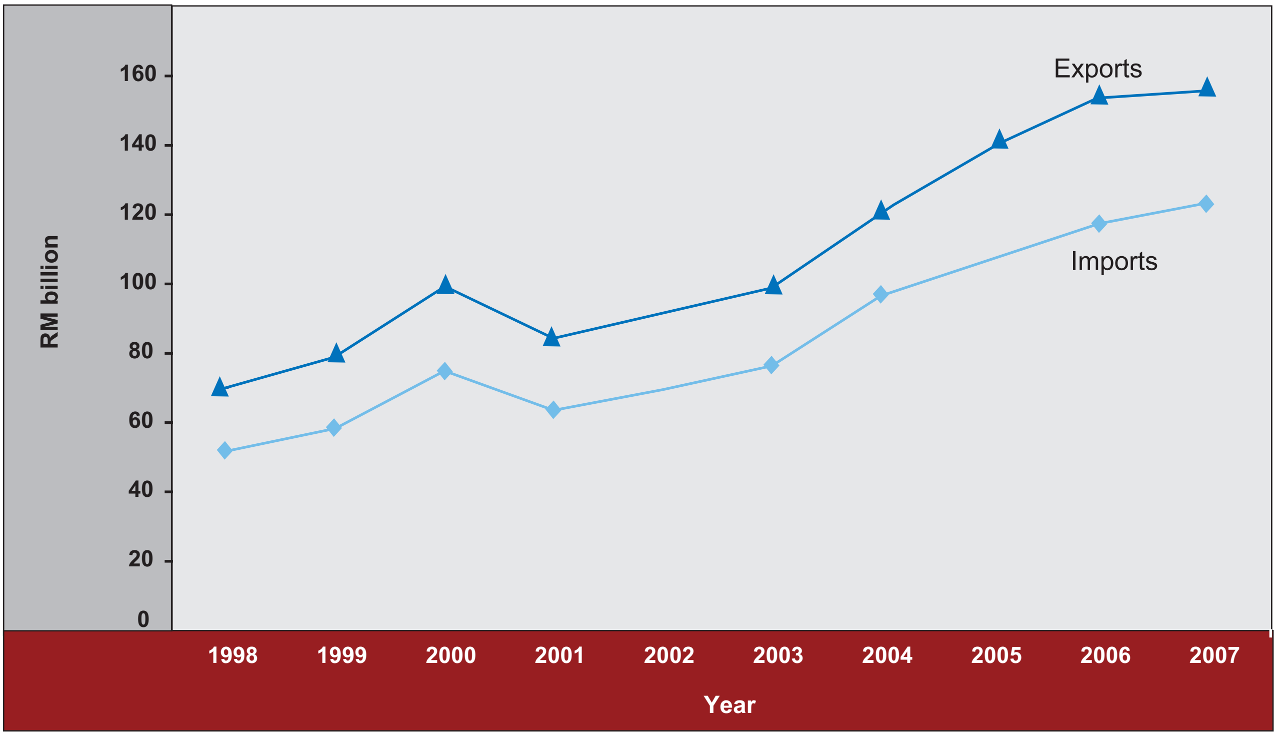
refined, bleached and deodorised palm oil, air conditioners, non-alloy steel, prime steel billets and titanzex resin.

The highest utilisation of exports under the CEPT Scheme was with Thailand, which amounted to RM4.1 billion or 30.7 per cent of total exports. This was followed by Indonesia (RM3.2 billion or 23.8 per cent), Viet Nam (RM3.2 billion or 23.7 per cent) and the Philippines (RM2.3 billion or 16.7 per cent).

Imports from ASEAN grew by 5.1 per cent to RM123.4 billion, from RM117.4 billion in 2006. ASEAN remained Malaysia's second largest source of imports with a 24.4 per cent share of Malaysia's total imports. Major import sources were Singapore, valued at RM58 billion, Thailand (RM27 billion), Indonesia (RM21.4 billion), the Philippines (RM9.8 billion) and Viet Nam (RM6.3 billion). In 2007, these countries accounted for 99.2 per cent of Malaysia's imports from the region.

E&E products were the largest imports accounting for 31.9 per cent of Malaysia's total imports from the region, valued at RM39.3 billion. Other major imports were

Chart 2.3:
Malaysia's Trade with ASEAN, 1998-2007



Compiled by Ministry of International Trade and Industry

refined petroleum products, valued at RM17.4 billion, followed by chemicals and chemical products (RM11.3 billion), machinery, appliances and parts (RM6.3 billion) and manufactures of metal (RM5.9 billion).

North America

In 2007, Malaysia's total trade with North America, comprising the USA and Canada, decreased by 12.4 per cent to RM155.1 billion, from RM177 billion in 2006. North America was Malaysia's third largest regional trading partner after North East Asia and ASEAN. In 2007, exports to the USA and Canada decreased by 14.5 per cent due to the decline in exports of E&E, textiles and apparel, and wood products, while imports fell by 8.6 per cent owing to the decline in imports of E&E products, optical and scientific equipment and transport equipment.

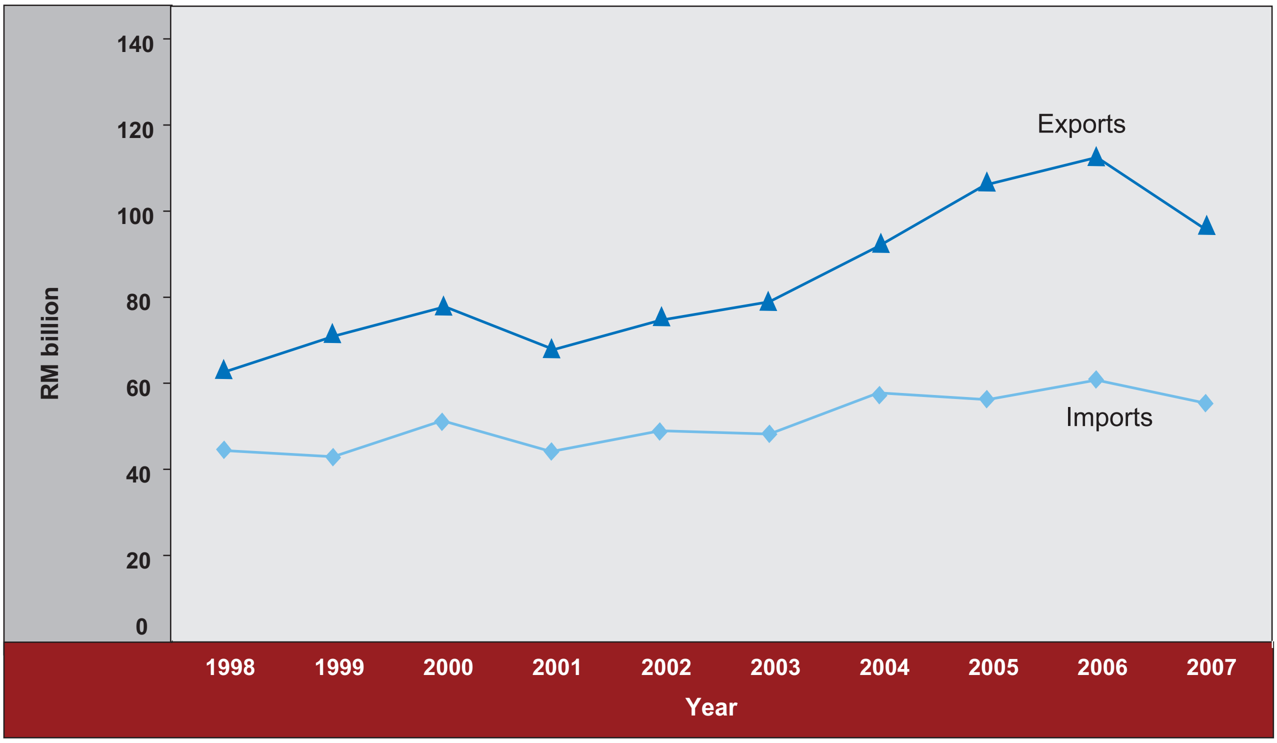
Total exports to North America, Malaysia's third largest regional export destination, amounted to RM97.8 billion in 2007. The USA and Canada accounted for 96.6 per cent and 3.4 per cent of Malaysia's exports to North America, respectively.

E&E products continued to be the leading exports to North America, accounting for 73.3 per cent of total exports to the region. The export value in 2007 decreased by 18.1 per cent to RM72.1 billion, compared with RM88.1 billion in 2006. The decline in exports was largely due to excess supply and the continued fall in prices of certain information technology related products.

Other major exports were optical and scientific equipment, valued at RM3 billion, wood products (RM3 billion), textiles and apparel (RM2.8 billion) and palm oil (RM2.7 billion). Malaysia's imports from the region declined by 8.6 per cent to RM57.3 billion from RM62.6 billion in 2006. Imports from the USA were valued at RM54.7 billion, while those from Canada were RM2.6 billion.

The main imports from North America were E&E products, which accounted for 50.6 per cent followed by machinery appliances and parts (12.9 per cent), chemicals and chemical products (7.1 per cent), optical and scientific equipment (5.9 per cent), as well as iron and steel products (4 per cent).

Chart 2.4:
Malaysia's Trade with North America, 1998-2007



Compiled by Ministry of International Trade and Industry

United States of America

The USA remained Malaysia's largest trading partner since 1998, accounting for 13.4 per cent of Malaysia's global trade in 2007. However, trade with the USA in 2007, recorded a decrease of 12.6 per cent to RM149.2 billion, compared with RM170.8 billion in 2006. Malaysia was the USA's 16th largest trading partner in 2007. Among ASEAN Member States, Malaysia ranked as the USA's second largest trading partner after Singapore.

The USA was Malaysia's largest export destination with a 15.6 per cent share of Malaysia's total exports. Among ASEAN Member States, Malaysia continued to be the largest source of imports for the USA. Globally, Malaysia was the 13th largest source of imports for the USA in 2007, accounting for 1.7 per cent of the USA's total imports.

In 2007, exports to the USA, however, decreased by 14.5 per cent to RM94.5 billion, compared with RM110.6 billion in 2006. The decline was due to the slowdown in the USA economy and outsourcing to lower cost countries by the USA.

Malaysia's major exports to the USA were E&E products, which accounted for 74.5 per cent of Malaysia's total exports. The E&E exports declined by 18 per cent to RM70.4 billion. Other major exports to the USA were optical and scientific equipment (increased by 3.5 per cent to RM2.8 billion), wood products (decreased by 17.9 per cent to RM2.8 billion), textiles and apparel (decreased by 8.9 per cent to RM2.7 billion) and palm oil (increased by 54.4 per cent to RM2.6 billion).

The decrease in E&E exports was due to lower USA imports of computers and parts, and printed circuit boards. Lower unit prices compounded the decline in export value of these product categories. Changes in the sourcing pattern by the USA also affected demand for Malaysia's E&E products such as storage units and data processing units.

Imports from the USA declined by 9.2 per cent in 2007 to RM54.7 billion, compared

Table 2.10:
Malaysia's Trade with the European Union

Country	Total Trade	2007 Exports			2007 Imports			2006 Total Trade	2006 Exports	2006 Imports
	RM mil.	RM mil.	Share (%)	Change (%)	RM mil.	Share (%)	Change (%)	RM mil.	RM mil.	RM mil.
EU 27	**137,765.1**	**77,823.6**	**100.0**	**3.5**	**59,941.5**	**100.0**	**9.4**	**129,906.1**	**75,148.9**	**54,757.2**
Germany	38,254.8	14,831.6	19.1	16.1	23,423.2	39.1	11.1	33,836.9	12,774.4	21,062.5
Netherlands	26,881.3	23,599.4	30.3	10.1	3,281.9	5.5	-2.8	24,803.7	21,429.1	3,374.6
UK	17,164.7	9,898.8	12.7	-7.6	7,265.9	12.1	6.7	17,523.1	10,714.1	6,809.0
France	15,069.0	7,351.8	9.5	-7.4	7,717.2	12.9	0.2	15,637.7	7,941.9	7,695.8
Italy	8,293.0	3,786.5	4.9	4.5	4,506.4	7.5	7.5	7,813.7	3,622.6	4,191.2
Belgium	4,425.0	2,654.6	3.4	17.8	1,770.4	3.0	21.8	3,706.7	2,253.9	1,452.7
Spain	4,378.0	2,934.8	3.8	-14.4	1,443.2	2.4	18.6	4,641.9	3,426.4	1,215.5
Ireland	4,307.8	1,566.9	2.0	-4.3	2,740.9	4.6	-7.1	4,589.0	1,637.4	2,951.6
Sweden	3,525.1	1,313.3	1.7	4.5	2,211.8	3.7	-0.8	3,485.5	1,257.3	2,228.2
Finland	3,055.7	2,065.5	2.7	-16.6	990.3	1.7	3.3	3,430.1	2,476.8	953.3
Hungary	1,983.1	1,734.1	2.2	17.7	249.0	0.4	26.5	1,669.9	1,473.0	196.9
Portugal	1,871.7	649.1	0.8	-1.6	1,222.6	2.0	338.1	938.5	659.4	279.1
Austria	1,625.8	391.7	0.5	-62.3	1,234.0	2.1	68.8	1,769.7	1,038.9	730.8
Poland	1,479.1	1,151.0	1.5	73.3	328.1	0.6	18.7	940.6	664.1	276.5
Denmark	1,477.6	889.5	1.1	-32.7	588.1	1.0	13.9	1,838.1	1,323.4	514.8
Czech Republic	905.7	693.2	0.9	-22.2	212.5	0.4	0.9	1,101.6	890.9	210.7
Greece	717.6	632.7	0.8	29.1	84.9	0.1	-7.3	581.6	490.1	91.5
Slovakia	499.9	447.3	0.6	55.1	52.5	0.1	-34.7	368.7	288.4	80.4
Romania	416.0	345.8	0.4	149.9	70.3	0.1	-12.2	218.3	138.4	80.0
Malta	380.5	119.1	0.2	6.9	261.4	0.4	72.4	263.1	111.4	151.7
Estonia	247.4	222.3	0.3	46.1	25.1	neg.	49.7	168.9	152.1	16.8
Bulgaria	212.6	146.4	0.2	109.6	66.2	0.1	49.5	114.2	69.9	44.3
Lithuania	159.2	88.6	0.1	46.6	70.6	0.1	12.9	123.0	60.4	62.6
Cyprus	135.7	124.7	0.2	62.8	10.9	neg.	-16.6	89.7	76.6	13.1
Luxembourg	116.7	56.5	0.1	-26.0	60.2	0.1	70.9	111.6	76.4	35.2
Slovenia	100.1	51.4	0.1	30.9	48.7	0.1	46.8	72.5	39.3	33.2
Latvia	82.2	77.1	0.1	23.2	5.1	neg.	-5.7	68.0	62.6	5.4

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

with RM60.2 billion in 2006. The USA was Malaysia's fourth largest source of imports after Japan, the People's Republic of China and Singapore, with a share of 10.8 per cent of Malaysia's total imports.

Imports from the USA comprised mainly E&E products which accounted for 52.1 per cent of Malaysia's imports. This was followed by machinery, appliances and parts with 13.2 per cent share, valued at RM7.2 billion, chemicals and chemical products (6 per cent, RM3.3 billion), optical and scientific equipment (6 per cent, RM3.3 billion), and iron and steel products (4.2 per cent, RM2.3 billion).

European Union

With the entry of Romania and Bulgaria in 2007, the number of Member States in the EU increased to 27. The EU was Malaysia's fourth largest regional trading partner.

Malaysia's total trade with the EU was valued at RM137.8 billion in 2007, an increase of 6 per cent from RM129.9 billion in 2006. The region accounted for 12.4 per cent of Malaysia's total trade in 2007. Malaysia's top five trading partners within the EU were Germany, accounting for 27.8 per cent of Malaysia's total trade with the region, followed by the Netherlands (19.5 per cent), the United Kingdom (UK) (12.5 per cent), France (10.9 per cent) and Italy (6 per cent).

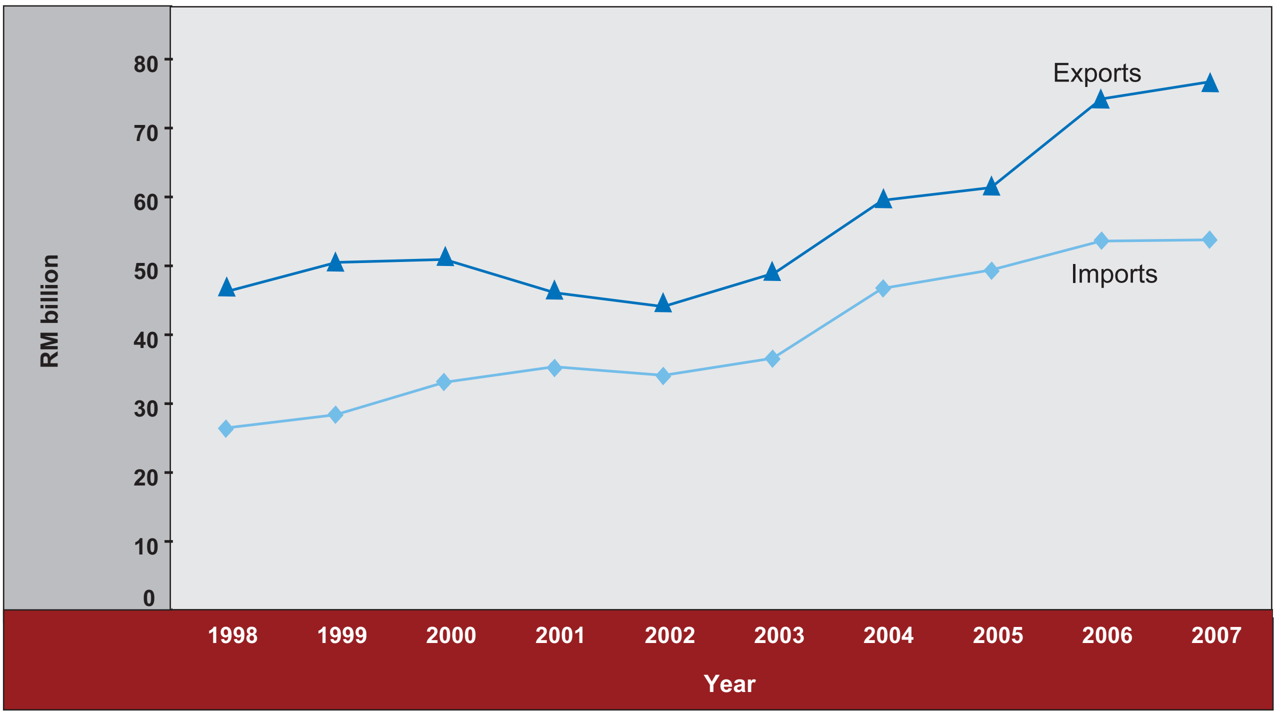
In 2007, exports to the EU grew by 3.5 per cent to RM77.8 billion, from RM75.1 billion in 2006. Malaysia was the 18th largest exporter to the EU. Among ASEAN Member States, Malaysia was the second largest source of imports for the EU after Singapore, accounting for 1.3 per cent of the EU's total imports.

Exports to the Netherlands, which was Malaysia's main export destination in the EU, grew by 10.1 per cent to RM23.6 billion. Other major export destinations were Germany which recorded a trade expansion of 16.1 per cent to RM14.8 billion, the UK (decreased by 7.6 per cent to RM9.9 billion), France (decreased by 7.4 per cent to RM7.4 billion) and Italy (increased by 4.5 per cent to RM3.8 billion).

Significant increases in exports were also recorded with Poland and Belgium. Exports

Chart 2.5:

Malaysia's Trade with European Union, 1998-2007



Compiled by Ministry of International Trade and Industry

to Poland grew by 73.3 per cent to RM1.2 billion, while exports to Belgium grew by 17.8 per cent to RM2.7 billion. Major export products to Poland were E&E products, rubber products, wood products, optical and scientific equipment, as well as, manufactures of plastics. Top export products to Belgium were E&E products, chemicals and chemical products, textiles and apparel, saw logs and sawn timber, as well as, iron and steel products.

Malaysia's main exports to the EU in 2007 were E&E products, accounting for 54.6 per cent of Malaysia's total exports to the EU, with a value of RM42.5 billion. This was followed by palm oil, which increased by 18.7 per cent to RM5.6 billion, machinery, appliances and parts (34.6 per cent to RM3.1 billion), rubber products (23 per cent to RM2.6 billion) and chemicals and chemical products (47.9 per cent to RM2.6 billion). These products accounted for 72.4 per cent of Malaysia's total exports to the region.

In 2007, Malaysia remained the sixth largest supplier of E&E products to the EU, accounting for 4.6 per cent of the EU's total imports of E&E products. Major E&E suppliers to the EU were the People's Republic of China with a 38 per cent share, the USA (12.5 per cent), Japan (8.1 per cent), the Republic of Korea (7.8 per cent) and Taiwan (6.6 per cent).

Malaysia's total imports from the EU increased by 9.5 per cent to RM59.9 billion, from RM54.8 billion in 2006. Malaysia's top five major import sources from the EU were Germany, which amounted to RM23.4 billion, France (RM7.7 billion), the UK (RM7.3 billion), Italy (RM4.5 billion) and the Netherlands (RM3.3 billion).

E&E products remained Malaysia's leading imports from the EU, valued at RM24.8 billion, accounting for 41.4 per cent of Malaysia's total imports from the region. This was followed by machinery, appliances and parts, valued at RM8.5 billion or 14.3 per cent of total imports, chemicals and chemical products (RM5.7 billion or 9.5 per cent), transport equipment (RM5.5 billion or 9.1 per cent), as well as iron and steel products (RM3.2 billion or 5.3 per cent).

TRADE PRACTICES INTRODUCED BY MALAYSIA'S TRADING PARTNERS

Malaysia's trading partners continued to introduce new and revised trade practices and regulations, which could affect Malaysia's export performance.

European Union

Registration, Evaluation and Authorisation of Chemicals

The EU Regulation on Registration, Evaluation and Authorisation of Chemicals (REACH) entered into force on 1 June 2007. Under REACH, manufacturers and importers of chemical substances have to fulfil their registration obligations beginning 1 June 2008. The onus will be on the manufacturers and importers to submit the necessary information to demonstrate the safe use of their substances in a registration dossier. Failure to register will mean that the substance cannot continue to be manufactured, placed on or imported to the EU market.

The European Chemicals Agency (ECHA) has been established in Finland to manage the registration of chemical substances through the setting up of a database. The ECHA will also be involved in the evaluation and authorisation of substances.

Between 1 June 2008 to 1 December 2008, EU manufacturers and importers need to provide relevant information on each existing substance for pre-registration with the ECHA. This will allow companies to benefit from extended registration deadlines of up to 2018, depending on the substance.

Malaysian companies are reminded to meet the pre-registration deadline for submission of dossiers to the ECHA. Otherwise, the parties concerned will have to re-register the substance before exporting it into the EU market, and thus will not benefit from the extended registration deadlines, set to last until 2018.

Substances which were not pre-registered but are imported for the first time into the EU after 1 December 2008 (end of pre-registration deadline) may still benefit from the extended registration timelines if the information requested for pre-registration is provided within six months of first import into the EU and no later than 12 months before the relevant registration deadline.

There is also a possibility of non-uniform implementation of the decisions as REACH enforcement is under the purview of each EU Member State. Even Iceland, Liechtenstein and Norway which are part of the European Economic Area (EEA) are planning to transpose REACH to their national legislation. Once this is done, the REACH requirements would also apply to exports to these countries.

Under REACH, EU importers will have to rely on their suppliers in third countries for hazard data and safe use information that is required for any registration. Similarly, third country producers who independently manufacture a substance to be imported into the EU may appoint 'a natural or legal person established in the Community' to fulfil the obligations for importers as the 'only representative'.

Third countries are keen for the requirements for 'only representative' services not to be too burdensome such that there will not be sufficient number of service providers to allow non-EU entities equal access to EU markets. For example, it is noted that even EU law firms are not interested to offer their services as 'only representative'.

EU Comprehensive Energy and Climate Change Package

The European Commission adopted a package of proposals on 23 January 2008 to fight climate change and promote renewable energy. The package of proposals aims to create a true internal market for energy and strengthen effective regulation with series of targets on greenhouse emissions and renewable energy:

- unilateral EU commitment to reduce 20 per cent greenhouse gas (GHG) emissions by 2020, compared with 1990 levels and to increase to 30 per cent reduction in the event of an international agreement on climate change post-Kyoto;

- achieve 20 per cent in overall EU consumption of renewable energy by 2020; and

- 10 per cent biofuel component in transport fuel by 2020.

The draft Biofuels Directive under the Energy and Climate Change Package is part of EU's measures, aimed at reducing its dependence on energy supplies (including biofuel) from third countries. It takes into consideration the shortage of EU resources through domestic production to meet their biofuel needs. As such, EU Member States will have to procure other renewable sources through imports to meet its energy targets. However, these import sources may have to comply with the environmental sustainable criteria outlined by the Commission under the Directive, including:

- greenhouse gas savings from biofuels production must be at least 35 per cent to be considered sustainable; and

- biofuels shall not be produced from raw material obtained from land with recognised high biodiversity value as of January 2008, namely forest land, areas designated for nature protection purposes and highly biodiverse grassland.

The draft Directive has been forwarded to the EU Council and European Parliament for approval, under the co-decision procedure. The Directive is targeted for adoption by the first half of 2009.

Kenya

Procurement

In March 2007, the Government of Kenya banned foreign contractors from tendering for all Government projects. This restriction is only for projects worth less than Ksh200 million (US$3.2 million). Foreign companies and exporters which provide goods and services below Ksh50 million (US$805,450) have also been banned from tendering for Government procurement projects.

The new ruling restricts Malaysian companies from directly participating in the tendering of both construction and procurement projects. However, Malaysian companies can still participate in the Government projects by establishing a locally registered joint-venture company in Kenya with the local partner holding the majority share.

India

Ban on Imports of Palm Oil in the State of Kerala

With effect from December 2007, the Government of India has restricted the imports of palm oil and its fractions from all ports into the State of Kerala. Earlier in October 2007, the restriction was only confined to the Port of Kochi, the largest port in Kerala. By the end of 2007, the restriction was extended to 18 ports in Kerala.

The decision to restrict the imports of palm oil from all ports of Kerala was to protect the local coconut oil industry. Imports of palm oil into India were mainly through Port of Kochi. In 2007, total imports of palm oil and its fractions from the Port of Kochi amounted to only 2 per cent of India's total imports. With the ban, importers will now have to use other ports in India to distribute the products to Kerala and other States in India. This regulation will increase the price of palm oil and its fractions due to the higher transportation costs.

Republic of Korea

Appropriations of Country of Origin Labelling

The Korean Government implemented the Appropriations of Country of Origin Labelling for 267 products in October 2006. However in July 2007, the implementation was expanded to 310 products. The labelling requirement differs for each of the 310 products. The new system, which requires each item to be labelled individually, is aimed at benefiting consumers by making it easy for consumers to identify the country of origin of a product.

The Foreign Trade Act of Korea requires an imported article to be permanently and legibly marked in a conspicuous place for the understanding of the ultimate purchaser in the Republic of Korea. The labelling shall include, in addition to the name of the country of origin, words or symbols which clearly show that the origin indicated is that of the imported article only and not that of any other article with which the imported article may be combined after importation.

When marked items are to be repacked in the Republic of Korea after release from Customs custody, importers must certify that they will not obscure the existing label on the items. If the items are to be transferred to a third party for sale, the importers should inform the third party on the compliance requirements to the new labelling regulations. Failure to do this will cause the importer or transferee to be penalised under the Foreign Trade Act of Korea.

United Arab Emirates

Rules on Agents and Distributors

The UAE Commercial Agency Law stipulates that all commercial agents must be nationals of the UAE or wholly-owned companies of the UAE nationals. The foreign principal is allowed to appoint one agent for the entire country or a particular emirate or group of emirates. The chosen agents or distributors have exclusive rights and the law provides that their termination can only be done by mutual agreement between the foreign principal and the local agent. In 2006, the UAE made significant changes to the Commercial Agency Law. One of the changes stipulates that the agency agreement can now be terminated at the end of the contract by either party, that is, the foreign principal or the local agent. Malaysian companies are encouraged to take the necessary steps to ensure their compliance with the new regulation. In an effort to curb price manipulation and allow unrestricted imports of basic food products, the UAE eliminated trading agency requirements for basic food products in August 2006. The food products covered by the decision include milk, baby formula, frozen vegetables, chicken, cooking oil, noodles, rice, flour, fish products, tea, coffee, cheese, pastries and diapers.

OUTLOOK

In 2008, Malaysia's external trade is expected to sustained in tandem with the continued global economicexpansion. The International Monetary Fund forecast that the world economy will continue to grow in 2008, albeit at a moderate rate of 3.7 per cent from 4.9 per cent in 2007. According to the WTO, global trade is expected to grow at 4.5 per cent in 2008.

The high GDP growth rates projected for the People's Republic of China and India in 2008, at 9.3 per cent and 7.9 per cent respectively, are expected to contribute towards the continued growth of Malaysia's exports. Emerging markets such as the UAE, South Africa, Pakistan, Mexico and Turkey will further contribute to Malaysia's export performance in 2008.

Malaysia's emerging regional export markets, encompassing West Asia, Africa and South Asia, are expected to enhance their demand for Malaysia's exports of E&E products, chemicals and chemical products, jewellery and processed food in 2008.

ASEAN accounts for more than one quarter of Malaysia's exports. The ability of ASEAN to sustain a GDP growth of 5.7 per cent in 2008 would be a significant factor for the expansion of Malaysia's exports. The major contributors to ASEAN's growth in 2008, besides Malaysia are Thailand, projected to grow by 5.3 per cent, Viet Nam (7.3 per cent) and Indonesia (6.1 per cent).

E&E products will continue to be the largest contributor to manufactured exports in 2008. Global prices of IT-related products in 2008 are expected to moderate after the sharp decline in 2007. Among the E&E products, exports of semiconductors will continue to be strong. Semiconductor devices and integrated circuits, accounted for 27.8 per cent of Malaysia's E&E exports in 2007.

Semiconductor devices and integrated circuits will be the mainstay of Malaysia's export of E&E products in 2008. According to the Semiconductor Industry Association, global semiconductor sales are forecasted to increase by 7.7 per cent in 2008 to reach US$276.9 billion. This increase is expected to be largely led by demand for consumer products, such as cell phones, personal computers, digital televisions and MP3 devices.

Growth of manufactured exports in 2008 is expected to be sustained by products such as chemicals and chemical products, machinery, appliances and parts, jewellery, processed food, rubber products and furniture.

Malaysia is expected to retain its position as one of the leaders for the global supply of oils and fats. Malaysia's export earnings from palm oil are forecasted to remain buoyant due to the continued rise in global prices.

Chapter 3

POLICY INITIATIVES AND MEASURES IN THE MANUFACTURING SECTOR

OVERVIEW

Initiatives undertaken in 2007 to promote investments and industrial development focused primarily on reducing the cost of doing business and improving the overall delivery system to provide a more competitive business environment for trade and investments. These initiatives were in line with the objectives outlined in the Ninth Malaysia Plan (9MP) and the Third Industrial Master Plan (IMP3), both launched in 2006.

Among the initiatives implemented in 2007 were the:

- introduction of new incentives, as well as enhancement of existing incentives to encourage investments and improve competitiveness;
- establishment of the Special Task Force to Facilitate Business (PEMUDAH);
- introduction of new measures to expedite approval processes;
- launching of three regional economic development corridors to narrow development gaps among the regions; and
- formulation and implementation of action plans to undertake strategies and policies outlined in the IMP3 to further promote industrial development and investments.

In 2007, the Government also leveraged on the use of information and communication technology (ICT) and e-Commerce to facilitate trade and improve efficiency to its clients. There was continued emphasis on the development of mandatory standards to curb the influx of sub-standard goods, promotion of Malaysia as a *halal* hub for food and other products, human capital development, research and development (R&D), as well as the promotion of initiatives for branding.

INITIATIVES FOR ENHANCING INVESTMENTS

Malaysia's liberal investment policies pertaining to the establishment and expansion of investments in the manufacturing and manufacturing-related services sectors have helped to attract foreign investments into the country, as well as nurture the growth of domestic investments. In 2007, total approved investments in the manufacturing sector amounted to RM59.9 billion, compared with RM46 billion in 2006, which exceeded the annual target of RM27.5 billion under the IMP3. Foreign direct investments totalled RM33.4 billion (55.7 per cent of total investments) in 2007, compared with RM20.2 billion (44 per cent) in 2006.

The 2008 Budget announced in September 2007, introduced additional measures to further promote investments. These included:

- reduction of the corporate tax rate from 26 per cent in 2008 to 25 per cent in 2009;
- implementation of a single-tier tax system where profits are taxed at the company level and dividends distributed to shareholders are exempted from tax;
- incentives for new testing laboratories for medical devices in the form of Pioneer Status (PS) with income tax exemption of 100 per cent of statutory income for five years or Investment Tax Allowance (ITA) of 60 per cent on the qualifying capital expenditure incurred within five years to be deducted against 100 per cent of the statutory income; and
- accelerated capital allowance to companies installing security and surveillance equipment used to enhance the physical security of approved manufacturing projects.

Several existing incentives were also streamlined in the 2008 Budget. These included incentives for:

- companies generating renewable energy, whereby other companies in the same group of companies are eligible for the incentive even though a company in the same group has already been granted the incentive;

- companies providing energy conservation services, whereby the Pioneer Status incentives were increased from 70 per cent for five years to 100 per cent for ten years, and the Investment Tax Allowance was increased from 60 per cent of qualifying capital expenditure against 70 per cent of statutory income to 100 per cent of qualifying capital expenditure against 100 per cent of statutory income; and

- ICT, whereby companies located outside the dedicated Cybercities will be given MSC-status company incentives upon relocation to the Cybercities. Currently, there are seven Cybercities such as KLCC Tower 2, Technology Park Malaysia Phase 1, UPM-MTDC in Cyberjaya, KL Tower, Penang Cybercity 1 and Kulim Hi-Tech Park. The incentives are in the form of Pioneer Status with tax exemption of 100 per cent of statutory income for a period of ten years or Investment Tax Allowance of 100 per cent of qualifying capital expenditure incurred for a period of five years, to be offset against 100 per cent of statutory income. The Multimedia Development Corporation will be the sole agency responsible for processing and recommending incentives for all ICT activities.

The Cabinet Committee on Investments was established in 2006 to consider investment applications in all sectors which have a high impact on the national economy with the aim of facilitating and speeding up approval, as well as implementation of the investment projects. In 2007, the Committee approved a total of 15 projects with investments valued at RM64.3 billion.

PEMUDAH was established on 7 February 2007 to further improve the business environment in the country and facilitate business. As a public-private sector partnership, PEMUDAH has made various improvements to the Government delivery system, thus improving the overall business climate of the country. Initiatives undertaken by PEMUDAH include:

- shortening the tax refund period from one year to between 14 and 30 days;

- shortening the Stamp Duty Valuation process from 26 to 86 days to ten to 16 days;

- reducing the time taken for approvals in relation to business licensing. For instance, registration of a new business now takes one hour, compared with three days previously;

- development of the Business Licensing Electronic Support Services (BLESS) to facilitate on-line business licensing approvals;

- introduction of the Certificate of Completion and Compliance (CCC) to replace the Certificate of Fitness for Occupation (CFO);

- establishment of One-Stop Centres (OSCs) at all local authorities to speed up applications for approval of development projects; and

- publication of the Guidebook entitled ‘Employment of Expatriates: Processes and Procedures’.

To promote and protect investments, in 2007, the Ministry of International Trade and Industry (MITI) initiated five new Investment Guarantee Agreements (IGAs) with the Russian Federation, Tunisia, Ukraine, Oman and Mexico, and also undertook the review of five existing IGAs with Germany, France, Czech Republic, Finland and Canada.

To date, Malaysia has signed 18 IGAs with developed countries, 52 IGAs with developing countries and two multilateral IGAs with the Organization of Islamic Conference (OIC) and ASEAN. The main objectives of IGA are to:

- provide protection against nationalisation or expropriation;
- ensure prompt and adequate compensation in the event of nationalisation or expropriation; and
- ensure settlement of investment disputes under the Convention on the Settlement of Investment Disputes of which Malaysia has been a member since 1966.

In addition to IGAs, investment liberalisation issues were discussed in all the Free Trade Agreements (FTAs). To date, two FTAs have been concluded, namely the Malaysia-Japan Economic Partnership Agreement (MJEPA) and the Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA), in which elements such as national treatment, most-favoured nation treatment and performance requirements are included.

PRIVATE SECTOR INITIATIVES

The IMP3 has identified the private sector as a strategic partner in the development of policies and measures to promote the growth of the manufacturing sector. In line with this, the private sector is actively involved in the formulation and implementation of strategies and measures to achieve the IMP3 targets.

Trade and industry associations and chambers of commerce assume an important role in collaborating with the Government in its efforts to facilitate business and promote industrial development and trade. In 2007, the Federation of Malaysian Manufacturers (FMM) conducted trade and investment missions to the Middle East, Myanmar and Kazakhstan to promote various sub-sectors, including the electrical and electronics, chemical products, construction, services, agriculture and food sub-sectors. Other events organised by the private sector in 2007, include the:

- Business Mission to Zambia by the Malaysian South-South Association (MASSA) from 7-12 March 2007;
- Construction Industry Conference 2007 by the Master Builders Association of Malaysia (MBAM) on 31 July 2007; and
- career fairs by the Japanese Chamber of Trade and Industry, Malaysia (JACTIM) to help Japanese multinational corporations source for local talents.

These Associations and Chambers also work closely with the Government to gather private sector's views and provide feedback on policies. Under PEMUDAH, for instance, the private sector currently leads three focus groups to oversee improvements in their respective areas:

- Focus Group on Paying Taxes;
- Focus Group on Enforcing Contracts; and
- Focus Group on Registering Property.

At the regional level, the business councils promote win-win cooperation amongst private sector entities from member countries, mainly to seek opportunities to promote value-added products and services. Areas of cooperation include trade facilitation, *halal* products, tourism, development of small and medium enterprises (SMEs) and R&D. The private sector actively participated in some of the regional business councils including the ASEAN Business Advisory Council (ASEAN BAC), APEC Business Advisory Council (ABAC), US-ASEAN Business Council and the Indonesia-Malaysia-Thailand Growth Triangle Joint-Business Council (IMT-GT JBC).

These Councils also provide inputs to their respective Ministerial and Senior Officials Meetings on matters such as trade agreements, movement of goods, trade security, intellectual property rights, energy security and corruption. These business councils and joint trade associations also held networking and business-matching events, conducted site visits to potential investment areas, disseminated information to their members, and were involved in discussions with the Government in various fora, including the MITI Annual Dialogue 2007.

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

The *halal* industry in Malaysia is growing due to the increasing awareness and demand for *halal* food and products worldwide. The Government is committed to making Malaysia the global *halal* hub for the production and trade in *halal* products and services. Malaysia has the advantages in realising this national agenda in terms of the developed Malaysian *Halal* Standard MS1500:2004, incentives, *halal* certification, capacity building, promotional and awareness activities.

The IMP3 has identified 11 strategic thrusts for the development and promotion of Malaysia as the Global *Halal* Hub. Action plans to realise these thrusts have been formulated for implementation by various agencies. The implementation of these action plans is monitored and coordinated through a committee chaired by the Halal Development Council (HDC). Among the achievements in 2007 were:

- The World *Halal* Forum (WHF) held from 7-8 May 2007 in Kuala Lumpur. Participants from Government agencies, industry, media and non-Government organisations (NGOs) from 37 countries around the world, including Thailand, Brunei Darussalam, Turkey, Australia and the People's Republic of China attended the WHF 2007. This event generated RM4.4 million of public relations (PR) value, particularly in terms of press coverage for the event, both locally and internationally;

- The Malaysia International *Halal* Showcase (MIHAS) 2007 held from 9-13 May 2007 in Kuala Lumpur. The Incoming Buying Mission organised by MATRADE during the event recorded total sales valued at RM683.2 million, compared with RM168.3 million in 2006. A total of 330 local and 96 international companies was involved in this event, encompassing *halal* food and beverages, pharmaceuticals, non-food products and financial services. Visitors from 64 countries attended the event, registering an increase of 33.7 per cent in 2007;

- capacity building programmes carried out by MITI and its agencies on several *halal*-related areas included:

  - Hazard Analysis and Critical Control Point (HACCP) and Food Safety and Quality System;

  - issues and challenges for export of *halal* product and services;

  - packaging and development of *halal* products; and

  - food processing.

Halal Certification

In 2007, the Department of Islamic Development, Malaysia (JAKIM) received 1,743 applications for *halal* certification from various industries, out of which 833 certificates were issued based on the category of products, premises and abattoirs.

The remaining 910 applications were either rejected or under review due to non-compliance of standards, or were being processed.

Table 3.1:
***Halal* Certification Applications and Approvals, 2007**

Category	Application	Approval
Total	**1,743**	**833**
Products	1,497	770
Food premises	226	56
Abattoirs	20	7

Source: Department of Islamic Development, Malaysia (JAKIM)

To consolidate and promote the *halal* industry, the HDC undertook several initiatives including the:

- *Halal* Champions Programme launched on 27 October 2007 to promote strong local companies that have demonstrated commitment in promoting *halal* products and services as Malaysia's '*Halal* Champions' to set benchmarks and become role models;

- International *Halal* Conference on Research Advances in *Halal* Science from 29-30 November 2007; and

- SME mentoring programmes in Selangor, Johor, Penang, Kelantan, Sarawak and Sabah.

Other promotional activities undertaken for the further development of *halal* industry include:

- publications of the 'Malaysia Exporters of *Halal* Products Directory 2006' and 'Exporting *Halal* Products: Guidelines for Certification of Food Products, Pharmaceuticals and Cosmetics';

- participation in International Trade Fairs such as World Food Market 2007 (WFM) and specialised promotion and publicity programme in London from 19-22 November 2007; and

- Awareness Programmes to Kazakhstan from 20-25 October 2007 and the People's Republic of China from 25 November-5 December 2007 to promote awareness on Malaysia's *halal* industry.

INITIATIVES TO PROMOTE ICT

National Single Window for Trade Facilitation

The National Single Window for Trade Facilitation (NSW-TF) is an electronic system that enables a secure, safe and efficient exchange of trade-related documents through a single point of entry to expedite the smooth flow of information of goods either for export, import or transit.

Four core services identified for the first stage of the implementation are:

- e-Declare - electronic submission of Customs declarations;

- e-Permit - electronic submission and processing of export/import permits by Permit Issuing Agencies (PIAs);

- Electronic Fund Transfer (EFT) - for electronic Customs duty payment; and

- e-Preferential Certificate of Origin (E-PCO) - for electronic submission of Preferential Certificate of Origin applications.

MITI is the lead agency to oversee the implementation of NSW-TF. A NSW Permanent Team, comprising officers from the Customs Department and MATRADE, was established at MITI to be the primary consulting and technical advisors and to monitor the implementation of the NSW-TF. In 2007, MITI carried out five programmes in three major cities on the NSW-TF to promote awareness among relevant stakeholders and users, as well as to garner their support and cooperation for the successful implementation of the NSW-TF.

ASEAN Single Window

The ASEAN Single Window (ASW) is an initiative to further facilitate trade among ASEAN Member states. An ASW Steering Committee was established to facilitate the implementation of the ASW. This Committee is assisted by two working groups, namely the ASW Working Group on Technical Matters and the ASW Working Group on Legal and Regulatory Matters.

Malaysia is currently the Chair of the ASW Working Group on Technical Matters which has the objective of bridging technical gaps in the implementation of ASW. The ASW Working Group on Legal and Regulatory Matters which is currently chaired by the Philippines, was formed to identify and harmonise the existing legislations and regulations to allow for the successful operationalisation of ASW.

Within ASEAN, Singapore has operationalised its NSW, while Malaysia, Brunei Darussalam, Indonesia, the Philippines and Thailand are in the midst of doing so. Lao PDR, Myanmar and Viet Nam will operationalise their NSW by 2012.

DEVELOPMENT OF STANDARDS

In 2007, a total of 490 Malaysian Standards (MS) was developed, of which four MS were mandatory standards in areas such as mechanical engineering, rubber and petroleum and gas. As at 2007, 5,060 MS have been developed and of these, 2,860 standards are aligned to international standards while 127 standards have been made mandatory.

In August 2007, the Committee on Mandatory Industrial Standards (CMIS) was established in MITI to identify manufactured products on which mandatory standards will be adopted. Since its inception, the CMIS has initiated consultations with relevant agencies and industry associations to develop and adopt mandatory standards for:

- steel wire products;
- clear float and tinted float glass;
- tower cranes;
- ceramic tableware;
- lifts and escalators;
- wires and cables; and
- automotive parts and components.

To date, the CMIS has identified a number of mandatory standards. These include:

- MS1138:1989 - specifications for uncoated wire, stress-relieved strand for pre-stressed concrete;
- MS1239:1991 - specifications for galvanised low carbon steel wire for armouring cables;
- MS 1135:1989 - specifications for float and polished float glass;
- MS 1918:2006 - safety rules for the construction and installation of escalators and conveyors;
- MS 2021:2006 - safety rules for the construction and installation of all electric lifts;

Table 3.2:
Malaysian Standards as at December 2007

Sector	No. of Malaysian Standards Developed	No. of Mandatory Standards	No. of Standards Aligned Internationally
Total	**5,060**	**127**	**2,860**
Food and agriculture	589	3	127
Chemicals	641	4	323
Tourism, exhibition and hospitality services and organisational management	71	nil	32
Civil engineering and construction	261	39	56
Power generation, transmission and distribution of electrical energy, electrical equipment and accessories	811	57	617
Mechanical engineering	262	6	112
IT, telecommunication and multimedia	637	nil	568
Petroleum and gas	188	4	105
Halal standards	4	nil	nil
Plastics and plastic products	346	nil	183
Packaging	91	nil	52
Road vehicles	161	3	79
Fire safety and fire protection	77	8	30
Rubber and rubber products	180	1	115
Iron and steel	96	2	49
Textiles and apparel	242	nil	46
Medical devices	117	nil	111
Occupational health and safety	132	nil	114
Quality management and quality assurance	117	nil	111
Environment management	37	nil	30

Source: Department of Standards, Malaysia

Table 3.3
List of Mandatory Standards Adopted in 2007

No.	Sector	Malaysian Standards	Act/Technical Regulation/ Circular	Regulator
1.	ISC F - Mechanical Engineering	MS 1394: 1996 Specifications for New Pneumatic Tyres for Highway Vehicles other than Passenger Cars	Road Transport Act 1987 Motor Vehicles (Construction and Use Amendment) Rules 2006	Road Transport Department (JPJ)
2.	ISC F - Mechanical Engineering	MS 149: 1992 Specifications for New Pneumatic Passenger Car Tyres	Road Transport Act 1987 Motor Vehicles (Construction and Use Amendment) Rules 2006	Road Transport Department (JPJ)
3.	ISC N - Rubber	MS 224: 2005 Specifications for Retreading of Pneumatic Rubber Tyres for Passenger Car and Commercial Vehicles	Road Transport Act 1987 Motor Vehicles (Construction and Use Amendment) Rules 2006	Road Transport Department (JPJ)
4.	ISC H - Petroleum and Gas	MS 123:1993 Specifications for Diesel Fuel (Second Revision)	Technical Regulation	Department of Environment (DOE)

Source: Department of Standards, Malaysia

- MS 2021: Part 2: 2007 - safety rules for the construction and installation of lifts - Part 2: Hydraulic Lifts; and
- MS 1817: 2005 - specifications for ceramic tableware.

The implementation of these mandatory standards is subject to the amendment of the relevant Acts such as the:

- Construction Industry Development Board Act 520;
- Consumer Protection Act 1999; and
- Factories and Machineries Act 1967.

ENVIRONMENT

Malaysia supports the Kyoto Protocol that has been in force since 16 February 2005. Although Malaysia is not subject to any commitments under this Protocol, Malaysia has voluntarily participated in globally reducing Green House Gas (GHG) emissions through the Clean Development Mechanism (CDM). In 2007, 65 CDM projects in Malaysia were approved by the National Committee on Clean Development Mechanism (NCCDM) under the Ministry of Natural Resources and Environment, compared with 23 projects in 2006.

Table 3.4:
Projects Approved under the National Committee on Clean Development Mechanism, 2007

Type of Project	Number of Project Approved
Total	**65**
Agriculture composting project	28
Bio-mass empty fruit bunch	16
Bio-gas palm oil mill effluent	9
Energy efficiency	3
Landfill	5
Fuel switch	1
Manufacturing industries	1
Mini hydro	2

Source: Ministry of Natural Resources and Environment

In line with efforts to reduce GHG emissions and global warming, tax incentives were enhanced under the 2008 Budget to encourage industries to adopt renewable energy and energy efficiency practices. Enhancement of incentives for Renewable Energy and Energy Efficiency activities under the 2008 Budget include:

- extension of PS and ITA to other companies in the same group for Renewable Energy;
- enhancement of PS to 100 per cent for ten years and ITA to 100 per cent to be set-off against 100 per cent statutory income for companies providing energy conservation services; and
- ITA of 100 per cent on the qualifying capital expenditure, to be off-set against 100 per cent statutory income, for companies generating renewable energy for own consumption, in place of the current Accelerated Capital Allowance.

Domestic industries are also encouraged to embark on the mandatory requirements in international markets such as the Restriction of Hazardous Substances (RoHS) directive by the European Union that took effect on 1 July 2006. The directive restricts the use of six hazardous materials, namely lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls and polybrominated diphenyl ether, in the manufacture of various types of electrical and electronics equipment.

The RoHS directive is closely linked to the Waste Electrical and Electronics Equipment Directive (WEEE) 2002/96/EC which sets targets for collection, recycling and recovery of electrical goods and is part of an initiative to solve the problem of the increase in toxic e-waste.

Manufacturers and exporters of electronic equipment for the EU market are required to comply with these directives. Non-conformance to the directives could result in penalties being imposed on exporters by the EU. Domestic industry is encouraged to comply with RoHS and WEEE directives to ensure that Malaysian products are competitive in the international market. Briefing sessions for industry to promote awareness on RoHS and WEEE have been carried out by the Government and industry associations.

R&D, INNOVATION, AUTOMATION AND MODERNISATION

The Ninth Malaysia Plan (9MP) places priority on market-oriented R&D on areas such as biotechnology, advanced materials, advanced manufacturing, ICT and nanotechnology. A total of RM5.3 billion has been allocated for science, technology and innovation under the 9MP. In 2007, the Government continued to facilitate private sector involvement in R&D and technology development.

The total national gross expenditure on R&D (GERD) to Gross Domestic Product (GDP) ratio has been on an upward trend, increasing from 0.5 per cent in 2000 to 0.69 per cent in 2002 and 0.9 per cent in 2005. In an effort to enhance national capacity in R&D, the Second National Science Policy targeted to increase R&D spending to a minimum of 1.5 per cent of the GDP by 2010.

Table 3.5:
Science, Technology and Innovation Indicators, 2000-2005

Indicator	2000	2002	2004	2005
National gross expenditure on R&D (RM million)	1,671.5	2500.6	2,843.7	4,300
National gross R&D expenditure (% to GDP)	0.5	0.69	0.63	0.9

Source: Ministry of Science, Technology and Innovation

Grants for R&D are also available through the Pre-packaged Incentive Scheme under MITI. In 2007, a total of 17 projects was approved R&D grants, valued at RM134.7 million.

To promote automation and modernisation, the Automation Fund and the Industrial Adjustment Fund were introduced under the 9MP to improve the overall competitiveness of companies to reduce the dependency of industries on unskilled workers, especially foreign workers and undertake rationalisation of operations and upgrade production capacities.

To cater for better utilisation, the Automation Fund and the Industrial Adjustment Fund were repackaged as the Soft Loan Scheme for Automation and Modernisation (SLSAM). The SLSAM was launched in February 2007 with an allocation of RM300 million and is managed by the Malaysian Industrial Development Finance Berhad (MIDF). The Fund is available for six targeted sub-sectors in the manufacturing sector, namely electrical and electronics, wood products and furniture, plastics and chemical, iron and steel, textiles and apparel, and automotive sub-sectors. As at 31 December 2007, loans totalling RM47.5 million were approved under the SLSAM.

Table 3.6:
Approvals under SLSAM
(As at 31 December 2007)

Sub-Sector	No. of Application Approved	Amount Approved (RM million)
Total	**16**	**47.5**
Electrical and electronics	4	8.8
Automotive	2	10.0
Textiles and apparel	4	7.1
Wood products and furniture	2	10.0
Iron and steel	3	11.2
Plastics and chemical	1	0.4

Source: Malaysian Industrial Development Finance Berhad

HUMAN RESOURCE AND SKILLS DEVELOPMENT

In the light of rapid technological advancement, industries require skilled workforce to spearhead economic expansion, particularly in the manufacturing and related services sectors. In line with this requirement, the Government established the National Advisory Council on Education and Training under the Ministry of Higher Education on 26 July 2007. The objectives of the Council are to:

- formulate and streamline policies on education and training;
- improve and take corrective actions on existing education and training systems; and
- streamline programmes and activities undertaken by various ministries and agencies involved in education and training to meet the needs of the industry.

National Dual Training System

In an effort to address skills requirement as highlighted in the IMP3, there is a need for the various implementation committees under the IMP3 to enhance participation and promote the adoption of the National Dual Training System (NDTS). In 2007, MITI collaborated with the Department of Skills Development, Ministry of Human Resources, by conducting awareness sessions for the industry. The participation by the private sector has been encouraging. As at 31 December 2007, a total of 2,920 trainees from 545 companies participated in the NDTS.

Academia Industry Consultative Council

The Academia Industry Consultative Council (AICC) was established in 2005 to facilitate and strengthen the collaborative effort between the industry and the academia. Issues discussed by the Council in 2007 include entrepreneurship, industrial training, communication skills, unemployed graduates, demand and supply of manpower and curriculum. Subsequent to this, the Ministry of Higher Education has introduced new policies that include:

- requirement for all students to take a module on soft skills;
- introduction of an entrepreneurship module that will be made compulsory to all students; and
- compulsory participation in professional courses certified by the professional bodies in the industrial training module.

The Human Resource Development Fund

In 2007, a total of RM331 million was disbursed through the Human Resource Development Fund, recording a 14.4 per cent increase from 2006. A total of 690,875 trainees underwent various training programmes, compared with 608,962 in 2006.

Various training institutes under the Ministry of Human Resources conducted training courses on skills development and the number of trainees in 2006 and 2007 was:

Table 3.7:
Number of Trainees, 2006-2007

Institute	Number of Trainees	
	2007	2006
Centre for Instructor and Advanced Skills Training (CIAST)	162 [e]	220
Advanced Technology Centre (ADTEC)	1,029 [e]	743
Japan-Malaysia Technical Institute (JMTI)	191	165
Industrial Training Institutes (ITI)	10,424	8,060
National Institute of Occupational Safety and Health (NIOSH)	59,972	40,991

Source : Ministry of Human Resources
Note : [e] estimate

In 2007, training grants amounting to RM107.6 million were approved for a number of companies to encourage human capital development under the pre-packaged incentives scheme by MITI.

BRANDING

The National Branding Task Force (NBTF) was established on 27 November 2006 to enhance national, industry and corporate competitiveness through branding. Members of the Task Force comprise high level Government officials and industry leaders, as well as technical experts involved in branding. The strategies identified by NBTF include creating favourable national traits and image, building national icons to manage domestic and international distribution channels and aligning corporate, product and service positioning with country brands.

The introduction of the Soft Loan Scheme for International Branding (SLSIB) is one of the initiatives undertaken by NBTF to promote the growth of Malaysian brands. The SLSIB was launched in October 2007, with an allocation of RM50 million, to be utilised by eligible Malaysian-owned companies to undertake branding activities. The scheme is managed by MIDF and available loans range from RM50,000 to a maximum of RM3 million.

The BRAND-SME Development Programme is an initiative to promote and reinforce the value of an individual SME's brand. This programme comprises four core elements:

- capacity building;
- certification and award of a National Mark symbolising excellence, distinction and assurance of compliance;
- auditing and monitoring; and
- promotion activities.

Other incentives available to promote brand creation and intensify market promotion activities include:

- double deduction for promotion of Malaysian brands;
- double deduction for promotion of exports; and
- Brand Promotion Grant.

Brand Promotion Grant

Since its inception in 2004, grants totalling RM85.3 million under the Brand Promotion Grant, have been approved for 49 companies in various sectors. In 2007, a total of RM21.4 million was approved for 13 companies, of which 36 per cent (RM7.7 million) were approved to six SMEs, while the remaining 64 per cent (RM13.7 million) were approved for seven non-SMEs.

To further develop brand-building skills such as packaging, labelling and visual

Table 3.8:
Brand Promotion Grant Approvals, 2004-2007

Sector	2007		2004-2006		Total
	SMEs	Non-SMEs	SMEs	Non-SMEs	
Total	**6**	**7**	**15**	**21**	**49**
Prepared food	-	1	4	5	10
Beverages	1	-	-	1	2
Consumer and industrial electrical and electronic products	1	1	2	2	6
Gift, souvenir and jewellery	-	-	-	2	2
Rubber products	1	-	2	1	4
Furniture	-	1	2	-	3
Building and construction materials and hardware	-	1	-	-	1
Pharmaceuticals, toiletries and components	1	-	-	2	3
Automotive parts and components	1	-	1	2	4
Wood products	-	-	-	1	1
Chemicals, minerals and alloys	-	-	1	-	1
Footwear	-	-	1	-	1
Services sector:					
ICT	-	1	1	3	5
Franchise	1	-	1	1	3
Professional services	-	-	-	1	1
Tourism and hospitality	-	1	-	-	1
Business services	-	1	-	-	1

Source: Malaysia External Trade Development Corporation

merchandising, several seminars and workshops were organised to nurture and update exporters on trade developments and business opportunities in international markets. In 2007, participants from 3,007 companies were involved in these programmes.

OUTLOOK

The Government will closely monitor the external developments arising out of the sub-prime mortgage crisis in the United States of America and rising commodity prices and their consequent impact on global trade and investments. Proactive measures will be taken to mitigate any adverse impact to ensure that Malaysia continues to be a preferred investment destination.

Efforts will be further intensified to ensure a conducive business environment and reduce the cost of doing business. The Government will continue to work closely with the private sector to institute measures to maintain Malaysia's competitive edge towards becoming the world's top ten trading nation by 2020.

Continued focus will be given to further promote the *halal* industry and encourage the adoption of standards including the *halal* standard. Initiatives will be undertaken to encourage automation to reduce the dependence on foreign labour by industries. The implementation of the NSW and similar initiatives to promote the use of ICT will be further enhanced to facilitate growth of trade and investments.

Box 3.1 : Regional Corridors in Malaysia

Since 2006, the Government launched five development corridors in the country with the main objective of addressing regional socio-economic inequality. The development corridors are aimed at achieving a balanced development through a more integrated and coordinated effort, as well as to generate economic activities.

The Government will provide fiscal and non-fiscal incentives to attract and facilitate investors, while the private sector will assume a critical role as the engine of growth to drive the economic development in each of the identified regions.

The five development corridors identified are:

- the Iskandar Malaysia in Southern Johor, launched on 4 November 2006;
- the Northern Corridor Economic Region (NCER) covering Perlis, Kedah, Pulau Pinang and Northern Perak, launched on 30 July 2007;
- the East Coast Economic Region (ECER) which includes Kelantan, Terengganu, Pahang and the district of Mersing in Johor, launched on 29 October 2007;
- the Sabah Development Corridor (SDC), launched on 29 January 2008; and
- the Sarawak Corridor of Renewable Energy (SCORE), launched on 11 February 2008.

Iskandar Malaysia
Iskandar Malaysia will be developed as a world-class metropolis where investments will be focused on new industry clusters, such as the creative industry, financial advisory and consulting, education, healthcare, logistics services and tourism. Iskandar Malaysia covers a land area of 2,217 sq. km.

The development of Iskandar Malaysia is divided into five zones:
- Johor Bahru City Centre;
- Nusajaya;
- Western Gate Development;
- Eastern Gate Development; and
- Senai-Skudai.

Iskandar Malaysia has an approved allocation of RM4.1 billion under the Ninth Malaysia Plan (9MP). A number of catalyst projects that will be undertaken include the new administrative centre for the Johor State Government, the Southern Johor Industrial Logistics Cluster, Waterfront City, Medical Hub, Edu-city and the proposed international tourism destination.

The Iskandar Regional Development Authority (IRDA), established through the IRDA Act 2007, came into effect in February 2007. IRDA will be the single contact point for investors to the region and will also act as the regulatory body.

Incentives provided by the Government to attract investors to the region are:
- corporate tax exemption for 10 years;
- exemption from the Foreign Investment Committee (FIC) ruling;
- source capital globally; and
- employ foreign workers without restrictions.

Among specific fiscal incentives are:

(i) IRDA approved developers will enjoy:

  - full income tax exemption on statutory income from disposal of real property up to 31 December 2015;

- exemption from withholding tax on interest, royalties and technical fees up to 31 December 2015; and

- full income tax exemption up to 31 December 2020 on statutory income received from the rental or sale of buildings.

(ii) IRDA-status companies undertaking qualifying activities in the six targeted sectors will benefit from:

- full income tax exemption on statutory income for a period of 10 years; and

- exemption from withholding tax on royalties and technical fees for a period of 10 years from the date the company commences operations.

Iskandar Malaysia is envisaged to boost the growth of Johor and the growth rate between 7 to 8 per cent is forecasted to be achieved by 2025. It is also projected that an additional 800,000 job opportunities will be created.

As at December 2007, Iskandar Malaysia has attracted investments totalling RM26.1 billion in the maritime property, power, infrastructure, and oil and gas industries.

Northern Corridor Economic Region

The Northern Corridor Economic Region (NCER), covering an area of 2.4 million hectares, will be implemented in stages beginning 2007 until 2025. The NCER is a Government initiative to curb poverty in the four northern states of Perlis, Kedah, Pulau Pinang and Northern Perak (Hulu Perak, Kerian, Kuala Kangsar, and Larut Matang Selama districts). Sime Darby Berhad has been tasked to prepare the NCER Master Plan and coordinate the identified projects under NCER.

The overall theme for NCER is improving value-add from the existing industries, emphasising the transformation and expansion of the agriculture, manufacturing, and services sectors namely tourism and logistics.

The NCER initiative also aims to develop new industries in the region. These include new commercial plantations and encouraging downstream activities related to agriculture, biotechnology, and oil and gas. The NCER development programme will also fully utilise the transportation infrastructure of the region and its geographical position near Thailand and Sumatra to become a processing, logistics and trade centre for the region.

Several main projects identified for development include the Integrated *Halal* Hub (Perlis, Kedah and Perak) in Lembah Bertam, agriculture-based industries from Perlis to Kuala Muda, Pulau Pinang second bridge, Pulau Pinang monorail, Kulim High-Tech Park and the Trans-Eastern Kedah Hinterland Highway in Kedah.

The Northern Corridor Implementation Agency (NCIA) was established to direct, monitor and coordinate the implementation of programmes under NCER.

The NCER initiatives will require a total investment of RM178 billion for the period 2007-2025:

Source of Funding	9MP (RM billion)	10MP (RM billion)	11MP (RM billion)	12MP (RM billion)
Total	**28.4**	**45.4**	**50.3**	**53.8**
Private Sector	8.2	23.2	27.2	28.7
Private Finance Initiative	2.8	8.4	9.3	11.5
Government	17.4	13.9	13.9	13.6

With the implementation of NCER, the average GDP growth of the region is forecast to increase from 5.9 per cent in 2005 to 7 per cent in 2025. GDP is projected to increase from RM52.7 billion in 2005 to RM214.1 billion in 2025. Employment in the region is targeted to increase from 2.4 million persons in 2005 to 4 million persons in 2025.

East Coast Economic Region

The East Coast Economic Region (ECER) is targeted for the development of the east coast states, covering Terengganu, Kelantan, Pahang and Johor (Mersing). The Eastern Regional Development Master Plan outlines the development of the ECER over a 12-year period up to the year 2020.

The main objective of the ECER is to accelerate growth in a viable, equitable and sustainable manner to raise incomes and reduce poverty. The GDP of ECER is projected to grow by 7.2 per cent, from RM23.1 billion in 2005 to RM65.9 billion in 2020.

The industries to be developed in the ECER are petroleum, oil and gas, manufacturing, education, tourism and agriculture-based industries. A total of 227 projects has been identified to be implemented in stages until 2020 by PETRONAS. The projects are valued at RM112 billion for the 12-year period. The Federal Government is expected to provide 39 per cent of the total cost, while 14 per cent will be from Government-linked companies. Another 20 per cent will be from the private sector and the remaining 27 per cent to be sourced from private finance initiatives (PFIs).

The main projects include the establishment of two universities, that is, *Universiti Darul Iman* in Terengganu and *Universiti Darul Naim* in Kelantan, and the Palm Oil Industrial Cluster project in Pahang-Johor and Terengganu-Kelantan.

The East Coast Economic Region Development Council will be established to monitor all development projects in ECER.

Sabah Development Corridor

The Sabah Foundation has been nominated as the lead agency for the development of the Sabah Development Corridor (SDC). Sectors given emphasis in the SDC are the manufacturing, agriculture and services sectors, particularly tourism and logistics. Some of the major flagship projects include the Palm Oil Industrial Cluster, Tourism and Maritime Cluster, Integrated Agro-Food Commercial Zone and Biodiversity Conservation Zone. To initiate the SDC, an allocation of RM5 billion has been approved by the Government, in addition to the RM16.9 billion allocated to Sabah under the Ninth Malaysia Plan.

Under the SDC, the West coast of Sabah would focus on an industrial sub-corridor and agro-food industry for small and medium enterprises, while the Central and Northern zones will focus on agripolitan zone, tourism, highland agriculture and agro-forestry. The East coast of the SDC will focus on marine tourism, integrated agro-food industry, agro-biotechnology and palm oil-based industry zones.

The 18-year plan from the year 2008 to 2025 is targeted to attract a total of RM105 billion in investments, mainly from private funding and will create a total of 900,000 job opportunities. A total of 14 Memoranda of Understanding (MoU) worth RM16 billion was signed at the launching of the SDC Blueprint.

The Sabah Economic Development and Investment Authority (SEDIA) will be established to oversee and ensure the implementation of projects under the SDC.

Sarawak Corridor of Renewable Energy

The State Government of Sarawak has identified the Mukah-Bintulu region as its development corridor. It will focus on the energy sector and its supporting industries. The area between Mukah and Bintulu will be developed as the Energy Intensive Industry Corridor and transformed into a ‘high energy industry region’ for Sarawak. This plan will provide great potential for Sarawak to specialise in energy-intensive industries to achieve higher level of industrial development.

The three phases of Sarawak Corridor of Renewable Energy are:

- Phase I (2008-2015): Building the Corridor Foundation
  - period: Ninth Malaysia Plan and Tenth Malaysia Plan
  - to build basic infrastructure for the Corridor
  - to attract pioneer industries in the energy and related sectors for the Corridor

- Phase II (2016-2020): Towards Vision 2020
  - period: Eleventh Malaysia Plan
  - to ensure the growth and development of the Corridor by building industrial clusters
  - to develop R&D capabilities

- Phase III (2021-2030): Fruition of the Corridor
  - period: Twelfth Malaysia Plan and Thirteenth Malaysia Plan
  - R&D to sustain the economy
  - more internally generated investments

By transforming the central region of Sarawak (covering the coastal zones from Mukah to Bintulu, Tanjong Manis, Similajau, Sibu, Kapit and Sarikei) into an industrial area, it is envisaged to make Sarawak into a fully developed State by 2020. The value chain of industries given focus are oil-based, aluminium, steel, glass, tourism, palm oil, timber-based, livestock and aquaculture industries.

The Regional Economic Development Authority (RECODA) Bill to establish the Regional Economic Development Authority was passed in December 2006. RECODA will be the key entity driving the development of the region and will own, manage and implement the Sarawak Corridor. Its primary goal is to ensure the success of the Sarawak Corridor by 2030, which is measured by two broad criteria, namely the creation of 1.5 million new job opportunities and average GDP per capita growth of 5.5 per cent per annum.

Conclusion

The establishment of the five economic regions under the 9MP reflects the Government's efforts to ensure balanced economic development in the different regions of the country. With several projects planned for each of the corridors, the disparities in development will be addressed in a coordinated manner spanning a period of 24 years.

The various initiatives provided will ensure a more conducive environment for investments and business activities, especially in the least developed areas. As economic growth will also lead to increased job opportunities and higher income levels, Malaysians in both the rural and urban areas will enjoy an improved quality of life in tandem with the progressive economic development of the nation.

Box 3.2 : Progress of Implementation of the Third Industrial Master Plan (IMP3), 2006-2020

Implementation Mechanism

A total of 28 Committees and Work Groups has been established under the Third Industrial Master Plan (IMP3) to facilitate its implementation. Members of these Committees and Work Groups comprise representatives from the private and public sectors.

The four main Committees are:

(1) Malaysian Services Development Council;
(2) Malaysian Logistics Council;
(3) National Branding Task Force; and
(4) Technical Resource Group on Human Resource Requirements.

Apart from these four Committees, the other Committees and Work Groups encompass all the other areas of the IMP3:

(1) Investments;
(2) Market Development;
(3) Balanced Regional Development;
(4) Development of SMEs;
(5) Integrating Malaysian Companies into Regional and Global Networks;
(6) Enhancing Domestic Capabilities;
(7) Equitable Distribution;
(8) Role of Private Sector Institutions;
(9) Business Operating Environment;
(10) *Halal* Development Initiatives;
(11) ICT and Other Technology Developments;
(12) Manufacturing Sector;
(13) Electrical and Electronics Industry;
(14) Medical Devices Industry;
(15) Textiles and Apparel Industry;
(16) Machinery and Equipment Industry;
(17) Metals Industry;
(18) Transport Equipment Industry;
(19) Petrochemicals Industry;
(20) Pharmaceuticals Industry;
(21) Wood-Based Industry;
(22) Rubber Products Industry;
(23) Oil Palm-Based Industry; and
(24) Food Processing Industry.

The implementation of the IMP3 is monitored through comprehensive action plans, covering the period from 2007 to 2010, that has been prepared by the respective committees.

IMP3 Targets and Performance in 2007

The IMP3 macro-framework has set targets for total trade, exports, growth and contribution of the manufacturing and services sectors to the GDP, investments in the manufacturing and services sectors, and growth and contribution of total factor productivity (TFP) to the GDP:

- total trade is targeted to grow to RM1,459.7 billion with exports reaching RM803.9 billion by 2010. In 2007, total trade grew by 3.7 per cent to RM1.11 trillion, compared with RM1.07

trillion in 2006. Exports increased by 2.7 per cent to RM605.1 billion from RM589 billion in 2006 and accounted for 54.5 per cent of Malaysia's total trade;

- the manufacturing sector is targeted to grow at 5.6 per cent annually, with its contribution to the GDP increasing to 32.4 per cent in 2010 and thereafter being sustained at 28.5 per cent in 2020. Investments in the sector are targeted to total RM412.2 billion during the IMP3 period, or RM27.5 billion annually. In 2007, the manufacturing sector grew at 3.1 per cent and contributed 30.2 per cent to the GDP. Approved investments valued at RM59.9 billion surpassed the annual investment target;

- the non-Government services sector is targeted to grow at 7.5 per cent per annum and contribute 59.7 per cent to the GDP by 2020, with total investments targeted at RM687.7 billion or RM45.8 billion annually. In addition to this, the construction services sub-sector is expected to grow by 5.7 per cent per annum and contribute 2.5 per cent to GDP by 2020 with annual investments targeted at RM12.6 billion. In 2007, the non-Government services sector grew at 10.5 per cent and contributed 46.5 per cent to the GDP, while the construction services sub-sector grew at 4.6 per cent with a contribution of 2.7 per cent to the GDP. Approved investments for the non-Government services sector amounted to RM65.4 billion in 2007, surpassing the investment target; and

- total factor productivity (TFP) is targeted to grow at 2.6 per cent annually and contribute 41.4 per cent to the GDP during the IMP3 period. As TFP is not calculated on an annual basis, data on productivity is used instead as a proxy measure. The productivity of the manufacturing sector, as measured by Added Value per Employee, improved by 8 per cent to RM89,755 in 2007, compared with RM83,093 in 2006.

Progress of Action Plans
In 2007, areas that recorded significant developments included:

- sustaining the manufacturing sector's contribution to growth:

  - accelerating the transition towards higher value-added products in various sub-sectors, such as electronics (wafer fabrication and solar photovoltaic manufacturing), textiles (geotextiles) and petrochemicals (acrylonitrile butadiene styrene, polyamine, polyacrylamide emulsion and sodium polyacrylate); and

  - strengthening the capabilities and competitiveness among industries through mergers and acquisitions, consolidations and strategic partnerships. Three major companies in the oil palm-based industry took the initiative to consolidate and integrate their operations. The newly merged company has become one of the world's largest listed oil palm plantations groups by planted land area, with significant involvement in both upstream and downstream palm oil activities, thus creating a strong global presence for the industry;

- positioning the services sector as a major source of growth:

  - the Malaysian Services Development Council (MSDC) and the Malaysian Logistics Council (MLC) were established to guide the strategic direction and coordinate the development of the services sector; and

  - two funds were created to provide financial support for the development of service providers and those intending to venture abroad. These funds were the Services Export Fund, with an allocation of RM145.8 million under the Ninth Malaysia Plan (9MP), administered by MATRADE, and the Services Development Fund for SMEs

(RM15 million), administered by SMIDEC. In addition, EXIM Bank also extended financial assistance to the services sector, in particular, the construction services sub-sector;

- intensifying the development of SMEs:

  - in an effort to integrate SMEs into the regional and global supply chains, business matching sessions were arranged in conjunction with SMIDEX 2007 and IMT-GT SME Conference and Expo 2007. The matching sessions resulted in negotiated sales amounting to RM87.5 million;

  - SMIDEC assisted SMEs to seek opportunities in export markets and specific project missions for SMEs were organised to Thailand, the People's Republic of China and Taiwan. The missions generated total potential sales of RM237.6 million; and

  - SMIDEC will be transformed to become the SME central coordinating agency, SME Coorpoation which would serve to be a dedicated Government agency to lead and coordinate the development of SMEs across all sectors of the economy. This agency will collaborate with the relevant ministries and agencies to ensure that comprehensive policies on SMEs are in place;

- integrating Malaysian companies into the regional and global networks:

  - Incoming Buying Missions were organised by MATRADE, in conjunction with major trade events, in particular, MIHAS and INTRADE, as well as French Buying Mission. During these incoming buying missions, 12,815 business meetings involving 1,799 Malaysian companies were arranged;

  - promotion activities were undertaken for investments and exports of the targeted manufacturing and services industries, which include 14 specialised investment and trade missions to regions, such as the Middle East, East Asia, Europe and Latin America;

  - the first Malaysian Kitchen was launched in Tokyo, Japan, in December 2006, as a vehicle for creating the export chain of Malaysian ingredients and promoting Malaysian cuisine;

  - a total of 468 SMEs is being nurtured to enable them to become suppliers to hypermarkets in Malaysia and abroad; and

  - major networking sessions were organised by SMIDEC, involving the participation of winners of the Enterprise 50 award, as well as industry and trade associations;

- enhancement of the production and marketing capabilities of domestic companies:

  - initiatives were undertaken to upgrade the capacities and innovative capabilities of Malaysian-owned companies in various areas, including core competencies, product and process improvements, automation and modernisation, marketing skills, branding and R&D. To implement these initiatives, various incentive and support schemes including the Matching Grant for Product and Process Improvements (768 approvals, involving RM75 million), Grant for Enhancing Marketing Skills (1,856 employees of SMEs, involving RM1.8 million), and Soft Loan Scheme for Automation and Modernisation (41 projects, involving RM43.3 million) were provided;

- companies were encouraged to adopt best business and management practices to improve the quality of their products and services. Towards this objective, MPC conducted various benchmarking and best practices management programmes, including establishing Community of Practices (CoPs), developing Key Performance Indicators and Malaysian Benchmarking Index; and

- in respect of research activities and commercialisation of research results, five universities were designated as centres of excellence, namely, University Science of Malaysia (USM) for microelectronics, University Technology of Malaysia (UTM) and Multimedia University, Malaysia (MMU) for ICT, National University of Malaysia (UKM) for micro-electromechanical systems and University of Malaya (UM) for photonics. These centres are responsible for providing technology support, R&D facilities and incubators for start-ups, market intelligence and access to funding for the industry;

• strengthening of the support services and facilities, including incentives, funds and skills training:

  - support services for SMEs included the introduction of the SME Competitive Rating for Enhancement, Technical Experts Assistance Programme, SME Experts Advisory Panel and Industrial Linkage Programme;

  - three financial assistance schemes were launched, namely, Services Export Fund in September 2006, Soft Loan Scheme for Automation and Modernisation in February 2007 and Soft Loan Scheme for International Branding in October 2007; and

  - the *Institut Sumber Manusia Kebangsaan* was established and the coverage of the Human Resource Development Fund was extended to include apprenticeship, industrial attachments and internship programmes;

• strengthening of the institutional capacity:

  - apart from the two councils for the services sector (that is MSDC and MLC), other institutional developments included the establishment of the National SME Development Council and Halal Development Corporation (HDC);

  - the Special Task Force to Facilitate Business (PEMUDAH) was established in February 2007 as a public-private sector initiative to review systems, procedures and processes to enhance the Government delivery system and provide greater transparency of Government policies; and

  - establishment of specialised parks, including Kertih Plastics Park in Terengganu, Zurah Industrial Park in Selangor for the machinery and engineering industry, Permanent Food Park and *Halal* Parks;

• enhancing the business operating environment:

  - initiatives to enhance the Government delivery system included improvements in the systems and processes in the local authorities. A total of 103 One-Stop Centres (OSCs) was established to facilitate concurrent approvals for development proposals. For instance, high impact projects, Government projects and projects under the build-then-sell (BTS) concept would be approved within 120 days;

  - rules and regulations continued to be reviewed to facilitate the growth of industries and services. Amendments to the Promotion of Investments Act 1986 were passed by the Parliament in July 2007 and incorporated incentives announced in the annual

Budgets during the years of 2001 to 2007 and removed cumbersome procedures and incentives; and

- the administration of registration and enforcement of intellectual property rights (IPR) was improved, including the launching of the Intellectual Property Court in July 2007 for cases related to IPR, amendments to the Copyright Act 1987 and the Optical Disc Act 2000; and

• undertaking of initiatives on balanced regional planning and infrastructure and industrial development in the lesser developed states:

- initiatives included the launching of the Northern Corridor Economic Region (NCER), covering Perlis, Kedah, Pulau Pinang and Northern Perak in July 2007 and the East Coast Economic Region (ECER), covering Kelantan, Terengganu, Pahang and the district of Mersing in Johor in October 2007. The NCER and ECER provided for a more focused and strategic development of the regions concerned.

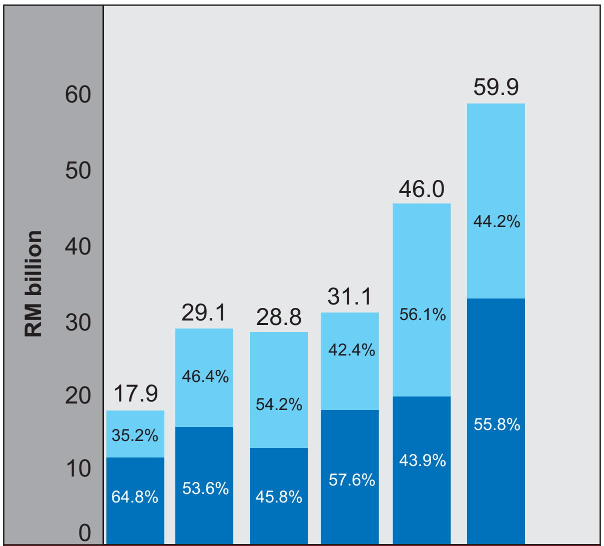
Chapter 4

INVESTMENTS IN THE MANUFACTURING SECTOR

OVERVIEW

Malaysia attracted a significantly higher level of investments in the manufacturing sector in 2007, surpassing the investments achieved in 2006. Foreign and domestic investments which had already reached unprecedented levels in 2006, achieved new record levels in 2007.

Chart 4.1:
Investments in Projects Approved, 2002-2007



	2002	2003	2004	2005	2006	2007	Total
Total (RM bil.)	17.9	29.1	28.8	31.1	46.0	59.9	212.8
DI	6.3	13.5	15.6	13.2	25.8	26.5	100.9
FDI	11.6	15.6	13.2	17.9	20.2	33.4	111.9

Source: Malaysian Industrial Development Authority
Notes: DIs - Domestic Investments
FDIs - Foreign Direct Investments

Approved investments in 2007 were more than double the average annual investment target of RM27.5 billion set in the Third Industrial Master Plan (IMP3). Though the number of projects approved was lower, that is 949 projects in 2007, compared with 1,077 projects in 2006, approved investments reached a new peak of RM59.9 billion (2006: RM46 billion). This was attributed to the greater interest in capital-intensive and high value-added projects among both domestic and foreign investors.

New Projects

There was sustained interest to establish new manufacturing projects in the country. Of the 949 projects approved in 2007, 625 (65.9 per cent) were new projects involving investments of RM31.1 billion or 52 per cent of total investments. In comparison, 653 new projects were approved with investments amounting to RM29.4 billion in 2006. In 2007, investments in new projects were mainly in the basic metal products (RM9.9 billion), electrical and electronics (E&E) (RM7.6 billion), chemicals and chemical products (RM2.6 billion), food manufacturing (RM2 billion), machinery manufacturing (RM1.6 billion), textiles and textile products (RM1.3 billion), transport equipment (RM886.9 million) and paper, printing and publishing (RM851.4 million) industries.

Expansion/Diversification Projects

Companies in Malaysia continued to expand and diversify their operations, reflecting their continued confidence in the country's investment environment. Of the 949 projects approved in 2007, 324 projects (34.1 per cent) were for expansion/diversification involving investments of RM28.8 billion or 48 per cent of total investments. In comparison, there were 424 expansion/diversification projects approved in 2006, with investments of RM16.6 billion. Investments in expansion/diversification projects in 2007 were mainly in petroleum products including petrochemicals (RM13.1 billion), followed by E&E (RM7.5 billion), basic metal products (RM2.3 billion), paper, printing and publishing (RM2 billion), chemicals and chemical products (RM1.2 billion), and non-metallic mineral products (RM874.8 million) industries.

Projects Approved by Industry

Five industries accounted for the total approved investments in 2007, amounting to RM47.8 billion or 79.8 per cent of total investments. The E&E industry recorded the highest level of approved investments, amounting

Table 4.1:
Approved Manufacturing Projects

Description	Total		New		Expansion/ Diversification	
	2007	2006	2007	2006	2007	2006
Number of Projects	949	1,077	625	653	324	424
Potential Employment (persons)	97,673	88,952	65,703	53,306	31,970	35,646
	RM million					
Proposed Called-up Capital	4,972.8	4,473.7	4,117.6	3,744.6	855.2	729.1
Malaysian Equity	2,746.7	2,231.0	2,304.9	2,075.2	441.8	155.8
- Bumiputera	618.8	822.4	608.2	780.8	10.6	41.6
- Public Corporation	20.9	nil	5.9	nil	15.0	nil
- Non-Bumiputera	2,107.0	1,408.6	1,690.8	1,294.4	416.2	114.2
Foreign Equity	2,226.1	2,242.7	1,812.6	1,669.4	413.4	573.3
Loans	20,445.6	16,585.3	14,329.8	11,899.3	6,115.8	4,686.0
Other Sources [1]	34,513.8	24,934.1	12,702.7	13,706.5	21,811.1	11,227.6
Total Proposed Capital Investment	59,932.2	45,993.0	31,150.0	29,350.4	28,782.1	16,642.6
- Local/Domestic	26,506.3	25,765.1	13,875.6	20,153.3	12,630.6	5,611.8
- Foreign	33,425.9	20,227.9	17,274.4	9,197.1	16,151.5	11,030.8

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

to RM15.1 billion (25.2 per cent), compared with RM10 billion in 2006, registering an increase of 50.8 per cent. Foreign investments accounted for RM13.7 billion or 90.9 per cent of the total investments in the E&E industry in 2007, indicating the dominant role of foreign multinational corporations (MNCs) in the industry. Investments in the E&E industry were mainly in the electronic components sub-sector, valued at RM10.7 billion.

Petroleum products including petrochemicals (RM13.8 billion) were the second largest recipients of total investments, followed by basic metal products (RM12.2 billion), chemicals and chemical products (RM3.8 billion), and paper, printing and publishing (RM2.9 billion) industries. The high level of investments in petroleum products including petrochemicals was mainly due to the approval of a petroleum refinery expansion project, totalling RM9.9 billion. In the basic metal product industry, investments amounting to

Table 4.2:
Average Annual Investment Targets under the IMP3 for the 12 Targeted Industrial Sectors

Sector	Annual Average IMP3 Targets (RM bil.)	Approved Investments in 2007 (RM bil.)
Non-Resource Based:		
Electrical & Electronics	5.5	15.1
Metals Industry	2.9	12.2
Transport Equipment	2.8	1.2
Machinery & Equipment	2.1	1.8
Medical Devices	1.3	0.5
Textiles & Apparel	0.9	1.4
Resource Based:		
Petrochemicals	2.3	13.8
Wood-based Products	1.7	0.6
Oil Palm-based Industry	1.7	3.2
Food Processing	1.6	2.4
Rubber & Rubber Products	0.9	0.5
Pharmaceuticals	0.5	0.1

Source: Malaysian Industrial Development Authority

RM4.5 billion were concentrated in a new project for the expansion of production capacity of pig iron/flat iron, slabs, billets and blooms.

Export-Oriented Projects

Malaysia's competitive investment environment continues to attract export-oriented industries to locate their new and expansion/diversification projects in the country to serve the regional and global markets. These export-oriented projects, when implemented, are expected to contribute to the further increase in the exports of manufactured products.

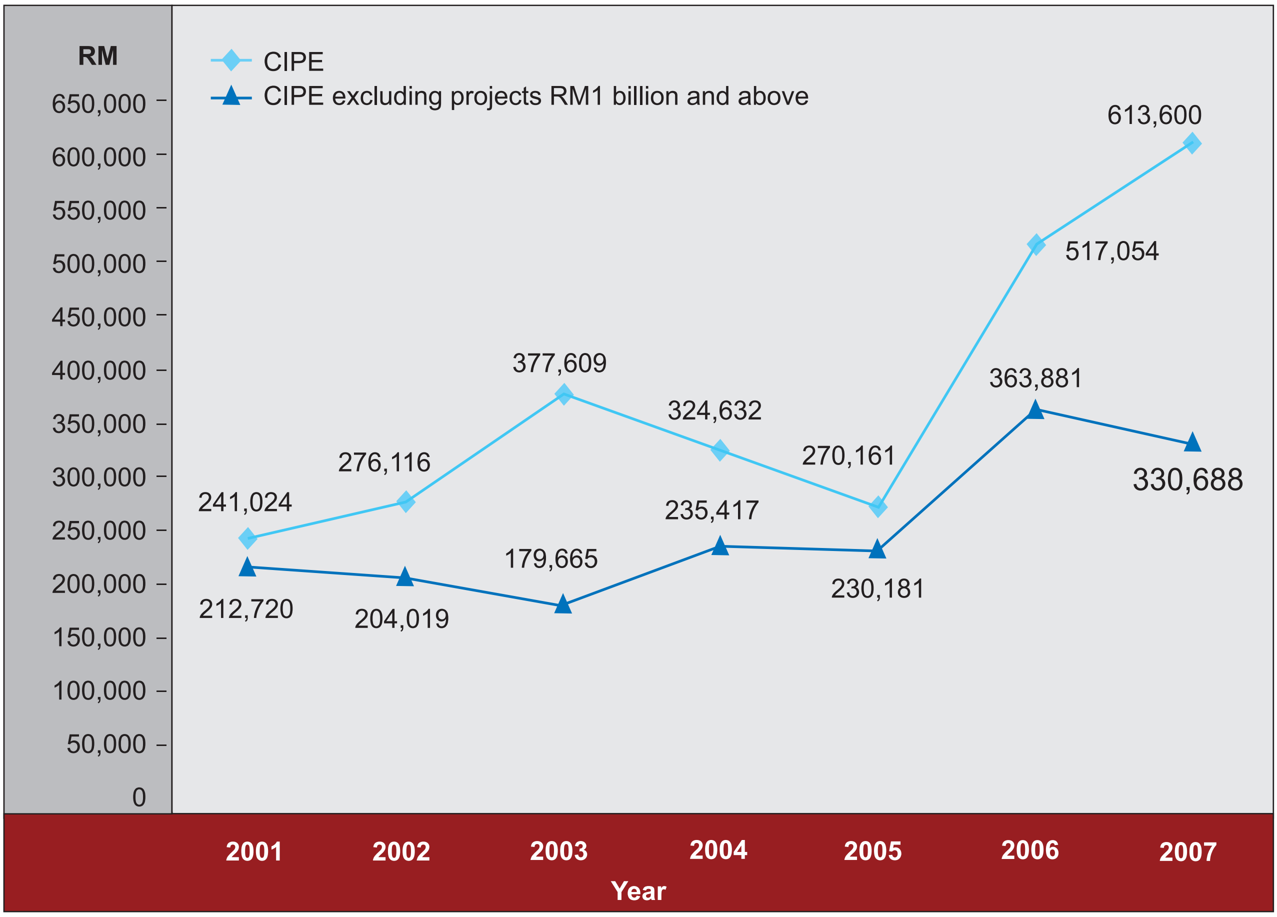
Of the 949 projects approved in 2007, 323 (34 per cent) projects are expected to export at least 80 per cent of their output. Approved total investments in these export-oriented projects amounted to RM28.8 billion, of which foreign investments accounted for RM18.3 billion (63.5 per cent), while domestic investments were RM10.5 billion (36.5 per cent).

The export-oriented projects were mainly in the E&E industry with investments totalling RM11.6 billion in 69 projects, followed by chemicals and chemical products (RM2.6 billion/32 projects), food manufacturing (RM629.9 million/28 projects), machinery and equipment (RM423.6 million/30 projects), and furniture and fixtures (RM220.9 million/31 projects) industries.

Capital-Intensive Projects

In 2007, the capital-intensity of approved projects measured by the capital investment per employee (CIPE) ratio increased by 18.7 per cent to RM613,600 from RM517,054 in 2006. The higher CIPE ratio was attributed mainly to capital-intensive projects in petroleum products including petrochemicals. The CIPE ratio of manufacturing projects has been on an increasing trend since 2001 (RM241,024) reflecting the trend towards more capital-intensive, high value-added and high technology projects.

Chart 4.2:
Approved Projects by CIPE Ratio, 2001 - 2007



Source: Malaysian Industrial Development Authority

Table 4.3:
Approved Manufacturing Projects by Industry

Industry	2007					2006				
	Total Capital Investments (RM million)	Foreign Investments (RM million)	Domestic Investments (RM million)	Number of Projects	Potential Employment (Persons)	Total Capital Investments (RM million)	Foreign Investments (RM million)	Domestic Investments (RM million)	Number of Projects	Potential Employment (Persons)
Total	**59,932.2**	**33,425.9**	**26,506.3**	**949**	**97,673**	**45,993.0**	**20,227.9**	**25,765.1**	**1,063**	**88,952**
Electrical & Electronics Products	15,111.6	13,737.1	1,374.5	144	32,455	10,023.7	8,601.5	1,422.2	170	24,239
Petroleum Products (Incl. Petrochemicals)	13,832.4	5,335.4	8,497.0	17	1,050	11,437.6	605.0	10,832.6	10	1,395
Basic Metal Products	12,173.4	4,989.6	7,183.8	52	7,133	2,724.2	2,288.1	436.1	30	1,502
Chemicals & Chemical Products	3,800.8	1,560.2	2,240.6	71	3,404	9,143.9	3,031.5	6,112.4	149	5,897
Paper, Printing & Publishing	2,898.0	1,814.6	1,083.4	36	3,191	688.0	93.4	594.6	26	1,900
Food Manufacturing	2,383.3	369.2	2,014.1	75	5,465	1,620.4	895.4	725.0	76	4,744
Machinery & Equipment	1,765.3	1,219.6	545.7	98	4,437	1,267.2	657.0	610.2	102	4,129
Textiles & Textile Products	1,400.9	1,300.8	100.1	22	9,487	821.3	152.2	669.1	30	2,863
Non-Metallic Mineral Products	1,301.0	1,007.6	293.4	16	1,619	1,166.6	962.2	204.4	29	2,344
Transport Equipment	1,195.9	306.5	889.4	53	4,581	1,448.3	216.6	1,231.7	66	5,180
Plastic Products	1,076.5	565.8	510.7	92	4,220	1,135.5	757.2	378.3	85	7,607
Fabricated Metal Products	657.5	239.2	418.3	101	4,445	1,325.7	616.3	709.4	123	6,614
Wood & Wood Products	571.8	285.4	286.4	33	3,316	983.1	286.4	696.7	41	6,063
Rubber Products	510.2	241.8	268.4	33	3,607	714.6	257.8	456.8	37	4,967
Scientific & Measuring Equipment	372.2	175.6	196.6	19	1,310	781.1	664.6	116.5	20	1,099
Furniture & Fixtures	309.1	100.5	208.6	51	5,242	410.8	55.0	355.8	62	6,982
Beverages & Tobacco	100.2	22.2	78.0	10	630	62.7	1.0	61.7	6	232
Leather & Leather Products	4.6	4.6	nil	1	77	1.0	1.0	nil	1	15

Source: Malaysian Industrial Development Authority

In 2007, 11 approved projects involved investments of more than RM1 billion each. Total investments in these projects amounted to RM29.9 billion or 49.9 per cent of total approved investments. These capital-intensive projects were mainly in petroleum products including petrochemicals, where two projects were approved involving investments of RM12.3 billion, followed by basic metal products (four projects/RM9.2 billion), E&E (four projects/RM6.5 billion), and paper, printing and publishing (one project/RM1.9 billion) industries.

Employment Opportunities

Projects approved in 2007 are expected to generate a total of 97,673 employment opportunities, of which 71,974 or 73.7 per cent will be in the managerial, technical, supervisory and skilled manpower categories. The high percentage of jobs in these categories reflects the changing needs of industry, in focusing on higher value-added, higher technology and knowledge-intensive industries. The E&E industry is expected to create the most number of employment opportunities with 32,455 jobs, followed by textiles and textile products (9,487), basic metal products (7,133), food manufacturing (5,465), and furniture and fixtures (5,242).

To facilitate technology transfer and supplement the local pool of managerial and technical skills, the Government continued to grant approvals for expatriate posts, particularly managerial and technical posts, to both Malaysian and foreign-owned companies. Technical expatriate posts approved were mainly in the engineering supporting industries such as moulds, tools and dies and machining. In 2007, a total of 2,312 expatriate posts was approved, of which 621 were key posts while 1,691 were term posts.

APPROVED PROJECTS BY OWNERSHIP

Domestic Investments

Domestic investments in projects approved in 2007 amounted to RM26.5 billion, and the highest recorded to date and accounted for 44.2 per cent of total approved investments. In comparison, domestic investments amounting to RM25.8 billion or 56.1 per cent of total investments were approved in 2006. Of the total approved domestic investment, RM13.9 billion was in new projects, while RM12.6 billion was in expansion/diversification projects.

The increase in domestic investments reflected the continued interest of domestic investors in the manufacturing sector, particularly in petroleum products and basic metal industries, in response to the strong global demand and higher prices of oil and steel. Investments in these capital-intensive industries will increase production capacities and advanced technology upgrading. In the steel industry, advance technology upgrading of fully integrated blast furnaces will enable the demand for better quality steel by the automotive and E&E industries to be met.

Two-thirds of the total number of projects approved were Malaysian-owned[1], involving 636 projects with investments of RM29.7 billion (2006: 707 projects/RM25.7 billion). Of these, 474 were new projects with investments of RM13.1 billion or 44.2 per cent of total investments in Malaysian-owned projects. The remaining 162 projects were expansion/diversification projects, involving investments of RM16.6 billion.

Investments in new projects were concentrated in basic metal products with investments of RM4.5 billion, followed by food manufacturing (RM1.8 billion), chemicals and chemical products (RM1.6 billion), E&E (RM979.2 million), paper, printing and publishing (RM801.9 million), and transport equipment (RM600.4 million) industries. Investments in expansion/diversification projects were mainly in petroleum products including petrochemicals with total investments of RM12.3 billion, followed by basic metal products (RM1.9 billion), chemicals and chemical products (RM650 million), and E&E (RM423.6 million) industries.

[1] *Malaysian-owned projects – Projects with Malaysian equity ownership of more than 50 per cent.*

Table 4.4:
Approved Manufacturing Projects with Malaysian Majority[1] Ownership by Industry

Industry	2007						2006					
	Total		New		Expansion/Diversification		Total		New		Expansion/Diversification	
	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects
Total	**29,664.3**	**636**	**13,115.0**	**474**	**16,549.3**	**162**	**25,746.8**	**707**	**20,195.5**	**509**	**5,551.3**	**198**
Petroleum Products (Incl.Petrochemicals)	12,544.7	13	257.9	10	12,286.8	3	10,834.6	7	8,771.6	6	2,063.0	1
Basic Metal Products	6,368.9	34	4,514.4	24	1,854.5	10	410.2	19	198.9	13	211.3	6
Chemical & Chemical Products	2,226.5	47	1,576.9	36	649.6	11	6,027.1	105	5,387.7	85	639.4	20
Food Manufacturing	1,967.0	61	1,763.4	44	203.6	17	775.0	54	553.8	41	221.2	13
Electrical & Electronic Products	1,402.8	60	979.2	37	423.6	23	1,698.3	71	1,120.9	43	577.4	28
Paper, Printing & Publishing	954.6	29	801.9	24	152.7	5	593.2	16	204.2	5	389.0	11
Transport Equipment	896.5	46	600.4	32	296.1	14	1,241.6	56	1,155.1	43	86.5	13
Plastic Products	530.7	54	357.9	31	172.8	23	404.9	51	303.5	37	101.4	14
Machinery and Equipment	497.2	70	414.8	56	82.4	14	630.7	69	460.5	54	170.2	15
Fabricated Metal Products	464.3	75	420.1	69	44.2	6	568.0	81	362.5	66	205.5	15
Wood & Wood Products	287.1	28	236.8	21	50.3	7	594.5	34	307.0	23	287.5	11
Non-Metallic Mineral Products	279.0	7	117.5	6	161.5	1	212.4	20	123.3	15	89.1	5
Rubber Products	268.1	21	180.1	15	88.0	6	401.6	25	82.0	11	319.6	14
Furniture & Fixtures	211.2	39	165.7	28	45.5	11	377.5	57	269.5	42	108.0	15
Scientific & Measuring Equipment	210.6	12	210.6	11	nil[2]	1	90.6	10	83.0	8	7.6	2
Textiles & Textile Products	78.4	13	61.1	8	17.3	5	669.1	18	594.3	4	74.8	14
Beverages & Tobacco	66.4	8	46.2	4	20.2	4	62.7	6	62.7	5	nil[2]	1

Source: Malaysian Industrial Development Authority
Notes: [1] Projects with Malaysian equity ownership of more than 50 per cent
[2] Expansion of capacities or manufacture of additional products not involving additional capital

Of the 636 Malaysian-owned projects approved in 2007, a total of 170 projects (26.7 per cent) with investments amounting to RM13.3 billion, would be exporting at least 80 per cent of their output. These export-oriented projects were mainly in the furniture and fixtures industry with 24 projects involving investments of RM162.7 million, followed by food manufacturing (21 projects/RM444.1 million), chemicals and chemical products (20 projects/RM1.4 billion), and machinery and equipment (16 projects/ RM66.3 million) industries.

Malaysian-owned projects are expected to generate a total of 48,007 employment opportunities or 49.2 per cent of total employment in approved projects. In 2006, proposed employment in Malaysian-owned projects totalled 51,590 persons.

Foreign Investments

Foreign investments in manufacturing projects amounted to RM33.4 billion, which accounted for 55.8 per cent of total investments approved in 2007. These investments recorded an increase of 65.2 per cent, compared with RM20.2 billion in 2006.

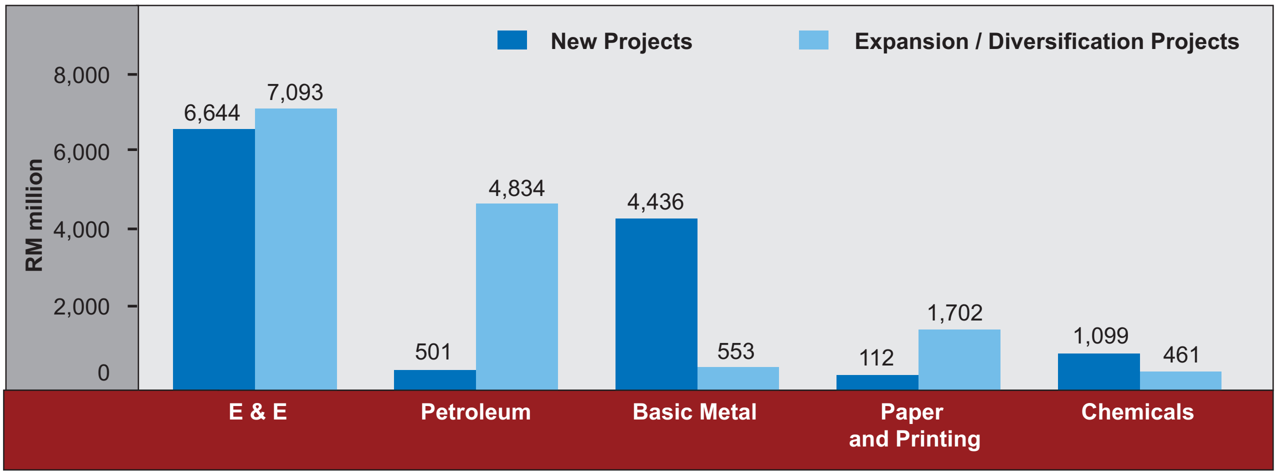
The substantial increase in foreign investments was due largely to the increased investments in the E&E industry, which amounted to RM13.7 billion in 2007, an increase of 59.7 per cent, compared with RM8.6 billion in 2006. There was an increasing interest by foreign MNCs to invest in high value-added activities and capital-intensive industries, such as wafer fabrication and solar cells/modules.

Foreign investments in 2007 were also concentrated in petroleum products including petrochemicals with a total investment of RM5.3 billion, followed by basic metal products (RM5 billion), paper, printing and publishing (RM1.8 billion), chemicals and chemical products (RM1.6 billion), textiles and textile products (RM1.3 billion), and machinery and equipment (RM1.2 billion).

Foreign investments in new projects amounted to RM17.3 billion in 2007, compared with RM9.2 billion in 2006. These investments were mainly in the E&E industry with a total investment of RM6.6 billion, followed by basic metal products (RM4.4 billion), textiles and textile products (RM1.2 billion), machinery and equipment (RM1.2 billion), and chemicals and chemical products (RM1.1 billion) industries.

Foreign investments in expansion/ diversification projects also recorded a significant increase of 47 per cent to RM16.2 billion in 2007, from RM11 billion in 2006. These investments were mainly in the E&E industry with investments totalling RM7.1 billion, followed by petroleum products including petrochemicals (RM4.8 billion),

Chart 4.3:
Foreign Investments in Projects Approved by Major Industry, 2007



Source: Malaysian Industrial Development Authority

paper, printing and publishing (RM1.7 billion), non-metallic mineral products (RM722.3 million) and basic metal products (RM553.4 million) industries. Foreign investors continued to reinvest, particularly in high value-added activities and technology-intensive operations including research and development, and engineering and product design centres.

Major Sources of Foreign Investments

For the second consecutive year, Japan was the largest source of foreign investments approved in the manufacturing sector, amounting to RM6.5 billion in 2007. This was followed by Germany (RM3.8 billion), Iran (RM3.1 billion), the United States of America (USA) (RM3 billion), Singapore (RM3 billion) and India (RM3 billion). These six countries accounted for RM22.2 billion or 66.5 per cent of total foreign investments in approved projects.

Japan

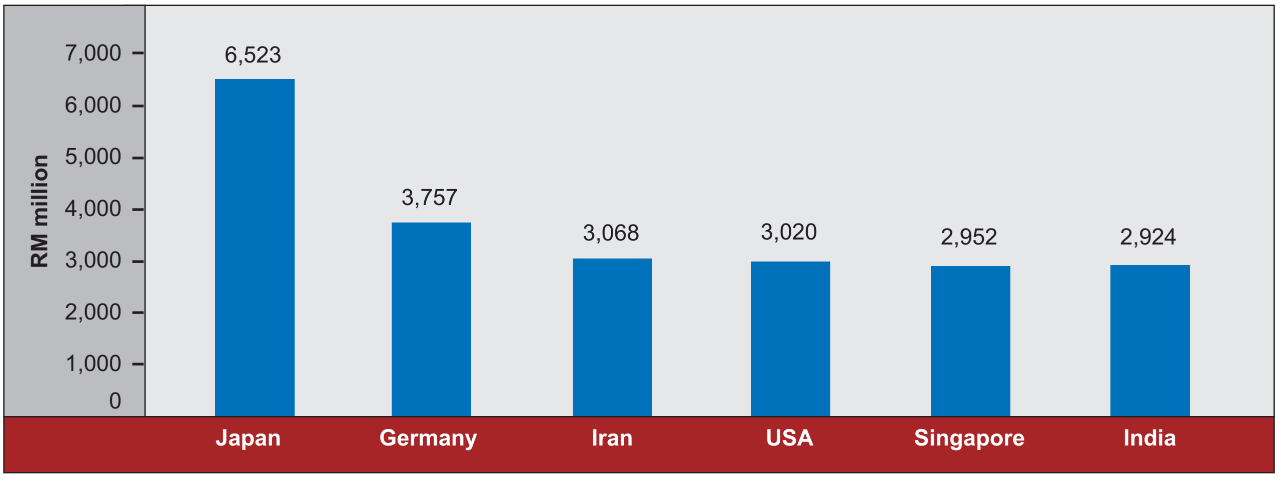
Japanese investments increased to RM6.5 billion in 2007, the highest level ever recorded. The investments in 2007 were 47.8 per cent higher than the RM4.4 billion (81 projects) recorded in 2006. These investments were in 60 projects, of which 19 were new projects totalling RM1.1 billion and 41 were expansion/diversification projects valued at RM5.4 billion.

Investments from Japan in new projects were mainly in the E&E (RM500.1 million), chemicals and chemical products (RM294.1 million), wood and wood products (RM189 million) and basic metal products (RM48.2 million). A major project (RM269 million) approved was for the production of methyl ester sulfonates and sulphuric acids.

Investments in expansion/diversification projects were mainly in the E&E (RM3.9 billion), non-metallic mineral products (RM699.8 million), petroleum products including petrochemicals (RM688 million), fabricated metal products (RM71.7 million) and food manufacturing (RM26.5 million) industries.

Four major Japanese investment expansion projects were approved in 2007. These projects include production of fabricated wafers for power semi conductor devices and manufacture of power semiconductor devices, with an investment of RM2.1 billion, production of glass fibre in all forms (RM699.8 million), production of polyacetal resins and compounded polyacetal resins (RM688 million) and production of liquid crystal display (LCD) television receivers (RM379.3 million).

Chart 4.4:
Major Sources of Foreign Investments in Projects Approved, 2007



Source: Malaysian Industrial Development Authority

Table 4.5:
Approved Manufacturing Projects with Foreign Participation by Major Source

Country	2007		2006	
	Foreign Investments (RM million)	Number of Projects	Foreign Investments (RM million)	Number of Projects
Japan	6,522.7	60	4,411.6	81
Germany	3,756.8	26	232.3	15
Iran	3,067.8	3	nil	nil
USA	3,020.0	33	2,476.6	38
Singapore	2,952.2	108	1,884.7	130
India	2,923.7	8	8.3	6
People's Rep. of China	1,883.2	13	134.1	19
Netherlands	1,690.4	9	3,284.2	13
Australia	1,685.1	17	2,560.1	20
Republic of Korea	1,118.8	23	437.8	18
Cayman Islands	892.0	1	860.5	2
France	787.0	4	85.0	5
Taiwan	408.7	41	405.5	70
UK	385.3	20	642.0	17
Belgium	213.5	4	nil	nil
Bermuda	171.5	3	80.0	1
Thailand	137.7	6	109.5	5
Switzerland	61.3	7	46.1	7
Hong Kong SAR	59.8	14	84.5	9
Sweden	54.0	2	43.7	3

Source: Malaysian Industrial Development Authority

Germany
In 2007, Germany was Malaysia's second largest source of foreign investments. A total of 26 projects was approved with investments amounting to RM3.7 billion in 2007, compared with 15 approved projects with investments of RM232.3 million in 2006. Of the approved investments in 2007, a total of RM2.7 billion or 71 per cent was in 15 new projects, while RM1 billion or 29 per cent was in 11 expansion/diversification projects.

Investments in new projects were mainlyin the E&E (RM1.9 billion) and petroleum products including petrochemicals (RM301.6 million). One of the new projects approved was for the production of fabricated wafersfor light-emitting diodes (LEDs).

Investments from Germany in expansion/diversification projects were concentrated in the E&E (RM851.9 million) and chemicals and chemical products (RM148.9 million) industries. The high level of investments in the E&E industry was mainly due to an expansion project to manufacture integrated circuits and memory modules, with investments of RM851.9 million.

Iran
Iran was the third largest source of foreign investments in 2007 with investments totalling RM3.1 billion in three projects. The large investments from Iran were due primarily to an expansion project to produce liquefied petroleum gas (LPG), gasoline, kerosene, diesel, and a diversification project to produce coke and sulphur, with investments amounting to RM3 billion. The two new projects approved were for the manufacture of gas and steam turbine blades for the oil and gas, petrochemical and power generation (RM92 million), and manufacture of wood adhesives (RM7.3 million) industries.

Unites States of America
In 2007, the USA was Malaysia's fourth largest source of foreign investments. A total

of 33 projects with investments of RM3 billion was approved in 2007, compared with 38 projects with investments totalling RM2.5 billion in 2006. Of the 33 projects approved, 13 were new projects involving investments of RM958.6 million, while 20 were expansion/diversification projects with investments of RM2.1 billion. A major portion of the investments in new projects was accounted for by a RM568 million project to produce solar cells and modules.

Investments in expansion/diversification projects were concentrated in the production of hydrogen, LPG, naphtha, gasoline, dual purpose kerosene (DPK)/jet fuel, diesel and fuel oil, totalling RM1.1 billion, and production of radio frequency/intermediate frequency (RF/IF) and microwave components/devices, totalling RM702.8 million.

Singapore
Singapore was the fifth largest source of foreign investments in 2007 with investments of RM3 billion in 108 projects approved. Of the total projects, 48 were new projects with total investments of RM2.2 billion, while 60 were expansion/diversification projects with total investments of RM733.1 million. In comparison, 130 projects were approved involving investments of RM1.9 billion in 2006.

Investments in new projects were mainly in the E&E (RM1.2 billion) and basic metal products (RM681.2 million) industries. Most of the investments in the E&E sector were accounted for by a project to produce silicon wafers, with an investment of RM755.4 million.

India
Besides developed countries, emerging economies such as India also are a potential source of foreign investments for Malaysia. In 2007, India was Malaysia's sixth largest source of foreign investments with investments totalling RM2.9 billion in eight projects approved (2006: 6 projects/RM8.3 million). This was the highest level of investment from India. Of the eight projects approved in 2007, seven were new projects involving total investments of RM1.2 billion, while one was an expansion project for the production of pulp totalling RM1.7 billion.

Investments in new projects were mainly in the textiles and textile products industry with two projects approved, totalling RM1.2 billion for the manufacture of polyester chips, fibres, yarns and fabrics, bleaching, dyeing, finishing and printing.

APPROVED PROJECTS BY LOCATION

A total of 640 projects or 67.4 per cent of the total number of projects approved in 2007 will be located in three states, namely Selangor (318), Johor (188) and Pulau Pinang (134). Kedah registered the highest level of investment totalling RM14 billion, followed by Selangor (RM11.2 billion), Johor (RM9.2 billion), Terengganu (RM6.2 billion), Pulau Pinang (RM4.8 billion), Melaka (RM3.8 billion), Sabah (RM3.3 billion) and Negeri Sembilan (RM2.7 billion).

Investments in Kedah were mainly in petroleum products including petrochemicals (RM9.9 billion), E&E (RM3.3 billion), chemicals and chemical products (RM564 million), and rubber products (RM70.2 million). The RM9.9 billion investment in Kedah was for a project for the expansion of production capacity of LPG, gasoline, kerosene, diesel and a diversification project to produce coke and sulphur.

Investments in Selangor were mainly in basic metal products amounting to RM3.8 billion, E&E (RM1.4 billion) and chemicals and chemical products (RM1.2 billion). In Johor, investments were in a wide range of industries including E&E (RM4.2 billion), machinery and equipment (RM1 billion), basic metal products (RM918.7 million), food manufacturing (RM675 million) and chemicals and chemical products (RM513 million).

The Government continues to promote balanced industrial development in the country. In 2007, a total of 115 projects with investments, amounting to RM12.6 billion was approved to

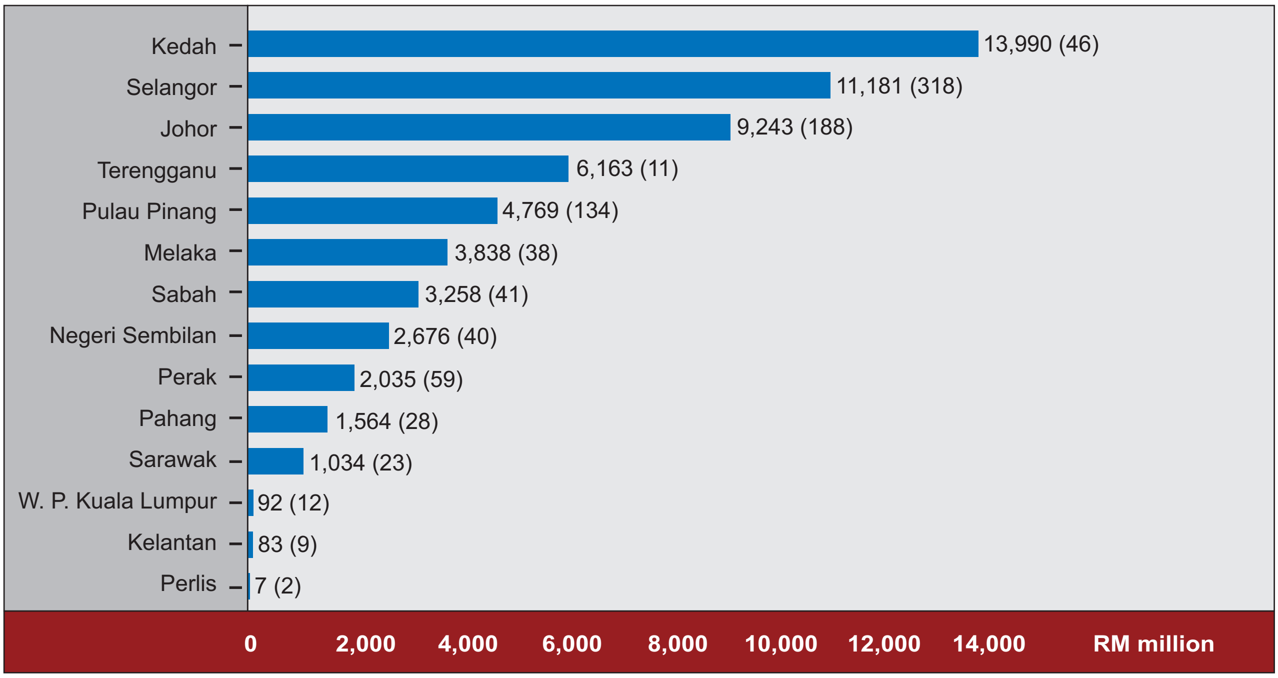
Table 4.6:

Approved Manufacturing Projects by State

State	2007						2006					
	Total		New		Expansion/Diversification		Total		New		Expansion/Diversification	
	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects	Total Capital Investments (RM million)	Number of Projects
Total	**59,932.2**	**949**	**31,150.0**	**625**	**28,782.1**	**324**	**45,993.0**	**1,077**	**29,350.4**	**653**	**16,642.6**	**424**
Kedah	13,990.2	46	838.3	27	13,151.9	19	9,880.2	59	8,046.6	32	1,833.6	27
Selangor	11,181.5	318	7,021.5	231	4,160.0	87	5,328.6	312	3,045.7	210	2,282.9	102
Johor	9,242.8	188	7,217.0	102	2,025.9	86	7,736.3	222	2,922.7	121	4,813.6	101
Terengganu	6,163.2	11	6,148.2	9	15.0	2	2,933.8	7	2,887.8	6	46.0	1
Pulau Pinang	4,768.7	134	3,622.0	84	1,146.6	50	5,350.7	156	2,111.6	84	3,239.1	72
Melaka	3,837.7	38	1,007.0	19	2,830.7	19	1,401.1	55	884.8	22	516.3	33
Sabah	3,257.5	41	1,093.3	33	2,164.3	8	4,993.8	74	4,627.0	61	366.7	13
Negeri Sembilan	2,675.6	40	1,256.7	24	1,418.9	16	1,799.9	37	1,540.8	20	259.1	17
Perak	2,034.6	59	1,510.2	46	524.4	13	1,181.3	62	854.1	39	327.2	23
Pahang	1,563.8	28	790.0	18	773.8	10	1,792.6	33	1,193.7	18	598.9	15
Sarawak	1,034.5	23	518.1	13	516.3	10	759.8	30	608.1	18	151.7	12
W.P. Kuala Lumpur	92.4	12	39.4	11	52.9	1	503.9	18	447.7	14	56.2	4
Kelantan	82.7	9	81.2	7	1.5	2	47.1	6	42.1	5	5.0	1
Perlis	7.1	2	7.1	1	nil	1	61.2	3	1.4	2	59.8	1
W.P. Labuan	nil	nil	nil	nil	nil	nil	2,222.9	3	136.4	1	2,086.5	2

Source: Malaysian Industrial Development Authority

Chart 4.5:
Approved Manufacturing Projects by State, 2007



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

be located in the promoted areas of the Eastern Corridor of Peninsular Malaysia and in the States of Perlis, Sabah and Sarawak. Of the total investments approved in the promoted areas, RM9.2 billion was in 82 new projects, while RM3.4 billion in 33 expansion/diversification projects. Most of these projects were proposed to be located in Sabah (41 projects) and Sarawak (23 projects). The concentration of the projects in these two states was due to the availability of natural resources which favoured the establishment of resource-based industries.

APPROVED PROJECTS BY INCENTIVES

In 2007, the Government continued to provide incentives to projects engaged in promoted products/activities which would generate spin-offs and economic benefits to the country such as R&D, technology transfer, industrial linkages, social economic development and employment. Incentives for 397 projects with investments of RM38.8 billion were approved in 2007.

Table 4.7:
Approved Projects by Incentives, 2007

Type of Incentive	No. of Projects	Total Investments (RM million)	Foreign Investments (RM million)	Domestic Investments (RM million)
Total	**397**	**38,842.5**	**22,360.6**	**16,481.9**
General	168	4,270.8	1,108.2	3,162.6
Small-Scale Manufacturing	146	290.4	7.1	283.3
Customised	36	33,135.4	20,736.8	12,398.6
Special Incentives for Selected Industries	33	657.0	58.5	598.5
High Technology	11	242.4	203.5	38.9
Strategic	3	246.5	246.5	nil

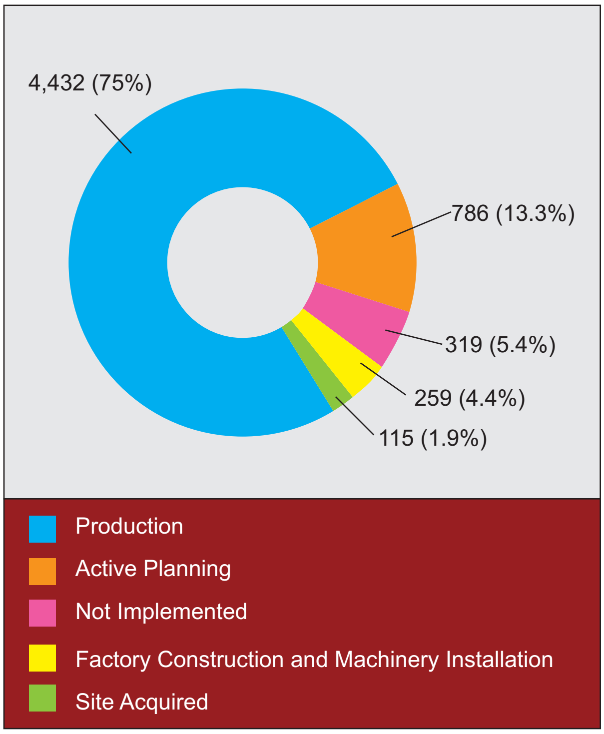
Source: Malaysian Industrial Development Authority

IMPLEMENTATION OF APPROVED MANUFACTURING PROJECTS

During the period 2002-2007, a total of 5,911 manufacturing projects was approved, of which 4,691 projects have been implemented (including projects that have commenced production, constructing of factory or installation machinery) with a total investment of RM117.4 billion.

Of the 4,691 projects that have been implemented, 4,432 projects or 75 per cent of the projects have commenced production, while 259 projects (4.4 per cent) are at the stage of factory construction and machinery installation. Apart from this, 115 projects with investments of RM13.8 billion have acquired sites for their factories, while 786 projects with investments of RM74.5 billion are in the active planning stage.

Chart 4.6:
Status of Implementation of Manufacturing Projects Approved during 2002-2007



Source: Malaysian Industrial Development Authority

Out of the 4,691 projects implemented, 2,372 projects or 50.6 per cent of the projects were export-oriented. These projects were mainly in industries such as E&E (566 projects), furniture and fixtures (205 projects), machinery and equipment (204 projects), fabricated metal products (189 projects), food manufacturing (182 projects) and plastic products (165 projects).

In terms of location, most of the projects implemented were located in Selangor with 1,462 projects, followed by Johor (1,058 projects), Pulau Pinang (705 projects), Perak (265 projects), Kedah (260 projects) and Melaka (223 projects).

In 2007, a total of 737 projects of the 5,911 manufacturing projects approved during the period 2002-2007 commenced production. Significant projects implemented in 2007 cover a broad range of industry sectors, such as E&E, chemicals, scientific and measuring equipment, and fabricated metal products. These projects created employment opportunities for 68,619 persons.

The various measures undertaken by the Government to facilitate investment contributed to the increase in the rate of implementation of approved projects from 75.8 per cent (2001-2006) to 79.4 per cent (2002-2007). Additional measures that were introduced to expedite implementation of the approved projects include:

- the introduction of the Certificate of Completion and Compliance (CCC) that replaced the Certificate of Fitness of Occupation on 12 April 2007. With the CCC, certification responsibilities were transferred from the local authorities to authorised professionals (e.g. architects and engineers) based on self-regulation practices and;

- the formation of the Special Task Force to Facilitate Business (PEMUDAH) in February 2007. PEMUDAH is mandated to identify and propose measures to improve procedures, regulations and existing legislations to reduce bureaucracy and promote a more business-friendly environment in Malaysia. Since its inception, PEMUDAH has introduced measures to further improve the public sector delivery system:

- business registration by the Companies Commission of Malaysia (SSM);
- tax refund and stamp duty for land transfers by the Inland Revenue Board (IRB); and
- employment passes for expatriates by theImmigration Department.

Other measures undertaken by PEMUDAH were:

- publication of the Guidebook on the Employment of Expatriates: Processes and Procedures on 26 October 2007; and
- the proposed establishment of the Business Licensing Electronic Support Services (BLESS) which is aimed at further improving the Government's delivery system. The objective of BLESS is to reduce the processing time and the number of business licences required in Malaysia. Applicants can submit on-line business licence applications through BLESS which will monitor the processing time taken by the respective agencies in approving the licences. BLESS would be implemented in stages, commencing with the manufacturing sector and subsequently, expanding to other sectors.

OUTLOOK

Global competition for foreign direct investments (FDI) is expected to intensify in 2008 and the years ahead. Both developed and developing countries are improving their investment environment and offering more attractive fiscal and non-fiscal incentives in efforts to stay ahead of competitors. In this respect, the Government will continue to undertake measures to ensure that Malaysia remains an attractive location for investments in the manufacturing sector. Efforts will also be intensified to target and promote investments in industries in which Malaysia has a strong competitive advantage, as well as in new growth areas such as the renewable energy sector.

There is a growing trend of Malaysian companies undertaking business ventures abroad aimed at securing new and larger markets, gaining access to raw materials and reducing costs. This is expected to continue and lead to greater integration of Malaysian companies in the regional and global supply chains.

Chapter 5

PERFORMANCE OF THE MANUFACTURING SECTOR

OVERVIEW

The manufacturing sector continued to be an important sector to the economy contributing 30.1 per cent in the Gross Domestic Product (GDP) in 2007, compared with 31.1 per cent in 2006. The Industrial Production Index (IPI) of the manufacturing sector increased by 1.9 per cent to 141.6, from 139 in 2006. This increase was due to higher global demand for manufactured goods. Sales of manufactured goods increased marginally by 2.5 per cent to RM523.4 billion in 2007, from RM510.7 billion in 2006. Exports of manufactured goods was valued at RM452.5 billion and accounted for 74.8 per cent of Malaysia's total exports.

Table 5.1:
Manufacturing Sector Performance

Indicator	2007	2006
Share of Real GDP (%)	30.1	31.1
Production Index (2000=100)	141.6	139.0
Value Added Growth (%)	3.1	7.1
Total Sales (RM billion)	523.4	510.7
Investments Approved (RM billion)	59.9	46.0
Productivity Growth (%)	8.0	6.8
Share of Total Exports (%)	74.8	76.7
Share of Total Employment (%)	29.3	29.0

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

Production

Based on the Monthly Manufacturing Survey conducted by the Department of Statistics, output of export-oriented industries expanded by 0.7 per cent, while domestic-oriented industries grew by 7 per cent. In 2007, medical devices and rubber products industries were the main contributors to the improvement of the export-oriented industries. Metal products, paper products, processed food and beverages and tobacco products were the major contributors to the growth of the domestic-oriented industries.

Table 5.2:
Production Indices of Selected Manufacturing Industries

Industry	2007	Change (%)	2006
Overall Manufacturing	**141.6**	**1.9**	**139.0**
Export-oriented Industries	**141.9**	**0.7**	**140.9**
Medical devices	192.3	30.5	147.3
Chemicals	162.5	3.4	157.1
Rubber products	151.8	5.9	143.4
Palm oil	146.7	-0.2	147.0
Electrical and electronics	139.5	-1.0	140.9
Wood products	115.4	1.4	113.8
Professional and scientific equipment	108.0	-3.4	111.9
Machinery and equipment	105.8	1.1	104.6
Rubber remilling and latex processing	103.3	0.3	103.0
Textiles and apparel	81.2	-9.6	89.8
Footwear	74.5	4.0	71.7
Domestic-oriented Industries	**140.2**	**7.0**	**131.1**
Metal products	159.1	17.6	135.3
Paper products	149.5	11.0	134.6
Processed food and beverages	145.9	9.7	133.0
Transport equipment	139.0	-6.0	147.9
Non-metallic mineral products	117.4	0.4	117.0
Animal feeds	106.6	0.6	105.9
Tobacco manufactures	85.9	2.8	83.6

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

Sales

Based on the same survey, the sales value of the manufacturing sector increased by 2.5 per cent to RM523.4 billion in 2007, from RM510.7 billion in 2006. Sales value of the export-oriented industries, increased marginally by 0.05 per cent to RM413.7 billion (accounting for 79 per cent of total sales), from RM413.5 billion in 2006. Sales value of the domestic-oriented industries increased by 12.5 per cent to RM101.3 billion (accounting for 19.4 per cent of total sales), from RM90 billion in 2006.

Among the export-oriented industries, the electrical and electronics (E&E) industry recorded the highest sales of RM193 billion, followed by chemicals at RM157.9 billion.

Table 5.3:
Sales of Selected Manufacturing Industries

Industry	2007 (RM billion)	Change (%)	2006 (RM billion)
Total Sales	**523.4**	**2.5**	**510.7**
Export-oriented Industries	**413.7**	**0.1**	**413.5**
Electrical and electronics	193.0	-7.6	209.0
Chemicals	157.9	9.4	144.3
Wood products	16.2	1.5	16.0
Rubber products	11.9	4.3	11.4
Professional and scientific equipment	10.6	20.9	8.8
Rubber remilling and latex processing	8.9	3.7	8.6
Textiles and apparel	7.6	-7.7	8.2
Machinery and equipment	5.9	1.9	5.8
Medical devices	1.1	12.8	1.0
Footwear	0.5	18.8	0.4
Domestic-oriented Industries	**101.3**	**12.5**	**90.0**
Metal products	41.2	20.0	34.3
Transport equipment	20.5	-0.2	20.6
Processed food and beverages	17.6	16.6	15.1
Non-metallic mineral products	11.2	7.7	10.4
Paper products	6.2	11.5	5.6
Animal feeds	3.2	17.7	2.7
Tobacco manufacturing	1.3	2.6	1.3

Source: Department of Statistics, Malaysia

Together, these two industries accounted for 67.1 per cent of total sales. Domestic-oriented industries which recorded high sales were the metal products industry, at RM41.2 billion, followed by transport equipment (RM20.5 billion), and processed food and beverages (RM17.6 billion).

Employment

Based on the Monthly Manufacturing Survey in 2007, employment in the manufacturing sector grew by 1.4 per cent to 1,099,973 persons, from 1,084,571 persons in 2006. Export-oriented industries accounted for 73.6 per cent of the total employment in the manufacturing sector, with the E&E industry recording the highest employment of 372,165 persons, followed by the chemicals industry (132,630 persons) and wood products industry (119,359 persons). Domestic-oriented industries accounted for 22.1 per cent of the total employment, with the metals industry employing 78,409 persons, followed by transport equipment (53,074 persons) and non-metallic mineral products industries (42,321 persons).

Productivity

The productivity of the manufacturing sector, as measured by Added Value per Employee, improved by 8 per cent to RM89,755 in 2007, compared with RM83,093 in 2006. The main contributions were from iron and steel at RM226,060, chemicals (RM163,323), machinery and equipment (RM114,430), transport equipment (RM112,336) and E&E (RM100,539) industries.

Labour cost competitiveness is an indicator that measures the efficient and effective management of resources in terms of labour cost in generating higher added value. The labour cost competitiveness for the manufacturing sector in 2007 improved as reflected in a decline of 5.7 per cent in Unit Labour Cost.

Investments

In 2007, total investments approved increased by 30.3 per cent to RM59.9 billion, from RM46 billion in 2006. A total of 949 projects were

Table 5.4:
Employment in Selected Manufacturing Industries

Industry	2007 (Persons)	Change (%)	2006 (Persons)
Total	**1,099,973**	**1.4**	**1,084,571**
Export-oriented Industries	**809,347**	**-0.02**	**811,161**
Electrical and electronics	372,165	-3.3	384,942
Chemicals	132,630	2.5	129,418
Wood products	119,539	3.0	116,033
Textiles and apparel	66,989	3.0	65,023
Rubber products	64,305	0.9	63,728
Professional and scientific equipment	26,717	7.9	24,759
Machinery and equipment	11,536	-9.2	12,700
Medical devices	6,574	0.8	6,520
Rubber remilling and latex processing	5,987	12.1	5,343
Footwear	2,905	7.7	2,697
Domestic-oriented Industries	**243,125**	**4.9**	**231,845**
Metal products	78,409	8.5	72,245
Transport equipment	53,074	0.5	52,795
Non-metallic mineral products	42,321	2.2	41,423
Processed food and beverages	41,754	7.0	39,008
Paper products	23,403	5.8	22,123
Animal feeds	2,733	0.8	2,712
Tobacco manufacturing	1,431	-7.0	1,539

Source: Department of Statistics, Malaysia

approved in 2007, compared with 1,077 projects in 2006. Out of the total projects approved, 625 or 65.9 per cent were new projects, with investments of RM31.2 billion, while 324 projects were for expansion/diversification worth RM28.8 billion. Investments were concentrated in three industries, namely, E&E (RM15.1 billion), petroleum products (RM13.8 billion), and metal products (RM12.2 billion).

Table 5.5:
Investments in the Manufacturing Sector

Description	2007	Change (%)	2006
No. of Projects Approved	**949**	**-11.9**	**1,077**
Total investments (RM bil.)	**59.9**	**30.3**	**46.0**
Domestic (RM bil.)	26.5	2.9	25.8
Foreign (RM bil.)	33.4	65.2	20.2

Source: Malaysian Industrial Development Authority

Exports

In 2007, exports of manufactured goods increased by 0.2 per cent to RM452.5 billion, from RM451.7 billion in 2006. E&E products were the largest export revenue earner in 2007 and accounted for 44 per cent of Malaysia's total exports.

Chemicals and chemical products, the second largest export revenue earner, contributed 5.5 per cent or RM33.2 billion to total exports, followed by machinery and equipment at RM21.9 billion, metal products (RM16.6 billion) and wood products (RM16.3 billion).

Imports

Imports of manufactured goods expanded by 4.1 per cent to RM418.4 billion in 2007, from RM402 billion in 2006. E&E products accounted for 40.4 per cent or RM203.9 billion of total imports.

Machinery and equipment contributed 8.5 per cent or RM42.8 billion to total imports, followed by chemicals and chemical products valued at RM39 billion, metal products (RM27.4 billion) and iron and steel products (RM24.8 billion).

Table 5.6:
Exports of Manufactured Goods

Product Group	2007			2006	
	RM (billion)	Share (%)	Change (%)	RM (billion)	Share (%)
Total Exports	**605.1**	**100**	**2.7**	**589.0**	**100**
Exports of Manufactured Goods	**452.5**	**74.8**	**0.2**	**451.7**	**76.7**
Electrical and electronics products	266.4	44.0	-5.2	281.0	47.7
Chemicals and chemical products	33.2	5.5	14.3	29.1	4.9
Machinery, appliances and parts	21.9	3.6	10.2	19.8	3.4
Metal products	16.6	2.7	17.4	14.2	2.4
Wood products	16.3	2.7	-2.4	16.7	2.8
Optical and scientific equipment	13.6	2.2	0.4	13.6	2.3
Rubber products	10.6	1.7	13.4	9.3	1.6
Iron and steel products	10.5	1.7	12.4	9.4	1.6
Textiles and apparel	10.3	1.7	-3.2	10.6	1.8
Processed food	8.7	1.4	19.5	7.3	1.2
Transport equipment	8.4	1.4	-3.4	8.7	1.5
Plastic products	8.4	1.4	6.7	7.9	1.3
Jewellery	5.0	0.8	29.3	3.9	0.7
Non-metallic mineral products	3.9	0.7	12.6	3.5	0.6
Petroleum products	2.9	0.5	16.4	2.5	0.4
Paper and pulp products	2.5	0.4	17.2	2.2	0.4
Beverages and tobacco	2.2	0.4	14.2	1.9	0.3
Other manufactures	11.0	1.8	6.5	10.4	1.8

Compiled by Ministry of International Trade and Industry

Table 5.7:
Imports of Manufactured Goods

Product Group	2007			2006	
	RM (billion)	Share (%)	Change (%)	RM (billion)	Share (%)
Total Imports	**504.8**	**100**	**5.0**	**480.8**	**100**
Imports of Manufactured Goods	**418.4**	**82.9**	**4.1**	**402.0**	**83.6**
Electrical and electronics products	203.9	40.4	-1.8	207.6	43.2
Machinery, appliances and parts	42.8	8.5	14.2	37.4	7.8
Chemicals and chemical products	39.0	7.7	11.2	35.1	7.3
Metal products	27.4	5.4	12.5	24.3	5.1
Iron and steel products	24.8	4.9	24.1	20.0	4.2
Transport equipment	21.9	4.3	6.8	20.5	4.3
Optical and scientific equipment	13.3	2.6	-9.3	14.6	3.0
Processed food	8.2	1.6	21.3	6.8	1.4
Paper and pulp products	6.2	1.2	9.9	5.7	1.2
Manufactures of plastics	6.0	1.2	-15.8	7.1	1.5
Textiles and apparel	5.7	1.1	3.9	5.4	1.1
Non-metallic mineral products	3.7	0.7	13.1	3.2	0.7
Rubber products	2.9	0.6	9.1	2.7	0.6
Petroleum products	1.4	0.3	13.2	1.3	0.3
Beverages and tobacco	1.3	0.2	9.0	1.2	0.2
Wood products	1.2	0.2	4.5	1.2	0.2
Jewellery	0.4	0.1	40.0	0.3	0.1
Other manufactures	8.3	1.6	8.3	7.7	1.6

Compiled by Ministry of International Trade and Industry

ELECTRICAL AND ELECTRONICS INDUSTRY

The E&E industry is the largest contributor to production, sales, investments, exports and employment in the manufacturing sector. In 2007, the E&E industry contributed 44 per cent of total exports valued at RM266.4 billion.

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

Production Index

In tandem with the global slowdown of the E&E industry, the production index of the E&E industry contracted by 1 per cent in 2007 to 139.5, compared with 140.9 in 2006.

The production index of semiconductors and electronic components increased by 3.4 per cent to 167 in 2007, compared with 161.5 in 2006. The increase was due to higher demand for consumer electronics, such as cellular phones, media players (MP3) and digital cameras.

The production index of computers and computer peripherals decreased by 5.5 per cent to 145.9, compared with 154.5 in 2006.

However, the production index of wires and cables increased by 11.8 per cent to 131.7 in 2007, from 117.8 per cent in 2006. The growth was driven by the increase in demand for insulated wires and cables. The audio and audio visual products production index decreased by 11 per cent to 62.8 in 2007, from 70.6 in 2006.

Sales

In 2007, total sales of E&E products decreased by 7.6 per cent to RM193 billion, compared with RM209 billion in 2006. The decline was due to weaker demand for E&E products from traditional markets such as the USA, the EU and Japan. The slowdown of economic growth in the USA and the depreciation of the US Dollar also resulted in weaker import demand as imported goods became more expensive.

However, the sales of semiconductors and electronic components grew by 1.9 per cent to RM82.9 billion from RM81.3 billion in 2006. The growth was driven by higher demand for semiconductors and electronic components such as printed circuit boards, integrated circuits (ICs), relays, connectors, diodes, and light emitting diode (LED) products, which increased by 11 per cent.

Audio and audio visual products also registered a decrease of 13.3 per cent to RM35.1 billion in 2007 compared with RM40.5 billion in 2006. The decrease was partly due to slowdown in exports to the USA and Japan, appreciation of the Ringgit, as well as competition from the People's Republic of China and the Republic of Korea.

Sales of wires and cables however, increased by 16.5 per cent to RM8.9 billion in 2007, compared with RM7.7 billion in 2006. The growth was driven by higher domestic demand for electric power cables and wires due to increased demand in construction activities and the housing sub-sector.

Employment

The E&E industry provided 372,165 jobs or 33.8 per cent of total employment in the manufacturing sector in 2007. However, employment in the E&E industry decreased by 3.3 per cent from 384,942 persons in 2006. The

Table 5.8:
Production Indices of Selected E&E Industry Sub-Sectors

Sub-Sector	2007	Change (%)	2006
E&E Industry	**139.5**	**-1.0**	**140.9**
Semiconductors and electronic components (Semiconductors devices, ICs, valves, micro-assemblies, transistors, etc)	167.0	3.4	161.5
Computers and computer peripherals	145.9	-5.5	154.5
Wires and cables	131.7	11.8	117.8
Audio and audio visual products	62.8	-11.0	70.6

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

Table 5.9:
Sales of Selected E&E Products

Product	2007 (RM billion)	Change (%)	2006 (RM billion)
Electrical and Electronics	**193.0**	**-7.6**	**209.0**
Semiconductors and electronic components (Semiconductors devices, integrated circuits, valves, micro-assemblies, transistors, etc)	82.9	1.9	81.3
Computers and computer peripherals	54.1	-19.9	67.6
Audio and audio visual products	35.1	-13.3	40.5
Wires and cables	8.9	16.5	7.7

Source: Department of Statistics, Malaysia

decrease was due to relocation of companies, voluntary separation schemes (VSS) due to restructuring exercises and wider usage of automation.

Employment in the semiconductors and electronic components sub-sector contracted by 7.2 per cent to 181,356 persons, compared with 195,372 persons in 2006. The semiconductor and electronic components sub-sector contributed 48.8 per cent of total E&E employment.

Employment in the computers and computer peripherals sub-sector, increased by 4.6 per cent to 67,709 persons in 2007 from 64,730 persons in 2006. The increase was due to a strong demand for electronics devices especially, mobiles and hand-held devices, and IT related products.

The employment in the audio and audio visual products sub-sector, decreased by 8.1 per cent to 48,412 persons in 2007, compared with 52,689 persons in 2006. Employment in the wires and cables sub-sector recorded a marginal decrease of 0.5 per cent to 13,738 persons in 2007, compared with 13,813 persons in 2006.

Productivity

In 2007, the productivity level of the E&E industry grew by 9.4 per cent to RM100,539, compared with RM91,930 in 2006. Among the sub-sectors, double digit growth was recorded for wires and cables (19.3 per cent), semiconductor devices (16.6 per cent), and electronic valves and tubes, printed circuit board and other electronic components (4.2 per cent). Higher generation of added value in the E&E industry was attributed to the adoption of more advanced manufacturing operations, particularly in the semiconductors sub-sector. However, computers and computer peripherals registered a decline in productivity of 6.3 per cent.

The labour cost competitiveness of the E&E industry improved as Unit Labour Cost declined by 9.4 per cent, particularly in the wires and cables and semiconductor devices sub-sectors.

Investments

A total of 144 E&E projects were approved in 2007, with total investments of RM15.1 billion, compared with RM10 billion in 2006. The semiconductor and electronic components sub-sector attracted the major share of the investments amounting to RM10.7 billion.

Table 5.10:
Employment in Selected E&E Sub-Sectors

Sub-Sector	2007 (Persons)	Change (%)	2006 (Persons)
Electrical and Electronics	**372,165**	**-3.3**	**384,942**
Semiconductors and electronic components (Semiconductors devices, integrated circuits, valves, micro-assemblies, transistors, etc)	181,356	-7.2	195, 372
Computers and computer peripherals	67,709	4.6	64,730
Audio and audio visual products	48,412	-8.1	52,689
Wires and cables	13,738	-0.5	13,813

Source: Department of Statistics, Malaysia

Table 5.11:
Productivity Indicators of Selected E&E Sub-Sectors

Sub-Sector	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
E&E Industry	**100.5**	**9.4**	**91.9**	**23.8**	**3.6**	**23.0**	**0.0383**	**-6.4**	**0.0409**
Computers and computer peripherals	98.8	-6.3	105.4	21.4	-0.7	21.6	0.0190	0.9	0.0188
Wires and cables	121.1	19.3	101.5	19.5	8.6	17.9	0.0256	-23.9	0.0337
Semiconductor devices	134.2	16.6	115.1	31.2	6.4	29.4	0.0538	-10.6	0.0602
Audio and audio visual products	59.2	-0.04	59.2	25.0	4.8	23.9	0.0639	10.0	0.0581
Electronic valves and tubes, printed circuit boards and other electronic components	72.3	14.2	63.3	20.7	2.4	20.3	0.0519	-2.8	0.0531

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

Foreign investments remained an important source and accounted for 90.7 per cent or RM13.7 billion of total investments in the E&E industry, while domestic investments accounted for 9.3 per cent or RM1.4 billion.

Table 5.12:
Investments in the E&E Industry

Description	2007	Change (%)	2006
No. of projects approved	**144**	**- 15.3**	**170**
Total investments (RM bil.)	**15.1**	**51.0**	**10.0**
Foreign (RM bil.)	13.7	59.3	8.6
Domestic (RM bil.)	1.4	- 7.1	1.4

Source: Malaysian Industrial Development Authority

Despite the slowdown in the global E&E industry, this industry attracted the highest level of foreign direct investments in 2007. Major sources of investments were Japan with investment amounting to RM4.4 billion, Germany (RM2.8 billion), Singapore (RM1.5 billion), the Netherlands (RM1.4 billion) and the USA (RM1.3 billion).

The high foreign investments reflected the confidence of foreign investors in the long-term growth potential of the industry in Malaysia. The increase in foreign investments will accelerate growth in production and exports of electronics in the coming years.

Exports

In 2007, E&E exports contributed 44 per cent of the total exports and accounted for 58.9 per cent of the total exports of the manufacturing sector. However, E&E exports in 2007 decreased by 5.2 per cent to RM266.5 billion from RM281 billion in 2006.

Among the factors that contributed to the slowdown in E&E exports include the downward pressure on consumer electronics prices which continued to depress the sales value, and the appreciation of the Ringgit (approximately 7.7 per cent) in 2007. In addition competition from the People's Republic of China, Thailand and Viet Nam, the sub-prime mortgage crisis in the USA, credit tightening which affected consumer spending limits in Japan and Europe also contributed to the slowdown in exports.

Major E&E exports were electronic components, integrated circuits, micro-assemblies, transistors and valves, accounting for 36.2 per cent of total E&E exports, valued at RM96.5 billion; and automatic data processing machines, which accounted for 20.8 per cent with export value of RM55.5 billion.

Semiconductor exports grew by 3.2 per cent to RM96.5 billion, compared with RM93.5 billion in 2006. The export of semiconductors to the USA grew by 13.4 percent in 2007, valued at RM13.5 billion, compared with RM11.9 billion in 2006. The increase was in tandem with growing global demand for electronic chips.

Table 5.13:
Exports of Selected E&E Products

Product	2007			2006	
	RM (billion)	Share (%)	Change (%)	RM (billion)	Share (%)
Total Exports of E&E Products	**266.5**	**100.0**	**-5.2**	**281.0**	**100.0**
Office machines and automatic data processing machines and parts	**93.1**	**35.0**	**-9.2**	**102.6**	**36.5**
Office machines	0.9	0.3	-0.6	0.9	0.3
Automatic data processing machines	55.5	20.8	-7.2	59.8	21.3
Parts for office machines and automatic data processing machines	36.7	13.8	-12.2	41.8	14.9
Telecommunications and sound equipment	**45.1**	**17.0**	**-14.1**	**52.7**	**18.8**
Television receivers	4.7	1.8	-0.8	4.7	1.7
Radio broadcast receivers	6.3	2.4	-6.4	6.7	2.4
Sound recorders	5.5	2.1	-28.2	7.7	2.7
Telecommunications equipment and parts	28.8	10.8	-14.3	33.6	12.0
Electrical machinery, apparatus and appliances and parts	**128.0**	**48.0**	**1.8**	**125.7**	**44.7**
Electrical power machinery and parts	1.9	0.7	0.5	1.9	0.7
Electrical apparatus for electrical circuits and printed circuits	14.0	5.3	-10.6	15.7	5.6
Equipment for distributing electricity	3.0	1.1	9.6	2.7	1.0
Electro-diagnostic apparatus, medical and radiological apparatus	0.4	0.1	17.6	0.3	0.1
Electrical and non-electrical household equipment	3.5	1.3	11.4	3.2	1.1
Semiconductors devices, ICs, microassemblies, transistors, valves, etc	96.5	36.2	3.2	93.5	33.3
Electrical machinery and apparatus	8.8	3.3	4.8	8.4	3.0

Compiled by Ministry of International Trade and Industry

Exports of semiconductor devices to the People's Republic of China also increased due to the relocation of electronics manufacturing activities there. The rising incomes and living standards in the People's Republic of China created higher demand for electronics using semiconductors especially consumer electronics such as video games, digital music, flat screen displays and hand-held digitals.

Exports of electrical and non-electrical household equipment recorded growth of 11.4 per cent to RM3.5 billion in 2007, compared with RM3.2 billion in 2006. The growth was contributed by strong consumer demand for household electrical and non-electrical household equipment worldwide.

Electrical machinery and apparatus recorded growth of 4.8 per cent to RM8.4 billion, compared with RM8.4 billion in 2006. The increased demand for electrical apparatus and appliances, and parts due to growing demand in the automotive industry and the E&E sector.

Exports of office machines and automatic data processing machines and parts contracted by 9.2 per cent to RM93.1 billion in 2007, from RM102.6 billion in 2006. The decline was due to lower demand for parts for office machines and automatic data processing machines such as copier machines, fax machines and typewriters.

Exports of telecommunications and sound recording equipment also decreased by 14.1 per cent to RM45.1 billion in 2007, compared with RM52.7 billion in 2006. The decline was due to the convergence of technologies offering multiple functions and the growing presence of other suppliers to world market such as the Republic of Korea and the People's Republic of China.

Table 5.14:
Imports of Selected E&E Products

Product	2007			2006	
	RM (billion)	Share (%)	Change (%)	RM (billion)	Share (%)
Total Imports of E&E Products	**203.9**	**100.0**	**-1.8**	**207.6**	**100.0**
Office machines and automatic data processing machines and parts	**37.1**	**18.2**	**-0.8**	**37.4**	**18.0**
Office machines	0.4	0.2	10.5	0.3	0.2
Automatic data processing machines	10.2	5.0	-2.7	10.5	5.0
Parts for office machines and automatic data processing machines	26.6	13.0	-0.2	26.6	12.8
Telecommunications and sound equipment	**16.8**	**8.3**	**0.6**	**16.7**	**8.0**
Television receivers	0.6	0.3	-0.3	0.6	0.3
Radio broadcast receivers	0.3	0.1	-1.8	0.3	0.1
Sound recorders	1.2	0.6	-8.0	1.3	0.6
Telecommunications equipment and parts	14.8	7.3	1.9	14.5	7.0
Electrical machinery, apparatus and appliances and parts	**149.9**	**73.5**	**-2.3**	**153.5**	**73.9**
Electrical power machinery and parts	3.8	1.8	4.6	3.6	1.7
Electrical apparatus for electrical circuits and printed circuits	16.2	8.0	-8.2	17.7	8.5
Equipment for distributing electricity	2.4	1.2	6.1	2.2	1.1
Electro-diagnostic apparatus, medical and radiological apparatus	0.5	0.2	31.1	0.4	0.2
Electrical and non-electrical household equipment	1.2	0.6	7.5	1.2	0.6
Semiconductors devices, ICs, microassemblies, transistors, valves, etc	111.5	54.7	-2.8	114.7	55.3
Electrical machinery and apparatus	14.2	7.0	4.5	13.7	6.6

Compiled by Ministry of International Trade and Industry

In terms of markets, the USA remained the largest export market for Malaysia's E&E exports in 2007. E&E exports to the USA contributed 26.4 per cent of total E&E exports, valued at RM70.4 billion. This was a decrease of 18 per cent, compared with RM85.9 billion in 2006.

Other major export destinations were Singapore accounting for 15.4 per cent of total E&E exports, the People's Republic of China (9.3 per cent), Hong Kong SAR (7.6 per cent) and Japan (6.1 per cent). In 2007, exports to the People's Republic of China increased by 29.9 per cent to RM24.9 billion, compared with RM19.1 billion in 2006. E&E exports to the People's Republic of China which registered an increase were semiconductor devices, ICs, transistors micro assemblies, valves and digital monolithic integrated units.

Imports
In 2007, E&E imports contracted by 1.8 per cent to RM203.9 billion, from RM207.6 billion in 2006, due to lower demand for components and parts and finished products. The major source of E&E imports in 2007, was the People's Republic of China which accounted for 17.8 per cent of total E&E imports, valued at RM36.2 billion, while imports from the USA accounted for 14 per cent or RM28.4 billion. Other sources of E&E imports were Japan (11.9 per cent), Singapore (10.6 per cent) and Taiwan (8.9 per cent).

Major E&E imports in 2007, were electrical machinery, apparatus and appliances and parts, accounting for 73.5 per cent of total E&E imports. These imports decreased by 2.3 per cent to RM149.9 billion in 2007, compared with RM153.5 billion in 2006.

Imports of office machines and automatic data processing machines and parts also decreased by 0.8 per cent to RM37.1 billion, from RM37.4 billion in 2006. The decline in E&E imports was due to lower demand for parts for office machines and automatic data processing machines such as copier machines and fax machines. Imports of telecommunications and sound recording equipment increased by 0.6 per cent to RM16.8 billion in 2007, compared with RM16.7 billion in 2006.

Developments

As at December 2007, the Industrial Standard Committee on Electrotechnical (ISCE) has developed and adopted a total of 732 standards on E&E products. Of these, 57 standard are mandatory, while 675 standards are voluntary.

The Committee on Mandatory Industrial Standards (CMIS) led by MITI has proposed for the development of standards on cables and wires based on IEC (International Electrotechnical Committee) standards. These standards will be made mandatory once adopted as Malaysian Standards and will cover products such as cables and power cables, wires and wire harnesses, telephone cords and power cords.

Currently, the Energy Commission enforces mandatory standards on cables, wires and cords of $0.5mm^2$ to $35mm^2$. The standards are MS 140:1987 or BS 6500:1984, MS136:1987 or BS 6004:1984 and MS 136:1995 or BS 6004:1991.

A total of 30 tariff lines involving E&E products such as magnetic tapes and sound recording apparatus, wires and cables, photo copying machines and multifunctional devices, alarms and signalling apparatus are subject to import licence. These import licenses are maintained for security and monitoring purposes. In 2008, import licence requirements on eight tariff lines involving magnetic tapes and sound recording apparatus will be removed while imports licenses on 13 tariff lines involving cables and wires will be removed after the adoption of mandatory standards.

Malaysia has reduced import tariffs on E&E products under the various Free Trade Area (FTA) initiatives. The current CEPT rates involving 496 E&E tariff lines are as follows:

CEPT Rates (%)	Total Tariff Lines	Total Tariff Lines (%)
0	236	47.6
2	4	0.8
5	256	51.6
-	496	100

Import tariffs on all 496 E&E tariff lines will be eliminated in 2011 under the ASEAN-Korea FTA (AKFTA) on Trade in Goods came into effect on 1 June 2007. Malaysia's tariff reduction commitments under the AKFTA are:

ASEAN-KOREA FTA

Year	AKFTA Rates (%)	Total Tariff Lines	Total Tariff Lines (%)
2007	0 - 5	318	4.1
	8	3	0.6
	10	54	10.9
	13	121	24.4
2008	0 - 5	343	69.2
	8	32	6.4
	10	121	24.4
2009	0 - 5	496	100
2010	0 - 5	496	100
2011	0	496	100
2012	0	496	100

Under the ASEAN-China FTA (ACFTA), tariffs on E&E will be eliminated by 2012. Malaysia's tariff reduction commitments under the ACFTA:

ASEAN-CHINA FTA

Year	ACFTA Rates (%)	Total Tariff Lines	Total Tariff Lines (%)
2006	0 - 5	330	66.5
	10 -5	69	13.9
	20	97	19.6
2007	0 - 5	322	64.9
	8	68	13.7
	12	106	2.4
2008	0 - 5	496	100
2009	0 - 5	496	100
2010	0 - 5	496	100
2011	0	496	100
2012	0	496	100

Under the Malaysia-Japan Economic Partnership Agreement (MJEPA), tariffs on 495 lines of E&E products will be reduced to zero per cent in 2016. In 2007, tariffs on 64.9 per cent or 322 tariff lines were at zero per cent.

MJEPA

Year	MJEPA Rates (%)	Total Tariff Lines	Total Tariff Lines (%)
2006	0 1 - 20 21 - 50	321 98 77	64.7 19.8 15.5
2007	0 1 - 20 21 - 50	321 109 66	64.7 22 13.3
2008	0 1 - 20 21 - 50	322 163 11	64.9 32.9 2.2
2009	0 1 - 20 21 - 50	322 173 1	65 34.7 0.3
2010	0 1 - 20 21 -50	323 172 1	65 34.7 0.3
2011	0 1 - 20	331 164 1	66.7 33.1 0.2
2012	0 1 - 5 10 - 15 30.9	331 158 6 1	66.7 31.9 1.2 0.2
2013	0 8.2 28.2	489 6 1	98.6 1.2 0.2
2014	0 5.5 22.5	489 6 1	98.6 1.2 0.2
2015	0 2.7 22.7	489 6 1	98.6 1.2 0.2
2016	0 20	495 1	99.8 0.2

The Information Technology Agreement (ITA) concluded in 1996 is aimed at providing market access to its signatories and requires import duties to be eliminated for over 180 IT products. The basic principles of the ITA Agreement are:

- all products listed in the declaration must be covered for reduction/elimination;
- all products to be reduced to zero tariff level; and
- all other duties and charges to be bound at zero.

A total of 70 WTO members, representing 97 per cent of world trade in high-tech goods, have agreed to abide by the ITA. Concerns have arisen over the European Union (EU) decision to amend its tariff classification for some IT goods, and thereby no longer guaranteeing zero tariffs for those products. The EU maintains that it can impose tariffs on products that were not invented when the ITA was concluded.

As a result of reclassification by the EU, many ITA products are being reclassified into dutiable Customs categories. For example, digital camera is listed as part of ITA product, whilst video camera is not in the list. The EU has reclassified three ITA products effective 1 January 2007, as a result of which these products fall outside the scope of the ITA and are thus subject to import duty. These three products are :

- multifunction printers (6 per cent import duty) effective 1 January 2007;
- automatic data processing machines (6 per cent import duty), effective 1 January 2010; and
- flat panel displays (14 per cent import duty), effective 1 January 2010.

The EU is expected to reclassify at least two more ITA products, namely set top boxes (5 per cent import duty) and digital cameras (4.9 per cent import duty). The EU has indicated its willingness to review the scope of the ITA to include 'new IT products' under the existing mechanisms in the ITA. Malaysia is of the view that such a review should not be limited to products which are of commercial interest to only one country, but should be on a multilateral level.

TRANSPORT EQUIPMENT INDUSTRY

The transport equipment industry comprises the automotive (including motor vehicles, motorcycle and parts and components), aerospace and marine sub-sectors.

Automotive Sub-Sector

Motor Vehicles Segment

Production

Total production of passenger and commercial vehicles in 2007 declined by 12.2 per cent to 441,678 units from 503,248 units in 2006. Production of passenger cars was 403,245 units or 91.3 per cent, while 38,433 units of commercial vehicles were produced contributing to 8.7 per cent of total production in 2007. Production of passenger cars reduced by 16.1 per cent from 480,627 units in 2006 while production of commercial vehicles increased by 69.9 per cent from 22,621 units in 2006. Reduction in the production of passenger cars was due to the industry adjusting its production levels in view of the excess stock from 2006.

National motor vehicle manufacturers produced 268,791 units of passenger cars, while assemblers produced 134,454 units. National car producers reduced their output by 8.2 per cent from 292,782 units in 2006 while production by assemblers declined by 28.4 per cent from 187,845 units in 2006.

For the commercial vehicles, production by manufacturers increased by 7.1 per cent to 7,495 units from 6,999 units in 2006, with a corresponding increase in production from assemblers by 98 per cent to 30,938 units from 15,622 units. The total installed capacity for the production of motor vehicles remained at 963,300 units in 2007. Capacity utilisation rate in 2007 decreased to 45.9 per cent, compared with 52.2 per cent in 2006.

Table 5.15:
Production of Motor Vehicles

Segment	2007 (Units)	Change (%)	2006 (Units)
Total	**441,678**	**-12.2**	**503,248**
Passenger cars[1]	**403,245**	**-16.1**	**480,627**
Manufacturers	268,791	-8.2	292,782
Assemblers	134,454	-28.4	187,845
Commercial vehicles	**38,433**	**69.9**	**22,621**
Manufacturers	7,495	7.1	6,999
Assemblers	30,938	98.0	15,622

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

Note: [1] Include vans, multi-purpose vehicles, sports utility vehicles and four-wheel drive vehicles

Table 5.16:
Capacity Utilisation in the Motor Vehicles

Description	2007	Change (%)	2006
Total installed capacity (units)	**963,300**	**nil**	**963,300**
Actual production (units)	441,678	-12.2	503,248
Capacity utilisation (%)	45.9	-12.1	52.2

Source: Malaysian Automotive Association (MAA)

Sales

In 2007, sales of motor vehicles amounted to RM13.1 billion, compared with RM13.6 billion in 2006, representing a decline of 3.6 per cent. In terms of numbers, a total of 487,176 units were sold comprising 442,885 units of passenger cars and 44,291 units of commercial vehicles. While passenger car sales reduced by 5.1 per cent from 466,849 units in 2006, commercial vehicle sales increased by 85.2 per cent from 23,919 units. Total motor vehicle sales declined marginally by 0.7 per cent in 2007, compared with 2006.

Table 5.17:
Sales of Motor Vehicles

Segment	2007 (Units)	Change (%)	2006 (Units)
Total	**487,176**	**-0.7**	**490,768**
Passenger cars	**442,885**	**-5.1**	**466,849**
Manufacturers	284,177	4.9	271,028
Assemblers	158,708	-19.0	195,821
Commercial vehicles	**44,291**	**85.2**	**23,919**
Manufacturers	5,019	380	1,045
Assemblers	39,272	71.7	22,874

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

Passenger car sales contributed 90.9 per cent of total motor vehicle sales while commercial vehicles accounted for 9.1 per cent. National car sales recorded an increase of 4.9 per cent to 284,177 units, compared with 271,028 units sold in 2006. There was a decline of 19 per cent in the number of non-national cars sold to 158,708 units compared with 195,821 units in 2006.

Commercial vehicles sold by assemblers continued to dominate in 2007, with recorded sales of 39,272 units. There was an increase of 71.7 per cent, compared with 22,874 units sold in 2006. Manufacturers registered a more than four-fold increase in sales to 5,019 units from 1,045 units in 2006. The surge in sales in 2007 was due to increased demand for light commercial vehicles.

Sales of motor vehicles in ASEAN improved by 8 per cent to 1,872,317 units in 2007 from 1,728,938 units in 2006. In ASEAN, Malaysia remained the largest passenger cars market in 2007 and accounted for 442,885 units or 23.7 per cent of passenger cars market. Indonesia was the second highest passenger cars market with sales of 314,769 units while Thailand recorded sales of 170,118 units. This was followed by Singapore (110,814 units), the Philippines (41,214 units) and Viet Nam (40,115 units). For commercial vehicle which include 4WD and pick-up trucks, Thailand ranked first in sales performance with 461,133 units, followed by Indonesia (118,572 units), the Philippines (76,689 units), Malaysia (44,291 units) and Singapore (11,440 units).

Employment

Employment in the motor vehicles industry increased by 3.8 per cent to 21,794 persons from 20,995 persons in 2006. The increase in employment was to cater for increased production of new vehicle models introduced in the last quarter of 2007 in view of the increased customer demand.

Investments

A total of 36 projects worth RM342.6 million were approved for the motor vehicles industry in 2007. Domestic investments amounted to RM328.7 million or 95.9 per cent of total investments, while foreign investments accounted for RM13.9 million (4.1 per cent).

Six projects were approved for manufacturing and assembly activities worth RM62.9 million.

Table 5.18:
Investments in the Motor Vehicles Segment

Description	2007	Change (%)	2006
No. of Projects Approved	**36**	**-29.4**	**51**
Total investments (RM mil.)	**342.6**	**-36.1**	**536.3**
Domestic (RM mil.)	328.7	-11.3	370.4
Foreign (RM mil.)	13.9	-91.6	165.9

Source: Malaysian Industrial Development Authority

Exports

Exports of motor vehicles increased by 19.4 per cent to RM764.2 million from RM640.2 million in 2006. Exports of passenger cars increased by 16.9 per cent to RM541.2 million in 2007 from RM462.7 million in 2006. Exports of commercial vehicles increased by 25.6 per cent to RM222.9 million from RM177.5 million in 2006. Main export destinations for passenger cars in 2007 were the UK, accounting for RM109 million, followed by Iran (RM74.6 million), Indonesia (RM61.3 million), Syrian Arab Republic (RM39.5 million) and Australia (RM18.5 million).

Imports

Imports of motor vehicles decreased by 11.7 per cent to RM5,256.5 million, from RM6,050.4 million in 2006. Total passenger cars imported amounted to RM3,574.9 million, while imports of commercial vehicles was worth

Table 5.19:
Exports and Imports of Motor Vehicles

Description		2007 (RM million)	Change (%)	2006 (RM million)
Total	**Exports**	**764.2**	**19.4**	**640.2**
	Imports	**5,256.5**	**11.7**	**6,050.4**
Passenger cars	Exports	541.2	16.9	462.7
	Imports	3,574.9	-22.7	4,623.3
Commercial vehicles	Exports	222.9	25.6	177.5
	Imports	1,681.6	17.8	1,427.1

Source: Department of Statistics, Malaysia

RM1,681.6 million. Passenger cars were mainly imported from Japan amounting to RM2,341.4 million, Germany (RM648.5 million), the Republic of Korea (RM432.5 million), and the UK (RM49.9 million).

Motorcycle Segment

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

Production

Production of motorcycles increased by 3.2 per cent to 446,415 units in to 2007, from 432,399 units in 2006.

Capacity Utilisation

Total installed capacity in 2007 for the production of motorcycles was 689,000 units. There was an increase in capacity utilisation to 64.8 per cent from 62.8 per cent in 2006.

Sales

Sales of motorcycles recorded an increase of 6.4 per cent to 449,673 units, compared with 422,606 units in 2006.

Table 5.20:
Sales of Motorcycles

Description	2007 (Units)	Change (%)	2006 (Units)
Total	**449,673**	**6.4**	**422,606**
Manufacturer	48,017	-23.0	62,382
Assemblers	401,656	11.5	360,224

Source: Motorcycle and Scooter Assemblers and Distributors Association of Malaysia (MASAAM)

Employment

Employment in the motorcycle segment decreased by 2.3 per cent to 6,700 persons from 6,861 persons in 2006.

Exports

There was a 54.7 per cent increase in exports of motorcycles, mainly in completely knocked-down (CKD) form, valued at RM169.5 million, compared with RM109.6 million in 2006. The motorcycles were mainly exported to Sri Lanka, with exports valued at RM102.6 million, Greece (RM20.2 million), Egypt (RM13 million), and Iran (RM7 million).

Imports

Imports of motorcycles amounted to RM174.2 million in 2007 registering an increase of 103.5 per cent from RM85.6 million in 2006. Major sources of imports were Thailand amounting to RM50.5 million, Japan (RM47.9 million), Indonesia (RM35.3 million) and the Peoples' Republic of China (RM16.9 million).

Automotive Parts and Components Segment

Presently, there are more than 500 manufacturers of automotive and motorcycle/ scooter components producing more than 4,000 components. There were 226 PROTON vendors, while there were 137 vendors supplying to PERODUA. Apart from local vendors, there were also a number of foreign global automotive component manufacturers operating in Malaysia.

The production index of automotive components and parts decreased by 5.3 per cent to 175.7 from 185.5 in 2006, in tandem with the reduction in the production of passenger and commercial vehicles.

Sales

Automotive components and parts sold in 2007 increased by 5.8 per cent with sales worth RM5.5 billion, compared with RM5.2 billion in 2006.

Employment

A total of 24,467 persons were employed in the automotive components and parts segment, registering a decline of 1.9 per cent from 24,939 persons in 2006. The decline was due to reduction in the production of motor vehicles.

Investments

In 2007, 30 projects with investments of RM279.7 million were approved for the manufacture of automotive components and parts.

Exports

Exports of automotive components and parts were worth RM2.7 billion in 2007, which was an increase of 17.4 per cent from RM2.3 billion in 2006. Steering wheels and steering columns, rims, bumpers, brakes, radiators, shock

Table 5.21:
Productivity Indicators of the Automotive Sub-Sector

Sub-Sector/ Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
Automotive Sub-sector	**112.3**	**6.5**	**105.5**	**25.3**	**5.9**	**23.9**	**0.0618**	**-1.8**	**0.0629**
Motor vehicles	165.6	2.9	160.9	30.9	4.1	29.7	0.0516	7.8	0.0479
Motor cycles and scooters	74.5	9.3	68.2	21.4	7.5	19.9	0.0807	-17.2	0.0974
Parts and accessories	72.9	9.6	66.5	21.1	2.9	20.5	0.0681	-10.3	0.0759

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

absorbers and clutches were exported mainly to Thailand, with exports valued at RM329.1 million, Taiwan (RM321.6 million), Singapore (RM316.3 million), Indonesia (RM226.9 million) and the UK (RM165.2 million).

Imports

Imports of automotive components and parts increased by 4.7 per cent to RM4.5 billion from RM4.3 billion in 2006. Thailand accounted for 48.8 per cent or RM2 billion worth of components and parts imported, followed by Japan (RM630.9 million), Germany (RM584.6 million), Indonesia (RM503.1 million) and the People's Republic of China (RM203.4 million).

Productivity of the automotive sub-sector

Productivity of the automotive sub-sector increased by 6.5 per cent to RM112,336 in 2007, compared with RM105,474 in 2006. High capacity utilisation due to strong global demand of motor cycles and scooters, and parts and accessories contributed to the high performance of the sub-sector. The sub-sector was able to sustain its labour cost competitiveness as Unit Labour Cost decreased by 1.8 per cent. While all segments registered increase in productivity, only parts and accessories, and motor cycles and scooters segment sustained its labour cost competitiveness. This was reflected by the double digit decline of 17.2 per cent and 10.3 per cent in Unit Labour Cost for these two segments, respectively.

Developments

In 2007, new and expansion projects approved included, two projects with an investment of RM138.3 million for the manufacture of automotive modules, two projects worth RM4.5 million for the manufacture of engine and transmission parts and one project amounting to RM10 million for the manufacture of fire rescue vehicles.

Skills upgrading is another important thrust to enhance the productivity and product quality of the automotive sub-sector. In 2007, a total of 1,629 trainees underwent automotive courses. To enhance the practical relevance of the training courses, 467 trainees underwent industry attachment in six automotive companies under the National Dual Training Scheme (NDTS), implemented by the Ministry of Human Resources.

In enhancing the competitiveness of manufacturers of components and parts, including the promotion and development and manufacture of common parts and components, PROTON reduced the number of vendors from 250 to 226 and established seven strategic tie-ups with foreign vendors. The number of local vendors will be reduced progressively to 120 by 2010.

In terms of quality certification, 50 local automotive components and parts manufacturers have achieved the TS16949 certification to date which will enable them to market their products competitively.

The Soft Loan Scheme for Automotive Development was launched in 2007. The objectives of the Scheme is to provide soft loan to automotive parts and components manufacturers for mergers and acquisitions, new tooling acquisition, certification of productivity improvements such as TS16949 and ISO14001 and export promotion including testing of automotive parts and components and sending samples abroad. The scope of the loan scheme was expanded to cover refinancing of tooling acquisitions and the maximum loan amount per application was increased from RM5 million to RM10 million. For 2007, 12 loan applications valued at RM52.9 million were approved.

Under the Malaysia-Japan Automotive Industry Cooperation Programme (MAJAICO), 19 Japanese experts have been dispatched to Malaysia for skills training and enhancement of testing facilities programmes. Under this programme, 19 companies were trained in Lean Production System, 118 trainees graduated from the Advanced Technology Centre and 47 automotive personnel underwent training in Japan. In addition, the business development programmes have enabled the Malaysian parts and components manufacturers to establish linkages with their Japanese business counterparts and to identify potential business collaborations. Improvements to the programme to be undertaken in 2008 include increasing the participation of Malaysian vendors that currently have no technical tie-ups with Japanese manufacturers, training on Lean Production System to expand towards product design and development, as well as in overall engineering process. It also includes the provision of Japanese experts and trained SIRIM staff to provide advisory and consultation services including short-term training courses to Malaysian companies.

The Government is in the process of reviewing the Construction and Use Rules under the Road Transport Act to impose mandatory standards based on the United Nations Economic Commission for Europe Working Party 29 (UNECE WP29). This is in line with Malaysia's accession to the UNECE WP29 Agreement of 1958 and 1998, in April 2006. The mandatory standards will be imposed on local assembly of motor vehicles, as well as automotive parts and components sold in the replacement market.

Aerospace Sub-Sector

There are four focus areas, namely parts and components manufacturing, maintenance, repair and overhaul (MRO), avionics and system integration and aerospace training. In 2007, there were seven manufacturers of aircraft parts and components and 28 companies involved in MRO activities. In the MRO segment, 12 companies provide line and heavy maintenance are involved in testing, repair and overhaul of aircraft parts and components, 12 companies provide line and heavy maintenance, while four companies are involved in maintenance of engine and engine parts.

The Malaysian aerospace sub-sector has doubled its size in terms of turnover from RM10.8 billion in 2001, to RM21.5 billion in 2006. Commercial aviation encompassing parts and components manufacturing, avionics and system integration, and the MRO segments are still the major contributors accounting for 82 per cent of the sub-sector's revenue. Malaysia aims to capture 5 per cent of the global MRO market share by 2015 as envisaged in the National Aerospace Blueprint. Currently, Malaysia's global market share in the MRO segment is in the range of 2.6 to 2.7 per cent.

Investments

In 2007, five projects valued at RM299.7 million, were approved in the aerospace sub-sector. Domestic investments totalled RM153.5 million while foreign investments were worth RM146.2 million. Major investments were in the MRO segment.

Exports

Exports of parts and components for aircrafts in 2007, were valued at RM2.9 billion, an increase of 81 per cent, compared with RM1.6 billion in 2006. Major export destinations were Singapore, with exports valued at RM999.9 million, the USA (RM517.3 million) and the UK (RM390.9 million).

Imports

Imports of aircraft equipment parts decreased by 12 per cent to RM5.2 billion in 2007, compared with RM5.9 billion in 2006. Major sources of imports were France, with imports valued at RM3.4 billion, the USA (RM962 million) and Singapore (RM288.7 million).

Developments

In 2007, significant progress was achieved in strengthening the MRO segment of the sub-sector. These include contracts signed for the delivery of composite airframe components worth RM1 billion, airframe maintenance by a local MRO service provider worth RM50 million annually and the collaboration between two companies for the setting up of a composite repair centre.

The National Aerospace Agency (ANGKASA), the lead agency to develop the space segment has implemented several initiatives. These include, the ANGKASAWAN Programme and building of satellites, which is expected to provide economic spin-off benefits to scientific research and the development of the telecommunications industry. The first Astronaut programme was launched in October 2007 and plans are underway to prepare for the second programme.

Malaysia will intensify its focus to increase more collaboration in aerospace science and research with foreign aerospace agencies. Currently, Malaysia has collaboration with Tsukuba Space Centre of Japan Space Exploration Agency.

Marine Sub-Sector

The marine sub-sector comprises building and repairing of ships and boats, fabrication and engineering works of leisure crafts. In 2007, there were six major shipyards involved in large scale operations and 70 small scale companies. The largest shipyard in Malaysia has the capability to build vessels up to 30,000 dead weight tonnes (DWT), whereas the small and medium size shipyards produce wooden hulls for fishing boats, ferries, tug boats, barges, standby vessels and patrol boats.

Investments

In 2007, ten new projects were approved, with total investments of RM346.7 million. Nine of these projects were Malaysian-owned to undertake shipbuilding and ship repairing, and the manufacture of pleasure crafts and fabricated products with total investments of RM228.3 million.

Exports

In 2007, exports decreased by 71 per cent to RM996.6 million from RM3.4 billion in 2006. Major export destinations were India, with exports valued at RM272.1 million, Singapore (RM232.1 million) and Indonesia (RM170.5 million).

Imports

Imports recorded an increase of 93 per cent to RM5.6 billion, compared with RM2.9 billion in 2006. Major sources of imports were Japan, with imports valued at RM2.1 billion, the Republic of Korea (RM1.2 billion) and Liberia (RM1 billion).

The products exported and imported were mainly light vessels, fire floats, dredgers, floating cranes and floating or submersible oil drilling and production platforms.

Developments

The achievements in 2007 included the enhancement of domestic capabilities in the building of smaller vessels, ship repairing and maintenance activities. Bank Pembangunan Malaysia Berhad (BPMB) financed the sub-sector to purchase 17 vessels of 30,000 DWT and below worth RM117.5 million. Since 2006, BPMB had also provided financing under the Malaysian Shipping Finance Fund to four companies. In addition, as at end 2007, the Malaysian Ship-owners Association (MASA) members have taken the lead by investing in the building of 694 ships with gross registered tonnage of 7.4 million.

With the objective of creating skilled workforce for the industry, Akademi Laut Malaysia (ALAM) under its ship design and construction course has produced 46 engineering graduates and 152 post-sea engineering graduates in the areas of naval architecture and ship building in 2007.

PETROCHEMICAL AND CHEMICAL INDUSTRY

The petrochemical and chemical industry covers two sub-sectors, namely petroleum products including petrochemical and plastic products, and basic industrial chemicals and chemical products. The industry retained its position as the second largest contributor to total exports in 2007 with a 7.4 per cent share.

Petrochemicals sub-sector includes:

- commodity grade resins; polyethylene (PE) resins, polypropylene (PP) resins, polyvinyl chloride (PVC) resins, polyester resins and polystyrene (PS) resins;

- engineering grade plastics resins; acrylonitrile-butadiene (ABS) resins, polyoxymethylene (POM) resins, polybutylene terephathalate (PBT) and polyester co-polymer (PETG) resins;

- petrochemical derivatives; ethylene oxide (EO), butanols and acetic acid; and

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

Petroleum Products including Petrochemicals and Plastic Products Sub-Sector

Production

The production index for the petroleum products including petrochemicals and plastic products sub-sector registered an increase of 3 per cent from 161.8 in 2006 to 166.7 in 2007. The overall growth was contributed by an increase in demand for refined petroleum products, plastics in primary forms and of synthetic rubber, plastic extruded products and plastic foam products. However, the manufacture of plastic bags and films and plastic blow-moulded products registered declines of 11.7 per cent and 10.3 per cent respectively. The decline was attributed to a lower demand from the domestic automotive and electrical industries and a slow down in growth of the EU and the US economies.

Sales

Sales of petroleum products including petrochemicals and plastic products grew by 8.8 per cent to RM118,860.7 million in 2007 from RM109,257.5 million in 2006. The main contributor was refined petroleum products with a sales value of RM89,796.2 million. Plastic product recorded total sales of RM15,346.1

Table 5.22:
Production Indices of Selected Segments of the Petroleum Products including Petrochemicals and Plastic Products Sub-Sector

Segment	2007	Change (%)	2006
Total	**166.7**	**3.0**	**161.8**
Petroleum products	165.5	5.4	157.0
Refined petroleum products	169.0	5.4	160.4
Plastics in primary forms and of synthetic rubber	127.5	5.8	120.5
Plastic products	**170.3**	**-3.0**	**175.5**
Plastic bags and films	207.2	-11.7	234.6
Plastic blow-moulded products	200.4	-10.3	223.4
Plastic injection-moulded components	156.6	5.8	148.1
Plastic extruded products	158.2	5.1	150.6
Plastic foam products	143.6	12.1	128.1

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

Table 5.23:
Sales of Selected Petroleum Products including Petrochemicals and Plastic Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**118,860.7**	**8.8**	**109,257.5**
Petroleum products	**103,514.5**	**9.8**	**94,236.3**
Refined petroleum products	89,796.2	9.4	82,084.1
Plastics in primary forms and of synthetic rubber	13,718.4	12.9	12,152.1
Plastic products	**15,346.1**	**2.2**	**15,021.1**
Plastic bags and films	5,086.6	-0.1	5,089.2
Plastic injection moulded components	7,050.3	2.4	6,884.2
Plastic blow-moulded product	402.5	11.0	452.3
Plastic extruded products	669.5	33.9	499.8
Plastic foam products	496.5	18.1	420.3

Source: Department of Statistics, Malaysia

million, compared with RM15,021.1 million in 2006. The higher sales value was attributed to strong external demand from Singapore, Japan and the Republic of Korea.

Employment
In 2007, employment in the petroleum products including petrochemicals and plastic products sub-sector recorded an increase of 1.8 per cent to 96,468 persons, from 94,746 persons in 2006. The increase in employment was more evident in the plastic foam products and plastic extruded products segments which registered 32.7 per cent and 14.5 per cent growth respectively. The plastic injection moulded products segment employed the highest number, with 53,262 persons accounting for 55 per cent of total employment in the sub-sector, followed by plastic bags and films segment with 15,760 persons or 16.3 per cent.

Productivity
Productivity of the petroleum products including petrochemicals and plastic products sub-sector increased by 8 per cent to RM122,525 in 2007, compared with RM113,450 in 2006. The marked performance was due to increased production driven by both domestic and external demand of petroleum products, especially for plastics in primary forms and synthetic rubber. Labour cost competitiveness of the sector improved as reflected by a decrease of 3 per cent in Unit Labour Cost.

Investments
In 2007, total investments approved in the petroleum products including petrochemical and plastic products sub-sector, was at RM14.9 billion, an increase of 18.3 per cent compared with RM12.6 billion in 2006. Domestic

Table 5.24:
Employment in Selected Segments of the Petroleum Products including Petrochemicals and Plastic Products Sub-Sector

Segment	2007 (Persons)	Change (%)	2006 (Persons)
Total	**96,468**	**1.8**	**94,746**
Petroleum products			
Refined petroleum products	4,934	7.8	4,576
Plastic in primary forms and of synthetic rubber	6,080	2.5	5,933
Plastic products			
Plastic bags and films	15,760	7.3	14,682
Plastics injection moulded components	53,262	-0.3	53,422
Plastic blow moulded products	1,943	-21.5	2,475
Plastic extruded products	2,534	14.5	2,214
Plastic foam products	3,770	32.7	2,840

Source: Department of Statistics, Malaysia

Table 5.25:
Productivity Indicators of Selected Segments of the Petroleum Products including Petrochemicals and Plastic Products Sub-Sector

Segment	Added Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
Petroleum and Plastic Products	**122.5**	**8.0**	**113.5**	**24.1**	**6.9**	**22.6**	**0.0186**	**-3.0**	**0.0192**
Petroleum Products	**757.3**	**9.2**	**693.4**	**73.1**	**13.9**	**64.2**	**0.0074**	**5.49**	**0.0070**
Refined petroleum products	1,072.7	7.8	995.4	103.2	25.9	81.9	0.0052	14.04	0.0046
Plastic in primary forms and of synthetic rubber	514.6	14.4	449.7	49.2	0.2	49.8	0.0215	-7.80	0.0233
Plastic Products	**40.5**	**-2.4**	**41.5**	**17.8**	**2.2**	**17.4**	**0.0984**	**2.05**	**0.0964**
Plastic bags and films	66.3	-11.2	74.7	19.5	0.4	19.4	0.0594	8.53	0.0547
Plastics injection moulded components	29.9	4.2	28.7	16.8	3.4	16.3	0.1252	-0.77	0.1262
Plastic blow moulded products	62.1	17.2	53.0	19.2	14.0	16.8	0.1017	-3.82	0.1057
Plastic extruded products	43.8	-6.2	46.7	24.4	6.9	22.9	0.0891	2.57	0.0869
Plastic foam products	41.2	-18.2	50.3	15.9	-13.5	18.4	0.1227	5.21	0.1166

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

investment amounted to RM9 billion or 60.4 per cent of total approved investment while foreign investment amounted to RM5.9 billion or 39.6 per cent. A total of 108 projects were approved in 2007, compared with 95 projects in 2006. Major source of foreign investments were the USA and Japan.

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

Description	2007	Change (%)	2006
No. of Projects Approved	**108**	**13.6**	**95**
Total investments (RM bil.)	**14.9**	**18.3**	**12.6**
Domestic (RM bil.)	9.0	-19.6	11.2
Foreign (RM bil.)	5.9	321	1.4

Source: Malaysia Industrial Development Authority

In the petroleum products segment a total of 17 projects worth RM13.8 billion were approved in 2007, compared with RM11.4 billion in 2006. Out of these, 12 were for new projects while five project were for expansion and diversification. Major approved investments were for the expansion of production capacity of LPG, gasoline, kerosene and diesel, and for the production of additional products including coke and sulphur.

In the plastic products segment, a total of 91 projects with investments of RM1.1 billion were approved in 2007, of which 49 were new projects and 42 were expansion/diversification projects. Of the total, 38 projects were Malaysian-owned. Foreign investments amounted to RM552.2 million or 52 per cent and domestic investments were valued at RM510.7 million.

Exports

Exports of petroleum products including petrochemicals and plastic products amounted to RM70,138.7 million in 2007, compared with RM64,247 million in 2006.

Exports of petroleum and petroleum-related products in 2007 amounted to RM52,246.4 million, compared with RM47,830.8 million in 2006. In 2007 exports of petroleum products which included LNG and refined petroleum products in 2007, recorded an increase of 12.3 per cent to RM26,157.3 million, while exports of refined petroleum products amounted to RM23,139.9 million. Major destinations for petroleum and petroleum related products were Japan, accounting for RM18.3 billion, followed by Singapore (RM12.9 billion), and the Republic of Korea (RM8.5 billion).

Table 5.27:
Exports of Petroleum Products including Petrochemicals and Plastic Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**70,138.7**	**9.2**	**64,247**
Petroleum and Petroleum Related Products	52,246.4	9.23	47,830.8
Petroleum products	2,895.2	17.2	2,487.8
LNG	26,157.3	12.3	23,285.3
Refined petroleum products	23,139.9	5.2	22,057.8
Synthetic Resins	9,511.8	11.1	8,563.5
Plastic Products	8,380.4	6.7	7,852.7

Compiled by Ministry of International Trade and Industry

Exports of plastics in primary form (synthetic resin) consisting of polymer of ethylene, polymer of styrene, polyacetals and polycarbonates and waste, parings and scrap recorded a growth of 11.1 per cent with a value of RM9,511.8 million and a share of 13.6 per cent of exports in the petroleum and petroleum related products sub-sector. Major destinations were the People's Republic of China, with exports valued at RM1.9 billion or 20.4 per cent share, followed by Hong Kong SAR (RM1.3 billion or 13.6 per cent) and Indonesia (RM719 million or 7.6 per cent).

Exports of plastic products totalled RM8,380.4 million, compared with RM7,852.7 million in 2006. The exports comprised mainly plastic bags, bottles and containers, films and sheets. Major export markets were Singapore, with exports valued at RM1.5 billion, followed by Japan (RM1.2 billion) and UK (RM804 million).

Imports

Imports of petroleum including petrochemicals and plastic products decreased marginally by 0.5 per cent from RM40,403.4 million in 2006 to RM40,216.7 million in 2007. Currently, Malaysia is a net importer of petrochemicals. Petrochemicals that are imported are used as raw materials in the manufacture of various products by many sectors, which are subsequently exported as intermediate or consumer goods.

Imports of petroleum and petroleum-related products increased by 1.1 per cent to RM23,553.3 million in 2007, compared with RM23,289.6 billion in 2006. Major sources of imports were Singapore, with imports valued at RM17.1 billion, accounting for 72.6 per cent of total imports, followed by Saudi Arabia (RM1.9 billion), United Arab Emirates (RM956 million) and Indonesia (RM759 million).

Imports of plastics in primary forms (synthetic resin) ware valued at RM10,664.5 million in 2007, recording an increase of 6.7 per cent from RM9,992.7 million in 2006. Malaysia's major sources of imports were Singapore, with imports valued at RM2.8 billion, followed by Japan (RM1.7 billion) and Thailand (RM878 million).

Table 5.28:
Imports of Petroleum Products including Petrochemicals and Plastic Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**40,216.7**	**-0.5**	**40,403.4**
Petroleum and Petroleum Related Products	**23,553.3**	**1.1**	**23,289.6**
Petroleum products	1,419.6	13.2	1,253.9
LNG	neg.	neg.	neg.
Refined petroleum products	22,133.3	0.4	22,035.7
Synthetic Resins	**10,664.5**	**6.7**	**9,992.7**
Plastic Products	**5,998.9**	**-15.8**	**7,121.1**

Compiled by Ministry of International Trade and Industry

Imports of plastic products in 2007 amounted to RM5,998.9 million, compared with RM7,121.1 million in 2006, a reduction of 15.8 per cent. Major sources of imports were Japan, with imports valued at RM1.3 billion, followed by the People's Republic of China (RM928 million) and the USA (RM534 million). The main items imported were containers of plastic, articles of plastic and plates, sheets, films and foils.

Developments

In 2007, two projects for expansion in the production capacity of LPG, gasoline, kerosene, sulphur, asphalt and coke were implemented. An expansion project which uses technology from Japan for the production of a new grade low volatile organic content (VOC) polyacetal resin/compound was also approved to be located in Gebeng, Pahang.

A new project for the production of epichlorohydrin from palm oil was set up in Kertih, Terengganu. This project, with investment from the Netherlands, is expected to further increase the linkage between the petrochemical and the oleochemical industry. Another new project by a foreign-owned company to produce synthetic latex which also included the setting up of a R&D facility was approved to be located in Pasir Gudang, Johor.

Four applications were also approved in 2007 for the setting up of oil refineries with total refining capacity of 700,000 bpd. PETRONAS has started the three-phase Peninsular Gas Utilisation project to provide necessary infrastructure for the development of the petrochemical industry. The project included six gas processing plants for producing methane, ethane, propane, butane and condensate gases.

Basic Industrial Chemicals and Chemical Products Sub-Sector

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

Production

The production index for the sub-sector increased by 4.2 per cent to 149.1 in 2007 from 143.1 in 2006. The pesticides and other agrochemical group registered an increase of 29.8 per cent. This was attributed to a higher demand for pesticides in the plantation and agricultural sector. The production index for industrial gases recorded an increase of 17.6 per cent, from 125.3 in 2006 to 147.4 in 2007, due mainly to an increase in the demand for industrial gases in manufacturing activities such as food processing, steel production, chemical processing and water and sewage treatment. The production index for fertilisers registered an increase of 8.7 per cent in line with increased external demand and an increase in domestic usage. However, the production index for paints, varnishes and similar products reduced by 3.8 per cent in 2007, due to a lower demand by the construction and furniture industry.

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

Segment	2007	Change (%)	2006
Total	**149.1**	**4.2**	**143.1**
Basic Industrial Chemicals	**149.5**	**4.2**	**143.6**
Industrial gases	147.4	17.6	125.3
Other basic industrial chemicals	150.8	-2.4	154.5
Other Chemical Products	**148.1**	**4.3**	**142.0**
Paints, varnishes and similar products	153.8	-3.8	159.8
Fertilisers and nitrogen compounds	163.5	8.7	150.4
Soap, cleaning preparations and toiletries	98.9	2.0	97.0
Pesticides and other agrochemical products	122.4	29.8	94.3

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

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

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**37,749.2**	**10.9**	**34,028.1**
Basic Industrial Chemicals	**27,288.1**	**9.1**	**25,005.7**
Industrial gases	4,318.3	22.6	3,521.1
Other basic industrial chemicals	22,969.8	6.9	21,484.6
Other Chemical Products	**10,461.1**	**15.9**	**9,022.4**
Fertiliser and nitrogen compounds	2,455.5	15.5	2,126.6
Paints, varnishes and similar products	2,177.4	13.6	1,916.7
Soap, cleaning preparations and toiletries	1,401.6	22.5	1,143.8
Pesticides and other agrochemical products	594.5	19.7	496.5

Source: Department of Statistics, Malaysia

Sales

Sales value of the basic industrial chemicals and chemical products sub-sector registered an increase of 10.9 per cent to RM37,749.2 million in 2007 from RM34,028.1 million in 2006. The products that recorded double digit growth in sales value were industrial gases, which increased by 22.6 per cent, and soaps, cleaning preparations and toiletries (22.5 per cent), pesticides and other agrochemical products (19.7 per cent), and fertilisers and nitrogen compounds (15.5 per cent).

Employment

Employment in the sub-sector registered an increase of 5.2 per cent to 28,771 persons in 2007, from 27,336 persons in 2006. The soap, cleaning preparations and toiletries segments and paints, varnishes and similar products segment recorded employment growth of 14.3 and 13 per cent, respectively. Employment in the fertilisers and nitrogen compound segment recorded growth of 8.5 per cent due to increase in investments for the manufacture of fertilisers.

Productivity

Productivity of the basic industrial chemical and chemical products sub-sector recorded a double digit growth of 13.4 per cent to RM325,513 in 2007. All the segments registered increases in productivity growth ranging from 9.8 per cent to 26.2 per cent. The high productivity performance of these segments was mainly driven by the strong demand in both domestic and global market as reflected by the 20.1 per cent increase in exports, particularly fertilisers and nitrogen compounds. The sub-sector was

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

Segment	2007 (persons)	Change (%)	2006 (persons)
Total	**28,771**	**5.2**	**27,336**
Basic Industrial Chemicals	**11,946**	**2.0**	**11,709**
Industries gases	2,052	-0.8	2,068
Other basic industrial chemicals	9,894	2.6	9,641
Other Chemical Products	**16,825**	**7.7**	**15,627**
Paints, varnishes and similar products	4,870	13.0	4,310
Soap, cleaning preparations and toiletries	3,685	14.3	3,224
Fertiliser and nitrogen compounds	1,935	8.5	1,784
Pesticides and other agrochemical products	1,482	1.2	1,465

Source: Department of Statistics, Malaysia

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

Segment	Added Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
Basic chemical and other chemical products	**325.5**	**13.4**	**286.9**	**47.6**	**10.4**	**43.1**	**0.0339**	**-1.9**	**0.0346**
Basic Industrial Chemicals	**563.9**	**14.3**	**493.4**	**62.1**	**17.6**	**52.8**	**0.0254**	**3.97**	**0.0244**
Industrial gases	1,106.7	12.4	984.9	76.3	47.2	51.9	0.0364	20.90	0.0301
Other basic industrial chemical	445.0	14.7	387.8	59.0	11.2	53.0	0.0234	-0.44	0.0235
Other Chemical Products	**153.9**	**11.7**	**137.8**	**36.7**	**2.8**	**35.7**	**0.0564**	**-7.51**	**0.0610**
Paints, varnishes and similar products	131.2	12.3	116.9	36.0	-1.7	36.6	0.0759	-5.69	0.0805
Fertilisers and nitrogen compounds	264.0	16.2	227.1	55.7	1.2	55.1	0.0437	-7.24	0.0471
Soap, cleaning preparations and toiletries	95.0	9.8	86.5	37.3	12.1	33.3	0.0954	0.87	0.0946
Pesticides and other agrochemical products	83.8	26.2	66.4	23.7	3.1	23.0	0.0600	-14.96	0.0706

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

able to sustain its labour cost competitiveness as Unit Labour Cost decreased by 1.9 per cent.

Investments

In 2007, 26 projects with investments worth RM1,96.2 million were approved, compared with 43 projects worth RM650.9 million in 2006. Domestic investments amounted to RM588.7 million, while foreign investments were valued at RM507.5 million. Major sources of investments were India, Singapore and the USA.

Of the total projects approved, 19 were new projects worth RM570.1 million, while seven were expansion/diversification projects worth RM526.1 million. The marked increase was due to investments in the production of fertilisers and industrial gases. Eight projects were approved for the production of fertilisers (RM578.4 million) and three projects for the manufacture of industrial gases (RM79.7 million). The other 15 projects were for a wide range of chemical products such as rare earth oxides and carbonates, air fragrances, liquid fabric care, detergents, skin and hair care products.

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

Description	2007	Change (%)	2006
No. of projects approved	**26**	**- 39.5**	**43**
Total investments (RM mil.)	**1,096.2**	**68.4**	**650.9**
Domestic (RM mil.)	588.7	54.7	380.5
Foreign (RM mil.)	507.5	87.7	207.4

Source: Malaysia Industrial Development Authority

Exports

Exports of basic industrial chemicals and chemical products sub-sector grew by 15.1 per cent to RM23,051.8 million in 2007, from RM20,202.8 million in 2006. These products contributed 5.1 per cent to Malaysia's total exports. Major export destinations were the People's Republic of China, with a 15.8 per cent expansion in exports valued at RM4.79 billion, Thailand RM 3.14 billion (8.1 per cent), Singapore, RM2.94 billion (13.8 per cent, RM3.14 billion), Indonesia (13.2 per cent, RM2.77 billion). Exports to Japan decreased by 8.6 per cent to RM2.18 billion.

In 2007, double digit growth in exports was recorded for organic chemicals, which expanded by 18.3 per cent with a value of RM11,886.6 million. Other major products which recorded double digit export growths were chemical materials and products which grew by 15.4

Table 5.34:
Exports of Basic Industrial Chemicals and Chemical Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**23,051.8**	**15.1**	**20,202.8**
Organic chemicals	11,886.6	18.3	10,047.4
Chemical materials and products	4,914.5	15.4	4,260.1
Soap, cleaning preparations and toiletries	2,346.1	12.4	2,086.9
Dyeing, tanning and colouring materials	1,375.7	3.7	1,327.1
Inorganic chemicals	1,276.1	1.6	1,256.5
Fertilisers	1,252.8	20.1	1,042.9

Compiled by Ministry of International Trade and Industry

per cent (RM4,914.5 million) as well as soap, cleansing preparations and toiletries by 12.4 per cent (RM2,346.1 million), and fertilisers by 20.1 per cent (RM1,252.8 million).

Imports

Imports of basic industrial chemicals and chemical products sub-sector increased by 13.5 per cent to RM25,369.5 million in 2007, from RM22,359.3 million in 2006. Imports comprised mainly organic chemicals which recorded an increase of 15.7 per cent and chemical materials and products which grew by 16.6 per cent. Major import sources for chemicals and chemical products were Singapore, with imports valued at RM6.1 billion, Japan (RM4.6 billion), the People's Republic of China (RM3.8 billion), the USA (RM3.3 billion), and Thailand (RM2.8 billion).

Developments

In 2007, the basic industrial chemicals and chemical products sub-sector underwent changes to comply with the international requirements and regulations on chemical management. Malaysia continues to take steps towards sound chemical management and safety programmes to enhance protection of humans and environment.

To prepare Malaysian exporters to the EU on the implementation of the Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), relevant agencies conducted outreach programme; circulated information and updated the industry and associations on matters related to REACH. Efforts are also being coordinated through ASEAN and APEC to raise issues on REACH that affect the industry.

Malaysia has also agreed to the adoption of Good Laboratory Practice based on the system by the Organisation of Economic Cooperation and Development (OECD) on Mutual Acceptance Data (MAD) in the assessment of chemicals from non-OECD countries. This is to enable testing results and chemical safety studies data to be accepted and recognised internationally hence reducing technical barrier to trade.

Table 5.35:
Imports of Basic Industrial Chemicals and Chemical Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**25,369.5**	**13.5**	**22,359.3**
Organic chemicals	9,885.4	15.7	8,544.6
Chemical materials and products	4,682.4	16.6	4,017.2
Inorganic chemicals	3,186.7	3.8	3,068.8
Fertilisers	3,242.2	32.7	2,443.5
Soap, cleaning preparations and toiletries	2,630.4	6.3	2,474.8
Dyeing, tanning and colouring materials	1,742.3	-3.8	1,810.3

Compiled by Ministry of International Trade and Industry

In compliance with the Chemical Weapons Convention Act, 2005, Malaysia continued to gather data for annual reporting to the Organisation for the Prohibition of Chemical Weapons (OPCW). In 2007, four inspections of factories and plants producing toxic chemicals were carried out by the international inspection agencies.

For cosmetics, ta common set of regulations namely, the ASEAN Harmonised Cosmetic Regulatory Scheme (AHCRS) was implemented effective 1 January 2008 to remove technical barriers to exports by harmonising regulatory and technical requirements.

Under the Globally Harmonised System (GHS), the Occupational Safety and Health (Classification, Packaging and Labelling) and the Safety Data Sheets (SDS) for Hazardous Chemical have been drafted to replace the Classification, Packaging and Labelling Regulation 1997; For the agricultural sector, the Pesticide Board has completed the amendment to the Pesticide Labelling Regulation 1984, FAO Guideline to include elements of GHS. It had also conducted briefing and awareness programme on GHS for farmers, industry and associations; For the transportation sector, a new regulation on transport of dangerous goods and petroleum by road and rail to reflect the requirements set by GHS has been prepared. The Ministry of Domestic Trade and Consumer Affairs has also organised and conducted outreach programmes on GHS for the public.

Malaysia has imposed a prohibition on the importation of plastic wastes under the Second Schedule (Prohibition of Imports) 1998, Customs Act 1967, effective 1 February 2008. Importation is now subject to Import Licence (AP) issued by MITI. The prohibition is imposed on health and environmental considerations to prevent hazardous materials from being imported into the country.

The Solid Waste and Public Cleansing Management Bill was gazetted in 2007 to provide for and regulate the management of controlled solid wastes and public cleansing for proper sanitation in Malaysia.

PHARMACEUTICAL INDUSTRY

The pharmaceutical industry covers a wide range of products from the manufacture of prescription medicines, over-the-counter (OTC) medicines, to herbal preparations and health/food supplements, including traditional medicines.

Production

The production index for the pharmaceutical industry expanded by 4.9 per cent to 246.6 in 2007 from 235 in 2006 resulting in an increase in sales value. This was largely attributed to the local production of generic drugs, health supplements and injectables.

Table 5.36:
Production Index of the Pharmaceutical Industry

Industry	2007	Change (%)	2006
Pharmaceuticals, medicinal, chemical and botanical products	246.6	4.9	235.0

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

Sales

Sales of pharmaceutical products increased by 24.1 per cent to RM1,295.3 million in 2007, from RM1,044 million in 2006. This was largely due to an increase in demand arising from better health awareness and increasing affluence. The increased in healthcare spending was also contributed by the Government's expenditure to provide better quality medical services to the public.

Employment

In 2007, employment in the pharmaceutical products sub-sector increased by 0.7 per cent to 7,391 persons from 7,336 persons in 2006. The industry is technology and research-intensive, requiring highly qualified professionals, such as pharmacists, chemists, biotechnologists, microbiologists, biologists and chemical engineers, especially at the supervisory level, in production, quality assurance and R&D activities.

Productivity

The productivity of the pharmaceutical industry recorded an increase of 10.8 per cent

Table 5.37:
Productivity Indicators of the Pharmaceutical Industry

Industry	Added Value per Employee (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
Pharmaceuticals	70.0	10.8	63.2	21.9	6.7	20.5	0.1206	-12.01	0.1371

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

in 2007. The high performance was attributed to the industry's capability to generate high quality products to cater for increased demand arising from better health awareness. The performance was also supported by intensive R&D and innovation activities. The industry was able to sustain labour cost competitiveness as indicated by a decline in Unit Labour Cost of 12 per cent.

Investments

In 2007, approved investments were valued at RM98.3 million, compared with RM241.7 million in 2006. Domestic investments totalled RM88.8 million, accounting for 90.3 per cent, while foreign investments amounted to RM9.5 million (9.7 per cent).

A total of ten projects were approved of which seven were new projects and three were for expansion and diversification. Out of the total, five new projects with investments worth RM37.7 million were approved for the production of health supplements and herbal formulations, herbal medicines, herbal plant extracts and preparation in the form of tablets, capsules, cream and liquid and capsules of ganoderma. Another five projects were for the production of injectables, pharmaceutical formulations, animal feed supplements and veterinary pharmaceuticals and intravenous solutions.

Table 5.38:
Investments in the Pharmaceutical Industry

Description	2007	Change (%)	2006
No. of projects approved	**10**	**-23**	**13**
Total investments (RM mil.)	**98.3**	**-59.3**	**241.7**
Domestic (RM mil.)	88.8	-61.6	231.3
Foreign (RM mil.)	9.5	8.7	10.4

Source: Malaysian Industrial Development Authority

Exports

Exports of pharmaceutical products recorded an increase of 36.8 per cent with a value of RM678 million in 2007, compared with RM495.7 million in 2006. The exports of medicaments made up 63 per cent of total pharmaceutical exports. Exports to ASEAN countries accounted for more than 60 per cent of the total exports of pharmaceutical products. Other major export destinations were Germany, Hong Kong SAR, Japan, Taiwan and India.

Table 5.39:
Exports of Pharmaceutical Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**678.0**	**36.8**	**495.7**
Medicaments	451.2	63.2	276.5
Medicinal and pharmaceutical products, other medicines	226.8	3.5	219.2

Compiled by Ministry of International Trade and Industry

Imports

Imports of pharmaceutical products recorded an increase of 9.3 per cent with a value of RM2,964.5 million in 2007, compared with RM2,712.3 million in 2006. Major sources of imports were Australia, with imports valued at RM315 million and accounting for 12.2 per cent of total imports, followed by Germany with imports valued at RM251 million (9.7 per cent) and the UK valued at RM234 million (9 per cent).

Major types of drugs imported were lifestyle drugs, such as cholesterol lowering and hypertension drugs, newer generation of antibiotics, cardiovascular and oncology drugs. These are mainly branded and patented drugs which are not produced in the country.

Table 5.40:
Imports of Pharmaceutical Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**2,964.5**	**9.3**	**2,712.3**
Medicaments	2,305.9	8.1	2,132.3
Medicinal and pharmaceutical products, other medicines	658.6	13.5	580.2

Compiled by Ministry of International Trade and Industry

Developments
As at December 2007, a total of 235 pharmaceutical companies were licensed by the Drug Control Authority, Ministry of Health. Of these, 175 companies are involved in producing traditional medicines and 60 companies are manufacturing modern medicine.

Pharmaceutical manufacturers have been focusing on overseas markets, particularly in the ASEAN region and the African continent.

Major local pharmaceutical companies continued to invest in developing newer versions of generic drugs in 2007. In the modern medicines sector, a number of local generic drugs producers have moved to biopharmaceuticals such as anti-coagulant-heparins.

The domestic pharmaceutical companies continued to intensify efforts to expand exports and explore new markets and expand their existing facilities to comply with stringent Good Manufacturing Practices (GMP) guidelines. Other developments included the initiatives to harmonise pharmaceutical regulations within ASEAN Consultative Committee for Standards and Quality (ACCSQ).

With respect to R&D, a number of Clinical Research Centres (CRCs) were established to conduct clinical trials, clinical epidemiology and economic research and manage complex medical databases. As of 2007, 14 CRCs have been set up in Government hospitals and clinics nationwide and 63 clinical trials have been carried out. The National Institute of Health (NIH) has set up a web-based service, namely the National Medical Research Registry (NMRR) to allow the pharmaceutical industry to have quick and easy access to information on research undertaken in the country.

The herbal industry is a significant sub-sector in the pharmaceutical industry. The Global Information Hub for Integrated Medicines was launched by the Institute of Medical Research, to provide information on the development of traditional medicines and herbal drugs.

METALS INDUSTRY

The metals industry consists of two sub-sectors, namely ferrous and non-ferrous metals. The ferrous metal sub-sector covers the iron and steel, which is one of the targeted areas under the IMP3. The non-ferrous metal sub-sector covers the manufacturing of aluminium, copper, tin, lead, zinc, nickel and alloy products.

Ferrous Metals Sub-Sector
The iron and steel segment can be categorised into two product groups:

- long products, including steel bars, sections and wire products. Sections and wire products are used mainly in the construction and civil engineering industry; and

- flat products, namely hot rolled coils (HRC), cold rolled coils (CRC) and coated coils. These products are used as intermediate raw materials for downstream applications, such as E&E, automotive parts and components, oil and gas, furniture, machinery and equipment and fabricated products.

Production
The production of iron and steel products registered an increase of 7 per cent to 13.8 million metric tonnes (MT) in 2007 from 12.9 million MT in 2006. The increase was due to higher demand for CRC, billets and wire rods in both the domestic and export market.

Expansion of capacity by two CRC manufacturers resulted in the increase in production of CRC by 34.5 per cent in 2007 to 740,000 MT from 550,000 MT in 2006.

Table 5.41:
Production of Selected Iron and Steel Products

Product	Production		
	2007 ('000 MT)	Change (%)	2006 ('000 MT)
Overall	**13,800**	**7.0**	**12,900**
Long products	**8,133**	**11.0**	**7,310**
Billets	4,695	23.7	3,797
Steel bars	1,801	-11.7	2,040
Wire rods	1,417	16.2	1,219
Sections	220	-13.4	254
Flat Products	**3,150**	**4.0**	**3,025**
HRC	1,925	0.3	1,920
CRC	740	34.5	550
GI	250	6.4	235
Plates	235	-26.6	320

Source: Department of Statistics, Malaysia

The production of billets grew by 23.7 per cent due to improvements in external demand. However, the production of steel bars and sections declined due to lower demand as most of the construction projects were at the initial stage of implementation in 2007.

Sales

The iron and steel segment recorded a 23.6 per cent increase in sales to RM23 billion in 2007 from RM18.6 billion in 2006. The increase was due mainly to the higher prices of products arising from the upward trend in the cost of raw materials.

Employment

Employment in 2007 registered a marginal increase of 0.8 per cent to 18,535 persons compared with 18,385 in 2006.

Productivity

The iron and steel segment registered a double-digit productivity growth of 13.3 per cent in 2007. The high growth was due to high capacity utilisation resulting from increased demand from the construction sector. The segment was able to manage its labour cost efficiently and effectively which resulted in improvements in labour cost competitiveness as reflected by the 13.8 per cent decline in Unit Labour Cost.

Investments

In 2007, a total of 37 projects were approved in the iron and steel segment with investments of RM11,959.2 million, compared with 16 projects worth RM2,412.9 million in 2006. Major investments approved were to produce flat products mainly, slabs, HRC, CRC, galvanised coils and sheets. The increase in investments was due to new capital intensive projects that involved new technology using better raw materials to produce higher grade products.

Foreign investments totalled RM4,822.4 million, accounting for 40.3 per cent of total investments, while domestic investments totalled RM7,136.9 million. Major sources of investments were the People's Republic of China, with investments valued at RM1.8 billion, followed by Australia (RM1.4 billion), Singapore (RM635 million), Taiwan (RM210 million) and Spain (RM25 million).

Among the approved projects, 23 were new projects with total investments of RM9.7 billion, and 14 were expansion/ diversification projects with investments of RM2.3 billion.

Table 5.43:
Investments in the Iron and Steel Segment

Description	2007	Change (%)	2006
No. of Projects Approved	**37**	**131.2**	**16**
Total investments (RM mil.)	**11,959.2**	**395.6**	**2,412.9**
Domestic (RM mil.)	7,136.9	2,369.5	289.0
Foreign (RM mi.)	4,822.4	127.0	2,123.9

Source: Malaysian Industrial Development Authority

Table 5.42:
Productivity Indicators of the Iron and Steel Segment

Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
Iron and Steel	226.1	13.3	199.5	29.5	6.7	27.7	0.0231	-13.8	0.0268

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

Exports

Exports of iron and steel products increased by 12.4 per cent in 2007 to RM10.5 billion and accounted for 2.3 per cent of Malaysia's total manufactured exports. Major exports were flat products (HRC and CRC) valued at RM4.2 billion, tubes and pipes (RM2.6 billion), bars, rods, angles and sections (RM1 billion).

The increase in exports of ferrous metals was mainly contributed by billets, CRC and plates. Exports of billets improved significantly as a result of recovery from the impact of low world prices that resulted from high exports by the People's Republic of China since 2005. In 2007, the People's Republic of China imposed export restraints on its domestic producers, which indirectly increased the demand for Malaysia's billets in the international market. Exports of CRC which increased by 145 per cent in 2007 was due mainly to the production of higher grade CRC which enabled access to new markets.

Table 5.44:
Exports of Selected Iron and Steel Products

Product	2007 ('000 MT)	Change (%)	2006 ('000 MT)
Overall	**4,800**	**6.4**	**4,510**
Long Products	**1,362**	**111.0**	**657**
Billets	971	288.4	250
Bars	185	-9.3	204
Wire Rod	170	-0.6	171
Sections	36	12.5	32
Flat Products	**2,103**	**3.0**	**3,072**
Pipes and Tubes	841	-58.2	2,013
HRC	803	2.9	781
Plates	280	60.9	174
CRC	130	145.3	53
GI	49	-3.9	51

Source: Malaysia External Trade Development Corporation
Department of Statistics, Malaysia

Major export destination for iron and steel products were Viet Nam, with exports valued at RM1,416.2 million, Singapore (RM1,340.5 million), Thailand (RM1,204.9 million), Indonesia (RM1,092.3 million) and Australia (RM741.7 million).

Imports

Imports of iron and steel products in 2007 were valued at RM24.8 billion, registering an increase of 24 per cent, compared with RM20 billion in 2006.

Chart 5.1:
Major Export Destinations for Iron and Steel Products, 2007

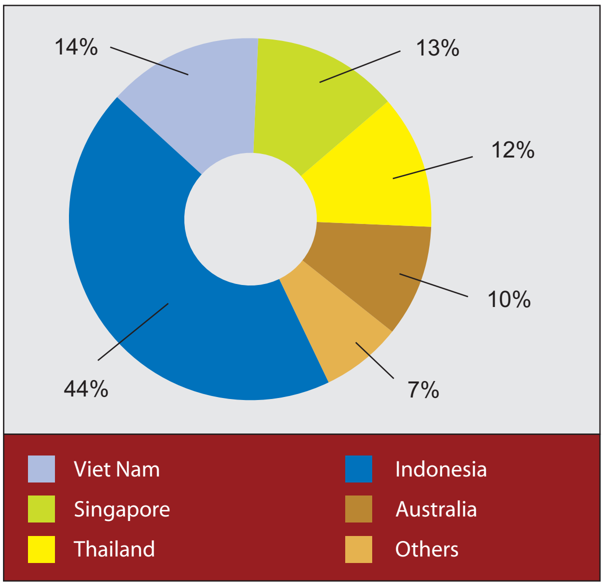


Table 5.45:
Imports of Selected Iron and Steel Products

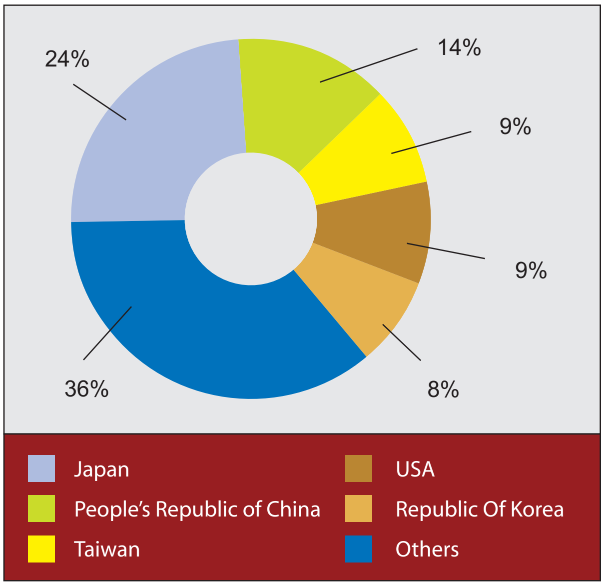
Product	2007 ('000 MT)	Change (%)	2006 ('000 MT)
Overall	**8,231**	**-7.0**	**8,817**
Long Products	**803**	**23.1**	**652**
Billets	17	-51.4	35
Bars	129	0	129
Wire Rod	329	40	235
Sections	320	26.5	253
Flat Products	**4,489**	**76.0**	**2,550**
Pipes and tubes	1,695	95.7	866
CRC	985	52.2	647
HRC	820	46.2	561
Plates	715	168.8	266
GI	274	30.5	210

Source: Department of Statistics, Malaysia

Imports of ferrous metals comprised flat products such as plates, and pipes and tubes. The increased importation of plates was for grades used in the oil and gas, and shipbuilding industries. The imported pipes and tubes were mainly of special grades used to produce lined pipes for the oil and gas sub-sector, which are re-exported to oil producing countries.

Major sources of iron and steel imports were Japan, with imports amounting to RM5,915.9 million, the People's Republic of China (RM3,388 million), Taiwan (RM2,334.3 million), the USA (RM2,290 million) and the Republic of Korea (RM2,013.2 million).

Chart 5.2:
Major Import Sources of Iron and Steel Products, 2007



Non-Ferrous Metals Sub-Sector

The non-ferrous metals sub-sector contributed 41.9 per cent to total exports in the metals sector. The main manufacturing activities in the non-ferrous metals sub-sector are:

- copper, including copper rods, wires and strips mainly for telecommunications and E&E industries; and
- aluminium, mainly for construction, packaging, machinery and engineering sectors.

Production

The production index of the non-ferrous metal sub-sector registered an increase of 13 per cent to 122.6 in 2007 from 108.5 in 2006.

Sales

Sales of non-ferrous metal products registered an increase of 11.8 per cent to RM6,077.2 million in 2007, compared with RM5,434.6 million in 2006.

Employment

Employment in the non-ferrous metals sub-sector registered an increase of 7.1 per cent in 2007 to 8,122 persons, compared with 7,584 persons in 2006 as a result of implementation of new projects.

Investments

A total of 15 projects were approved in 2007 for the manufacture of non-ferrous metal products with investments of RM214.1 million. Of these, foreign investments totalled RM167.2 million, accounting for 78.1 per cent of total investments. Major sources of foreign investments were Singapore with a value of RM55.3 million, the UK (RM40.5 million), Japan (RM37.8 million) and the Republic of Korea (RM9.4 million).

Table 5.46:
Investments in the Non-ferrous Metal Sub-Sector

Description	2007	Change (%)	2006
No. of Projects Approved	**15**	**15.4**	**13**
Total investments (RM mil.)	**214.1**	**-20.8**	**270.3**
Domestic (RM mil.)	46.9	-55.8	106.1
Foreign (RM mil.)	167.2	1.8	164.2

Source: Malaysian Industrial Development Authority

Exports

Exports of non-ferrous metal products in 2007 amounted to RM7.2 billion registering an increase of 18 per cent compared with 2006. Major exports were copper valued at RM4.6 billion, aluminium (RM2.2 billion), zinc (RM223.6 million) and lead (RM188.1 million). Major export destinations were Singapore with exports amounting to RM1.1 billion, Thailand (RM0.9 billion) and Taiwan (RM0.6 billion).

Imports

Imports of major non-ferrous metal products increased 6.4 per cent to RM15.5 billion in 2007, compared with RM14.6 billion in 2006. Major imports were copper valued at RM9.9 billion, aluminium (RM5.2 billion), zinc (RM1.2 billion) and lead (RM0.4 billion). Import were sourced mainly from Japan with imports amounting to RM2.9 billion followed by Australia (RM2.7 billion) and Indonesia (RM2.2 billion).

Developments

In 2007, the metals industry attracted investments amounting to RM12.2 billion, surpassing the annual target of RM1.9 billion under the IMP3. Similarly, exports also exceeded the target by 13.9 per cent and amounted to RM17.2 billion which was higher than the target for 2007.

As a measure to prevent the influx of lower quality products, mandatory Malaysian Standards were imposed on four wire products. These standards will be enforced through the Construction Industry Development Board Act.

World production of steel continued to register growth of more than 7 per cent for the fifth consecutive year in 2007. Compared with 2006, total steel production grew by 7.5 per cent to 1.3 billion MT, representing the highest level of crude steel output. The People's Republic of China remained the main producer of steel in 2007, producing 36.4 per cent of the total world steel, followed by Japan (8.9 per cent) and the USA (7.2 per cent).

Malaysia, as an observer in the Organisation for Economic Co-operation and Development (OECD) Steel Committee, participates in information sharing and deliberations on issues relating to the steel industry. The committee consists of 30 members including major steel producing countries such as Brazil, the People's Republic of China, India, the Russian Federation, the USA and Ukraine. Among the areas of focus of the Committee are the environmental impact of the global steel industry, and the efficient technologies that improved quality of steel products manufactured.

Malaysia ranked second in steel consumption within ASEAN in 2007, with Apparent Steel Consumption (ASC) of 7.1 million MT after Thailand which has been the leading ASEAN country in steel consumption since 2001. ASC reflects the amount of steel consumed in a country's development projects and manufacturing sector. Singapore maintained its position as the country with the highest ASC per capita in ASEAN at 512 kg, followed by Malaysia (262 kg per capita), Thailand (199 kg per capita) and Viet Nam (72 kg per capita).

The domestic steel industry continued to develop by increasing capacities in upstream activities. Investments in new and expansion projects in 2007 were for the production of higher grade iron ore based HRC and CRC for niche markets in the E&E, automotive and shipbuilding industries.

The first production of electro galvanised iron (EGI) commenced in 2007, with the implementation of two projects with total installed capacity at 240,000 MT per annum. The commencement of domestic EGI production will reduce the dependence on imported EGI, which is currently estimated at 250,000 MT per annum. The EGI user industries are automotive and E&E, that are currently importing their entire requirements.

MACHINERY AND EQUIPMENT INDUSTRY

The machinery and equipment (M&E) industry, is an important catalyst to the continued development of Malaysia's manufacturing sector. With its cross-cutting links, the industry is one of the major contributors in facilitating the country to move up the value chain. The industry comprises four sub-sectors, namely specialised machinery, power generating machinery, metal working machinery and general industrial M&E.

Production

The overall production index of the M&E industry registered an increase of 1.1 per cent to 105.8 in 2007 from 104.6 in 2006. The increase was mainly attributed to the higher demand for industrial air-conditioning, refrigerating, and ventilating machinery to cater for new investments in the manufacturing sector. The production index for the air-conditioning, refrigerating and ventilating machinery sub-sector recorded an increase

Table 5.47:
Production Indices of Selected Sub-Sectors in the Machinery and Equipment Industry

Sub-Sectors	2007	Change (%)	2006
M&E Industry	**105.8**	**1.1**	**104.6**
Industrial air-conditioning, refrigerating, and ventilating machinery	98.7	7.8	91.6
Pumps, compressors, taps and valves	124.1	-10.4	138.5

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

of 7.8 per cent to 98.7 compared with 91.6 in 2006. However, due to lower demand, the production index of pumps, compressors, taps and valves decreased by 10.4 per cent to 124.1, from 138.5 in 2006.

Sales

In 2007, sales of the M&E industry amounted to RM5,897.7 million, compared with RM5,787.5 million in 2006. Sales of industrial air-conditioning, refrigerating, and ventilating machinery product in 2007 increased by 1.7 per cent to RM3,785.4 million, compared with RM2,064.9 million in 2006. Sales of pumps, compressors, taps and valve products also increased to RM2,112.2 million in 2007, compared with RM2,064.9 million in 2006.

Table 5.48:
Sales of Selected Sub-Sectors in the Machinery and Equipment Industry

Sub-sector	2007 (RM mil.)	Change (%)	2006 (RM mil.)
M&E Industry	**5,897.7**	**1.9**	**5,787.5**
Industrial air-conditioning, refrigerating, and ventilating machinery	3,785.4	1.7	3,722.6
Pumps, compressors, taps and valves	2,112.2	2.3	2,064.9

Source: Department of Statistics, Malaysia

Employment

Employment in the M&E industry contracted by 9.2 per cent to 11,536 persons in 2007, compared with 12,700 persons in 2006. The reduction in employees was more evident in the pumps, compressors, taps and valves products which recorded a decrease of 13.5 per cent, while the industrial air-conditioning, refrigerating products registered a decline of 6 per cent. The decline in employment in the M&E industry despite an overall increase in the production of M&E products was due mainly to automation by the industry.

Productivity

The productivity of the M&E industry increased by 7 per cent to RM114,430 in 2007 from RM106,900 in 2006. Within the industry, the manufacturing of air-conditioning, refrigerating and ventilating machinery recorded the highest productivity growth at 9 per cent, attributed to increased capacity utilisation resulting from higher demand for these products. The M&E industry was able to sustain its labour cost competitiveness as reflected in the 8.3 per cent decline in Unit Labour Cost.

Investments

In 2007, a total of 98 projects, with investments worth RM1,765.3 million were approved for the M&E industry compared with 102 projects with investments of RM1,267.2 million in 2006. Domestic investments amounted to RM545.7 million, compared with RM610.3 million in 2006. Foreign investments accounted for 69.1 per cent of total investments in 2007 amounting to RM1,219.6 million, compared with RM656.9 million in 2006. Major sources of investments were France, with investments of RM692.8 million, the USA (RM183.5 million), Iran (RM92 million), the Netherlands (RM72.9 million) and Italy (RM30.9 million).

Table 5.50:
Investments in the Machinery and Equipment Industry

Description	2007	Change (%)	2006
No. of Projects Approved	**98**	**-3.9**	**102**
Total investments (RM mil.)	**1,765.3**	**39.3**	**1,267.2**
Domestic (RM mil.)	545.7	-10.6	610.3
Foreign (RM mil.)	1,219.6	85.7	656.9

Source: Malaysian Industrial Development Authority

Out of the total 98 projects approved, 39 was for the specialised machinery sub-sector, with investments of RM1,235.6 million, compared

Table 5.49:
Employment in Selected Sub-Sectors in the Machinery and Equipment Industry

Sub-Sector	2007 (Persons)	Change (%)	2006 (Persons)
M&E Industry	**11,536**	**-9.2**	**12,700**
Industrial air-conditioning, refrigerating, and ventilating machinery	6,890	-6.0	7,327
Pumps, compressors, taps and valves	4,646	-13.5	5,373

Source: Department of Statistics, Malaysia

Table 5.51:
Productivity Indicators of the Machinery and Equipment Industry

Product	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
M & E Industry	**114.4**	**7.0**	**106.9**	**30.9**	**4.1**	**29.7**	**0.0599**	**-8.3**	**0.0653**
Manufacturer of air-conditioning, refrigerating and ventilating machinery	131.4	9.0	120.5	28.7	6.3	27.0	0.0505	-7.9	0.0549
Manufacturer of pumps, compressors, taps and valves	90.8	4.45	86.9	34.0	1.0	33.7	0.0764	-9.0	0.0840

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

with 46 projects (RM732.1 million) in 2006. For the general industrial M&E sub-sector, a total of 58 projects were approved in 2007 with investments worth RM490.3 million, compared with 49 projects (RM488.8 million) in 2006. One project with an investment of RM39.4 million was approved for the power generating sub-sector, compared with RM34.4 million worth of investments involving five projects in 2006.

Exports

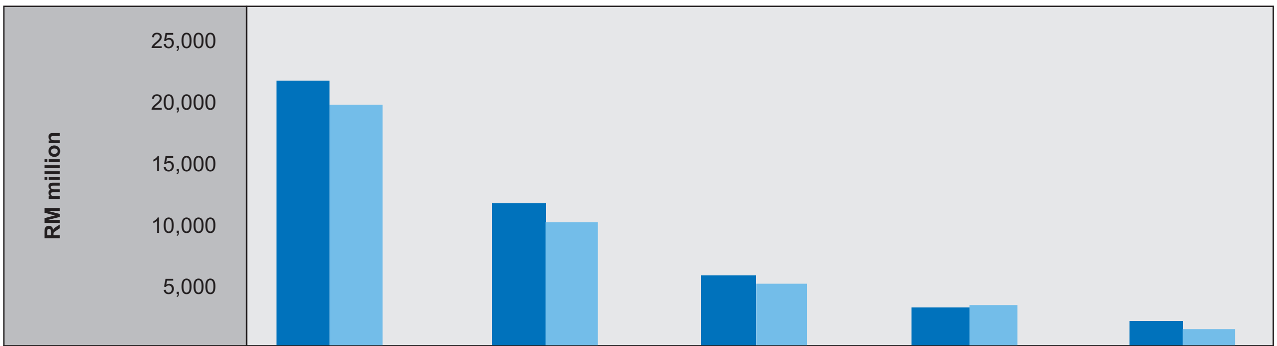
For the last two years, the M&E industry has been the third largest contributor to manufactured exports, contributing RM21,895.4 million or 3.6 per cent share, compared with RM19,842.9 million or 3.4 per cent share for 2006. Export growth of 10.6 per cent in the industry in 2007, was largely contributed by the general industrial M&E sub-sector, followed by specialised and power generating sub-sector.

Table 5.52:
Investment in Selected Sub-Sector in the Machinery and Equipment Industry

Description	2007 (RM mil.)	Change (%)	2006 (RM mil.)
M&E	**1,765.3**	**43.6**	**1,229.2**
Specialised machinery	1,235.6	68.8	732.1
General industrial machinery and equipment	490.3	0.31	488.8
Power generating machinery	39.4	14.5	34.4
Metal working machinery	nil	-	8.4

Source: Malaysian Industrial Development Authority

Chart 5.3:
Exports of Machinery and Equipment Products

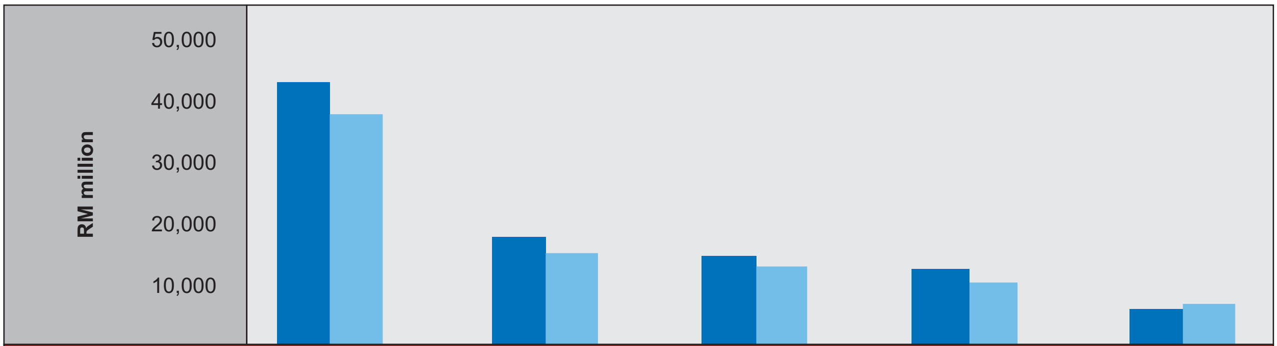


	Total Exports	General Industrial	Specialised Machinery	Power Generating	Metal Working
2007	21,895.4	11,669.5	5,612.2	3,083.0	1,530.6
2006	19,842.9	10,081.6	5,118.4	3,249.8	1,393.1

Sub-Sector

Compiled by Ministry of International Trade and Industry

Chart 5.4:
Imports of Machinery and Equipment Products



	Total Imports	General Industrial	Specialised Machinery	Power Generating	Metal Working
2007	42,764.10	15,721.40	12,617.20	10,571.50	3,853.90
2006	37,438.20	13,705.70	10,768.20	8,843.80	4,120.60

Sub-Sector

Compiled by Ministry of International Trade and Industry

Major export destination were Singapore, with exports valued at RM4,473.1 million, Thailand (RM1,904.6 million) and the USA (RM1,745.5 million). Major M&E exports were general industrial M&E amounting to RM11,669.5 million, specialised machinery for particular industries (RM5,612.2 million), power generating machinery (RM3,083 million) and metal working machinery products (RM1,530.6 million).

Imports

Imports of M&E products increased by 14.1 per cent to RM42,764.1 million in 2007 compared with RM37,438.2 million in 2006. Major sources of imports were Japan, with imports amounting to RM9,027.2 million, the USA (RM7,184.5 million) and the People's Republic of China (RM5,640.3 million). Major items imported were general industrial M&E components and parts which amounted to RM15,721.4 million, specialised machinery and parts for particular industries (RM12,617.2 million), followed by power generating machinery (RM10,571.5 million) and metal working machinery (RM3,853.9 million).

Developments

In 2007, an overall review was undertaken on the requirement for import licensing of M&E products. The review was carried out in consultation with the Machinery and Equipment Manufacturers Association (MEMA) and the Federation of Malaysian Manufacturers (FMM). As a result of this review, import license requirements on 29 tariff lines were abolished in January 2008, while import licensing requirements on an additional six tariff lines will be abolished beginning January 2009.

Products for which import licences requirements were removed in January 2008 were:

HS CODE	DESCRIPTION
842710000	Self-propelled trucks powered by an electric motor
842720000	Other self-propelled trucks
842790000	Other trucks fitted with lifting or handling equipment
842930000	Scrapers, self-propelled
842940200	Tamping machines
842952000	Machinery with a 360 degree revolving super structure
842959000	Other mechanical shovels, excavators and shovel loaders, self-propelled
843010000	Pile-drivers and pile-extractors
843031000	Coal or rock cutters and tunnelling machinery, self-propelled
843039000	Coal or rock cutters and tunnelling machinery, o/t self-propelled
843041000	Boring or sinking machinery, self-propelled
843049110	Wellhead module, for use in oil drilling operations
843049120	Integrated production module, for use in oil drilling operations
843049900	Other boring or sinking machinery, o/t self-propelled

Continued...

HS CODE	DESCRIPTION
843050000	Other machinery, self- propelled
843061000	Tamping or compacting machinery, not self-propelled
843069000	Other machineries, not self-propelled
843110000	Parts for pulley tackle and hoist o/t skip hoists
843120100	Parts for self-propelled trucks powered by an electric motor and other self-propelled trucks
843120200	Parts for trucks fitted with lifting or handling equipment
843120900	Other parts for fork-lift trucks
843141100	Parts of buckets ,shovels, grabs and grips for heading no.84.26
843141900	Parts of buckets, shovels, grabs and grips, other
843142000	Parts for bulldozer or angle dozer blades
843143000	Parts for boring or sinking machinery
843149100	Parts for road rollers, vibratory and others
843149210	Parts for straddle carriers and crane trucks on tyres
843149290	Parts for mobile lifting frames on tyres
843149900	Other parts of machinery

Import Licence on the following six products will be removed in January 2009:

HS CODE	DESCRIPTION
842911000	Track-laying, bulldozers and angledozers
842919000	Other bulldozers and angledozers
842920000	Graders and levelers
842940110	Road rollers, vibratory
842940190	Road rollers, others
842951000	Front-end shovel loaders

Initiatives were undertaken in 2007 to adopt mandatory standards for M&E products. Following consultations with the industry, the Committee on Mandatory Industrial Standards (CMIS) in MITI recommended that mandatory standards be adopted for tower cranes, and lifts and escalators.

The Department of Standards, Malaysia is currently working towards adopting EN14439 (European Harmonised Code: Crane-Safety-Tower Cranes) as mandatory standard for tower cranes. This standard will be enforced in 2009 by the Department of Occupational Safety and Health (DOSH) under the Factories and Machineries Act 1967.

The CMIS has recommended that the following Malaysian Standards be enforced as mandatory standards for lifts and escalators:

- MS 1918: 2006 (Safety Rules for the Construction and Installation of Escalators and Passenger Conveyors) - which is equivalent to the European Harmonised Code, EN115 for escalators or equivalent;
- MS 2021: 2006 (Safety Rules for the Construction and All Installation of Electric Lifts) - which is equivalent to the European Harmonised Code, EN81-1 for electric lifts or equivalent;
- MS 2021: Part 2 : 2007 (Safety Rules for the Construction and Installation of Lifts - Part 2: Hydraulic Lifts) - which is equivalent to the European Harmonised Code, EN81-2 for hydraulic lifts or equivalent; and
- MS ISO 4344 (Steel Wire Ropes for Lifts - Minimum Requirements).

NON-METALLIC MINERAL INDUSTRY

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

Production

In 2007, the production index for non-metallic mineral products increased by 0.4 per cent to 117.4, from 117 in 2006. This was mainly attributed to the increase in the production of cement and concrete products sub-sector by 7.1 per cent to 130.8 in 2007, from 122.1 in 2006. The growth was partly due to an increase in the demand for cement in Sabah and higher demand for ready-mix concrete for infrastructure projects.

The production index for the ceramics sub-sector decreased by 14.2 per cent to 97.9

in 2007, from 114.1 in 2006. The decline was mainly attributed to lower demand for refractory ceramic products for building projects. The structural non-refractory clay and ceramic products also decreased by 10.1 per cent to 103.2 in 2007, from 114.9 in 2006, due to slowdown in housing projects.

Table 5.53:
Production Indices of Selected Sub-Sectors in the Non-Metallic Mineral Industry

Sub-Sector	2007	Change (%)	2006
Non-Metallic Mineral Products	**117.4**	**0.4**	**117.0**
Cement and concrete products	**130.8**	**7.1**	**122.1**
Hydraulic cement	135.4	6.6	127.0
Ready-mix concrete	126.5	10.9	114.0
Other articles of concrete, cement and plaster	120.2	5.1	114.4
Ceramics and Clay-Based Products	**97.9**	**-14.2**	**114.1**
Refractory ceramic products	95.5	-16.1	113.8

Compiled by Ministry of International Trade and Industry

Total installed capacity for cement in 2007 was at 28.3 million metric tonnes (MT) while the total production amounted to 19.5 million MT, resulting in capacity utilisation rate of 68.8 per cent. Total installed capacity for clinker in 2007 was 17.8 million MT. Production of clinker in 2007 amounted to 15.3 million MT with capacity utilisation at 85.8 per cent.

Table 5.54:
Installed Capacity and Utilisation Rate of Clinker and Cement

Product	Clinker		Cement	
	2007	2006	2007	2006
Installed capacity (million MT)	17.8	17.8	28.3	28.3
Production (million MT)	15.3	15.8	19.5	18.6
Capacity utilisation (%)	85.8	88.8	68.8	65.7

Source: Cement and Concrete Association

Sales

In 2007, sales of non-metallic mineral products increased by 7.7 per cent to RM11,229.8 million, compared with RM10,430.2 million in 2006. This was mainly attributed to the increase in sales in the cement and concrete products sub-sector.

In 2007, sales of products under the cement and concrete products sub-sector increased by 14.6 per cent to RM6,118.5 million, from RM5,340.9 million in 2006. Sales of hydraulic cement increased to RM3,298.7 million in 2007, from RM2,964.5 million in 2006, while sales of ready-mix concrete increased by 20 per cent to RM1,621.9 million in 2007, from RM1,351.9 million in 2006. Sales of articles of concrete, cement and plaster also increased by 16.9 per cent to RM1,198 million in 2007, from RM1,024.6 million in 2006. The increase was due largely to the surge in construction activities that resulted in higher demand for cement products.

Sales of glass and glass products increased by 3.7 per cent to RM2,321.9 million in 2007 from RM2,238.1 million in 2006. The improvement in sales was due to higher usage of glass in the construction of commercial and residential buildings and increased production in the automotive sector.

Sales of the ceramic and clay-based products in 2007 decreased by 2.5 per cent to RM1,917.5 million, from RM1,967.3 million in 2006. The decrease was due to slowdown in demand for ceramic and clay-based products, especially non-structural non-refractory ceramic ware, refractory ceramic products and structural non-refractory clay and ceramic products. Local ceramic manufacturers also faced competition from imported ceramic products.

Employment

Employment in the non-metallic mineral industry increased by 2.2 per cent to 42,321 persons in 2007, from 41,423 persons in 2006. Employment in the cement sub-sector grew by 0.3 per cent to 13,139 persons, while employment in the ready-mix concrete sub-sector expanded by 5.6 per cent to 3,631 persons, due to the preference of ready-mix concrete in construction projects.

In 2007, employment in the ceramics sub-sector decreased by 1.9 per cent to 19,355 persons from 19,739 in 2006 due to an overall decline in the production of ceramic products. Employment in the glass and glass products sub-sector increased by 9 per cent to 7,592 persons in 2007, from 6,966 persons in 2006.

Employment in other non-metallic mineral products sub-sector increased significantly by 38.6 per cent to 2,235 persons in 2007, from

Table 5.55:
Sales of Selected Non-Metallic Mineral Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Non-Metallic Mineral Products	**11,229.8**	**7.7**	**10,430.2**
Cement and Concrete Products	**6,118.5**	**14.6**	**5,340.9**
Hydraulic cement	3,298.7	11.3	2,964.5
Ready-mix concrete	1,621.9	20	1,351.9
Other articles of concrete, cement and plaster	1,198.0	16.9	1,024.6
Glass and Glass Products	**2,321.9**	**3.7**	**2,238.1**
Ceramic and Clay-Based Products	**1,917.5**	**-2.5**	**1,967.3**
Non-structural non-refractory ceramic ware	468.8	3.1	454.8
Refractory ceramic products	379.4	0.5	377.7
Structural non-refractory clay and ceramic products	1,069.3	-5.8	1,134.9
Other Non-Metallic Mineral Products	**871.8**	**-1.4**	**883.9**

Compiled by Ministry of International Trade and Industry

1,613 persons in 2006. The increase was due to the growing demand and preference for the use of glass in commercial and high-end residential buildings.

Productivity

The non-metallic mineral products industry registered a productivity growth of 9.1 per cent. All sub-sectors recorded productivity growth ranging from 1.7 per cent to 14.1 per cent. The industry benefited from expansion in other industries, particularly the construction and transport equipment industries.

The industry was able to maintain its labour cost competitiveness as indicated by a decline of 5.2 per cent in Unit Labour Cost. The Labour Cost per Employee increased by 4.6 per cent reflecting the employment of more skilled workers by the industry.

Investments

In 2007, approved investments in the non-metallic mineral industry increased by 11.5 per cent to RM1,301.0 million, from RM1,166.5 million in 2006. Foreign investments accounted for 77.4 per cent amounting to RM1,007.6 million of total investment, while the share of domestic investments was 22.5 per cent (RM293.4 million). A total of 16 projects were approved, compared with 29 projects in 2006.

Approved investments in the glass and glass products amounted to RM751.6 million accounting for 57.8 per cent of total investments. Investments in the ceramics sub-

Table 5.56:
Employment in the Non-Metallic Mineral Industry

Sub-sector	2007 (Persons)	Change (%)	2006 (Persons)
Non-Metallic Mineral Industry	**42,321**	**2.2**	**41,423**
Cement and Concrete Products	**13,139**	**0.3**	**13,105**
Hydraulic cement	3,403	1.2	3,362
Ready-mix concrete	3,631	5.6	3,438
Other articles of concrete, cement and plaster	6,105	-3.2	6,305
Ceramic and Clay-Based Products	**19,355**	**-1.9**	**19,739**
Non-structural non-refractory ceramic ware	6,060	6.3	5,701
Refractory ceramic products	4,186	-5.3	4,420
Structural non-refractory clay and ceramic products	9,109	-5.3	9,618
Glass and Glass Products	**7,592**	**9.0**	**6,966**
Other Non-Metallic Mineral Products	**2,235**	**38.6**	**1,613**

Compiled by Ministry of International Trade and Industry

Table 5.57:
Productivity Indicators in of the Non-Metallic Mineral Industry

Sub-Sector	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
Non-Metallic Mineral Products	**78.1**	**9.1**	**71.6**	**24.5**	**4.6**	**23.5**	**0.0896**	**-5.2**	**0.0945**
Cement and Concrete Products	**108.3**	**12.1**	**96.5**	**28.8**	**5.4**	**27.4**	**0.0621**	**-5.7**	**0.0659**
Hydraulic cement	231.97	8.10	214.6	44.99	9.61	41.05	0.0476	2.4	0.0464
Ready-mix concrete	64.62	11.88	57.8	26.07	5.73	24.66	0.0575	-10.0	0.0639
Other articles of concrete, cement and plaster	65.59	23.07	53.3	21.49	0.99	21.28	0.1061	-15.0	0.1249
Ceramic and Clay-Based Product	**36.3**	**1.7**	**35.7**	**18.6**	**1.0**	**18.4**	**0.1827**	**-2.0**	**0.1865**
Non-structural non-refractory ceramic ware	30.85	5.90	29.1	16.33	2.37	15.95	0.1981	-5.9	0.2105
Refractory ceramic products	35.54	11.71	31.8	15.46	4.06	14.86	0.1660	-7.7	0.1800
Structural non-refractory clay and ceramic products	40.17	-3.88	41.8	21.55	-1.03	21.78	0.1819	1.6	0.1790
Glass and Glass Products	**115.6**	**5.7**	**109.3**	**31.3**	**4.5**	**29.9**	**0.0935**	**-0.9**	**0.0927**
Other Non-Metallic Mineral Products	**146.9**	**14.1**	**128.7**	**29.3**	**14.6**	**25.6**	**0.0651**	**2.0**	**0.0664**

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

sector amounted to RM341.3 million while investments in the cement and concrete product sub-sector totalled RM116.7 million.

Exports

In 2007, total exports of non-metallic mineral products increased by 12.6 per cent to RM3,936.2 million, compared with RM3,495.9 million in 2006. The increase was mainly due to higher exports of glass and glassware products. Major items exported were glass and glassware amounting to RM1,663.9 million, lime, cement and fabricated construction materials (RM846.5 million) and mineral manufactures (RM812.1 million). Major export destinations were Singapore, with exports valued at RM818.8 million, Indonesia (RM460.7 million) and Japan (RM432.4 million).

Imports

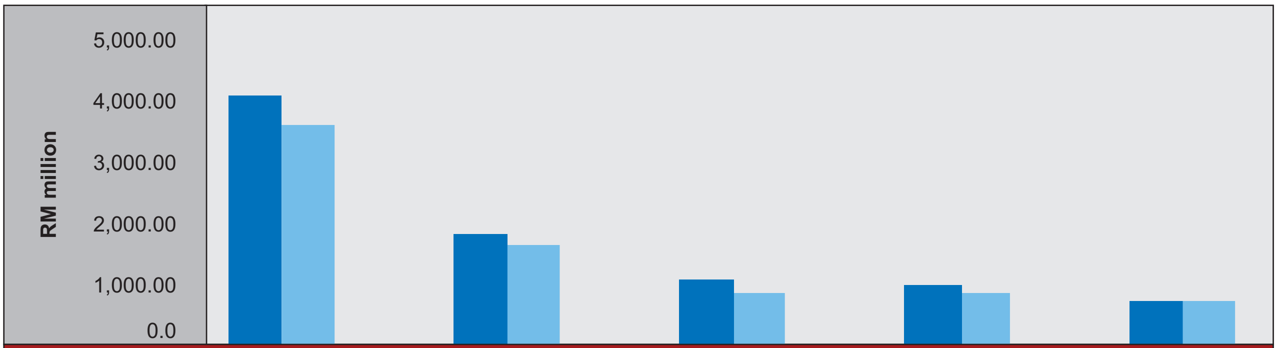
Imports of non-metallic mineral products increased by 13.1 per cent to RM3,759.1 million, from RM3,270.9 million in 2006. The

Table 5.58:
Investments in the Non-Metallic Mineral Industry

Sub-Sector/Segment	2007 (RM million)	Change (%)	2006 (RM million)
Non-metallic Mineral Industry	**1,301.0**	**11.5**	**1,166.5**
Ceramic and Clay-Based Products	**341.3**	**118.2**	**156.4**
Non-structural non-refractory ceramic ware	175	741.3	20.8
Refractory ceramic products	148.5	179.1	53.2
Structural non-refractory clay and ceramic products	17.8	-78.3	82.4
Cement and Concrete Products	**116.7**	**-10.9**	**131.1**
Hydraulic cement	65	-	n.a.
Lime and plaster	4.7	-89.8	46.1
Ready-mix concrete	5	-84.7	32.6
Other articles of concrete, cement and plaster	42	-19.8	52.4
Glass and Glass Products	**751.6**	**- 7.5**	**812.3**
Other Non-Metallic Mineral Products,	**91.4**	**37**	**66.7**

Compiled by Ministry of International Trade and Industry
n.a.: not applicable

Chart 5.5:
Exports of Selected Non-Metallic Mineral Products



	Total Exports	Glass and Glass Products	Other Non-Metallic Mineral Product	Cement Products	Ceramic Products
2007	3,936.22	1,663.85	858.10	846.52	567.70
2006	3,495.86	1,525.49	690.80	724.91	554.60

Sub-Sector

Compiled by Ministry of International Trade and Industry

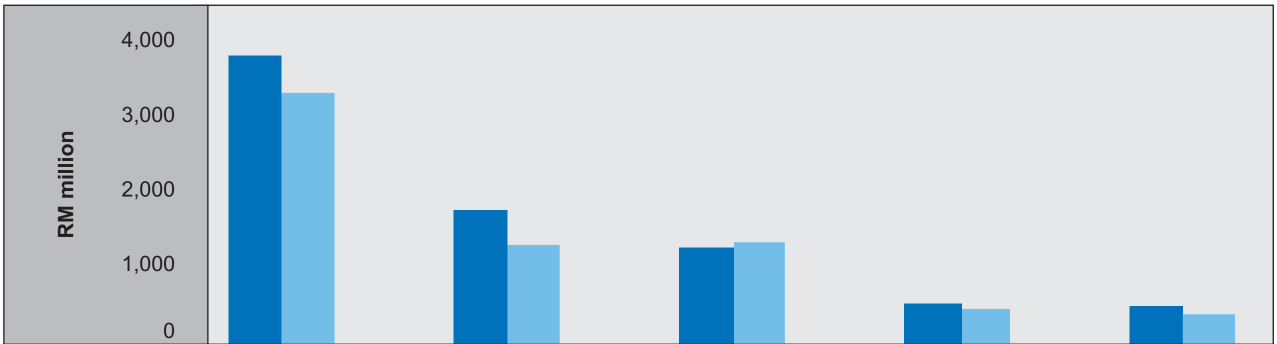
increase was mainly due to higher imports of minerals. Major import sources were the USA, with imports amounting to RM754.5 million, Japan (RM715.2 million), the People's Republic of China (RM545.8 million), Singapore (RM241.1 million) and Indonesia (RM234.3 million).

Developments

SIRIM is working towards the adoption of MS1817:2005, Ceramic Tableware-Specification as Malaysia Standards (MS) which will be enforced as mandatory standards by the Ministry of Domestic Trade and Consumer Affairs under the Consumer Protection Act, 1999. This Standard will provide the minimum performance levels of ceramic tableware related to public health and covers other requirements such as water absorption, thermal shock, chipping resistance and crazing.

Mandatory standards are also being considered for the float glass products such as clear float glass, tinted float glass, reflective glass and wired glass. The MS that will be adopted is MS1135:1989, Specification for Float and Polished Float Glass and will be enforced by

Chart 5.6:
Imports of Selected Non-Metallic Mineral Products



	Total Imports	Other Non-Metallic Mineral Products	Glass and Glass Products	Ceramic Products	Cement Products
2007	3,759.10	1,676.70	1,272.80	440.60	368.90
2006	3,270.90	1,237.50	1,314.20	389.70	329.50

Sub-Sector

Compiled by Ministry of International Trade and Industry

the Construction Industry Development Board (CIDB) through the CIDB Act 1994 and the Royal Customs Department through Customs Act, 1967.

TEXTILES AND APPAREL INDUSTRY

The textiles and apparel industry was the ninth largest contributor to exports in the manufacturing sector in 2007. The textiles and apparel industry consists of primary textiles (polymerisation, spinning, weaving, knitting and wet processing), made-up garments, made-up textiles and textiles and clothing accessories.

Production

The production index of the textiles and apparel industry declined by 9.6 per cent to 81.2 in 2007, compared with 89.8 in 2006. This was attributed mainly to the decrease in the production of textiles and apparel due to the outsourcing of the more labour-intensive activities to cost competitive locations in the region by Malaysian producers.

Table 5.59:
Production Index of the Textiles and Apparel Industry

Industry	2007	Change (%)	2006
Textiles and Apparel	**81.2**	**-9.6**	**89.8**
Textiles	76.2	-12.2	86.8
Apparel	89.2	-5.7	94.6

Source: Department of Statistics, Malaysia.

Sales

Sales in the textiles and apparel industry declined by 7.7 per cent to RM7,594.1 million from RM8,228.4 million in 2006. Sales of textiles decreased by 11.7 per cent to RM4,535.3 million, while sales of apparel declined by 1 per cent to RM3,058.8 million in 2007. The reduction in sales value due was mainly to the stronger Ringgit and competitive pricing.

Table 5.60:
Sales of Textiles and Apparel Products

Industry	2007 (RM mil.)	Change (%)	2006 (RM mil.)
Textiles and Apparel	**7,594.1**	**-7.7**	**8,228.4**
Textiles	4,535.3	-11.7	5,138.7
Apparel	3,058.8	-1.0	3,089.6

Source: Department of Statistics, Malaysia.

Employment

A total of 66,989 persons were employed in the textiles and apparel industry in 2007, compared with 65,023 persons in 2006 due to increase investments in the textiles and apparel sector.

Table 5.61:
Employment in the Textiles and Apparel Industry

Industry	2007 (Persons)	Change (%)	2006 (Persons)
Textiles and Apparel	**66,989**	**3.0**	**65,023**
Textiles	23,649	1.1	23,398
Apparel	43,340	4.1	41,625

Source: Department of Statistics, Malaysia

Productivity

The productivity of the textiles and apparel industry registered a decrease of 8.9 per cent to RM23,446 in 2007, compared with RM25,724 in 2006. The decrease was attributed mainly to lower capacity utilisation as a result of weaker external demand for both textiles and apparel.

Investments

In 2007, a total of 22 projects worth RM1,401 million were approved, compared with 30 projects valued at RM821.3 million in 2006. Domestic investments totalled RM100.1 million, while foreign investments accounted for RM1,300.8 million or 92.8 per cent of total investment. Two projects were approved in 2007 for the production of integrated textile products with investments of RM1.2 billion and for the manufacture of fur garment with investments amounting to RM25.5 million. Investments were mainly for the production of made-up garments, integrated textile products and fur garments. Major sources of investment were India, Taiwan, Hong Kong SAR and Pakistan.

In order to remain competitive, local companies in the textiles and apparel industry have shifted their labour intensives activities to cost competitive locations overseas. To date, total outward investments in the textiles and apparel industry amounted to RM772 million. The investments were mainly in the People's Republic of China, valued at RM661.2 million, Viet Nam (RM93.7 million), Cambodia (RM7.6 million) and the Philippines (RM1.9 million).

Table 5.62:
Productivity Indicators of the Textiles and Apparel Industry

Industry	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
Textiles and Apparel Industry	**23.4**	**-8.9**	**25.7**	**12.9**	**-2.2**	**13.2**	**0.1091**	**5.7**	**0.1032**
Textiles	**38.2**	**-3.5**	**39.6**	**15.6**	**0.1**	**15.6**	**0.0760**	**4.7**	**0.0726**
Natural fibre spinning weaving of textiles	9.8	-27.0	13.5	15.0	-0.3	15.0	0.1298	9.4	0.1187
Man-made fibre spinning, weaving of textiles	42.0	-16.0	50.1	16.1	1.4	15.9	0.0528	10.2	0.0480
Dyeing, bleaching, printing and finishing of yarns and fabrics (except batik)	61.9	20.9	51.2	20.0	1.1	19.8	0.0919	-3.8	0.0955
Manufacture of knitted and crocheted fabrics and articles	30.6	5.5	29.0	13.1	-1.1	13.3	0.1085	10.2	0.1209
Apparel	**15.6**	**-10.8**	**17.5**	**11.5**	**-2.6**	**11.8**	**0.1590**	**3.1**	**0.1542**

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

Table 5.63:
Investments in the Textiles and Apparel Industry

Description	2007	Change (%)	2006
No. of Projects Approved	**22**	**-26.7**	**30**
Total investments (RM mil.)	**1,401.0**	**70.6**	**821.3**
Foreign (RM mil.)	1,300.8	85.0	669.1
Domestic (RM mil.)	100.1	754.8	152.2

Source: Malaysian Industrial Development Authority

Exports

In 2007, total exports of textiles and apparel decreased by 3.2 per cent to RM10,262.9 million from RM10,601.9 million in 2006. Exports of, textiles declined to RM5,291.0 million, from RM5,566.9 million in 2006, while exports of apparel also recorded a marginal decline of 1.3 per cent. The decrease was due to the stronger Ringgit relative to the US Dollar.

The major export markets for textiles and apparel in 2007 was the USA, with exports valued at RM2,660.7 million accounting for 25.9 per cent of total textiles and apparel exports. Other export destinations were Turkey, with exports valued at RM750 million and Japan (RM570 million). Main export items were textile yarns valued at RM3,400 million and knitted jerseys and babies wear which amounted to RM1,100 million.

Imports

Total imports of textiles and apparel increased by 3.9 per cent to RM5,656.7 million in 2007, from RM5,445.3 million in 2006. Major sources of imports in 2007 were the People's Republic of China, with imports valued at RM2,037.5 million, which accounted for 36 per cent of total imports of textiles and apparel, followed by Taiwan (RM510.7 million), Indonesia (RM486.9 million), Thailand (RM421.4 million) and Japan (RM319.8 million).

Table 5.64:
Exports of Textiles and Apparel Products

Industry	2007 (RM mil.)	Change (%)	2006 (RM mil.)
Textiles and Apparel Products	**10,262.9**	**-3.2**	**10,601.9**
Textiles	5,291.0	-5.0	5,566.9
Apparel	4,971.9	-1.3	5,035.9

Compiled by Ministry of International Trade and Industry

Table 5.65:
Imports of Textiles and Apparel Products

Industry	2007 (RM mil.)	Change (%)	2006 (RM mil.)
Textiles and Apparel Products	**5,656.7**	**3.9**	**5,445.3**
Textiles	4,342.0	2.4	4,240.2
Apparel	1,315.0	9.1	1,205.0

Compiled by Ministry of International Trade and Industry

Development

In 2007, in the area of human capital development, UiTM, University Tun Abdul Razak, University Kuala Lumpur, GiatMARA and MATAC training centre trained a total of 4,149 students in courses such as textiles manufacturing, garment designing, pattern making and manufacturing of garment.

The Government has provided the Market Development Grant and Brand Promotion Grant to encourage companies to expand their export markets. The Soft Loan Scheme for Automation and Modernisation was launched in February 2007 to enhance the manufacturing capabilities of industries including the textiles and apparel industry. A total of RM7.2 million under the Soft Loan for Automation and Modernisation scheme was disbursed to textiles and apparel companies in 2007.

Under the Ninth Malaysia Plan (2006-2010), the Government has allocated RM2 million to MATAC to upgrade facilities and expand its skills training courses. MATAC's new training centre located at Batu Pahat, Johor has the capacity to train up to 200-250 students yearly. Programmes offered will help students develop sound technical knowledge and skills of the fashion supply chain from textiles manufacturing to garment designing and pattern making.

MEDICAL DEVICES INDUSTRY

The medical devices industry encompasses products used in healthcare for diagnosis, prevention, monitoring or treatment of disease, injury or handicap and dental equipment, consumables and orthopaedic appliances.

The Malaysian medical devices industry includes manufacturing of implantable devices, orthopaedic devices, dialysers and imaging equipment, which can be used for medical, surgical, dental, optical and general health purposes.

Production

In 2007, production index for the medical devices industry increased by 30.5 per cent to 192.3 from 147.3 in 2006. The increase was due mainly to higher demand for surgical and examination gloves both globally and domestically.

Sales

Sales in the medical devices industry registered an increase of 12.8 per cent to RM1.1 billion in 2007, compared with RM971.8 million in 2006. The growth in sales was attributed mainly to increase demand for dental and ophthalmic instruments and appliances.

Employment

A total of 6,574 persons were employed in 2007, recording a marginal increase of 0.8 per cent, compared with 6,520 persons in 2006. Employment opportunities were created due to increased production to cater for the export markets.

Productivity

The medical devices industry registered a double-digit growth of 24.3 per cent in productivity to RM83,653 in 2007, as compared with RM67,298 in 2006. The industry was able to sustain its competitiveness as productivity grew faster than its labour cost per employee. This was further supported by a decline of 5.2 per cent in Unit Labour Cost.

Investments

In 2007, a total of 24 projects, with investments worth RM526.8 million were approved for the medical devices industry, compared with 29 projects with investments of RM1,115.6 million in 2006. Investments in the industry recorded an overall decline of 52.8 per cent in 2007.

Exports

In 2007, exports amounted to RM7,180.2 million comprised mainly of surgical and

Table 5.66:
Productivity Indicator of the Medical Devices Industry

Industry	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
Medical Devices	83.7	24.3	67.3	26.6	3.3	25.7	0.1523	-5.2	0.1606

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

Table 5.67:
Investments in the Medical Devices Industry

Description	2007	Change (%)	2006
No. of Projects Approved	**24**	**n.a.**	**29**
Total investments (RM mil.)	**526.8**	**-52.8**	**1,115.6**
Domestic (RM mil.)	275.3	-33.6	414.8
Foreign (RM mil.)	251.5	-64.1	700.8

Source: Malaysian Industrial Development Authority
n.a.=Not Available

examination gloves valued at RM4,857.1 million, accounting for 68 per cent of total medical device exports. Major export markets were Germany, with exports valued at RM1,012.8 million, Japan (RM550.7 million) and Singapore (RM439 million).

Imports

In 2007, imports amounted to RM2,156.8 million. Major import products were dental and ophthalmic instruments and appliances valued at RM581.7 million accounting for 27 per cent of total imports, other medical instruments, apparatus and appliances (RM446.9 million), followed by catheters, syringes, needles and sutures (RM313.5 million).

Developments

To promote exports and investments in the industry, MATRADE participated in seven International Trade Fairs in 2007, generating sales worth RM11.2 million of medical devices and healthcare related products. Potential investments valued at RM66.2 million were recorded at the Arab Health 2007 Fair. A Specialised Healthcare Marketing Mission to Jordan in May 2007 identified potential investments worth RM2.1 million.

MIDA and the Ministry of Health participated in Medica 2007 at Düsseldorf, Germany in November 2007, where potential collaborations and joint ventures for investments were explored and potential sales worth RM50 million were recorded.

In terms of strengthening the institutional support for enhancing human resource development, research and development, and compliance to international standards and regulations, a list of research services undertaken for the medical devices industry by Nuclear Malaysia and SIRIM was compiled. In this respect, a local test laboratory was established in Universiti Kebangsaan Malaysia to conduct biocompatibility tests.

The Government is drafting regulations for the medical devices industry in Malaysia, aimed at regulating manufacturers, importers and distributors of medical devices. The regulations aims to protect public health and safety, and allows patients access to new technology for early detection, diagnosis and treatment. The regulations will facilitate trade and further development of the medical devices industry. The proposed regulations will be aligned to

Table 5.68:
Exports of Selected Medical Devices Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**7,180.2**	**n.a.**	**1,682.3**
Surgical and examination gloves	4,857.1	8.9	(4,458.2) [1]
Catheters, syringes, needles and sutures	895.6	72.5	519.1
Medical and surgical x-ray apparatus	225.2	36.0	165.6
Sheath contraceptives	151.7	5.5	(143.8) [2]
Electromedical equipment	129.6	20.4	107.6
Ophthalmic lenses, including contact lenses	296.4	140.8	123.1
Dental and ophthalmic instruments and appliances	502.3	751.3	59.0
Medical furniture	37.8	16.3	32.5
Other medical instruments, apparatus and appliances	84.6 [3]	n.a.	675.4

Compiled by Ministry of International Trade and Industry
n.a. = Not Available
Notes:
[1] In 2006, surgical and examination gloves valued at RM4,458.20 was classified under rubber product industry.
[2] In 2006, sheath contraceptive products were classified under other medical instruments, apparatus and appliances group.
[3] In 2007, products under other medical instruments, apparatus and appliances group was re-classified.

Table 5.69:
Imports of Selected Medical Devices Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**2,156.8**	**n.a..**	**1900.0**
Surgical and examination gloves	82.3	19.8	(102.6) [1]
Catheters, syringes, needles and sutures	313.5	12.0	279.9
Medical and surgical x-ray apparatus	242.2	31.5	184.1
Sheath contraceptives	15.3	22.4	12.5[2]
Electromedical equipment	241.1	30.0	185.4
Opthalmic lenses, including contact lenses	205.7	0.9	203.7
Dental and ophthalmic instruments and appliances	581.7	4.1	558.5
Medical furniture	28.2	-13.5	32.6
Other medical instruments, apparatus and appliances	446.9[3]	n.a.	451.3

Compiled by Ministry of International Trade and Industry
Notes:
[1] In 2006, surgical and examination gloves were classified under rubber products value at RM102.6 million.
[2] In 2006, stealth contraceptive products were classified under other medical instruments, apparatus and appliances group.
[3] In 2007, the products under other medical instruments, apparatus and appliances group were re-classified.
n.a. = Not Available

the guidelines formulated by the ASEAN Harmonization Working Party and Global Harmonisation Task Force (GHTF).

The GHTF is a voluntary group of the national medical devices industry regulatory authorities. Its objectives are to encourage convergence in regulatory practices in ensuring the safety, effectiveness, performance and quality of medical devices and promote technological innovation and facilitate international trade. The GHTF publishes and disseminates harmonised documents on basic regulatory practices. These documents provide a model for the regulation of the medical devices industry that can be adopted and implemented by the national regulatory authorities.

Prior to the full enforcement of the regulations, a voluntary registration scheme called the Voluntary Registration Scheme for Establishments Dealing with Medical Devices (MeDVER) was launched in early 2006. It was introduced to familiarise all the affected parties with the registration process and to prepare a smooth transition into the full enforcement of medical device regulation. Currently, 500 companies, including manufacturers, distributors and importers, have registered with the Ministry of Health under the scheme.

WOOD AND WOOD PRODUCTS INDUSTRY

The wood and wood products industry covers wood products, as well as paper products. The wood products comprise sawn timber, veneer sheets and plywood, builders' carpentry and joinery, laminated boards, particle board, other panels and boards and wooden furniture and fixtures. Paper products include pulp, paper and

Table 5.70:
Production Indices of Wood and Wood Products Industry

Sub-Sector/Segment	2007	Change (%)	2006
Overall	**127.1**	**5.1**	**121.0**
Wood Products	**115.4**	**1.4**	**113.8**
Laminated board, particle board and other panels and board	129.5	3.4	125.3
Veneer sheets and plywood	121.8	0.3	121.5
Sawmilling and planning of wood	98.6	2.4	96.3
Paper Products	**149.5**	**11.0**	**134.6**
Corrugated paper and paperboard	154.7	5.3	146.9
Pulp, paper and paperboard	143.4	19.2	120.2

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

paperboard, corrugated paper and containers of paper and paperboard.

Production

The overall production index of the wood and wood-products industry increased by 5.1 per cent to 127.1 in 2007, compared with 121 in 2006. The increase in overall production was mainly due to substantial increase in output of pulp, paper and paperboard, and corrugated paper and paperboard, which increased by 19.2 per cent and 5.3 per cent, respectively.

The production index for wood products increased by 1.4 per cent to 115.4 in 2007, compared with 113.8 in 2006. The increase was contributed by laminated board, particle board and other panels and board with the production index increasing by 3.4 per cent.

The production index of paper products increased by 11 per cent to 149.5 in 2007, compared with 134.6 in 2006. Pulp, paper and paperboard recorded the highest increase of 19.2 per cent to 143.4 in 2007, from 120.2 in 2006.

Sales

Total sales of wood and wood products recorded an increase of 4.1 per cent to RM22,489.2 million in 2007, from RM21,607.7 million in 2006.

Sales of wood products increased by 1.5 per cent to RM16,241.1 million in 2007, compared with RM16,002.2 million in 2006. The highest increase in sales was recorded in builders' carpentry and joinery which increased by 6.5 per cent to RM1,253.6 million in 2007, from RM1,176.7 million in 2006. The increase was attributed mainly to sustain orders for wooden furniture and laminated boards in domestic and international markets.

Sales of paper products increased by 11.5 per cent to RM6,248.1 million in 2007, from RM5,605.5 million in 2006. The sales value of envelopes, letter cards, correspondence cards or plain postcards grew by 77.3 per cent to RM213.6 million in 2007, from RM120.5 million in 2006.

Employment

Employment in the wood and wood products industry grew by 3.5 per cent to 142,942 persons in 2007, from 138,154 persons in 2006. The industry benefited from continued demand especially from the construction sector.

In the wood products sub-sector, employment in the wooden and cane furniture segment registered the highest increase of 9.1 per cent to 50,599 persons in 2007, from 46,381 persons in 2006. Employment in the paper products sub-sector registered an increase to 23,403 persons in 2007, from 22,123 persons in 2006.

Productivity

The wood and wood products industry continued to benefit from improvement in domestic

Table 5.71:
Sales of Wood Based Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**22,489.2**	**4.1**	**21,607.7**
Wood Products	**16,241.1**	**1.5**	**16,002.2**
Veneer sheets and plywood	7,475.9	-3.6	7,758.5
Wooden and cane furniture	5,579.1	6.3	5,248.6
Laminated board, particle board, and other panels and board	1,932,5	6.3	1,818.4
Builders' joinery and carpentry	1,253.6	6.5	1,176.7
Paper Products	**6,248.1**	**11.5**	**5,605.5**
Corrugated paper and paperboard	3,225.3	7.4	3,004.5
Pulp, paper and paperboard	1,879.2	8.3	1,736,0
Toilet papers, cleansing tissues, towels, serviettes	504.8	16.3	434.1
Gummed or adhesive paper in strips or rolls and labels, wall paper	425.1	36.9	310.5
Envelopes, letter cards, correspondence cards or plain postcards	213.6	77.3	120.5

Source: Department of Statistics, Malaysia

Table 5.72:
Employment in Wood and Wood Products Industry

Sub-Sector/Segment	2007 (Persons)	Change (%)	2006 (Persons)
Total Employment	**142,942**	**3.5**	**138,154**
Wood Products	**119,539**	**3.0**	**116,031**
Veneer sheets and plywood	52,891	0.5	52,622
Wooden and cane furniture	50,599	9.1	46,381
Builders' carpentry and joinery	9,053	-5.4	9,568
Laminated board, particle board and other panels and board	6,996	-6.2	7,460
Paper Products	**23,403**	**5.8**	**22,123**
Corrugated paper and paperboard	13,620	0.7	13,523
Pulp, paper and paperboard	4,359	5.1	4,148
Toilet papers, cleansing tissues, towels, serviettes	2,746	3.2	2,660
Gummed or adhesive paper in strips or rolls and labels, wall paper	1,429	30.4	1,096
Envelopes, letter cards, correspondence cards or plain postcards	1,249	79.5	696

Source: Department of Statistics, Malaysia

demand, particularly from infrastructure projects under the Ninth Malaysia Plan and continued development in both the residential and non-residential sub-sector. It recorded a productivity growth of 6.3 per cent to RM37,893 in 2007. The labour cost competitiveness of the industry improved as reflected in a decline of 4.3 per cent in Unit Labour Cost.

The wood products sub-sector registered an increase in productivity of 6.4 per cent to RM33,210 in 2007, compared with RM31,211 in 2006. The sub-sector was able to sustain its labour cost competitiveness as indicated by a decline of 3.3 per cent in Unit Labour Cost. Laminated board, particle board and other panels and board, and builders' carpentry and joinery segments also registered an improvement in both productivity and labour cost competitiveness.

The productivity for paper products grew by 6.1 per cent and its labour cost competitiveness also recorded an improvement. The productivity growth was observed in all segments except envelops/letter card/correspondence card/plain postcard, and gummed/adhesive paper in strips/rolls and labels, wall paper.

Investments

A total of 93 projects were approved with investments of RM933.4 million in 2007, compared with 103 projects with investments of RM1,394 million in 2006. Domestic investments in 2007 amounted to RM539.1 million (57.8 per cent), while foreign investments totalled RM394.3 million (42.2 per cent).

A total of 61 projects (65.6 per cent) were new, while 32 projects (34.4 per cent) were for expansion/diversification. Investments in new projects amounted to RM625.6 million (67 per cent), while investments in expansion/diversification projects totalled RM307.8 million (33 per cent). The proposed products include panel products, wooden furniture, mouldings and builders' joinery and carpentry, sawn timber, non-wood fibres and other timber products such as woodchips, pallets and briquettes.

The highest investments were recorded in the panel products segment with seven projects approved involving total investments of RM262.5 million, compared with RM661.5 million in 2006. Of these, three were new projects with investments of RM246.3 million, while four were expansion/diversification projects with investments of RM16.2 million. Domestic investments amounted to RM52.3 million or 19.9 per cent of total investments, while foreign investments totalled RM210.2 million.

In the wooden furniture segment, 51 projects were approved with total investments of RM309.1 million, compared with RM410.9

Table 5.73:
Productivity Indicators of Wood and Wood Products Industry

Sub-Sector/Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
Wood and Wood products	**37.9**	**6.3**	**35.6**	**13.7**	**1.8**	**13.5**	**0.0812**	**-4.3**	**0.0848**
Wood products	**33.2**	**6.4**	**31.2**	**12.2**	**0.9**	**12.1**	**0.0835**	**-3.3**	**0.0864**
Veneer sheets and plywood	31.1	1.7	30.6	9.8	5.5	9.3	0.0655	6.0	0.0618
Laminated board, particle board and other panels and board.	84.7	16.4	72.8	21.7	2.6	21.2	0.0748	-11.8	0.0847
Builders' joinery and carpentry	35.6	21.2	29.4	14.6	5.1	13.9	0.1009	-13.5	0.1167
Wooden and cane furniture	27.7	8.0	25.7	13.1	-3.7	13.6	0.0748	-9.3	0.1166
Paper Products	**62.1**	**6.1**	**58.5**	**21.3**	**4.7**	**20.3**	**0.0748**	**-6.7**	**0.0802**
Pulp, paper and paperboard	95.8	8.2	88.5	28.5	3.2	27.7	0.0644	-0.3	0.0645
Corrugated and containers of paper and paperboard	53.6	6.0	50.6	19.6	5.4	18.6	0.0782	-9.5	0.0864
Envelops/letter card/correspondence card/plain postcard	37.4	-2.0	38.1	14.4	-6.5	15.4	0.0640	-17.3	0.0774
Toilet papers, cleansing tissues, towels, serviettes	57.7	5.3	54.8	18.8	0.5	18.7	0.0988	-9.6	0.1070
Gummed/adhesive paper in strips/rolls and labels, wall paper	63.1	-7.6	68.3	24.2	11.3	21.8	0.0744	4.5	0.0712

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

million in 2006. Of these projects, 33 were new projects with investments of RM82.3 million, while 18 were expansion/diversification projects with investments of RM226.8 million. Domestic investments amounted to RM208.6 million or 67.5 per cent of total investments and foreign investments totalled RM100.5 million. Most of the projects approved will be located in Johor, Melaka and Selangor.

A total of 11 projects were approved in the mouldings, and builders' joinery and carpentry segment with investments of RM128 million. Of these, seven were new projects with investments of RM73.3 million (57.2 per cent), while four were expansion or diversification projects with investments of RM54.7 million.

Table 5.74:
Investments in Wood and Wood Products Industry

Description	2007	Change (%)	2006
No. of Projects Approved	**93**	**-9.7**	**103**
Total investments (RM mil.)	**933.4**	**-33.3**	**1,394.0**
Domestic (RM mil.)	539.1	-51.0	1,052.5
Foreign (RM mil.)	394.3	15.0	341.5

Source: Malaysian Industrial Development Authority

Domestic investments amounted to RM95.5 million or 74.6 per cent of total investments. Most of the projects approved were for the manufacture of a combination of mouldings and other builders' joinery and carpentry products such as flooring boards, picture frames, doors and windows.

A total of 16 projects were approved in the non-wood fibre products segment with total investments of RM173 million. These projects were for the manufacture of veneer, plywood, briquettes, fibre, pallets, laminated boards and flooring boards from oil palm biomass. The wood-based industry has also explored the use of other alternative raw materials such as kenaf to complement the use of wood fibre.

Exports

In 2007, total exports of wood and paper products decreased marginally by 0.1 per cent to RM18,834.5 million from RM18,855.7 million in 2006.

Exports of wood products decreased by 2.4 per cent to RM16,293.6 million, compared with RM16,687.5 million in 2006. The decrease was contributed by reduction in the exports of

Table 5.75:
Exports of Wood and Wood Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**18,834.5**	**-0.1**	**18,855.7**
Wood Products	**16,293.6**	**-2.4**	**16,687.5**
Veneer, plywood, particle board and other wood products	8,246.3	-7.8	8,940.0
Wooden furniture	6,661.7	4.2	6,391.2
Wood manufactures	1,384.4	2.2	1,354.9
Cork manufactures	1.7	74.1	1.0
Paper Products	**2,540.9**	**17.2**	**2,168.2**
Paper and paperboard (cut to size)	1,464.5	10.0	1,331.4
Paper and paperboard	912.4	36.4	668.9
Wood in chips or particles	125.9	-4.3	131.6
Pulp and waste paper	38.1	5.0	36.3

Compiled by Ministry of International Trade and Industry

veneer, plywood, particle board and other wood products by 7.8 per cent to RM8,246.3 million.

In 2007, total exports of paper products increased by 17.2 per cent to RM2,540.9 million, from RM2,168.2 million in 2006. Exports of paper and paperboard increased by 36.4 per cent to RM912.4 million in 2007, from RM668.9 million in 2006, while exports of paper and paperboard (cut to size) segment increased by 10 per cent to RM1,464.5 million, compared with RM1,331.4 million in 2006.

Exports to Japan, Malaysia's leading export destination for wood and paper products, decreased by 17.5 per cent to RM3.97 billion in 2007. Similarly, the USA, the second largest export destination with total exports of RM2.76 billion, also experienced a decline of 17.9 per cent. Major markets that recorded increases in Malaysia's exports of wood products were the Republic of Korea, which grew by 12.5 per cent to RM977.2 million, the UK (RM965.4 million) and Australia (RM746 million).

Imports

Total imports of wood and paper products increased by 9 per cent to RM7,424.3 million, from RM6,811.6 million in 2006. The main import items were veneer, plywood, particle board and other panel products, which increased by 11.3 per cent to RM520.9 million in 2007, followed by wooden furniture, valued at RM526 million, which recorded an increase of 3.6 per cent, compared with 2006.

Imports of paper products increased 9.9 per cent to RM6,213.2 million in 2007, from RM5,656.8 million in 2006. Imports of paper and paperboard increased by 10.7 per cent to RM4,591.3 million, compared with RM4,152.3 million in 2006.

Indonesia was the major import source of paper and pulp products in 2007, valued at RM1 billion. This was followed by the People's Republic of China amounting to RM670.8 million, Japan (RM590 million), Thailand (RM495.1 million) and the USA (RM476.5 million).

Developments

The global demand for legal and environmental friendly products has affected the market access for Malaysian timber products. Hence, there is a need for Malaysian manufacturers to produce and supply timber products that meet these requirements. While timber products have been certified as legal, more efforts are needed to promote the acceptance of the Malaysian Timber Certification Scheme. Local manufacturers sourcing materials from overseas markets need to ascertain that raw materials imported are from legal and sustainable sources, to ensure that their exports of value added products will not be affected by global concerns on these issues.

In addition, local manufacturers of wood based products need to ensure that their products comply with regulations imposed by the

Table 5.76:
Imports of Wood and Wood Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**7,424.3**	**9.0**	**6,811.6**
Wood Products	**1,207.1**	**4.5**	**1,154.8**
Wooden furniture	526.0	3.6	507.3
Veneer, plywood, particle board and other panel products	520.9	11.3	467.7
Wood manufactures	157.9	-11.0	177.5
Cork manufactures	2.2	-3.9	2.3
Paper Products	**6,213.2**	**9.9**	**5,656.8**
Paper and paperboard	4,591.3	10.7	4,152.3
Paper and paperboard, cut to size	841.6	6.4	790.6
Pulp and waste paper	779.6	9.3	713.5
Wood in chips or particles	0.7	66.3	0.4

Compiled by Ministry of International Trade and Industry

importing countries concerning health, safety and environment. Since 1 July 2007, Taiwan has imposed a regulation on the chemical used in the manufacturing of wood-based products which was introduced in Europe in 2004. With effect from 1 September 2007, wood products used as construction materials are required to have Conformite Europene (CE) tag for exports to the European Union market.

Domestically, kenaf has been identified as a new commodity to be developed for industrial purpose and one of its potential uses is in pulp and paper making. A total of RM3 million has been allocated to undertake the first phase of the feasibility study to utilise kenaf fibre as material for pulp and paper manufacturing.

RUBBER PRODUCTS INDUSTRY

The rubber products industry covers manufacture of rubber gloves, rubber tyres and tubes, retreading and rebuilding of rubber tyres and manufacture of latex-based and general rubber products. The latex products included rubber gloves, catheters, latex thread, condoms and foam products.

The year 2007 was a challenging year for the Malaysian rubber products industry due to escalating rubber and oil prices which partly contributed to higher manufacturing cost.

Production

The overall production index for the rubber products industry increased by 5.9 per cent to 151.8 in 2007, from 143.4 in 2006. Production of latex-based and general rubber products recorded the highest increase of 16.5 per cent, attributed to increased orders from both the domestic and export markets. In 2007, production of rubber tyres and tubes, and retreading and rebuilding of rubber tyres increased by 7 per cent and 4.7 per cent, respectively.

Strong competition from the People's Republic of China and the Association of South East Asian Nations (ASEAN) Member State in 2007, resulted in a decline in the manufacture of rubber gloves.

Table 5.77:
Production Indices of the Rubber Products Industry

Sub-Sector	2007	Change (%)	2006
Overall	**151.8**	**5.9**	**143.4**
Latex-based and general rubber products	215.1	16.5	184.6
Rubber gloves	158.2	-1.0	159.9
Rubber tyres and tubes	90.5	7.0	84.6
Retreading and rebuilding of rubber tyres	86.3	4.7	82.4

Source: Department of Statistics, Malaysia

Sales

Overall sales of rubber products increased by 4.3 per cent to RM11,878.3 million in 2007, compared with RM11,383.3 million in 2006. All sub-sectors under the rubber products industry recorded growth in 2007, attributed mainly to increased orders from overseas particularly from traditional export markets for rubber gloves and other rubber-based medical products. The increase in hygiene awareness in the food and beverages industry also contributed to increase in sales. Sales of tyre and tube recorded the highest increase of 16.1 per cent to RM2,057.3 million in 2007, from RM1,771.4 million in 2006.

Table 5.78:
Sales of Rubber Products

Product	2007 (RM mil.)	Change (%)	2006 (RM mil.)
Total	**11,878.3**	**4.3**	**11,383.3**
Manufacture of rubber gloves	5,603.5	0.9	5,552.7
Latex-based and general rubber products	4,114.9	3.8	3,964.7
Tyres and tubes	2,057.3	16.1	1,771.4
Retreading and rebuilding of rubber tyres	102.6	8.6	94.4

Source: Department of Statistics, Malaysia

Employment

Employment in the rubber products industry increased marginally to 64,305 persons in 2007, from 63,728 persons in 2006. The rubber gloves sub-sector continued to be the largest employer with 32,619 persons in 2007, compared with 33,234 persons in 2006.

Table 5.79:
Employment in Rubber Products Industry

Sub-Sector	2007 (Persons)	Change (%)	2006 (Persons)
Total	**64,305**	**0.9**	**63,728**
Rubber gloves	32,619	-1.9	33,234
Latex-based and general rubber products	25,315	5.7	23,949
Tyres and tubes	5,887	1.1	5,821
Retreading and rebuilding of rubber tyres	484	-33.1	724

Source: Department of Statistics, Malaysia

Productivity

The productivity of the rubber products industry decreased by 0.1 per cent to RM57,014 in 2007, as compared with RM57,055 in 2006. The increase in Unit Labour Cost by 0.2 per cent has resulted in the slight weakening of the industry's labour cost competitiveness. Among the sub-sectors, rubber tyres and tubes, and retreading and rebuilding of rubber tyres, showed an improvement in productivity of 21.1 per cent and 7.7 per cent respectively. Both sub-sectors continued to improve its labour cost competitiveness indicated by the double-digit reduction in Unit Labour Cost of 15.9 per cent and 12.8 per cent, respectively.

Investments

In 2007, a total of 27 projects with investments of RM441.5 million were approved in the rubber products industry, compared with 36 projects with investments of RM711.2 million in 2006.

Table 5.80:
Productivity Indicators of the Rubber Products Industry

Sub-Sector	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
Rubber Products Industry	**57.0**	**-0.1**	**57.1**	**17.4**	**1.7**	**17.1**	**0.096**	**0.2**	**0.095**
Rubber tyres and tubes	107.5	21.1	88.7	27.6	-2.0	28.1	0.079	-15.9	0.094
Retreading and rebuilding of Rubber tyres	41.3	7.7	38.4	17.3	2.3	16.9	0.117	-12.8	0.135
Rubber gloves	53.5	-5.9	56.8	15.3	1.8	15.0	0.091	2.6	0.089
Other rubber products	50.5	0.4	50.2	17.7	3.3	17.2	0.109	4.8	0.104

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

Table 5.81:
Investments in the Rubber Products Industry

Description	2007 (RM million)	Change (%)	2006 (RM million)
No. of Projects Approved	**27**	**-25.0**	**36**
Total investments (RM mil.)	**441.5**	**-37.9**	**711.2**
Domestic (RM mil.)	203.2	-55.3	454.5
Foreign (RM mil.)	238.2	-7.2	256.7

Source: Malaysian Industrial Development Authority

Of these, 17 were new projects (RM312.5 million) and 6 were expansion/diversification projects (RM40.7 million).

Projects approved in 2007 involved domestic investments of RM203.2 million and foreign investments of RM238.2 million. A total of 12 projects approved (RM116.8 million) were Malaysian-owned, while two projects (RM49 million) were joint ventures with Malaysian majority.

Investments in 2007 were mainly in latex products (RM111.1 million) recycling of waste tyres into rubber crumb, steel tubes, fuel oil and fibres (RM121.1 million), industrial and general rubber products (RM100.3 million), and tyres and tyre-related products (RM20.7 million) industries.

A total of four projects were approved in the latex products sub-sector, of which two were new projects (RM107.2 million) and two were expansion/diversification projects (RM3.9 million). Domestic investments amounted to RM0.8 million (4 percent), while foreign investments totalled RM110.3 million (96 per cent).

Eight new projects with investments of RM121.1 million were approved to undertake recycling of waste tyres into rubber crumb, steel wire, fuel oil and fibre. Of these, RM117.5 million (97 per cent) were domestic investments and RM3.6 million (3 per cent) were foreign investments.

A total of ten projects with investments of RM100.3 million were approved in the industrial and general rubber products sub-sector. The projects were for the manufacture of products such as moulded rubber products for the automotive industry, industrial hoses, anti-vibration dampers, tubes and seals. Of these domestic investments were valued at RM49.5 million (49.4 per cent), while foreign investments totalled RM50.8 million (50.6 per cent). Seven were new projects (RM84.3 million), while three were expansion/diversification projects (RM16 million).

Exports

Exports of rubber products expanded by 13.4 per cent to RM10,583.1 million in 2007, compared with RM9,332.7 million in 2006. The increase was largely due to higher global demand for rubber gloves. Exports of

Table 5.82:
Exports of Rubber Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**10,583.1**	**13.4**	**9,332.7**
Rubber gloves	5,876.2	9.2	5,383.2
Industrial rubber goods	2,876.5	14.0	2,524.1
Tyres and tyre-related products	891.6	64.1	543.2
Articles of rubber	679.1	4.5	650.0
Synthetic rubber	259.7	11.8	232.2

Compiled by Ministry of International Trade and Industry

Table 5.83:
Imports of Rubber Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**2,919.1**	**9.1**	**2,675.9**
Synthetic rubber	1,257.2	14.8	1,095.4
Tyres and tyre related products	795.3	23.7	643.5
Articles of rubber	599.8	-4.8	630.2
Industrial rubber goods	173.3	-10.8	194.2
Rubber gloves	92.6	-17.8	112.6

Compiled by Ministry of International Trade and Industry

rubber products were rubber gloves valued at RM5,876.2 million followed by industrial rubber goods (RM2,876.5 million), tyres and tyre-related products (RM891.6 million), articles of rubber (RM679.1 million), and synthetic rubber (RM259.7 million).

The USA remained as Malaysia's largest export market for rubber product in 2007, with a value of RM2.4 billion, followed by the People's Republic of China (RM1.7 billion), Germany (RM705.2 million), the UK (RM448.6 million) and Japan (RM425.6 million). Exports to Germany recorded a double digit growth of 58.7 per cent. This was mainly attributed to an increase in exports of non-surgical rubber gloves, amounting to RM373 million, an increase of 29.2 per cent, from RM288.6 million in 2006.

Imports

Imports of rubber products increased by 9.1 per cent to RM2,919.1 million in 2007, from RM2,675.6 million in 2006. The increase was due mainly to imports of synthetic rubber (14.8 per cent), as well as tyres and tubes (23.7 per cent) as a result of higher demand from the domestic industry.

Japan remained the largest source of imports of rubber products, with a value of RM674.9 million. Other major sources of imports were Thailand, valued at RM576.9 million, the USA (RM236.7 million), Taiwan (RM181.2 million) and the People's Republic of China (RM169.4 million). These five major import sources contributed 63 per cent of total imports of rubber products.

Developments

Total consumption increased throughout 2007 from 130,904 tonnes in the first quarter, to 148,317 tonnes in the third quarter. The consumption of compounded and reclaimed rubber increased by 48.7 per cent and 64.4 per cent, respectively. The high uptake of reclaimed rubber was due to higher rubber prices, that led to manufacturers using cheaper reclaimed rubber, especially for lower end products.

There is a need for more efforts in R&D in new product development and downstream activities, especially in the production of high value-added rubber products for engineering, construction and marine applications. A new area would include R&D in the extraction of biochemical products from latex using biotechnology

PALM OIL INDUSTRY

The palm oil industry comprises palm oil, palm kernel oil, palm kernel cake, oleo-chemicals and finished products.

In 2007, the palm oil industry witnessed a sharp increase in the average prices of palm oil products, crude palm oil (CPO) and also palm kernel. The average CPO price increased by 67.5 per cent in 2007 to RM2,530 per tonne, from RM1,510 per tonne in the previous year.

The upward trend in palm oil prices was a result of anticipated demand from the bio-diesel industry, higher soybean oil and petroleum prices. The average export price for processed palm oil products increased in line with the sharp increase in the local CPO price. This included refined, bleached and deodorised (RBD) palm oil, which increased by 72.1 per cent to RM2,640 per tonne, compared with RM1,534 per tonne in 2006. In addition, RBD palm olein prices also increased by 59.7 per cent to RM2,588 per tonne, from RM1,621 per tonne, and RBD palm stearin by 67.8 per cent to RM2,511 per tonne, from RM1,496 per tonne.

The average price of palm kernel (PK) in 2007 increased by 63.8 per cent to RM1,461 per tonne, from RM892 per tonne in 2006. This was due to the decline in the production of palm kernel which leads to high price of crude palm kernel oil (CPKO) in the domestic market. The average price of CPKO increased by 47.2 per cent to RM2,807 per tonne in 2007, from RM1,907 per tonne in 2006.

Production

Overall production of the palm oil industry increased by 2.5 per cent in 2007 to 26.9 million tonnes, from 26.3 million tonnes in 2006. The increase was contributed by a significant rise in the production of oleo-chemical products by 39.8 per cent to 2.9 million tonnes in 2007, compared with 2.1 million tonnes in 2006.

However, other palm oil products decreased in production. In 2007, the production of crude palm kernel oil decreased marginally to 1.9 million tonnes, from 2 million tonnes in 2006. This was followed by palm kernel cake at 2.2 per cent, palm kernel (0.7 per cent) and crude palm oil (0.4 per cent). The decrease in the production of crude palm oil was mainly caused by floods in Johor during the early part of the year.

Investments

In 2007, a total of 61 projects valued at RM2.5 billion were approved for the production of palm oil products, which recorded a decline, compared with 118 projects valued RM8.8 billion in 2006. Domestic investments amounted to RM1.6 billion or 61.6 per cent of total investments, while foreign investments accounted for RM976.2 million or 38.4 per cent. The projects approved in 2007, was for the production of palm oil and palm kernel oil products, oleo-chemicals, biodiesel, energy generation and products from palm biomass.

Table 5.85:
Investments in the Palm Oil Industry

Description	2007	Change (%)	2006
No. of Projects Approved	**61**	**-48.3**	**118**
Total investments (RM bil.)	**2.5**	**-71.6**	**8.8**
Domestic (RM bil.)	1.6	-73.8	6.1
Foreign (RM bil.)	0.9	-66.7	2.7

Source: Malaysian Industrial Development Authority

In 2007, a total of six biodiesel projects were approved with investments of RM451.6 million, representing 17.7 per cent of total investments in the sector. Foreign investments were valued at RM187.2 million and domestic investments were RM264.4 million.

Investments for 18 projects in oleo-chemical products amounting to RM955.5 million were approved. Foreign investments in the sector were valued at RM595.3 million, while domestic investments were RM360.2 million.

Palm oil and palm kernel oil products attracted investments of RM658.1 million in 18 projects in 2007, compared with 19 projects with

Table 5.84:
Production of the Palm Oil Industry

Product	2007 (Tonnes)	Change (%)	2006 (Tonnes)
Total	**26,915,003**	**2.5**	**26,260,843**
Crude palm oil	15,823,368	-0.4	15,880,786
Palm kernel	4,096,990	-0.7	4,125,124
Oleo-chemical products	2,934,544	39.8	2,099,074
Palm kernel cake	2,152,488	-2.2	2,200,225
Crude palm kernel oil	1,907,613	-2.5	1,955,634

Source: Malaysian Palm Oil Board

investments of RM814.5 million in 2006. Domestic investments totalled RM534.6 million, while foreign investments amounted to RM123.5 million.

In 2007, seven projects with investments of RM320.9 million were approved for the generation of energy from palm biomass, compared with six projects valued at RM142.3 million in 2006. Domestic investments amounted to RM289.3 million, while RM31.6 million was foreign investments.

A total of 12 projects with investments of RM158.7 million were approved in 2007, compared with 13 projects with investments of RM211.7 million in 2006, for the manufacture of products utilising palm biomass and by-products. Domestic investments amounted to RM120.1 million, while foreign investments totalled RM38.6 million.

Exports

Total export earnings of palm oil products increased by 41.8 per cent to a record of RM45,169.1 million in 2007, from RM31,850.7 million in 2006. However, in terms of quantity, total exports decreased by 2.9 per cent to 19.6 million tonnes in 2007, compared with 20.1 million tonnes in 2006. The higher export earnings were due to the significant increase in prices of all oil palm products.

The People's Republic of China maintained its position as the largest market for Malaysian palm oil for the sixth consecutive year. A total of 3.8 million tonnes of total palm oil were exported to the People's Republic of China, compared with 3.6 million tonnes of total exports in 2006. This was followed by the EU with 2.06 million tonnes, Pakistan (1.1 million tonnes), the USA (794,920 tonnes), Japan (527,344 tonnes) and India (511,167 tonnes). In total, these countries accounted for 8.8 million tonnes or 64.1 per cent of Malaysian palm oil exports in 2007.

Exports of most of the oil palm products recorded a decline in 2007, compared with 2006. A major decline was experienced by finished products, which decreased by 16.6 per cent, followed by palm oil (4.7 per cent) and palm kernel cake (1.9 per cent). However, exports of biodiesel increased by 97.9 per cent and palm kernel oil increased by 14 per cent.

The decrease in palm oil exports was mainly attributed to the decline by 20.2 per cent in exports to the EU to 2.1 million tonnes in 2007 from 2.6 million tonnes in the previous year. This was due to the increase in domestic vegetable oils production in the EU, especially rapeseed oil, which increased by 6 per cent to 6.7 million tonnes in 2007, from 6.4 million tonnes in 2006. In addition, some European companies in the energy sector reduced the consumption of palm oil for energy purposes due to issues related to sustainability.

Palm oil exports to Bangladesh declined by 64.7 per cent to 154,494 tonnes, compared with 438,152 tonnes the previous year, due to higher imports of soybean oil. Exports to Myanmar reduced by 57.1 per cent to 59,735

Table 5.86:
Exports of Palm Oil Products

Product	2007		Change (%)		2006	
	Quantity ('000 tonnes)	RM (million)	Quantity	Value	Quantity ('000 tonnes)	RM (million)
Total	**19,574**	**45,169.1**	**- 2.9**	**41.8**	**20,160**	**31,850.7**
Palm oil	13,747	33,186.7	- 4.7	46.3	14,424	22,687.0
Oleochemical products	2,140	6,679.6	1.4	21.8	2,111	5,484.5
Palm kernel cake	2,094	761.7	- 1.9	79.3	2,135	424.9
Palm kernel oil	1,061	3,104.9	14.0	43.9	931	2,157.8
Finished products	351	1,098.3	- 16.6	22.5	421	896.3
Biodiesel	95	253.2	97.9	109.4	48	120.9

Source: Malaysian Palm Oil Board

tonnes due to competitively priced palm oil from Indonesia, which had gained a bigger market share in the country.

Imports

Total volume of palm oil products imported, decreased by 34 per cent to 532,000 tonnes in 2007, compared with 806,000 tonnes in 2006. The main imports sources in 2007 were Indonesia, accounting for 78.7 per cent of total imports, Thailand (18 per cent) and Papua New Guinea (3.3 per cent).

Palm oil and palm kernel oil were the main products imported in 2007, although imports of palm oil decreased by 55.6 per cent to 268,000 tonnes, compared with 602,000 tonnes in 2006.

Table 5.87:
Imports of Palm Oil Products

Product	2007 ('000 tonnes)	Change (%)	2006 ('000 tonnes)
Total	**532**	**- 34.0**	**806**
Palm oil	268	- 55.6	602
Palm kernel oil	265	30.1	204

Source: Malaysian Palm Oil Board

Developments

In the efforts to strengthen the image of Malaysian palm oil products, the Malaysian Palm Oil Council (MPOC) focused on branding Malaysian palm oil and its products by promoting it as healthy and trans-fatty acid free. Greater awareness of Malaysian palm oil and its products as healthy options was created among end users and consumers, to increase the acceptance of Malaysian palm oil in targeted markets. The slogan of Malaysian palm oil, 'A gift of nature, a gift of life' developed in 2007, was used in the promotion for greater information dissemination, as well as to counter anti-palm oil campaigns.

Greater market access for palm oil products was gained through FTA negotiations. Under the Malaysia-Pakistan FTA enforced on 1 January 2008, Pakistan has offered 15 per cent Margin of Preference for palm oil products.

In the area of R&D, the commercialisation rate of research findings by MPOB in the palm oil sector is currently at 30 per cent, compared with the success rate of other world renowned R&D institutions whose commercialisation rate is between 2 to 3 per cent. Several projects in oleo-chemical derivatives, bio-diesel and renewable energy, nutritional foods and ingredients, biotechnology-based products and biomass products have been undertaken by MPOB. Collaborations for commercialisation, research and further development of these products were achieved with the People's Republic of China, Turkey, the USA, the Middle East and India.

PROCESSED FOOD AND BEVERAGES INDUSTRY

In line with the Government's emphasis on the agriculture sector, the processed food and beverages industry has become an important component of the agro-based industry.

Small and medium enterprises represented more than 80 per cent of the total number of establishments in the processed food sub-sector. They are mainly involved in producing fish and fish products, livestock and livestock products, fruits and vegetables, and cocoa-based products. The beverages sub-sector covers the manufacture of soft drinks, and mineral water.

Production

In 2007, the overall production index for the selected processed food and beverages products industry increased by 9.7 per cent to 145.9, from 133 in 2006, due to high demand in both domestic and international markets. The production index of the processed food sub-sector increased by 9.9 per cent to 150.6, from 137 in 2006. High production index recorded in the manufacturing of cocoa products at 213.4, processing and preserving of fish and fish products (156.3) and manufacturing of biscuits and cookies (148.4).

The production index for beverages products increased by 8.3 per cent to 122.3 in 2007, from 112.9 in 2006. The production index for the manufacture of soft drinks recorded an increase of 28.1 per cent to 179 from 139.7 in 2006.

Table 5.88:
Production Indices of Selected Processed Food and Beverages Products

Sub-Sector/Segment	2007	Change (%)	2006
Total	**145.9**	**9.7**	**133.0**
Processed Food	**150.6**	**9.9**	**137.0**
Manufacture of cocoa products	213.4	9.3	195.3
Processing and preserving of fish and fish products	156.3	12.4	139.1
Manufacture of snack, cracker/chips (e.g. prawn/fish crackers (keropok), potato/ banana/ tapioca chips)	154.5	8.0	143.0
Manufacture of biscuits and cookies	148.4	16.5	127.3
Manufacture of chocolate products and sugar confectionery	141.5	-8.4	154.6
Manufacture of sugar	128.7	13.0	114.0
Flour milling	121.8	3.7	117.5
Rice milling	113.4	26.4	89.7
Manufacture of condensed, powdered and evaporated milk	109.3	10.5	98.9
Beverages	**122.3**	**8.3**	**112.9**
Manufacture of soft drinks	179.0	28.1	139.7
Manufacture of malt liquors and malt	96.7	-4.1	100.8

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

Sales

The sales value of processed food and beverages products increased by 16.6 per cent to RM17,586 million in 2007 from RM15,088.2 million in 2006 due to increase in domestic consumption and exports. Processed food which recorded high sales were condensed, powdered and evaporated milk with RM3,649.4 million, cocoa products (RM2,512.3 million) and sugar (RM2,225.5 million).

Employment

In 2007, employment in the processed food and beverages industry increased by 7 per cent to 41,754 persons, compared with 39,008 persons in 2006. The flour milling segment recorded the highest growth of 37.1 per cent to 1,519 persons in 2007, from 1,108 persons in 2006. Other segments that registered positive growth in employment were manufacturing of sauces at 30.6 per cent, rice milling (21.5 per cent) and

Table 5.89:
Sales of Selected Processed Food and Beverages Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**17,586.0**	**16.6**	**15,088.2**
Processed Food	**16,642.0**	**16.6**	**14,271.6**
Condensed, powdered and evaporated milk	3,649.4	15.8	3,152.0
Cocoa products	2,512.3	21.2	2,072.8
Sugar	2,225.5	14.5	1,943.3
Vegetable, animal oils and fats (excluding palm oil)	1,502.4	19.1	1,261.4
Flour	1,440.5	19.5	1,205.0
Preserving of fish and fish products	1,051.6	2.4	1,026.9
Biscuits and cookies	844.8	16.5	725.3
Chocolate products and sugar confectionery	682.5	-3.1	704.1
Rice	687.1	22.5	560.7
Sauces	465.0	7.7	431.6
Snack	415.5	5.3	394.6
Canned pineapple	72.0	17.2	61.4
Coconut oil	66.0	64.3	40.2
Beverages	**944.0**	**15.6**	**816.6**
Soft drinks	855.4	17.9	725.5
Mineral water	88.5	-2.8	91.1

Source: Department of Statistics, Malaysia

Table 5.90:
Employment in Processed Food and Beverages Industry

Sub-Sector/Segment	2007 (Persons)	Change (%)	2006 (Persons)
Total	**41,754**	**7.0**	**39,008**
Processed Food	**39,412**	**6.1**	**37,136**
Processing and preserving of fish and fish products	8,106	-2.8	8,339
Manufacture of biscuits and cookies	6,087	2.5	5,941
Manufacture of chocolate products and sugar confectionery	4,131	-0.6	4,157
Manufacture of condensed, powdered and evaporated milk	4,035	10.8	3,643
Manufacture of snacks	3,290	17.4	2,803
Manufacture of sauces	2,335	30.6	1,788
Manufacture of sugar	1,997	5.0	1,902
Manufacture of cocoa products	1,830	4.9	1,745
Manufacture of other vegetable and animal oils and fats	1,627	-0.6	1,637
Flour milling	1,519	37.1	1,108
Rice milling	1,352	21.5	1,113
Pineapple canning	574	-7.3	619
Manufacture of coconut oil	202	-1.0	204
Beverages	**2,342**	**25.1**	**1,872**
Manufacture of soft drinks	1,684	34.3	1,254
Production of mineral water	658	6.5	618

Source: Department of Statistics, Malaysia

Table 5.91:
Productivity Indicators of Food Products and Beverages Industry

Sub-Sector/Segment	Productivity (RM'000)			Labour Cost per Employee (RM'000)			Unit Labour Cost (RM)		
	2007	Change (%)	2006	2007	Change (%)	2006	2007	Change (%)	2006
Food and Beverages	**75.3**	**8.7**	**69.2**	**21.3**	**5.1**	**20.2**	**0.0472**	**-8.7**	**0.0517**
Food	**73.9**	**8.9**	**67.8**	**21.0**	**5.0**	**20.0**	**0.0466**	**-9.1**	**0.0513**
Condensed, powdered and evaporated milk	172.8	8.2	159.8	38.7	7.0	36.2	0.0391	-4.1	0.0408
Processing and preserving of fish and fish products	26.5	8.9	24.3	11.4	8.1	10.6	0.0821	-0.5	0.0825
Pineapple canning	29.1	17.6	24.7	12.4	0.1	12.4	0.0970	-23.9	0.1275
Coconuts oil	11.8	24.9	9.5	14.8	13.4	13.0	0.0430	-38.8	0.0703
Other vegetable and animal oils and fats	73.9	20.0	61.6	31.3	6.5	29.4	0.0323	-14.7	0.0378
Rice milling	80.3	10.7	72.5	18.1	-1.4	18.3	0.0327	-12.1	0.0373
Flour milling	216.7	15.7	187.4	33.2	-8.8	36.4	0.0301	-26.7	0.0410
Biscuits and cookies	32.7	7.0	30.6	13.8	3.7	13.3	0.0983	-9.6	0.1088
Sugar	111.3	3.6	107.5	29.6	2.9	28.8	0.0249	-12.4	0.0285
Cocoa products	127.6	12.9	113.0	31.1	5.2	29.6	0.0211	-13.5	0.0244
Chocolate products and sugar confectionery	58.2	-7.0	62.5	20.0	4.3	19.2	0.1196	8.3	0.1105
Sauces including flavouring extracts	65.1	-15.9	77.4	22.0	-5.2	23.3	0.0988	14.9	0.0860
Snacks	37.7	7.5	35.1	13.6	4.6	13.0	0.0904	-1.4	0.0917
Other Food Products	**125.6**	**24.3**	**101.1**	**29.2**	**13.6**	**25.7**	**0.0634**	**-18.2**	**0.0776**
Beverages	100.5	5.3	95.4	26.5	5.1	25.2	0.0577	-2.5	0.0591
Soft drinks	129.8	2.9	126.1	32.0	1.7	31.5	0.0543	-2.7	0.0558
Production of mineral waters	29.5	-8.7	32.3	13.2	6.3	12.4	0.0904	5.9	0.0854

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

manufacturing of condensed, powdered and evaporated milk (10.8 per cent).

Productivity

Productivity of the food products and beverages industry grew by 8.7 per cent to RM75,250 in 2007, as compared with RM69,200 in 2006. Labour cost competitiveness for this industry improved as Unit Labour Cost decreased by 8.7 per cent.

The food sub-sector registered an increase in productivity by 8.9 per cent. The highest productivity growth was registered in other vegetables and animal oils and fats segment at 24.9 per cent, followed by other food products segment at 24.3 per cent and condensed, powdered and evaporated milk segment at 20 per cent. These segments also continued to sustain its labour cost competitiveness as reflected by a decline of 38.8 per cent, 18.2 per cent and 14.7 per cent in Unit Labour Cost respectively.

The productivity of beverage sub-sector grew by 5.3 per cent. Strong external demand and domestic consumption especially for soft drinks have contributed to the growth in productivity. The sub-sector recorded a decline in Unit Labour Cost by 2.5 per cent indicating an improvement in the sub-sector's labour cost competitiveness.

Investments

In 2007, a total of 65 projects were approved for the food processing and beverages industry (excluding animal feed and palm oil products) amounting to RM1,791.7 million, compared with 63 projects valued at RM800.5 million in 2006. Domestic investments amounted to RM1,523.8 million, accounting for 85 per cent, while foreign investments amounted to RM267.9 million or 15 per cent.

Projects with high investments were in the manufacture of sugar, amounting to RM563.4 million, condensed, powdered and evaporated milk (RM464.4 million) and processing and preserving of fish and fish products (RM156.5 million).

Table 5.92:
Investments in the Processed Food and Beverages Industry

Description	2007	Change (%)	2006
No. of projects approved	**65**	**3.2**	**63**
Total investments (RM mil.)	**1,791.7**	**123.8**	**800.5**
Domestic (RM mil.)	1,523.8	251.7	433.3
Foreign (RM mil.)	267.9	-27.0	367.2

Source: Malaysian Industrial Development Authority
Note: Data exclude animal feed and palm oil products

Exports

Exports of selected processed food and beverages products increased by 20.1 per cent in 2007 to RM9,966.6 million, compared with RM8,299 million in 2006.

Exports of processed food products increased by 19.5 per cent to RM8,670.4 million in 2007, from RM7,255.7 million in 2006. Main export items were cocoa and cocoa preparations, accounting for RM2,475.1 million, followed by edible products and preparations (RM1,704.7 million) and cereals and flour preparations (RM1,018.3 million). Major export destinations were Singapore, with exports valued at RM1.2 billion, Indonesia (RM795.2 million), the USA (RM577.8 million), Japan (RM420.6 million) and Australia (RM408.5 million).

In 2007, exports of beverages products increased by 24.1 per cent to RM1,296.2 million, from RM1,043.3 million in 2006. The increase in exports was contributed by alcoholic beverages, which grew by 27.2 per cent to RM927.7 million and non-alcoholic beverages, by 17.4 per cent to RM368.5 million. Major export destinations for Malaysian beverage products were Singapore, with exports valued at RM470.7 million, Thailand (RM334 million), Indonesia (RM148.7million), Viet Nam (RM117.3 million) and Australia (RM25.2 million).

Imports

Total imports of the processed food and beverages products increased by 28 per cent to RM9,498.6 million in 2007, compared with RM7,423.1 million in 2006.

Table 5.93:
Exports of Selected Processed Food and Beverage Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**9,966.6**	**20.1**	**8,299.0**
Processed Food	**8,670.4**	**19.5**	**7,255.7**
Cocoa and cocoa preparations	2,475.1	23.5	2,004.2
Edible products and preparations	1,704.7	15.2	1,480.2
Cereals and flour preparations	1,018.3	8.9	935.2
Margarine and shortening	979.2	15.8	845.3
Dairy products	817.1	68.2	485.7
Sugar and sugar confectionery	667.3	32.9	502.1
Processed seafood	569.9	-7.8	617.8
Prepared/preserved vegetables and fruits,	332.5	14.3	290.9
Processed meat	76.4	10.2	69.3
Tea and mate	29.9	20.3	24.9
Beverages	**1,296.2**	**24.1**	**1,043.3**
Alcoholic beverages	927.7	27.2	729.4
Non-alcoholic beverages	368.5	17.4	313.9

Compiled by Ministry of International Trade and Industry

Imports of processed food products increased by 21.3 per cent to RM8,202.4 million in 2007, compared with RM6,764.3 million in 2006. Major import items were dairy products, valued at RM2,470.3 million, edible products and preparations (RM1,989.7 million) and sugar and sugar confectionery (RM1,847.5 million).

Australia remained as Malaysia's largest source of imports for processed food in 2007, although total imports declined by 6.1 per cent to RM1.2 billion, from RM1.1 billion in 2006. It accounted for 14.7 per cent share of Malaysia's total imports of processed food. The main import items were sugar and sugar confectionery (31.6 per cent), and dairy products (30.2 per cent). Other main imports sources were New Zealand, with imports valued at RM1 billion, Thailand (RM1 billion), Brazil (RM864.2 million) and the USA (RM861 million).

Imports of beverages products increased 23 per cent to RM810.0 million, compared with

Table 5.94:
Imports of Selected Processed Food and Beverage Products

Product	2007 (RM million)	Change (%)	2006 (RM million)
Total	**9,498.6**	**28.0**	**7,423.1**
Processed Food	**8,202.4**	**21.3**	**6,764.3**
Dairy products	2,470.3	46.0	1,691.5
Edible products and preparations	1,989.7	8.1	1,840.8
Sugar and sugar confectionery	1,847.5	9.5	1,688
Prepared/preserved vegetables and fruits	596.1	36.8	435.6
Prepared Cereals and flour preparation	510.5	32.7	384.7
Processed seafood	390.1	-1.9	397.8
Cocoa and cocoa preparations	259.5	28.3	202.3
Tea and mate	94.7	10.4	85.8
Margarine and shortening	22.2	17.1	19.0
Processed meat	21.8	14.7	19.0
Beverages	**810.0**	**23.0**	**658.7**
Alcoholic beverages	766.9	22.8	624.4
Non-alcoholic beverages	43.2	25.6	34.4

Compiled by Ministry of International Trade and Industry

RM658.7 million in 2006. Sources of import were France, with imports valued at RM196.6 million, Singapore (RM187.8 million), the UK (RM151.5 million), Australia (RM75.5 million) and the Netherlands (RM53.6 million).

Developments

In ensuring the availability of the supply of raw materials, Agriculture Concentrated Development Area (ACDA) has been established to increase the production of fruits and other crops, involving 14 projects in four states, with a total area of 532 hectares involving 382 farmers. The Permanent Food Park project, with 3,745 hectares of land is also being developed and food manufacturers were allowed to import raw materials with duty exemption whenever the local supply was insufficient or unavailable.

Halal food has been identified as one of the targeted growth areas for further expansion and diversification in the processed food sector. Efforts were undertaken to encourage food-based cluster development, including *Halal* hub and beef valley, with adequate infrastructure and services. Five State Economic Development Corporations, namely Perlis, Kedah, Pahang, Kelantan and Terengganu, were initiating efforts to develop *Halal* Parks in their respective states. The project scope was approved by the Economic Planning Unit (EPU) and the parks are in various stages of construction.

The Government has allocated RM120 million for the development of *halal* industrial parks in the country. The Halal Development Corporation (HDC) has drawn up the Halal Industry Master Plan, which outlines the strategies and action plans for the period 2008-2010. The Plan aims to attract foreign investments as well as domestic investment with emphasis on the development of small and medium scale enterprises. The plan also encompasses pertinent objectives to steer the direction of growth for the development of the country's *halal* industry.

In 2007, various programmes were implemented to further strengthen the institutional support and delivery system for the processed food industry. These included, enhancing the role of Malaysian Agricultural Research and Development Institute (MARDI) in R&D of value added products, the application of Food Safety Information System (FoSIM) at entry points throughout Malaysia for the control of food imports, the continued provision of matching grants for certification and quality management systems, the development and promotion of *halal* products and the nurturing of 468 SMEs to become suppliers to hypermarkets in Malaysia and abroad.

OUTLOOK

The global economy is projected to sustain its growth and export momentum despite the anticipated slowdown of the US economy. This is expected to benefit the Malaysian manufacturing sector assisted by the promising investment trends particularly in industries such as E&E, M&E, chemicals, basic metals and petroleum industries. The growth in the construction industry and increasing consumer spending is also expected to sustain the demand for resource-based and consumer goods.

In the E&E industry, semiconductor devices and integrated circuits will continue to remain as the main components of Malaysia's exports of E&E products in 2008. The global semiconductor sales are forecast to increase by 7.7 per cent in 2008 and increase is expected to create demand for electronic chips and consumer products such as cell phones, personal computers, digital televisions and MP3 devices. Malaysia will continue to focus on attracting E&E investments that are of high technology and knowledge intensive such as wafer fabrication, IC design and the manufacture of high value added products and activities including photonics devices and digital audio.

The machinery and equipment (M&E) industry has progressed to manufacture high-end specific M&E, automation equipment, materials handling equipment and heavy M&E that support the E&E, automotive, petrochemical, oil and gas, construction and power generation industries. Emphasis will continue to be placed on the promotion of high technology and high value-added M&E.

The growth in the production of chemical products particularly industrial chemicals is expected to be sustained in 2008. Further development of the processed food sub-sector such as *halal* food and convenience foods will contribute to an increased demand for the use of nitrogen gas and carbon dioxide. There is potential for specialty gases like nitrous oxide and high purity oxygen for use in the expanding health services sector.

The global demand for steel is expected to strengthen further in 2008 despite higher prices due to hike in raw material prices. The rapid development of the construction and manufacturing sectors in ASEAN countries will also continue to boost the demand for steel in the region. The domestic iron and steel industry is expected to grow due to expansion of the manufacturing base into higher-end products and the implementation of projects in 2008 for intermediate steel products such as plates, galvanised coils and sheets, as well as finished products such as pipes and tubes.

Growth in the petrochemicals sector will be driven mainly by developments in the petroleum and related industry. The price of crude oil which has risen from US$D60 per barrel in 2006 to more than US$90 per barrel in 2007 will continue to impact the industry in 2008. The development of the petrochemical industry in Malaysia is also dependent on additional supply of feed stocks.

Investment activity is expected to strengthen due to various measures taken by the Government to improve the business climate. Measures to strengthen intellectual property rights including the setting up of additional special courts are expected to boost investor confidence and generate more R&D activities. In addition, investment activities are expected to accelerate with greater participation of the private sector in the implementation of Iskandar Malaysia, Northern Corridor Economic Region (NCER) and other economic corridors.

The manufacturing sector is expected to remain as the engine of growth of the Malaysian economy contributing to the GDP, employment and exports in 2008. The manufactoring sector is expected to remain dynamic and adjust to the changes taking place in the global economy.

Chapter 6

PERFORMANCE OF THE SERVICES SECTOR

OVERVIEW

In 2007, the services sector remained as the largest contributor to Malaysia's Gross Domestic Product (GDP). The sector contributed 53.6 per cent of Malaysia's GDP with a growth rate of 9.7 per cent, compared with 52 per cent share in 2006. It was estimated that 51.4 per cent or 5.8 million of the total workforce was employed in the services sector. Non-Government services accounted for 46.7 per cent of GDP in 2007, employing an estimated 42 per cent of the nation's workforce. The factors contributing to the strong performance of the services sector include the increase in investments and productivity in both foreign and domestic companies.

Within the services sector, financial services was the leading sub-sector, contributing 15.9 per cent of the GDP at RM80.5 billion. This was followed by distributive trade, contributing 14.5 per cent or RM73.5 billion, transport (7.5 per cent or RM37.9 billion) and other services (5.7 per cent or RM 28.7 billion).

Table 6.1:
Key Indicators of the Services Sector

Indicator	2007	2006
Share of Real GDP (%)	53.6	52.0
Government	6.9	7.0
Non-Government	46.7	45.0
Growth (%)	9.7	7.3
Investment Approved (RM billion)	65.4	55.5
Productivity Growth (%)	5.0	4.1
Exports Value (RM billion)	96.8	73.7
Imports Value (RM billion)	95.4	82.4
Share of Total Employment (%)	51.4	51.3

Source: Department of Statistics, Malaysia
Economic Planning Unit, Malaysia
Malaysian Industrial Development Authority
Malaysia Productivity Corporation

Eight services sub-sectors have been targeted for growth under the Third Industrial Master Plan (IMP3):

- business and professional services;
- distributive trade;
- construction;
- education and training;
- tourism services;
- health services;
- logistics; and
- Information Communication Technology (ICT) services.

To coordinate and spearhead the growth of the services sector, two national Councils, namely the Malaysian Services Development Council (MSDC) and the Malaysia, Logistics Council (MLC), were established.

INVESTMENTS IN THE SERVICES SECTOR

Total investments of RM65.4 billion in 2,439 projects were approved in the services sector in 2007, compared with RM55.5 billion investments in 2,501 projects in 2006. The approved investments surpassed the annual investment target of RM45.8 billion under the IMP3. Domestic investments in 2007 amounted to RM54.6 billion (83.5 per cent), while foreign investments totalled RM10.8 billion (16.5 per cent). The approved projects are expected to generate 49,770 employment opportunities.

PERFORMANCE OF SELECTED SERVICES SUB-SECTORS

Manufacturing Related Services

Regional Establishments

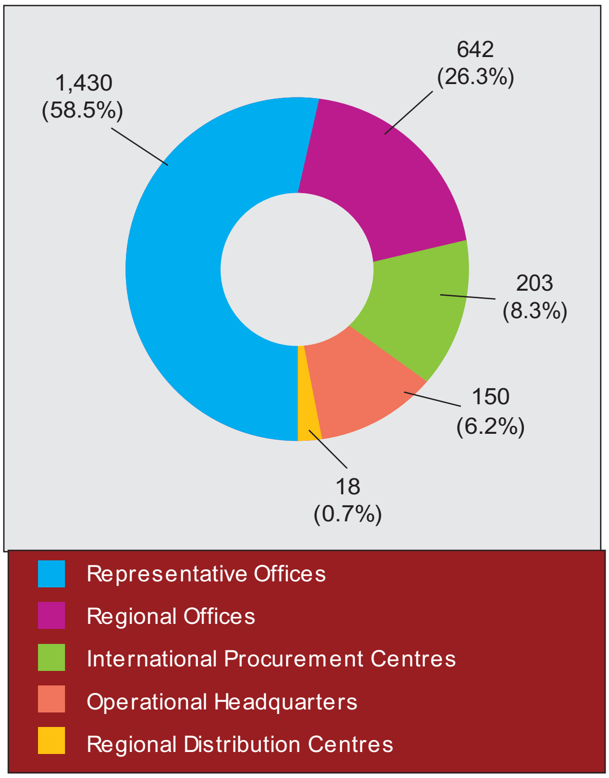
Regional establishments which provide intermediate service inputs to operations of multinational corporations (MNC) include Operational Headquarters (OHQ), International Procurement Centres (IPC),

Table 6.2:
Approved Investments in the Services Sub-Sector

Sub-Sector	2007		2006	
	Number	RM million	Number	RM million
Total	**2,439**	**65,430.2**	**2,501**	**55,520.6**
Manufacturing Related Services	163	700.5	183	950.0
Support Services[1]	352	9,883.6	337	3,236.8
Other Services				
Real Estate (Housing)	1,004	21,612.7	976	18,042.6
Transport	56	16,740.5	58	11,577.1
Energy	-	5,536.8[2]	-	4,599.6[2]
Telecommunications	8	3,927.4	13	4,803.0
Distributive Trade	591	2,907.7	701	2,667.9
Hotels and Tourism	51	1,311.8	79	2,431.0
Financial Services	53	1,298.0	78	6,982.0
Health Services	8	1,012.6	16	155.5
Education Services	123	347.9	60	75.1
Others	30	150.7	nil	nil

Compiled by Malaysian Industrial Development Authority
Notes: [1]Support Services include MSC Status Companies
[2]Additional investment for the expansion of existing projects

Chart 6.1
Approved Regional Establishments (As at 31 December 2007)



Compiled by Malaysian Industrial Development Authority

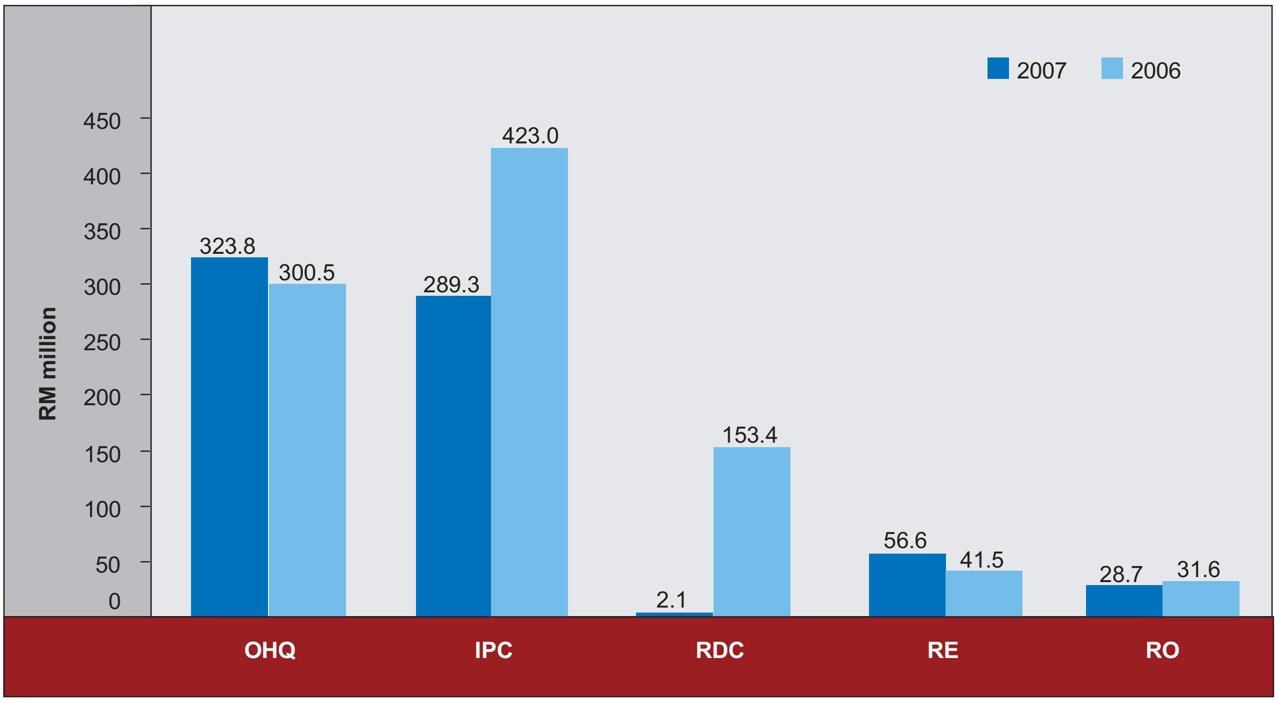
Regional Distribution Centres (RDC), Regional Offices (RO) and Representative Offices (RE). As at 2007, a total of 2,443 regional establishments was approved, comprising 150 OHQs, 203 IPCs, 18 RDCs, 642 ROs and 1,430 REs were approved.

In 2007, a total of 163 new regional establishments was approved with proposed annual spending of RM700.5 million, compared with 183 establishments with annual spending of RM950 million in 2006. The estimated annual sales turnover for IPCs and RDCs amounted to RM2.7 billion in 2007, compared with RM5.8 billion in 2006. These operations generated a total of 2,557 jobs or an increase of 29.9 per cent, compared with 1,968 jobs in 2006, especially in the managerial, professional and technical levels.

Operational Headquarters

In 2007, a total of 17 Operational Headquarters (OHQ) with total paid-up capital amounting to RM63 million was approved, compared with 27 OHQs, with paid-up capital of

Chart 6.2
Annual Business Spending by Regional Establishments, 2006-2007



Compiled by Malaysian Industrial Development Authority

RM107.7 million approved in 2006. Of these, four OHQs were involved in upgrading from existing regional offices and one involved relocation of operations from the United States of America (USA) and Australia to Malaysia. The total annual business spending increased to RM323.8 million in 2007 from RM300.5 million in 2006.

Of the 17 OHQs approved, four were from the USA, two each from Germany, Norway and Singapore and one each from Cayman Islands, the Netherlands, Bermuda, Belgium and Switzerland. The remaining two were joint-venture projects between Malaysia, the USA and Germany. A total of 155 expatriate posts was approved for these OHQs and 1,955 employment opportunities were provided for Malaysians of which 14 per cent of the posts are for senior management and senior executive positions. In the technical, skilled and specialist category, 67 per cent of the posts will be filled by Malaysians.

As at 31 December 2007, approvals were granted to 150 OHQs, with total paid-up capital of RM669.3 million and proposed annual business spending of RM1.8 billion. Of these, 30 were from the USA, followed by Japan (14), Germany (14), United Kingdom (UK) (11), the Netherlands (10) and Australia (10). A total of 1,835 expatriates was approved to be employed in these OHQs and 8,575 job opportunities were created for Malaysians. Most OHQs established in Malaysia are engaged in business process outsourcing (BPO) activities, including provision of shared services to their related companies in the Asia Pacific region.

As at 31 December 2007, a total of 96 OHQs have started operations with 20 OHQs in the oil and gas industry. Other OHQs are involved in finance, electrical and electronics (E&E), construction, food and beverages, timber and logistics.

International Procurement Centres

International Procurement Centres (IPC) established by international corporations in the country, serve as procurement and distribution centres and undertake supply chain management for their manufacturing operations both in Malaysia and abroad.

In 2007, a total of 12 IPCs was approved with proposed annual business spending of RM289.3 million, compared with 14 projects in 2006, valued of RM423 million in 2006. In 2007, sales turnover was RM2.7 billion, compared with RM5.9 billion in 2006. Of the 12 IPCs approved, three each were by Japanese MNCs and Malaysian companies, two by Singaporean companies and one each by companies from the USA and Germany. The remaining companies are joint-ventures between Malaysia and the UK/Singapore/Japan. These IPCs provided employment opportunities for 292 Malaysians, mainly in the managerial, technical and skilled categories.

As at end of 2007, a total of 203 IPCs was approved with an estimated total annual sales turnover of RM66 billion, and business spending at RM5.3 billion. The IPCs approved were mainly corporations from Japan (88), followed by Malaysia (35), the USA (14), Taiwan (11), Singapore (11) and Germany (5), while the remaining 39 were joint-ventures mainly with companies from Japan and Singapore. Of the 203 IPCs approved, 113 were servicing the E&E industry, followed by the chemicals/petrochemicals (27), machinery and industrial parts (16), textiles (9) and furniture (7) industries.

Regional Distribution Centres

There was only one RDC project with proposed business spending of RM2.1 million approved in 2007 to an Indian company, which aims to make Malaysia its marketing and distribution centre for its mining and construction equipment in the Asia Pacific region.

A total of 18 RDCs has been approved since 2003 with accumulated sales turnover of RM3.4 billion and annual business spending of RM285.7 million. The RDCs were mainly from Germany, the UK, Switzerland, Belgium, Finland and France. To date, a total of 441 employment opportunities was created by these RDCs.

Regional and Representative Offices

Regional offices (RO) and representative offices (RE) provide services to their head offices or principals overseas which involve coordinating activities for their affiliates, subsidiaries and agents in Malaysia and in the region. It also includes information gathering and conducting feasibility studies pertaining to investment, sourcing and business opportunities.

In 2007, approvals were given to 49 ROs and 84 REs, compared with 41 ROs and 94 REs in 2006. Total business spending of these offices amounted to RM85.4 million annually, compared with RM73.1 million in 2006. These establishments were mainly from Singapore, the UK, the USA, Hong Kong SAR, and Australia. As at 31 December 2007, a total of 642 ROs and 1,430 REs were approved.

In addition, a total of 21 REs of foreign banks and financial institutions from countries such as the USA, France and Switzerland has been established in Malaysia.

Support Services

Support services that include research and development, integrated logistics services, integrated market support, renewable energy, integrated central utility as well as cold chain facilities for food products are vital links in the industrial value chain.

In 2007, a total of 86 projects with investments of RM6.2 billion was approved, compared with 30 projects valued at RM318.8 million in 2006. The increase in investment was contributed by the increased number and value of investments in the areas of integrated logistics and renewable energy.

Renewable Energy

Renewable energy has been identified as an important source of energy for the future and is Malaysia's fifth major fuel resource after coal, oil, natural gas and hydro. This includes renewable energy from biomass, solar, mini-hydro and municipal waste. Renewable energy from biomass and solar energy accounts for 90 per cent of the renewable energy potential.

In 2007, Pioneer Status (PS) or Investments Tax Allowance (ITA) was granted to 10 renewable energy projects with investments of RM338.5 million, compared with eight projects with investments of RM194.4 million in 2006. These projects have energy

Table 6.3
Approved Investments in Support Services

Support Services	2007		2006	
	No. of Projects	RM million	No. of Projects	RM million
Total	**86**	**6,184.9**	**30**	**318.8**
Renewable Energy	14	4,476.7	8	208.7
Integrated Logistics Services	8	1,298.4	1	9.8
Research & Development	62	398.7	21	100.3
Integrated Market Support Services	2	11.1	nil	nil

Compiled by Malaysian Industrial Development Authority

generation capacities of 24 megawatts (MW) of electricity and 115 tonnes of steam, utilising 1.3 million tonnes of biomass per annum. Of the projects approved, five were for electricity generation and another five for the generation of steam.

For energy efficiency/conservation activities, four projects have been granted PS/ITA incentives with total investments of RM4.1 billion. All the projects approved were energy efficiency/conservation activities for own consumption.

As at the end of 2007, 41 projects which are all Malaysian-owned have been granted PS/ITA incentives for renewable energy generation. The total investment in these projects was RM877.8 million. The approved projects are capable of generating 176.7MW of electricity, 1,043.4 tonnes of steam, 150.7 giga joules of heat and 1,000 refrigerant tonnes of chilled water, utilising 7.2 million tonnes of biomass per annum. Sources of biomass are oil palm, wood, sugarcane and municipal waste. Of the 41 projects approved, 18 are in operation of which, 11 are located in Peninsular Malaysia and seven in Sabah.

For the energy efficiency/conservation activities, nine projects, all Malaysian-owned with total investments of RM109.3 million, have been granted PS/ITA incentives. Of the projects approved, seven projects with investments of RM4.8 million, were energy efficiency/conservation service providers, while the other two (RM104.5 million) were energy efficiency/conservation projects for own consumption. The projects, when implemented, would be able to conserve about 385MW of electricity per annum.

Among the initiatives undertaken by the Government to support the use of renewable energy and conserving energy include:

- launching of the SURIA 1,000 programme that enables installation of solar building integrated photovoltaic (BIVP) programme; and

- support of the Clean Development Mechanism (CDM), established by the Kyoto Protocol in promoting sustainable development for the developing countries. Companies in the developing countries which succeed in reducing emissions of greenhouse gases (GHGs) under the CDM are given a Certified Emission Reductions (CERs) certificate which can be traded with developed countries.

In promoting and developing green energy resources, a special incentive is also granted in the form of PS with full tax exemption for 10 years or ITA of 100 per cent for five years for renewable energy and energy efficiency or conservation projects.

Integrated Logistics Services

Integrated logistics services (ILS) cover freight forwarding, warehousing, transportation and other related value-added services, such as distribution, procurement and supply chain management on an integrated basis.

In 2007, eight logistics companies were granted ILS incentive for their expansion and diversification projects valued at RM1.3 billion, of which 99 per cent were domestic investments. A total of 1,157 employment opportunities was created. As at 31 December 2007, ILS incentive was granted to 20 companies with proposed investments of RM4.1 billion. Of these, four were new projects and 16 were expansion projects.

The ILS incentive was first introduced in 2002 to encourage logistics service providers to consolidate or integrate their activities and become Third Party Logistics Service Providers. The promotion of the sector is also in line with the country's vision to make Malaysia a logistics hub within the region.

Research and Development

Research and Development (R&D) includes industrial design (product and process development including designing and prototyping) and research services provided by design houses, contract R&D companies, R&D companies, approved R&D institutes and research companies. In 2007, R&D investments approved were valued at RM398.7 million with 62 projects, of which RM386.2 million were domestic investments and RM12.5 million foreign investments. The R&D projects approved were:

- Seven projects valued at RM18.9 million were given PS/ITA incentives, involving investments in the areas of life sciences industry pertaining to nanotechnology, and hair and skin care products; machinery and equipment industry, E&E and ICT.

- 55 R&D projects with total investments of RM379.8 million were approved financial assistance, comprising:
  - 45 projects with investments of RM368.9 million approved under the Commercialisation of R&D Fund (CRDF); and
  - ten projects with investments of RM10.9 million approved under the Multimedia Super Corridor (MSC) R&D Grant Scheme (MGS).

As at 31 December 2007, a total of 98 R&D projects, involving investments of RM1.4 billion, have been granted PS/ITA incentives. Foreign investments in these R&D projects amounted to RM927.7 million, while domestic investments totalled RM423.1 million. R&D investments were mainly in:

- E&E;
- chemicals and chemical products;
- machinery manufacturing;
- transport equipment;
- textiles and textile products; and
- plastic products industries.

These projects created a total of 3,044 employment opportunities.

Integrated Market Support Services

Integrated Market Support Services (IMS) comprise the activities of branding, market research and customer relationship management.

In 2007, two projects with investments of RM11.1 million were approved. Both the projects are Malaysian-based and involved in market support activities for both local and foreign brand names. As at 31 December 2007, five companies with total investments amounting to RM11.6 million have been granted the IMS incentive.

Information and Communication Technology Services

Multimedia Super Corridor Status Companies

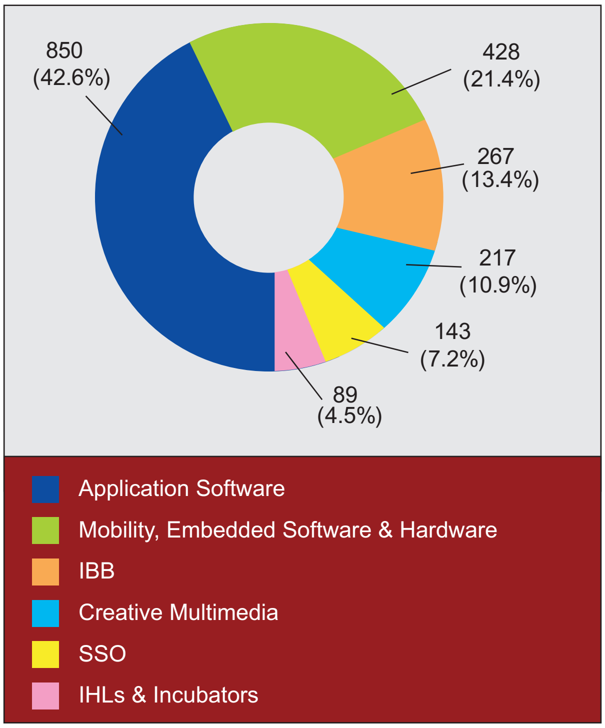
As at 31 December 2007, a total of 1,994 companies was granted MSC status by the Multimedia Development Corporation Sdn. Bhd. Of these, 1,477 companies were majority Malaysian-owned, 464 majority foreign-owned and 53 with equal ownership. These companies are grouped into six main technologies, namely:

- creative multimedia;
- internet-based business (IBB);
- shared services and outsourcing (SSO);

- application software and mobility embedded hardware and software; and
- institutions of higher learning (IHLs) and incubators.

Of the 1,994 companies granted MSC status, to date 1,594 or 80 per cent are in operation.

Chart 6.3
Approved MSC Status Companies by Technology Cluster
(As at 31 December 2007)



Source : Multimedia Development Corporation

A total of 266 companies with approved investments amounting to RM3.7 billion, were awarded MSC status in 2007, compared with 307 companies with approved investments of RM2.9 billion in 2006. Domestic investments amounted to RM2.4 billion (64.9 per cent) while foreign investments totalled RM1.3 billion (35.1 per cent) in 2007.

Of the 266 companies awarded MSC Status in 2007, 72.1 per cent or a total of 192 companies were wholly Malaysian-owned, 61 wholly foreign-owned, while the remaining 13 joint-venture projects.

The MSC Malaysia Annual Impact Survey 2007, indicated that the total expenditure of companies which participated in the survey amounted to RM7.1 billion. This is an increase of 9.1 per cent, compared with RM6.5 billion reported in the 2006 MSC Malaysia Impact Survey. Total sales of these companies for 2007 were reported to be RM12.1 billion.

Other Services

Real Estate (Housing)

Real estate covers the housing industry (excluding commercial buildings) in Peninsular Malaysia. It was the largest services sub-sector in terms of investments approved in 2007. A total of 1,004 projects was approved with total investments amounting to RM21.6 billion, compared with RM18 billion in 2006. Of this, domestic investments totalled RM19.9 billion.

The main factors that led to higher demand for residential properties in 2007 were attributed to the rise in income among Malaysians, higher demand by foreign buyers, bullish local stock market and accommodative policies, including the Government's efforts in withdrawing the real property gains tax (RPGT) and reducing bureaucracy for foreign buyers.

Transport

The transport sector covers maritime transport, aviation and highway construction and maintenance.

In 2007, a total of 56 projects was approved with investments amounting to RM16.7 billion, compared with 58 projects with investments of RM11.6 billion in 2006. Domestic investments amounted to RM12.2 billion, while foreign investments totalled RM4.5 billion.

Investments approved in 2007 were mainly in aviation, and construction and maintenance of highways, valued at RM9.2 billion and RM5.1 billion, respectively. The investments were for the purchase of aircrafts and upgrading of highways. The implementation of several highway projects in the Southern and Northern Peninsular Malaysia was aimed at improving connectivity for the Malaysian transport sector.

Financial Services
The financial services mainly include banking, capital markets (brokerage, fund management, investment advisory and venture capital) and insurance. In 2007, a total of 53 projects with investments of RM1.3 billion was approved, compared with RM7 billion in 2006. Domestic investments in 2007 amounted to RM853.7 million, while foreign investments totalled RM444.3 million.

The banking sub-sector attracted the largest amount of investments with RM794.1 million, followed by capital markets with investment valued at RM475.1 million and insurance valued at RM28.8 million.

Table 6.4
Approved Investments in the Financial Services Sub-Sector

Activity	2007		2006	
	No.	RM mil.	No.	RM mil.
Total	**53**	**1,298.0**	**78**	**6,982.0**
Banking	14	794.1	22	3,376.7
Capital Markets	30	475.1	33	2,751.3
Insurance	9	28.8	23	854.0

Compiled by Malaysian Industrial Development Authority and Bank Negara Malaysia

Investments in banking included expansion and diversification projects for on-shore and off-shore banking, while investments in capital markets were mainly in brokerage with RM449.7 million and venture capital RM11.4 million. Investments in insurance comprised only off-shore insurance (RM28.8 million). Malaysia has taken initiatives to liberalise the financial sector and also promote Islamic banking to foreign investors. The presence of Middle East banks shows Malaysia's commitments to promote Islamic banking not just within the country but also within the region.

Energy
The energy sector covers independent power producers and generation, transmission and distribution of electricity by Tenaga Nasional Bhd., SESCO Berhad and Sabah Electricity Sdn. Bhd.

In 2007, investments in generation, transmission and distribution of electricity amounted to RM5.5 billion, all of which were domestic investments. In 2006, investments in the energy sector amounted to RM4.6 billion.

Telecommunications
The telecommunications sub-sector covers network facilities, network services,application services, including content application services and broadcasting. In 2007, eight individual licences were approved in this sub-sector with total investments of RM3.9 billion, all of which were domestic investments. In comparison, 13 individual licenses with total investments of RM4.8 billion, which were mainly by domestic investments, were approved in 2006.

Distributive Trade
The distributive trade sub-sector covers:

- projects with foreign participation in wholesale and retail trade;
- hypermarkets/supermarkets, department stores and direct selling;
- projects approved under the Petroleum Development Act, 1974; and
- franchising.

A total of 591 projects was approved with total investments of RM2.9 billion in 2007. Domestic investments amounted to RM948 million, while foreign investments totalled RM2 billion.

Significant developments in 2007 included the approval of:

- 39 new and expansion hypermarket and supermarket projects, with total investments of RM2.2 billion;
- eight departmental stores with total investments of RM410 million;
- 220 projects in wholesale and retail trade with total investments of RM152.4 million;
- 33 projects in direct selling with total investments of RM53.5 million;

- 201 projects approved under the Petroleum Development Act with total investments of RM42.3 million, involving the establishment of petrol stations, wholesale of Liquefied Petroleum Gas (LPG), and transportation of petroleum products; and

- 90 projects in franchising with total investments of RM29.5 million.

Hotels and Tourism

A total of 51 projects with investments of RM1.3 billion in the hotels and tourism sub-sector was approved, compared with 79 projects valued at RM2.4 billion in 2006. Domestic investments amounted to RM1.2 billion, while foreign investments totalled RM122.7 million. The investments in 2007 were for new and expansion of hotel projects, holiday resorts, theme parks and convention centres.

Table 6.5
Approved Investments in Hotel and Tourism Projects

Activity	2007		2006	
	No.	RM mil.	No.	RM mil.
Total	**51**	**1,311.8**	**79**	**2,431.0**
Hotel Projects	46	1,180.7	56	1,748.0
Tourism Projects	5	131.1	23	683.0

Compiled by Malaysian Industrial Development Authority and Malaysia Tourism Promotion Board

Domestic investments for hotel projects, amounted to RM1.1 billion, while foreign investments totalled RM121.7 million. Of the 46 hotel projects approved, 34 projects were granted investment incentives.

Healthcare Services

In 2007, approvals were granted to eight private healthcare institutions (comprising hospitals, maternity homes, nursing care centres and medical specialist centres), involving total investments of RM1 billion, all of which were domestic investments. Investments in healthcare services in 2006 amounted to RM155.5 million for 16 projects.

Domestic investments in this sector will enable Malaysia to promote its healthcare industry, especially in health tourism and other specialised medical treatments. The cost of healthcare in Malaysia is comparatively low vis-a-vis other developing countries. Growth in the private healthcare industry is due to higher demand from local patients and rising income levels.

Education Services

Education services cover private colleges and universities, skills centres and private education institutions. In 2007, a total of 123 projects was granted approval for the establishment of educational institutions, involving investments of RM347.9 million which exceeded the investments in 2006 of RM75.1 million with 60 projects, mainly contributed by domestic investments amounted to RM292.9 million.

Investments in education services were mainly in private colleges/universities, valued at RM221 million, followed by skills centres (RM122.6 million) and private education institutions (RM4.3 million). Private higher education institutions established in Malaysia complement the human resources needed for growth of the country.

TRADE IN SERVICES

Malaysia's trade in services continued to register growth in 2007. Total trade in commercial services increased by 15.9 per cent to RM192.2 billion in 2007, from RM165.8 billion in 2006. Exports of services increased by 21.5 per cent to RM96.8 billion in 2007, compared with RM79.6 billion in 2006. All three main categories of exports, namely, travel, transportation and other services charted positive growth. Imports of commercial services registered an expansion of 10.8 per cent to RM95.4 billion. Imports in the three main sectors also registered positive growth.

The trade in services recorded its first surplus in 2007, valued at RM1.4 billion, compared with a deficit of RM6.5 billion in 2006. The surplus indicates the strong improvements in both the growth and value of exports. The surplus was mainly attributed to strong growth in the transport sub-sector by 56.1 per cent, particularly in the air and sea transport sepments.

Table 6.6
Malaysia's Exports and Imports of Non-Government Services

Sub-Sector	2007 RM bil.	2006 RM bil.	Change (%)
Total Trade	**192.2**	**165.8**	**15.9**
Exports	**96.8**	**79.6**	**21.5**
Travel	44.3	38.2	15.9
Transport	24.2	15.5	56.1
Other Services	28.3	25.9	9.2
Imports	**95.4**	**86.1**	**10.8**
Travel	18.0	14.7	22.3
Transport	37.7	35.1	7.3
Other Services	39.7	36.3	9.4
Trade Balance	**1.4**	**(6.5)**	**n.a**

Source: Department of Statistics, Malaysia
Note: n.a - not applicable

Travel

The exports of travel services, which comprise tourism, healthcare and education, registered a strong growth of 15.9 percent, valued at RM44.3 billion in 2007. The imports of travel services increased by 22.2 per cent to RM18 billion from RM14.7 billion in 2006. Trade surplus in the travel services sector registered a growth of 12 per cent, amounting to RM26.3 billion in 2007, compared with RM23.5 billion in 2006.

The increase in the exports of travel services was attributed to the increased earnings from inbound tourism by 15.8 per cent to RM43.5 billion, compared with RM37.6 billion in 2006. Total tourist arrivals to Malaysia in 2007 amounted to 20.9 million, an increase of 19.4 per cent, compared with 17.5 million in 2006.

Efforts in promoting the Visit Malaysia Year in 2007 contributed to the large influx of tourists. Malaysia was ranked as the second most price competitive destination in the Travel and Tourism Industry Competitiveness Report 2007. The average stay for a tourist in Malaysia is six days with daily expenditure of RM350.70. ASEAN tourists made up the largest component or 79 per cent of the total number of visitors to Malaysia.

Exports of the education sub-sector also registered a growth of 22.1 per cent in 2007 amounting to RM669.6 million. The number of foreign students pursuing higher education in private and public institutions of higher learning in Malaysia increased by 7.8 per cent to 47,849 students, from 44,390 in 2006. The imports of the education sub-sector registered an increase of 13.6 per cent to RM4.6 billion, compared with RM4.1 billion in 2006 about 53,866 Malaysian students are studying abroad, with Australia as the leading recipient of Malaysian students, followed by the UK and the USA.

Exports of healthcare services registered the highest growth in the travel services with an increase of 24.5 per cent to RM137.2 million from RM110.2 million in 2006. In 2007, a total of 341,288 foreign patients sought medical treatment in Malaysian private hospitals. Imports of healthcare services however, experienced a contraction of 28.9 per cent to RM57.7 million, from RM81.1 million in 2006.

Transport

Sea and air transport services are the two main exportable components of the transport sector. Exports of transport services increased by 56.1 per cent to RM24.2 billion, compared with RM15.5 billion in 2006. Imports of the transport services recorded a growth of 7.3 per cent to RM37.7 billion, compared with RM35.1 billion in 2006. The transport sector registered a lower deficit of RM13.5 billion, a contraction of 31.1 per cent, compared with a deficit of RM19.6 billion in 2006. The transport sector remains in deficit due to the heavy reliance on foreign freight, particularly in the transport of goods for the export market.

Exports of sea transport services registered a 19.1 per cent growth, valued at RM8.4 billion, compared with RM7.1 billion in 2006. Imports of sea transport services increased by 5.4 per cent to RM32.6 billion, compared with RM30.9 billion in 2006. The increase in imports of sea transport was attributed to the 3.7 per cent growth of Malaysian trade.

Exports of air services registered a strong growth of 86.9 per cent in 2007 to RM15.8 billion, compared with RM8.4 billion in 2006. The strong performance was due to higher receipts from tourists as a result of the larger volume of air travellers. The introduction of low cost carriers and expansion into short routes and destinations created an improved and better export base for the air services sub-sector.

Other Services

The other services sub-sector comprises:

- communications;
- construction;
- financial services;
- insurance;
- fees and royalties;
- computer and information;
- other business services; and
- culture and audio-visual services.

Exports of other services experienced a growth of 9.2 per cent to RM28.3 billion in 2007, compared with RM25.9 billion in 2006. Receipts of royalties and license fees increased by 30.9 per cent, followed by exports of computer and information services 27.1 per cent, and both the recreational and audio visual services, and construction and installation services by 23.9 per cent.

Imports of other services registered a growth of 9.4 per cent, valued at RM39.7 billion, compared with RM36.3 billion in 2006. The expansion in imports was mainly due to the increase in financial services by 69 per cent, operational leasing services 21.5 per cent and construction and installation services 21.4 per cent.

Construction Services

The construction services sub-sector has been identified for further development under the IMP3. Construction is divided into two categories:

- general construction work, such as building and civil engineering construction; and
- specialised work, such as carpentry, air conditioning, mechanical and electrical work.

In 2007, total trade in the construction services increased by 18.4 per cent to RM7.6 billion, compared with RM6.2 billion in 2006. Exports increased by 23.9 per cent to RM4.7 billion, from RM3.8 billion in 2006, while imports increased by 21.4 per cent to RM5.8 billion, from RM4.8 billion in 2006.

The decline in the number of large scale domestic infrastructure projects led to Malaysian companies establishing their markets outside Malaysia. In 2007, Malaysian construction companies undertook 33 overseas projects valued at RM12.8 billion.

As at December 2007, the top 10 Countries for Malaysia's Exports of Construction Services are:

No.	Country	No. of Projects	Value (RM billion)
1.	Saudi Arabia	8	22.4
2.	India	72	15.4
3.	United Arab Emirates	32	9.8
4.	People's Republic of China	33	3.8
5.	Qatar	9	3.3
6.	Sudan	20	2.9
7.	Thailand	39	2.6
8.	Bahrain	9	2.2
9.	Lao PDR	1	2.1
10.	South Africa	3	1.8

Source: Construction Industry Development Board, Malaysia

Projects secured in these countries include:

- hydroelectric power dam;
- bridges;
- roads and highways;
- airport;
- wastewater treatment plant;
- independent water and power projects; and
- property development projects, including housing, hotels and leisure and luxury residence.

The Construction Industrial Master Plan (CIMP) was launched by the Government on 13 December 2007. The CIMP is a comprehensive plan, charting the direction of the Malaysian construction industry over the next 10 years. It is intended to provide industry stakeholders with a clear direction for the Malaysian construction industry through its clearly defined vision, mission, critical success factors, strategic thrusts, recommendations and action plans.

OTHER DEVELOPMENTS

Institutions to Spearhead the Development of the Services Sector

The Malaysian Services Development Council (MSDC) and Malaysian Logistics Council (MLC) were established in January 2007 to develop and promote the services sector.

The MSDC oversees and coordinates the growth and development of the following services sub-sectors:

- business and professional services;
- distributive trade;
- construction;
- health services;
- tourism services; and
- education and training.

To assist the MSDC in implementing its work programmes, six Focus Groups were established covering the targeted sub-sectors. These Focus Groups are largely private sector-driven. Among the issues that have been deliberated by the MSDC are:

- programmes to enhance service provision in the tourism sector to help further boost tourist arrivals to the country;

- the rapid increase in the price of steel bars which is hampering companies in the construction industry;

- the shortage of skilled workers affecting all segments of the identified services sub-sectors and the need for a comprehensive human resource development programme;

- the need for coordination by the relevant Government agencies and private sector organisations when undertaking overseas promotional programmes, particularly in the education and health sub-sectors;

- rules and regulations relating to the establishment of distributive trade services in the country; and

- the need to look at progressive liberalisation in view of globalisation and various free trade agreements (FTAs) that are being negotiated by the Government.

The MLC coordinates the growth and development of services in the following sub-sectors:

- marine transport;

- land transport;

- air transport; and

- integrated logistics and supply chain management.

Five Focus Groups have been established under the MLC to implement developmental programmes. Among the issues that have been deliberated by the MLC are:

- harmonising the licensing requirement for forwarding agent activity in relation to equity and workforce;

- introducing standards for the logistics industry, incorporating safety and security;

- training and career development for the logistics industry with the view to increasing the profile of the industry;

- impact of logistics related charges on shippers' competitiveness;

- ASEAN Roadmap for integration of the logistics industry; and

- addressing the issue of the Cabotage Policy.

In order to achieve the targets stipulated under the IMP3 for the services sector, the following initiatives were undertaken:

- MITI established the Services Sector Development Division to oversee the progress of the service sub-sectors and coordinate the developmental aspect of the sector undertaken by relevant ministries and agencies.

- MIDA was given the task as the single window for the promotion of investments and to facilitate the development of selected services sub-sectors in Malaysia. Two new divisions, namely, the Logistics and Regional Operations Division, and the Business and Other Services Division, were created to undertake the additional responsibilities.

- MATRADE established a new Business Strategy Development Section with the objective to broaden the base or scope of Malaysian exports, including the export of services to various export markets.

Services Export Fund

The Professional Services Export Fund (PSEF) was launched on 28 September 2006, with an allocation of RM150 million under the Ninth Malaysia Plan. The initial scope of coverage under PSEF was limited to international bidding for studies and projects. The scope of the Fund was subsequently expanded to include promotional activities and was renamed as the Services Export Fund (SEF) in September 2007.

OUTLOOK

In tandem with the projected expansion of the Malaysian economy, the services sector is expected to register growth in 2008, albeit at a slower rate than in 2007 with the anticipated slowdown of the world economy. This sector assumed an important role in supporting the manufacturing sector and international trade and will continue to remain as the largest contributor to the country's GDP.

The move for further liberalisation in the services sector in 2008, through ASEAN (ASEAN Framework Agreement on Services), WTO (General Agreement on Trade in Services) and bilateral and regional FTAs, will not only open up markets for foreign investors in selected sectors but also offer opportunities for local service providers to tap into overseas markets. With the progressive liberalisation taking place, foreign investments in the services sector are expected to further increase in 2008. Local companies that have the capacity and capability to provide services competitively on par with international standards, for example the construction industry, will continue to pursue efforts to secure projects overseas.

Trade in services is expected to increase with on-going efforts by Malaysia to enhance the export capabilities of the services sector. Private sector initiatives will be complemented with Government support through the SEF, organising of specialised trade missions, and participation in international trade fairs and exhibitions. The services sub-sectors that would continue to contribute to increased export earnings include the tourism, education and transportation sub-sectors. Oil and gas engineering services will also continue to grow with the increase in oil and gas exploration activities arising from the higher world price of crude oil.

Box 6 .1: Services Liberalisation

Economic trends in both developed and developing countries indicate that the services sector is gaining greater importance in the world economy. The share of services to the Gross Domestic Product (GDP) of developed countries expanded to 72 per cent in 2007, from 65 per cent in 1990, and increased to 52 per cent, from 45 per cent in developing countries.

Global exports of commercial services (excluding Government services) in 2007 amounted to US$3.3 trillion, an increase of 17.8 per cent from US$2.8 trillion in 2006. Developing countries' exports of services grew at an annual rate of 8 per cent, compared with 6 per cent for developed countries during the period between 1990 and 2007. The growing importance of this sector to developing countries is evident as their share of world services exports increased to 29 per cent from 18 per cent in 1990. The services sector accounts for over 70 per cent of employment in developed countries and 35 per cent in developing countries. The foundation of the global services economy has evolved quite substantially over the past years.

The hallmark of most developed countries' economic structure is the dominance of the services sector in wealth creation, exports and employment. Developing countries have realised this potential and are focusing resources on the development of the services sector, although this development has been uneven among these countries. Nearly 75 per cent of exports of services from developing countries services exports originate from 10 countries, namely the People's Republic of China, Hong Kong SAR, India, Singapore, the Republic of Korea, Taiwan, Thailand, Turkey, Malaysia and Brazil.

Malaysia is moving towards developed country status. While the contribution of the services sector to GDP in Malaysia was relatively high at 46.7 per cent in 2007, it however has not reached its full potential. The Third Industrial Master Plan (IMP3) and the Ninth Malaysia Plan (9MP), which were both launched in 2006, have identified the services sector as the new source of growth for the country. The IMP3 projects the services sector's contribution to GDP to increase to 59.7 per cent in 2020. To achieve this target, it is projected that the non-Government services has to grow at an annual rate of 7.5 per cent, with average annual investments of RM45.9 billion during the 15-year period of the IMP3.

Developing the services sector in Malaysia has its limitations if services providers only confine themselves to the domestic market. The domestic market is too small for companies to grow and expand their business. Looking inwards would also impede productivity improvements and competitiveness. Inward-looking industries would not be able to create sufficient employment opportunities to cater for the growing number of skilled labour available in the country. The country would also lose opportunities available for wealth creation that is necessary to sustain economic growth. It is, therefore, necessary for the services industry to further build on its domestic strength and at the same time look for opportunities in overseas markets.

The services sector will gain through exposure to foreign investors. Foreign investments open up possibilities for joint ventures in the local market and joint collaboration in foreign markets in which Malaysian businesses are more familiar, such as in ASEAN. Foreign investors bring along with them best practices and new processes, including the use of the latest technology. The resultant technology transfer further enhances the competitiveness of local services providers. Foreign investors can also build additional capacity within the country and fill in the gaps in services not provided by local investors, thus strengthening the sector to take advantage of opportunities in overseas markets.

Investments in the services sector in Malaysia exceeded the targeted RM45.9 billion annually for 2006 and 2007. In 2007, investments of RM65.4 billion were recorded in this sector, compared with RM55.5 billion in 2006. Investments was largely of domestic origin as only 16.5 per cent were foreign investments in 2007. Malaysia's exports of services in 2007, valued at RM96.8 billion increased by 31 per cent, compared with RM73.7 billion in 2006.

Malaysia has to follow the path taken by the manufacturing sector to realise the full potential of the services sector as a source of growth of the economy. Malaysia benefited from the liberalisation efforts undertaken in the trade in goods during the various rounds of trade negotiations under the General Agreement on Tariffs and Trade (GATT) and later through the World Trade Organization (WTO). It opened up markets for Malaysian products through tariff reductions and the dismantlement of regulatory and non-regulatory barriers to trade. A similar approach is required for Malaysia to develop its potential as an exporter of services.

Liberalisation of the services sector in Malaysia will be undertaken through progressive liberalisation, including offers to liberalise selected sectors both in Malaysia and in markets of its trading partners. Before undertaking commitments to liberalise, it is vital that the local services industry has the capacity and capability to compete, not only domestically but internationally. To accomplish this, the Government together with the industry has identified competitive services sub-sectors to be promoted, strengthen capacity and assist them to be export-ready.

Liberalisation of services is currently being pursued in ASEAN, the WTO and in the regional and bilateral FTA negotiations. Among the steps taken to ensure Malaysian services providers' interests are safeguarded include:

- consultation with the relevant sub-sectors and regulators;
- only services sectors deemed domestically competitive are offered;
- progressive opening-up of the local market;
- the offer is accompanied by capacity building initiatives both by the Government and the foreign trading partner;
- strengthening the local regulatory framework to ensure that there is no unfair competition from foreign services providers;
- pursuing Mutual Recognition Agreements to ensure only recognised professionals are allowed to practise their trade in the respective countries; and
- mounting specialised trade missions and participation in international fairs and exhibitions in services to enable Malaysian services providers to take advantage of opportunities.

The way forward in the competitive environment is for the Malaysian services industry to strive to become international companies capable of competing with the best. If Malaysia expects others to open their markets for its services providers, Malaysia should also expect and anticipate similar requests from its foreign trading partners. Liberalisation is, therefore, a two-way process that should benefit both partners. There are gains to be made in the progressive liberalisation of the services sector. The Malaysian services sector is urged to work together with the Government by providing inputs and participating actively in trade negotiations.

Chapter 7

DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES

OVERVIEW

Small and medium enterprises (SMEs) represent 99.2 per cent of total establishments in the country as indicated by the Department of Statistics Census of Establishments 2005. In 2007, SMEs in the manufacturing sector contributed 30.7 per cent to total manufacturing output, 26.3 per cent to value added and 31.6 per cent to employment. Compared with 2006, the contribution of the SMEs to total manufacturing output in 2007 increased by 6.9 per cent, followed by increases in value added by 8.2 per cent and to employment by 2.7 per cent.

Table 7.1:
Contribution of SMEs in the Manufacturing Sector

Indicator	2007	2006	Growth (%)
Total Output			
Value (RM million)	94,356	88,265	6.9
Share to the Manufacturing Sector (%)	30.7	29.3	
Value Added			
Value (RM million)	19,251	17,798	8.2
Share to the Manufacturing Sector (%)	26.3	25.7	
Employment	413,397	402,497	2.7
Share to the Manufacturing Sector	31.6	31.2	

Source: Department of Statistics, Malaysia
Compiled by Malaysia Productivity Corporation

The increase in output by SMEs was contributed mainly by the food and beverages sub-sector amounting to 32.4 per cent, followed by the chemicals and chemical products (17.1 per cent) and metal products (12.5 per cent) sub-sectors. The three major contributors to value-added were the food and beverages sub-sector at 21.7 per cent, chemicals and chemical products (19.2 per cent) and metal products (12.9 per cent) sub-sectors.

The food and beverages sub-sector was the largest employer, representing 18.9 per cent of the total SME workforce, followed by the metal products sub-sector (13 per cent) and rubber and plastics products sub-sector (12.8 per cent).

In 2007, the Government continued to implement various support and development programmes aimed at enhancing both the capacity and capability of SMEs. In addition, the scopes of existing programmes were expanded to include SMEs in the services sector.

In 2007, a total of 16 support and development programmes was implemented by the Small and Medium Industries Development Corporation (SMIDEC), with a budget of RM74.1 million. These programmes were focused on the development of industrial linkages, accessibility to market, upgrading of skills, and adoption of technology and provision of advisory services. SMIDEC also collaborated with foreign partners from Japan, the Republic of Korea, Taiwan and Thailand in implementing capacity development programmes and market access initiatives.

To create greater awareness and improve understanding on development programmes and financial assistance available for SMEs, various outreach programmes were implemented in 2007. A total of 218 promotional activities held throughout the country, which attracted 219,904 participants. These efforts contributed to the increase in the number of applications received for financial assistance to 3,907 in 2007, compared with 2,923 in 2006. This led to the increase in the value of approvals in 2007, where RM209.3 million in grants and loans were approved.

POLICY INITIATIVES IN SME DEVELOPMENT

The National SME Development Council (NSDC), the highest policy-making body for SME development, has outlined key initiatives towards improving support for the development of SMEs. New strategies and programmes introduced in 2007 were:

- to establish the SME Central Coordinating Agency (SMECCA), that would serve as a single dedicated Government agency to coordinate, monitor and evaluate the implementation of SME programmes by relevant ministries and agencies;

- to establish the SME Marketing Committee which would consolidate the implementation of export promotion activities by various ministries and agencies. With the identification of a lead agency for each export promotion activity, participation of SMEs in these events will be more effective;

- to establish the SME Business Adviser Network (SME-NET) database which contains profiles and contact details of the available SME Business advisers. SMEs can access this information through consultations with various Government agencies, commercial banks and financial institutions; and

- to enhance the promotion of micro finance availability, the national micro finance logo was launched to increase public awareness. The micro financing scheme is available through Bank Simpanan Nasional and Bank Rakyat and facilitates access to micro finance as it does not require any collateral, has minimum loan documentation and provides fast approval.

The NSDC endorsed the 2007 National SME Development Blueprint which annually documents the programmes planned and implemented by various ministries and agencies. Since the adoption of the Blueprint Management Framework in 2005, it facilitates the coordination of SME policy planning, implementation, as well as monitoring the outcome and achievement of SME programmes. A total of RM3.7 billion had been committed for 189 programmes which focused on:

- strengthening viability of SMEs across all sectors;

- promoting Bumiputera to embark on entrepreneurship; and

- promoting development of SMEs in K-based industries.

A total of five strategic thrusts has been outlined in the Third Industrial Master Plan to further strengthen SME development. These strategic thrusts that were further divided into 25 strategies for implementation are coordinated and monitored by the Committee on SME Development, which is chaired by SMIDEC. Significant developments in 2007 include:

- introduction of the SME Competitive Rating for Enhancement (SCORE) as an assessment tool to measure the performance of SMEs and determine the types of assistance programmes to further develop the company;

- establishment of the National SME Innovation Focal Point which is a forum that serves as a platform for entrepreneurs, research institutions, financiers and relevant Government agencies to meet and discuss initiatives and programmes for developing innovation-driven SMEs; and

- formulation of a dedicated training course for the logistics sub-sector which includes certificate and diploma programmes for school leavers by the Selangor Freight Forwarders and Logistics Association (SFFLA) and SMIDEC.

SME DEVELOPMENT PROGRAMMES

Development programmes formulated and implemented by the Government are aimed to address operating issues faced by SMEs which include market access, low technological capability, low product quality, availability of skilled labour and access to financing. To address these issues, development programmes undertaken in 2007 were focused on:

- enhancing industrial linkages programme;
- facilitating market development in both domestic and foreign markets;
- improving enterprise development through the adoption of product and quality certification;
- supporting the development of human capital;
- encouraging the utilisation of technology as an enabler in production, logistics and marketing management; and
- outreach to promote programmes available for SMEs.

Industrial Linkage Programme

Under the Industrial Linkage Programme (ILP), SMEs are linked as suppliers of both products and services to large companies and multinational corporations (MNCs). The two main components of the programme are establishing linkages in both domestic and international markets, as well as enhancing the capabilities of SMEs to meet the specific market requirements. The Programme has succeeded in creating linkages for SMEs in the food and beverages, auto-parts components, chemical and chemical products and electrical and electronic products sub-sectors.

In 2007, total sales concluded from these linkages amounted to RM321.2 million, surpassing annual sales over the last 10 years. As at December 2007, a total of 722 SMEs linked to large companies and MNCs, generated cumulative sales worth RM772.9 million. The significant increase in sales was contributed by the specific project missions organised by SMIDEC, as well as linkages with a foreign research and development entity.

Market Development Programmes

The annual SME showcase, SMIDEX 2007, serves as a platform for SMEs to exhibit their products and services, was held in June 2007. SMIDEX 2007 attracted a total of 7,192 trade visitors, an increase of 9.2 per cent, compared with SMIDEX 2006. Sales amounting to RM59.9 million were recorded, compared with RM19.2 million in 2006.

The inaugural Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) SME Conference and Expo 2007 was held in December 2007 in Pulau Pinang, as part of Malaysia's commitment under the IMT-GT development initiatives. The Event contributed towards fostering closer collaboration and business networking among SMEs from Indonesia, Malaysia and Thailand.

The Exposition was participated by SMEs in the *halal* products and services, consumer products and handicrafts sub-sectors. A total of 96 companies, including 27 companies from Thailand and eight companies from Indonesia, participated in the Exposition.

During the Event, a Memorandum of Understanding was signed between SMIDEC with the Halal Development Corporation, Ministry of Cooperative and Entrepreneur Development, and JAKIM, aimed at strengthening cooperation in the development of the *halal* industry. Another Memorandum of Understanding was signed between SMIDEC, JAKIM and a private entity which aimed at facilitating market access through a specialised chain of *halal* outlets.

In an effort to assist SMEs to access foreign markets, three Specific Project Missions (SPM) had been organised to Qingdao, China, Taiwan and Bangkok, Thailand. A total of 46 SMEs participated in these missions. Besides exhibiting products and services, Malaysia's SMEs participated in business matching sessions which generated sales amounting to RM119 million.

Enterprise Development

Strengths and weaknesses of a company need to be identified in order to recommend appropriate capacity building programmes for enterprise development. To evaluate the viability of a company, SMIDEC introduced the SME Competitive Rating for Enhancement (SCORE).

Since the introduction of SCORE, a total of 528 manufacturing companies have been assessed. Initial assessment indicated that the areas of weakness include lack of quality systems, technical and financial capabilities, as well as innovation-related activities.

The assessment highlighted that the challenge towards enhancing competitiveness of SMEs is the conformance to international quality certification. In 2007, the Matching Grant for Certification and Quality Management Systems recorded a total of 497 approvals amounting to RM25.2 million, compared with only 257 approvals valued at RM10.3 million in 2006. The approvals were for:

- MS ISO 14001 certification for the conservation of the environment (147 projects);
- Hazard Analysis and Critical Control Points (HACCP) (72 projects);
- ISO 22000 for food safety (67 projects); and
- ISO/TS 16949 for the automotive sub-sector (54 projects).

Under the Acquisition of the Automotive Quality Management System projects which is funded by the Asia Pacific Economic Cooperation (APEC), participants are provided with assistance to obtain the ISO/TS 16949. A total of 19 SMEs in the automotive parts and components sub-sector has benefited from this programme.

In an effort to improve efficiency, reduce wastage and enhance preventive maintenance in the automotive parts and components sub-sector, the Automotive Technical Experts Assistance Programme under the Malaysia Japan Automotive Industries Cooperation was implemented. Participants of this programme are assisted to enhance productivity through the adoption of the Lean Production System (LPS). As at end of 2007, a total of 19 suppliers in the automotive sub-sector benefited from this programme and the areas of improvement recorded by the participants included :

- improvement in productivity ranging from 30 per cent to 200 per cent;
- reduction in unscheduled machine and tooling downtime from 4 days to 2 days; and
- reduction in rejection rate from 5 per cent to 2 per cent.

SMIDEC collaborates with the State Governments of Terengganu, Melaka and Pulau Pinang in implementing the Enhancement Programme for SMEs which provides integrated assistance to participating SMEs to enhance their production capacity and capability. The programme is supported by the Yayasan Pembangunan Usahawan Terengganu, Pusat Khidmat Perusahaan Kecil dan Sederhana Melaka and Penang Regional Development Authority. In 2007, there were 70 approvals under this programme valued at RM7.5 million, compared with only 13 approvals valued at RM1.4 million in 2006. This programme provided assistance for improvements in products, processes, certifications and quality management systems, design and enhancement of product packaging, access to markets as well as advisory services.

Skills Upgrading Programme

The Government, through SMIDEC, provides assistance to companies for training of their employees through the Skills Upgrading Programme. This programme is implemented through the provision of technical and soft skills provided by 23 Skills Development Centres (SDC) and 12 Professional Training Providers (PTP). Assistance is given in the form of 50 per cent grant on the course fees. In 2007, a total of 3,965 employees was trained.

Technology and Information Communication Technology Adoption Programmes

Utilisation of appropriate technology in the operations and production process is vital for SMEs to move up the value chain. In response to this requirement, SMIDEC provides grants and loans to promote the adoption of technology and information communication technology by SMEs through two schemes, namely:

- Matching Grants for Product and Process Improvement; and
- Soft Loans for ICT Adoption.

In 2007, a total of 236 applications was approved for both of these schemes with grants and loans amounting to RM40.1 million, compared with 117 approvals totalling RM24.1 million in 2006.

In June 2007, the Technology Innovation Showcase was organised for the first time, in conjunction with 'SMIDEX 2007', held at the Kuala Lumpur Convention Centre. SMEs indicated interests to pursue work on ready-to-commercialise research projects showcased during the Event. As at end of 2007, one research project has been commercialised through collaboration between an SME and the Federal Land Development Authority (FELDA), three projects are undergoing commercialisation by two SMEs and another project is undergoing evaluation.

SMIDEC, in collaboration with a private company from the United Kingdom (UK), initiated the 'Nurturing Globally Competitive SMEs through Innovation' programme to meet the strategies of the Ninth Malaysia Plan. The Programme is aimed to develop, nurture and coach Malaysian SMEs in the information technology sector to commercialise their products and services.

Since its inception in 2006, a total of 324 SMEs participated in Stage 1, which is on opportunity identification and specification of designs, has been linked to this UK-based company, to commercialise their research in areas such as business process outsourcing and information communication technology. This initiative facilitated SMEs to secure sales contract worth RM110 million.

Benchmarking Programme
SMIDEC, in collaboration with the Malaysia Productivity Corporation (MPC), implements the Benchmarking Programme which provides an avenue for SMEs to evaluate themselves against their peers apart from adopting or emulating best practices. In 2007, the Community of Practices (CoPs) for the professional services and the logistics sub-sectors was created, in addition to the existing CoPs for Enterprise 50 winners, the grant recipients, SMEs in retail business and women entrepreneurs.

Enterprise 50
The Enterprise 50 Award Programme, an annual programme, held to recognise the achievements of home-grown companies in the attainment of excellence in the management and operations of their businesses. Nominated companies are assessed and benchmarked based on their financial capability, operations and management acumen. A total of 143 nominations was received in 2007, of which 125 were SMEs. SMEs comprised six among the top 10 winners of the Enterprise 50 Award Programme 2007, compared with only two in 2006.

Outreach Programme
In 2007, the Government continued to organise promotional activities which include seminars, workshops, exhibitions and briefings. Three seminars, aimed at providing information on the types of assistance and incentives available to SMEs, were organised in Kuala Lumpur, Johor Bahru and Kedah, attracted a total of 3,193 participants. A total of 48 workshops and technical briefings was conducted in various states in 2007. Information on specific topics such as financial assistance and management skills were disseminated to 15,546 participants.

SME Information and Advisory Centre
SMIDEC provides relevant information related to SME development through its virtual information centre at www.smidec.gov.my. The site also supports on-line applications and company registrations. In 2007, the site recorded a total of 201,792 hits, while a total of 532 companies applied for financial assistance and 2,866 companies registered on-line.

The Business Advisory Services (BAS) Session, conducted daily at SMIDEC, provides individual consultations to SMEs on the Government's assistance and development programmes. In 2007, a total of 4,332 companies attended the BAS sessions, compared with only 2,922 companies in 2006. Apart from the website and BAS sessions, SMEs can access information on the Government's assistance programmes via its toll-free Info-Line (1-300-88-1801).

REGIONAL COOPERATION

SME Programmes under ASEAN
The ASEAN Economic Community (AEC) Blueprint (2008-2015) serves as a guide for ASEAN towards achieving the AEC by 2015. One of the key deliverables related to SME development is the establishment of an SME financial facility in each ASEAN Member Country (2010-2011). Malaysia and Brunei Darussalam will co-lead the implementation of this project under the ASEAN SME Working Group (SMEWG) which is scheduled to be completed by 2011.

In January 2007, SMIDEC in collaboration with MPC and Japan's Association for Overseas Technical Scholarship (AOTS), organised the 'Benchmarking for Best Practices in Total Quality Management for Enhancing the Growth and Competitiveness of SMEs in ASEAN'. A total of 23 participants shared their experiences and a framework was formulated based on the requirements of respective participating countries.

On 19 September 2007, Malaysia organised a Workshop on 'ASEAN Automotive Activity Project'. During this Workshop, the Automotive Manufacturers and Assemblers (AMA) conducted a survey to identify sub-contract requirements for SMEs and assess the capabilities of SMEs in meeting the requirements of suppliers. As a follow-through, a Regional Expert Workshop-ASEAN SME Automotive Project was held from 13-14 December 2007 in Bangkok, Thailand. Participants to the Workshop were exposed to the requirements and specifications of AMA to be met by suppliers. These requirements are to be incorporated into the SME on-site due diligence and product and management system audit before these companies can be considered as approved suppliers.

As the needs and requirements of the microenterprises differs compared with the SMEs, Malaysia participated in the ASEAN-Japan Policy Workshop on 'SME Development (Micro and Small Enterprise Finance)' held in Bandar Seri Begawan, Brunei Darussalam from 6-7 February 2007. The workshop exposed participants to the evaluation method of project proposals to assess companies that do not have proper business records.

SME Programmes under APEC
Through participation in the various capacity building programmes under APEC, Malaysia benefited in gaining experiences to support the creation of a business environment which is more conducive to the growth of SMEs. Other benefits included determining strategies in accelerating internationalisation, creating self-reliant SMEs, enhancing market access through e-commerce and building capacity for the SME innovation policy. These programmes included:

- APEC Capability Building Seminar on Ease of Doing Business: Starting a Business on 7 March 2007 in Hobart, Australia;
- APEC Seminar on Best Practices for SME's Internationalisation from 24-26 July 2007 in Santiago, Chile;
- APEC 'One Village One Product' (OVOP) Training Workshop on E-Commerce from 20-24 August, 2007 in Taiwan;
- The Second APEC OVOP Seminar from 24-25 October 2007 in Fukuoka and Oita, Japan; and
- APEC SME Innovation Leader Workshop 2007 from 6-15 November 2007 in the Republic of Korea.

Asia-Europe Meetings (ASEM) SME Ministerial Meeting
The inaugural Asia-Europe Meetings (ASEM) SME Ministerial Meeting was held from 30-31 October 2007 in Beijing, the People's

Republic of China with the participation of 45 Member Countries. The Beijing Declaration on Strengthening Cooperation among ASEM Members on SMEs was endorsed to promote the development of SMEs by reinforcing economic and trade cooperation, enhancing innovative capability and increasing employment to attain social affluence. The Ministers agreed on the establishment of a Senior Officials Meeting to coordinate future work programmes.

SME Programmes under the Organization of Islamic Conference
The Malaysia Technical Cooperation Programme (MTCP) has been organised for officials from agencies responsible for SME development in the Organization of Islamic Conference (OIC) Member Countries from 19-27 March 2007. Participants from 19 OIC Member Countries, including Algeria, Indonesia, Morocco and Palestine participated in this Programme. The training programme was formulated with the objectives to share Malaysia's policies, strategies and incentives in SME development, stimulate exchange of experiences in best practices among participants and establish networking between SMIDEC and agencies responsible for SME development in OIC Member Countries.

The training programme for women entrepreneurs among OIC Member Countries was held from 29 May-8 June 2007 in Kuala Lumpur. Participants from 16 countries, including Bosnia and Herzegovina, Djibouti, Kyrgyzstan, Maldives and Syria, participated in the programme. This programme serves as a platform to impart knowledge on best business practices to women entrepreneurs. The participants also participated in the SME Convention, exhibition and business matching sessions during SMIDEX 2007.

Bilateral Programmes
The annual Training Programme for SME Managers has been organised in collaboration with the Small Business Corporation (SBC) of the Republic of Korea since 1998. The programme introduces participants to the best business administration practices in the Republic of Korea, strengthens cooperation between Malaysian and Korean SMEs, as well as promotes business networking. As at 2007, a total of 165 SME managers has participated in this programme. Business matching sessions were introduced in 2007, involving 14 Malaysian SMEs and 31 Korean companies, recorded potential sales amounting to RM8.1 million.

In July 2007, SMIDEC signed two Memoranda of Understanding (MoU) with the SBC of the Republic of Korea and the Organisation for Small and Medium Enterprises and Regional Innovation, Japan (SMRJ). The focus of these MoUs is on fostering cooperation in the development of SMEs through sharing of expertise and information, as well as initiation of business networking, industrial linkages, attachment programmes and other technical collaborations.

PERFORMANCE OF FINANCIAL ASSISTANCE SCHEMES

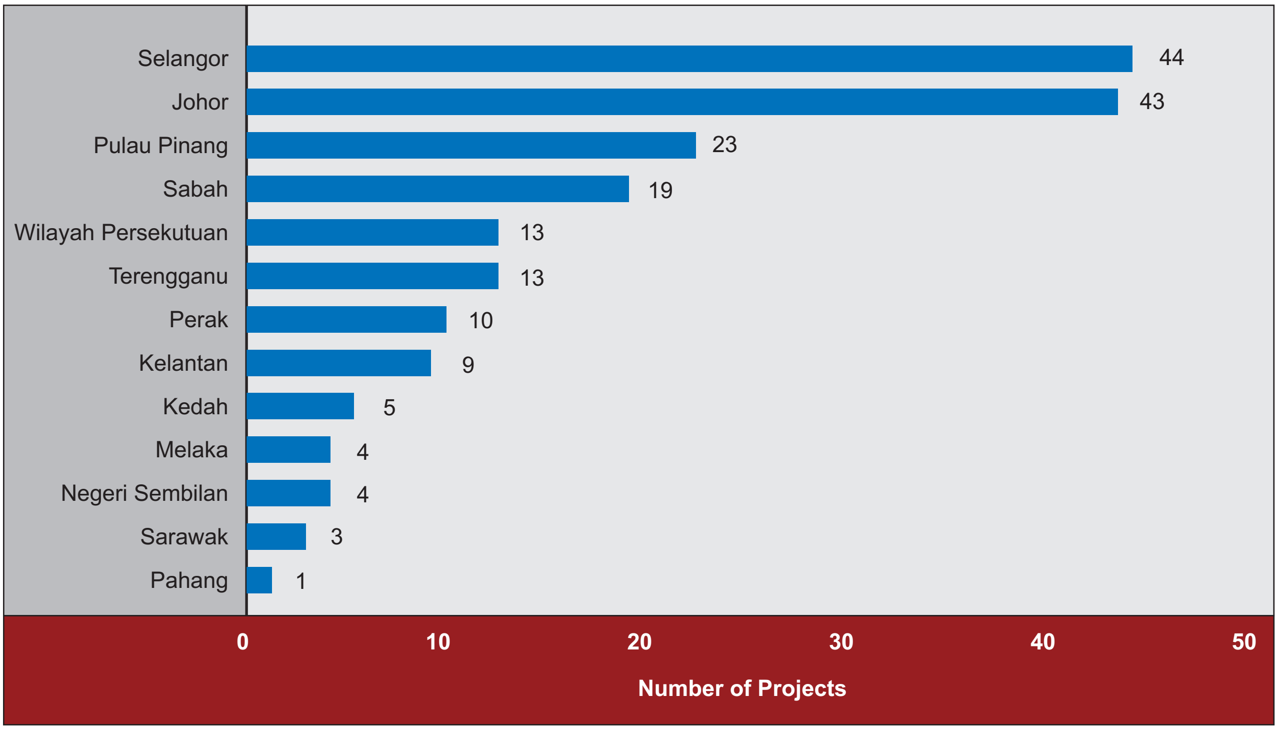
In 2007, SMIDEC disbursed RM213.7 million out of the total allocation of RM463 million under the Ninth Malaysia Plan (9MP) for financial assistance. Of this, RM146.1 million was disbursed as soft loans, while RM67.6 million were grants under the various schemes.

Soft Loan Schemes
SMIDEC provides three soft loan schemes, namely the Soft Loans for SMEs (SLSME), Soft Loans for Factory Relocation (SLFR) and Soft Loans for ICT Adoption (SLICT). In 2007, a total of 191 applications was approved amounting to RM125.7 million, compared with 148 approvals valued at RM64.5 million in 2006.

SMEs based in Selangor recorded the highest project approvals with 44 approvals, amounting to RM32 million. This was followed by Johor and Pulau Pinang with 43 and 23 approvals, valued at RM28.5 million and RM17.2 respectively.

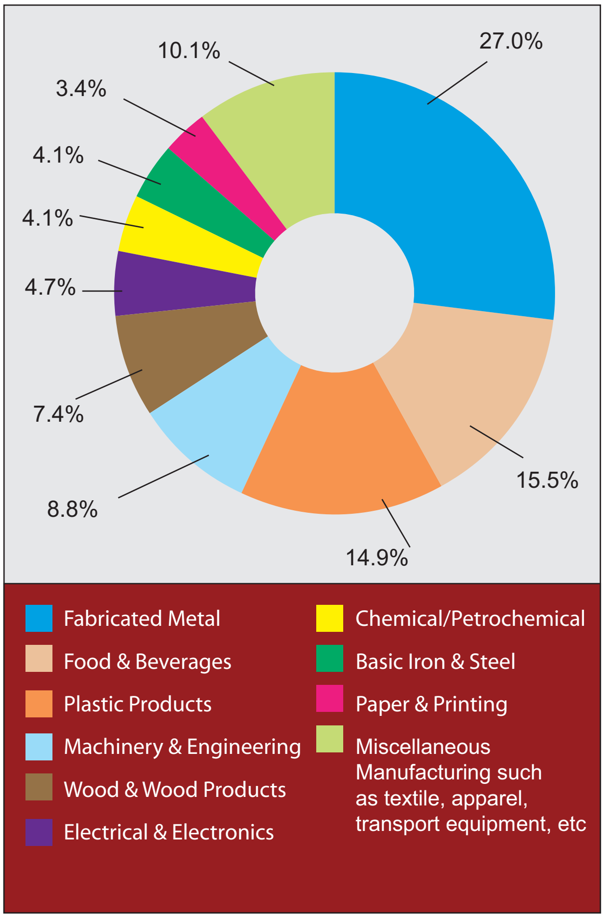
The highest number of approvals were recorded by the fabricated metal sub-sector

Chart 7.1:
Approval of Soft Loan Schemes by State, 2007



Source: Malaysian Industrial Development Finance Berhad

Chart 7.2:
Approval of Soft Loan Schemes by Sub-Sector, 2007



Source: Malaysian Industrial Development Finance Berhad

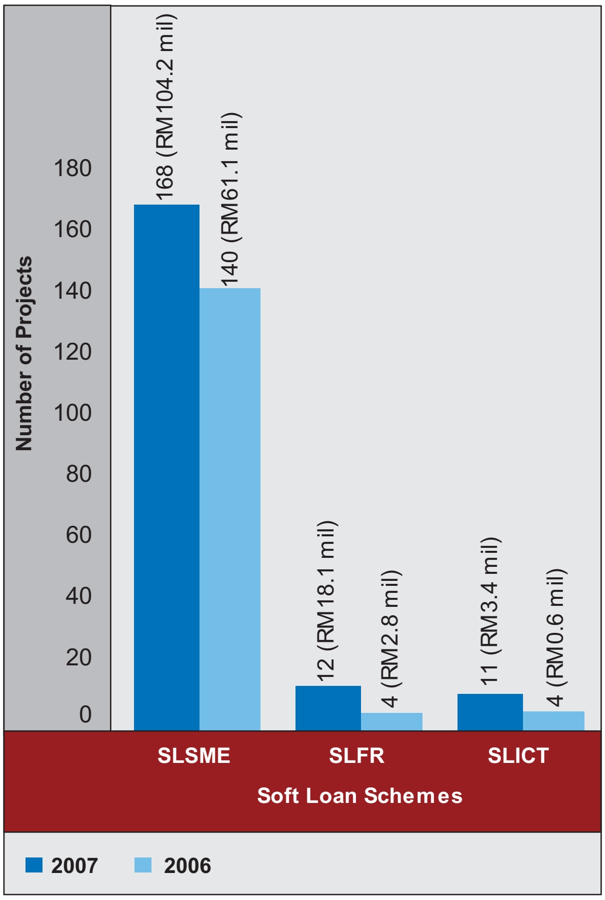
with 40 approvals amounting to RM22.8 million, followed by the food and beverages (23 approvals, RM18.4 million) and plastic products (22 approvals, RM13.3 million) sub-sectors. The food and beverages sub-sector recorded an increase of more than 100 per cent in value, compared with RM9 million in 2006.

The SLSME scheme received the highest number of applications as it provides financing for working capital, project implementation and purchase of fixed assets. In 2007, the SLSME recorded 168 approvals amounting to RM104.2 million, compared with 140 approvals totalling RM61.1 million in 2006.

In 2007, SMIDEC relaxed the criteria of the SLFR scheme, whereby the applicants are no longer required to terminate operations in an existing location prior to the relocation. This flexibility resulted in attracting more applications. In 2007, there were 12 approvals amounting to RM18.1 million, compared with only four approvals in 2006.

Increased promotion of the SLICT for the services sector also contributed to the increase

Chart 7.3:
Approval of Soft Loan Schemes, 2006-2007



Source: Malaysian Industrial Development Finance Berhad

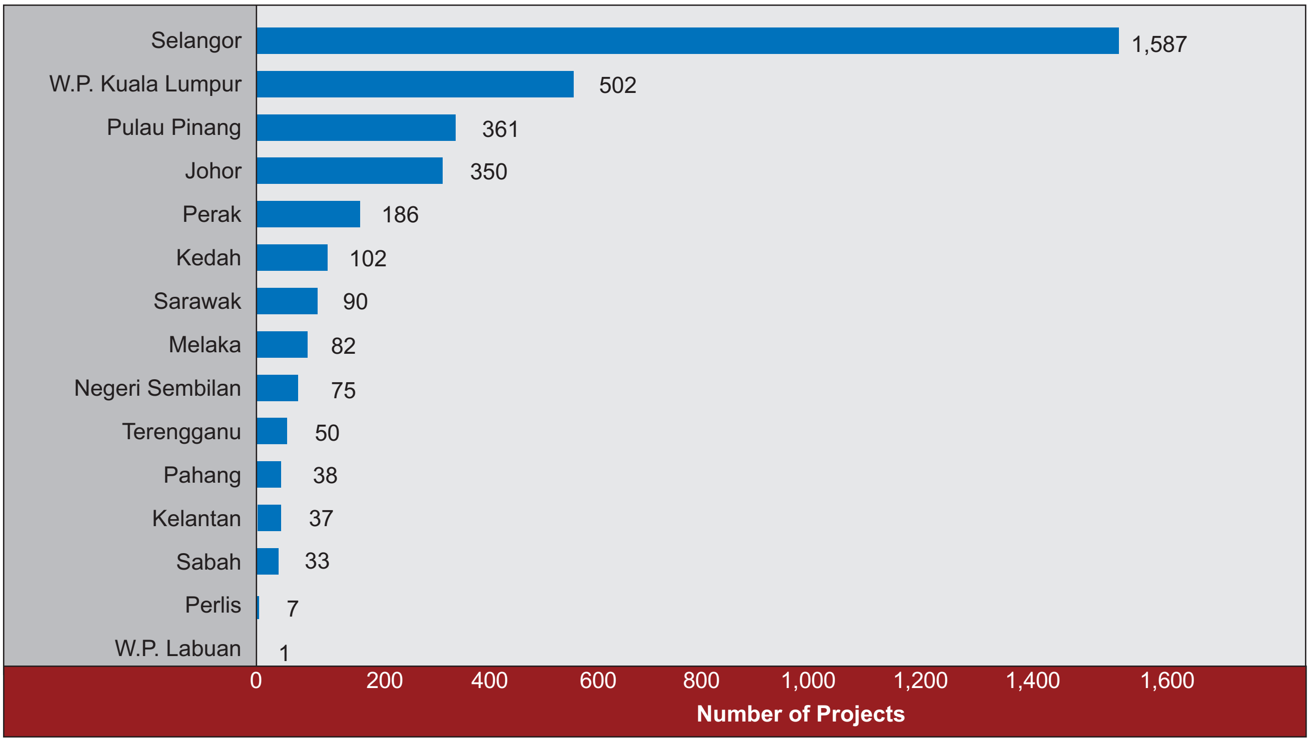
in the applications for the Scheme. At the end of 2007, a total of 11 approvals were recorded amounting to RM3.4 million, compared with only four in 2006.

Grant Schemes

In 2007, a total of 3,501 projects, amounting to RM116 million were approved, compared with 2,331 projects in 2006. The highest approvals were recorded for the Market Development Grant scheme with approvals of 2,196 projects, representing 62.7 per cent of total approvals. Among the beneficiaries of the grant were SMEs in the food and beverages, fabricated metal and IT-related services. This was followed by 510 approvals for the Matching Grant for Business Start-up amounting to RM18.6 million and 240 approvals for the Matching Grant for Certification and Quality Management Systems valued at RM14.3 million.

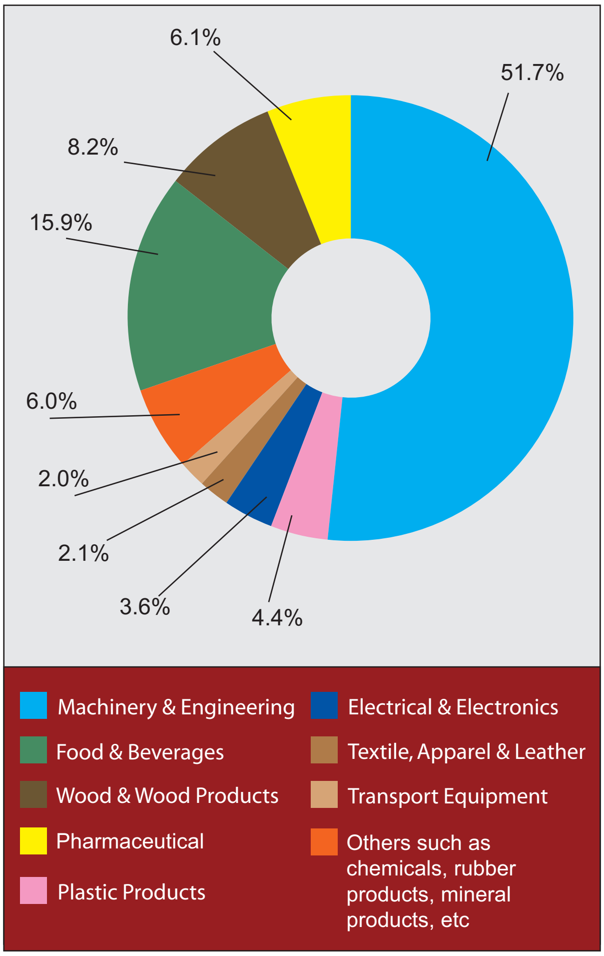
In 2007, the Matching Grant for Business Start-up recorded a significant increase in the uptake rate, largely due to the expansion of the scope of the scheme. Previously, only

Chart 7.4:
Approval of Grant Schemes by State, 2007



Source: Small and Medium Industries Development Corporation

Chart 7.5:
Approval of Grant Schemes by Sector, 2007



Source: Small and Medium Industries Development Corporation

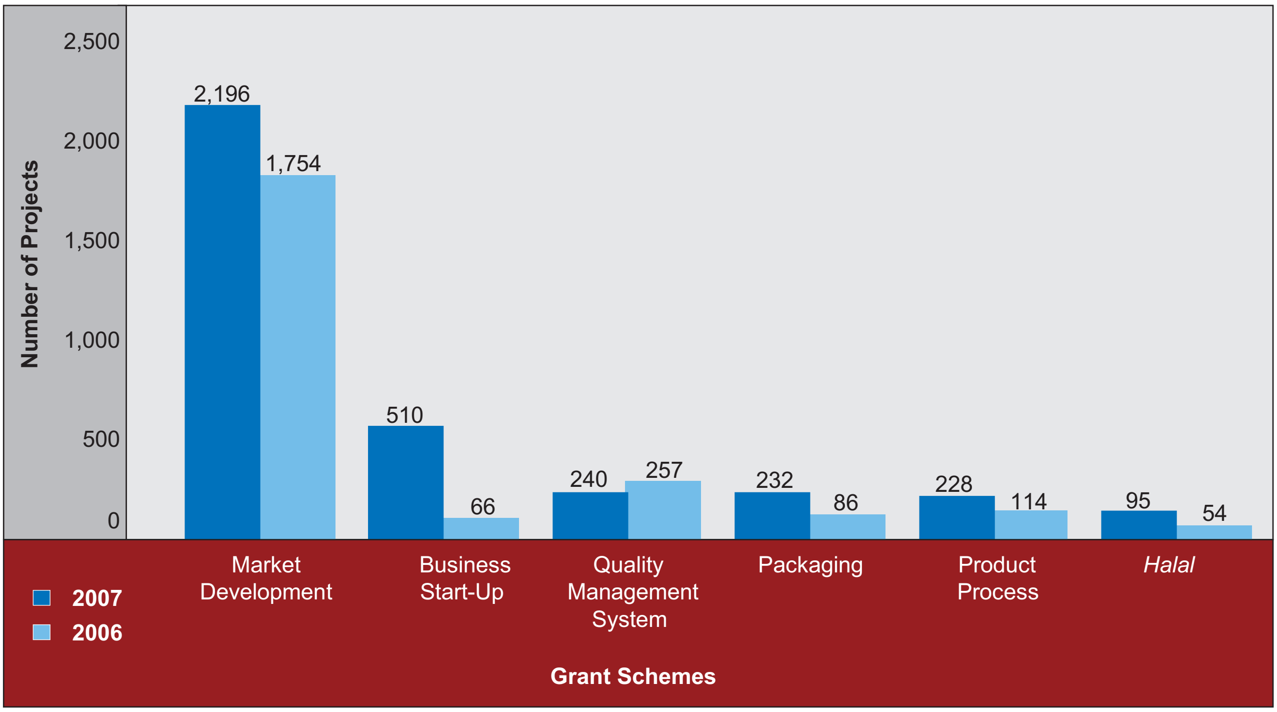
SMEs in operations for less than six months were qualified to apply. However, in 2007, this condition was revised to include SMEs in operations for not more than 12 months.

In terms of approvals by state, Selangor recorded the highest uptake in 2007, with 1,587 projects (RM44.4 million), followed by Wilayah Persekutuan Kuala Lumpur with 502 projects (RM17.3 million), and Pulau Pinang with 361 projects (RM17 million).

The food and beverages sub-sector remained as the largest beneficiary of the grant schemes with a total of 795 projects approved amounting to RM30.9 million, compared with 484 approvals amounting RM14.3 million in 2006. This was followed by wood and wood products with 412 approvals amounting to RM7.8 million and the pharmaceutical sub-sector with 303 projects amounting to RM6.8 million.

In an effort to support the SMEs that were badly affected by floods at the end of 2006 in Johor, the Special Assistance Grants for SMEs Affected by Floods was initiated by the Government in January 2007. Under this programme, SMEs were given assistance in the form of grants of up to 80 per cent to

Chart 7.6:
Approval of Grant Schemes, 2006-2007



Source: Small and Medium Industries Development Corporation purchase machinery and equipment. As at end of 2007, a total of 236 out of 296 applications received were approved with grants amounting to RM8.3 million.

OUTLOOK

In 2008, a total of 198 development programmes with approved allocation of RM4.5 billion, focuses on enhancing access to financing for SMEs, will be implemented by various ministries and agencies. These programmes are aimed at enhancing capacity and capability, strengthening infrastructure support and facilitating access to financing.

The appointment of SMIDEC as the SMECCA would also result in better coordination of SME development programmes implemented by various ministries and agencies. With the establishment of a dedicated agency, greater outreach and promotion of SME development programmes can be made, thus benefiting more SMEs. Ultimately, it will also result in an optimum utilisation of resources in supporting the growth of SMEs.

Box 7.1 : SME Competitive Rating for Enhancement (SCORE)

INTRODUCTION

SMEs in Malaysia constitute 99.2 per cent from the total number of establishments in the country[1]. Thus SMEs can be categorised as the backbone of the economy and an engine of growth. It is vital for the Government to take necessary actions to harness the potential of this sector. This would necessitate the identification of capable SMEs using proper identification tools.

SME COMPETITIVE RATING FOR ENHANCEMENT

The SME Competitive Rating for Enhancement (SCORE) was introduced in July 2007 as an assessment tool to identify the areas of strengths and weaknesses of SMEs. This tool enables SMIDEC to identify potential SMEs for assistance and improve their areas of weaknesses. Participating SMEs are rated based on their level of capabilities and capacities. Ensuing from this, each company is given a tailor-made integrated development plan by SMIDEC.

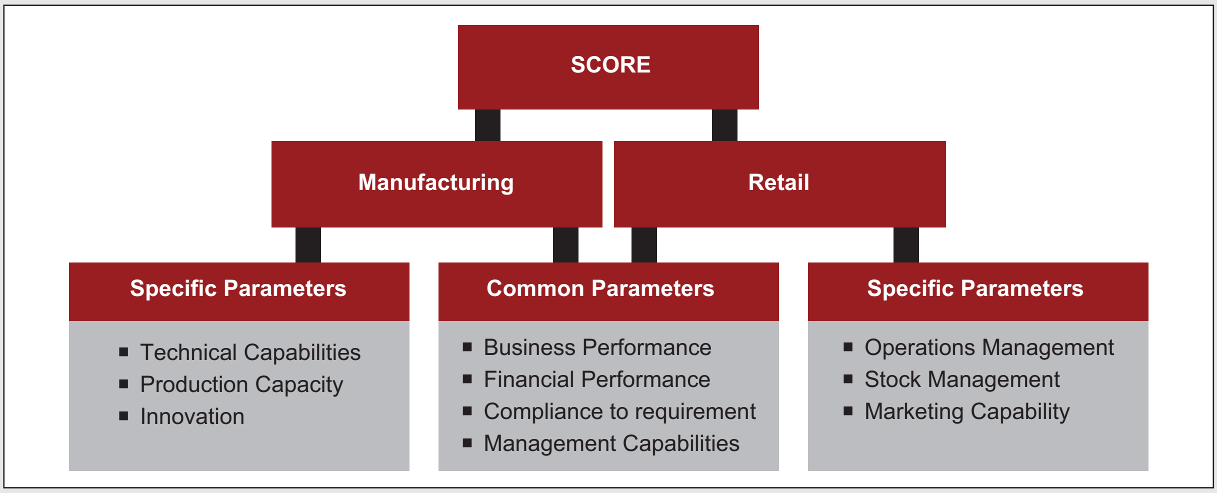
Assessment

The assessment of SMEs using SCORE is based on seven parameters that look into both the operational and management capability of a company. The SCORE was initially developed for activities related to manufacturing operations and processes with an emphasis on technical capabilities, production capacity and innovation-related activities. However, it was extended to cover SMEs in the retail sub-sector. In collaboration with Perbadanan Usahawan Nasional Berhad, SMIDEC improved the assessment criteria to suit the SMEs in the retail sub-sector. Parameters established for both the manufacturing sector and the retail sub-sector are:

- Technical capability;
- Production capacity;
- Innovation;
- Business performance;
- Financial performance;
- Compliance to requirements;
- Management capabilities;
- Operations management;
- Stock management; and
- Marketing capability.

[1] *Census of Establishment 2005, Department of Statistics, Malaysia.*

Figure 1:
SCORE Parameters for Manufacturing Sector and Retail Sub-Sector



Star-Rating System

SMEs are categorised based on a star-rating ranging from 0 to 5 stars, indicating the different levels of capacities and capabilities of a company. From the results of the assessment of a company, a radar diagram is generated to illustrate its areas of strengths and weaknesses. Based on the evaluation, a personalised and integrated development plan comprising of financial support and grant schemes will be offered by SMIDEC.

Integrated action plans are recommended for SMEs that are rated between 0 - 3 stars to improve their capacities and capabilities based on the areas of weaknesses identified through SCORE. SMEs rated 4 and 5 stars are deemed to be export-ready and are recommended to Malaysia External Trade Corporation (MATRADE) for participation in trade missions abroad or linked to multinational corporations (MNCs) and other large companies under the global supplier programme. As at February 2008, a total of 31 SMEs has been linked to a hypermarket as suppliers.

Figure 2:
Interpretation of the Star Rating System

Number of Stars	Interpretation
0-star	Very basic operations, manual process and informal negative average growth.
1-star	Manual process, minimal quality management system in place and negative average growth.
2-star	Semi-automated process, basic certification/compliance, minimal activities in product and process improvement and minimal average growth.
3-star	Extensive automation, quality management system in place, product and process improvement carried out, IPR registered and moderately ready for export compliance certification.
4-star	Fully automated, high potential for export, high investment in product and process improvement and with certification for export e.g. CE Marking, GMP, HACCP.
5-star	Have good branding, packaging, already exporting to other countries and compliance to exporting countries certification requirements.

Figure 3:
Examples of Radar Diagram for SCORE Assessment

Figure 3.1: 0-Star Company

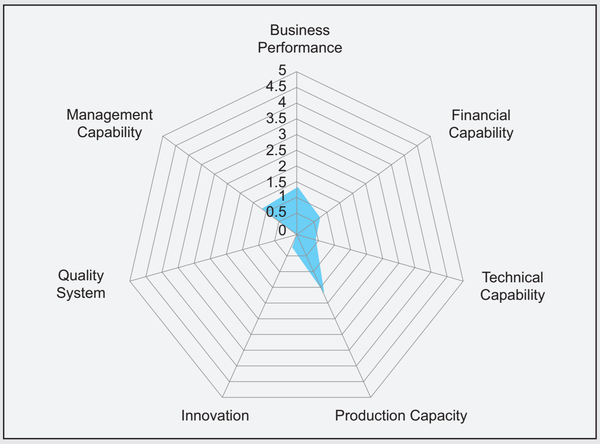


Figure 3.2: 1-Star Company

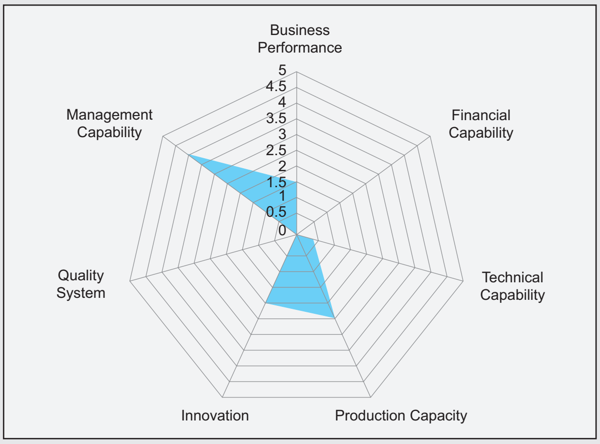


Figure 3.3: 2-Star Company

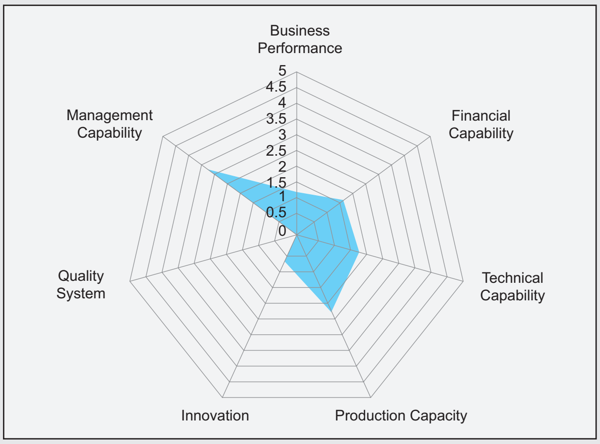


Figure 3.4: 3-Star Company

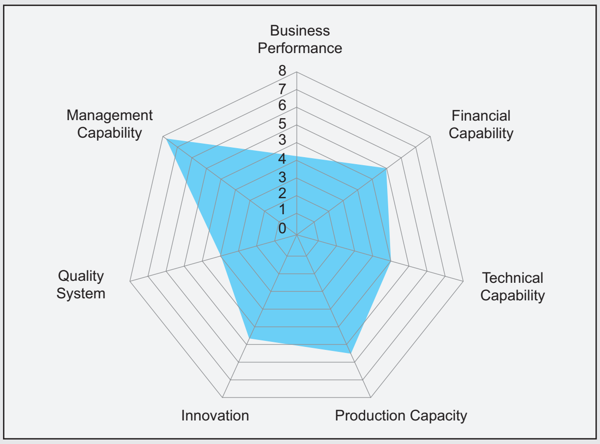
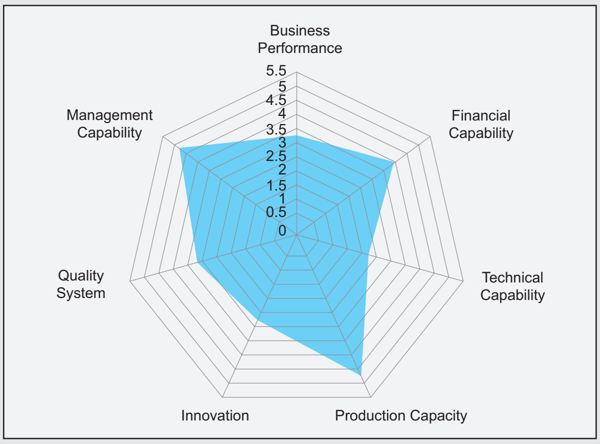


Figure 3.5: 4-Star Company



Box 7.2 : National SME Innovation Focal Point

INTRODUCTION

Both the Ninth Malaysia Plan (9MP) and the Third Industrial Master Plan (IMP3) emphasise the development of innovation-driven SMEs. In an effort to realise this policy, the National SME Innovation Focal Point chaired by SMIDEC was established in December 2006. The Focal Point provides a collaborative platform between industry associations, entrepreneurs, research institutions, financiers (including venture capitalists) and relevant Government agencies to discuss initiatives and programmes to nurture and support the development of innovation-driven SMEs. The Focal Point also assumes a coordinating role to ensure the research and development activities undertaken by universities and research institutions are aimed towards supporting industry requirements which ultimately will benefit the SMEs.

SCOPE OF WORK

The National SME Innovation Focal Point has identified and agreed to focus their work in the four key areas as follows:

- exchange of information on results of research and development (R&D) and design and development (D&D) activities undertaken at research institutions;
- collate and disseminate information on current trends of available production and process technologies, as well as best practices;
- facilitate commercialisation of R&D findings by SMEs through collaborative awareness programmes and funding from financial institutions, capital market and Government agencies; and
- monitor the uptake of R&D commercialisation and provision of financial support.

MAJOR INITIATIVES IMPLEMENTED

Technology Database

A Technology Database has been established in collaboration with the Malaysian Science and Technology Information Centre (MASTIC). A total of 276 research findings that are ready for commercialisation are available in the database. These research findings are pre-matched with suitable financial assistance to facilitate commercialisation by SMEs.

Beside this, SMIDEC and MASTIC will collaborate in establishing a database on the profiles of researchers on SMIDEC’s website. This database will provide information on expertise available for SMEs to refer to for consultancy services. The Technology Database and database on researchers’ profiles can both be accessed through SMIDEC’s portal at www.smidec.gov.my, under ‘TECHMART’.

Technology Foresight Programme

Technology Foresight studies undertaken by various Government agencies are being consolidated to identify the gaps in technology information. These Technology Foresight programmes are disseminated to SMEs to provide them with the latest information on the most appropriate technologies, including Technology Mapping in the various industry sub-sectors.

Currently, three Technology Roadmaps with the action plans and programmes have been completed. These Roadmaps are:

- Technology Foresight Programme for the electrical and electronics industry;
- ICT Roadmap; and
- Biotechnology Roadmap.

Technology Innovation Showcase

A Technology Innovation Showcase was organised, in conjunction with ‘SMIDEX 2007, on 6–8 June 2007 at the Kuala Lumpur Convention Centre. From a total of 53 ready-to-commercialise research projects showcased during the Event, 22 projects attracted the interest of SMEs. These projects will be packaged with the relevant financial assistance to facilitate the uptake by SMEs. To date, one project has been commercialised by an SME and FELDA.

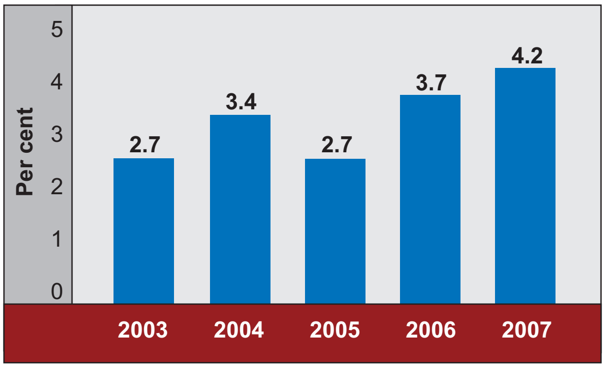
Chapter 8

PRODUCTIVITY IN THE MANUFACTURING AND SERVICES SECTORS

OVERVIEW

Malaysia registered a relatively higher productivity growth of 4.2 per cent to RM48,133[1] in 2007, compared with 3.7 per cent in 2006. The improvement in productivity was attributed to the favourable domestic business climate and pro-business policies of the Government.

Chart 8.1:
Malaysia's Productivity Growth, 2003-2007

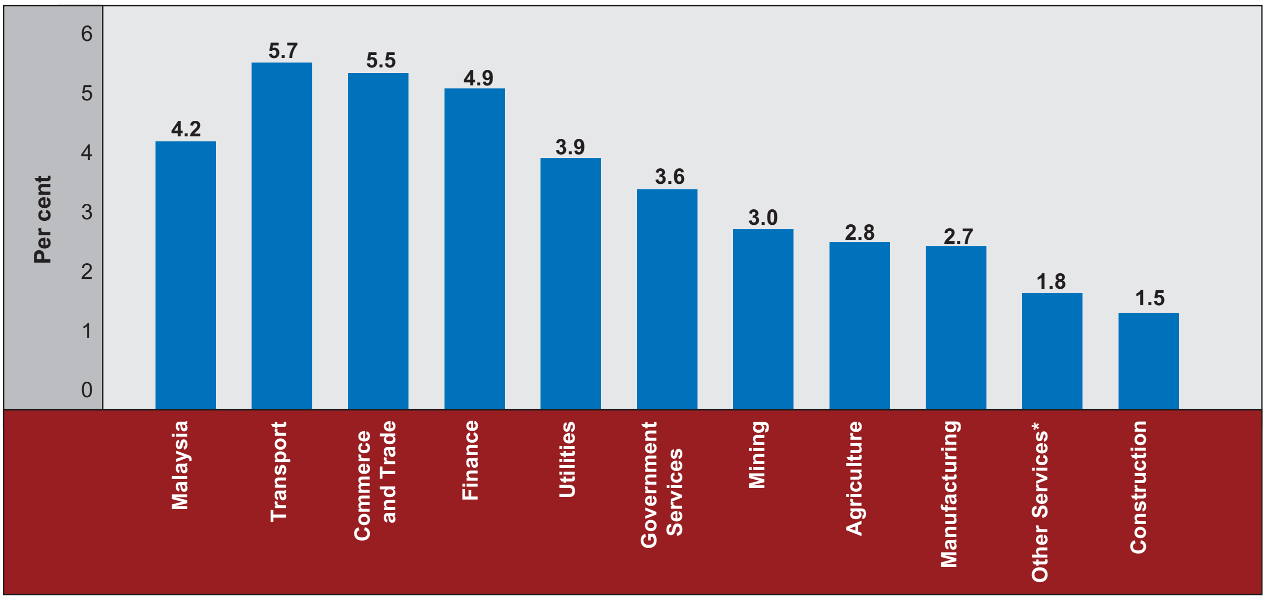


Computed from: Economic Report, Ministry of Finance, Malaysia and Economic Planning Unit, Malaysia.

The economic sectors recorded productivity growth ranging from 1.5 per cent to 5.7 per cent. In the services sector, productivity grew by 5 per cent, led by the transport sector which grew by 5.7 per cent, followed by the commerce and trade (5.5 per cent), and finance (4.9 per cent) sectors. The manufacturing sector continued to improve its performance with a productivity growth of 2.7 per cent. The construction sector showed a recovery in 2007 with productivity growing at 1.5 per cent, compared with 0.5 per cent in 2006.

Over the period of 1998-2007, the economy registered an average annual total factor productivity (TFP) growth of 1.6 per cent, contributing 32.1 per cent to the Gross Domestic Product (GDP). The TFP growth was supported by education and training (38.8 per cent), demand intensity (19.2 per cent), economic restructuring (18 per cent), capital structure (15.2 per cent) and technical efficiency (8.9 per cent).

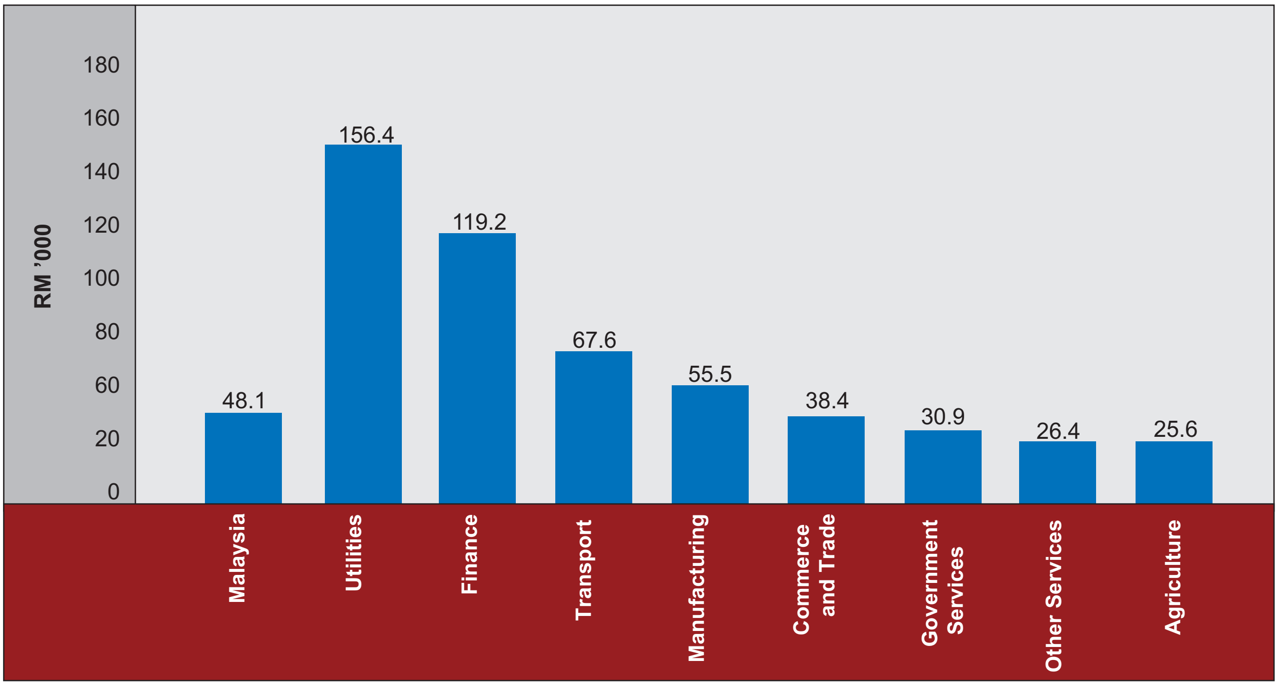
Chart 8.2:
Productivity Growth by Economic Sectors, 2007



Computed from: Economic Report, Ministry of Finance, Malaysia and Economic Planning Unit, Malaysia
Note: Other Services include community, social and personal services, product of private, non-profit services to households, as well as domestic services of households. Among the activities included in this sub-sector are sewage and refuse disposal; activities of organisations, whose members' interests centre on the development and prosperity of a particular line or business or trade; and provision of personal services.*

[1] *Value of output produced by one worker*

Chart 8.3:
Productivity Level by Economic Sectors, 2007



Computed from : Economic Report, Ministry of Finance, Malaysia and Economic Planning Unit, Malaysia.

For the period 2003-2007, the economy registered an annual TFP growth of 2.1 per cent, contributing 5.9 per cent to expansion of the GDP. The higher average annual TFP growth over this period indicates that the economy is on track to achieve the targeted TFP growth of 2.2 per cent by 2010.

The growth in TFP requires investment in education and training, technology, research and development (R&D), especially in information and communication technology (ICT) and implementation of productivity and quality management system in the production of new quality products and enhancing the quality of services.

INTERNATIONAL COMPARISON OF PRODUCTIVITY PERFORMANCE

Organisation for Economic Cooperation and Development

In 2007, countries of the Organisation for Economic Cooperation and Development (OECD) continued to attain high productivity levels due to their diversified economic structure, sophisticated technology adoption, higher innovation and more intensified R&D activities. Japan achieved a productivity level of US$81,100, while the United States of America (USA), the United Kingdom (UK) and Germany achieved the productivity level of US$79,837, US$55,155 and US$52,312, respectively. Malaysia's productivity level in 2007 was US$12,661.

However, in terms of productivity growth, Malaysia recorded better performance, with a productivity growth of 4.2 per cent which was higher than some of the OECD countries such as the Republic of Korea (3.6 per cent), the UK (2.6 per cent), Japan (1.5 per cent), the USA (1.1 per cent) and Germany (1 per cent). Some OECD countries which registered productivity growth of less than 1 per cent, include France (0.9 per cent), Sweden (0.8 per cent), Italy (0.5 per cent), Norway (0.4 per cent) and Canada (0.3 per cent).

Asia

In Asia, Malaysia continued to record higher productivity level in 2007, compared with countries such as Thailand (US$4,750), the Philippines (US$3,185), the People's Republic of China (US$2,963) and India (US$1,470). However, the productivity level is higher for Hong Kong SAR (US$67,374), Singapore (US$48,638) and Taiwan (US$39,948).

Table 8.1:
Relative Productivity Levels and Growth for Selected Countries, 2007

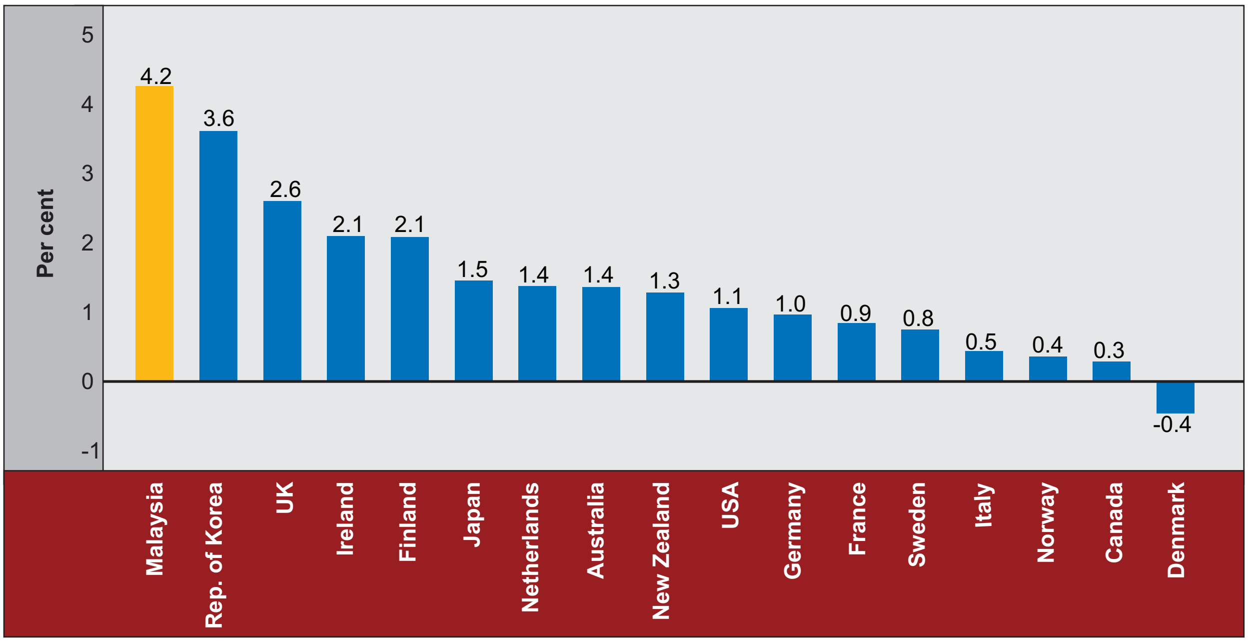
Country	Productivity Level (at 2000 Constant Prices in US$)	Productivity Growth (%)
Japan	81,100	1.5
Norway	79,829	0.4
USA	78,837	1.1
Hong Kong SAR	67,374	3.2
Ireland	65,635	2.1
Sweden	64,239	0.8
Denmark	62,775	-0.4
Finland	59,981	2.1
France	58,651	0.8
UK	55,155	2.6
Germany	52,312	0.9
Canada	50,176	0.3
Singapore	48,638	-0.9
Australia	47,363	1.5
Taiwan	39,948	3.3
New Zealand	39,447	1.7
Republic of Korea	29,985	3.6
Malaysia	**12,661**	**4.2**
Thailand	4,750	3.1
Philippines	3,185	5.1
People's Republic of China	2,963	10.6
Indonesia	2,392	3.8
India	1,470	5.4

Computed from: Economic Report, Ministry of Finance, Malaysia, various issues
OECD Economic Outlook, December 2007, Vol. 82
Country Data, The Economist Intelligence Unit
Market Indicators and Forecast, The Economic Intelligence Unit

In 2007, in terms of productivity growth, Malaysia registered higher growth than Indonesia (3.8 per cent), Taiwan (3.3 per cent), Hong Kong SAR (3.2 per cent), Thailand (3.1 per cent) and Singapore (-0.9 per cent). However, higher growth was recorded by the People's Republic of China at 10.6 per cent, India (5.4 per cent) and the Philippines (5.1 per cent). However, the high productivity growth achieved by the People's Republic of China and India was the result of robust economic growth, supported by the increasing inflow of foreign direct investment as well as further expansion in economic activities.

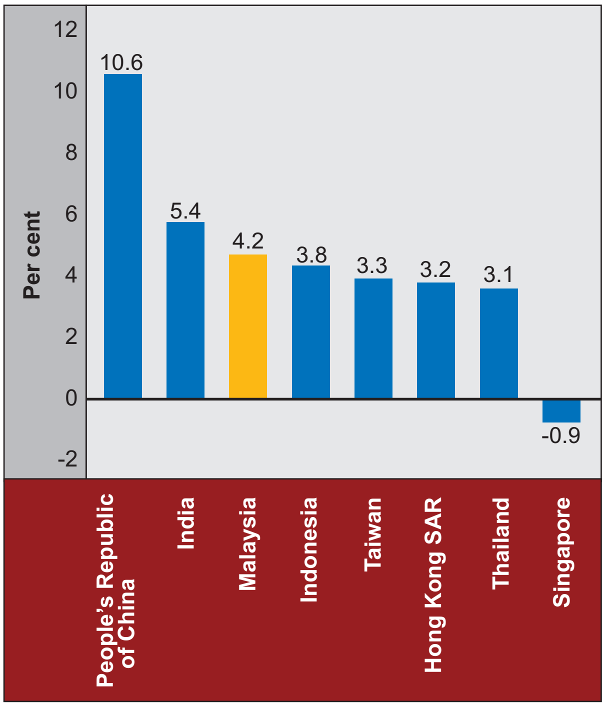
The productivity growth achieved by Malaysia led to sustained labour cost competitiveness. The cost of producing one unit of product or service in Malaysia was lower by 0.7 per cent in 2007, compared with other countries that are registering higher cost of production. These countries include the People's Republic of China which registered a 13.2 per cent increase in unit labour cost, Hong Kong SAR (2.8 per cent), Australia (2.8 per cent), Norway (2.2 per cent), the USA (1.9 per cent) and the UK (1.7 per cent).

Chart 8.4:
Productivity Growth for Malaysia and Selected OECD Countries, 2007



Computed from: Economic Report, Ministry of Finance, Malaysia, various issues
OECD Economic Outlook, December 2007, Vol. 82
Country Data, The Economist Intelligence Unit
Market Indicators and Forecast, The Economist Intelligence Unit

Chart 8.5:
Productivity Growth for Malaysia and Selected Asian Countries, 2007



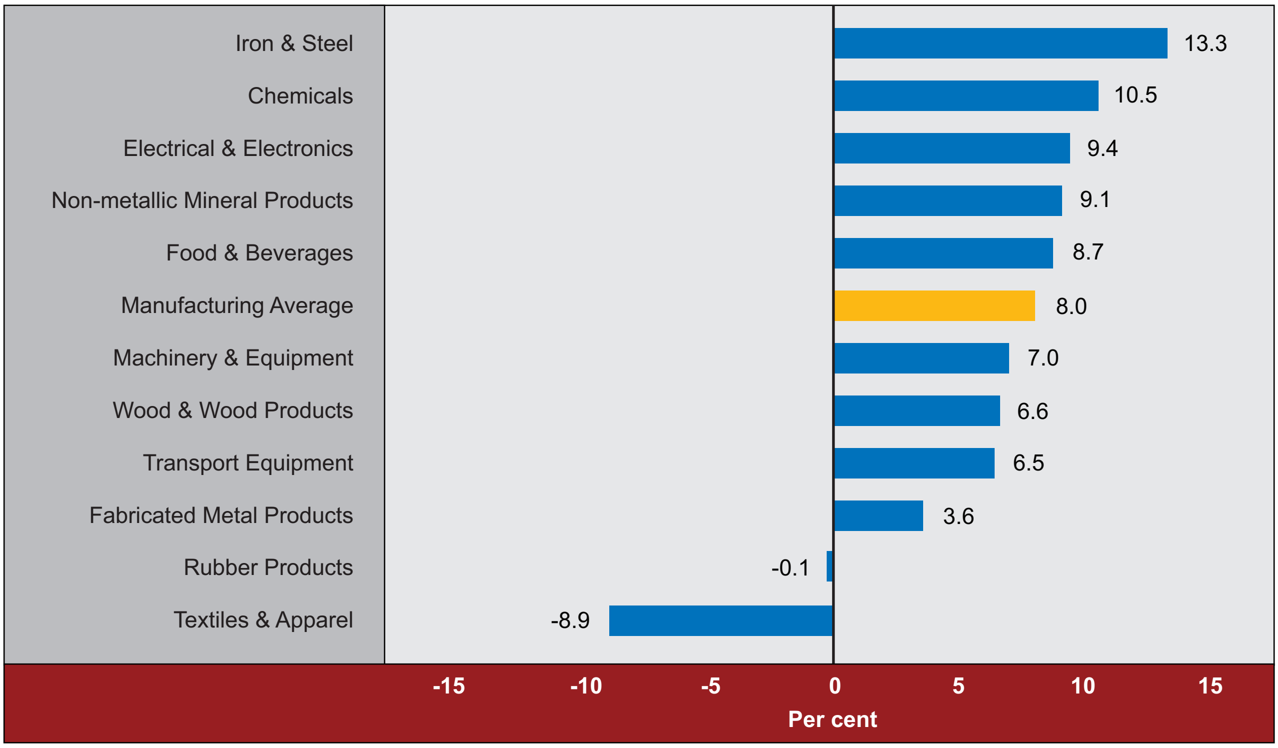
Computed from: Economic Report, Ministry of Finance, Malaysia, various issues
OECD Economic Outlook, December 2007, Vol. 82
Country Data, The Economist Intelligence Unit
Market Indicators and Forecast, The Economist Intelligence Unit

PRODUCTIVITY PERFORMANCE OF THE MANUFACTURING SECTOR

In 2007, the productivity[2] of the manufacturing sector improved by 8 per cent, compared with 6.8 per cent in 2006. The sub-sectors which registered strong growth were iron and steel, chemicals, electrical and electronics (E&E), and food and beverages[3]. The iron and steel sub-sector registered a productivity growth of 13.3 per cent in 2007 (2006: 27.1 per cent). The growth was attributed to the higher production value driven by the up-turn in construction activities.

The productivity in the chemicals sub-sector grew by 10.5 per cent. Industries within the chemicals sub-sector which contributed to the high growth were the basic chemical industries due largely to higher production of industrial gases, following increases in activities in other domestic manufacturing industries and stronger external demand.

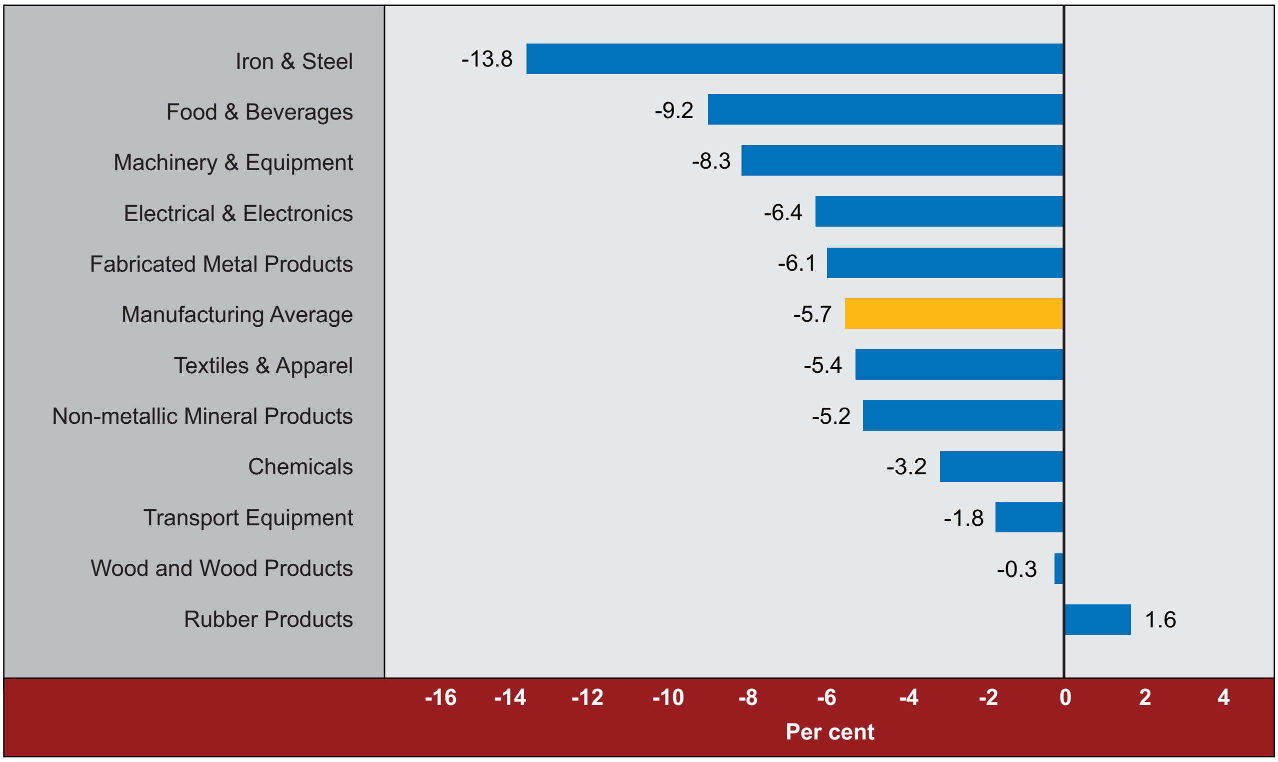
Chart 8.6:
Productivity Growth of the Manufacturing Sub-Sectors, 2007



Computed from: Monthly Manufacturing Statistics, Department of Statistics, Malaysia

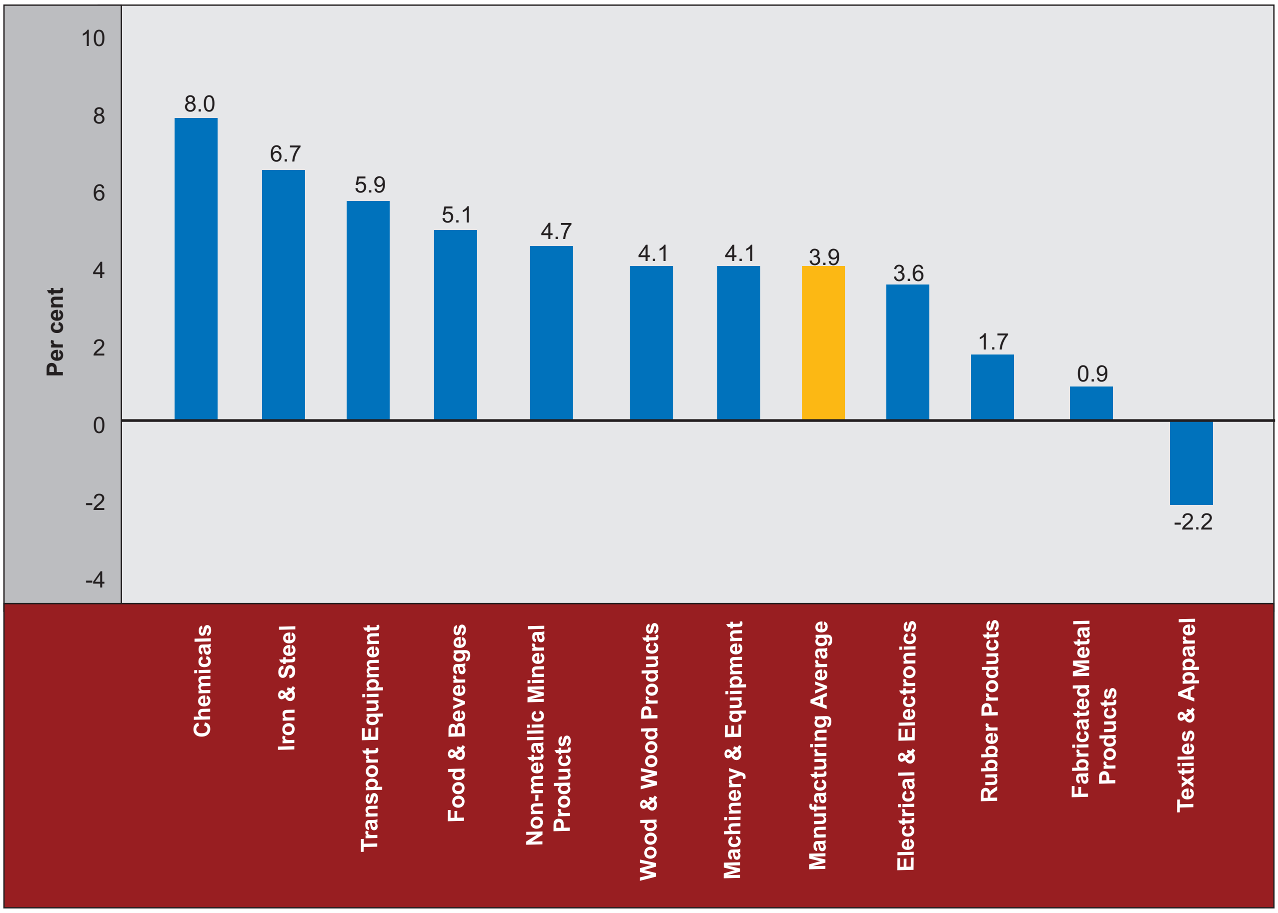
[2] *Value-Added per Employee (Nominal)*
[3] *Processed food and beverages excludes manufactures of prepared animal feed*

Chart 8.7:
Changes in Unit Labour Cost of the Manufacturing Sub-Sectors, 2007



Computed from: Monthly Manufacturing Statistics, Department of Statistics, Malaysia
Note: (-) sign indicates better performance in unit labour cost

Chart 8.8 :
Growth in Labour Cost per Employee of the Manufacturing Sub-Sectors, 2007



Computed from: Monthly Manufacturing Statistics, Department of Statistics, Malaysia

In 2007, the productivity level of the electrical and electronics industry grew by 9.4 per cent (2006: 5.5 per cent) to RM100,539, compared with RM91,930 in 2006. The higher productivity achievement was attributed to the adoption of more advanced manufacturing processes, particularly in the semiconductors sub-sector.

The food and beverages sub-sector recorded a productivity growth of 8.7 per cent in 2007, compared with 5.3 per cent growth in 2006. The growth was attributed to high output in the processing and preserving of fish and fish products, and dairy and grain mill products. High capital investments were made in these industries to keep pace with the advancement in technology and changes in consumer preference.

The labour cost competitiveness of the manufacturing sector is measured by three indicators, namely productivity, labour cost per employee and unit labour cost. To remain competitive, the growth in productivity must be higher than the growth in labour cost per employee to reduce the labour cost per unit of output. In 2007, all manufacturing sub-sectors except for rubber product sub-sector sustained labour cost competitiveness. The competitiveness of the manufacturing sector recorded an improvement of 5.7 per cent in unit labour cost.

The average labour cost per employee for the manufacturing sector grew 3.9 per cent in 2007, compared with 2.1 per cent in 2006. The sub-sectors which recorded higher growth in wage rates were chemicals (8 per cent), iron and steel (6.7 per cent), transport equipment (5.9 per cent), food and beverages (5.1 per cent), non-metallic mineral products (4.7 per cent), wood and wood products (4.1 per cent), and machinery and equipment (4.1 per cent). The increase in labour cost per employee in these sub-sectors was attributed to increasing skilled labour and higher wages, as a result of progressive efforts in capacity building and upgrading of the workforce in designing and engineering skills.

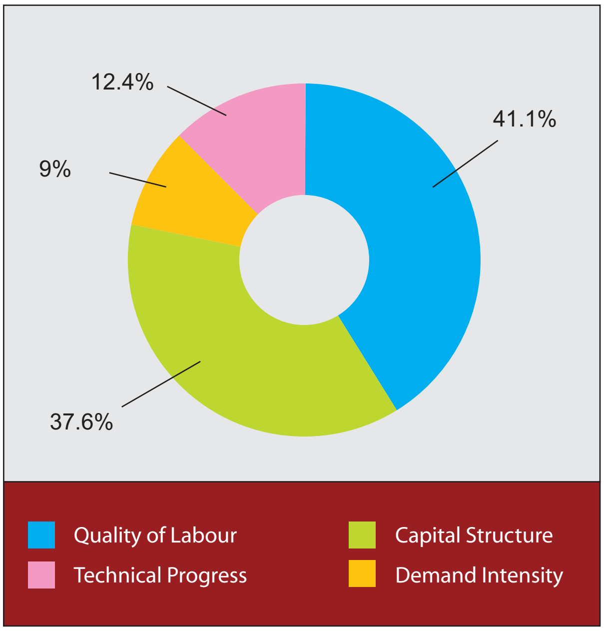
TOTAL FACTOR PRODUCTIVITY OF THE MANUFACTURING SECTOR

TFP measures the improvement in the qualitative aspects of labour and capital input and the efficiency with which these inputs work together. Improvement in TFP reflects skill enhancement, better organisation and management systems, technological advancement and improvement in methods of production, as well as the shift towards higher value-added processes and industries.

The TFP of the manufacturing sector grew by 3 per cent during the period of 2002-2007. The growth in TFP was supported by quality of labour, capital structure, demand intensity and technical progress. The quality of labour contributed 41.1 per cent to the TFP growth during the period of 2002-2007, while capital structure contributed 37.6 per cent.

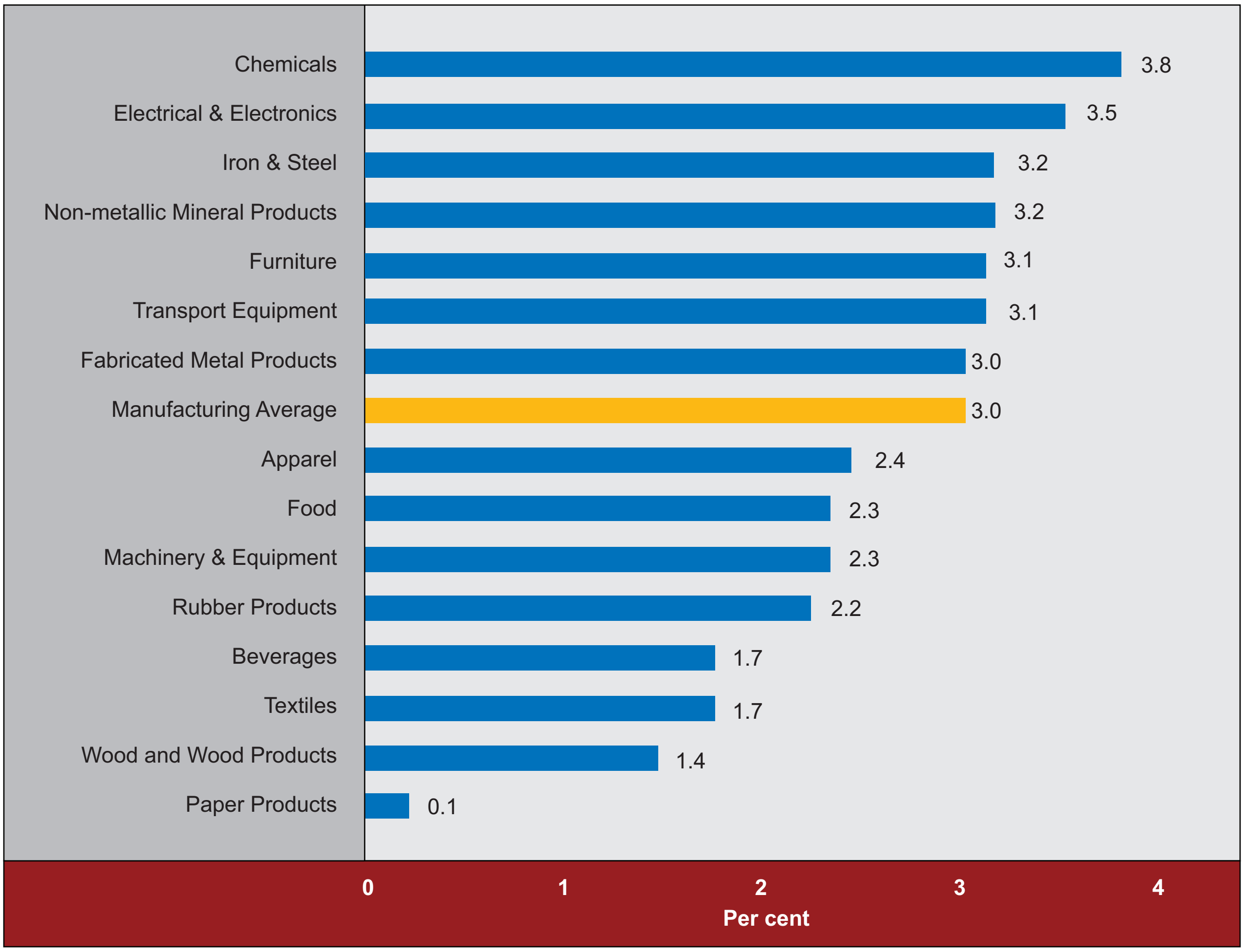
Among the sub-sectors, the TFP growth for chemicals, electrical and electronics (E&E), non-metallic mineral products, iron and steel, transport equipment, and furniture was higher than the manufacturing average of 3 per cent. The high TFP growth of 3.8 per cent for chemicals sub-sector in 2007

Chart 8.9 :
Sources of TFP Growth in Manufacturing, 2002-2007



Computed from: Annual Manufacturing Survey and Monthly Manufacturing Statistics, Department of Statistics, Malaysia

Chart 8.10:
TFP Growth of the Manufacturing Sub-Sectors, 2002-2007



Computed from: Annual Manufacturing Survey and Monthly Manufacturing Statistics, Department of Statistics, Malaysia

was a result of higher investment in ICT, training and development of human resources, improvement in technology and production process.

In 2007, the E&E sub-sector recorded a TFP growth of 3.5 per cent due mainly to the state-of-art operations complemented by skilled workers. The adoption of emerging technologies such as nanotechnology, micro-electromechanical system, photonics, wireless technologies and advanced display technology improved the production efficiency enhanced TFP growth.

The non-metallic mineral products and the iron and steel sub-sectors both recorded a TFP growth of 3.2 per cent in 2007. This was due to high capital intensive operations and higher skilled workforce which collectively contributed to higher TFP performance of these sub-sectors.

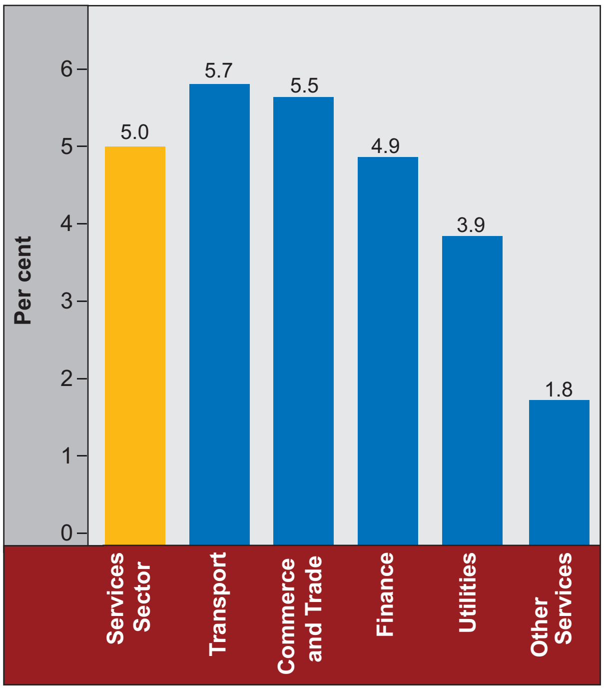
PRODUCTIVITY PERFORMANCE OF THE SERVICES SECTOR

Productivity of the services[4] sector grew by 5 per cent to a level of RM54,229 in 2007 from RM51,653 in 2006. Sub-sectors which recorded high productivity growth include transport, commerce and trade, finance and utilities.

The transport sub-sector recorded a productivity growth of 5.7 per cent to RM67,557 in 2007 from RM63,941 in 2006. The growth was attributed to the steady growth in air, sea and coastal water transport, as well as strong expansion in trade-related activities and communication services. As most of the trade activities use sea transport,

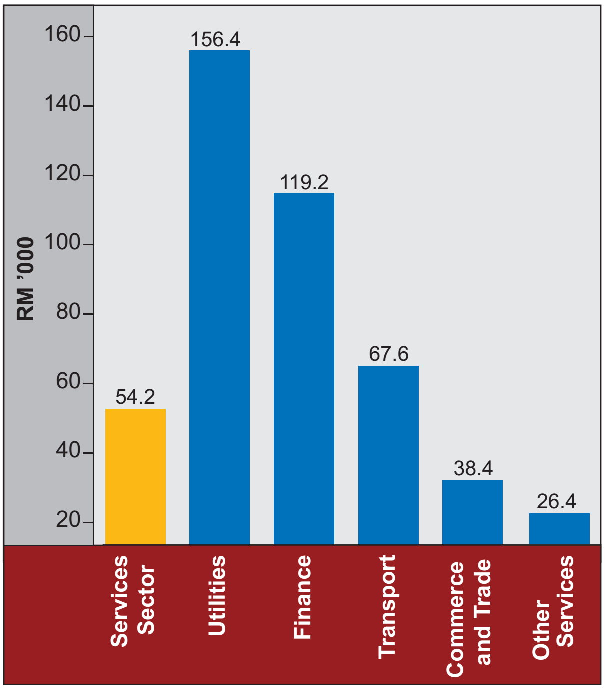
[4] *The services sector comprises five sub-sectors, namely transport (transport, storage and communications); finance (finance, insurance, real estate and business services); commerce and trade (wholesale, retail, hotels and restaurants); utilities (electricity, gas and water services); and other services (community, social and personal services)*

Chart 8.11:
Productivity Growth of the Services Sector, 2007



Computed from: Economic Report, Ministry of Finance, Malaysia
Economic Planning Unit, Malaysia

Chart 8.12:
Productivity Level of the Services Sector, 2007



Computed from: Economic Report, Ministry of Finance, Malaysia
Economic Planning Unit, Malaysia

container handling at major ports grew significantly. The increase in port activities was fuelled by strong external trade and more arrivals of main line operators. In addition, the air transport industry remained strong due to increase in cargo handling and passengers.

The commerce and trade sub-sector achieved a productivity level of RM38,362 in 2007, attaining a growth of 5.5 per cent from RM36,355 in 2006. The sub-sector benefited from the robust private consumption supported by rising disposable income and increase in domestic demand from wholesale and retail trade. The growth was also supported by the increase in tourist arrivals and tourists spending, following strong promotional activities and international events held in conjunction with the Visit Malaysia Year 2007 Campaign.

In 2007, the productivity of the finance sub-sector grew by 4.9 per cent to RM119,243, from RM113,714 in 2006. The sub-sector benefited from increased lending activities and higher revenue from fee-based income of Islamic and conventional products. The growth was also supported by higher insurance activities from medical and health insurance, as well as investment-linked products from the life insurance segment.

The utilities sub-sector registered productivity growth of 3.9 per cent to RM156,413 in 2007 from RM150,599 in 2006. The growth was due to increased activities and higher demand for electricity and water by the industrial, commercial and household segments.

TOTAL FACTOR PRODUCTIVITY FOR THE SERVICES SECTOR

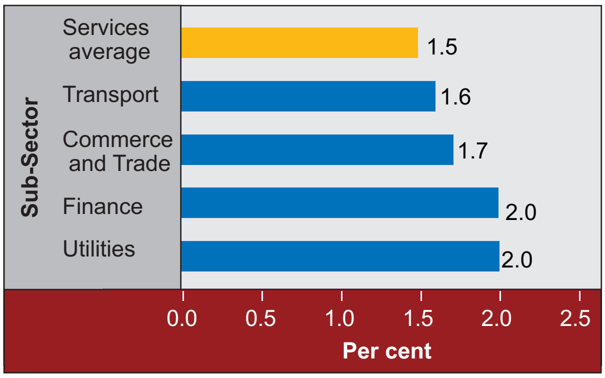
During the period of 2003-2007, the services sector registered a TFP growth of 1.5 per cent. TFP contributed 21.6 per cent to output growth of 7.1 per cent. Sub-sectors which recorded the higesst TFP growth are the utilities and finance sub-sectors.

The utilities sub-sector recorded a TFP growth of 2 per cent, contributing 38.5 per cent to output growth of 5.3 per cent.

The TFP growth was due to efficient utilisation of the existing power plants and investment in high technology capital equipment.

The finance sub-sector recorded a TFP growth of 2 per cent, contributing 27.2 per cent to output growth of 7.3 per cent. The growth in TFP was attributed to the management efficiency and effectiveness of financial institutions at enhancing operational effectiveness and delivery of services.

Chart 8.13:
TFP Growth of the Services Sub-Sectors, 2003-2007



Computed from: Economic Report, Ministry of Finance, Malaysia
Economic Planning Unit, Malaysia
Depatrtment of Statistics, Malaysian.

The commerce and trade sub-sector registered a TFP growth of 1.7 per cent, contributing 27.1 per cent to output growth of 6.4 per cent. The improvement in TFP growth was due to the efficient service delivery and extensive usage of ICT, particularly in the wholesale and retail segments. The contribution of labour is relatively high in this sub-sector due to the nature of business which requires personalised service delivery to the customers, such as in the hotel industry.

In the transport sub-sector, TFP grew by 1.6 per cent, contributing 21.7 per cent to output growth of 7.3 per cent. The contributing factors for the performance include improvement in integration of transport services, skilled and knowledgeable workers, effective and efficient utilisation of technology, as well as the increasing investment in capital.

OUTLOOK

In 2008, Malaysia is expected to achieve a productivity growth of more than 4.3 per cent. This growth requires further strengthening in the implementation of productivity improvement initiatives, such as integrating work processes, utilising higher technology, improving management systems, strengthening human resource capabilities and nurturing innovativeness at different levels.

The manufacturing sector is expected to achieve a productivity growth of more than 3 per cent. The growth in the sector will be driven by domestic consumption and the recovery in the export market, in particular for E&E products. On the other hand, the services sector (comprising commerce and trade, transport and finance sub-sectors) is expected to register a productivity growth of more than 4.3 per cent. The productivity of the transport sub-sector sector is expected to grow by more than 5 per cent, while the finance and commerce and trade sub-sectors are expected to grow by more than 4.9 per cent and 4.7 per cent, respectively.

The agriculture sector is expected to record a productivity growth of more than 3.1 per cent supported by higher commodity prices and increase in the production of crude palm oil. Higher commodity prices and intensification of downstream activities will augur well in improving agriculture productivity. Increasing activities in biotechnology, livestock breeding programmes, aquaculture development and intensive fruit and vegetable farming will be given further prominence.

The construction sector is expected to register a productivity growth of more than 3.1 per cent. Demand for both residential and commercial buildings, the implementation of projects under the Ninth Malaysia Plan, as well as the development of various regional economic corridors will contribute to the performance of the sector.

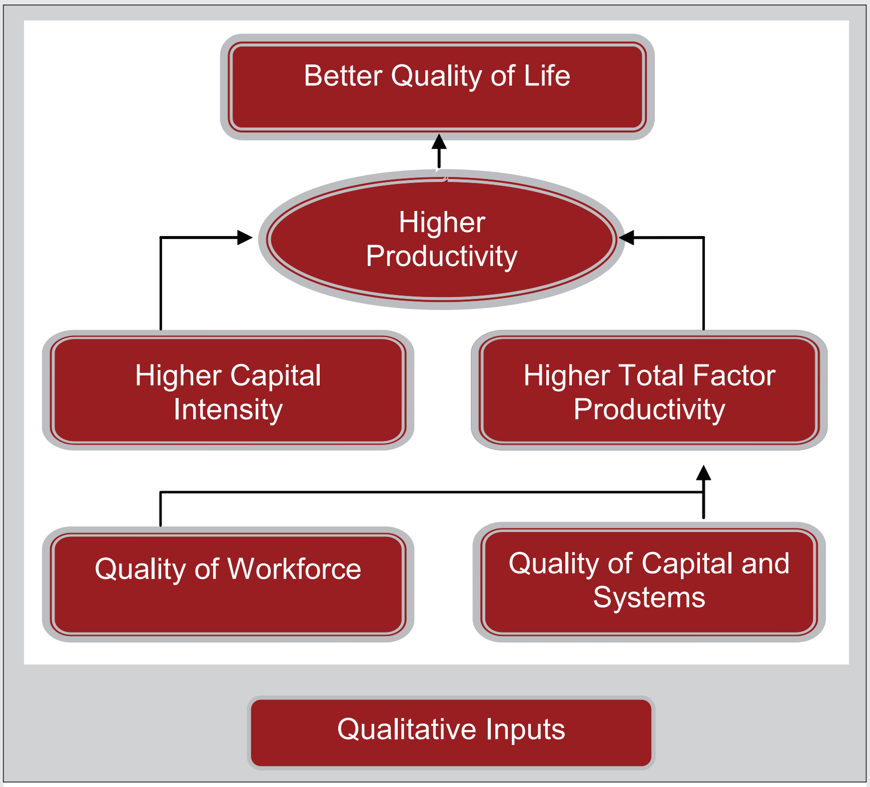
Box 8.1 : Higher Total Factor Productivity Growth for Competitiveness

TFP is a measure of the efficiency with which an economy's inputs, such as capital, labour, materials or intermediate goods and services, and energy are put to use in the production process. It involves examining ways of increasing output without the corresponding increase in the quantity of inputs. The increase in output is achieved through the efficient use of these resources. Apart from this, TFP is also enhanced by education and training, technological advancement, improvements in managerial and system efficiencies, innovation, creativity and reductions in the cost of doing business.

At the firm level, higher output can be achieved by the quantitative increase in inputs, such as employing more workers or investing in assets. However, being input-driven, this approach would not be sustainable in the long run. A better approach towards growth would be a TFP-driven approach which is based on the efficient and effective utilisation of inputs through better management techniques and know-how, advanced technology and innovation, skilled workforce with positive attitude and mindset.

The emphasis on TFP growth and strategies would enhance competitiveness and lead to an overall improvement in economic performance. This would be reflected in the country attaining higher Gross Domestic Product (GDP) growth and achieving a higher standard of living.

Figure 1 :
Total Factor Productivity Framework



The main sources of TFP growth can be examined from the following perspectives:

Education and Training: Investments in human capital help increase the capacity and capabilities of the workforce. Generally, better trained and knowledgeable workers are more productive and contribute towards TFP growth. These workers, being more adaptable to work improvement, have a shorter learning curve, especially in operating advanced technologies. Continuous training and retraining of workers will not only lead to behavioural changes but will also provide employees with new perspectives and insights into the organisational and business environment.

Capital Structure: Investments in new production technology are required to improve the quality of products and services. This would enhance competitiveness and reduce the cost of production. This would also enable industries to streamline their businesses for better operational, production and financial efficiency, and also provide them the opportunity for business expansion.

Economic Restructuring: Economic restructuring involves inter and intra movement of resources from less productive to more productive sectors and industries. The reallocation of resources to more productive sectors and industries will lead to efficient and effective utilisation of these resources and therefore, contribute to higher TFP growth.

Demand Intensity: An increase in internal and external demand for products and services will lead to higher utilisation of available capacity. This higher capacity utilisation and demand coupled with improvements in productivity and quality of products and services will contribute to Malaysia's export competitiveness and higher TFP.

Technical Progress: The indicators of technical progress include effective and efficient application of appropriate technologies, innovation, R&D, positive work attitudes, efficient management and organisational systems and techniques, supply chain management and best practices. Technical progress creates higher value-added products and services and thus, creativity, innovation and a positive mindset that is oriented towards the accumulation of knowledge to enhance TFP growth and competitiveness, needs to be continuously inculcated.

The implementation of the Productivity and Quality (P&Q) initiatives at the firm level will also contribute to TFP growth. The adoption of a P&Q culture at the organisational level includes the enhancement of work processes through benchmarking activities. Benchmarking is a systematic and continuous process of searching, learning, adapting and implementing best practices from within an organisation, as well as adopting and adapting best practices from other organisations to optimise performance. These best practices will enable firms to improve performance management processes, identify high impact services and quality standards, and focus on creativity and innovativeness to ensure a thriving competitive environment.

Through benchmarking, the following can be achieved:

- industries will be able to benchmark and compare against the best-in-class or world-class organisations;

- develop a systematic approach in monitoring performance and chart out new improvement strategies; and

- identify business areas for enhancing performance.

A new growth strategy that emphasises on TFP growth is imperative to sustain Malaysia's competitive edge. At the national level, high quality products, excellent services, lower costs of production and customer satisfaction are possible with TFP improvements which will enhance competitiveness. At the industry level, TFP will enhance competitiveness of firms if they are able to produce higher outputs with lesser amount of inputs, thus offering products and services at competitive prices. At the firm level, TFP strategies will enable firms to remain competitive through reduction in wastages and reduction in the cost of doing business. Finally, employees will also benefit through TFP initiatives such as higher remuneration, better job benefits, conducive working environment and job enrichment.

Chapter 9

WORLD TRADE ORGANIZATION

OVERVIEW

The year 2007 began on a positive note with the decision by the General Council to resume the Doha Negotiations in February 2007. This decision was taken after an informal meeting in Davos between a group of ministers responsible for trade from selected countries including Malaysia, to consider ways to resume the Doha negotiations. There has been considerable convergence among the major participating countries since the resumption of the negotiations. As a result, the Chairs of the Agriculture and Non-Agriculture Market Access (NAMA) negotiating groups tabled a set of broad outlines or draft modalities for enhanced market access in their respective areas in July 2007.

Following intensive negotiations on the draft modalities, the Chairs of these negotiating groups agreed to produce revised modalities in both Agriculture and NAMA in February 2008. The aim was to conclude the negotiations on the modalities in both areas to allow Member countries to submit their schedule of commitments by the end of 2008 when the Doha Round is expected to be concluded.

AGRICULTURE

The focus of negotiations continued to be on the three pillars in agriculture, namely market access, domestic support and export competition. While there was some convergence, substantial differences remained on the quantum of tariff reduction for market access and trade-distorting subsidies reduction under domestic support.

Market Access

In the area of facilitating greater market access for entry of agricultural products, negotiations focused on identifying:

- Formula for reducing the quantum of tariff imposed on agricultural products, based on a four-tier (bands) approach, which is known as the Tiered Reduction Formula (TRF);
- Criteria for the selection of Special Products (SPs) and quantum of tariff cuts for SP, which will be subject to lower cuts than that undertaken under TRF for all products. SP is only applicable to developing countries;
- Criteria for the selection of Sensitive Products (SePs), which will be subject to lower cuts in tariffs, compared with products undertaking tariff cuts under the TRF. However, the Tariff Rate Quota (TRQ) for this SP needs to be compensated; and
- Special Safeguard Mechanism (SSM), a safeguard mechanism to protect domestic producers from surges in volume or steep declines in prices as a result of market access liberalisation for agricultural products.

In the area of TRF, the Sixth Hong Kong WTO Ministerial Conference agreed to a four-tier approach for developed countries, as follows:

Tier	Bound Tariffs (%)	Percentage of Reductions (%)
1	Below 20	48-52
2	Between 21-50	55-60
3	Between 51-75	62-65
4	76 and above	66-73

Negotiations focused on the details of the threshold level of each band, quantum of cuts to be undertaken in each band and flexibilities to be accorded to developing countries. Many developing countries want developed countries to undertake higher cuts in the highest band. While the European Union (EU) and the United States of America (USA) have indicated that they were willing to accept deep cuts in their tariff regime, they would only do so in exchange for concessions in other areas of the Agriculture negotiations. Malaysia supports deeper cuts to allow for enhanced market access of agriculture products from Malaysia.

Negotiations on SPs were focused on issues pertaining to the selection and quantum of cuts. There was no consensus among Members in particular the USA, the EU and G33[1] on the proposed percentage of agriculture tariff lines to be designated as SPs. While G33 want SPs to be exempted from tariff cuts, most Members including the EU, the USA and Malaysia want SPs to be subjected to a minimum cut.

On SePs, negotiations continued to focus on the modalities for the designation of SePs with the following options:

- Developed countries be allowed to designate up to:
    - 4 or 6 per cent of total dutiable tariff lines; and
    - 6 or 8 per cent of total dutiable tariff lines, subject to additional TRQ expansion, for products with more than 30 per cent of total tariff lines in the top band;
- Developing countries be allowed to designate one-third more tariff lines as SePs, compared with developed country Members; and
- Products taking less than TRF cuts (deviation), will have to undertake TRQ expansion:
    - one-third deviation from TRF cuts will be subject to TRQ expansion of 3 or 5 per cent;
    - one-half deviation from TRF cuts will be subject to TRQ expansion of 3.5 or 5.5 per cent; and
    - two-third deviation from TRF cuts will be subject to TRQ expansion of 4 or 6 per cent.

The calculation of TRQ expansion remains unresolved with two options being considered by Members, that is, either based on designated sensitive lines (at 8 or 9 digit level), or the entire product range (at 6 digit level).

Discussions are also on-going on the issue of Special Safeguard Mechanism (SSM). Members are considering whether to adopt a surge in import quantity and/or price as the trigger point for invoking the SSM. Details pertaining to the selection of products, implementation modalities and remedies continue to be discussed and no agreement has been reached.

Domestic Support

The EU and the USA, which have the highest levels of domestic support, agreed to the proposal by the Chair of the Negotiating Group on Agriculture to reduce the level of overall domestic support. The Chair's proposed tiered reduction formula for reducing the overall trade-distorting domestic support (OTDS) level is:

Band	OTDS	Reduction
Top band (EU)	More than US$60 billion	75 or 85 per cent
Middle band (USA and Japan)	Between US$10 and US$60 billion	66 or 73 per cent
Lowest band (Others)	Less than US$10 billion	50 or 60 per cent

The Cairns Group[2], G20[3] and G33 want deeper cuts on actual expenditure incurred by the EU and the USA, which is currently higher than that proposed by the Chair of the negotiating group. These reductions will greatly enhance the level of competitiveness of unsubsidised agriculture exports from Malaysia against previously highly subsidised competing products.

[1] G33 Members: Antigua and Barbuda, Barbados, Belize, Benin, Botswana, People's Republic of China, Congo, Cote d'Ivore, Cuba, Dominican Republic, Grenada, Guyana, Honduras, India, Indonesia, Jamaica, Kenya, Republic of Korea, Mauritius, Madagascar, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, St Kitts and Nevis, St Lucia, St Vincent & Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia and Zimbabwe.
[2] Cairns Group Members: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand and Uruguay.
[3] G20 Members: Bulgaria, Iceland, Israel, Japan, Republic of Korea, Liechtenstein, Mauritius, Norway, Switzerland, Taiwan, Argentina, Bolivia, Brazil, Chile, People's Republic of China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand and Venezuela.

Export Competition
At the Hong Kong Ministerial Conference, Members agreed for developed country Members to eliminate all forms of export subsidies including export credits by 2013 and for developing country Members by 2018.

In addition, developed country Members agreed that export financing support comprising export credits, export credit guarantees and insurance programmes would comply with the following terms:

- a maximum repayment period of 180 days effective from the date of implementation of the Doha Agreement or by end of 2010, whichever is earlier. For developing country Members, the implementation period would be three years from the implementation date or by end of 2013; and

- be self-financing within four or five years from its commencement date whereby the financing support would be able to cover the operating costs of a programme and not run at a loss. For developing country Members, the period would be six or seven and a half years from the start of a programme.

NON-AGRICULTURAL MARKET ACCESS

In 2007, Non Agricultural Market Access (NAMA) negotiations continued to revolve around the key elements of the modalities, namely the level of tariff reduction and the degree of flexibilities to be accorded to developing country Members. These elements are closely related to the principle of 'Less Than Full Reciprocity' (LTFR), which requires developed country Members to undertake higher levels of commitment, compared with developing country Members.

Although the concept of LTFR has been accepted by Members, varied interpretations on its implementation has led to divergent views between developed and developing country Members pertaining to the level of tariff reduction to be undertaken.

Pursuant to an earlier text on draft modalities released on 17 July 2007, the Chair of the NAMA Negotiating Group circulated a text on revised modalities on 8 February 2008, to narrow the differences and in an effort to achieve final modalities by end July 2008.

Tariff Reduction
In the July 2004 Framework Agreement, WTO Members adopted the use of a formula, known as the Swiss Formula, to reduce the bound tariff rates of industrial products. The negotiations currently revolve around the choice of coefficient to be used in this formula. A lower coefficient would result in larger tariff cuts, while a higher coefficient would result in lower cuts. In the text on the draft modalities, the Chair proposed coefficients ranging from eight to nine for developed countries and from 19 to 23 for developing countries.

Many developing country Members, especially a sub-grouping called NAMA 11 (Argentina, Venezuela, Brazil, Egypt, India, Indonesia, the Philippines, Namibia, Tunisia and South Africa) voiced strong objections to these proposed coefficients. They were of the view that the proposal did not adhere to the LTFR principle as the burden of tariff reduction on developing countries would be much higher than developed country Members.

This was due to the differences in the tariff structure between developed and developing country Members where average duties in developed countries are generally lower than in developing countries. The counter-proposal by NAMA 11 states a differential gap of at least 25 points between the coefficients of developed and developing country Members. However, developed country Members object to any increase in the coefficients as they deem that the proposed range of coefficients by the Chair is adequate in addressing the concerns of developing country Members.

Malaysia is of the view that developed country Members should adopt a coefficient that is lower than the proposed coefficient by the Chair as the resulting quantum of tariff reduction for developed countries using the proposed coefficient would equal the quantum of tariff reduction for developing countries.

Flexibilities in Reducing Tariff

In the July 2004 Framework Agreement, WTO Members agreed that developing country Members would be allowed some flexibilities in implementing their tariff reduction commitments either by allowing exclusions to a certain portion of their total number of tariff lines from any tariff reduction; or tariff reduction at rates lesser than the agreed formula to a certain portion of the total number of tariff lines. However, Members have not agreed on the degree of flexibilities to be accorded.

In the text on revised modalities, the Chair of NAMA Negotiating Group proposed that the threshold for flexibilities be re-opened for discussions and any decision would be subject to an agreement on the level of the coefficient to be adopted. This proposal ensued from the numerous requests from developing countries that the current proposed flexibilities be further expanded. The requests for further flexibilities were made by NAMA 11, Latin American Southern Cone Common Market (MERCOSUR) members, South African Customs Union, Venezuela and the Philippines.

In the July 2007 modalities text, any of the following three flexibilities could be adopted:

- 5 per cent tariff lines to be exempted from tariff reduction, subject to the import value of these tariff lines not exceeding 5 per cent of total import value; or
- 10 per cent tariff lines to be reduced at half of the formula cuts, subject to the import value of these tariff lines not exceeding 10 per cent of total import value; or
- the option to increase the coefficient by an additional three points if the above two flexibilities are not utitilised.

Many Members, including Malaysia, are of the view that allowing too many flexibilities could further complicate the negotiations as Members might have new interpretations on the degree of flexibility to be accorded. Malaysia prefers that the proposal on the flexibilities in the July 2007 text be maintained.

SERVICES

Following the agreement reached at the Hong Kong Ministerial Conference, a plurilateral approach to negotiations on market access was adopted, in addition to the traditional bilateral request-offer approach. The approach focuses on the identification of sectors and modes of supply which are of interest to Members. Groups of Members with common interest would negotiate with other Members to whom requests had been made.

In 2007, negotiations for a total of 21 plurilateral groups were conducted. Plurilateral negotiations involve a group of Members who identify their objectives in a particular sector or mode of supply for market openings and present those collective requests to another group. Malaysia made requests in two sectors, namely computer-related and education services and received requests in 16 groups:

- supply of services through cross border (Mode 1) and consumption abroad (Mode 2);
- supply of services through commercial presence (Mode 3) and temporary movement of natural persons (Mode 4);
- waiver/Most Favoured Nation (MFN) exemption;
- postal and courier;
- legal;
- audiovisual;
- air transport;
- maritime transport;
- energy;
- architecture and engineering;
- construction;
- telecommunications;
- financial;
- distribution;
- environmental; and
- logistics.

Since the resumption of the Doha Negotiations, the negotiations have focused on securing improvements in offers of Member countries. Malaysia is now finalising its Second Revised Offers.

Negotiations were also focused on:

- rule-making on Emergency Safeguard Measures (ESM) (Article X of the General Agreement on Trade in Services (GATS));

- Subsidies (Article XV of GATS);

- Government Procurement (Article XIII of GATS); and

- formulation of disciplines on domestic regulation.

Emergency Safeguard Measures
The Emergency Safeguard Measures (ESM) allow temporary suspension of market access, national treatment and/or any additional commitments in the services sector during incidences of serious balance of payments and external financial difficulties. To Malaysia and other like-minded ASEAN Member States, the ESM is important to ensure that there would be adequate provisions to mitigate the impact of liberalisation.

In October 2007, the ASEAN countries of Brunei Darussalam, Indonesia, Malaysia, Myanmar, the Philippines, Thailand and Viet Nam tabled a discussion paper on establishing rules for the use of ESM. Discussions focused on technical and procedural questions relating to the operations of the ESM. The ASEAN Member States continued to argue on the importance of the ESM despite the contrary views of some developed country Members.

Subsidies
Article XV of the GATS provides for negotiations to avert the trade-distortive effects of subsidies. It also provides for an information exchange on subsidies among Members. In March 2007, Hong Kong Special Administrative Region (SAR) and Mexico presented a paper to advance discussions on subsidies. Discussions focused on information exchange on subsidies and developing a working definition on subsidies for trade in services. Many Members especially developing countries remain unconvinced on the need to have these disciplines, as trade in services in most developing countries is at the infancy stage and assessing the effects of subsidies would be difficult.

Government Procurement
Purchase of services by Government is significant and could include restrictions on foreign service providers. Currently, the GATS does not impose any disciplines on the exclusion of foreign participation or preferential margins in favour of domestic suppliers. Discussions on Government Procurement in Services are focused on developing disciplines including market access, which remain sensitive to developing country Members. Developing Members continue to reiterate that the mandate for negotiations on Government Procurement in Services does not include market access for Government Procurement.

Domestic Regulation
Although domestic regulation is not intended to be protective, it could result in severely restricting trade. The Council for Trade in Services has been given the mandate to develop the necessary disciplines to prevent domestic regulation from being unnecessary barriers to trade.

In April 2007, a revised draft text on domestic regulation was produced by the Chairman of the Working Group on GATS Rules. Negotiations are focused on finalising disciplines on qualification requirements and procedures, technical standards and licensing procedures. These arrangements are intended to provide greater transparency, as well as eliminate unnecessary barriers to trade in services, particularly in the professional services sector.

TRADE FACILITATION

Trade facilitation negotiations in 2007 continued to progress steadily on issues dealing with the movement of goods across borders including advance rulings, risk management and freedom of transit, as well as reducing red tape and obstacles to their movement.

The Sixth Ministerial Conference mandated the clarification and improvement of rules on:

- freedom of transit of goods (Article V of the General Agreement on Tariff and Trade (GATT 1994));
- fees and formalities connected with importation and exportation (Article VIII of GATT 1994); and
- publication and administration of trade regulations (Article X of GATT 1994).

Members had intensive negotiations and technical discussions on numerous draft texts which reflected proposals encompassing:

- elements of the three Articles of GATT;
- framework on special and differential (S&D) treatment and technical assistance; and
- capacity building for developing and least-developed countries (LDCs).

Developing multilateral rules on advance ruling would allow traders to seek binding decisions from Customs authorities prior to the exportation or importation of goods. Rules on risk management would call for the reduction on physical inspection of goods and for low risk goods to be given expedited clearance. The proposal to establish quota-free road transit regimes with equal charges for national and foreign transporters irrespective of the origin of the goods would prevent discriminatory road and transit charges maintained by some Members.

Although there has been steady progress in the negotiations, there is no consolidated draft agreement on Trade Facilitation to date as Members are still deliberating on the scope and binding obligations on areas of the draft texts. In ensuring that the results of the negotiations and the obligations in the proposed new Agreement can be implemented, identification of Members' trade facilitation needs and priorities, development aspects and cost implications are being undertaken. Negotiations in this area are important as Members would not be expected to implement new commitments unless they have received adequate technical assistance necessary to undertake the new obligations.

Major developed country Members continued to emphasise that all textual proposals currently tabled must be included in the prospective agreement. Developing countries conversely, were sceptical if this could be achieved as implementation of a number of proposals, specifically the establishment of a single window and risk management, requires sophisticated information technology (IT) based systems which, in turn, necessitate huge investments and training.

Malaysia has always stressed that any new commitments in the WTO should not burden developing countries. Malaysia continues to reiterate its concerns on the:

- definition of traffic in transit as certain elements in the textual proposal need further clarification;
- non-discrimination on means of transport and routes as issues pertaining to national interests need to be taken into account;
- time interval between the publication of new or amended fees and charges and their entry into force as the systems in most countries do not provide for prior publication of new laws and regulations; and
- need for notification and prior consultation and to allow for a time interval before adoption of new trade regulations, bills and laws as countries differ in terms of their consultation mechanisms.

Special and Differential Treatment under Trade Facilitation

In 2007, negotiations on S&D treatment on technical assistance and capacity building entered a new phase. A proposal by the Core Group (comprising, among others, Bangladesh, Egypt, India, Indonesia, Kenya, Malaysia, the Philippines and Rwanda) on S&D treatment was widely accepted and supported by the African Group, the Group of African, Caribbean and Pacific States, as well as the LDCs.

The Core Group proposal stipulates for developing country Members to undertake two levels of commitments, that is, a minimal set, determined by each Government, to be implemented upon entry into force of the agreement; and a longer set of commitments to be implemented after the transition period has been determined. The proposed transition period should be long enough for countries to plan and carry out steps necessary to enable implementation of their commitments. This proposal faced strong criticism from the EU and Switzerland, as well as some developing countries as it sought many exemptions on the implementation of future multilateral agreement on trade facilitation. The EU, Switzerland and some developing countries prefer Members to indicate measures that they would be unable to implement and which require technical assistance and capacity building. All measures not notified would be deemed to be implementable.

Technical Assistance and Capacity Building

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 continued to provide technical assistance and capacity building programmes to developing country Members. The technical assistance and capacity building programmes cover assessment tests on national needs and regional workshops.

Malaysia is actively engaged in the trade facilitation negotiations and continues to support proposals to enhance efficiency of procedures associated with trade across national borders. An improved multilateral arrangement would benefit all Members in terms of reduction in costs as well as enhance efficiency, transparency and predictability of rules relating to import and export.

SPECIAL AND DIFFERENTIAL TREATMENT

There are S&D treatment provisions in a number of WTO agreements, which confer more favourable treatment to developing countries, compared with other WTO Members. The Committee on Trade and Development in Special Session (CTDSS) has been tasked to administer the implementation of these provisions on S&D treatment.

In 2007, negotiations in the CTDSS focused mainly on:

- completing the review on all outstanding specific proposals; and
- coordinating efforts with other WTO bodies on S&D treatment.

The Doha Development Agenda mandate provides for a review of such provisions in the respective WTO Agreements to strengthen and make the provisions more effective and operational by requiring:

- identification of S&D provisions which are mandatory;
- assessment of implications of making non-binding S&D provisions into mandatory commitments; and
- re-examination of measures to encourage the utilisation of such provisions by LDCs.

Sixteen specific proposals relating to S&D treatment are currently under consideration. These include:

- Government Assistance to Economic Development (Article XVIII of GATT 1994);

- Agreement on Sanitary and Phyto-Sanitary (SPS) (Articles 10.2 and 10.3 on S&D Treatment); and

- Non-Automatic Import Licensing (Article 3.5 of the Import Licensing Agreement).

On the establishment of a mechanism to monitor the implementation of S&D treatment provisions, no progress was made on greater S&D flexibilities for developing countries, and on mandatory obligations by developed countries to extend specific S&D treatment to developing countries.

LDCs continued to request for more flexibilities than that already provided for under the Uruguay Round Agreements. However, developed countries remained unresponsive to the request due to their continued concerns on the extent of S&D treatment that they would need to grant to developing countries.

In 2005, WTO developed country Members agreed to provide Duty-Free Quota-Free (DFQF) market access on at least 97 per cent of products imported from LDCs. LDCs have proposed that both developed and developing country Members improve the coverage of DFQF treatment to 100 per cent of products imported from LDCs. However, most developed and developing country Members do not agree to re-open discussions on the coverage of products.

Malaysia continued to stress the importance of S&D to developing countries and supported efforts in making S&D provisions more precise, effective and operational. Malaysia also agrees that it would be desirable to monitor the implementation of S&D treatment provisions to improve their effectiveness. However, the mechanism should not lead to a differentiation of treatment among developing countries by developed Members or justify any denial of S&D treatment. Malaysia further agrees that developing Members should grant DFQF provided they have declared themselves to be able to do so. To date, more than 98 per cent of Malaysia's imports from LDCs are already duty free and quota free.

Trade-Related Aspects of Intellectual Property Rights (TRIPs)

In 2007, the WTO Council for TRIPs continued work on the following key areas of negotiations:

- examining the possibility of amending the TRIPs Agreement to include provisions in the Convention on Biological Diversity (CBD) as a pre-requisite to patent applications;

- ratification by WTO Members of an amendment to the TRIPs Agreement, consequent to the 2001 TRIPs and Public Health Declaration; and

- enforcement of TRIPs' obligations by WTO Members.

TRIPs and CBD

Proponents such as India, Brazil and other mega-diverse countries continued to steer the discussions at the TRIPs Council to focus on the possibility of amending the TRIPs Agreement, so as to add a new Article that would require patent applicants to:

- disclose the source and country of origin for the resources, either genetic or biological, and the traditional knowledge used in their inventions;

- demonstrate proof of prior informed consent; and

- make available details of fair and equitable benefit-sharing arrangements.

Malaysia remained supportive of any proposal that sought to protect the use of biological resources, as long as it was consistent with CBD provisions, and aimed to protect countries' sovereign rights over their resources. However, there remained alternative views regarding the need for amendment to the TRIPs Agreement, as some Members argued that there were other options towards protecting countries' resources and traditional knowledge, such as disclosure requirements under national patent legislations and contractual arrangements to enforce benefit sharing. Negotiations on this issue should result in a balanced outcome that, while encouraging new inventions, should also safeguard sovereign rights over biological resources.

Compulsory License

The Doha Declaration on the TRIPs Agreement and Public Health in 2001 provided for measures that can be undertaken to ensure access to affordable medicines and healthcare, while protecting the intellectual property rights owned by pharmaceutical patent holders. For these measures to be reflected in the TRIPs Agreement, two-thirds of WTO Members need to notify their acceptance of the Protocol Amending the TRIPs Agreement.

The amendment allows Members with insufficient or no manufacturing capacity to seek third country production through the use of compulsory licensing. This means that pharmaceutical products produced under compulsory licensing can be exported or imported, as opposed to Article 31(f) of the TRIPs Agreement that only allows products manufactured under compulsory licensing to be supplied mainly for use in the domestic market.

The USA, Switzerland, El Salvador, the Republic of Korea, Norway, India, the Philippines, Japan, Australia, Singapore, Hong Kong SAR, the People's Republic of China, the EU and the Netherlands have notified their acceptance. Malaysia is in the process of ratifying the protocol.

Border Enforcement

The TRIPs Agreement accords Members the flexibility to determine appropriate enforcement measures, referred to as border enforcement measures, with regard to denial of entry to imported goods that infringe intellectual property rights. The USA proposed in 2006 that the TRIPs Council examine such border enforcement measures undertaken by WTO Members in complying with their TRIPs obligations. The proposal continued to be opposed by most Members, including Malaysia, who were of the view that enforcement issues are the prerogative of Members and need not be discussed at the Council.

TRADE AND ENVIRONMENT

Negotiations continued to focus on the three proposed approaches to reduce or eliminate tariff and non-tariff barriers on environmental goods and services:

- listing of environmental goods;
- scheduling of environmental projects; and
- a combination of both the above approaches.

Progress was minimal as Members continued to have differing views on the scope and definition of environmental goods. Previously, Members were of the understanding that the scope of negotiations was limited to industrial goods that serve environmental purposes. In October 2007, some developing countries proposed the inclusion of agricultural produce in their list of environmental goods, arguing that they were grown in an environment-friendly and sustainable manner.

Differences remained on the definition of environmental goods. Some Members prefer the end-use criteria, that is, the environmental good is used for a specific environmental purpose. Other Members support the process-production definition, that is, goods that are produced in an environment-friendly manner, or cause significantly less environmental harm at some stage of their life-cycle, compared with alternative products that serve the same purpose.

RULES

In an effort to keep pace with the positive developments in the areas of Agriculture and NAMA, the Chairman of the Negotiating Group on Rules (NGR) on 30 November 2007 circulated a Draft Consolidated Chair Texts of the Anti-dumping and Subsidies and Countervailing Measures Agreements that attempted to reflect the progress achieved in the negotiations in the areas of anti-dumping and subsidies. The draft text included proposed amendments to the Agreements and introduction of discipline on fisheries subsidies.

Overall, Members did not find the proposed text balanced as many proposals forwarded by Members were not reflected, while some provisions which had not been discussed in the NGR were inserted in the draft text. The most contentious of these, is the proposal which would allow the 'zeroing' methodology in determining the margin of dumping.

In an anti-dumping investigation, Investigating Authorities determine the dumping margin that is, the extent by which the exporter's domestic price (normal value) exceeds export price when comparison is made between the two prices. Zeroing is the practice of assigning a value of zero to the dumping margin when the normal value is less than the price in the complainant's market. This may increase the dumping margin or even create margins where there are none.

The draft text also included proposals to strengthen anti-dumping rules by:

- prohibiting Members from maintaining any anti-dumping duty beyond 10 years;
- requiring Investigating Authorities to take into account views of consumer groups in addition to the petitioning industries before deciding on a dumping measure when the product is commonly sold at retail level;
- establishing a mechanism for periodic reviews of Members' anti-dumping policies and practices; and
- allowing Members to extend the anti-dumping measure to prevent circumvention. This would apply in the case where an exporter targeted by the order is found to be avoiding the duties by shipping the goods in parts or unfinished form, shipping parts to a third country for assembly before final destination, or shipping the product in a slightly modified form.

On subsidies, the draft text proposed the inclusion of among others, the following subsidies as actionable (not prohibited but may be subject to challenge):

- subsidies to cover an industry's operating losses other than one-time non-recurring subsidies for restructuring purposes;
- direct debt forgiveness; and
- subsidies for a particular product with a value that exceeds 5 per cent of the product's total value.

On fisheries subsidies, the draft text proposed new disciplines on subsidies in the fisheries sector that would prohibit subsidies which include financial contribution by the Government to:

- purchase, construct, repair or refurbish fishing vessels;
- transfer fishing vessels to third countries;
- cover the operating costs of fishing vessels;
- provide port facilities for activities related to marine wild capture fishing;
- provide income support for fishermen;
- provide price support for fish products; and
- secure access rights to fishing areas.

The draft text proposed S&D treatment for developing country Members and LDCs. The S&D provision allows LDCs to continue giving subsidies without any conditions. Developing country Members can continue granting certain fisheries subsidies provided that they have in place a Fisheries Management System designed to prevent over-fishing. Allowable subsidies include those given:

- to small-scale fishermen working within their own country's territorial waters;
- as means of income support and price support for fishermen and fish products; and
- for port infrastructure.

DISPUTE SETTLEMENT UNDERSTANDING

In 2007, Malaysia co-sponsored a paper on Dispute Settlement Understanding (DSU) which included proposals for S&D Treatment on matters, such as:

- litigation costs where the Panel and Appellate Body is to award 'reasonable' costs and rule for developed country Members to reimburse costs incurred by developing country Members in disputes between developed and developing country Members;

- cross-retaliation where developing country Members are allowed to retaliate in any sector against a developed country Member when the latter fails to implement the Dispute Settlement Board's rulings and recommendations; and

- giving special consideration for developing country Members through initiatives such as agreeing to hold consultations in the developing country in order to save costs and allow for additional time to prepare submissions in disputes involving developed country Members.

In 2007, cases of major interest included:

- Cases against the USA on the practice of zeroing, brought by the EU, Ecuador and Japan in separate disputes:
    - The Panel and Appellate Body found that the USA's practice of selectively using the zeroing method to calculate anti-dumping duties was incompatible with its WTO obligations.
    - The USA had reported that it would not use zeroing when calculating dumping margins on weighted average to weighted average basis in the original investigation.
    - The USA subsequently proposed to the Negotiating Group on Rules to include zeroing in the process of clarifying the Anti-Dumping Agreement.
- The EU against Brazil on import restrictions of retreaded tyres:
    - The EU claimed that Brazil's policy of allowing imports of retreaded tyres from its MERCOSUR trade partners, while banning them from the rest of the world, violated WTO rules.
    - Brazil sought to justify the ban on environmental, fire hazard and health grounds.
    - The Panel and Appellate Body agreed that Brazil's measures were not inconsistent with Article XX of GATT.

ACCESSION TO WTO

Becoming a member of the WTO or the accession process requires an economy to sign on to WTO agreements. New members also have to negotiate terms both multilaterally and bilaterally with individual WTO Members. New members must extend the results of their bilateral negotiations to all WTO Members, and implement required legislation and institutional reforms that are needed to meet WTO obligations.

In 2007, a total of 28 countries was involved in the accession process into the WTO. They were Afghanistan, Algeria, Andorra, Azerbaijan, Bahamas, Belarus, Bhutan, Bosnia Herzegovina, Ethiopia, Iran, Iraq, Kazakhstan, Lao PDR, Lebanon, Libya, Montenegro, Russian Federation, Samoa, Sao Tome and Principe, Serbia, Seychelles, Sudan, Tajikistan, Ukraine, Union of the Comoros, Uzbekistan, Vanuatu and Yemen.

TRADE POLICY REVIEW

The Trade Policy Review is part of the effort by the WTO to improve adherence by all Members to rules, disciplines and commitments under the multilateral trade agreements. As of end 2007, 248 reviews have been conducted, covering 133 out of the 151 Member countries, representing 97 per cent of the share of world trade.

In 2007, a total of 18 countries underwent the WTO Trade Policy Review process. They were

Argentina, Australia, Cameroon and Gabon, Canada, Central African Republic, Chad, Costa Rica, European Communities, India, Indonesia, Japan, Kingdom of Bahrain, Macao, Organization of Eastern Caribbean States (OECS), Panama, Peru, Thailand and Turkey.

Malaysia last underwent the trade policy review process in 2006 and the next review will be in 2010.

TECHNICAL ASSISTANCE

In 2007, Malaysia participated in 13 technical programmes relating to NAMA, TRIPs and public health, government procurement, intellectual property and IT.

Malaysia hosted three technical programmes in collaboration with the WTO Secretariat on:

- Regional Workshop on Trade Negotiation Skills, Kuala Lumpur, from 26 February to 2 March 2007;
- Regional Workshop on Technical Barriers to Trade, Kuala Lumpur, from 20 to 22 November 2007; and
- National Workshop on Technical Barriers to Trade, Kuala Lumpur on 23 November 2007.

The programmes were attended by government officials from the Asia Pacific economies such as Cambodia, the People's Republic of China, Indonesia, Hong Kong SAR, the Republic of Korea, Lao PDR, Macao, Malaysia, Mongolia, Myanmar, Nepal, Pakistan, the Philippines, Singapore, Sri Lanka, Taiwan, Thailand, and Viet Nam. In addition to enhancing the technical knowledge of the participants on specific WTO subject matters, technical assistance programmes had the added benefit of strengthening the network of officials engaged in WTO-related work, particularly among developing countries.

OUTLOOK

There is commitment among the WTO Members to see the conclusion of the Doha Round by the end of 2008. There are efforts to finalise the modalities in Agriculture and NAMA before the end of May 2008 to enable conclusion of the Round by the end of the year.

Multilateral rules are the only way to guarantee that all Members adopt the same standard rules for global trade, thus ensuring fair trade. Without the strong disciplines of a multilateral trading system, as embodied in the WTO rules, there would always be the danger of unilateral trade-distortive actions by Members seeking to perpetuate domestic protection. Although Malaysia is currently active in negotiating various Free Trade Agreements, the WTO will continue to remain significant and relevant for Malaysia.

The successful conclusion of the Round is imperative to promote the interests of smaller economies in the multilateral trading system. With S&D treatment as a substantive outcome of the Round, the multilateral trading system will be able to further facilitate and enhance access of smaller economies into larger markets, both in the developed and developing countries.

To fully realise the development dimension of the Round, the major WTO Members should commit to effectively reduce all trade-distortive production, and export support and subsidies. Major Members should also contribute towards WTO funding that will help developing Members, especially LDCs, to strengthen production capacity and institutional support. This is to ensure that developing Members are able to take advantage of the benefits from the multilateral trade system through initiative such as Aid for Trade Agenda.

The developed country Members must expeditiously implement their commitments to provide DFQF market access for LDCs with developing members declaring themselves in a position to provide similar treatment supplementing this initiative. The outcomes of the Doha Round would include strengthened provisions for S&D treatment to be more precise, effective and results-oriented.

Chapter 10

ASEAN ECONOMIC COOPERATION

OVERVIEW

The Association of South East Asian Nations (ASEAN) is moving towards deeper cohesion and integration. To realise the goals of an ASEAN Community by 2015, two key documents were adopted and signed by the ASEAN Leaders at the 13th ASEAN Summit in Singapore in November 2007. The two documents were the:

- ASEAN Charter; and
- ASEAN Economic Community Blueprint.

The Charter provides for the strengthening of ASEAN as a more rules-based and well-structured organisation to meet the current political and economic challenges, as well as to maintain ASEAN's relevance in the rapidly changing global environment. The Charter will see the involvement of all Member States in the region in the process of building an ASEAN Community.

The ASEAN Economic Community (AEC) Blueprint reaffirms the importance of economic cooperation and integration as key pillars in the development of the region over the next decade. The AEC Blueprint lays out general and specific measures covering economic liberalisation, facilitation and cooperation with clear timelines and targets that would lead to the creation of an AEC by the year 2015.

In 2007, Member States of ASEAN continued with their scheduled liberalisation initiatives through the dismantling of barriers to trade in goods, services and investment. Tariffs on goods continued to be reduced and eliminated. The Sixth Package of services liberalisation, covering 70 sub-sectors, was concluded. The investment regime within the region continued to be improved. In this respect, ASEAN is currently drawing up a new comprehensive investment agreement that will be more attractive to both ASEAN and non-ASEAN investors.

These liberalisation measures have, among others, contributed to ASEAN Member States registering positive economic growth of 5 to 7 per cent in 2006. ASEAN experienced an increased inflow of foreign direct investments (FDI) of US$52.4 billion in 2006, which exceeded the total amount of US$41.1 billion registered in 2005. Similarly, ASEAN's external trade totalled US$1.4 trillion in 2006, surpassing the amount of US$924.8 billion in 2005.

In tandem with the deepening of internal economic integration process, ASEAN also undertook measures in 2007 to strengthen relations with its dialogue partners. The ASEAN-Korea Trade in Goods Agreement was implemented in June 2007. The entry into force of this Agreement saw the Republic of Korea immediately eliminating import duties on 70 per cent of the products traded between ASEAN and the Republic of Korea. This was the second East Asian country with which ASEAN entered into a free trade agreement (FTA), following the implementation of the ASEAN-China FTA in 2005. The ASEAN-Korea and ASEAN-China Trade in Services Agreements were also implemented in 2007.

Another significant achievement in 2007 was the conclusion of negotiations to establish the ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEP). The implementation of the AJCEP in the later half of 2008 will complete ASEAN's pursuit of deeper regional integration through FTAs with the three East Asian economies of the People's Republic of China, Japan and the Republic of Korea. This will set the momentum for a future ASEAN Plus Three FTA which will strengthen economic integration among ASEAN and the three East Asian economies. ASEAN also achieved substantial progress in its FTA negotiations with India, Australia and New Zealand.

ASEAN continues to strengthen its relations with dialogue partners which complement the initiatives undertaken to strengthen ASEAN's own internal economic resilience.

TRADE

ASEAN Free Trade Area

Common Effective Preferential Tariff

In accordance with ASEAN Member States' commitments under the Common Effective Preferential Tariff (CEPT) Scheme, tariffs were further reduced and eliminated in 2007. No new commitments will be undertaken by the ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) under the 2008 CEPT package. However, with the exception of the limited products placed in the Sensitive and Highly Sensitive Lists, these Member States are required to eliminate duties on all products by 1 January 2010.

Commitments by Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) vary in the 2008 CEPT Package. These include:

- elimination of duties for the first tranche of Information Technology Agreement/ information communication technology (ICT) products;
- transfer of the sixth instalment of Sensitive List (SL) into the Inclusion List (IL) – (Lao PDR and Myanmar);
- reduction of duties to 0-5 per cent on all products in the Normal Track (NT) – (Lao PDR and Myanmar); and
- elimination of duties on 60 per cent of all products in the inclusion list (Lao PDR and Myanmar).

The average CEPT rates for ASEAN-6 dropped to 1.59 per cent from 1.74 per cent as these Member States reduced and eliminated duties as scheduled. Similarly, the average CEPT rates for CLMV dropped to 4.44 per cent from 4.65 per cent. Overall, the ASEAN-10 average CEPT rate in 2007 was 2.73 per cent, compared with 2.82 per cent in 2006.

The Philippines and Thailand issued their respective legal enactments on the elimination of duties on products in the Priority Integration Sectors and to meet the target of eliminating duties on 80 per cent of the tariff lines in February 2008. In 2007, Thailand granted CEPT concessions to Malaysia's exports of completely built-up (CBU) motor vehicles. Brunei Darussalam eliminated its most-favoured nation (MFN) tariffs for CBU motor vehicles which were previously placed in the exclusion list.

Table 10.1:
2008 CEPT package for CLMV

Member States	Current Commitments
Cambodia	• elimination of duties for the first tranche of 105 ICT products in March 2008 • transfer of 83 items in General Exception List (GEL) to IL in March 2008
Lao PDR	• 67 per cent of IL is already at zero tariffs • eliminated duties on 678 items in the first tranche of ICT products • transfer of 464 items in GEL to IL in August 2008
Myanmar	• elimination of duties for the first tranche of ICT products in June 2008 • 60 per cent of IL at zero tariffs by June 2008 • the legal enactment of the 2008 CEPT package is expected to be issued by June 2008
Viet Nam	• elimination of duties for the first tranche of the remaining 17 ICT products in June 2008 • transfer of 181 items in the GEL to IL in June 2008 • the legal enactment of the 2008 CEPT package is expected to be issued by June 2008

Table 10.2:
Average of the CEPT Rates

Member States	2007		2006	
	No. of Tariff Lines	Average Rate (%)	No. of Tariff Lines	Average Rate (%)
Brunei Darussalam	10,598	2.37	9,924	1.18
Indonesia	8,619	1.66	11,028	1.93
Malaysia	12,474	1.04	12,471	2.30
Philippines	11,445	2.42	11,045	2.37
Singapore	10,705	0.00	10,705	0.00
Thailand	8,301	2.29	11,030	2.47
ASEAN-6	62,142	1.59	66,203	1.74
Cambodia	10,454	8.23	8,007	8.82
Lao PDR	10,023	1.80	10,023	4.04
Myanmar	10,611	3.47	10,521	4.20
Viet Nam	10,523	4.16	10,342	2.49
CLMV	41,611	4.44	38,893	4.65
ASEAN-10	**103,753**	**2.73**	**105,096**	**2.82**

Source: ASEAN Secretariat

Table 10.3:
Number of Tariff Lines in the 2007 CEPT Package

Member States	Number of Tariff Lines				Percentage			
	IL	GEL	SL/HSL	Total	IL	GEL	SL/HSL	Total
Brunei Darussalam[1]	10,598	104	-	**10,702**	99.03	0.97	-	**100**
Indonesia (AHTN 2007)	8,620	96	16	**8,732**	98.72	1.10	0.18	**100**
Malaysia	12,504	89	-	**12,593**	99.29	0.71	-	**100**
Philippines	11,444	27	19	**11,490**	99.60	0.23	0.17	**100**
Singapore	10,705	-	-	**10,705**	100.00	-	-	**100**
Thailand (AHTN 2007)	8,301	-	-	**8,301**	100.00	-	-	**100**
ASEAN-6	62,172	316	35	**62,523**	99.44	0.51	0.06	**100**
Cambodia [2]	10,454	181	54	**10,689**	97.80	1.69	0.51	**100**
Lao PDR	10,023	464	203	**10,690**	93.76	4.34	1.90	**100**
Myanmar	10,611	51	27	**10,689**	99.27	0.48	0.25	**100**
Viet Nam	10,523	166	-	**10,689**	98.45	1.55	-	**100**
CLMV	41,611	862	284	**42,757**	97.32	2.02	0.66	**100**
ASEAN-10	103,783	1,178	319	**105,280**	98.58	1.12	0.30	**100**

Source: ASEAN Secretariat
Notes: [1] GE products have been included with CEPT rates assumed = MFN
[2] Last tranche of Temporary Exclusion List (TEL) has been included with CEPT rates assumed = MFN
IL – Inclusion List,
TEL - Temporary Exclusion List
GEL - General Exception List,
SL – Sensitive List
HSL – Highly Sensitive List

Rules of Origin

The Rules of Origin (RoO) and Operational Certification Procedures (OCP) for the CEPT Scheme have been further improved to enhance the utilisation of the preferential scheme among the ASEAN Member States.

In order to enjoy the CEPT tariff concession, ASEAN exporters and manufacturers now have the option of utilising the RoO most convenient for them that is, either the existing 40 per cent regional value content, or the relevant product specific rules (PSR).

Steps are being undertaken to eliminate non-tariff barriers to trade which continue to impede intra-ASEAN trade. The list of non-tariff measures of all ASEAN Member States has been compiled and placed on the website of the ASEAN Secretariat. These measures have been classified into specific categories to facilitate peer verification. The measures which are trade impeding will be eliminated in three phases as follows:

Member States	Phase 1	Phase 2	Phase 3
ASEAN-5	2008	2009	2010
Philippines	2010	2011	2012
CLMV	2013	2014	2015 or 2018

Malaysia is continuously reviewing the various control measures that have been implemented. Based on the review effective 1 January 2008, Malaysia eliminated import licensing requirements on 29 products covering forklift trucks, cranes and heavy machineries.

ASEAN Harmonised Tariff Nomenclature 2007

The ASEAN Harmonised Tariff Nomenclature (AHTN) is intended to facilitate intra-ASEAN trade by standardising, with certain flexibility, the tariff structure of ASEAN Member States at the 8-digit level. It has been agreed that Member States can maintain the AHTN at the current 10-digit level. The 10-digit level will be revised and streamlined to 8-digit level by 2011. ASEAN is expected to extend the usage of AHTN for extra-ASEAN trade by 2011. Malaysia's AHTN 2007 has 10-digit level flexibility to cater for tariff purposes.

Malaysia will transpose its tariff structure from AHTN 2002 to AHTN 2007 on 1 April 2008. This is in line with efforts by the World Customs Organisation (WCO) to change the product classification structure under the Harmonised System (HS) Nomenclature. Other ASEAN Member States have also undertaken or are in the process of implementing the AHTN 2007 version.

Review of the CEPT and Related Agreements and Protocols

The current CEPT and related agreements are being reviewed to create a new and forward looking ASEAN Trade in Goods Agreement. The new Agreement will consolidate the various ministerial decisions, as well as to include new provisions taking into account various other agreements between ASEAN and its trading partners.

Intra-ASEAN Trade

ASEAN Member States continued to take advantage of the reduction and elimination of duties to expand intra-ASEAN trade. Overall, ASEAN's total trade amounted to US$1,636 billion in 2007, an increase of 22 per cent from US$1,341.5 billion in 2006. In terms of percentage, intra-ASEAN trade accounted for 23.6 per cent of total ASEAN trade.

In 2007, intra-ASEAN trade increased by 9.9 per cent to US$386.5 billion, from US$352.8 billion in 2006. Intra-ASEAN exports increased by 10.8 per cent to US$225.1 billion in 2007, compared with US$186.8 billion in 2006. The highest intra-ASEAN export growth of 27.1 per cent was registered by Myanmar, followed by Viet Nam at 20.5 per cent.

Intra-ASEAN imports in 2007 were valued at US$177.1 billion, an increase of 7 per cent from US$164.8 billion in 2006.

INVESTMENT

ASEAN Investment Area

To further enhance the ASEAN investment environment, ASEAN Leaders endorsed the decisions of the Economic Ministers to revise the Framework Agreement on the ASEAN Investment Area (AIA) into an ASEAN

Table 10.4:
Intra-ASEAN Trade

Member States	Exports				Imports			
	2007 (US$ mil.)	2006 (US$ mil.)	Change		2007 (US$ mil.)	2006 (US$ mil.)	Change	
			US$ mil.	%			US$ mil.	%
Total	**209,374.4**	**186,855.8**	**22,518.6**	**10.8**	**177,114.4**	**164,766.3**	**12,348.1**	**7.0**
Brunei Darussalam	1,595.4[1]	1,865.7	-270.29	-16.9	835.2[1]	802.0	33.2	4.0
Cambodia	240.4	235.4	5.0	2.1	1,121.1	991.2	130.0	11.6
Indonesia	16,298.0[1]	13,739.5	2,558.51	15.7	16,748.4[1]	19,379.0	-2,630.6	-15.7
Malaysia	47,049.5	43,484.3	3,565.2	7.6	37,327.1	33,255.6	4,071.5	10.9
Lao PDR	310.1	290.0	20.1	6.9	532.2	501.0	31.2	5.9
Myanmar	2,948.3[1]	2,149.7	798.61	27.1	962.7[1]	1,174.6	-211.9	-22.0
Philippines	7,237.7[2]	8,192.2	-954.48	-13.2	11,734.5[2]	10,218.3	1,516.2	12.9
Singapore	93,359.3	83,802.0	9,557.3	10.2	66,058.2	62,301.0	3,757.2	5.7
Thailand	32,522.4	26,883.0	5,639.4	17.3	25,070.3	23,598.8	1,471.5	5.9
Viet Nam	7,813.3	6,214.0	1,599.3	20.5	15,889.2	12,544.8	3,344.4	21.0

Source : ASEAN Secretariat and respective MITI offices in ASEAN
Note : [1]The figures are for the period of January-September 2007
[2]The figures are for the period of January-November 2007

Comprehensive Investment Agreement (ACIA). The decision is timely as it will capitalise on increasing global FDI inflows and to ensure that ASEAN remains competitive to FDI.

ASEAN Comprehensive Investment Agreement (ACIA)

The ACIA will build upon the existing AIA Agreement. Its main principles will include, among others:

- forward-looking, reaffirm, improve and build upon the 1998 Framework Agreement on the ASEAN Investment Area and the 1987 ASEAN Agreement for the Promotion and Protection of Investment;

- commitment not to back-track on obligations under the AIA Agreement;

- incorporation of elements of investment promotion and awareness, investment facilitation, investment protection, and investment liberalisation;

- benefits to be enjoyed by both ASEAN investors and ASEAN-based foreign investors;

- special and differential treatment and other flexibilities to ASEAN Member States depending on their level of development and sectoral sensitivities;

- reciprocal treatment in the enjoyment of concessions, where appropriate; and

- preservation of preferential treatment among ASEAN Member States.

Apart from the review of the AIA Agreement, ASEAN continued to undertake facilitation and cooperation programmes to promote investments. In 2007, ASEAN convened consultations with Japan to exchange and share information on promoting FDI to Japanese investors and formulate measures and strategies for increasing ASEAN's competitiveness to attract FDI.

An ASEAN Investment forum to promote investment within ASEAN was also organised during the ASEAN Economic Ministerial Meeting in August 2007, in Makati City, the Philippines. The event also included business matching and site visits to selected companies, industrial estates and information technology (IT) parks.

In addition, the 'Statistics on Foreign Direct Investment in ASEAN, Eighth Edition 2006' in CD-ROM was produced. This publication provided investors and policy-makers with a better understanding of FDI developments in ASEAN. Malaysia published a brochure highlighting ASEAN as an attractive investment destination, with a tagline 'ASEAN Your Regional Partner to Global Markets'.

Investment Flows into ASEAN

As a result of the implementation of the various investment initiatives under ASEAN, the FDI inflows into ASEAN increased by 27.5 per cent to US$52.4 billion in 2006, from US$41.1 billion in 2005. This increase in FDI indicated that ASEAN remained a preferred destination for investors. FDI inflows were mainly to Singapore, with 45.9 per cent share of total FDI into the region, followed by Thailand (20.5 per cent), Malaysia (11.6 per cent), Indonesia (10.6 per cent) and Viet Nam (4.5 per cent).

In 2006, the major sources of investments in ASEAN were Japan (US$10.8 billion), the United Kingdom (UK) (US$6.7 billion), Singapore (US$4.5 billion), the United States of America (USA) (US$3.9 billion) and the Netherlands (US$2.9 billion), which together represented almost half of the total FDI inflows into ASEAN. The major sectors which attracted investments in ASEAN in 2006 were services (financial intermediation and services, trade and commerce, construction, real estate and other services) which accounted for 54.2 per cent of total FDI inflows and the manufacturing sector with 30.3 per cent of the FDI inflows.

ASEAN Outward Investment

Outward investments by ASEAN increased by 37.8 per cent to US$19.1 billion in 2006, from US$11.9 billion in 2005. Outward investments were mainly from Singapore and Malaysia, which accounted for 45.2 per cent and 31.6 per cent, of ASEANs total outward investment respectively.

Malaysia's outward investments in 2006 increased to US$6 billion, from US$3 billion in 2005. Major investment destinations were to Hong Kong SAR, the People's Republic of China and Singapore. Investments to ASEAN accounted for 11 per cent of total outward investments.

Table 10.5:
Intra-ASEAN Investment Flows, 2006

Source Member States	Host Member States										
	Brunei Darussalam	Cambodia	Indonesia	Lao PDR	Malaysia	Myanmar	Philippines	Singapore	Thailand	Viet Nam	Total
	US$ million										
Total	**9.7**	**155.5**	**1,524.5**	**10.6**	**467.8**	**27.8**	**(95.6)**	**1,137.7**	**2,822.1**	**181.9**	**6,242.1**
Singapore	1.6	14.3	1,328.4	-	474.5	-	(77.6)	-	2,659.7	100.2	4,501.2
Malaysia	**7.6**	**26.2**	**195.2**	**-**	**-**	**-**	**0.34**	**276.7**	**156.9**	**29.4**	**692.3**
Indonesia	0.2	-	-	-	(13.1)	2.6	(0.01)	695.6	(2.4)	1.0	683.8
Philippines	0.3	-	0.2	-	0.6	-	-	134.9	2.2	-	138.3
Thailand	0.04	110.8	2.2	7.8	5.9	25.2	(18.2)	(24.0)	-	45.4	155.1
Brunei Darussalam	-	-	(1.5)	-	-	-	-	10.5	3.7	3.0	15.6
Myanmar	-	-	-	-	(0.08)	-	-	36.9	0.3	-	37.2
Viet Nam	-	4.3	-	2.8	-	-	(0.09)	7.0	(0.2)	-	13.7
Cambodia	-	-	-	-	-	-	-	0.1	1.9	-	2.1
Lao PDR	-	-	-	-	-	-	-	-	-	2.9	2.9

Source: FDI Database, ASEAN Secretariat

Notes: (1) Data compiled from respective ASEAN Central Banks and Central Statistics Offices. Unless otherwise indicated, the figures include equity and inter-company loans.
(2) Cambodia figures are estimated figures.
(3) Figures for Brunei Darussalam, Cambodia, Malaysia, Myanmar, Singapore and Viet Nam include reinvested earnings.
(4) Philippines' data on reinvested earnings and Singapore's data on inter-company loans by source country are not available.
(5) ( ) Figures in bracket indicate net outflows which include disinvestments of equity and repayment of inter-company loan.

Intra-ASEAN Investment
Intra-ASEAN investment amounted to US$6.2 billion in 2006, an increase of 66 per cent from US$3.8 billion in 2005. These investments accounted for over 12 per cent of total FDI inflows to ASEAN. The increase in intra-ASEAN investment reflected the growing integration of ASEAN economies.

Singapore remained the leading source of outward intra-ASEAN investment with a 72.1 per cent share valued at US$4.5 billion, followed by Malaysia (US$692.3 million), Indonesia (US$683.8 million) and Thailand (US$155.1 million). Malaysia's intra-ASEAN investment outflows in 2006 were mainly to Singapore, Thailand and Viet Nam, followed by Cambodia and Brunei Darussalam.

Thailand was the largest recipient of intra-ASEAN investment amounting to US$2.8 billion, followed by Indonesia (US$1.5 billion) and Singapore (US$1.1 billion). In 2006, total intra-ASEAN investments into Malaysia was US$467.8 million.

SERVICES

Since 1995, Malaysia has liberalised 70 services sub-sectors under the ASEAN Framework Agreement on Services. In 2007, Malaysia made further improvements to the 6th Package of commitments including offering new sectors for liberalisation. These improvements allowed for higher equity participation, while the new sectors offered were International Procurement Centres, Regional Distribution Centres and Wastewater Management. With the improvements made, Malaysia now allows 100 per cent ASEAN equity ownership in these sectors, except for Wastewater Management, in which ASEAN equity participation is limited to 30 per cent.

The agreed ASEAN modality to substantially eliminate all restrictions to trade in services by 2010 for priority sectors and 2015 for other sectors in ASEAN are:

i. liberalisation will be undertaken through consecutive rounds every two years until 2015, i.e. 2008, 2010, 2012, 2014 and 2015.

ii. target the minimum number of new sub-sectors to be scheduled in each round as follows: ten sub-sectors in 2008, 15 in 2010, 20 in 2012, 20 in 2014 and seven in 2015, based on General Agreement on Trade in Services W/120 universe of classification.

iii. the commitments for every round will be scheduled according to the following parameters:

- Modes 1 and 2 – 'None' (i.e. no restrictions), with exceptions due to *bona fide* regulatory reasons (such as public safety) which are subject to agreement by all Member States on a case-by-case basis;

- Mode 3 – foreign equity participation:

	Per cent	Period
4 priority services sectors	no less than 51 per cent	by 2008
	70 per cent	by 2010
Logistics services	no less than 49 per cent	by 2008
	51 per cent	by 2010
	70 per cent	by 2013
Other services sectors	no less than 49 per cent	by 2008
	51 per cent	by 2010
	70 per cent	by 2015

Note: *Mode 1-Cross Border Supply:*
Service supplier not presented within the Member State but the service is delivered within the territory of that Member State, from the territory of another Member State. For example, through the internet.

Mode 2-Consumption Abroad:
Consumer consumes the service in another Member State. For example, a Malaysian goes for a holiday in Singapore and enjoys the services available in Singapore.

Mode 3-Commercial Presence:
Services is supplied through a locally incorporated company in the Member State.

Mode 4-Presence of Natural Person:
Services is supplied by a natural person. For example, a doctor.

ASEAN is also undertaking measures to reduce other barriers and market access limitations to expand intra-ASEAN trade in services.

ASEAN is also developing mutual recognition arrangements (MRAs) to facilitate intra-ASEAN movement of professional workers. MRAs concluded in 2007 were the MRA for Architectural Services and the Framework MRA for Surveying Qualifications. With the signing of the MRAs, ASEAN has concluded four MRAs, including the MRA on Engineering Services and MRA on Nursing Services. The Framework MRA on Accountancy Services, MRA for Medical Practitioners and MRA for Dental Services are being negotiated.

Logistics Services
Recognising the importance of logistics services in facilitating business, ASEAN has embarked on an initiative to better integrate the logistics services, identified as the 12th priority sector for accelerated liberalisation and integration. A Roadmap for the Integration of Logistics Sectors has been endorsed to ensure the identified sectors are liberalised as scheduled and measures are implemented in an integrated manner.

SECTORAL COOPERATION

Agriculture
ASEAN cooperation in food, agriculture, and forestry sectors is vital in sustaining food security, strengthening ASEAN joint positions at international fora, as well as expediting the creation of the ASEAN Economic Community. More importantly, it will contribute towards enhancing the long-term competitiveness of ASEAN's food, agriculture and forestry products. To achieve these objectives, various initiatives on agricultural cooperation including capacity building, use of modern technology and adoption of international standards and practices were undertaken by ASEAN throughout 2007 in the areas of livestock, crops, fisheries and forestry.

Cooperation in Agriculture
In the area of cooperation in agriculture, ASEAN Plus Three countries (the People's Republic of China, Japan and the Republic of Korea, agreed to extend the implementation of the pilot project of the East Asia Emergency Rice Reserve (EAERR) Management System to February 2009. This pilot project provided valuable experience in meeting humanitarian needs during periods of emergencies and natural disasters. In 2007, ASEAN also endorsed the ASEAN Harmonised Maximum Residue Limits (MRLs) for 16 pesticides and adopted the following standards:

- ASEAN Harmonised Standards for Papaya, Pomelo and Rambutan; and

- ASEAN Standards for Live Infectious Bronchitis Vaccine (revised) and Inactivated Infectious Bronchitis Vaccine (revised).

Guides on Fisheries were also endorsed, namely a hazard guide entitled 'A Guide to the Identification and Control of Food Safety Hazards in the Production of Fish and Fisheries Products in the ASEAN Region' and Guidelines on Development of Standard Operating Procedures for Health Certification and Quarantine Measures for the Responsible Movement of Live Food Finfish.

In 2007, ASEAN endorsed the re-accreditation of the Veterinary Drug Assay Laboratory in Gunung Sindur, Bogor, Indonesia as an ASEAN Animal Vaccine Testing Laboratory for nine specific animal vaccines for a period of three years. The establishment of the ASEAN Shrimp Alliance (ASA) to enhance ASEAN's capability to respond to the challenges of international trade in shrimp and shrimp products was also endorsed.

Forestry
Since the launch of the East Asia Forest Law Enforcement and Governance (EA-FLEG) process in 2006, ASEAN cooperation in combating illegal logging and its associated trade of forest products has been further strengthened and institutionalised. It has established itself as a regional mechanism involving governments, business, civil society and other ASEAN global partners.

In compliance with the international forestry reporting requirements on progress towards the achievement of sustainable forest management, ASEAN adopted the following standards at the national and regional levels in 2007:

- ASEAN Criteria and Indicators for Sustainable Management of Tropical Forests;

- Monitoring, Assessment and Reporting Format for Sustainable Forest Management in ASEAN; and

- ASEAN Guidelines for the Implementation of Inter-governmental Panel on Forestry/ Inter-governmental Forum on Forestry proposals for Action.

Animal Health
Measures are being implemented in line with the ASEAN Regional Framework for Control and Eradication of Highly Pathogenic Avian Influenza (2006-2008). These include:

- strengthening collaboration with international agencies, such as the Asian Development Bank (ADB), Food and Agriculture Organisation (FAO) and the World Organization for Animal Health (OIE);

- establishing a disease surveillance and alert system;

- sharing information to enhance public awareness; and

- drawing up an emergency preparedness plan.

ASEAN also agreed to establish the ASEAN Network on Aquatic Animal Health Centres (ANAAHC) among national aquatic animal health agencies and laboratories to facilitate the building up of diagnostic and certification capabilities in ASEAN Member States for the export of live aquatic animals.

Recognising the importance of trade-related issues in cooperation activities, ASEAN and the Plus Three countries will look into enhancing trade facilitation and market access in the future.

Transport
An efficient, secure and integrated transport network in ASEAN is vital towards realising the full potential of the ASEAN Free Trade Area. It also enhances the attractiveness of the region as a single production, tourism and investment destination, as well as, narrowing the development gaps among its Member States.

Measures and actions have been taken to intensify regional cooperation in enhancing transport and logistics services, facilitating transport and tourism integration, promoting multi-modal transport infrastructure linkages and connectivity and expanding liberalisation opportunities in the air, maritime and land transport sectors.

The Roadmap towards an Integrated and Competitive Maritime Transport in ASEAN was adopted at the 13th ASEAN Transport Ministers (ATM) Meeting on 1 November 2007. This Roadmap aims to promote and strengthen intra-ASEAN maritime transport services, through the setting-up of a framework for the progressive development of a liberalised regulatory environment, harmonising standards and building human resource and institutional capacities.

In line with the ASEAN Roadmap for Integration of Air Travel Sector (RIATS), ASEAN Member States have reaffirmed their commitments towards the timely liberalisation of air services in ASEAN. In this connection, Member States have agreed to the signing of the ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services and the ASEAN Multilateral Agreement on Air Services, including their respective Implementing Protocols, in time for implementation by December 2008.

Brunei-Indonesia-Malaysia-Philippines-East ASEAN Growth Area (BIMP-EAGA) Transport Ministers signed two memoranda of understanding in 2007, namely the Memorandum of Understanding on Establishing and Promoting Efficient and Integrated Sea Linkages and the Memorandum of Understanding on Cross-Border Movement of Commercial Buses and Coaches. These two Memoranda marked a significant advancement in the development of transportation links in the BIMP-EAGA region and towards ASEAN integration.

Finance

Under the Roadmap for 'Financial and Monetary Integration of ASEAN', significant progress has been made in capital market development, liberalisation of trade in financial services, capital account liberalisation and currency cooperation.

For the development of the capital market, the ASEAN Finance Ministers agreed to establish an ASEAN bond portal that will provide a centralised information platform on ASEAN's bond markets. This will be the first step towards facilitating deeper bond market linkages, as more ASEAN bond markets adopt e-bond trading platforms. Dialogue mechanisms with key market participants will also be strengthened to keep abreast of capital market developments and ensure that ASEAN markets remain responsive to the needs of issuers, investors and financial intermediaries.

Activities on ASEAN capital account liberalisation included strengthening the capacity building programmes and exchange of views and experiences of Member States on capital account liberalisation. Apart from this, the Capital Account Liberalisation Roadmap has also been reviewed to be consistent with the 2015 timeline to establish the ASEAN Economic Community.

On insurance cooperation, ASEAN has exerted efforts to improve the information provided to the ASEAN Unified Form of Statistics, as well as observing the core principles of the International Association of Insurance Supervisors (IAIS). The Blue Card Scheme for motor insurance will be implemented upon the signing of the remaining protocols under the ASEAN Framework Agreement on the Facilitation of Goods in Transit.

Training sessions on regional economic and financial monitoring were conducted by the ADB in collaboration with the ASEAN Secretariat between August-September 2006 and February-March 2007 under the ASEAN Surveillance Process. The ADB also offered regional technical assistance and training programmes on Early Warning Systems to the ASEAN Plus Three countries as part of the work programme of the ASEAN Plus Three Technical Working Group on Economic and Financial Monitoring.

Malaysia has proposed the setting-up of a High-Level Task Force on ASEAN Infrastructure Financing Mechanism (AIFM) and for the AIFM to be the major theme for ASEAN Finance Ministers' Investor Seminar scheduled to be held in September 2008. The intention of AIFM is to lower the overall cost of infrastructure financing through blending of interest rates from public and private funds.

Information and Communication Technology

In 2007, ASEAN adopted the 'Siem Reap Declaration on Enhancing Universal Access of ICT Services in ASEAN'. The Declaration provides for actions and measures to ensure equal and affordable access to ICT services in rural communities and remote areas, as well as, to promote the social responsibility of relevant stakeholders in the information society.

The ASEAN ICT Fund which was established in 2005, is progressing with the second annual contributions from Member States. The first disbursement of the Fund has been endorsed to support the implementation of 11 priority projects and initiatives in ASEAN information structure, e-commerce and ICT trade facilitation, e-society and ICT capacity building, universal access, digital divide and e-government. The ASEAN Computer Emergency Response Teams (CERTs) conducted the ASEAN Cybersecurity Incidence Drills (ACID II) in July 2007 with the participation of ASEAN Dialogue Partners namely, the People's Republic of China, the European Union (EU), India, Japan and the Republic of Korea.

Continuous support and commitment of the Dialogue Partners from Japan, the People's

Republic of China, the Republic of Korea and India have further enhanced the effectiveness of the ICT industries, reduced the digital divide and promoted information policies and practices for realising knowledge-based information society. In 2007, ASEAN in collaboration with Dialogue Partners endorsed:

- ASEAN-China Work Plan for 2007-2008 which covers expanded cooperation in rural communications, network security, human resource development, capacity building and communications standard;

- extension of the Memorandum of Understanding on ASEAN-China ICT Cooperation for the period of 2007-2012; and

- ASEAN-Japan ICT Work Plan for 2007-2009 which will be addressing key issues in the establishment of Information Society in ASEAN.

Tourism
In 2007, ASEAN recorded an increase of more than 8 per cent visitor arrivals, amounting to more than 60 million visitors, compared with 56 million in 2006. Intra-ASEAN travel continued to be the main source market with 43 per cent of total visitor arrivals. As a priority sector, the Roadmap for Tourism Integration has been accelerated to further strengthen ASEAN's appeal as a single destination.

The Second ASEAN Tourism Investment Forum (ATIF) held on 21-22 September 2007 in Bali, Indonesia recommended that ASEAN promotes multi-country tourism that focuses on tourism clusters and cultural corridors based on mutual heritage, history and culture.

Initiatives to increase capacity building in the sector include the MRA between ASEAN Member States on Tourism Professional, Capacity Building for ASEAN Tourism and the Development of Common ASEAN Tourism Curriculum Projects which have been finalised. The MRAs will be implemented in December 2008. This will eventually facilitate the mobility of tourism professionals within the region.

To promote cruise tourism, the ASEAN Cruise Tourism Working Group participated in several international events such as the launching of the ASEAN Cruise website at Seatrade in Miami on March 2007 and the People's Republic of China International Travel Mart 2007 in Kunming. The coverage has been expanded to include regional and river cruises as part of the ASEAN Cruise Tourism Working Group.

Cooperation between tourism and transport is important in facilitating the movement of tourists in the region. The finalisation of the Multilateral Agreement on Air Services will boost travel into and within ASEAN. ASEAN Tourism Ministers agreed to the expansion of the Roadmap for Integration of Air Travel Sector to implement the ASEAN open skies policy by 2015 as part of the ASEAN Single Aviation Market.

FACILITATION MEASURES

Standards
In 2007, efforts were intensified to finalise the Guide on Basic Rules for ASEAN Conformity Mark, as well as, the Agreement on the Application of the ASEAN Conformity Mark. Work is also being undertaken by the ASEAN Consultative Committee on Standards and Conformity Assessment to draw up the guidelines on Good Regulatory Practice.

Since the signing of the ASEAN Electrical and Electronics MRA (ASEAN EE MRA) by the ASEAN Economic Ministers (AEM) in April 2003, all ASEAN Member States have already notified their participation in the recognition of test reports and eight Member States have accepted the certification. Currently, one Certification Body and 13 Testing Laboratories are listed under the ASEAN EE MRA.

A five-year Action Plan has been developed to implement the Agreement on ASEAN Harmonised Electrical and Electronics Equipment Regulatory Regime signed by the AEM on 9 December 2005 in Kuala Lumpur. In addition, 98 technical standards in the electrical sector have been identified for harmonisation in 2008.

In the area of cosmetics, technical guidelines have been developed to support the implementation of the Agreement on ASEAN Harmonised Cosmetic Regulatory Scheme. This includes, among others:

- eight harmonised testing methods;
- 14 training modules on ASEAN Cosmetic Good Manufacturing Practice;
- training modules on products safety and efficacy;
- safety evaluation guidelines;
- notification Template and Notification Guidelines;
- Claim Guidelines;
- Product Information File; and
- Regional Alert System for Unsafe Cosmetic Products.

The ASEAN Common Technical Dossiers (ACTD), covering administrative data, quality, safety and efficacy and ASEAN Common Technical Requirements (ATCRs), covering quality, safety and efficacy have been developed for the pharmaceutical sector for implementation by the end of 2008. The harmonisation of labelling requirements for pharmaceuticals has been completed. A sectoral MRA on Good Manufacturing Practice (GMP) Inspection is currently being developed and is expected to be adopted and signed by Ministers by end of 2008.

The ASEAN Common Submission Dossier Template (ACSDT) for Medical Devices has been developed and the pilot implementation of this ACSTD is on-going.

The MRA for Bioavailability and Bioequivalence is being studied. To date, the Post-Marketing Alert (PMA) System for defective and unsafe pharmaceutical products in the region has been adopted. This is to enhance the cooperation among Pharmaceutical Regulatory Authorities in ASEAN against unsafe and defective pharmaceutical products in the region.

In the area of Traditional Medicines and Health Supplements, the harmonisation of definitions and terminologies on traditional medicines has been completed. Similar harmonisation for health supplements is being undertaken.

Guidelines for the harmonised import-export inspection and certification system for irradiated, fortified and organic food is being developed. These guidelines will be based on various aspects such as food safety, labelling, registration, *halal*, as well as on specific requirements for Genetically Modified Organism (GMO) assessment, on-site inspection requirement, quarantine and traceability.

Measures are also being taken to monitor the implementation of the ASEAN Common Food Control Requirements comprising:

- ASEAN Common Principles for Food Control Systems;
- ASEAN Common Principles and Requirements for the Labelling of Pre-packaged Food; and
- ASEAN Common Principles and Requirements for Food Hygiene.

A list of products of prepared foodstuff, which includes low risk products, has been developed for harmonisation among ASEAN Member States.

Customs

Efforts have been taken in the area of Customs cooperation to implement the measures contained in the Strategic Plan of Customs Development (2005-2010). Specific focus was given to the implementation of the ASEAN Harmonised Tariff Nomenclature-AHTN 2007 and the modernisation of Customs techniques for trade facilitation in 2007.

ASEAN finalised and adopted the Corrigendum to the AHTN 2007/1 and the Supplementary Notes 2007/1. A number of ASEAN Member States, including Cambodia, Indonesia, Myanmar, the Philippines and Thailand have implemented the AHTN 2007. These Member States are also using the AHTN for both intra-ASEAN and extra-ASEAN trade. Malaysia issued the gazette to implement the AHTN in April 2008.

Steps were also taken in 2007 to simplify and harmonise Customs procedures and to adopt trade-facilitating measures for the integrated supply chain in ASEAN. Measures included the development of pre-arrival Customs procedures and processes of advance ruling (i.e. tariff classification, Customs valuation and origin determination). The implementation of the ASEAN Cargo Processing Model also achieved substantial progress.

Efforts were also continued by the Customs Administrations in ASEAN towards the standardisation of information parameters, data format and business processes. The Customs Administrations within the region continued to apply ICT into the processing of Customs clearance, and the establishment of ASEAN e-Customs. The majority of ASEAN Customs Administrations have the Customs computerised systems dealing with cargo clearance and Customs control.

REGIONAL COOPERATION WITHIN ASEAN

Indonesia-Malaysia-Thailand Growth Triangle

In January 2007, the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) sub-regional cooperation initiative adopted a new Roadmap to re-focus its cooperation initiatives over 2007-2011. The IMT-GT Roadmap identifies four economic connectivity corridors (ECC) as the key to strengthening regional connectivity to support increased trade, investment andtourism. These are the:

- Extended Songkhla-Penang-Medan Economic Corridor;
- Straits of Melaka Economic Corridor;
- Banda Aceh-Medan-Pekanbaru-Palembang Economic Corridor; and
- Melaka-Dumai Economic Corridor.

The economic corridor approach has been identified as a core strategy for the accelerated development of IMT-GT and the development of these economic corridors was declared as a Flagship Project of IMT-GT.

Major activities carried out in 2007 to promote sub-regional development under the IMT-GT include the IMT-GT SME Exposition and Conference from 5-9 December 2007 in Pulau Pinang. It was organised by the Small and Medium Industries Development Cooperation (SMIDEC) in collaboration with the State Government of Pulau Pinang, Malaysia. A total of 96 companies from the three Member States participated in the Expo. A small and medium enterprise (SME) Conference, in which, experts presented papers highlighting opportunities and measures that would help SMEs strengthen their businesses was also organised. Business matching sessions were also held during the Conference.

Other activities undertaken include:

- launching of the visit IMT-GT Year 2008 and hosting of the IMT-GT International Travel Fair in Haadyai, Thailand;
- Trade and Investment Seminar in Agriculture and Agro-base Industry in Medan, Indonesia in November 2007;
- IMT-GT Expo and Seminar on Fisheries in Batam, Indonesia in November 2007;
- IMT-GT Halal Expo held from 23-25 February 2007 at Krabi Province, Thailand; and
- Workshop on Improving the Delivery Mechanism of IMT-GT in Malaysia and Indonesia on 10 December 2007 and 21 January 2008 respectively.

Another achievement in 2007 was the establishment of the Centre for IMT-GT

Sub-regional Cooperation in Selangor, Malaysia to coordinate the IMT-GT initiatives.

Brunei-Indonesia-Malaysia-Philippines-East ASEAN Growth Area
A significant development in the Brunei-Indonesia-Malaysia-Philippines-East ASEAN Growth Area (BIMP-EAGA) sub-region was the signing of the Memorandum of the Expansion of Air Linkages in January 2007. The Memorandum is considered a milestone within ASEAN and provides among others, the granting of the fifth freedom traffic rights (FFTR) to seven major EAGA airports. Subsequently, an additional five airports with FFTR were designated by the IMT-GT Transport Ministers. The designated FFTR points in Malaysia are Kota Kinabalu in Sabah, Kuching and Miri in Sarawak, and Wilayah Persekutuan Labuan. The Kuching-Bandar Seri Begawan flight began operations on 1 December 2007.

Two other transport agreements were signed by the Transport Ministers at the sidelines of the ASEAN Transport Ministers Meeting in Singapore on 2 November 2007. The first agreement signed was on the establishment and promotion of efficient and integrated sea linkages and designated 33 ports as BIMP-EAGA gateway ports. Among others, the agreement provides for:

- undertaking joint measures to promote and sustain intra-EAGA maritime trade and tourism;
- facilitating the entry of shipping operators and investors; and
- granting temporary exclusive rights to pioneering shipping services.

The second agreement signed was on the cross border movement of commercial buses and coaches covering the carriage of passengers between territories of Member States and in transit through the territory of other Member States. The initial phase of implementation will be in Borneo Island.

Parallel initiatives have been initiated to ensure the efficient mobility of goods and people across EAGA borders. Priority partner entry points have been designated, namely:

(i) Sandakan, Malaysia-Zamboanga, the Philippines;

(ii) Labuan, Malaysia-Muara, Brunei Darussalam;

(iii) Tebedu, Malaysia-Entikong, Indonesia; and

(iv) General Santos, Philippines-Bitung, Indonesia

In 2007, the BIMP-EAGA Consortium of Tour Operators and Travel Agents was established to facilitate the development of EAGA-wide tour and travel packages. The successful implementation of the Third BIMP-EAGA Travel Exchange was the highlight of the tourism sector's activities in 2007. Four Member States of the East Asia Tourism Organisation Forum namely, the Republic of Korea, the People's Republic of China, Australia and Japan participated in the Travel Exchange (Travex). The Travex was also the venue for the launching of the BIMP-EAGA travel brochures and promotional materials and the BIMP-EAGA tourism video.

The development of sub-regional value chains were initiated in the primary commodities of BIMP-EAGA, namely, oil palm, seaweeds and *halal* foods. A series of stakeholder consultations and dialogues were conducted to promote buy-ins of the private sector players in the establishment of the value chains. As directed by the Third Summit of the BIMP-EAGA, a preliminary study to explore the feasibility of establishing a private sector development fund was initiated with assistance from the ADB.

The BIMP-EAGA Energy Sector Action Plan which calls for the phased development and implementation of identified priority energy projects is consistent with and complementary to the ASEAN's energy action plans. The Plan covers the development of both conventional and renewable energy. Funding of the feasibility study for the West Kalimantan-Sarawak power interconnection project has been secured and is expected to commence by end of 2008. Among others, the study will look into the possible parameters for power trading and will facilitate the drafting of a power purchase agreement between West Kalimantan, Indonesia and Sarawak, Malaysia.

Two new initiatives were adopted by BIMP-EAGA in 2007 to further strengthen the implementation of the development roadmap and to hasten cross-border flow of people, goods, services, and information. The first initiative was the adoption of the economic corridor concept. Two economic corridors were identified as priorities for development:

- Western Borneo Economic Corridor covering West Kalimantan in Indonesia, Sarawak, Sabah and Labuan in Malaysia; and
- Greater Sulu-Sulawesi Corridor.

The second initiative was the BIMP-EAGA Regional Environment Programme (REP), which aims to support the effective management and sustainable development of shared forest and marine resources. The focus of the REP is the Heart of Borneo and the Sulu-Sulawesi seas.

In 2008, the BIMP-EAGA Governments will conduct the Mid-Term Review of the BIMP-EAGA Roadmap to Development (2006-2010). Specific measures will be undertaken to implement the ASEAN Framework Agreement on the Facilitation of Goods in Transit in BIMP-EAGA by 2008.

ASEAN-Mekong Basin Development Cooperation
The Ninth ASEAN-Mekong Basin Development Cooperation (AMBDC) Meeting was held on 27 August 2007 in Manila, the Philippines. As funding remained an obstacle, an initiative to coordinate, streamline and synergise financing opportunities with other relevant ASEAN sectoral bodies and where AMBDC projects could be tied-up with related viable projects was considered.

Malaysia organised a training programme, 'Human Resource Development in Remote Sensing and Geographic Information System (GIS) for the Forestry Personnel of CLMV' from 13-24 August 2007, Kuala Lumpur, funded by the ASEAN Foundation. Malaysia has also proposed to organise a course on 'Training in Database Management for Hydrogeologists in Cambodia, Lao PDR, Myanmar and Viet Nam' in 2009.

Progress on the development of the Singapore-Kunming Rail Link (SKRL) project has been satisfactory. A number of feasibility studies have been completed and Member States are now in the process of securing funding to commence the construction of the missing links. The Ninth Special Working Group on SKRL held on 19 October 2007 in Singapore, agreed for Malaysia to host a SKRL Conference and Investors' Seminar. The seminar will be held together with the 10th Special Working Group on SKRL in 2008. Malaysia is the permanent chairman of the Special Working Group for SKRL.

REGIONAL LINKAGES WITH DIALOGUE PARTNERS

ASEAN Plus Three
The year 2007 marked the 10th Anniversary of ASEAN Plus Three (APT) cooperation. The APT Leaders at their 11th Summit Meeting in Singapore reaffirmed that APT is an integral part of the evolving larger regional architecture and would continue to support ASEAN's integration and community building effort. To further strengthen APT cooperation, the 11th APT Summit adopted two key documents, namely the Second Joint Statement on East Asia Cooperation and the APT Cooperation Work Plan (2007-2017).

The APT Cooperation Work Plan was formulated to serve as the master plan to enhance APT relations and cooperation in a comprehensive and mutually beneficial manner in all fields for the next ten years.

To facilitate the implementation of cooperation projects and the Work Plan, APT Leaders also endorsed the proposal to expeditiously establish an APT Cooperation Fund.

The second phase of the study on the establishment of the East Asia Free Trade Area involving the APT countries is still being finalised. At the private sector level, steps have been taken to strengthen the East Asia Business Council. The Council is currently exploring the feasibility of setting up a permanent secretariat to effectively coordinate activities by the private sector. Malaysia has offered to host the permanent secretariat.

East Asia Summit

The Third East Asia Summit (EAS) held on 21 November 2007 continued discussions on issues of strategic importance to the East Asian region particularly on energy, environment, climate change, sustainable development, as well as the future direction of the East Asia region.

Following the signing of the Cebu Declaration on East Asian Energy Security in January 2007, the EAS Energy Ministers held their inaugural meeting on 22 September 2007 and recommended areas of future energy cooperation, including:

- formulating energy efficiency goals and action plans;
- enhancing cooperation on biofuels in the region, including formulating principles for biofuels and supporting cooperation in developing reference benchmarks for biofuels; and
- promoting energy market integration.

To further enhance energy cooperation in the region, ASEAN will look into other areas such as:

- promoting the use of low-carbon and environmentally friendly technology;
- enhancing research and development to encourage technology transfer;
- providing technical and financial assistance and enhancing the implementation of clean development mechanisms; and
- developing carbon-trading mechanism.

The Summit also agreed to the establishment of the Economic Research Institute for ASEAN and East Asia (ERIA). This is temporarily located at the ASEAN Secretariat, while details on its permanent location are being resolved.

The Leaders also welcomed Japan's proposal for an environmental cooperation initiative 'Towards a Sustainable East Asia' with a contribution of more than US$2 billion over the next five years for anti-pollution measures and a number of key proposals.

The Feasibility Study on Comprehensive Economic Partnership Agreement (CEPEA) is on-going. The study will explore the options to further enhance economic cooperation between ASEAN, the People's Republic of China, Japan, the Republic of Korea, India, Australia and New Zealand.

ASEAN-China

Steady progress has been achieved in enhancing ASEAN-China economic relations, particularly in the area of trade, agriculture, transport and tourism, as well as in the sub-regional Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA). The implementation of the ASEAN-China FTA in Goods has led to an increase in the two-way trade between ASEAN and the People's Republic of China to US$160.8 billion in 2006 from US$130.4 billion in 2005.

To enhance private sector linkages, the People's Republic of China hosted the 4th ASEAN-China Expo in Nanning in October 2007. A total of 128 Malaysian companies and Government agencies participated in this annual exhibition to take advantage of the ASEAN-China FTA to expand the market for their products in the People's Republic of China. In addition to the exhibition, other events held during the Expo included the ASEAN-China Business Summit, ASEAN-

China Port Development Forum and ASEAN-China Forestry Cooperation Forum.

To enhance trade in the services sector, ASEAN and the People's Republic of China implemented the First Package of Commitments in July 2007. Offers made by Malaysia covered the telecommunications sector, financial services, education, health and tourism. Sectors offered by the People's Republic of China were computer and its related services, construction, transport, recreational services and environmental services. The negotiations on the second package of services commitments are on-going and are scheduled to be completed by 2008.

ASEAN and the People's Republic of China are working towards completing the negotiations on an investment agreement to complement the agreements on trade in goods and services. Work is also being undertaken to finalise the Memorandum of Understanding on Intellectual Property Rights.

Several memoranda of understanding or cooperation framework were concluded in 2007:

- ASEAN and China Memorandum of Understanding on Strengthening Sanitary and Phyto-sanitary Cooperation;
- Memorandum of Understanding between the Ministry of Agriculture, the Peple's Republic of China and the ASEAN Secretariat;
- Plan of Action to Implement the Beijing Declaration on ICT Cooperation Partnership for Common Development; and
- BIMP-EAGA and China Framework of Cooperation.

Several other events were also held to enhance mutual cooperation between ASEAN and the People's Republic of China. These included the:

- Ministerial Conference on ASEAN-China Quality Supervision, Inspection and Quarantine Laws;
- ASEAN-China ICT Workshop on Broadband Access Development and Application;
- China International Travel Mart involving ASEAN Member States;
- ASEAN-China Customs Seminar on World Customs Organisation Framework of Standards to Secure and Facilitate Global Trade;
- ASEAN-China Transport Policy/Strategic Planning Workshop; and
- ASEAN-China Science and Technology Cooperation Forum on Biomass Energy Development and Utilisation.

ASEAN-Japan

The ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement was signed in April 2008. The AJCEP Agreement which covers commitments in trade in goods, services, investment and economic cooperation will further strengthen economic ties between ASEAN and Japan and create a larger and more efficient market with greater opportunities for both parties. The AJCEP complements the bilateral economic partnership agreements that individual ASEAN Member States have signed with Japan. This is the third regional FTA that ASEAN has embarked on, following the conclusion of agreements with the People's Republic of China and the Republic of Korea. Japan has committed US$52 million for projects relating to the implementation of the AJCEP Agreement.

Total trade between ASEAN and Japan increased to US$161.8 billion in 2006, from US$154.6 billion in 2005. Japanese investment within the region increased to US$10.8 billion in 2006, from US$7.2 billion in 2005. Japan has also undertaken a survey involving Japanese investors in the region to facilitate ASEAN's efforts to create a dynamic investment climate within the region. Discussions with Japanese investors are held on the results of the survey to recommend policies towards creating an ASEAN Common Investment Climate.

Within the framework of ASEAN Economic Ministers-Minister of Economy, Trade and Industry (METI) Japan Economic and Industrial Cooperation Committee (AMEICC), a total of 45 projects involving seminars and workshops, dispatching of experts and human resource development training were undertaken in 2007. The activities were in the areas of automotive, ICT, SME, chemical, consumer electronics, statistics, textiles and garments.

ASEAN-Korea

The ASEAN-Korea Trade in Goods Agreement was implemented in June 2007. ASEAN (except Thailand) and the Republic Korea have commenced their import duty reduction and elimination commitments to create a free trade area by 2010.

Tariff liberalisation will be undertaken through two tracks, that is the Normal Track and Sensitive Track. Under the Normal Track, the Republic of Korea eliminated its import duties on 70 per cent of the products from June 2007. ASEAN as a developing country partner in the FTA reduced its duties to 0-5 per cent on 50 per cent of the products in the Normal Track.

The implementation of the FTA provided further impetus for the expansion of trade between ASEAN and the Republic of Korea which in 2006 amounted to US$52.8 billion. The signing of the Trade in Services Agreement on 21 November 2007 reaffirmed ASEAN and the Republic of Korea's commitments towards greater economic integration. Under the Agreement, ASEAN and the Republic of Korea will exchange higher liberalisation commitments in trade in services made under the General Agreement on Trade in Services (GATS) at the WTO.

Malaysia has made liberalisation commitments in business services, computer-related services, telecommunications services, construction, distribution services, education services, environmental services, financial services, tourism and related services, and transport services. The liberalisation commitments include allowing the Republic of Korea to establish commercial presence in Malaysia through higher equity ownership.

Similarly, the Republic of Korea has made offers in business services, computer-related services, research and development, telecommunications services, construction, distribution services, education services, environmental services, financial services, tourism and travel-related services and transport services.

The ASEAN-Korea Services Agreement provides greater opportunity and market access for Malaysian service providers in the Republic of Korea. Malaysia is expected to benefit from enhanced collaboration in sectors where both Malaysia and the Republic of Korea are competitive. These include sectors such as construction, engineering, maritime and ICT.

The ASEAN-Korea Memorandum of Understanding to establish the ASEAN-Korea Trade, Investment, Tourism and Cultural Centre was signed in November 2007. The Centre will be pivotal in fostering closer cooperation, particularly economic cooperation in line with the objectives of the ASEAN-Korea Free Trade Area.

As part of the FTA initiatives, several cooperation projects were implemented in 2007, namely:

- Capacity Building on FTA Negotiations;
- Executive Training Programme for ASEAN SMEs;
- ASEAN-Korea SMEs Cooperation Network;
- Study visits by ASEAN environment officials to the Republic of Korea; and
- Workshop for Facilitation of Trade Broadcasting Services in the Digital Economy.

Ten projects on training and capacity building have been further identified for implementation covering areas such as information technology equipment testing and certification system, intellectual property, development of dyeing and finishing for textiles, agricultural extension delivery systems, standards and technological regulations and post harvest management.

ASEAN-India

ASEAN has reached consensus on modalities for the FTA in Goods with India. Overall, the modalities include elimination of duties on 71 per cent of the products by December 2011 and another 9 per cent of the tariff lines by 2015. Both sides will also reduce duties to 5 per cent on approximately 10 per cent of the products placed in the Sensitive Track by 2015. Cambodia, Lao PDR, Myanmar and Viet Nam, as well as, the Philippines have been given a longer time frame to reduce and eliminate duties for products which are placed in the Normal Track and Sensitive Track. To accommodate sensitivities, both sides agreed to maintain an Exclusion List, provided the value of trade coverage of products in the List does not exceed 5 per cent in terms of value of total imports from India and vice versa. Negotiations are still on-going.

ASEAN-Australia and New Zealand

The negotiations between ASEAN and Australia-New Zealand are on-going to finalise a comprehensive FTA, covering all major areas including goods, services, investment, standards and conformance, sanitary and phyto-sanitary and Customs procedures besides economic cooperation.

Australia and New Zealand sponsored several workshops and seminars during the process of the negotiations to further facilitate better understanding of the issues under negotiations which included:

- Seminar on Services;
- Workshop on Rules of Origin;
- Workshop on Intellectual Property;
- Workshop on Investment;
- Workshop on Trade and Competition Policy;
- Workshop on Advance Rulings;
- Workshop on Two-Annex Approach to Scheduling Reservations;
- Tariffs and Trade Data Analysis Workshop;
- Tariff and Trade Data Analysis Workshop (advanced); and
- Mini Workshop on Scheduling Reservations under the Wellington Approach.

ASEAN-European Union

The ASEAN-EU FTA negotiations were officially launched by the AEM and the European Union Trade Commissioner on 4 May 2007. It was agreed that the negotiations will be based on a region-to-region approach which recognises and takes into account the different levels of development and capacity of individual ASEAN Member States. A Joint Committee was established to work out the details of modalities, work programme and time schedule for negotiations.

The EU continued to implement a number of cooperation activities under the various ASEAN-EU initiatives, including:

- Trans-Regional EU-ASEAN Trade Initiative (TREATI);
- ASEAN-EU Regional Cooperation Programme on Standards, Quality and Conformance Assessment;
- ASEAN-European Commission Energy Cooperation Programme EU-ASEAN Energy Facility (EURASEF); and
- EC-ASEAN Intellectual Property Rights Cooperation Programme (ECAP II).

The EU introduced a Development Cooperation Instrument (DCI) for the financing of its cooperation initiatives including TREATI for Asia to cover the period of 2007-2013.

ASEAN-United States of America

ASEAN-US relations continued to be enhanced within the context of the ASEAN-US Trade and Investment Framework Agreement (TIFA) which was signed on 25 August 2006. Several activities were implemented in 2007 including a survey on the preparedness of ASEAN Member States to implement the ASEAN Single Window (ASW) and problems encountered to draw up appropriate actions that could be undertaken to implement the ASW.

The US Department of Agriculture Animal and Plant Health Inspection Service (APHIS) also organised a seminar on plant quarantine and irradiation. This Seminar aimed to provide support to ASEAN Member States seeking new market access opportunities for exports of tropical fruits to the US. The APHIS also signed the Framework Equivalency Work Plans (FEWPs) with Lao PDR, Malaysia, the Philippines and Viet Nam.

Other initiatives pursued under the TIFA involved the development of a regional investment climate website, ASEAN services database and compilation of inventory barriers to trade in services. To enhance collaboration between the public and private sectors, both sides agreed to convene an ASEAN-US Private Sector Roundtable in conjunction with the AEM Meeting to be held in August 2008 in Singapore.

OUTLOOK

Substantial progress has been achieved by ASEAN in its efforts to promote regional economic integration. The emphasis in 2008 and the years ahead will be to implement the commitments made in the AEC Blueprint and its strategic schedules within the targeted timelines, and at the same time, for ASEAN to continue to strengthen its ties with its dialogue partners. It is critical for ASEAN to realise the goals of creating a free trade area in goods, services and investments in order to sustain its growth and remain as an attractive destination for FDIs.

Box 10.1 : ASEAN Economic Community (AEC) Blueprint

Economic integration within ASEAN will continue to be intensified over the next seven years to achieve the goals of establishing the ASEAN Economic Community (AEC) by 2015. To ensure regional integration is on track and achieved within the scheduled time frame, an ASEAN Economic Community Blueprint has been formulated.

The Declaration of the ASEAN Economic Community Blueprint was signed by the Heads of State and Governments of ASEAN at their Summit Meeting in Singapore on 20 November 2007. This reaffirmed the collective will at the highest level of ASEAN towards strengthening and deepening economic integration within the region.

The implementation of the ASEAN Economic Community (AEC) Blueprint will enhance the economic competitiveness and vibrancy of the region. The AEC is one of the three pillars to achieve a cohesive ASEAN Community. The other two are security and socio-cultural pillars.

The AEC Blueprint is a single comprehensive document which outlines the tasks and commitments with clear targets and timelines that ASEAN Member States need to implement towards achieving a regionally cohesive and integrated market.

The main objectives of the ASEAN Economic Community are to create a:

- single market and production base through free flow of goods, services and investment and a freer flow of skilled workforce and capital;
- highly competitive economic region;
- region of equitable economic development; and
- region that is fully integrated into the global economy.

To achieve a single market and production base, ASEAN countries will be dismantling tariff barriers and other impediments to cross-border trade in goods and services, and investment. These will be complemented by a freer flow of capital and skilled labour.

Tariffs for intra-ASEAN trade have been progressively eliminated since 1993 and the process will be completed by 2010 for ASEAN-6 and by 2015 for Cambodia, Lao PDR, Myanmar and Viet Nam. The priority under the AEC Blueprint is to eliminate non-tariff barriers which continue to impede trade despite the elimination of tariffs.

The liberalisation of trade has benefited ASEAN. Intra-ASEAN trade reached US$352 billion, or 25 per cent of total ASEAN trade in 2006, while ASEAN's external trade reached US$1.4 trillion. The region continued to attract foreign direct investment (FDI). Inflows to the region increased by 28 per cent to US$52.4 billion in 2006.

Since 1995, trade in the services sector has been progressively liberalised to complement the elimination of tariffs in the goods sector. The Blueprint for trade in services is for liberalisation to be achieved through five more rounds of negotiations, during which all restrictions on trade in services on the 128 sub-sectors (based on WTO GATS W/120 classification) are to be removed progressively. In addition to liberalisation of equity participation, services liberalisation also involves substantial elimination of barriers to market access and national treatment in trade in services. These will be achieved by 2015.

The AEC Blueprint includes the drafting and implementation of the ASEAN Comprehensive Investment Agreement (ACIA) to achieve the goals of the AEC of creating a free and open investment regime to attract increased investments into ASEAN. The ACIA will be benchmarked against international best practices and will cover investment liberalisation, promotion and awareness, investment facilitation, and investment protection.

Work is also being undertaken to strengthen the ASEAN capital market. The liberalisation of capital movement in ASEAN will be done in accordance and consistent with Member States' national agendas, as well as the readiness of the economy.

To facilitate freer flow of skilled labour, initiatives are being undertaken within the context of AEC Blueprint to complete Mutual Recognition Arrangements (MRAs) for major professionals. To date, ASEAN has established MRAs for engineering services, nursing services, surveying and architectural services.

ASEAN is enhancing cooperation under the AEC Blueprint in areas such as intellectual property rights, competition policy and consumer protection. Enhancing cooperation in these areas is necessary to sustain ASEAN's growth and competitiveness.

The AEC Blueprint provides a more rules-based approach to economic integration. An Implementation score-card will be maintained to ensure compliance to commitments. ASEAN recognises that it is critical to adhere to commitments made to maintain the growth momentum within the region. Implementation gaps of existing commitments are also being addressed expeditiously under the AEC Blueprint.

The focus of the AEC Blueprint is also in ensuring that all Member States and sub-regions in ASEAN will be able to enjoy equitable development and benefits from the regional integration. To attain this, the AEC outlines strategic work through enhancing and strengthening SME competitiveness and narrowing the development gap within ASEAN.

The strengthening of ASEAN SMEs will be based on the ASEAN Policy Blueprint for SME Development (APBSD) 2004-2014, which comprises strategic work programmes, policy measures and indicative outputs. Efforts are being undertaken through the Initiative for ASEAN Integration to serve as a platform to identify and implement technical assistance and capacity building programmes for both the public and private sectors in ASEAN Member Countries, in particular, for Cambodia, Lao PDR, Myanmar and Viet Nam and the other sub-regions, such as the Indonesia-Malaysia-Thailand Growth Triangle and Brunei-Indonesia-Malaysia Philippines Growth Area. This is to allow them to be equal partners in the development of regional production and distribution networks.

The realisation of the objectives of the AEC will make ASEAN more dynamic as a region and be able to compete in the global supply chain and remain attractive for foreign direct investment. In this respect, ASEAN will work towards maintaining 'ASEAN Centrality' in its external economic relations, especially in its negotiations to establish free trade areas and comprehensive economic partnership agreements with Dialogue Partners.

Box 10.2 : ASEAN SME Blueprint

The ASEAN SME Working Group (SMEWG) was established under the purview of the ASEAN Economic Ministers to provide a platform for sharing common interest, views and information on the development of SMEs. The Group serves as a network for SME-related agencies to share ideas. This network is complemented by efforts to strengthen SMEs through capacity building programmes intended to improve their competitiveness.

One of the key initiatives of the ASEAN SMEWG is the formulation of the Policy Blueprint for ASEAN SME Development Decade 2004-2014 (ASEAN SME Blueprint). The Blueprint outlines the framework for SME development in the ASEAN region. It is aimed at accelerating the pace of SME development and enhancing the cooperation and integration efforts of SMEs in the region.

The thrust of the Blueprint includes nurturing an entrepreneurship culture, promoting innovation and improving networking among SMEs in the region. Specifically, the Blueprint is focused on:

- capacity-building in the organisational structure and management of SMEs with a view to making them largely self-reliant;
- benchmarking capabilities of SMEs;
- promotion of inter-firm sub-contracting and other networking arrangements;
- improving access for SMEs to e-commerce and finance; and
- enhancing the policy environment and promoting a synergic partnership among public and private stakeholders for the development of SMEs.

Malaysia's commitments under the Blueprint include:

- 'Development of a Multi-Media Self-Reliant System Toolkit Package' by the Standard and Industrial Research Institute of Malaysia (SIRIM) Berhad;
- 'Benchmarking for Best Practices in Total Quality Management (TQM) for Enhancing the Growth and Competitiveness of SMEs in ASEAN' by the Malaysia Productivity Corporation (MPC); and
- 'Entrepreneurship Training for Franchisees in ASEAN' by the Ministry of Entrepreneur and Cooperative Development.

Chapter 11

DEVELOPMENTS IN REGIONAL GROUPINGS

OVERVIEW

In 2007, Malaysia continued to actively nurture and strengthen its trade and investment linkages, as well as technical and economic cooperation, through various regional groupings. Malaysia is a member of the Asia Pacific Economic Cooperation (APEC), the Organization of the Islamic Conference (OIC), the Group of Developing Eight (D-8), the United Nations Conference on Trade and Development (UNCTAD) and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC). The strengthening of linkages and active engagement in these regional organisations enabled Malaysia to further harness the benefits of globalisation.

APEC continued to work towards the realisation of freer and open trade and investment among APEC member economies. This was done through continued efforts in building a secure and favourable business environment, enhancing human security and preventing threats to sustainable development.

Malaysia was the Chairman of the OIC from 2003 to March 2008. Under the stewardship of Malaysia, greater emphasis was placed on the realisation of OIC economic cooperation and integration through:

- expediting liberalisation of trade among members of the OIC to further expand and diversify trade through the ratification of the Protocol on the Preferential Tariff Scheme or PRETAS by its members; and
- economic partnership through capacity-building programmes within the OIC, spearheaded by Malaysia to build capabilities in commercially-driven and income-generating projects, in particular in the lower-income countries.

In line with the commitment to further boost intra-OIC trade, Malaysia continued its active participation in the D-8 Preferential Trade Agreement (D-8 PTA), aimed at gradually reducing tariffs and other barriers among members.

ASIA PACIFIC ECONOMIC COOPERATION

In 2007, APEC adopted the theme 'Strengthening our Community, Building a Sustainable Future', which focused on strengthening the multilateral trading system; energy security; trade facilitation (including behind-the-border issues); improving secure and favourable business environment; and the strengthening of APEC through APEC reforms.

The 19th APEC Ministerial Meeting (AMM) and the 15th APEC Economic Leaders' Meeting (AELM) were held from 5-9 September 2007 in Sydney, Australia. During the 15th AELM 2007, the Leaders mandated for APEC to continue its focus on the development of economic growth and trade in the Pacific region.

Malaysia's views were taken into account in the key areas mandated by the APEC Leaders in the AELM 2007. These included the continued support for the multilateral trading system in realising the successful conclusion of the WTO Doha Development Agenda (DDA); continued work on Regional Economic Integration (REI) initiatives; Trade and Investment Liberalisation and Facilitation (TILF); domestic structural reform; and the strengthening of APEC through reform efforts.

APEC Ministers in the 19th AMM made the following recommendations:

- continue to support the multilateral trading system through strong commitments and concrete actions;
- re-focus on the Ministerial Agenda to promote further regional economic integration, including exploring the options

and prospects for Free Trade Area of the Asia Pacific (FTAAP);

- strengthen APEC's work to promote high quality Free Trade Arrangements (FTAs)/ Regional Trade Arrangements(RTAs);
- re-focus the trade and investment agenda by continuing works on the second Trade Facilitation Action Plan (TFAP II), Data Privacy Pathfinder initiative and the framework Investment Facilitation Action Plan (IFAP);
- improve the business environment and strengthen APEC's work in structural reform;
- address the challenges of growing energy demand, while minimising environmental impacts. This includes work on environmental goods and services in reducing trade barriers; and
- provide the APEC Secretariat with greater resources and institutional capacity and capability.

Support for the Multilateral Trading System

The 15th AELM issued a Statement on the WTO negotiations in an effort to press for a substantive outcome on all aspects of the Doha Round. The Statement called for political will, flexibility and greater ambition for the Doha Round negotiations to enter into its final phase in 2008. APEC economies would resume negotiations towards a better trading environment, lowering barriers to trade and creating a freer, fairer and more secure global market for all economies to compete.

Regional Economic Integration

To promote regional economic integration, APEC economies agreed to further reduce barriers to trade and investment through FTAs/RTAs; improvement in economic efficiency and regional business environment, including capital markets; and facilitating integration in sectors such as transportation, telecommunications, mining and energy.

Individual Action Plans

The Individual Action Plan (IAP) is APEC's annual report to illustrate actions and plans in achieving the Bogor Goals[1]. APEC Member Economies set their own timelines and goals, and undertake these actions on a voluntary and non-binding basis. As specified in the Osaka Action Agenda[2], reporting is based on 15 areas, namely tariffs, non-tariff measures, services, investment, standards and conformance, Customs procedures, intellectual property, competition policy, government procurement, deregulation/regulatory review, WTO obligations (including rules of origin), dispute mediation, mobility of business people, and information gathering and analysis.

Malaysia submitted a full IAP report comprising measures taken in all the areas specified in the Osaka Action Agenda. To date, Malaysia has reported progress and reform in all the specified areas and this is testimony of Malaysia's serious commitment in meeting the deadline of the Bogor Goals.

The 2007 IAPs of all APEC member economies were endorsed by the 19th AMM and are available on the e-IAP website at www.apec-iap.org.

Trade Facilitation

In 2007, APEC endorsed its second Trade Facilitation Action Plan (TFAP II) which aims to further reduce trade transaction costs by 5 per cent between 2007 and 2010. Major components of the TFAP II include revised actions and measures in four areas, namely, Customs Procedures, Business Mobility, Standards and Conformance and Electronic Commerce. Among the revised actions and measures are:

- expanded work programme on investment liberalisation and facilitation in collaboration with the APEC Business Advisory Council (ABAC) and other relevant international organisations;

[1] The main objective of the Bogor Goals is to realise a free and open trade and investment in the APEC region by 2010 for developed economies and by 2020 for developing economies.

[2] The Osaka Action Agenda consist of general principles and specific actions as the vehicle of the Bogor Goals. This was updated in 2002 and remains the underlying plan for progress in APEC on trade and invesment.

- intellectual property rights (IPR) protection and enforcement through the endorsement of model guidelines for effective public awareness campaign on IPR, and model guidelines to secure supply chains against counterfeit and pirated goods; and

- multi-year Private Sector Development Work Plan to minimise bureaucracy and improve the quality of business regulations for small and medium enterprises (SMEs).

Investments
To further strengthen work in the area of investment, APEC continues to develop the Investment Facilitation Action Plan (IFAP). IFAP was first proposed by Japan, and an Investment Seminar was held in Tokyo in May 2006 to discuss the general principles of the proposed Action Plan. The detailed proposal and continued work on the Action Plan is expected to be undertaken in 2008.

Domestic Structural Reform
Domestic structural reform will improve the investment climate in the region, promote regional economic integration and support sustainable economic growth of the Asia Pacific region. However, the domestic structural reform measures should be tailored to the needs and interests of each member economy. There are five areas of structural reform, namely regulatory reform, competition policy, corporate governance, public sector governance, and strengthening economic and legal infrastructure.

APEC Leaders at the 15th AELM agreed on the following in support of structural reform initiatives:

- further improve efficiency of domestic markets;

- enhance the resilience of APEC economies;

- sustain strong rates of growth through structural reform initiatives;

- strengthen IPR protection and enforcement, including to combat sale of counterfeit and pirated goods;

- improve the investment climate, including liberalisation of investment regimes, enhancement of investment promotion and protection, and domestic reforms in strengthening financial institutions and markets;

- undertake a study on bilateral investment agreements and core investment-related elements of existing FTAs with a view to developing principles for investment agreements;

- explore options for broadening the institutional base and range of instruments available in regional financial markets, recognising the important role assumed by financial intermediaries; and

- continue to combat corruption and promote good governance by strengthening cooperation in extradition, prosecution, mutual legal assistance and recovery of proceeds of corruption.

In addition, domestic structural reform initiatives also focused on the SME sector as it is an important driver of growth for all APEC economies. In promoting SME competitiveness and private sector development, the Private Sector Development Agenda was launched in 2007 by the APEC SME Working Group to assist the development of the SME sector. This Agenda seeks to promote better regulatory and business practices by using the World Bank's Ease of Doing Business indicators as a guide.

Securing Trade and Facilitating Cross-Border Business and Movement of Goods

Counter Terrorism
In 2007, the Counter Terrorism Task Force (CTTF) endorsed seven deliverables as measures to counter threats posed by terrorism activities. The deliverables are:

- APEC Food Defence Principles;

- Counter Terrorism Financing Workshop. In 2007, two such workshops to enhance the monitoring of transactions involving charities, non-profit organisations and alternative remittance systems were held in Kuala Lumpur, Malaysia from 11-13 April 2007 and Melbourne, Australia from 17-19 July 2007, respectively;

- APEC Trade Recovery Programme (TRP);

- Aviation Security Quality Control programme;

- Incorporation of the Business resumption and the Aviation Security Points of Contact (POC);

- Conference on Secure Trade in the APEC Region (STAR). The Fifth STAR (STAR V) Conference held from 27-28 June 2007 in Sydney, Australia emphasised the need for closer collaboration between the public sector of APEC economies and the industry in public private partnership; and

- Reform of APEC Counter Terrorism Action Plans.

Energy Security
The Eighth Energy Ministers' Meeting was held in Darwin, Australia from 27-30 May 2007. Discussions were focused mainly on energy security issues linked to economics, social and environmental well-being. The meeting concluded that to meet growing energy needs with lower environmental impact requires cooperation to improve energy efficiency, cleaner and more efficient energy technologies, attraction of additional energy investment and facilitation of cross-border energy trade.

Malaysia is of the view that the implementation of action plans on energy and energy efficiency, as well as energy security should be on a voluntary basis, and progressively implemented, taking into account the capacity of each economy. APEC should maintain efforts to strengthen energy cooperation and information sharing, technology and know-how, particularly in the field of renewable energy, efficient utilisation and joint development of energy resources.

Health Security
The APEC Health Ministers' Meeting was held in Sydney, Australia from 5-8 June 2007. The Meeting endorsed the APEC Functioning Economies in Times of Pandemic Guidelines and also pledged commitment in advancing the development of best practices and improve regional capacity in order to minimise the impact of health threats.

Disaster Preparedness
The Emergency Management Chief Executive Offisers' Seminar was held on 20-23 August 2007 in Cairns, Australia. The Seminar and Task Force Emergency Preparedness (TFEP) Meeting highlighted further commitments by APEC to build an enhanced emergency preparedness, as well as to reduce the risk of occurrence of natural disasters. It stressed the importance of global, regional and economy linkages and efforts in emergency preparedness and disaster risk reduction to APEC economies and their communities.

Anti-corruption and Transparency
In 2007, the APEC Anti-Corruption Taskforce (ACT) developed four deliverables which were adopted and approved by the AELM and AMM. The deliverables were Code of Conduct for Business; Conduct Principles for Public Officials; Complementary Anti-Corruption Principles for the Public and Private Sectors; and Actions for Fighting Corruption through Improved International Legal Cooperation. Workshops and seminars organised by APEC on anti-corruption and transparency in 2007 include:

- the workshop on Public-Private Partnership, 22 January 2007, Canberra, Australia;

- the workshop on Building Integrity in the Private and Public Sectors - Implementing APEC's Anti-Bribery Principles, 22 June 2007, Cairns, Australia;

- Capacity Building Workshop on Combating Corruption Related to Money Laundering, 20-22 August 2007, Bangkok, Thailand; and

- the seminar on 'The Fight Against Corruption is a Common International Responsibility: Strengthening the Cooperation Mechanisms in the Asia Pacific Region', 29-31 October 2007, Lima, Peru. Malaysia presented a paper entitled 'Effective Anti-Corruption Strategies: Investigating and Prosecuting High-Level Corruption' at this seminar.

The Anti-Corruption Agency of Malaysia (ACA) also organised a seminar on 'Public-Private Partnership in Combating Corruption and Safeguarding Integrity' in Kuala Lumpur from 2-3 November 2007, with participation from Malaysia, Thailand, Viet Nam, Indonesia, Singapore, Brunei Darussalam, Cambodia and the Philippines.

Climate Change

The fundamental and inter-linked challenges for the APEC region are economic growth, energy security and climate change. APEC is determined to ensure that the energy needs of member economies are met, while addressing the issue of environmental quality and the reduction of greenhouse gas emissions.

Based on the United Nations Framework Convention on Climate Change (UNFCCC) principles, APEC proposed an equitable and effective post-2012 international climate change arrangement that will:

- have shared global goals that are equitable, and environmentally, as well as economically effective;

- reflect differences in economic and social conditions among economies;

- be consistent with the common but differentiated responsibilities and respective capabilities;

- support a flexible arrangement that recognises diverse approaches, and practical actions and international cooperation across a broad range of areas relevant to climate change;

- enhance energy efficiency and diversify energy sources and supplies, including renewable energy;
- implement sustainable forest management and land use practices; and

- adapt to climate change impacts which should be supported by the international community, including through appropriate policy exchanges, financing, capacity building and technology transfer.

These initiatives are designed to support economic growth and contribute towards reducing global emission of greenhouse gases, in line with the objectives and principles of the UNFCCC. Without prejudice to commitments in other fora, APEC will:

- work towards an APEC-wide regional aspirational goal of a reduction in energy intensity of at least 25 per cent by 2030 (using 2005 as the base year);

- work towards achieving an APEC-wide aspirational goal of increasing forest cover by at least 20 million hectares of all types of forests by 2020;

- establish an Asia-Pacific Network for Energy Technology (APNet) to strengthen collaboration on energy research in areas, such as clean fossil energy and renewable energy sources;

- establish an Asia-Pacific Network for Sustainable Forest Management and Rehabilitation to enhance capacity building and strengthen information sharing in the forestry sector; and

- undertake further measures in trade in environmental goods and services, aviation transport, alternative and low carbon energy uses, energy security, protection of marine biological resources, and policy analysis capabilities.

Economic and Technical Cooperation and Capacity Building

APEC economies continued to undertake economic and technical cooperation (ECOTECH) to attain sustainable growth and equitable development in the Asia Pacific region, while reducing economic disparities among APEC economies and improving economic and social well being. In 2007, a total of 79 ECOTECH projects with APEC funding were implemented. Of these, Malaysia implemented five projects, namely:

- Capacity Building in the Surveillance and Diagnosis of Leafminer, Whiteflies, Thrips and Mealybug Pests in Developing APEC Economies for Improved Market Access (Year 2) (22-25 May 2007);
- Workshop cum Dialogue Session on Developing Key Performance Indicators and Productivity/Performance Benchmarks for Performance-based Remuneration Systems (30-31 July 2007);
- Specialised Capacity Building Course for Trade Commissioners (27-30 August 2007);
- APEC Conference on Evaluation as a Tool in Educational Planning: Best Practices in Evaluation of Educational Programs (29 October-1 November 2007); and
- Symposium on Market Liberalisation and Its Relationship with market Structure, Conduct and Performance of selected food processing Industries of APEC member economies (12-14 December 2007).

Malaysia will be implementing four more projects in 2008, namely:

- APEC Training of Trainers in Problem-Based Learning (PBL) Approach;
- Capitalising Information Technology for Greater Equity and Access among Poor and Rural Communities;
- Research on the Impact of Performance-based Remuneration Systems on Productivity Performance of Local industries; and
- Workshop on Understanding and Developing Risk Management Options for Market Access.

Malaysia continued to benefit from various trade and investment libralisation and facilitation programmes/activities under APEC. These benefits include:

- participation in capacity building programmes under ECOTECH;
- further reduction in trade transaction costs TFAP II;
- providing a means for comparing and assessing other APEC economies' economic policies through the annual IAP reporting and IAP Peer Review;
- exchange of information regarding business-related issues and the business perspective on specific areas of cooperation within APEC through the involvement of the private sector in ABAC; and
- facilitating business persons through speedier immigration clearance with the APEC Business Travel Card (ABTC) facilities at APEC member economy's international airports.

ORGANIZATION OF THE ISLAMIC CONFERENCE

The Third Extraordinary Session of the Islamic Summit Conference in December 2005 in Mecca, Saudi Arabia, adopted the OIC Ten-Year Programme of Action. The programme sets specific targets for economic cooperation, including the expansion of intra-OIC trade by 20 per cent by 2015.

In 2005, Intra-OIC trade recorded an increase of 15.5 per cent, compared with 14.5 per cent in 2004[3].

The Trade Preferential System among the Member States of the Organization of the Islamic Conference (TPS-OIC) is an important instrument to promote intra-OIC trade through exchange of trade preferences among Member States. These trade preferences include tariffs, para-tariffs[4] and non-tariff concessions on specific products.

The Framework Agreement on TPS-OIC (Framework Agreement) entered into force in 2002 with the ratification of 10 Member States. As of December 2007, a total of 31 out of the 57 OIC Member States have signed the Framework Agreement, of which 20 have ratified. The TPS-OIC however, cannot be operationalised as both the Protocol on the Preferential Tariff Scheme (PRETAS) and the TPS-OIC Rules of Origin (TPS-OIC RoO) have yet to be ratified by at least 10 Member States. The TPS-OIC is targeted for implementation by 1 January 2009.

The negotiations on the tariff modalities under the PRETAS were concluded in 2005. PRETAS provides for the reduction of tariffs, para-tariffs and non-tariff barriers. It also provides for voluntary acceleration of tariff reduction/elimination commitments under the Voluntary Fast Track Tariff Reduction Schedule. To date, 11 OIC Member States have signed the PRETAS but only three Member States have ratified, namely Malaysia, Jordan and Pakistan.

In 2007, the TPS-OIC RoO was concluded. As at December 2007, a total of seven Member States, namely Cameroon, Guinea, Jordan, Malaysia, Tunisia, Turkey and United Arab Emirates have signed the TPS-OIC RoO. Currently, Malaysia is the process of ratifying the TPS-OIC RoO.

Apart from the TPS-OIC, Malaysia also actively participate and support efforts to promote economic development in the OIC Member States. In 2007, Malaysia implemented eight capacity building projects for OIC Member States, including:

- Familiarisation Programme for officials of Investment Promotion Agencies;
- Sharing of Malaysia's Experience in Trade Promotion;
- Promotion of Organisation Excellence and Competitiveness;
- Enhancement of Knowledge and Capacity Building for Human Resource;
- Training Programme for Women Entrepreneur; and
- Training Programme for officials from Agencies Responsible for SME Development.

Malaysia also undertakes programmes to reduce poverty and strengthen economic development in the under-developed OIC countries, which are implemented in collaboration with the Islamic Development Bank (IDB) as the focal point and main financier. Under Phase One of the Poverty Reduction Programme, Malaysia launched four pilot projects in four of the lowest income OIC Member States. Of these, only three projects were implemented, namely the:

- capacity building in the palm oil industry in Sierra Leone;
- exploitation of oil and mineral resources and capacity building in administrative,

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[3] *Statistics on intra-OIC trade for 2006 and 2007 are not available yet.*
[4] *Para-tariffs include border charges and fees, other than tariffs, on foreign trade transactions of a tariff-like effect which are levied solely on imports, but not those indirect taxes and charges, which are levied in the same manner on like domestic products. Import charges corresponding to specific services rendered are not considered as para-tariff measures.*

planning and management functions in Mauritania; and

- development of the fisheries sector in Bangladesh.

Four projects under phase two of the Poverty Reduction Programme have been proposed for implementation, namely:

- capacity building in the processing and export of mango products in Guinea;
- fisheries in Maldives;
- improving investment environment in Jordan; and
- economic policy planning in Yemen.

These four projects are currently being considered for implementation by the Islamic IDB. In addition, projects in Burkina Faso, Comoros, Palestine, Senegal and Somalia have been identified and will be considered for implementation under subsequent phases according to the readiness of these countries.

To facilitate the movement of business persons in OIC Member States, Malaysia on 11 June 2007, granted three-year Multiple Entry Visas for businessmen and investors from the OIC Member States. This move will enhance intra-OIC trade and economic activities among the OIC Member States.

In 2007, Malaysia also hosted several OIC events, including the:

- Third World Islamic Economic Forum from 28-29 June 2007;
- International Conference on Zakat on 28 November 2007; and
- OIC Health Ministerial Conference 2007 from 12-15 June 2007.

Malaysia handed over the Chairmanship of the OIC to the Republic of Senegal during the 11th OIC Summit, held in Dakar, Republic of Senegal from 13-14 March 2008.

THE GROUP OF DEVELOPING EIGHT

The Developing 8 (D-8) are a group of developing countries that have formed an economic development alliance. The establishment of D-8 was announced through the Istanbul Declaration of the first Summit of Heads of State/Government on 15 June 1997 and members are Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, and Turkey.

The 24th Session of the D-8 Commission Meeting held in 2007 agreed with the draft Roadmap for D-8 Economic Cooperation for the period between 2007 and 2017. The Roadmap will serve as the guide for the formulation of new strategies, policies and measures for endorsement of Leaders at the Sixth D-8 Summit scheduled to be held in July 2008 in Kuala Lumpur.

Given that the global trade of D-8 Member States had increased by 32.9 per cent to US$1,006.9 billion in 2006, from US$757.8 billion in 2005, there is potential for further expansion of trade among D-8 Member States. Global exports by D-8 increased by 19 per cent to US$517.8 billion, from US$436 billion in 2005, while imports expanded by 52 per cent to US$489.2 billion, from US$321.8 billion in 2005.

To facilitate trade within D-8 Member States, D-8 commenced negotiations on the D-8 Preferential Trade Agreement (D-8 PTA) in 2005, which aims to gradually reduce tariffs and other barriers to increase intra D-8 trade. Member States are now in the process of negotiating the RoO for the D-8 PTA (D-8 PTA RoO). To accelerate the conclusion of the D-8 PTA RoO, Malaysia hosted a training workshop on the D-8 PTA RoO for D-8 Member States from 29-30 October 2007 with the assistance of the UNCTAD. The workshop provided D-8 negotiators with information on various options in designing the D-8 PTA RoO.

To date, negotiations on the D-8 PTA RoO is on-going and is expected to be finalised prior to the Sixth D-8 Summit scheduled from 3-7 July 2008 in Kuala Lumpur, Malaysia. In 2007, Malaysia hosted the Third Meeting of the D-8 Working Group on Industrial Cooperation (WGIC) to identify and implement industrial cooperation projects among D-8 member countries and to address issues affecting industrial cooperation, such as:

- Management of Airport and Port Services Cooperation among D-8 by Malaysia;
- Textiles, Iron and Steel and Petrochemical by Egypt;
- Petrochemical, Automotive, Cement, Power and Steel Plant by Iran;
- Automotive and other sectors by Indonesia;
- Chemical and Petrochemical by Pakistan; and
- Automotive sector by Turkey.

OTHER REGIONAL ARRANGEMENTS

United Nations Conference on Trade and Development

The 54th Session of UNCTAD Trade and Development Board (TDB) was held from 1-11 October 2007 in Geneva, Switzerland. Discussions on trade focused on:

- measures to enhance South-south trade through strengthening the trade information system and timely conclusion of the Third Round of the Global System of Trade Preferences (GSTP) to provide better market access for goods;
- role of emerging developing countries as significant sources of investment in other developing countries;
- measures to increase trade in services, especially by African countries and least-developed countries (LDC) through the establishment of strong regulatory and institutional framework; and
- role of Aid for Trade to complement trade liberalisation initiatives, and as a source to provide capacity building and promote economic growth, employment and poverty reduction in developing countries.

Key activities conducted by UNCTAD TDB in 2007 include:

- development programmes to assist African countries in reviewing their internal policies in meeting international commitments;
- review on the progress of implementation of the Programme of Action for LDCs; and
- review of the technical cooperation activities of UNCTAD.

UNCTAD Conference

The 12th UNCTAD Conference is scheduled from 20-25 April 2008 in Accra, Ghana. The focus of the Conference includes:

- enhancing coherence for sustainable economic development and poverty reduction in global policy making;
- addressing key trade and development issues and new realities of world trade;
- enhancing the environment to strengthen production capacity as well as trade and investment activities; and
- strengthening and enhancing the institutional effectiveness of UNCTAD.

Global System of Trade Preferences

The Global System of Trade Preferences (GSTP) is aimed at enhancing market access among developing countries. It was initiated in 1988 with 43 participating countries offering duty reduction on 1,626 tariff lines.

However, unlike other FTAs which have a wider coverage, the scope of the GSTP is confined to tariff liberalisation for goods and cooperation in addressing non-tariff barriers that impede trade between the signatories of the Agreement. Products offered by member countries for liberalisation are also not comprehensive and unable to cater for high export interests.

To date, only 22 out of 43 GSTP countries, including Malaysia, are eligible to benefit from concessions negotiated. Efforts undertaken to further promote the utilisation of the Scheme by member countries include strengthening and simplifying the RoO and the Operational Certification Procedures.

GSTP members are working towards reaching consensus on modalities for tariff liberalisation by the 12th UNCTAD Conference and conclude negotiations by the end of 2008. This will enable Malaysia to benefit from expansion in existing market share, as well as penetrating new markets, particularly in Africa, Latin America and Caribbean countries.

Indian Ocean Rim - Association for Regional Cooperation

The Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) aims to facilitate trade and investment and to promote shared economic benefits among all 18 Indian Ocean-Rim States. Current member countries include Australia, Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, United Arab Emirates and Yemen.

The Seventh Meeting of the Council of Ministers of the IOR-ARC held from 7-8 March 2007 in Tehran, Iran considered various measures to further enhance trade and investment flows among member countries. In the area of trade and investment, the Meeting agreed:

- on the need for the setting up of a Shippers Council Technical Sub-Committee for Development, Upgrading and Management of Seaports, Maritime and Transport and Insurance and Re-insurance;

- to strengthen cooperation in standards and accreditation;

- to seek views of Central Banks of members on Clearing and Payments Arrangements;

- to strengthen business cooperation through the setting of the strategic vision for the IOR Business Forum (IORBF), which among others include IORBF's short, medium and long-term goals; and

- to strengthen information sharing on Customs procedures, quarantine requirements for animal and plant products and food inspection requirements, investment regimes, and supply and demand of oil and gas, investment capacity and requirements.

Malaysia is currently proposing to host an event in the construction sector in IOR-ARC to exchange experience, establish networking and identify partnerships to forge strategic alliances.

OUTLOOK

Work on APEC in 2008 will continue to focus on three major areas, namely:

- supporting the multilateral trading system;

- implementing the recommendations in the Report on Regional Economic Integration endorsed by APEC Economic Leaders in 2007, including practical and incremental steps to explore a FTAAP; and

- addressing issues of structural reform and reducing behind-the-border impediments, as well as issues on anti-corruption and counter-terrorism.

The OIC will pursue and encourage its Member States that have yet to sign or ratify the TPS-OIC, PRETAS and the TPS-OIC RoO to do so by end 2008. This is to ensure that Member States can benefit from the early implementation of the preferential trading arrangement. Malaysia, as an active OIC Member State will continue to undertake capacity building programmes aimed at poverty alleviation in less-developed and low-income Member States. Capacity Building programmes for 2008 include pilot projects to be implemented in Bangladesh, Mauritania, Sierra Leone, Indonesia, Guinea, Maldives, Jordan and Yemen.

Having signed the PTA, D-8 member countries are expected to accelerate the conclusion of the D-8 PTA RoO for the implementation of the PTA in 2008. Malaysia will host the Sixth D-8 Summit in 2008. The D-8 Member States are expected to discuss new strategies, policies and measures to effectively enhance D-8 cooperation in areas such as trade and investment, industry, information communication technology, as well as finance and banking.

APPENDICES

Appendix 1

Organisations and Groupings - Membership

Organisation/ Grouping	Member Countries/Economies
APEC	Australia, Brunei Darussalam, Canada, Chile, Hong Kong SAR, Indonesia, Japan, Malaysia, Mexico, New Zealand, Papua New Guinea, People's Republic of China, Peru, Philippines, Republic of Korea, Russia, Singapore, Taiwan, Thailand, United States of America and Viet Nam.
ASEAN	Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.
ASEAN-CER	ASEAN, Australia and New Zealand.
CEFTA	Bulgaria, Czech Republic, Hungary, Poland, Republic of Croatia, Romania, Slovak Republic, and Slovenia.
COMMONWEALTH	Antigua and Barbuda, Australia, Bahamas, Bangladesh, Barbados, Belize, Botswana, Brunei Darussalam, Cameroon, Canada, Cyprus, Dominica, Fiji, Gambia, Ghana, Grenada, Guyana, India, Jamaica, Kenya, Kiribati, Lesotho, Malawi, Malaysia, Maldives, Malta, Mauritius, Mozambique, Namibia, Nauru, New Zealand, Nigeria, Pakistan, Papua New Guinea, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Seychelles, Sierra Leone, Singapore, Solomon Islands, South Africa, Sri Lanka, Swaziland, Tanzania, Tonga, Trinidad and Tobago, Tuvalu, Uganda, United Kingdom, Vanuatu, Western Samoa, Zambia and Zimbabwe.
D-8	Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey.
EAEC	ASEAN, Japan, People's Republic of China and Republic of Korea.
ECO	Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan.
EU	Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and United Kingdom.
G-15	Algeria, Argentina, Brazil, Chile, Egypt, India, Indonesia, Iran, Jamaica, Kenya, Malaysia, Mexico, Nigeria, Peru, Sri Lanka, Senegal, Venezuela and Zimbabwe.
GCC	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates.
IOR-ARC	Australia, Bangladesh, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Singapore, South Africa, Sri Lanka, Tanzania, Thailand, United Arab Emirates and Yemen.
MERCOSUR	Argentina, Brazil, Paraguay, Uruguay and Venezuela.
NAFTA	Canada, Mexico and United States of America.
NAM	Afghanistan, Algeria, Angola, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belize, Benin, Bhutan, Bolivia, Botswana, Brunei Darussalam, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, Colombia, Comoros, Congo, Cote d'Ivore, Cuba, Democratic Republic of Congo, Djibouti, Dominican Republic, Ecuador, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Honduras, India, Indonesia, Iran, Iraq,

Continued...

Organisation/ Grouping	Member Countries/Economies
	Jamaica, Jordan, Kenya, Kuwait, Lao PDR, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Maldives, Mali, Mauritania, Mauritius, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Palestine, Panama, Papua New Guinea, Peru, Philippines, Qatar, Republic of Korea, Rwanda, Saint 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, Zambia and Zimbabwe.
OECD	Austria, Australia, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Slovak Republic, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States of America.
OIC	Afghanistan, Albania, Algeria, Azerbaijan, Bahrain, Bangladesh, Benin, Brunei Darussalam, Burkina Faso, Cameroon, Chad, Comoros, Cote d'Ivoire, Djibouti, Egypt, Gabon, Gambia, Guinea, Guinea-Bissau, Guyana, Indonesia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyz Republic, Lebanon, Libya, Malaysia, Maldives, Mali, Mauritania, Morocco, Mozambique, Niger, Nigeria, Oman, Pakistan, Palestine, Qatar, Saudi Arabia, Senegal, Sierra Leone, Somalia, Sudan, Suriname, Syria, Tajikistan, Togo, Tunisia, Turkey, Turkmenistan, Uganda, United Arab Emirates, Uzbekistan and Yemen.
SAARC	Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.
SADC	Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.
WTO	Albania, Angola, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, Bahrain, Bangladesh, Barbados, Belgium, Belize, Benin, Bolivia, Botswana, Brazil, Brunei Darussalam, Bulgaria, Burkina Faso, Burundi, Cambodia, Cameroon, Canada, Central African Republic, Chad, Chile, Colombia, Congo, Costa Rica, Cote d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Democratic Republic of Congo, Denmark, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, EU, Fiji, Finland, France, Gabon, Gambia, Georgia, Germany, Ghana, Greece, Grenada, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hong Kong SAR, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kenya, Kuwait, Kyrgyz Republic, Latvia, Lesotho, Liechtenstein, Lithuania, Luxembourg, Macau, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mali, Malta, Mauritania, Mauritius, Mexico, Moldova, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Niger, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, People's Republic of China, Peru, Philippines, Poland, Portugal, Qatar, Romania, Republic of Korea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Saudi Arabia, Senegal, Sierra Leone, Singapore, Slovak Republic, Slovenia, Solomon Islands, South Africa, Spain, Sri Lanka, Suriname, Swaziland, Sweden, Switzerland, Taiwan, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, United Arab Emirates, United Kingdom, United States of America, Uruguay, Venezuela, Viet Nam, Zambia and Zimbabwe.

Appendix 2

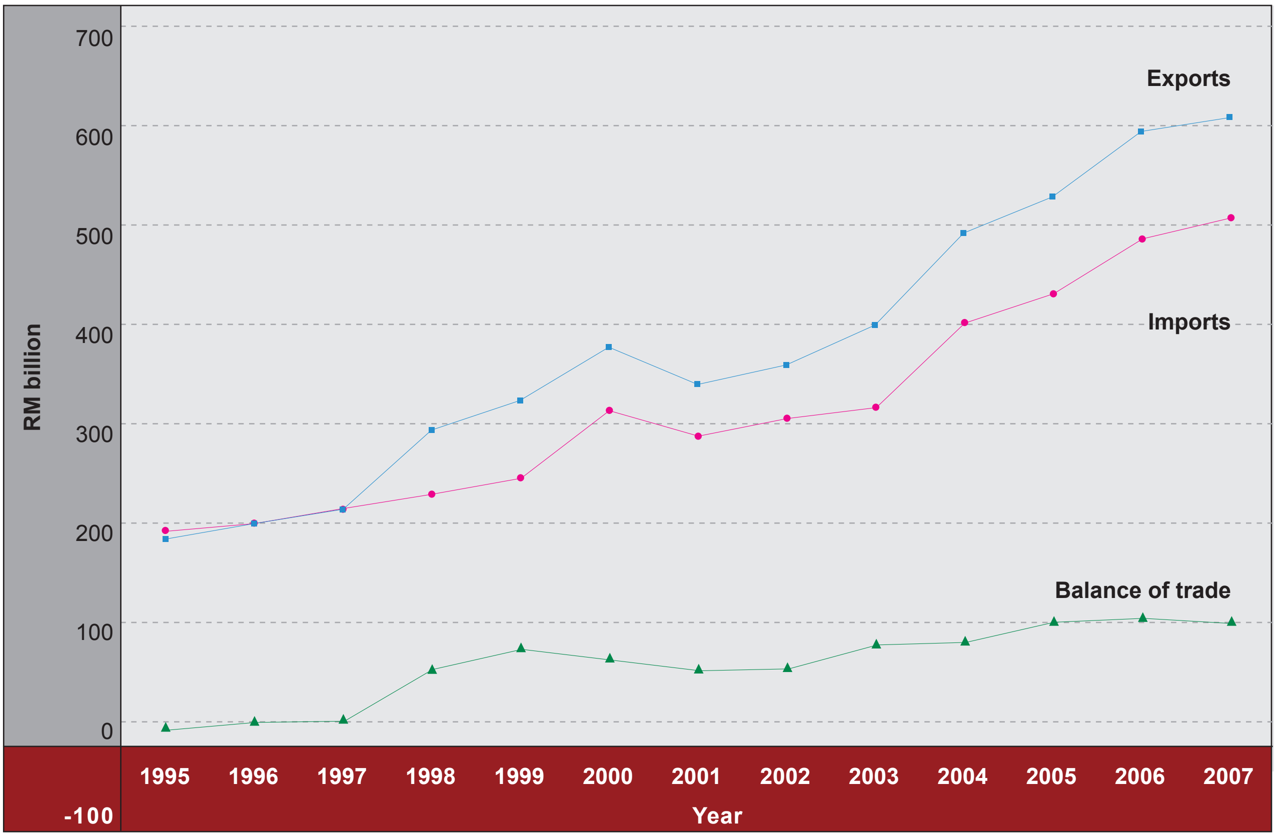
Malaysia's Trade Data

Table 1 :
Annual Trade, 1995-2007

Period	Total Trade	Exports	Imports	Balance of Trade
	(RM million)			
2007	1,109,967.0	605,153.2	504,813.8	100,339.4
2006	1,069,738.0	588,965.5	480,772.5	108,192.9
2005	967,797.7	533,787.8	434,009.9	99,777.9
2004	880,885.2	481,253.0	399,632.2	81,620.8
2003	714,422.2	397,884.4	316,537.9	81,346.5
2002	660,520.5	357,430.0	303,090.5	54,339.6
2001	614,512.9	334,283.8	280,229.1	54,054.7
2000	684,729.2	373,270.3	311,458.9	61,811.4
1999	570,036.4	321,559.5	248,476.8	73,082.7
1998	514,687.6	286,563.1	228,124.5	58,438.6
1997	441,825.9	220,890.4	220,935.5	-45.0
1996	394,305.9	197,026.1	197,279.8	-253.7
1995	379,331.0	184,986.5	194,344.5	-9,358.0

Compiled by Ministry of International Trade and Industry

Chart 1 :
Annual Trade, 1995-2007



Compiled by Ministry of International Trade and Industry

Table 2 :

Trade with Major Trading Partners, 2006-2007

Country	2007							2006						
	Total Trade (RM million)	Share (%)	Exports (RM million)	Share (%)	Imports (RM million)	Share (%)	Balance of Trade (RM million)	Total Trade (RM million)	Share (%)	Exports (RM million)	Share (%)	Imports (RM million)	Share (%)	Balance of Trade (RM million)
Total	**1,109,967.0**	**100.0**	**605,153.2**	**100.0**	**504,813.8**	**100.0**	**100,339.4**	**1,069,738.0**	**100.0**	**588,965.5**	**100**	**480,772.5**	**100.0**	**108,192.9**
USA	149,207.0	13.4	94,519.2	15.6	54,687.8	10.8	39,831.4	170,796.3	16.0	110,586.2	18.8	60,210.1	12.5	50,376.1
Singapore	146,463.5	13.2	88,508.0	14.6	57,955.5	11.5	30,552.5	146,938.1	13.7	90,750.6	15.4	56,187.5	11.7	34,563.0
Japan	120,780.5	10.9	55,241.2	9.1	65,539.3	13.0	-10,298.0	115,783.0	10.8	52,214.6	8.9	63,568.3	13.2	-11,353.7
People's Republic of China	117,938.7	10.6	53,035.5	8.8	64,903.3	12.9	-11,867.8	100,886.1	9.4	42,660.4	7.2	58,225.7	12.1	-15,565.3
Thailand	56,990.2	5.1	29,983.9	5.0	27,006.3	5.3	2,977.7	57,453.1	5.4	31,176.8	5.3	26,276.3	5.5	4,900.5
Republic of Korea	47,965.9	4.3	23,032.5	3.8	24,933.4	4.9	-1,900.9	47,201.4	4.4	21,290.8	3.6	25,910.6	5.4	-4,619.8
Taiwan	45,173.9	4.1	16,461.8	2.7	28,712.1	5.7	-12,250.2	42,263.3	4.0	16,043.5	2.7	26,219.8	5.5	-10,176.3
Hong Kong SAR	42,646.1	3.8	27,969.9	4.6	14,676.2	2.9	13,293.7	41,794.1	3.9	29,143.9	4.9	12,650.3	2.6	16,493.6
Indonesia	39,128.7	3.5	17,749.5	2.9	21,379.2	4.2	-3,629.8	33,081.5	3.1	14,915.6	2.5	18,165.9	3.8	-3,250.2
Germany	38,254.8	3.4	14,831.5	2.5	23,423.2	4.6	-8,591.7	33,836.9	3.2	12,774.4	2.2	21,062.5	4.4	-8,288.1
Australia	30,604.8	2.8	20,399.8	3.4	10,204.9	2.0	10,194.9	25,594.4	2.4	16,710.7	2.8	8,883.7	1.8	7,827.0
India	27,271.2	2.5	20,204.3	3.3	7,066.9	1.4	13,137.4	23,667.4	2.2	18,783.2	3.2	4,884.2	1.0	13,899.0
Netherlands	26,881.3	2.4	23,599.4	3.9	3,281.9	0.7	20,317.4	24,803.7	2.3	21,429.1	3.6	3,374.6	0.7	18,054.5
Philippines	18,513.8	1.7	8,738.8	1.4	9,774.9	1.9	-1,036.1	18,613.4	1.7	7,973.5	1.4	10,639.9	2.2	-2,666.4
United Kingdom	17,164.7	1.5	9,898.8	1.6	7,265.9	1.4	2,632.9	17,523.1	1.6	10,714.1	1.8	6,808.9	1.4	3,905.2
France	15,068.9	1.4	7,351.8	1.2	7,717.2	1.5	-365.4	15,637.7	1.5	7,941.9	1.3	7,695.8	1.6	246.1
United Arab Emirates	14,560.1	1.3	10,124.4	1.7	4,435.7	0.9	5,688.7	11,861.2	1.1	8,311.5	1.4	3,549.8	0.7	4,761.7
Viet Nam	14,289.7	1.3	7,985.6	1.3	6,304.1	1.2	1,681.4	11,635.5	1.1	6,452.4	1.1	5,183.2	1.1	1,269.2
Saudi Arabia	9,238.5	0.8	2,463.2	0.4	6,775.3	1.3	-4,312.1	10,488.9	1.0	1,944.0	0.3	8,544.9	1.8	-6,601.0
Italy	8,292.9	0.7	3,786.5	0.6	4,506.4	0.9	-719.9	7,813.7	0.7	3,622.6	0.6	4,191.1	0.9	-568.6
Switzerland	6,996.8	0.6	1,344.6	0.2	5,652.2	1.1	-4,307.6	6,219.8	0.6	1,555.7	0.3	4,664.1	1.0	-3,108.5
Canada	5,854.0	0.5	3,281.1	0.5	2,572.9	0.5	708.2	6,170.5	0.6	3,766.8	0.6	2,403.8	0.5	1,363.0
Brazil	5,431.6	0.5	2,260.4	0.4	3,171.3	0.6	-910.9	4,367.4	0.4	1,834.2	0.3	2,533.2	0.5	-699.0
Mexico	4,912.8	0.4	4,025.3	0.7	887.6	0.2	3,137.7	4,151.0	0.4	3,359.1	0.6	791.9	0.2	2,567.2
Pakistan	4,596.8	0.4	4,310.4	0.7	286.4	0.1	4,024.0	3,306.0	0.3	3,088.6	0.5	217.4	neg.	2,871.2
South Africa	4,467.0	0.4	2,781.8	0.5	1,685.2	0.3	1,096.5	4,154.0	0.4	2,447.2	0.4	1,706.8	0.4	740.4
Belgium	4,425.0	0.4	2,654.6	0.4	1,770.4	0.4	884.2	3,706.6	0.3	2,253.9	0.4	1,452.7	0.3	801.2
Spain	4,378.0	0.4	2,934.8	0.5	1,443.2	0.3	1,491.6	4,641.9	0.4	3,426.3	0.6	1,215.5	0.3	2,210.8
Ireland	4,307.8	0.4	1,566.9	0.3	2,740.9	0.5	-1,174.0	4,589.0	0.4	1,637.4	0.3	2,951.5	0.6	-1,314.1
New Zealand	4,259.1	0.4	2,587.8	0.4	1,671.3	0.3	916.5	3,712.9	0.3	2,475.2	0.4	1,237.8	0.3	1,237.4
Iran	3,598.1	0.3	2,123.2	0.4	1,474.9	0.3	648.2	3,752.2	0.4	1,615.9	0.3	2,136.3	0.4	-520.3
Sweden	3,525.1	0.3	1,313.3	0.2	2,211.8	0.4	-898.5	3,485.5	0.3	1,257.2	0.2	2,228.2	0.5	-971.0
Turkey	3,421.7	0.3	3,104.0	0.5	317.7	0.1	2,786.3	2,577.4	0.2	2,346.9	0.4	230.5	neg.	2,116.4
Argentina	3,108.3	0.3	616.0	0.1	2,492.3	0.5	-1,876.2	2,702.6	0.3	479.0	0.1	2,223.5	0.5	-1,744.5

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Country	2007							2006						
	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)
Finland	3,055.7	0.3	2,065.5	0.3	990.3	0.2	1,075.2	3,430.1	0.3	2,476.8	0.4	953.3	0.2	1,523.5
Russia	3,032.9	0.3	2,156.6	0.4	876.4	0.2	1,280.2	2,530.5	0.2	1,723.1	0.3	807.5	0.2	915.6
Kuwait	2,635.6	0.2	576.7	0.1	2,058.9	0.4	-1,482.3	1,716.2	0.2	586.1	0.1	1,130.1	0.2	-544.0
Oman	2,127.4	0.2	519.8	0.1	1,607.6	0.3	-1,087.8	3,609.0	0.3	365.9	0.1	3,243.0	0.7	-2,877.1
Hungary	1,983.1	0.2	1,734.1	0.3	249.0	neg.	1,485.0	1,669.9	0.2	1,473.0	0.3	196.9	neg.	1,276.1
Egypt	1,933.2	0.2	1,637.5	0.3	295.7	0.1	1,341.8	1,432.5	0.1	1,254.1	0.2	178.4	neg.	1,075.7
Portugal	1,871.7	0.2	649.1	0.1	1,222.6	0.2	-573.5	938.5	0.1	659.4	0.1	279.1	0.1	380.2
Brunei Darussalam	1,709.2	0.2	1,381.3	0.2	327.9	0.1	1,053.4	1,543.8	0.1	1,267.7	0.2	276.1	0.1	991.6
Costa Rica	1,658.3	0.1	179.2	neg.	1,479.1	0.3	-1,299.9	1,649.4	0.2	140.8	neg.	1,508.6	0.3	-1,367.9
Austria	1,625.8	0.1	391.7	0.1	1,234.0	0.2	-842.3	1,769.7	0.2	1,038.9	0.2	730.8	0.2	308.1
Bangladesh	1,508.0	0.1	1,397.1	0.2	110.9	neg.	1,286.2	1,632.2	0.2	1,548.5	0.3	83.7	neg.	1,464.9
Poland	1,479.1	0.1	1,151.0	0.2	328.1	0.1	822.9	940.6	0.1	664.1	0.1	276.5	0.1	387.6
Denmark	1,477.6	0.1	889.5	0.1	588.1	0.1	301.5	1,838.1	0.2	1,323.4	0.2	514.8	0.1	808.6
Gabon	1,445.6	0.1	25.7	neg.	1,419.9	0.3	-1,394.2	338.8	neg.	26.0	neg.	312.7	0.1	-286.7
Sri Lanka	1,385.3	0.1	1,274.7	0.2	110.6	neg.	1,164.2	2,038.7	0.2	1,958.9	0.3	79.8	neg.	1,879.0
Ukraine	1,249.5	0.1	884.9	0.1	364.7	0.1	520.2	901.1	0.1	626.3	0.1	274.8	0.1	351.5
Myanmar	1,199.0	0.1	720.8	0.1	478.1	0.1	242.7	1,064.7	0.1	605.9	0.1	458.8	0.1	147.1
Liberia	1,090.6	0.1	42.2	neg.	1,048.4	0.2	-1,006.2	70.5	neg.	28.4	neg.	42.1	neg.	-13.8
Qatar	1,086.9	0.1	1,005.6	0.2	81.3	neg.	924.3	975.6	0.1	682.8	0.1	292.7	0.1	390.1
Czech Republic	905.7	0.1	693.2	0.1	212.5	neg.	480.7	1,101.6	0.1	890.8	0.2	210.7	neg.	680.1
Chile	897.6	0.1	286.4	neg.	611.2	0.1	-324.8	927.9	0.1	321.9	0.1	606.0	0.1	-284.1
Yemen	857.5	0.1	757.4	0.1	100.1	neg.	657.3	1,151.3	0.1	960.2	0.2	191.1	neg.	769.1
Ghana	815.1	0.1	411.3	0.1	403.8	0.1	7.5	726.7	0.1	317.0	0.1	409.8	0.1	-92.8
Norway	809.6	0.1	248.4	neg.	561.2	0.1	-312.8	612.7	0.1	244.9	neg.	367.7	0.1	-122.8
Benin	730.1	0.1	723.3	0.1	6.8	neg.	716.5	361.3	neg.	361.0	0.1	0.2	neg.	360.8
Greece	717.6	0.1	632.7	0.1	84.9	neg.	547.7	581.6	0.1	490.0	0.1	91.5	neg.	398.5
Bahrain	631.5	0.1	211.2	neg.	420.4	0.1	-209.2	714.9	0.1	199.9	neg.	514.9	0.1	-315.0
Syria	576.2	0.1	570.4	0.1	5.9	neg.	564.5	578.3	0.1	572.1	0.1	6.2	neg.	565.9
Tanzania	549.5	neg.	420.7	0.1	128.9	neg.	291.8	384.2	neg.	248.9	neg.	135.4	neg.	113.5
Cambodia	533.8	neg.	460.6	0.1	73.2	neg.	387.4	471.4	neg.	397.1	0.1	74.3	neg.	322.8
Jordan	532.1	neg.	300.5	neg.	231.5	neg.	69.0	763.3	0.1	549.4	0.1	213.9	neg.	335.6
Slovak Republic	499.8	neg.	447.3	0.1	52.5	neg.	394.8	368.7	neg.	288.3	neg.	80.3	neg.	208.0
Panama	489.4	neg.	478.5	0.1	10.9	neg.	467.6	412.8	neg.	346.1	0.1	66.7	neg.	279.4
Papua New Guinea	463.9	neg.	332.6	0.1	131.3	neg.	201.3	437.2	neg.	286.4	neg.	150.8	neg.	135.6
Nigeria	428.1	neg.	338.7	0.1	89.4	neg.	249.3	307.5	neg.	230.4	neg.	77.1	neg.	153.4
Romania	416.0	neg.	345.7	0.1	70.2	neg.	275.5	218.3	neg.	138.3	neg.	80.0	neg.	58.4
Algeria	411.0	neg.	391.0	0.1	20.0	neg.	371.0	269.6	neg.	245.0	neg.	24.6	neg.	220.4
Kenya	393.0	neg.	349.8	0.1	43.1	neg.	306.7	331.4	neg.	287.0	neg.	44.4	neg.	242.6

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

Table 3 :
Major Export Destinations, 2006-2007

Country	Exports				
	2007			2006	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**
USA	94,519.2	15.6	-14.5	110,586.2	18.8
Singapore	88,508.0	14.6	-2.5	90,750.6	15.4
Japan	55,241.2	9.1	5.8	52,214.6	8.9
People's Republic of China	53,035.5	8.8	24.3	42,660.4	7.2
Thailand	29,983.9	5.0	-3.8	31,176.8	5.3
Hong Kong SAR	27,969.9	4.6	-4.0	29,143.9	4.9
Netherlands	23,599.4	3.9	10.1	21,429.1	3.6
Republic of Korea	23,032.5	3.8	8.2	21,290.8	3.6
Australia	20,399.8	3.4	22.1	16,710.7	2.8
India	20,204.3	3.3	7.6	18,783.2	3.2
Indonesia	17,749.5	2.9	19.0	14,915.6	2.5
Taiwan	16,461.8	2.7	2.6	16,043.5	2.7
Germany	14,831.5	2.5	16.1	12,774.4	2.2
United Arab Emirates	10,124.4	1.7	21.8	8,311.5	1.4
United Kingdom	9,898.8	1.6	-7.6	10,714.1	1.8
Philippines	8,738.8	1.4	9.6	7,973.5	1.4
Viet Nam	7,985.6	1.3	23.8	6,452.4	1.1
France	7,351.8	1.2	-7.4	7,941.9	1.3
Pakistan	4,310.4	0.7	39.6	3,088.6	0.5
Mexico	4,025.3	0.7	19.8	3,359.1	0.6
Italy	3,786.5	0.6	4.5	3,622.6	0.6
Canada	3,281.1	0.5	-12.9	3,766.8	0.6
Turkey	3,104.0	0.5	32.3	2,346.9	0.4
Spain	2,934.8	0.5	-14.3	3,426.3	0.6
South Africa	2,781.8	0.5	13.7	2,447.2	0.4
Belgium	2,654.6	0.4	17.8	2,253.9	0.4
New Zealand	2,587.8	0.4	4.5	2,475.2	0.4
Saudi Arabia	2,463.2	0.4	26.7	1,944.0	0.3
Brazil	2,260.4	0.4	23.2	1,834.2	0.3
Russia	2,156.6	0.4	25.2	1,723.1	0.3
Iran	2,123.2	0.4	31.4	1,615.9	0.3
Finland	2,065.5	0.3	-16.6	2,476.8	0.4
Hungary	1,734.1	0.3	17.7	1,473.0	0.3
Egypt	1,637.5	0.3	30.6	1,254.1	0.2
Ireland	1,566.9	0.3	-4.3	1,637.4	0.3
Bangladesh	1,397.1	0.2	-9.8	1,548.5	0.3
Brunei Darussalam	1,381.3	0.2	9.0	1,267.7	0.2
Switzerland	1,344.6	0.2	-13.6	1,555.7	0.3
Sweden	1,313.3	0.2	4.5	1,257.2	0.2
Sri Lanka	1,274.7	0.2	-34.9	1,958.9	0.3
Poland	1,151.0	0.2	73.3	664.1	0.1
Qatar	1,005.6	0.2	47.3	682.8	0.1
Denmark	889.5	0.1	-32.8	1,323.4	0.2
Ukraine	884.9	0.1	41.3	626.3	0.1
Yemen	757.4	0.1	-21.1	960.2	0.2
Benin	723.3	0.1	*	361.0	0.1

Compiled by Ministry of International Trade and Industry
*Note : * - not meaningful*

Table 4 :
Major Sources of Imports, 2006-2007

Country	Imports 2007 RM million	Share (%)	Change (%)	2006 RM million	Share (%)
Total	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**
Japan	65,539.3	13.0	3.1	63,568.3	13.2
People's Republic of China	64,903.3	12.9	11.5	58,225.7	12.1
Singapore	57,955.5	11.5	3.1	56,187.5	11.7
USA	54,687.8	10.8	-9.2	60,210.1	12.5
Taiwan	28,712.1	5.7	9.5	26,219.8	5.5
Thailand	27,006.3	5.3	2.8	26,276.3	5.5
Republic of Korea	24,933.4	4.9	-3.8	25,910.6	5.4
Germany	23,423.2	4.6	11.2	21,062.5	4.4
Indonesia	21,379.2	4.2	17.7	18,165.9	3.8
Hong Kong SAR	14,676.2	2.9	16.0	12,650.3	2.6
Australia	10,204.9	2.0	14.9	8,883.7	1.8
Philippines	9,774.9	1.9	-8.1	10,639.9	2.2
France	7,717.2	1.5	0.3	7,695.8	1.6
United Kingdom	7,265.9	1.4	6.7	6,808.9	1.4
India	7,066.9	1.4	44.7	4,884.2	1.0
Saudi Arabia	6,775.3	1.3	-20.7	8,544.9	1.8
Viet Nam	6,304.1	1.2	21.6	5,183.2	1.1
Switzerland	5,652.2	1.1	21.2	4,664.1	1.0
Italy	4,506.4	0.9	7.5	4,191.1	0.9
United Arab Emirates	4,435.7	0.9	25.0	3,549.8	0.7
Netherlands	3,281.9	0.7	-2.7	3,374.6	0.7
Brazil	3,171.3	0.6	25.2	2,533.2	0.5
Ireland	2,740.9	0.5	-7.1	2,951.5	0.6
Canada	2,572.9	0.5	7.0	2,403.8	0.5
Argentina	2,492.3	0.5	12.1	2,223.5	0.5
Sweden	2,211.8	0.4	-0.7	2,228.2	0.5
Kuwait	2,058.9	0.4	82.2	1,130.1	0.2
Belgium	1,770.4	0.4	21.9	1,452.7	0.3
South Africa	1,685.2	0.3	-1.3	1,706.8	0.4
New Zealand	1,671.3	0.3	35.0	1,237.8	0.3
Oman	1,607.6	0.3	-50.4	3,243.0	0.7
Costa Rica	1,479.1	0.3	-2.0	1,508.6	0.3
Iran	1,474.9	0.3	-31.0	2,136.3	0.4
Spain	1,443.2	0.3	18.7	1,215.5	0.3
Gabon	1,419.9	0.3	*	312.7	0.1
Austria	1,234.0	0.2	68.9	730.8	0.2
Portugal	1,222.6	0.2	*	279.1	0.1
Liberia	1,048.4	0.2	*	42.1	neg.
Finland	990.3	0.2	3.9	953.3	0.2
Mexico	887.6	0.2	12.1	791.9	0.2
Russia	876.4	0.2	8.5	807.5	0.2
Chile	611.2	0.1	0.9	606.0	0.1
Denmark	588.1	0.1	14.2	514.8	0.1
Norway	561.2	0.1	52.6	367.7	0.1
Myanmar	478.1	0.1	4.2	458.8	0.1
Bahrain	420.4	0.1	-18.4	514.9	0.1
Ghana	403.8	0.1	-1.4	409.8	0.1

Compiled by Ministry of International Trade and Industry
Note : neg. - negligible
** - not meaningful*

Table 5:
Trade with ASEAN, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
ASEAN	**155,560.5**	**25.7**	**1.3**	**153,560.4**	**26.1**	**123,421.4**	**24.4**	**5.1**	**117,442.2**	**24.4**	**32,139.1**	**36,118.1**
Singapore	88,508.0	14.6	-2.5	90,750.6	15.4	57,955.5	11.5	3.1	56,187.5	11.7	30,552.5	34,563.0
Thailand	29,983.9	5.0	-3.8	31,176.8	5.3	27,006.3	5.3	2.8	26,276.3	5.5	2,977.7	4,900.5
Indonesia	17,749.5	2.9	19.0	14,915.6	2.5	21,379.2	4.2	17.7	18,165.9	3.8	-3,629.8	-3,250.2
Philippines	8,738.8	1.4	9.6	7,973.5	1.4	9,774.9	1.9	-8.1	10,639.9	2.2	-1,036.1	-2,666.4
Viet Nam	7,985.6	1.3	23.8	6,452.4	1.1	6,304.1	1.2	21.6	5,183.2	1.1	1,681.4	1,269.2
Brunei Darussalam	1,381.3	0.2	9.0	1,267.7	0.2	327.9	0.1	18.8	276.1	0.1	1,053.4	991.6
Myanmar	720.8	0.1	19.0	605.9	0.1	478.1	0.1	4.2	458.8	0.1	242.7	147.1
Cambodia	460.6	0.1	16.0	397.1	0.1	73.2	neg.	-1.4	74.3	neg.	387.4	322.8
Lao PDR	32.0	neg.	53.7	20.8	neg.	122.0	neg.	-32.3	180.1	neg.	-90.0	-159.4

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

Table 6:
Trade with NAFTA, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
NAFTA	**101,825.6**	**16.8**	**-13.5**	**117,712.0**	**20.0**	**58,148.3**	**11.5**	**-8.3**	**63,405.8**	**13.2**	**43,677.3**	**54,306.3**
USA	94,519.2	15.6	-14.5	110,586.2	18.8	54,687.8	10.8	-9.2	60,210.1	12.5	39,831.4	50,376.1
Mexico	4,025.3	0.7	19.8	3,359.1	0.6	887.6	0.2	12.1	791.9	0.2	3,137.7	2,567.2
Canada	3,281.1	0.5	-12.9	3,766.8	0.6	2,572.9	0.5	7.0	2,403.8	0.5	708.2	1,363.0

Compiled by Ministry of International Trade and Industry

Table 7:
Trade with EU, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM Million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
EU	**77,823.6**	**12.9**	**3.6**	**75,148.9**	**12.8**	**59,941.5**	**11.9**	**9.5**	**54,757.2**	**11.4**	**17,882.2**	**20,391.7**
Netherlands	23,599.4	3.9	10.1	21,429.1	3.6	3,281.9	0.7	-2.7	3,374.6	0.7	20,317.4	18,054.5
Germany	14,831.5	2.5	16.1	12,774.4	2.2	23,423.2	4.6	11.2	21,062.5	4.4	-8,591.7	-8,288.1
United Kingdom	9,898.8	1.6	-7.6	10,714.1	1.8	7,265.9	1.4	6.7	6,808.9	1.4	2,632.9	3,905.2
France	7,351.8	1.2	-7.4	7,941.9	1.3	7,717.2	1.5	0.3	7,695.8	1.6	-365.4	246.1
Italy	3,786.5	0.6	4.5	3,622.6	0.6	4,506.4	0.9	7.5	4,191.1	0.9	-719.9	-568.6
Spain	2,934.8	0.5	-14.3	3,426.3	0.6	1,443.2	0.3	18.7	1,215.5	0.3	1,491.6	2,210.8
Belgium	2,654.6	0.4	17.8	2,253.9	0.4	1,770.4	0.4	21.9	1,452.7	0.3	884.2	801.2
Finland	2,065.5	0.3	-16.6	2,476.8	0.4	990.3	0.2	3.9	953.3	0.2	1,075.2	1,523.5
Hungary	1,734.1	0.3	17.7	1,473.0	0.3	249.0	neg.	26.5	196.9	neg.	1,485.0	1,276.1
Ireland	1,566.9	0.3	-4.3	1,637.4	0.3	2,740.9	0.5	-7.1	2,951.5	0.6	-1,174.0	-1,314.1
Sweden	1,313.3	0.2	4.5	1,257.2	0.2	2,211.8	0.4	-0.7	2,228.2	0.5	-898.5	-971.0
Poland	1,151.0	0.2	73.3	664.1	0.1	328.1	0.1	18.7	276.5	0.1	822.9	387.6
Denmark	889.5	0.1	-32.8	1,323.4	0.2	588.1	0.1	14.2	514.8	0.1	301.5	808.6
Czech Republic	693.2	0.1	-22.2	890.8	0.2	212.5	neg.	0.8	210.7	neg.	480.7	680.1
Portugal	649.1	0.1	-1.6	659.4	0.1	1,222.6	0.2	*	279.1	0.1	-573.5	380.2
Greece	632.7	0.1	29.1	490.0	0.1	84.9	neg.	-7.2	91.5	neg.	547.7	398.5
Slovak Republic	447.3	0.1	55.1	288.3	neg.	52.5	neg.	-34.7	80.3	neg.	394.8	208.0
Austria	391.7	0.1	-62.3	1,038.9	0.2	1,234.0	0.2	68.9	730.8	0.2	-842.3	308.1
Romania	345.7	0.1	149.9	138.3	neg.	70.2	neg.	-12.2	80.0	neg.	275.5	58.4
Estonia	222.3	neg.	46.1	152.1	neg.	25.1	neg.	49.7	16.8	neg.	197.2	135.4
Bulgaria	146.4	neg.	*	69.9	neg.	66.2	neg.	49.5	44.3	neg.	80.2	25.6
Cyprus	124.7	neg.	62.8	76.6	neg.	10.9	neg.	-16.3	13.1	neg.	113.8	63.6
Malta	119.1	neg.	6.9	111.4	neg.	261.4	0.1	72.4	151.6	neg.	-142.3	-40.2
Lithuania	88.6	neg.	46.6	60.4	neg.	70.6	neg.	12.9	62.5	neg.	18.0	-2.1
Latvia	77.1	neg.	23.1	62.6	neg.	5.1	neg.	-5.7	5.4	neg.	72.0	57.2
Luxembourg	56.5	neg.	-26.0	76.4	neg.	60.2	neg.	70.9	35.2	neg.	-3.7	41.2
Slovenia	51.4	neg.	30.9	39.3	neg.	48.7	neg.	46.8	33.2	neg.	2.7	6.1

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 8:
Trade with APEC, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
APEC	**457,873.4**	**75.7**	**1.0**	**453,317.1**	**77.0**	**393,180.3**	**77.9**	**3.9**	**378,423.9**	**78.7**	**64,693.1**	**74,893.2**
USA	94,519.2	15.6	-14.5	110,586.2	18.8	54,687.8	10.8	-9.2	60,210.1	12.5	39,831.4	50,376.1
Singapore	88,508.0	14.6	-2.5	90,750.6	15.4	57,955.5	11.5	3.1	56,187.5	11.7	30,552.5	34,563.0
Japan	55,241.2	9.1	5.8	52,214.6	8.9	65,539.3	13.0	3.1	63,568.3	13.2	-10,298.0	-11,353.7
People's Republic of China	53,035.5	8.8	24.3	42,660.4	7.2	64,903.3	12.9	11.5	58,225.7	12.1	-11,867.8	-15,565.3
Thailand	29,983.9	5.0	-3.8	31,176.8	5.3	27,006.3	5.3	2.8	26,276.3	5.5	2,977.7	4,900.5
Hong Kong SAR	27,969.9	4.6	-4.0	29,143.9	4.9	14,676.2	2.9	16.0	12,650.3	2.6	13,293.7	16,493.6
Republic of Korea	23,032.5	3.8	8.2	21,290.8	3.6	24,933.4	4.9	-3.8	25,910.6	5.4	-1,900.9	-4,619.8
Australia	20,399.8	3.4	22.1	16,710.7	2.8	10,204.9	2.0	14.9	8,883.7	1.8	10,194.9	7,827.0
Indonesia	17,749.5	2.9	19.0	14,915.6	2.5	21,379.2	4.2	17.7	18,165.9	3.8	-3,629.8	-3,250.2
Taiwan	16,461.8	2.7	2.6	16,043.5	2.7	28,712.1	5.7	9.5	26,219.8	5.5	-12,250.2	-10,176.3
Philippines	8,738.8	1.4	9.6	7,973.5	1.4	9,774.9	1.9	-8.1	10,639.9	2.2	-1,036.1	-2,666.4
Viet Nam	7,985.6	1.3	23.8	6,452.4	1.1	6,304.1	1.2	21.6	5,183.2	1.1	1,681.4	1,269.2
Mexico	4,025.3	0.7	19.8	3,359.1	0.6	887.6	0.2	12.1	791.9	0.2	3,137.7	2,567.2
Canada	3,281.1	0.5	-12.9	3,766.8	0.6	2,572.9	0.5	7.0	2,403.8	0.5	708.2	1,363.0
New Zealand	2,587.8	0.4	4.5	2,475.2	0.4	1,671.3	0.3	35.0	1,237.8	0.3	916.5	1,237.4
Russia	2,156.6	0.4	25.2	1,723.1	0.3	876.4	0.2	8.5	807.5	0.2	1,280.2	915.6
Brunei Darussalam	1,381.3	0.2	9.0	1,267.7	0.2	327.9	0.1	18.8	276.1	0.1	1,053.4	991.6
Papua New Guinea	332.6	0.1	16.1	286.4	neg.	131.3	neg.	-13.0	150.8	neg.	201.3	135.6
Chile	286.4	neg.	-11.0	321.9	0.1	611.2	0.1	0.9	606.0	0.1	-324.8	-284.1
Peru	196.6	neg.	-0.7	198.0	neg.	24.7	neg.	-14.3	28.8	neg.	171.9	169.2

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

Table 9:
Trade with Major Countries in NAM, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
NAM	**214,766.6**	**35.5**	**4.5**	**205,520.5**	**34.9**	**155,659.8**	**30.8**	**5.2**	**147,895.6**	**30.8**	**59,106.8**	**57,625.0**
Singapore	88,508.0	14.6	-2.5	90,750.6	15.4	57,955.5	11.5	3.1	56,187.5	11.7	30,552.5	34,563.0
Thailand	29,983.9	5.0	-3.8	31,176.8	5.3	27,006.3	5.3	2.8	26,276.3	5.5	2,977.7	4,900.5
India	20,204.3	3.3	7.6	18,783.2	3.2	7,066.9	1.4	44.7	4,884.2	1.0	13,137.4	13,899.0
Indonesia	17,749.5	2.9	19.0	14,915.6	2.5	21,379.2	4.2	17.7	18,165.9	3.8	-3,629.8	-3,250.2
United Arab Emirates	10,124.4	1.7	21.8	8,311.5	1.4	4,435.7	0.9	25.0	3,549.8	0.7	5,688.7	4,761.7
Philippines	8,738.8	1.4	9.6	7,973.5	1.4	9,774.9	1.9	-8.1	10,639.9	2.2	-1,036.1	-2,666.4
Viet Nam	7,985.6	1.3	23.8	6,452.4	1.1	6,304.1	1.2	21.6	5,183.2	1.1	1,681.4	1,269.2
Pakistan	4,310.4	0.7	39.6	3,088.6	0.5	286.4	0.1	31.7	217.4	neg.	4,024.0	2,871.2
South Africa	2,781.8	0.5	13.7	2,447.2	0.4	1,685.2	0.3	-1.3	1,706.8	0.4	1,096.5	740.4
Saudi Arabia	2,463.2	0.4	26.7	1,944.0	0.3	6,775.3	1.3	-20.7	8,544.9	1.8	-4,312.1	-6,601.0
Iran	2,123.2	0.4	31.4	1,615.9	0.3	1,474.9	0.3	-31.0	2,136.3	0.4	648.2	-520.3
Egypt	1,637.5	0.3	30.6	1,254.1	0.2	295.7	0.1	65.8	178.4	neg.	1,341.8	1,075.7
Bangladesh	1,397.1	0.2	-9.8	1,548.5	0.3	110.9	neg.	32.5	83.7	neg.	1,286.2	1,464.9
Brunei Darussalam	1,381.3	0.2	9.0	1,267.7	0.2	327.9	0.1	18.8	276.1	0.1	1,053.4	991.6
Sri Lanka	1,274.7	0.2	-34.9	1,958.9	0.3	110.6	neg.	38.5	79.8	neg.	1,164.2	1,879.0
Qatar	1,005.6	0.2	47.3	682.8	0.1	81.3	neg.	-72.2	292.7	0.1	924.3	390.1
Yemen	757.4	0.1	-21.1	960.2	0.2	100.1	neg.	-47.6	191.1	neg.	657.3	769.1
Benin	723.3	0.1	*	361.0	0.1	6.8	neg.	*	0.2	neg.	716.5	360.8
Myanmar	720.8	0.1	19.0	605.9	0.1	478.1	0.1	4.2	458.8	0.1	242.7	147.1
Kuwait	576.7	0.1	-1.6	586.1	0.1	2,058.9	0.4	82.2	1,130.1	0.2	-1,482.3	-544.0
Syria	570.4	0.1	-0.3	572.1	0.1	5.9	neg.	-4.5	6.2	neg.	564.5	565.9
Oman	519.8	0.1	42.0	365.9	0.1	1,607.6	0.3	-50.4	3,243.0	0.7	-1,087.8	-2,877.1
Panama	478.5	0.1	38.3	346.1	0.1	10.9	neg.	-83.7	66.7	neg.	467.6	279.4
Cambodia	460.6	0.1	16.0	397.1	0.1	73.2	neg.	-1.4	74.3	neg.	387.4	322.8
Tanzania	420.7	0.1	69.0	248.9	neg.	128.9	neg.	-4.8	135.4	neg.	291.8	113.5
Ghana	411.3	0.1	29.8	317.0	0.1	403.8	0.1	-1.4	409.8	0.1	7.5	-92.8
Algeria	391.0	0.1	59.6	245.0	neg.	20.0	neg.	-18.5	24.6	neg.	371.0	220.4
Maldives	386.2	0.1	56.9	246.2	neg.	0.9	neg.	-40.4	1.5	neg.	385.2	244.6
Kenya	349.8	0.1	21.9	287.0	neg.	43.1	neg.	-2.8	44.4	neg.	306.7	242.6
Nigeria	338.7	0.1	47.0	230.4	neg.	89.4	neg.	16.0	77.1	neg.	249.3	153.4

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 10:
Trade with Major Countries in the OIC, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
OIC	**52,799.9**	**8.7**	**21.6**	**43,406.5**	**7.4**	**42,453.2**	**8.4**	**5.1**	**40,394.2**	**8.4**	**10,346.8**	**3,012.3**
D-8	**30,660.3**	**5.1**	**22.6**	**25,000.1**	**4.2**	**23,954.3**	**4.7**	**13.6**	**21,089.2**	**4.4**	**6,706.0**	**3,910.9**
Indonesia[1]	17,749.5	2.9	19.0	14,915.6	2.5	21,379.2	4.2	17.7	18,165.9	3.8	-3,629.8	-3,250.2
United Arab Emirates	10,124.4	1.7	21.8	8,311.5	1.4	4,435.7	0.9	25.0	3,549.8	0.7	5,688.7	4,761.7
Pakistan[1]	4,310.4	0.7	39.6	3,088.6	0.5	286.4	0.1	31.7	217.4	neg.	4,024.0	2,871.2
Turkey[1]	3,104.0	0.5	32.3	2,346.9	0.4	317.7	0.1	37.8	230.5	neg.	2,786.3	2,116.4
Saudi Arabia	2,463.2	0.4	26.7	1,944.0	0.3	6,775.3	1.3	-20.7	8,544.9	1.8	-4,312.1	-6,601.0
Iran[1]	2,123.2	0.4	31.4	1,615.9	0.3	1,474.9	0.3	-31.0	2,136.3	0.4	648.2	-520.3
Egypt[1]	1,637.5	0.3	30.6	1,254.1	0.2	295.7	0.1	65.8	178.4	neg.	1,341.8	1,075.7
Bangladesh[1]	1,397.1	0.2	-9.8	1,548.5	0.3	110.9	neg.	32.5	83.7	neg.	1,286.2	1,464.9
Brunei Darussalam	1,381.3	0.2	9.0	1,267.7	0.2	327.9	0.1	18.8	276.1	0.1	1,053.4	991.6
Qatar	1,005.6	0.2	47.3	682.8	0.1	81.3	neg.	-72.2	292.7	0.1	924.3	390.1
Yemen	757.4	0.1	-21.1	960.2	0.2	100.1	neg.	-47.6	191.1	neg.	657.3	769.1
Benin	723.3	0.1	*	361.0	0.1	6.8	neg.	*	0.2	neg.	716.5	360.8
Kuwait	576.7	0.1	-1.6	586.1	0.1	2,058.9	0.4	82.2	1,130.1	0.2	-1,482.3	-544.0
Syria	570.4	0.1	-0.3	572.1	0.1	5.9	neg.	-4.5	6.2	neg.	564.5	565.9
Oman	519.8	0.1	42.0	365.9	0.1	1,607.6	0.3	-50.4	3,243.0	0.7	-1,087.8	-2,877.1
Algeria	391.0	0.1	59.6	245.0	neg.	20.0	neg.	-18.5	24.6	neg.	371.0	220.4
Maldives	386.2	0.1	56.9	246.2	neg.	0.9	neg.	-40.4	1.5	neg.	385.2	244.6
Nigeria[1]	338.7	0.1	47.0	230.4	neg.	89.4	neg.	16.0	77.1	neg.	249.3	153.4
Togo	322.9	0.1	22.4	263.8	neg.	32.3	neg.	73.3	18.6	neg.	290.6	245.1
Jordan	300.5	neg.	-45.3	549.4	0.1	231.5	neg.	8.3	213.9	neg.	69.0	335.6
Djibouti	272.1	neg.	*	120.9	neg.	7.4	neg.	*	1.5	neg.	264.7	119.4
Libya	259.2	neg.	*	116.7	neg.	82.7	neg.	*	neg.	neg.	176.5	116.7
Lebanon	211.8	neg.	48.2	142.9	neg.	25.5	neg.	82.3	14.0	neg.	186.2	128.9
Bahrain	211.2	neg.	5.6	199.9	neg.	420.4	0.1	-18.4	514.9	0.1	-209.2	-315.0
Morocco	201.9	neg.	13.9	177.3	neg.	86.8	neg.	-30.1	124.2	neg.	115.2	53.1

Compiled by Ministry of International Trade and Industry
Note: [1] - Member of D-8
neg. - negligible
** - not meaningful*

Table 11:
Trade with OECD, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
OECD	**284,446.2**	**47.0**	**-1.6**	**289,000.3**	**49.1**	**226,412.7**	**44.9**	**1.7**	**222,630.6**	**46.3**	**58,033.5**	**66,369.7**
USA	94,519.2	15.6	-14.5	110,586.2	18.8	54,687.8	10.8	-9.2	60,210.1	12.5	39,831.4	50,376.1
Japan	55,241.2	9.1	5.8	52,214.6	8.9	65,539.3	13.0	3.1	63,568.3	13.2	-10,298.0	-11,353.7
Netherlands	23,599.4	3.9	10.1	21,429.1	3.6	3,281.9	0.7	-2.7	3,374.6	0.7	20,317.4	18,054.5
Republic of Korea	23,032.5	3.8	8.2	21,290.8	3.6	24,933.4	4.9	-3.8	25,910.6	5.4	-1,900.9	-4,619.8
Australia	20,399.8	3.4	22.1	16,710.7	2.8	10,204.9	2.0	14.9	8,883.7	1.8	10,194.9	7,827.0
Germany	14,831.5	2.5	16.1	12,774.4	2.2	23,423.2	4.6	11.2	21,062.5	4.4	-8,591.7	-8,288.1
United Kingdom	9,898.8	1.6	-7.6	10,714.1	1.8	7,265.9	1.4	6.7	6,808.9	1.4	2,632.9	3,905.2
France	7,351.8	1.2	-7.4	7,941.9	1.3	7,717.2	1.5	0.3	7,695.8	1.6	-365.4	246.1
Mexico	4,025.3	0.7	19.8	3,359.1	0.6	887.6	0.2	12.1	791.9	0.2	3,137.7	2,567.2
Italy	3,786.5	0.6	4.5	3,622.6	0.6	4,506.4	0.9	7.5	4,191.1	0.9	-719.9	-568.6
Canada	3,281.1	0.5	-12.9	3,766.8	0.6	2,572.9	0.5	7.0	2,403.8	0.5	708.2	1,363.0
Turkey	3,104.0	0.5	32.3	2,346.9	0.4	317.7	0.1	37.8	230.5	0.0	2,786.3	2,116.4
Spain	2,934.8	0.5	-14.3	3,426.3	0.6	1,443.2	0.3	18.7	1,215.5	0.3	1,491.6	2,210.8
Belgium	2,654.6	0.4	17.8	2,253.9	0.4	1,770.4	0.4	21.9	1,452.7	0.3	884.2	801.2
New Zealand	2,587.8	0.4	4.5	2,475.2	0.4	1,671.3	0.3	35.0	1,237.8	0.3	916.5	1,237.4
Finland	2,065.5	0.3	-16.6	2,476.8	0.4	990.3	0.2	3.9	953.3	0.2	1,075.2	1,523.5
Hungary	1,734.1	0.3	17.7	1,473.0	0.3	249.0	neg.	26.5	196.9	0.0	1,485.0	1,276.1
Ireland	1,566.9	0.3	-4.3	1,637.4	0.3	2,740.9	0.5	-7.1	2,951.5	0.6	-1,174.0	-1,314.1
Switzerland	1,344.6	0.2	-13.6	1,555.7	0.3	5,652.2	1.1	21.2	4,664.1	1.0	-4,307.6	-3,108.5
Sweden	1,313.3	0.2	4.5	1,257.2	0.2	2,211.8	0.4	-0.7	2,228.2	0.5	-898.5	-971.0
Poland	1,151.0	0.2	73.3	664.1	0.1	328.1	0.1	18.7	276.5	0.1	822.9	387.6
Denmark	889.5	0.1	-32.8	1,323.4	0.2	588.1	0.1	14.2	514.8	0.1	301.5	808.6
Czech Republic	693.2	0.1	-22.2	890.8	0.2	212.5	neg.	0.8	210.7	neg.	480.7	680.1
Portugal	649.1	0.1	-1.6	659.4	0.1	1,222.6	0.2	*	279.1	0.1	-573.5	380.2
Greece	632.7	0.1	29.1	490.0	0.1	84.9	neg.	-7.2	91.5	neg.	547.7	398.5
Slovak Republic	447.3	0.1	55.1	288.3	neg.	52.5	neg.	-34.7	80.3	neg.	394.8	208.0
Austria	391.7	0.1	-62.3	1,038.9	0.2	1,234.0	0.2	68.9	730.8	0.2	-842.3	308.1
Norway	248.4	neg.	1.4	244.9	neg.	561.2	0.1	52.6	367.7	0.1	-312.8	-122.8
Luxembourg	56.5	neg.	-26.0	76.4	neg.	60.2	neg.	70.9	35.2	neg.	-3.7	41.2
Iceland	14.1	neg.	25.5	11.3	neg.	1.2	neg.	-90.0	11.9	neg.	12.9	-0.6

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 12:

Trade with Major Countries in the Commonwealth, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
Commonwealth	**159,624.4**	**26.4**	**2.1**	**156,290.9**	**26.5**	**90,602.6**	**17.9**	**7.5**	**84,250.9**	**17.5**	**69,021.7**	**72,040.0**
Singapore	88,508.0	14.6	-2.5	90,750.6	15.4	57,955.5	11.5	3.1	56,187.5	11.7	30,552.5	34,563.0
Australia	20,399.8	3.4	22.1	16,710.7	2.8	10,204.9	2.0	14.9	8,883.7	1.8	10,194.9	7,827.0
India	20,204.3	3.3	7.6	18,783.2	3.2	7,066.9	1.4	44.7	4,884.2	1.0	13,137.4	13,899.0
United Kingdom	9,898.8	1.6	-7.6	10,714.1	1.8	7,265.9	1.4	6.7	6,808.9	1.4	2,632.9	3,905.2
Pakistan	4,310.4	0.7	39.6	3,088.6	0.5	286.4	0.1	31.7	217.4	neg.	4,024.0	2,871.2
Canada	3,281.1	0.5	-12.9	3,766.8	0.6	2,572.9	0.5	7.0	2,403.8	0.5	708.2	1,363.0
South Africa	2,781.8	0.5	13.7	2,447.2	0.4	1,685.2	0.3	-1.3	1,706.8	0.4	1,096.5	740.4
New Zealand	2,587.8	0.4	4.5	2,475.2	0.4	1,671.3	0.3	35.0	1,237.8	0.3	916.5	1,237.4
Bangladesh	1,397.1	0.2	-9.8	1,548.5	0.3	110.9	neg.	32.5	83.7	neg.	1,286.2	1,464.9
Brunei Darussalam	1,381.3	0.2	9.0	1,267.7	0.2	327.9	0.1	18.8	276.1	0.1	1,053.4	991.6
Sri Lanka	1,274.7	0.2	-34.9	1,958.9	0.3	110.6	neg.	38.5	79.8	neg.	1,164.2	1,879.0
Tanzania	420.7	0.1	69.0	248.9	neg.	128.9	neg.	-4.8	135.4	neg.	291.8	113.5
Ghana	411.3	0.1	29.8	317.0	0.1	403.8	0.1	-1.4	409.8	0.1	7.5	-92.8
Maldives	386.2	0.1	56.9	246.2	neg.	0.9	neg.	-40.4	1.5	neg.	385.2	244.6
Kenya	349.8	0.1	21.9	287.0	neg.	43.1	neg.	-2.8	44.4	neg.	306.7	242.6
Nigeria	338.7	0.1	47.0	230.4	neg.	89.4	neg.	16.0	77.1	neg.	249.3	153.4
Papua New Guinea	332.6	0.1	16.1	286.4	neg.	131.3	neg.	-13.0	150.8	neg.	201.3	135.6
Mauritius	287.6	neg.	-0.8	290.1	neg.	23.5	neg.	38.8	16.9	neg.	264.2	273.1
Cyprus	124.7	neg.	62.8	76.6	neg.	10.9	neg.	-16.3	13.1	neg.	113.8	63.6
Cameroon	121.5	neg.	43.6	84.6	neg.	71.4	neg.	-53.6	153.9	neg.	50.1	-69.3
Mozambique	121.5	neg.	39.2	87.2	neg.	5.3	neg.	-25.5	7.1	neg.	116.2	80.1
Malta	119.1	neg.	6.9	111.4	neg.	261.4	0.1	72.4	151.6	neg.	-142.3	-40.2
Gambia	104.5	neg.	65.8	63.0	neg.	0.6	neg.	-90.2	5.7	neg.	103.9	57.3
Fiji	86.4	neg.	-18.5	106.0	neg.	0.4	neg.	-95.3	7.6	neg.	86.0	98.4
Sierra Leone	68.9	neg.	93.3	35.6	neg.	0.3	neg.	-43.9	0.6	neg.	68.5	35.0
Trinidad and Tobago	59.1	neg.	9.7	53.8	neg.	neg.	neg.	-97.0	0.2	neg.	59.1	53.7
Jamaica	56.1	neg.	83.8	30.5	neg.	0.6	neg.	-56.7	1.5	neg.	55.5	29.1
Seychelles	37.6	neg.	4.7	35.9	neg.	0.3	neg.	-86.9	1.9	neg.	37.4	34.0
Uganda	28.7	neg.	21.9	23.5	neg.	6.8	neg.	*	1.3	neg.	21.9	22.3
Solomon Islands	27.6	neg.	40.0	19.7	neg.	33.2	neg.	*	12.1	neg.	-5.5	7.7

Compiled by Ministry of International Trade and Industry

Note: neg. - negligible

** - not meaningful*

Table 13:
Trade with Major South Countries, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
South Countries	**186,973.7**	**30.9**	**14.1**	**163,852.6**	**27.8**	**170,885.5**	**33.9**	**8.7**	**157,245.5**	**32.7**	**16,088.1**	**6,607.1**
People's Republic of China	53,035.5	8.8	24.3	42,660.4	7.2	64,903.3	12.9	11.5	58,225.7	12.1	-11,867.8	-15,565.3
Thailand	29,983.9	5.0	-3.8	31,176.8	5.3	27,006.3	5.3	2.8	26,276.3	5.5	2,977.7	4,900.5
India	20,204.3	3.3	7.6	18,783.2	3.2	7,066.9	1.4	44.7	4,884.2	1.0	13,137.4	13,899.0
Indonesia	17,749.5	2.9	19.0	14,915.6	2.5	21,379.2	4.2	17.7	18,165.9	3.8	-3,629.8	-3,250.2
United Arab Emirates	10,124.4	1.7	21.8	8,311.5	1.4	4,435.7	0.9	25.0	3,549.8	0.7	5,688.7	4,761.7
Philippines	8,738.8	1.4	9.6	7,973.5	1.4	9,774.9	1.9	-8.1	10,639.9	2.2	-1,036.1	-2,666.4
Viet Nam	7,985.6	1.3	23.8	6,452.4	1.1	6,304.1	1.2	21.6	5,183.2	1.1	1,681.4	1,269.2
Pakistan	4,310.4	0.7	39.6	3,088.6	0.5	286.4	0.1	31.7	217.4	neg.	4,024.0	2,871.2
Mexico	4,025.3	0.7	19.8	3,359.1	0.6	887.6	0.2	12.1	791.9	0.2	3,137.7	2,567.2
South Africa	2,781.8	0.5	13.7	2,447.2	0.4	1,685.2	0.3	-1.3	1,706.8	0.4	1,096.5	740.4
Saudi Arabia	2,463.2	0.4	26.7	1,944.0	0.3	6,775.3	1.3	-20.7	8,544.9	1.8	-4,312.1	-6,601.0
Brazil	2,260.4	0.4	23.2	1,834.2	0.3	3,171.3	0.6	25.2	2,533.2	0.5	-910.9	-699.0
Iran	2,123.2	0.4	31.4	1,615.9	0.3	1,474.9	0.3	-31.0	2,136.3	0.4	648.2	-520.3
Egypt	1,637.5	0.3	30.6	1,254.1	0.2	295.7	0.1	65.8	178.4	neg.	1,341.8	1,075.7
Bangladesh	1,397.1	0.2	-9.8	1,548.5	0.3	110.9	neg.	32.5	83.7	neg.	1,286.2	1,464.9
Brunei Darussalam	1,381.3	0.2	9.0	1,267.7	0.2	327.9	0.1	18.8	276.1	0.1	1,053.4	991.6
Sri Lanka	1,274.7	0.2	-34.9	1,958.9	0.3	110.6	neg.	38.5	79.8	neg.	1,164.2	1,879.0
Qatar	1,005.6	0.2	47.3	682.8	0.1	81.3	neg.	-72.2	292.7	0.1	924.3	390.1
Yemen	757.4	0.1	-21.1	960.2	0.2	100.1	neg.	-47.6	191.1	neg.	657.3	769.1
Benin	723.3	0.1	*	361.0	0.1	6.8	neg.	*	0.2	neg.	716.5	360.8
Myanmar	720.8	0.1	19.0	605.9	0.1	478.1	0.1	4.2	458.8	0.1	242.7	147.1
Argentina	616.0	0.1	28.6	479.0	0.1	2,492.3	0.5	12.1	2,223.5	0.5	-1,876.2	-1,744.5
Kuwait	576.7	0.1	-1.6	586.1	0.1	2,058.9	0.4	82.2	1,130.1	0.2	-1,482.3	-544.0
Syria	570.4	0.1	-0.3	572.1	0.1	5.9	neg.	-4.5	6.2	neg.	564.5	565.9
Oman	519.8	0.1	42.0	365.9	0.1	1,607.6	0.3	-50.4	3,243.0	0.7	-1,087.8	-2,877.1
Panama	478.5	0.1	38.3	346.1	0.1	10.9	neg.	-83.7	66.7	neg.	467.6	279.4
Cambodia	460.6	0.1	16.0	397.1	0.1	73.2	neg.	-1.4	74.3	neg.	387.4	322.8

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table 14:
Trade with Major Asian Countries, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
Asia	**381,319.2**	**63.0**	**6.2**	**359,199.6**	**61.0**	**347,563.6**	**68.8**	**5.5**	**329,574.9**	**68.6**	**33,755.6**	**29,624.7**
North East Asia	**175,872.4**	**29.1**	**8.9**	**161,441.9**	**27.4**	**198,856.4**	**39.4**	**6.5**	**186,654.5**	**38.8**	**-22,983.9**	**-25,212.6**
Japan	55,241.2	9.1	5.8	52,214.6	8.9	65,539.3	13.0	3.1	63,568.3	13.2	-10,298.0	-11,353.7
People's Republic of China	53,035.5	8.8	24.3	42,660.4	7.2	64,903.3	12.9	11.5	58,225.7	12.1	-11,867.8	-15,565.3
Hong Kong SAR	27,969.9	4.6	-4.0	29,143.9	4.9	14,676.2	2.9	16.0	12,650.3	2.6	13,293.7	16,493.6
Republic of Korea	23,032.5	3.8	8.2	21,290.8	3.6	24,933.4	4.9	-3.8	25,910.6	5.4	-1,900.9	-4,619.8
Taiwan	16,461.8	2.7	2.6	16,043.5	2.7	28,712.1	5.7	9.5	26,219.8	5.5	-12,250.2	-10,176.3
ASEAN	**155,560.5**	**25.7**	**1.3**	**153,560.4**	**26.1**	**123,421.4**	**24.4**	**5.1**	**117,442.2**	**24.4**	**32,139.1**	**36,118.1**
West Asia	**22,038.0**	**3.6**	**19.9**	**18,379.5**	**3.1**	**17,694.1**	**3.5**	**-12.4**	**20,207.4**	**4.2**	**4,343.9**	**-1,828.0**
United Arab Emirates	10,124.4	1.7	21.8	8,311.5	1.4	4,435.7	0.9	25.0	3,549.8	0.7	5,688.7	4,761.7
Turkey	3,104.0	0.5	32.3	2,346.9	0.4	317.7	0.1	37.8	230.5	neg.	2,786.3	2,116.4
Saudi Arabia	2,463.2	0.4	26.7	1,944.0	0.3	6,775.3	1.3	-20.7	8,544.9	1.8	-4,312.1	-6,601.0
Iran	2,123.2	0.4	31.4	1,615.9	0.3	1,474.9	0.3	-31.0	2,136.3	0.4	648.2	-520.3
Qatar	1,005.6	0.2	47.3	682.8	0.1	81.3	neg.	-72.2	292.7	0.1	924.3	390.1
Yemen	757.4	0.1	-21.1	960.2	0.2	100.1	neg.	-47.6	191.1	neg.	657.3	769.1
Kuwait	576.7	0.1	-1.6	586.1	0.1	2,058.9	0.4	82.2	1,130.1	0.2	-1,482.3	-544.0
Syria	570.4	0.1	-0.3	572.1	0.1	5.9	neg.	-4.5	6.2	neg.	564.5	565.9
South Asia	**27,630.8**	**4.6**	**7.6**	**25,682.5**	**4.4**	**7,578.0**	**1.5**	**43.9**	**5,268.0**	**1.1**	**20,052.8**	**20,414.6**
India	20,204.3	3.3	7.6	18,783.2	3.2	7,066.9	1.4	44.7	4,884.2	1.0	13,137.4	13,899.0
Pakistan	4,310.4	0.7	39.6	3,088.6	0.5	286.4	0.1	31.7	217.4	neg.	4,024.0	2,871.2
Bangladesh	1,397.1	0.2	-9.8	1,548.5	0.3	110.9	neg.	32.5	83.7	neg.	1,286.2	1,464.9
Sri Lanka	1,274.7	0.2	-34.9	1,958.9	0.3	110.6	neg.	38.5	79.8	neg.	1,164.2	1,879.0
Central Asia	**217.5**	**neg.**	**60.6**	**135.4**	**neg.**	**13.6**	**neg.**	*	**2.8**	**neg.**	**203.8**	**132.6**
Uzbekistan	124.7	neg.	176.1	45.2	neg.	10.9	neg.	*	0.2	neg.	113.8	45.0
Kazakhstan	61.9	neg.	-19.6	77.0	neg.	0.1	neg.	*	neg.	neg.	61.8	77.0

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table15:

Trade with Major Countries in the Americas, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
Americas	**107,061.6**	**17.7**	**-12.4**	**122,206.0**	**20.7**	**66,311.0**	**13.1**	**-6.2**	**70,715.5**	**14.7**	**40,750.5**	**51,490.5**
North America	**97,800.3**	**16.2**	**-14.5**	**114,353.0**	**19.4**	**57,260.8**	**11.3**	**-8.5**	**62,613.9**	**13.0**	**40,539.6**	**51,739.1**
USA	94,519.2	15.6	-14.5	110,586.2	18.8	54,687.8	10.8	-9.2	60,210.1	12.5	39,831.4	50,376.1
Canada	3,281.1	0.5	-12.9	3,766.8	0.6	2,572.9	0.5	7.0	2,403.8	0.5	708.2	1,363.0
Central America	**4,897.2**	**0.8**	**21.5**	**4,031.4**	**0.7**	**2,444.4**	**0.5**	**-2.0**	**2,495.0**	**0.5**	**2,452.8**	**1,536.4**
Mexico	4,025.3	0.7	19.8	3,359.1	0.6	887.6	0.2	12.1	791.9	0.2	3,137.7	2,567.2
Panama	478.5	0.1	38.3	346.1	0.1	10.9	neg.	-83.7	66.7	neg.	467.6	279.4
Costa Rica	179.2	neg.	27.3	140.8	neg.	1,479.1	0.3	-2.0	1,508.6	0.3	-1,299.9	-1,367.9
Guatemala	67.2	neg.	-3.8	69.8	neg.	45.9	neg.	-9.3	50.7	neg.	21.2	19.2
El Salvador	63.8	neg.	11.6	57.1	neg.	3.6	neg.	-88.1	30.4	neg.	60.2	26.8
Honduras	63.5	neg.	91.7	33.1	neg.	3.9	neg.	-91.4	45.8	neg.	59.5	-12.7
South America	**3,886.2**	**0.6**	**14.7**	**3,387.4**	**0.6**	**6,491.2**	**1.3**	**17.9**	**5,503.8**	**1.1**	**-2,605.0**	**-2,116.4**
Brazil	2,260.4	0.4	23.2	1,834.2	0.3	3,171.3	0.6	25.2	2,533.2	0.5	-910.9	-699.0
Argentina	616.0	0.1	28.6	479.0	0.1	2,492.3	0.5	12.1	2,223.5	0.5	-1,876.2	-1,744.5
Chile	286.4	neg.	-11.0	321.9	0.1	611.2	0.1	0.9	606.0	0.1	-324.8	-284.1
Peru	196.6	neg.	-0.7	198.0	neg.	24.7	neg.	-14.3	28.8	neg.	171.9	169.2
Venezuela	187.1	neg.	13.4	164.9	neg.	98.4	neg.	162.9	37.4	neg.	88.7	127.5
Colombia	187.0	neg.	-20.2	234.2	neg.	12.7	neg.	22.2	10.4	neg.	174.3	223.8
Uruguay	57.1	neg.	7.7	53.1	neg.	55.8	neg.	29.7	43.0	neg.	1.4	10.1
Ecuador	44.1	neg.	9.4	40.3	neg.	17.8	neg.	162.0	6.8	neg.	26.3	33.5
Caribbean	**477.8**	**0.1**	**10.0**	**434.3**	**0.1**	**114.7**	**neg.**	**11.5**	**102.9**	**neg.**	**363.1**	**331.4**

Compiled by Ministry of International Trade and Industry

Note: neg. - negligible

** - not meaningful*

Table 16:
Trade with Major European Countries, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
Europe	**82,729.1**	**13.7**	**4.1**	**79,502.4**	**13.5**	**67,541.0**	**13.4**	**10.8**	**60,953.1**	**12.7**	**15,188.1**	**18,549.4**
EU	**77,823.6**	**12.9**	**3.6**	**75,148.9**	**12.8**	**59,941.5**	**11.9**	**9.5**	**54,757.2**	**11.4**	**17,882.2**	**20,391.7**
Other Europe	**4,905.4**	**0.8**	**12.7**	**4,353.5**	**0.7**	**7,599.5**	**1.5**	**22.7**	**6,195.9**	**1.3**	**-2,694.1**	**-1,842.4**
Russia	2,156.6	0.4	25.2	1,723.1	0.3	876.4	0.2	8.5	807.5	0.2	1,280.2	915.6
Switzerland	1,344.6	0.2	-13.6	1,555.7	0.3	5,652.2	1.1	21.2	4,664.1	1.0	-4,307.6	-3,108.5
Ukraine	884.9	0.1	41.3	626.3	0.1	364.7	0.1	32.7	274.8	0.1	520.2	351.5
Norway	248.4	neg.	1.4	244.9	neg.	561.2	0.1	52.6	367.7	0.1	-312.8	-122.8
Croatia	73.9	neg.	50.4	49.1	neg.	34.3	neg.	*	7.6	neg.	39.5	41.5
Belarus	72.3	neg.	33.4	54.2	neg.	59.6	neg.	62.9	36.6	neg.	12.7	17.6
Yugoslavia	52.0	neg.	5.3	49.4	neg.	5.5	neg.	*	1.9	neg.	46.4	47.5
Georgia	32.4	neg.	*	6.1	neg.	16.2	neg.	*	5.3	neg.	16.2	0.8
Iceland	14.1	neg.	25.5	11.3	neg.	1.2	neg.	-90.0	11.9	neg.	12.9	-0.6
Azerbaijan	6.0	neg.	-72.8	22.2	neg.	1.1	neg.	*	0.2	neg.	4.9	22.0
Macedonia	5.3	neg.	*	2.0	neg.	0.1	neg.	5.8	0.1	neg.	5.2	1.8
Bosnia - Herzegovina	3.8	neg.	*	0.6	neg.	8.7	neg.	22.6	7.1	neg.	-4.8	-6.5
Liechtenstein	3.2	neg.	*	0.6	neg.	0.7	neg.	*	0.2	neg.	2.5	0.5
Albania	2.3	neg.	-18.0	2.8	neg.	5.2	neg.	27.9	4.0	neg.	-2.9	-1.3
Montenegro	2.3	neg.	21.8	1.9	neg.	0.2	neg.	*	neg.	neg.	2.1	1.8
Armenia	2.0	neg.	-15.7	2.4	neg.	2.5	neg.	*	0.3	neg.	-0.5	2.0
Moldova	1.0	neg.	*	0.5	neg.	neg.	neg.	*	neg.	neg.	0.9	0.4
Monaco	0.2	neg.	58.0	0.1	neg.	1.7	neg.	-6.5	1.8	neg.	-1.5	-1.7
Faeroe Islands	0.1	neg.	-61.5	0.4	neg.	nil	nil	nil	nil	nil	0.1	0.4
Andorra	0.1	neg.	5.0	0.1	neg.	7.9	neg.	68.9	4.7	neg.	-7.8	-4.5

Compiled by Ministry of International Trade and Industry
Note: neg. - negligible
** - not meaningful*

Table17:

Trade with Major African Countries, 2006-2007

Country	Exports					Imports					Balance of Trade	
	2007			2006		2007			2006		2007	2006
	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**	**100,339.4**	**108,192.9**
Africa	**10,269.1**	**1.7**	**26.7**	**8,102.3**	**1.4**	**6,203.4**	**1.2**	**50.7**	**4,116.3**	**0.9**	**4,065.7**	**3,986.0**
South Africa	2,781.8	0.5	13.7	2,447.2	0.4	1,685.2	0.3	-1.3	1,706.8	0.4	1,096.5	740.4
Egypt	1,637.5	0.3	30.6	1,254.1	0.2	295.7	0.1	65.8	178.4	neg.	1,341.8	1,075.7
Benin	723.3	0.1	*	361.0	0.1	6.8	neg.	*	0.2	neg.	716.5	360.8
Tanzania	420.7	0.1	69.0	248.9	neg.	128.9	neg.	-4.8	135.4	neg.	291.8	113.5
Ghana	411.3	0.1	29.8	317.0	0.1	403.8	0.1	-1.4	409.8	0.1	7.5	-92.8
Algeria	391.0	0.1	59.6	245.0	neg.	20.0	neg.	-18.5	24.6	neg.	371.0	220.4
Kenya	349.8	0.1	21.9	287.0	neg.	43.1	neg.	-2.8	44.4	neg.	306.7	242.6
Nigeria	338.7	0.1	47.0	230.4	neg.	89.4	neg.	16.0	77.1	neg.	249.3	153.4
Togo	322.9	0.1	22.4	263.8	neg.	32.3	neg.	73.3	18.6	neg.	290.6	245.1
Mauritius	287.6	neg.	-0.8	290.1	neg.	23.5	neg.	38.8	16.9	neg.	264.2	273.1
Djibouti	272.1	neg.	*	120.9	neg.	7.4	neg.	*	1.5	neg.	264.7	119.4
Libya	259.2	neg.	*	116.7	neg.	82.7	neg.	*	neg.	neg.	176.5	116.7
Morocco	201.9	neg.	13.9	177.3	neg.	86.8	neg.	-30.1	124.2	neg.	115.2	53.1
Angola	189.4	neg.	24.2	152.5	neg.	0.4	neg.	*	0.1	neg.	188.9	152.5
Sudan	182.4	neg.	-3.8	189.5	neg.	143.3	neg.	*	0.8	neg.	39.1	188.7
Mauritania	145.8	neg.	66.9	87.4	neg.	0.1	neg.	-82.0	0.3	neg.	145.7	87.1
Congo	129.1	neg.	92.7	67.0	neg.	50.3	neg.	*	1.2	neg.	78.8	65.8
Cameroon	121.5	neg.	43.6	84.6	neg.	71.4	neg.	-53.6	153.9	neg.	50.1	-69.3
Mozambique	121.5	neg.	39.2	87.2	neg.	5.3	neg.	-25.5	7.1	neg.	116.2	80.1
Gambia	104.5	neg.	65.8	63.0	neg.	0.6	neg.	-90.2	5.7	neg.	103.9	57.3
Tunisia	87.6	neg.	-61.0	224.8	neg.	68.8	neg.	41.1	48.8	neg.	18.8	176.0
Reunion Islands	84.9	neg.	10.9	76.6	neg.	4.0	neg.	-5.4	4.2	neg.	80.9	72.4
Madagascar	79.9	neg.	93.0	41.4	neg.	4.8	neg.	*	1.7	neg.	75.0	39.7
Sierra Leone	68.9	neg.	93.3	35.6	neg.	0.3	neg.	-43.9	0.6	neg.	68.5	35.0
Cote D'Ivoire	55.6	neg.	30.5	42.6	neg.	274.7	0.1	-42.1	474.3	0.1	-219.0	-431.6
Somalia	52.7	neg.	*	22.9	neg.	neg.	neg.	10.1	0.0	neg.	52.7	22.9
Senegal	51.5	neg.	41.1	36.5	neg.	2.2	neg.	47.8	1.5	neg.	49.3	35.0
Guinea	46.6	neg.	43.5	32.5	neg.	6.8	neg.	*	0.4	neg.	39.8	32.1
Zaire	46.5	neg.	21.3	38.3	neg.	20.8	neg.	49.6	13.9	neg.	25.7	24.5
Ethiopia	43.5	neg.	-5.1	45.8	neg.	8.0	neg.	-43.4	14.2	neg.	35.5	31.6

Compiled by Ministry of International Trade and Industry

Note: neg. - negligible

** - not meaningful*

Table 18 :

Major Exports of Manufactured Goods to Top Ten Destinations, 2006-2007

Product	2007			2006	
	Country	RM million	Share (%)	RM million	Share (%)
Total		**605,153.2**	**100.0**	**588,965.5**	**100.0**
Manufactured Goods		**452,531.3**	**74.8**	**451,748.4**	**76.7**
Electrical & electronics products	**Total**	**266,454.4**	**44.0**	**281,017.3**	**47.7**
	USA	70,445.4	11.6	85,930.5	14.6
	Singapore	41,137.5	6.8	44,949.1	7.6
	People's Republic of China	24,909.2	4.1	19,171.5	3.3
	Hong Kong SAR	20,198.5	3.3	21,583.8	3.7
	Japan	16,137.9	2.7	16,472.7	2.8
	Netherlands	13,969.6	2.3	13,954.2	2.4
	Thailand	10,896.7	1.8	10,582.8	1.8
	Germany	8,706.8	1.4	7,430.2	1.3
	Taiwan	5,691.7	0.9	5,573.8	0.9
	Australia	5,585.5	0.9	5,095.0	0.9
Chemicals & chemical products	**Total**	**33,242.0**	**5.5**	**29,080.0**	**4.9**
	People's Republic of China	4,789.6	0.8	4,135.2	0.7
	Thailand	3,142.9	0.5	2,906.0	0.5
	Singapore	2,938.0	0.5	2,580.9	0.4
	Indonesia	2,774.4	0.5	2,451.6	0.4
	Japan	2,181.0	0.4	2,386.2	0.4
	Hong Kong SAR	1,803.3	0.3	2,192.0	0.4
	India	1,762.9	0.3	1,602.6	0.3
	Taiwan	1,693.7	0.3	1,265.5	0.2
	Republic of Korea	1,460.0	0.2	1,414.1	0.2
	Viet Nam	1,306.3	0.2	968.2	0.2
Machinery, appliances & parts	**Total**	**21,871.1**	**3.6**	**19,842.9**	**3.4**
	Singapore	4,470.2	0.7	4,801.5	0.8
	Thailand	1,904.6	0.3	1,756.6	0.3
	USA	1,743.1	0.3	1,768.1	0.3
	Indonesia	1,478.1	0.2	1,244.3	0.2
	People's Republic of China	1,284.5	0.2	1,150.3	0.2
	Japan	1,152.9	0.2	1,150.6	0.2
	Hong Kong SAR	645.3	0.1	495.9	0.1
	Australia	568.0	0.1	655.7	0.1
	Viet Nam	558.9	0.1	377.5	0.1
	United Arab Emirates	522.0	0.1	395.3	0.1
Manufactures of metal	**Total**	**16,626.9**	**2.7**	**14,157.0**	**2.4**
	Singapore	3,717.9	0.6	2,826.3	0.5
	Thailand	1,410.3	0.2	1,180.6	0.2
	Japan	1,253.1	0.2	1,229.1	0.2
	USA	1,040.9	0.2	991.6	0.2
	People's Republic of China	1,020.9	0.2	876.9	0.1
	Taiwan	885.7	0.1	614.2	0.1
	Indonesia	673.6	0.1	562.1	0.1
	Hong Kong SAR	608.5	0.1	585.1	0.1
	India	565.7	0.1	412.2	0.1
	Australia	470.6	0.1	477.5	0.1

Continued...

Product	2007			2006	
	Country	RM million	Share (%)	RM million	Share (%)
Wood products	**Total**	**16,294.1**	**2.7**	**16,687.5**	**2.8**
	Japan	3,973.2	0.7	4,813.5	0.8
	USA	2,760.8	0.5	3,362.5	0.6
	Republic of Korea	980.1	0.2	868.6	0.1
	United Kingdom	965.4	0.2	959.3	0.2
	Australia	746.0	0.1	672.9	0.1
	United Arab Emirates	715.4	0.1	525.0	0.1
	Taiwan	610.6	0.1	647.5	0.1
	Singapore	493.2	0.1	409.1	0.1
	People's Republic of China	396.1	0.1	458.6	0.1
	Canada	274.2	neg.	283.6	neg.
Optical & scientific equipment	**Total**	**13,611.9**	**2.2**	**13,558.0**	**2.3**
	USA	2,830.3	0.5	2,734.9	0.5
	Japan	2,084.6	0.3	2,074.6	0.4
	Singapore	1,641.9	0.3	1,478.0	0.3
	Thailand	1,116.0	0.2	1,054.6	0.2
	Netherlands	1,090.4	0.2	959.0	0.2
	People's Republic of China	870.4	0.1	1,441.4	0.2
	Germany	703.7	0.1	569.9	0.1
	Hong Kong SAR	397.0	0.1	406.4	0.1
	Taiwan	344.4	0.1	508.2	0.1
	Republic of Korea	308.8	0.1	468.4	0.1
Rubber products	**Total**	**10,583.1**	**1.7**	**9,332.7**	**1.6**
	USA	2,405.0	0.4	2,396.0	0.4
	People's Republic of China	1,737.6	0.3	1,440.1	0.2
	Germany	705.2	0.1	444.3	0.1
	United Kingdom	448.6	0.1	414.4	0.1
	Hong Kong SAR	429.7	0.1	331.3	0.1
	Japan	425.6	0.1	424.2	0.1
	Thailand	347.1	0.1	302.3	0.1
	Italy	319.0	0.1	329.5	0.1
	Australia	280.7	neg.	268.7	neg.
	Brazil	275.4	neg.	215.1	neg.
Iron & steel products	**Total**	**10,523.0**	**1.7**	**9,358.5**	**1.6**
	Viet Nam	1,416.2	0.2	499.7	0.1
	Singapore	1,340.4	0.2	992.1	0.2
	Thailand	1,204.9	0.2	1,970.0	0.3
	Indonesia	1,092.3	0.2	430.9	0.1
	Australia	741.7	0.1	648.8	0.1
	India	728.3	0.1	399.3	0.1
	USA	574.7	0.1	1,251.8	0.2
	Italy	348.0	0.1	360.9	0.1
	Spain	263.4	neg.	126.6	neg.
	Taiwan	231.3	neg.	139.7	neg.

Continued...

Product	2007			2006	
	Country	RM million	Share (%)	RM million	Share (%)
Textiles & apparel	**Total**	**10,263.0**	**1.7**	**10,601.9**	**1.8**
	USA	2,660.7	0.4	2,921.4	0.5
	Turkey	748.7	0.1	662.7	0.1
	Japan	572.9	0.1	520.6	0.1
	Singapore	509.7	0.1	485.1	0.1
	People's Republic of China	443.5	0.1	412.8	0.1
	Mexico	362.2	0.1	154.9	neg.
	Viet Nam	356.6	0.1	400.6	0.1
	United Kingdom	316.9	0.1	368.1	0.1
	Indonesia	302.0	neg.	266.1	neg.
	Germany	280.1	neg.	332.5	0.1
Processed food	**Total**	**8,670.4**	**1.4**	**7,255.7**	**1.2**
	Singapore	1,229.3	0.2	1,157.5	0.2
	Indonesia	803.3	0.1	586.0	0.1
	USA	577.8	0.1	597.6	0.1
	Japan	420.6	0.1	364.1	0.1
	Australia	408.5	0.1	332.8	0.1
	Thailand	406.9	0.1	327.5	0.1
	Netherlands	356.1	0.1	340.0	0.1
	Hong Kong SAR	276.6	neg.	283.7	neg.
	Philippines	272.1	neg.	223.3	neg.
	People's Republic of China	251.5	neg.	208.5	neg.

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

Table 19:
Major Imports of Manufactured Goods from Top Ten Suppliers, 2006-2007

Product	2007			2006	
	Country	RM million	Share (%)	RM million	Share (%)
Total		**504,813.8**	**100.0**	**480,772.5**	**100.0**
Manufactured Goods		**418,375.9**	**82.9**	**402,033.9**	**83.6**
Electrical & electronics products	**Total**	**203,917.3**	**40.4**	**207,568.7**	**43.2**
	People's Republic of China	36,237.6	7.2	35,472.0	7.4
	USA	28,465.1	5.6	34,118.2	7.1
	Japan	24,205.2	4.8	25,118.7	5.2
	Singapore	21,639.8	4.3	23,096.1	4.8
	Taiwan	18,050.5	3.6	16,240.7	3.4
	Republic of Korea	15,073.6	3.0	15,592.5	3.2
	Germany	12,703.1	2.5	11,639.3	2.4
	Hong Kong SAR	10,610.0	2.1	8,314.3	1.7
	Thailand	7,985.0	1.6	8,512.7	1.8
	Philippines	7,624.3	1.5	8,371.9	1.7
Machinery, appliances & parts	**Total**	**42,764.1**	**8.5**	**37,438.2**	**7.8**
	Japan	9,046.7	1.8	7,818.7	1.6
	USA	7,195.0	1.4	6,493.1	1.4
	People's Republic of China	5,654.5	1.1	4,278.3	0.9
	Germany	3,651.5	0.7	3,271.3	0.7
	Singapore	2,586.5	0.5	2,506.0	0.5
	Thailand	2,454.1	0.5	2,310.3	0.5
	Taiwan	1,947.2	0.4	1,934.1	0.4
	United Kingdom	1,335.2	0.3	1,008.2	0.2
	Italy	1,180.5	0.2	1,008.3	0.2
	Republic of Korea	1,005.4	0.2	951.1	0.2
Chemicals & chemical products	**Total**	**39,002.3**	**7.7**	**35,073.6**	**7.3**
	Singapore	6,097.9	1.2	5,677.7	1.2
	Japan	4,655.4	0.9	4,326.5	0.9
	People's Republic of China	3,775.9	0.7	2,830.8	0.6
	USA	3,303.0	0.7	3,118.8	0.6
	Thailand	2,766.4	0.5	2,537.9	0.5
	Indonesia	2,092.2	0.4	1,635.8	0.3
	Republic of Korea	1,900.0	0.4	1,723.2	0.4
	Taiwan	1,675.3	0.3	1,646.1	0.3
	Germany	1,523.7	0.3	1,404.7	0.3
	India	927.4	0.2	917.4	0.2
Manufactures of metal	**Total**	**27,396.9**	**5.4**	**24,347.5**	**5.1**
	Japan	5,112.9	1.0	4,735.8	1.0
	Australia	3,113.8	0.6	2,664.1	0.6
	People's Republic of China	2,961.5	0.6	2,100.7	0.4
	Indonesia	2,601.8	0.5	1,759.4	0.4
	Singapore	1,829.1	0.4	1,699.0	0.4
	USA	1,760.9	0.3	1,442.8	0.3
	India	1,380.4	0.3	630.1	0.1
	Taiwan	1,348.3	0.3	1,293.8	0.3
	Republic of Korea	1,319.7	0.3	1,273.8	0.3

Continued...

Product	2007			2006	
	Country	RM million	Share (%)	RM million	Share (%)
Iron & steel products	**Total**	**24,832.6**	**4.9**	**20,013.9**	**4.2**
	Japan	5,915.9	1.2	5,952.7	1.2
	People's Republic of China	3,388.0	0.7	1,976.1	0.4
	Taiwan	2,334.3	0.5	1,889.4	0.4
	USA	2,290.0	0.5	1,550.6	0.3
	Republic of Korea	2,013.2	0.4	1,690.9	0.4
	United Kingdom	1,043.2	0.2	594.6	0.1
	Australia	950.3	0.2	780.0	0.2
	South Africa	946.4	0.2	833.5	0.2
	Thailand	699.8	0.1	470.9	0.1
	Spain	646.0	0.1	345.0	0.1
Transport equipment	**Total**	**21,852.5**	**4.3**	**20,457.1**	**4.3**
	Japan	5,981.4	1.2	4,146.5	0.9
	France	3,344.8	0.7	2,841.3	0.6
	Thailand	3,116.9	0.6	2,551.9	0.5
	Republic of Korea	1,807.3	0.4	3,112.2	0.6
	Germany	1,463.2	0.3	1,193.6	0.2
	USA	1,440.6	0.3	3,201.9	0.7
	Liberia	1,027.9	0.2	23.9	neg.
	Indonesia	630.4	0.1	750.6	0.2
	People's Republic of China	602.8	0.1	578.6	0.1
	Viet Nam	510.0	0.1	62.1	neg.
Optical & scientific equipment	**Total**	**13,280.1**	**2.6**	**14,646.2**	**3.0**
	USA	3,280.6	0.6	4,385.2	0.9
	Japan	2,145.2	0.4	2,361.8	0.5
	Singapore	1,706.8	0.3	1,629.1	0.3
	People's Republic of China	1,255.0	0.2	1,281.7	0.3
	Germany	856.5	0.2	834.8	0.2
	Hong Kong SAR	667.7	0.1	1,168.4	0.2
	United Kingdom	502.6	0.1	395.6	0.1
	Thailand	431.5	0.1	309.8	0.1
	Switzerland	429.6	0.1	334.4	0.1
	Taiwan	326.3	0.1	315.4	0.1
Processed food	**Total**	**8,202.4**	**1.6**	**6,764.3**	**1.4**
	Australia	1,204.5	0.2	1,280.7	0.3
	New Zealand	1,043.9	0.2	695.0	0.1
	Thailand	1,003.9	0.2	909.7	0.2
	Brazil	864.2	0.2	647.8	0.1
	USA	861.2	0.2	528.8	0.1
	People's Republic of China	516.2	0.1	424.8	0.1
	Singapore	382.2	0.1	319.5	0.1
	Netherlands	339.8	0.1	304.7	0.1
	Indonesia	304.9	0.1	289.5	0.1
	Philippines	209.0	neg.	201.5	neg.

Continued...

Product	2007			2006	
	Country	RM million	Share (%)	RM million	Share (%)
Paper & pulp products	**Total**	**6,217.2**	**1.2**	**5,656.8**	**1.2**
	Indonesia	1,012.4	0.2	926.0	0.2
	People's Republic of China	672.1	0.1	439.1	0.1
	Japan	590.2	0.1	569.1	0.1
	Thailand	495.7	0.1	493.4	0.1
	USA	476.5	0.1	408.8	0.1
	Taiwan	441.5	0.1	439.4	0.1
	Singapore	399.7	0.1	294.6	0.1
	Brazil	370.3	0.1	386.7	0.1
	Germany	285.6	0.1	268.2	0.1
	Republic of Korea	229.3	neg.	218.2	neg.
Manufactures of plastics	**Total**	**5,998.9**	**1.2**	**7,121.1**	**1.5**
	Japan	1,348.0	0.3	2,566.0	0.5
	People's Republic of China	928.2	0.2	992.2	0.2
	Singapore	821.0	0.2	795.7	0.2
	USA	534.5	0.1	578.6	0.1
	Thailand	424.1	0.1	420.1	0.1
	Republic of Korea	349.4	0.1	202.8	neg.
	Taiwan	288.4	0.1	302.9	0.1
	Hong Kong SAR	246.7	neg.	294.4	0.1
	Indonesia	179.8	neg.	193.8	neg.
	Germany	152.9	neg.	141.8	neg.

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

Table 20 :
Exports of Top Ten Products to Selected Destinations, 2006-2007

Product	2007			2006	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**605,153.2**	**100.0**	**2.7**	**588,965.5**	**100.0**
Manufactured Goods	**452,531.3**	**74.8**	**0.2**	**451,748.4**	**76.7**
Agricultural Goods	**57,728.8**	**9.5**	**24.4**	**46,411.4**	**7.9**
Mining Goods	**84,818.2**	**14.0**	**7.0**	**79,299.2**	**13.5**
ASEAN	**155,560.5**	**25.7**	**1.3**	**153,560.4**	**26.1**
Manufactured Goods	**116,529.5**	**19.3**	**1.9**	**114,361.7**	**19.4**
Agricultural Goods	**6,207.7**	**1.0**	**11.5**	**5,568.4**	**0.9**
Mining Goods	**28,469.3**	**4.7**	**-1.1**	**28,789.6**	**4.9**
Electrical & electronic products	57,744.7	9.5	-5.1	60,860.5	10.3
Refined petroleum products	16,260.0	2.7	-0.1	16,278.8	2.8
Crude petroleum	11,508.9	1.9	-4.5	12,051.4	2.0
Chemicals & chemical products	11,400.6	1.9	13.3	10,058.4	1.7
Machinery, appliances & parts	8,935.8	1.5	3.5	8,637.3	1.5
Manufactures of metal	6,551.8	1.1	26.4	5,181.6	0.9
Iron & steel products	5,351.8	0.9	33.5	4,008.7	0.7
Transport equipment	3,243.1	0.5	-31.4	4,730.6	0.8
Optical & scientific equipment	3,225.5	0.5	10.4	2,921.9	0.5
Processed food	3,131.8	0.5	17.7	2,661.1	0.5
USA	**94,519.2**	**15.6**	**-14.5**	**110,586.2**	**18.8**
Manufactured Goods	**88,984.9**	**14.7**	**-15.9**	**105,784.6**	**18.0**
Agricultural Goods	**3,800.0**	**0.6**	**30.9**	**2,902.9**	**0.5**
Mining Goods	**983.4**	**0.2**	**-12.7**	**1,126.0**	**0.2**
Electrical & electronic products	70,445.4	11.6	-18.0	85,930.5	14.6
Optical & scientific equipment	2,830.3	0.5	3.5	2,734.9	0.5
Wood products	2,760.8	0.5	-17.9	3,362.5	0.6
Textiles & apparel	2,660.7	0.4	-8.9	2,921.4	0.5
Palm oil	2,624.1	0.4	54.4	1,699.1	0.3
Rubber products	2,405.0	0.4	0.4	2,396.0	0.4
Machinery, appliances & parts	1,743.1	0.3	-1.4	1,768.1	0.3
Chemicals & chemical products	1,198.6	0.2	28.3	934.3	0.2
Manufactures of metal	1,040.9	0.2	5.0	991.6	0.2
Refined petroleum products	764.8	0.1	98.7	384.9	0.1
EU	**77,823.6**	**12.9**	**3.6**	**75,148.9**	**12.8**
Manufactured Goods	**66,146.5**	**10.9**	**2.8**	**64,344.4**	**10.9**
Agricultural Goods	**9,956.3**	**1.6**	**7.7**	**9,240.7**	**1.6**
Mining Goods	**924.5**	**0.2**	*****	**240.2**	**neg.**
Electrical & electronic products	42,513.5	7.0	-4.8	44,668.8	7.6
Palm oil	5,601.8	0.9	18.7	4,717.9	0.8
Machinery, appliances & parts	3,114.5	0.5	34.6	2,313.6	0.4
Rubber products	2,606.3	0.4	23.0	2,118.3	0.4
Chemicals & chemical products	2,569.8	0.4	47.9	1,738.1	0.3
Optical & scientific equipment	2,334.3	0.4	10.1	2,119.5	0.4
Wood products	2,285.3	0.4	13.9	2,007.3	0.3
Crude rubber	2,266.8	0.4	-6.3	2,418.0	0.4
Textiles & apparel	1,600.3	0.3	-16.3	1,912.5	0.3
Manufactures of plastics	1,522.8	0.3	12.7	1,350.9	0.2

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Product	2007			2006	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Japan	**55,241.2**	**9.1**	**5.8**	**52,214.6**	**8.9**
Manufactured Goods	**31,593.7**	**5.2**	**-2.5**	**32,394.3**	**5.5**
Agricultural Goods	**3,070.2**	**0.5**	**16.3**	**2,640.4**	**0.4**
Mining Goods	**19,872.6**	**3.3**	**20.6**	**16,481.0**	**2.8**
LNG	16,301.7	2.7	23.4	13,214.3	2.2
Electrical & electronic products	16,137.9	2.7	-2.0	16,472.7	2.8
Wood products	3,973.2	0.7	-17.5	4,813.5	0.8
Chemicals & chemical products	2,181.0	0.4	-8.6	2,386.2	0.4
Optical & scientific equipment	2,084.6	0.3	0.5	2,074.6	0.4
Crude petroleum	1,866.7	0.3	-5.0	1,965.8	0.3
Palm oil	1,603.8	0.3	55.6	1,030.4	0.2
Refined petroleum products	1,481.5	0.2	29.1	1,148.0	0.2
Manufactures of metal	1,253.1	0.2	2.0	1,229.1	0.2
Manufactures of plastics	1,206.4	0.2	3.9	1,160.5	0.2
People's Republic of China	**53,035.5**	**8.8**	**24.3**	**42,660.4**	**7.2**
Manufactured Goods	**37,229.2**	**6.2**	**20.6**	**30,863.0**	**5.2**
Agricultural Goods	**13,531.2**	**2.2**	**36.1**	**9,941.2**	**1.7**
Mining Goods	**1,878.9**	**0.3**	**37.4**	**1,367.9**	**0.2**
Electrical & electronic products	24,909.2	4.1	29.9	19,171.5	3.3
Palm oil	9,897.3	1.6	70.1	5,817.9	1.0
Chemicals & chemical products	4,789.6	0.8	15.8	4,135.2	0.7
Crude rubber	2,658.4	0.4	-9.9	2,949.4	0.5
Rubber products	1,737.6	0.3	20.7	1,440.1	0.2
Machinery, appliances & parts	1,284.5	0.2	11.7	1,150.3	0.2
Manufactures of metal	1,020.9	0.2	16.4	876.9	0.1
Crude petroleum	905.8	0.1	*	225.5	neg.
Optical & scientific equipment	870.4	0.1	-39.6	1,441.4	0.2
Saw logs & sawn timber	718.3	0.1	-27.6	991.9	0.2

Compiled by Ministry of International Trade and Industry
Note : neg. - negligible
** - not meaningful*

Table 21 :
Imports of Top Ten Products from Selected Sources, 2006-2007

Product	2007			2006	
	RM million	Share (%)	Change (%)	RM million	Share (%)
Total	**504,813.8**	**100.0**	**5.0**	**480,772.5**	**100.0**
Manufactured Goods	**418,375.9**	**82.9**	**4.1**	**402,033.9**	**83.6**
Agricultural Goods	**22,680.6**	**4.5**	**16.9**	**19,409.5**	**4.0**
Mining Goods	**46,587.3**	**9.2**	**4.6**	**44,555.7**	**9.3**
ASEAN	**123,421.4**	**24.4**	**5.1**	**117,442.2**	**24.4**
Manufactured Goods	**84,497.8**	**16.7**	**2.0**	**82,819.9**	**17.2**
Agricultural Goods	**10,762.8**	**2.1**	**20.0**	**8,969.3**	**1.9**
Mining Goods	**24,810.6**	**4.9**	**9.1**	**22,740.2**	**4.7**
Electrical & electronic products	39,346.1	7.8	-7.3	42,462.7	8.8
Refined petroleum products	17,367.1	3.4	9.4	15,878.8	3.3
Chemicals & chemical products	11,332.7	2.2	11.8	10,137.5	2.1
Machinery, appliances & parts	6,328.4	1.3	8.0	5,857.5	1.2
Manufactures of metal	5,879.4	1.2	8.2	5,435.8	1.1
Crude petroleum	5,064.7	1.0	1.1	5,011.8	1.0
Transport equipment	4,759.6	0.9	25.0	3,806.5	0.8
Crude rubber	2,615.7	0.5	38.0	1,895.6	0.4
Optical & scientific equipment	2,491.4	0.5	11.8	2,228.9	0.5
Iron & steel products	2,140.6	0.4	51.8	1,410.4	0.3
Japan	**65,539.3**	**13.0**	**3.1**	**63,568.3**	**13.2**
Manufactured Goods	**61,526.8**	**12.2**	**2.6**	**59,970.5**	**12.5**
Agricultural Goods	**87.1**	**neg.**	**19.3**	**73.0**	**neg.**
Mining Goods	**198.7**	**neg.**	**-17.2**	**240.1**	**neg.**
Electrical & electronic products	24,205.2	4.8	-3.6	25,118.7	5.2
Machinery, appliances & parts	9,046.7	1.8	15.7	7,818.7	1.6
Transport equipment	5,981.4	1.2	44.3	4,146.5	0.9
Iron & steel products	5,915.9	1.2	-0.6	5,952.7	1.2
Manufactures of metal	5,112.9	1.0	8.0	4,735.8	1.0
Chemicals & chemical products	4,655.4	0.9	7.6	4,326.5	0.9
Optical & scientific equipment	2,145.2	0.4	-9.2	2,361.8	0.5
Manufactures of plastics	1,348.0	0.3	-47.5	2,566.0	0.5
Non-metallic mineral products	703.9	0.1	15.1	611.4	0.1
Rubber products	675.3	0.1	5.1	642.2	0.1
People's Republic of China	**64,903.3**	**12.9**	**11.5**	**58,225.7**	**12.1**
Manufactured Goods	**60,617.9**	**12.0**	**11.3**	**54,486.5**	**11.3**
Agricultural Goods	**2,416.8**	**0.5**	**22.9**	**1,966.4**	**0.4**
Mining Goods	**344.4**	**0.1**	**-16.4**	**412.0**	**0.1**
Electrical & electronic products	36,237.6	7.2	2.2	35,472.0	7.4
Machinery, appliances & parts	5,654.5	1.1	32.2	4,278.3	0.9
Chemicals & chemical products	3,775.9	0.7	33.4	2,830.8	0.6
Iron & steel products	3,388.0	0.7	71.4	1,976.1	0.4
Manufactures of metal	2,961.5	0.6	41.0	2,100.7	0.4
Textiles & apparel	2,037.7	0.4	8.5	1,877.3	0.4
Optical & scientific equipment	1,255.0	0.2	-2.1	1,281.7	0.3
Manufactures of plastics	928.2	0.2	-6.5	992.2	0.2
Vegetables, roots, tubers	759.0	0.2	11.5	680.5	0.1
Paper & pulp products	672.1	0.1	53.1	439.1	0.1

Continued...

Product	2007			2006	
	RM million	Share (%)	Change (%)	RM million	Share (%)
EU	**59,941.5**	**11.9**	**9.5**	**54,757.2**	**11.4**
Manufactured Goods	**57,684.8**	**11.4**	**9.4**	**52,743.5**	**11.0**
Agricultural Goods	**460.9**	**0.1**	**2.1**	**451.5**	**0.1**
Mining Goods	**430.7**	**0.1**	**57.6**	**273.4**	**0.1**
Electrical & electronic products	24,793.2	4.9	10.0	22,548.6	4.7
Machinery, appliances & parts	8,548.3	1.7	14.0	7,498.2	1.6
Chemicals & chemical products	5,719.9	1.1	1.9	5,611.0	1.2
Transport equipment	5,453.3	1.1	11.6	4,886.9	1.0
Iron & steel products	3,168.5	0.6	13.9	2,782.0	0.6
Optical & scientific equipment	2,042.9	0.4	0.7	2,029.6	0.4
Manufactures of metal	1,834.4	0.4	-9.2	2,020.5	0.4
Processed food	1,224.2	0.2	33.3	918.1	0.2
Paper & pulp products	1,025.2	0.2	4.5	981.3	0.2
Manufactures of plastics	468.5	0.1	6.2	441.0	0.1
USA	**54,687.8**	**10.8**	**-9.2**	**60,210.1**	**12.5**
Manufactured Goods	**51,787.0**	**10.3**	**-10.1**	**57,616.1**	**12.0**
Agricultural Goods	**1,297.7**	**0.3**	**34.6**	**964.2**	**0.2**
Mining Goods	**341.4**	**0.1**	**-20.4**	**429.2**	**0.1**
Electrical & electronic products	28,465.1	5.6	-16.6	34,118.2	7.1
Machinery, appliances & parts	7,195.0	1.4	10.8	6,493.1	1.4
Chemicals & chemical products	3,303.0	0.7	5.9	3,118.8	0.6
Optical & scientific equipment	3,280.6	0.6	-25.2	4,385.2	0.9
Iron & steel products	2,290.0	0.5	47.7	1,550.6	0.3
Manufactures of metal	1,760.9	0.3	22.0	1,442.8	0.3
Transport equipment	1,440.6	0.3	-55.0	3,201.9	0.7
Processed food	861.2	0.2	62.9	528.8	0.1
Non-metallic mineral products	712.4	0.1	44.7	492.3	0.1
Manufactures of plastics	534.5	0.1	-7.6	578.6	0.1

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

Appendix 3

Approved Manufacturing Projects with Foreign Participation by Major Source

Country	2007		2006	
	Foreign Investments (RM million)	Number of Projects	Foreign Investments (RM million)	Number of Projects
Japan	6,522.7	60	4,411.6	81
Germany	3,756.8	26	232.3	15
Iran	3,067.8	3	nil	nil
USA	3,020.0	33	2,476.6	38
Singapore	2,952.2	108	1,884.7	130
India	2,923.7	8	8.3	6
People's Republic of China	1,883.2	13	134.1	19
Netherlands	1,690.4	9	3,284.2	13
Australia	1,685.1	17	2,560.1	20
Republic of Korea	1,118.8	23	437.8	18
Cayman Islands	892.0	1	860.5	2
France	787.0	4	85.0	5
Taiwan	408.7	41	405.5	70
United Kingdom	385.3	20	642.0	17
Belgium	213.5	4	nil	nil
Bermuda	171.5	3	80.0	1
Thailand	137.7	6	109.5	5
Switzerland	61.3	7	46.1	7
Hong Kong SAR	59.8	14	84.5	9
Sweden	54.0	2	43.7	3
Canada	53.1	2	6.8	4
Italy	52.2	4	218.6	9
British Virgin Islands	49.4	3	647.7	6
Spain	44.1	2	nil	nil
United Arab Emirates	42.5	2	40.0	1
Indonesia	41.2	5	214.9	11
Brunei Darussalam	31.1	2	nil	nil
Turkey	19.7	1	37.0	1
Luxembourg	14.5	1	nil	nil
Ireland	13.7	1	nil	nil
Denmark	11.0	3	7.4	1
Bahamas	10.7	1	34.0	1
New Zealand	9.3	1	nil	nil
Finland	9.0	1	nil	nil
Philippines	4.5	1	1.0	1
Pakistan	2.4	1	12.1	3
Egypt	0.5	1	17.2	2
Albania	0.1	1	nil	nil

Source: Malaysian Industrial Development Authority

Appendix 4

Bilateral Agreements on Trade and Investment

Trade Agreements as at December 2007

No.	Country	Date of Signing
1.	Albania	24.01.1994
2.	Algeria	11.08.2003
3.	Argentina	01.07.1991
4.	Australia	26.08.1958
	(New Agreement)	20.10.1997
5.	Bangladesh	01.12.1977
6.	Bosnia-Herzegovina	26.10.1994
7.	Brazil	26.04.1996
8.	Bulgaria	20.05.1968
9.	Burkina Faso	23.04.1998
10.	Cambodia	04.02.1999
11.	Chile	21.06.1991
12.	People's Republic of China	01.04.1988
13.	Colombia	14.08.1995
14.	Croatia	26.10.1994
15.	Cuba	26.09.1997
16.	Egypt	08.01.1977
17.	Ethiopia	22.10.1998
18.	Ghana	03.12.1995
19.	Guinea	11.10.1999
20.	India	11.10.2000
21.	Indonesia	16.10.1973
22.	Iran	19.03.1989
23.	Iraq	17.02.1977
24.	Japan	10.05.1960
25.	Jordan	02.10.1994
26.	Kazakhstan	27.05.1996
27.	Kyrgyz Republic	20.07.1995
28.	Lao PDR	11.08.1998
29.	Lebanon	23.03.1995
30.	Libya	18.01.1977
31.	Macedonia	11.11.1997
32.	Malawi	05.09.1996
33.	Mali	16.11.1990
34.	Morocco	10.03.1997
35.	Myanmar	09.06.1998
36.	Namibia	12.08.1994
37.	New Zealand	03.02.1961
	(New Agreement)	17.10.1997
38.	North Korea	09.06.1979
39.	Pakistan	05.11.1987
40.	Peru	13.10.1995
41.	Republic of Korea	05.11.1962
42.	Romania	01.03.1991
43.	South Africa	07.03.1997
44.	Sudan	14.05.1998
45.	Suriname	25.05.1998
46.	Swaziland	12.10.1998
47.	Syria	17.08.2003
48.	Thailand	06.10.2000
49.	Tunisia	25.11.1992
50.	Turkey	13.02.1977
51.	Turkmenistan	13.05.1994
52.	United Arab Emirates	26.02.1962
53.	Uganda	16.04.1998
54.	Ukraine	19.08.2002
55.	Uruguay	09.08.1995
56.	United States of America	10.05.2004
57.	USSR (Russia)	03.04.1967
58.	Uzbekistan	06.10.1997
59.	Venezuela	26.11.1991
60.	Viet Nam	11.08.1992
61.	Yemen	11.02.1998
62.	Zimbabwe	09.07.1993

Source: Ministry of International Trade and Industry

Continued...

Free Trade Agreements

No.	Country	Date of Signing
1.	Malaysia - Japan Economic Partnership Agreement (MJEPA)	13.12.2005
2.	Malaysia - Pakistan Free Trade Agreement (MPFTA)	18.02.2005
	• Early Harvest Programme (EHP)	01.10.2005
	• Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA)	08.11.2007
3.	The Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China	04.11.2002
	• Early Harvest Programme (EHP)	01.01.2004
	• Trade in Goods (TIG) Agreement	01.07.2005
	• Trade in Services	14.01.2007
4.	The Framework Agreement on Comprehensive Economic Cooperation between ASEAN and Republic of Korea	13.12.2005
	• Trade in Goods (TIG) Agreement	13.12.2005
	• Trade in Services	12.11.2007
5.	The Framework Agreement on Trade Preferential System Among the Member States of the Organisation of Islamic Conference (TPSOIC)	30.06.2004
	• Protocol on the Preferential Tariff Scheme for TPSOIC	27.03.2006
6.	D-8 Preferential Tariff Agreement (PTA)	13.05.2006

Source : Ministry of International Trade and Industry

Bilateral Payment Arrangements/Agreements as at December 2007

No.	Country	Date of Signing
	IRANIAN MODEL	
1.	Bosnia-Herzegovina	13.11.1996
2.	Botswana	06.06.1991
3.	Fiji	12.10.1991
4.	Iran	08.08.1988
5.	Mozambique	27.04.1991
	ALADI MODEL	
6.	Albania	24.01.1994
7.	Algeria	31.01.1992
8.	Argentina	03.12.1993
9.	Chile	21.06.1991
10.	Indonesia	18.06.2004
11.	Kyrgyz Republic	05.08.2002
12.	Lao PDR	16.04.1994
13.	Mexico	24.09.1990
14.	Peru	13.11.1991
15.	Philippines	20.05.1999
16.	Seychelles	21.09.1992
17.	Thailand	20.09.2002
18.	Tunisia	25.11.1992
19.	Turkmenistan	30.05.1994
20.	Viet Nam	29.03.1993
21.	Zimbabwe	07.06.1991
	POCPA	
22.	North Korea	13.07.2006
23.	Russia	10.07.2002

Source : Bank Negara Malaysia

Notes :

1. *Iranian Model: Under this model, the central banks are not involved in the settlement of financial claims arising from trade. The central banks guarantee to pay the respective foreign exporter for the export value in the event of default by the importer in their country.*
2. *ALADI Model: Under this model, the central banks will guarantee payments to their respective exporters in domestic currency and settle, on a period basis, the net amount due to each other in an agreed currency.*
3. *POCPA: Under this scheme, developing countries would be able to import palm oil from Malaysia on deferred payment terms for a period of up to two years.*

Agreements on the Avoidance of Double Taxation as at December 2007

No.	Country	Date of Signing
1.	Albania	24.01.1994
2.	Australia	20.08.1980
	(2nd Protocol)	28.07.2002
3.	Austria	20.09.1989
4.	Bahrain	14.06.1999
5.	Bangladesh	19.04.1983
6.	Belgium	24.10.1973
	(Protocol)	21.11.1995
7.	Bosnia- Herzegovina	21.06.2007
8.	Canada	16.10.1976
9.	Chile	03.09.2004
10.	People's Republic of China	23.11.1985
	(Protocol)	05.06.2000
11.	Croatia	18.02.2002
12.	Czech Republic	08.03.1996
13.	Denmark	04.12.1970
	(Protocol)	03.12.2003
14.	Egypt	14.04.1997
15.	Germany	08.04.1977
16.	Fiji	19.12.1995
17.	Finland	28.03.1984
18.	France	24.04.1975
	(Protocol)	31.01.1991
19.	Hungary	24.05.1989
20.	India	25.10.1976
	(New Agreement)	14.05.2001
21.	Indonesia	12.09.1991
	(Protocol)	12.01.2006
22.	Iran	11.11.1992
	(Protocol)	22.07.2002
23.	Ireland	28.11.1998
24.	Italy	28.01.1984
25.	Japan	30.01.1970
	(New Agreement)	19.02.1999
26.	Jordan	02.10.1994
27.	Kazakhstan	26.06.2006
28.	Kuwait	06.04.1997
	(New agreement)	05.02.2003
29.	Kyrgyz Republic	17.11.2000
30.	Lebanon	20.01.2003
31.	Luxembourg	21.11.2002
32.	Malta	03.10.1995
33.	Mauritius	23.08.1992
34.	Mongolia	27.07.1995
35.	Morocco	02.07.2001
36.	Myanmar	09.03.1998
37.	Namibia	28.07.1997
38.	Netherlands	07.03.1988
	(Protocol)	04.12.1996
39.	New Zealand	19.03.1976
	(Protocol)	14.07.1994
40.	Norway	23.12.1970
41.	Pakistan	29.05.1982
42.	Philippines	27.04.1982
43.	Papua New Guinea	20.05.1993
44.	Poland	16.09.1977
45.	Republic of Korea	20.04.1982
46.	Romania	26.11.1982
47.	Russia	31.07.1987
48.	Saudi Arabia	31.01.2006
49.	Republic of Seychelles	03.12.2003
50.	Singapore	26.12.1968
	(Supplementary)	06.07.1973
	(New Agreement)	05.10.2004
51.	South Africa	26.07.2005
52.	Spain	24.05.2006
53.	Sri Lanka	16.09.1972
	(New Agreement)	16.09.1997
54.	Sudan	07.10.1993
55.	Sweden	21.11.1970
	(New Agreement)	12.03.2002
56.	Switzerland	30.12.1974
57.	Syria	26.02.2007
58.	Thailand	29.03.1982
	(Protocol)	10.02.1995
59.	Turkey	27.09.1994
60.	United Arab Emirates	28.11.1995
61.	United Kingdom	30.03.1973
	(New Agreement)	10.12.1996
62.	Uzbekistan	06.10.1997
63.	Venezuela	28.08.2006
64.	Viet Nam	07.09.1995
65.	Zimbabwe	28.04.1994

Continued...

Restricted Agreements

(with respect to taxes on income on air transport and shipping)

No.	Country	Date of Signing
66.	Argentina	03.10.1997
67.	Saudi Arabia	18.07.1993
68.	USA	18.04.1989

Source : Ministry of Finance, Malaysia

Investment Guarantee Agreements as at December 2007

No.	Country	Date of Signing
1.	Albania	24.01.1994
2.	Algeria	27.01.2000
3.	Argentina	06.09.1994
4.	ASEAN	15.12.1987
5.	Austria	12.04.1985
6.	Bahrain	15.06.1999
7.	Bangladesh	12.10.1994
8.	Belgium-Luxembourg	22.11.1979
9.	Bosnia-Herzegovina	16.12.1994
10.	Botswana	31.07.1997
11.	Burkina Faso	23.04.1998
12.	Cambodia	07.08.1994
13.	Canada	01.10.1971
14.	Chile	11.11.1992
15.	People's Republic of China	21.11.1988
16.	Croatia	16.12.1994
17.	Cuba	26.09.1997
18.	Czech Republic	09.09.1996
19.	Denmark	06.01.1992
20.	Djibouti	03.08.1998
21.	Egypt	14.04.1997
22.	Ethiopia	22.10.1998
23.	Finland	15.04.1985
24.	France	24.04.1975
25.	Germany	22.12.1960
	(Amended)	05.11.1965
26.	Ghana	11.11.1996
27.	Guinea	07.11.1996
28.	Hungary	19.02.1993
29.	India	03.08.1995
30.	Indonesia	22.01.1994
31.	Iran	22.07.2002
32.	Italy	04.01.1988
33.	Jordan	02.10.1994
34.	Kazakhstan	27.05.1996
35.	Kuwait	21.11.1987
36.	Kyrgyz Republic	20.07.1995
37.	Lao PDR	08.12.1992
38.	Lebanon	26.02.1998
39.	Macedonia	11.11.1997
40.	Malawi	05.09.1996
41.	Mongolia	27.07.1995
42.	Morocco	16.04.2002
43.	Namibia	12.08.1994
44.	Netherlands	15.06.1971
45.	North Korea	04.02.1998
46.	Norway	06.11.1984
47.	OIC	30.09.1987
48.	Pakistan	07.07.1995
49.	Peru	13.10.1995
50.	Papua New Guinea	27.10.1992
51.	Poland	21.04.1993
52.	Republic of Korea	11.04.1988
53.	Romania	25.06.1996
	(Protocol to amend IGA)	28.04.2006
54.	Saudi Arabia	25.10.2000
55.	Senegal	11.02.1999
56.	Slovak Republic	12.07.2007
57.	Spain	04.04.1995
58.	Sri Lanka	16.04.1982
59.	Sudan	14.05.1998
60.	Sweden	03.03.1979
61.	Switzerland	01.03.1978
62.	Taiwan	18.02.1993
63.	Turkey	25.02.1998
64.	Turkmenistan	30.05.1994
65.	United Arab Emirates	11.10.1991
66.	United Kingdom	21.05.1981
67.	Uruguay	09.08.1995
68.	USA	21.04.1959
69.	Uzbekistan	06.10.1997
70.	Viet Nam	21.01.1992
71.	Yemen	11.02.1998
72.	Zimbabwe	28.04.1994

Source : Ministry of International Trade and Industry

Appendix 5

Import Licensing

No.	Product	Issuing Authority
1.	Poultry (fowls, chicks, ducks, geese, turkeys, guinea fowls and pigeons), alive or dead or any part thereof	Veterinary Department
2.	Meat and offals, fresh or preserved (dried, dehydrated, salted, pickled, smoked), frozen or chilled, of buffaloes, cattle, sheep and goats	Veterinary Department
3.	Birds' nest, eggs of poultry, birds and testudinate (terrapin and the like), excluding turtle eggs	Veterinary Department
4.	Rice and paddy, including rice flour, rice polishings, rice bran and rice vermicelli	Ministry of Agriculture and Agro-based Industry
5.	Sugar	MITI
6.	Acetyl bromide	Ministry of Health
7.	Acetic anhydride, acetyl chloride	Ministry of Health
8.	Fireworks including fire crackers	Police Department
9.	Magnetic tape : 3920.61 100, 3920.62 100, 3920.63 100, 3920.69 100, 8520.90 900, 8522.90 000, 8523.11 200, 8523.11 900, 8523.12 200, 8523.12 900, 8523.13 200, 8523.13 900, 8523.90 100, 8523.90 900	MITI
10.	Explosives, including : - propellant powders; - prepared explosives, other than propellant powders; - safety fuses, detonating fuses, percussion and detonating caps, igniters, detonators; - pyrotechnic articles; - nitrocellulose; - nitroglycerin; - mercury fulminate; - lead azide; - lead styphnate; - picric acid (trinitrophenol); - 2,4,6 trinitrotolene (TNT); - pentaerythritol tetranitrate (PETN); - nitroguanidine ; and - trimethylenetrinitramine (cyclotrimethylene trinitramine).	Police Department
11.	Wood in the rough, whether or not stripped of its bark or merely roughed down, wood, roughly squared or half-squared but not further manufactured	Malaysian Timber Industry Board
12.	Safety helmets	MITI
13.	Rice milling machinery including parts thereof	Ministry of Agriculture and Agro-based Industry
14.	Automatic cassette or cartridge loaders	MITI
15.	Parts of automatic cassette or cartridge loaders	MITI

No.	Product	Issuing Authority
16.	Copying machines : Colour Photostat Machines 9009.11 000 , 9009.12 000, 9009.21 000, 9009.22 000, 9009.30 000 Black & White Photostat Machine 9009.11 000, 9009.12 000, 9009.21 000, 9009.30 000	MITI
17.	Any piece of equipment, apparatus, appliance or any other device capable of producing the sound of a siren or any sound resembling that of a siren irrespective of its mode of operation	Police Department
18.	Apparatus or equipment to be attached to or connected to a public telecommunications network or system	SIRIM BERHAD
19.	All radio communications apparatus capable of being used for telecommunications in the frequency band lower than 3000 GHz or their motherboards, except for : (i) receiver that is designed for use in the broadcasting services; and (ii) radio telecommunications apparatus having a valid license issued by the Telecommunications Authority of any country or an International Automatic Roaming (IAR) card issued by a licensed operator	SIRIM BERHAD
20.	Motor vehicles for the transport of persons, goods or materials (including sports motor vehicles, other than those under heading No. 8711) Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading No. 8702), including station wagons and racing cars (excluding go-karts and ambulances) falling within subheading Nos.: 8703.10 100, 8703.10 900, 8703.21, 8703.22, 8703.23, 8703.24, 8703.31, 8703.32, 8703.33, 8703.90 Motor vehicles for the transport of goods falling within heading No. 8704 Multi sourcing parts falling within subheading Nos. : 8708.99 111, 8708.99 112, 8708.99 113, 8708.99 114, 8708.99 115, 8708.99 121, 8708.99 122, 8708.99 123, 8708.99 124, 8708.99 131, 8708.99 132, 8708.99 133, 8708.99 134, 8708.99 135, 8708.99 140	MITI
21.	Chassis fitted with or without engines, for motor vehicles of heading Nos. 8702, 8703, 8704 or 8705 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	MITI

No.	Product	Issuing Authority
	For ambulance For motor vehicles falling within heading No. 8705 For motor vehicles falling within subheading Nos. : 8703.10 100, 8703.10 900, 8703.21 221, 8703.21 222, 8703.21 400, 8703.22 221, 8703.22 222, 8703.22 400, 8703.23 221, 8703.23 222, 8703.23 223, 8703.23 224, 8703.23 231, 8703.23 232, 8703.23 233, 8703.23 234, 8703.23 400, 8703.24 221, 8703.24 222, 8703.24 400, 8703.31 221, 8703.31 222, 8703.31 400, 8703.32 221, 8703.32 222, 8703.32 223, 8703.32 231, 8703.32 232, 8703.32 233, 8703.32 400, 8703.33 221, 8703.33 222, 8703.33 231, 8703.33 232, 8703.33 400, 8703.90 221, 8703.90 222, 8703.90 223, 8703.90 224, 8703.90 225, 8703.90 231, 8703.90 232, 8703.90 233, 8703.90 234, 8703.90 235, 8703.90 400, 8704.10 211, 8704.10 219, 8704.10 311, 8704.10 319, 8704.21 210, 8704.21 220, 8704.22 210, 8704.22 220, 8704.23 210, 8704.23 220, 8704.31 210, 8704.31 220, 8704.32 210, 8704.32 220, 8704.90 210, 8704.90 220	
22.	Ships' derricks; cranes, including cable cranes; mobile lifting frame, straddle carriers and works trucks fitted with a crane – 8426 8426.11 000, 8426.12 000, 8426.19 000, 8427.19 000, 8426.30 000, 8426.30 000, 8426.41 000, 8426.91 000, 8426.91 000, 8426.91 000, 8426.99 000, 8426.19 200, 8426.19 900, 8426.20 000, 8426.49 000	MITI
23.	Bodies (including cabs), for motor vehicles falling within heading Nos. 8702, 8703, 8704 or 8705: 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	MITI

No.	Product	Issuing Authority
	For motor vehicles falling within subheading Nos. : 8702.10 121, 8702.10 122, 8702.10 900, 8702.90 121, 8702.90 122, 8702.90 900 For motor vehicles falling within subheading Nos. : 8704.10 211, 8704.10 219, 8704.10.319, 8704.10 311, 8704.21 210, 8704.21 220, 8704.22 210, 8704.22 220, 8704.23 210, 8704.23 220, 8704.31 210, 8704.31 220, 8704.32 210, 8704.32 220, 8704 90 210, 8704.90 220 For motor vehicles falling within subheading No. 8703.10	
24.	Motorcycles, auto cycles and cycles fitted with auxiliary motor	MITI
25.	Automatic cassette or catridge loaders 8479.89.900 Parts of automatic cassette or catridge loaders 8479.90 000	MITI
26.	Parts of high speed duplicators, including master electronic control, master playback and slave recorders	MITI
27.	Arms and ammunition as defined under the Arms Act 1960, other than personal arms and ammunition imported by a bona fide traveller	Police Department
28.	Saccharin and its salt	Ministry of Health
29.	Unmanufactured tobacco; tobacco refuse	Ministry of Plantation Industries and Commodities
30.	Road tractors for semi-trailers, completely built-up, used	MITI
31.	Special purpose vehicles falling within heading No. 8705.90 000 only	MITI
32.	Parabolic antenna for outdoor use	SIRIM BERHAD
33.	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
34.	Acesulfame K	Ministry of Health
35.	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	MITI

No.	Product	Issuing Authority
	Group II : Halon-1211 Bromochlorodifluoromethane Halon-1301 Bromotrifluoromethane Halon-2402 Dibromotetrafluoromethane Annex B to the Protocol : Group I : CFC-13 Chlorotrifluoromethane CFC-111 Pentachlorofluoroethane CFC-112 Tetrachlorodifluoroethane CFC-211 Heptachlorodifluoropropane CFC-212 Hexachlorodifluoropropane CFC-213 Pentachlorotrifluoropropane CFC-214 Tetrachlorotetrafluoropropane CFC-215 Trichloropentafluoropropane CFC-216 Dichlorohexafluoropropane CFC-217 Chloroheptafluoropropane Group II : CCI Carbon tetrachloride (Tetrachloromethane) Group III: CHCCI Methyl Chloroform 3 3 (1,1,1, Trichloroethane)	
36.	Liquid milk in any form including flavoured milk, recombined or reconstituted	MITI
37.	Liquid sterilised flavoured milk including flavoured milk, recombined or reconstituted	MITI
38.	Cabbage (round)	FAMA
39.	Coffee, not roasted	FAMA
40.	Cereal flours: of wheat or meslin (including atta flour), in all packaging sizes	MITI
41.	Activated clay and activated bleaching earth	MITI
42.	Billets of iron or steel	MITI
43.	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
44.	Alloy steel and high carbon steel in the form mentioned in heading Nos. 7206 to 7217 : Wire-rod of high carbon steel, of stainless or heat resisting steel and of other alloy steel Bars and rods (excluding wire rods) and hollow mining drill steel of high carbon steel, of stainless or heat resisting steel of other alloy steel	MITI

No.	Product	Issuing Authority
45.	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
46.	Insulated (including enameled or anodised) electric wire, cables, bars and strip and the like (including co-axial cable), whether or not fitted with connectors : Telephone and telegraph (including radio relay) cables others: Power transfer wire, cable, bars, strip and the like: paper insulated	MITI
47.	All goods from Serbia, Montenegro and Israel	MITI
48.	Flat-rolled products of iron or non-alloy steel of a width of 600mm or more, clad, plated or coated within heading No. 7210	MITI
49.	Flat-rolled products of iron or non-alloy steel of a width less than 600mm, clad, plated or coated within heading No. 7212	MITI
50.	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
51.	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
52.	Flat-rolled products of iron or non-alloy steel, of a width of less than 600 mm, not clad, plated or coated	MITI
53.	Tubes, pipes and hollow profiles, of cast iron : sub-heading No. 7303.00 000	MITI
54.	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel within heading No. 7304	MITI
55.	Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406.4mm of iron or steel, within heading No. 7305	MITI
56.	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or stee	MITI
57.	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

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.

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,

Continued...

Nitrazepam, Nordazepam, Oxazepam, Oxazolam, Pemoline, Pentazocine, Pentobarbital, Phendimetrazine, Phenobarbital, Phentermine, Pinazepam, Pipradrol, Prazepam, Pyrovalerone, Secbutabarbital, Temazepam, Tetrazepam, Triazolam, Vinylbital.

Manufacture/processing of narcotic drugs.
Prohibited.

Manufacture of weapons and ammunitions.
National Defense Policy.

Manufacturing of firecrackers and fireworks.
Subject to control.

Manufacturing related to defense and security.
National Defense Policy.

<u>Industries Open with Restrictions to Foreign Investors</u>
Manufacture of cigarettes.
Only for export (100% export).

Alcohol.
Movie production.
Subject to prior approval from relevant Ministries.

Exploitation of gemstones.
Bricks made of clay (hollow, solid) and tiles.
Rice mill.
Manufacture of wood and stone carving.
Silk weaving.
Subject to local equity participation.

INDONESIA

Temporary Exclusion List

<u>Industries Closed to Both National and Foreign Investors</u>
Industries manufacturing communication devices :
- telephone connection boxes.

Business reserved for small-scale enterprises.

Sensitive List

<u>Industries Closed to Both National and Foreign Investors</u>
Saccharine.
Cyclamate.
Closed – Public health.

Saw mill.
Only in Papua using natural forest as raw material.

Plywood.
Only in Papua.

Clove cigarettes (with automatic machines).
Ratio of production manually and machinery.

Fire crackers and fireworks.
Manufacturing of ammonium nitrate for explosive purposes.
National security.

Continued...

Food and drink :
- Industries preparing shredded meat, boiled and then fried, and jerked meat; industries preparing pickled sweetened fruits, vegetables and eggs; industries preparing salted/pickled fish and other, marine biota; industries making bread, cookies, and the like; industries making brown/coconut palm sugar; industries making fermented bean paste used as condiment; industries making bean cake; industries making bean curd; industries making crisp, thin chip made of flour and peanut, shrimp or small fish/crispy chips of banana, potato, bean cake, etc.; industries making peanut snacks (fried peanuts without covering, salted peanuts, large white beans, onion beans); industries making chips made of flour flavored with fish or shrimp; industries making condiment of fermented fish or shrimp; industries making deep-fried, boiled, steamed cake; processing of palm, sugar palm and palmyra palm; honey bee industries.

Business reserved for small-scale enterprises.

Industries of various kinds of flour of grains, cereals, legumes and tubers :
- rice flours of various kinds; flour made of legumes; and flour made of dried cassava.

On condition of partnership with small-scale enterprises.

Yarn-finishing industries :
- yarn having a tie motive based on tenun ikat; using manually operated instruments.

Textile and textile products :
- traditional weaving industries (non machine woven cloth); industries making hand-written batiks; knitting industries using hand operated instruments; and industries making rimless caps and headdresses.

Business reserved for small-scale enterprises.

Cloth printing and finishing industries :
- printing using hand operated instruments, except when it is integrated with the upstream industries.

On condition of partnership with small-scale enterprises.

Industries of lime and products made of lime :
- quick lime; lime for chewing with betel leaves; slaked lime; lime for agricultural purposes and chalk.

On condition of partnership with small-scale enterprises.

Industries making clay articles for household purposes :
- unglazed household decorations; various kinds of unglazed vases; and unglazed household utensils.

Business reserved for small-scale enterprises.

Industries of clay articles for construction purposes :
- clay bricks; and unglazed clay roof tiles.

On condition of partnership with small-scale enterprises.

Industries making agricultural tools :
- mattocks; shovels; plows; harrows; pitchforks; crowbars; sickles; scrapes; *sarap/lempak/bawak* (reaping); small palm knives; hoes for weed removal; *emposan tikus* (sprayer for killing rats); manually operated sprayer; manually operated rice hullers; manually operated paddy and soy bean hullers; and manually operated looseners of corn grains.

Industries making cutting tools :
- short machetes; axes; large-bladed knives; and instruments for mincing onions/cassava/chips.

Plantation tools industry :
- knife to tap rubber; bowl to tap rubber; rubber freezing box; coffee peeler machines; and cashew nut peeler machine.

Industries making handicraft tools :
- trowels; wooden planes; planes; *Beugel-beugel* (traditional tools); *kasut pleste* (traditional tools for plaster); spatulas; clamps; handsaw; hammers (of a small type); chisels; and *pangut* (traditional cutter).

Industries for maintenance and repair (workshops, including special workshops) :
- small workshops including roving small workshops, tyre repair, upholstery workshops, railway workshops, workshops for ships maintenance, air filling/air pumps, traditional car body repair and the like, without modern instruments.

Continued...

Industries for maintenance and repair (workshops, including special workshops) :
- repair of electrical devices for household purposes.

Business reserved for small-scale enterprises.

Industries making electrical devices and other components :
- various kinds of clamps; motor armature and track armature.

Professional, science, measure equipment and electronic controller industry:
- water meter box.

On condition of partnership with small-scale enterprises.

Industries of multivarious handicrafts :
- handicrafts using plants as raw materials; handicraft using animals as raw materials; imitation flowers and decorations; handicrafts from mollusks and the like; handicrafts made of precious stone and marble; and household equipment made of bamboo and rattan.

Business reserved for small-scale enterprises.

Raw rattan processing.
On condition of partnership with small-scale enterprises.

Traditional medicine product and medical instruments for non-medic.
Traditional Indonesian musical instruments.
Business reserved for small-scale enterprises.

<u>Industries Open with Restriction to Foreign Investors</u>
Food and drink :
- milk processing industries/dairy product; fish flour industries (animal feed); tea processing industries; soy sauce industries; processing industries: pepper, gnetum gnemon, cinnamon, vanilla, cardamom, nutmeg and cloves; and granulated sugar industries.

Industries of rubber products for industrial purposes :
- rubber rolls.

Industries manufacturing agricultural machinery :
- threshers; reapers; hydrotillers; and corn removers.

Industries manufacturing fluid machinery :
- hand operated water pumps.

Bicycles-making industries :
- industries making bicycle equipment.

Industries making silver crafts.
Processing and canning of fruits.

Various palm essence industry :
- sago palm essence.

Rice milling and threshing.
Copra industry.
Silk yarn spinning industry.
Downstream industry of pepper.
On condition of partnership with small-scale enterprises.

Fish-smoking industries and the likes.
Wood carving industry.
Business reserved for small-scale enterprises.

Continued...

LAO PDR

Temporary Exclusion List

Industries Closed Only to Foreign Investors
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.

Industries Open with Restrictions to Foreign Investors
Manufacture of rice noodles products.
Subject to high ratio of local content (use of local material) and/or export requirements.

Manufacture of beer.
Manufacture of soft drinks.
Subject to joint-venture with domestic investors and/or export 100%.

Manufacture of tobacco products.
Subject to high ratio of local content, local equity participation and/or export 100%.

Sensitive List

Industries Closed to Both National and Foreign Investors
Manufacture of all types of weapons and ammunitions.
Prohibited for security reasons.

Manufacture/processing of narcotic drugs.
Manufacture of cultural items destructive of the national culture and tradition.
Prohibited.

Manufacture of chemical substances and industrial waste hazardous to human life and the environment.
Prohibited for health and environment reason.

Industries Open with Restrictions to Foreign Investors
Manufacture of psychothopic substances.
Subject to specific details provided by Ministry of Health.

Manufacture of wood and wood products.
The establishment of new wood processing factory is not permitted, except for utilising raw material from the reforestation of forest plantation.

Manufacture of chemicals and chemical products.
Not to be destructive to the environment and society.

Manufacture of pharmaceuticals.
Manufacture of alcohol of all types.
Manufacture of motor vehicles of all types.
Subject to local equity participation and/or export or high ratio of local content.

Continued...

MALAYSIA

Sensitive List

Industries Closed for Both National and Foreign Investors
Pineapple canning.
Palm oil milling.
Closed except for projects with source of supply from own plantation.

Palm oil refining.
Closed for Peninsular Malaysia. Open for projects in Sabah and Sarawak with source of supply from own plantations.

Sugar refining.
Closed.

Liquors and alcoholic beverages.
Closed for projects that do not export 100% of their products.

Tobacco processing and cigarettes.
Closed for projects that do not export more than 80% of their products.

Sawn timber, veneer and plywood.
Closed for Peninsular Malaysia and Sabah. Open for Sarawak.

Wood-based products utilising local logs as raw material.
Closed for Peninsular Malaysia. Open for Sabah and Sarawak.

Petroleum refining.
Closed for projects that do not export 100% of their products.

Ordinary Portland cement.
Closed for non-integrated projects i.e., projects which do not produce their own clinker for grinding into ordinary Portland cement.

Hot rolled steel round bars and wire rods.
Closed.

Steel billets/blooms.
Closed for projects that have capacity of below 350,000 tonnes.

Assembly of motorcycles, passenger cars and commercial vehicles.
Closed.

Industries Open with Restrictions to Foreign and National Investors
Fabrics and apparel of batik.
Ordinary Portland Cement (Integrated Projects).
Maximum foreign equity ownership allowed is 30%.

Industries Open with Restrictions to Both Foreign and National Investors
Explosives, pyrotechnic products, propellant powders, detonating or safety fuses and the like.
Weapons and ammunition.
Prior approval is required from Ministry of Home Affairs.

MYAMMAR

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.

Continued...

Industries Open with Restrictions to Foreign Investors
Production and marketing of basic construction materials, furniture, parquet, etc. using teak extracted and sold by the State-owned economic organization.
Only for export of high value-added wood-based products.

Sensitive List

Industries Closed for Both National and Foreign Investors
Distilling, blending, rectifying, bottling, and marketing of all kinds of spirits, beverages or non-beverages.
Manufacture of wines.
Manufacture of malt and malt liquors, beer and other brewery products.
Manufacture of soft beverages, aerated and non-aerated products.
Manufacture of cigarettes.
Manufacture of monosodium glutamate.
Manufacture of corrugated galvanized iron sheets.
No new permit to be issued.

Manufacture of refined petroleum products.
Reserved for the State sector.

Manufacture of weapons and ammunition.
National Defense Policy.

Industries Closed Only to Foreign Investors
Sawmilling and 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.

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

Continued...

SINGAPORE

Sensitive List

Industries Closed to Both National and Foreign Investors
Chewing gum, bubble gum, dental chewing gum or any like substance.
Production prohibited for safety and social reasons.

Firecrakers.
Match sticks.
Production prohibited for safety reasons.

Industries Open with Restrictions to Foreign Investors
Publishing and printing of newspapers.
Foreign equity is subject to approval by relevant Ministry.

Beer and Stout
Water conservation.

Reproduction of recorded media (e.g. CD, CD-ROM, VCD, DVD-ROM).
Intellectual Property Rights enforcement.

Pig iron and sponge iron.
Rolled steel products.
Steel ingots, billets, blooms and slabs.
Limited local steel scrap.

THAILAND

Sensitive List

Industries Closed to Both National and Foreign Investments
Manufacture of sugar from sugarcane.
Subject to Cabinet's decision.

Industries Open with Restrictions to Foreign Investors
Manufacture of carved wood.
Manufacture of Thai silk threads, Thai silk weaving or Thai silk pattern printing.
Manufacture of Thai musical instruments.
Manufacture of goldware, silverware, bronzeware or lacquerware.
Manufacture of crockery of Thai arts and culture.
Wood fabrication for production of furniture and utensils.
Foreign equity participation is restricted to 50% of registered capital.
Foreign equity participation of 50% or more of registered capital can be made, subject to the following:

- *shall obtain permission from Minister of Commerce, with approval of Cabinet, and shall also fulfill following requirements:*
    - *shall have Thai nationals, or juristic persons that are not foreigners under this Act, held not less than 40% of registered capital. However, Minister of Commerce, with approval of Cabinet, may reduce said requirement to not less than 25 percent; and*
    - *shall have Thai nationals held at least two-fifth of total directors.*

Or

- *shall receive promotion under Investment Promotion law, or shall obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of business not less than that prescribed by Ministry of Commerce's regulations, which in any case not less than 3 million Baht.
Shall apply for license or certificate from Department of Commerce Registration.
Shall comply with other conditions prescribed in Foreign Business Act B.E. 2542 (1999) and other related laws.

Manufacture of plywood, veneer board, chipboard or hardboard.
Manufacture of lime.
Rice milling.

Continued...

Foreign equity participation is restricted to not more than 50% registered capital.
Foreign equity participation of 50% or more of registered capital can be made, subject to the following:
- *shall obtain permission from Director General of Department of Commercial Registration with approval of Foreign Business Committee.*
- *shall receive promotion under Investment Promotion law, or shall obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of business not less than that prescribed by Ministry of Commerce's regulations, which in any case not less than 3 million Baht.
Shall apply for license or certificate from Department of Commerce Registration.
Shall comply with other conditions prescribed in Foreign Business Act B.E. 2542 (1999) and other related laws.

Manufacture of cigarette.
Manufacture of playing cards.
Shall obtain permission from Director-General of Excise Department according to Tobacco Act. B.E. 2509, or Playing Card Act B.E. 2486.

VIET NAM

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors
Manufacture of cultivation, processing, reaping machines, insecticide pumps, spare parts for agricultural machines and engines.
Subject to export, technology and quality requirements.

Bicycle manufacture.
Electrical fans.
Manufacturing new types of products and subject to quality and export requirements.

Manufacture of electrical towers.
Export at least 50%.

Production of aluminium shaped bars.
Export at least 20%.

Single superphosphate fertiliser.
Production of 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 materials and export requirements.

Electro-mechanical and refrigeration equipment.
Household electrical appliances.
Subject to technology and export requirements.

Processing of aqua-products, canned sea foods.
Joint-Venture form, subject to material and technology requirements and export at least 80%.

Continued...

Assembly of marine engines.
Subject to technology requirement.

Production and processing of wood.
Dairy processing.
In conjunction with development of local raw material resources.

Cane sugar production.
Vegetables oil production and processing.
In conjunction with development of local raw material resources and subject to export requirement.

Tanning.
In conjunction with development of local raw material resources, and subject to environmental processing requirement.

Sensitive List

<u>Industries Closed to Both National and Foreign Investments</u>
Production of firecrackers including fireworks.
Export 100%.

<u>Industries Closed Only to Foreign Investors</u>
Fishing.
Foreign investment shall not be licensed.

Beer and soft drinks.
Tobacco production.
Exploitation of gemstones.
Vertical shaft cement production and baked earth bricks and tiles.
Clay bricks.
Under 10,000 DWT cargo ships under 800 TEU container ships; lighters and under 500 seats passenger ships.
D6-D32mm construction steelrods, and D15-D114 mm seam steel pipe, zinc galvanized and colour sheets.
Production of NPK fertilizer.
Construction glass.
Fluorescent tubes and bulbs.
Fishing net production.
Lubrication oil, grease.
No new license will be issued.

Alcohol.
Subject to brand, quality and export requirements.

Automobile assembly and manufacture.
Subject to local content requirement and planning of the Government.

Motorcycle assembly and manufacture.
Subject to local content requirement and planning of the Government and export at least 80%.

Assembly of consumer electronic products.
Subject to local content requirement.

Manufacture of TV sets and tubes.
Subject to local content requirement and export at least 80%.

Sanitary ceramics, porcelain and tiles.
Export 100% and subject to technology requirement.

Cement production.
Ready mixed concrete, stone crushing.
Industrial explosives and devices.
Exploitation, processing of rare and precious material, raw material; exploitation of clay for production of construction material; exploitation, exportation of high-quality sand for production of construction and technical glasses.
Subject to planning of the Government.

Continued...

Agriculture, Fishery and Mining Sectors

BRUNEI DARUSSALAM

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors

Agriculture
Growing of cereals and other crops n.e.c, vegetables, horticulture specialties and nursery products, fruits, nuts, beverage and spice crops.
Hunting, trapping and game propagation including related services activities.
Farming of cattle, sheep, goats, horses, asses, mules and hinnies, dairy farming.
Growing of crops, combined with farming of animals (mixed farming)
Agriculture and animal husbandry services activities, except veterinary activities.

Forestry
Forest plantations and nurseries.
30% local participation – for access to government facilities and sales to domestic market.

Sensitive List

Industries Open with Restrictions to Foreign Investors

Agriculture
Other animal farming; production of animal products n.e.c.
30% local participation is required for access to Government facilities and sales to domestic market.

Fishery
Offshore capture of fisheries (purse-seines and long lines).
Aquaculture.
30% local participant is required.

Mining and Quarrying
Extraction of crude petroleum and natural gas.
Crude petroleum and natural gas are important natural resources and the backbone of the country's economy. Although foreign investors are allowed to invest in petroleum mining activities, they cannot be certain that their participation interest in their project will be 100%. His Majesty's Government has the right to acquire participation upon declaration of commerciality of the field. Under the production sharing contract (PSC), His Majesty's Government through its Holding Company will automatically have interest in the petroleum activities.

Silica mining.
Extraction of ground water.
Quarrying of stone.
30% local participation is required for utilising government facilities and domestic market access.

CAMBODIA

Sensitive List

Industries Closed to Both National and Foreign Investors

Agronomy
Estate crops :
- medicinal/traditional herbs; and
- plantation of the above.

Business reserved for daily need of local farmers.

Livestock
- native chicken; native cattle and buffalo; and native duck.

Business reserved for national small-scale enterprises.

Continued...

Fishery
- fishing (fresh water); catching of fingerling, caplo capio, giant fish, crocodile, probatus and jullieni fish.

Endangered species.

Forestry
– not applicable.

Depending on rule, law and regulation of Cambodia forest policy.

Mining
- radioactive minerals (uranium etc).

National security.

<u>Industries Closed Only to Foreign Investors</u>

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.

<u>Industries Open with Restriction to Foreign Investors</u>

Agronomy

All type of :
- food crops; fruit crops; industrial crops; and processing industries.

On condition of partnership with the local of farmers' association and conservation of sustainability of natural resources. (applicable to all).

Livestock
- chicken raising (broiler; layer); beef cattle raising; sheep raising; goat raising; pig raising; duck raising; dairy cattle raising; and horse raising.

On condition of partnership with small-scale enterprises

Fishery
- not applicable.

Refer to Fishery Law.

Forestry
- forest products (finish products); zoology; forest park; and forest plantation for industry.

Based on National Forest Policy.

Mining

All foreign investments should be carried out under contract of work.

INDONESIA

Sensitive List

<u>Industries Closed to Both National and Foreign Investors</u>

Agriculture
- estate crops : medical herbs, except ginger; plantation of pepper, *belinjo*, cinnamon, candlenut, vanilla, *kapulaga*

Continued...

(amomum cardamomum), nutmeg, *siwalan*, sugar palm and leaf (*lontar*), clove, Pogostemon Catlin Benth, Uncaria gambir.
On condition of partnership with small-scale enterprises.

Livestock
- native chicken.

Business reserved for national small-scale enterprises.

Fishing
Catching of marine ornamental fish, catching area < 12 miles.
Business reserved for national small-scale enterprises.

Hatchery
Aquaculture.
- freshwater fish hatchery.

Business reserved for national small-scale enterprises.

Forestry
- contractors of logging.

Environmental protection.

- apiculture exploitation.
- exploitation of sugar palm, sago, rattan, candlenut, tree, bamboo and cinnamon plant forest.
- exploitation of swallow nests in the nature.
- exploitation of tamarind estates by small holders (tamarind seeds collection and processing).
- exploitation of charcoal producing plant forest.
- exploitation of tree sap producing plant forest.
- exploitation of atsiri oil producing plant forest (pine oil, *lawang* oil, *tengkawang* oil, cajuput oil, *kenanga* oil, fragrant root oil, and other).

Business reserved for national small-scale enterprises.

General Mining
- radioactive minerals (uranium, etc.).

National security.

- small-scale mining.

On condition of partnership with small-scale enterprises. All foreign investments should be carried out under contract of works. Conservation Forest Area is prohibited for all mining. Preserve Forest is prohibited for open cut mining.

<u>Industries Closed Only to Foreign Investors</u>

Agricultural
Genetic resources (bio-diversity).
Environmental protection.

Aquaculture
Grow-out
- freshwater fish culture.

Business reserved for national small-scale enterprises.

Forestry
- utilisation of naturally growing forest.

Environmental protection.

- utilisation of forest based on HPH (forest exploitation right).
- community forest utilisation right.

Reserved for local people.

- genetic resources (bio-diversity).

Environmental protection.

Continued...

Industries Open with Restrictions to Foreign Investors

Agriculture
- food crops: Cassava.

On condition of partnership with the local farmers located in production centre of food crop concerned.

Traditional herbal plantation.
- estate crops: oil palm; rubber; sugar; coconut; cocoa; coffee; tea; cashewnut; cotton; castor oil; ginger; fibre plants (jute; kenaf; rami; stevia; and rosella); areca-palm; banana of manila (Musa textilis); medical plants; fragrant root (*akar wangi*); palm; tamarind (*asam jawa*); indigo; brass; kaempferia galanga (*kencur*); almond; turmeric; coriander; benth (pogostemon catlin); tobacco; fragrant grass (*sereh wangi*); sesame seed; and herb (panzolzia zeylanica benn), (urang-aring).

On condition of special partnership programs and the need to have recommendation from the Ministry of Agriculture.

Aquaculture
Hatchery
- brackishwater shrimps hatchery.

On condition of partnership with national small-scale enterprises.

Grow-out
- aquaculture of eel, escargot and crocodile.

On condition of partnership with small-scale enterprises.

Forestry
- utilisation of Industrial Plantation

On condition of partnership with small-scale enterprises.

LAO PDR

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors
Mining and agglomeration of hard coal.
Mining and agglomeration of lignite.
Extraction and agglomeration of peat.
Extraction of crude petroleum and natural gas.
Service activities incidental to oil and gas extraction excluding surveying.
Mining of iron ores.
Mining of non-ferrous metal ores, except uranium and thorium ores.
Mining of chemical and fertiliser minerals.
Extraction of salt.
Other mining and quarrying.
Subject to agreement with the Government and processing.

Sensitive List

Industries Closed to Foreign Investors
Operation of hatcheries in the reservoirs.
Reserved for Lao citizen.

Industries Open with Restrictions to Foreign Investors
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.

Continued...

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

Industries Closed to Foreign Investors
Extraction and harvesting of timber.
This activity is generally closed to foreign investors in Peninsular Malaysia and Sabah. However, for Sarawak, local involvement and majority local control is required. Forest areas to be opened for such activities will be gradually reduced in the future to enable the resources to be managed sustainably.

Capture of fisheries.
Foreign fishing companies are not allowed to fish in Malaysia's Exclusive Economic Zone (EEZ).

Industries Open with Restriction to Foreign Investors.
Oil and gas upstream industries.
Project must be carried out on a joint-venture basis with a wholly-owned subsidiary of the national petroleum corporation (Petronas), whose equity in the joint-venture will range from 15% to 60% depending on the block/ area. The terms and conditions of each block are negotiated on a case-by-case basis and the Production Sharing Contracts will adhere to rules and regulations stipulated by the Malaysian Government with regards to the award of contract etc.

MYANMAR

Temporary Exclusion List

Industries Closed to Both National and Foreign Investors

Forestry
Extraction of hardwood and sale of the same.
National policy on forestry.

Mining
Exploration and extraction of pearls and export of the same.
Exploration and extraction of metal and export of the same.
Carrying out other quarrying industries and marketing of the same.
The Government may permit by notifications.

Energy
Exploration, extraction and sale of petroleum.
Exploration, extraction and sale of natural gas and production of the products of the same.
The Government may permit by notifications.

Power
Production, collection and distribution of electricity.
The Government may permit by notifications.

Continued...

Industries Closed Only to Foreign Investors

Fishery
Fishing of marine fish, prawn and other aquatic organism.
The Government may permit by notifications.

Industries Open with Restrictions to Foreign Investors

Others
Railway transport service.
Air transport.
Courier activities other than national post activities.
Joint-venture with State organisation.

Banking and insurance services.
To be liberalised later.

PHILIPPINES

Sensitive List

Industries Closed Only to Foreign Investors
People's small-scale mining programme.
Mining activities which rely heavily on manual labour using simple implements and methods and do not use explosives or heavy mining equipment.
Maximum area of 20 hectares.
Investment not to exceed P10 million.
Ratio of labor cost to equipment utilisation cost is greater than or equal to 1.0 (based on 1 metric tonne of ore).
No foreign equity allowed.

Industries Open With Restrictions to Foreign Investors

Forestry
Mining (other than small-scale mining).
Deep sea fishing.
Agriculture in public land.
Foreign equity is restricted to a maximum of 40%.

SINGAPORE

Sensitive List

Industries Closed to Both National and Foreign Investors
Pig farming.
Quarrying.
No more licenses issued.

THAILAND

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors
Fishery, specifically marine animal culture.
Logging from plantation.
Artificial propagated or plant breeding
Foreign equity participation is restricted to not more than 50% of registered capital.
Foreign equity participation of 50% of registered capital or more can be made, subject to following conditions:
- *shall obtain permission from Director-General of Department of Commercial Registration, with approval from*

Continued...

Foreign Business Committee.

- *shall receive promotion under Investment Promotion Law, or shall obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of a business not less than that prescribed by Ministry of Commerce's regulations, which in any case not less than three million Baht.
Shall apply for license or certificate from Department of Commercial Registration.
Shall comply with other conditions prescribed in Foreign Business Act B.E. 2542 (1999) and other related laws.
(These lists shall be reviewed at least once every year).

Sensitive List

Industries Open with Restrictions to Foreign Investors
Salt farming, including efflorescent salt production.
Rock salt mining.
Mining, including rock blasting or crushing.
Silkworm farming.
Foreign equity participation is restricted to not more than 50% of registered capital.
Foreign equity participation of 50% of registered capital or more can be made, subject to following conditions:
shall obtain permission from Minister of Commerce, with approval of Cabinet,
and shall also fulfill following requirements:

- *shall have Thai nationals or juristic persons that are not foreigners under this Act, holding not less than 40% of registered capital. However, Minister of Commerce with approval of Cabinet, may reduce said requirement to not less than 25%;*
- *shall have Thai nationals holding at least two-fifths of total directors; or*
- *shall receive promotion under Investment Promotion Law, or must obtain permission under law governing Industrial Estate Authority of Thailand or other related laws.*

Shall have minimum capital invested at commencement of a business not less than that prescribed by Ministry of Commerce's regulations, which in any case not less than 3 million Baht.
Shall apply for license or certificate from Department of Commercial Registration.
Shall comply with other conditions prescribed in Foreign Business Act B.E. 2542 (1999) and other related laws.
(These lists shall be reviewed at least once every year).

VIET NAM

Temporary Exclusion List

Industries Open with Restrictions to Foreign Investors
Manufacture of cultivation processing, reaping machines, insecticide pumps, spare parts for agricultural machines and engines.
Subject to export, technology and quality requirement.

Paper production.
In conjunction with development of local raw material resources. Common types of paper such as printing paper, writing paper, photocopy paper are subject to at least 80% export requirements.

Fruit juice.
Subject to utilisation of local raw material and export requirements.

Refrigeration equipment.
Subject to technology and export requirements.

Processing of aqua-products; canned sea foods.
Join-venture form, subject to material, technology requirements and export at least 80%.

Assembly of marine engines.
Subject to technology requirement.

Production and processing of wood.
Dairy processing.
In conjunction with development of local raw material resources.

Continued...

Cane sugar production.
Vegetable production and processing.
In conjunction with development of local raw material resources and subject to export requirement.

Tanning.
In conjunction with development of local raw material resources and subject to environmental protection requirement.

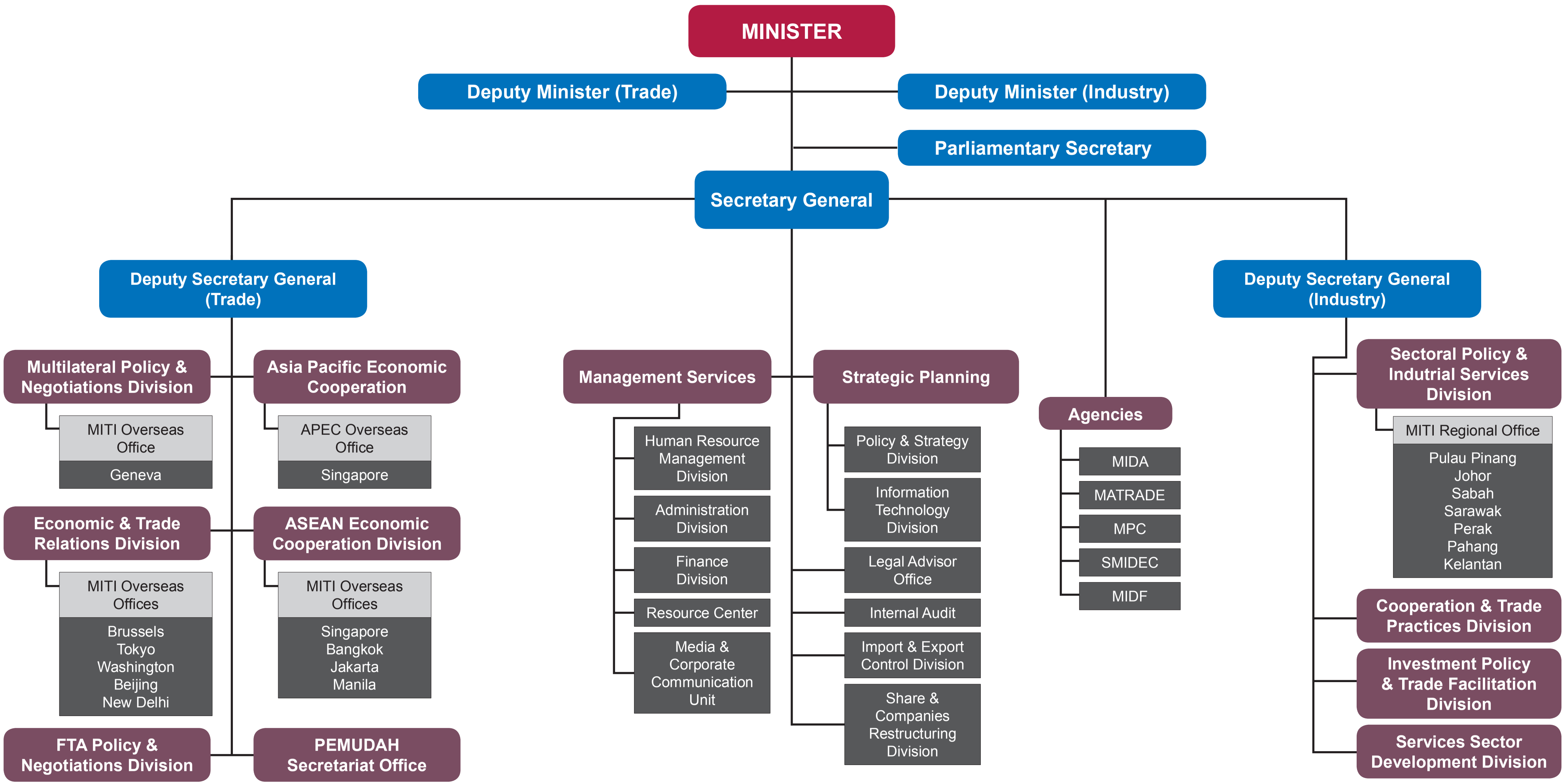
Sensitive List

Industries Closed Only to Foreign Investors.
Fishing.
Foreign investment shall not be licensed.

Exploitation of gemstones.
Fishing-net production.
No new license will be issued.

Industries Open With Restrictions to Foreign Investors
Exploitation, processing of rare and precious minerals, raw materials, exploitation of clay for production of exportation of high-quality sand for production of construction and technical glasses.
Subject to planning of the Government.

MITI ORGANISATION CHART



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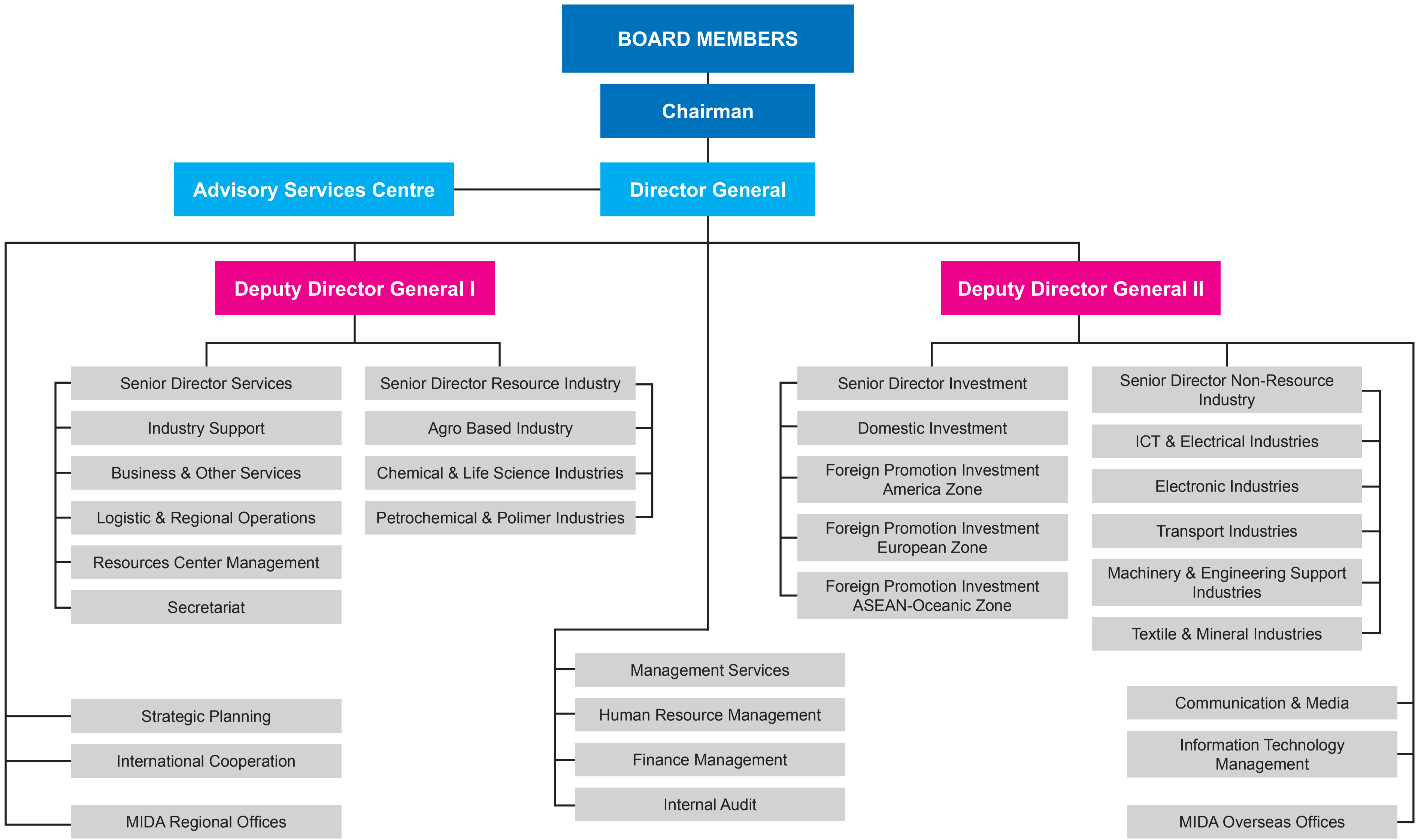
MIDA ORGANISATION CHART



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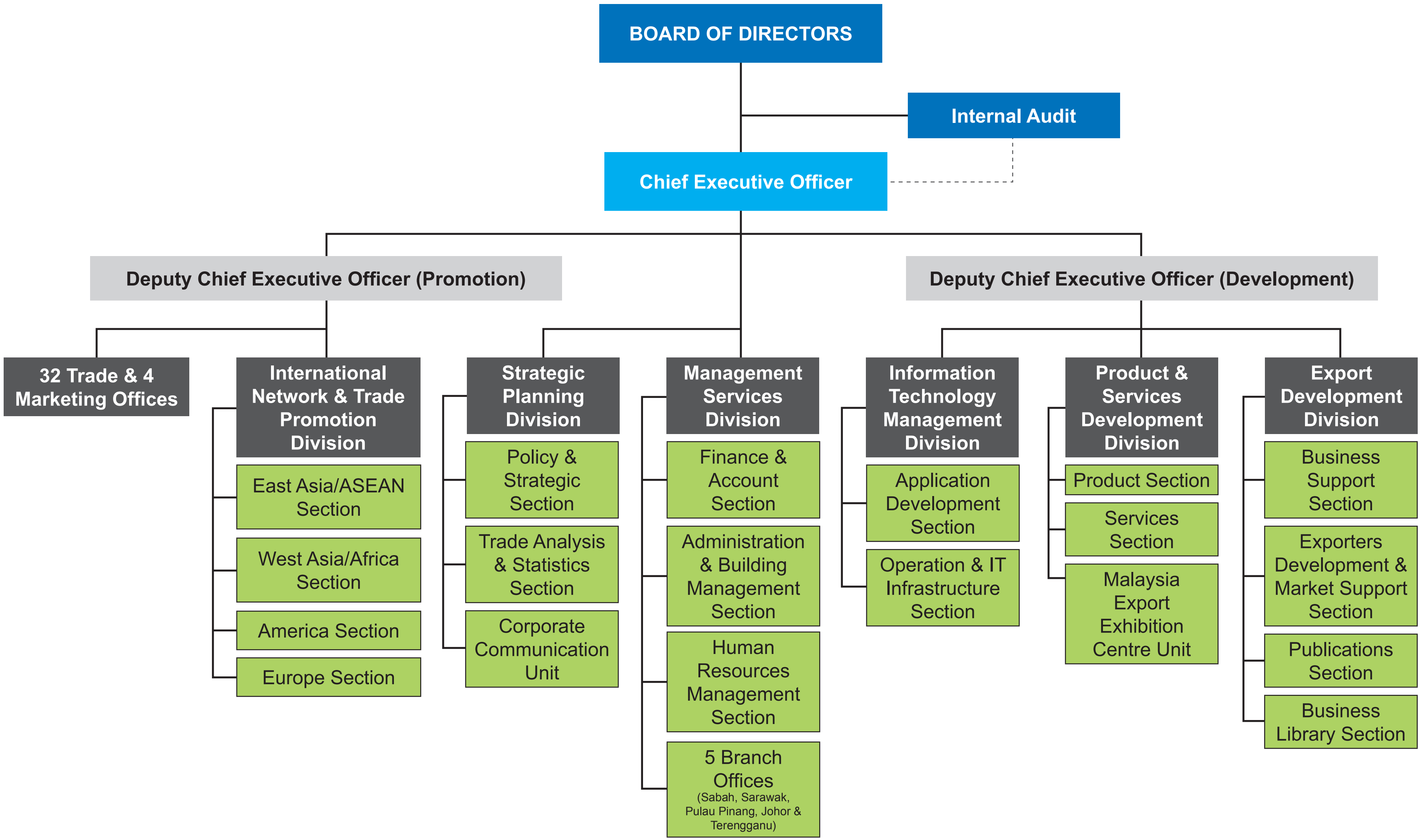
MATRADE ORGANISATION CHART



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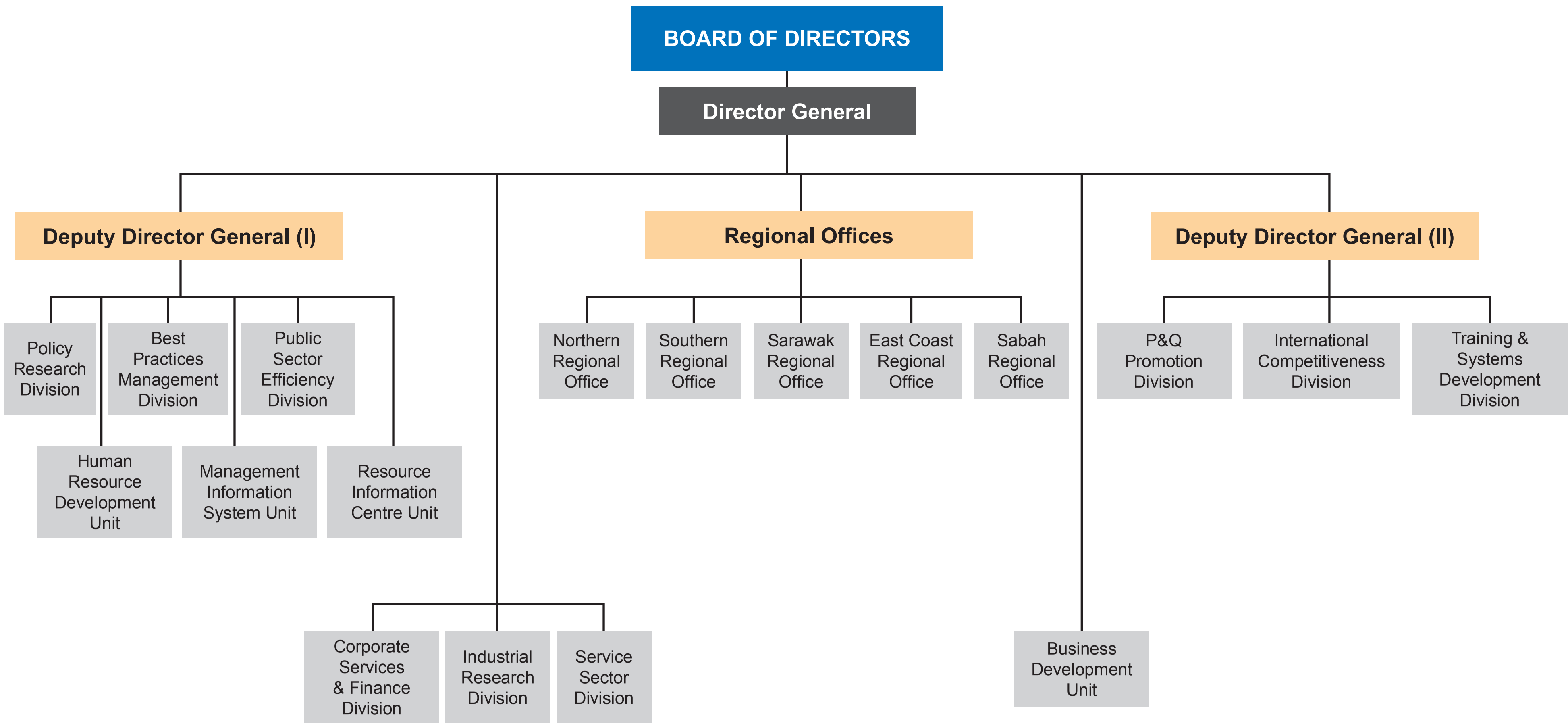

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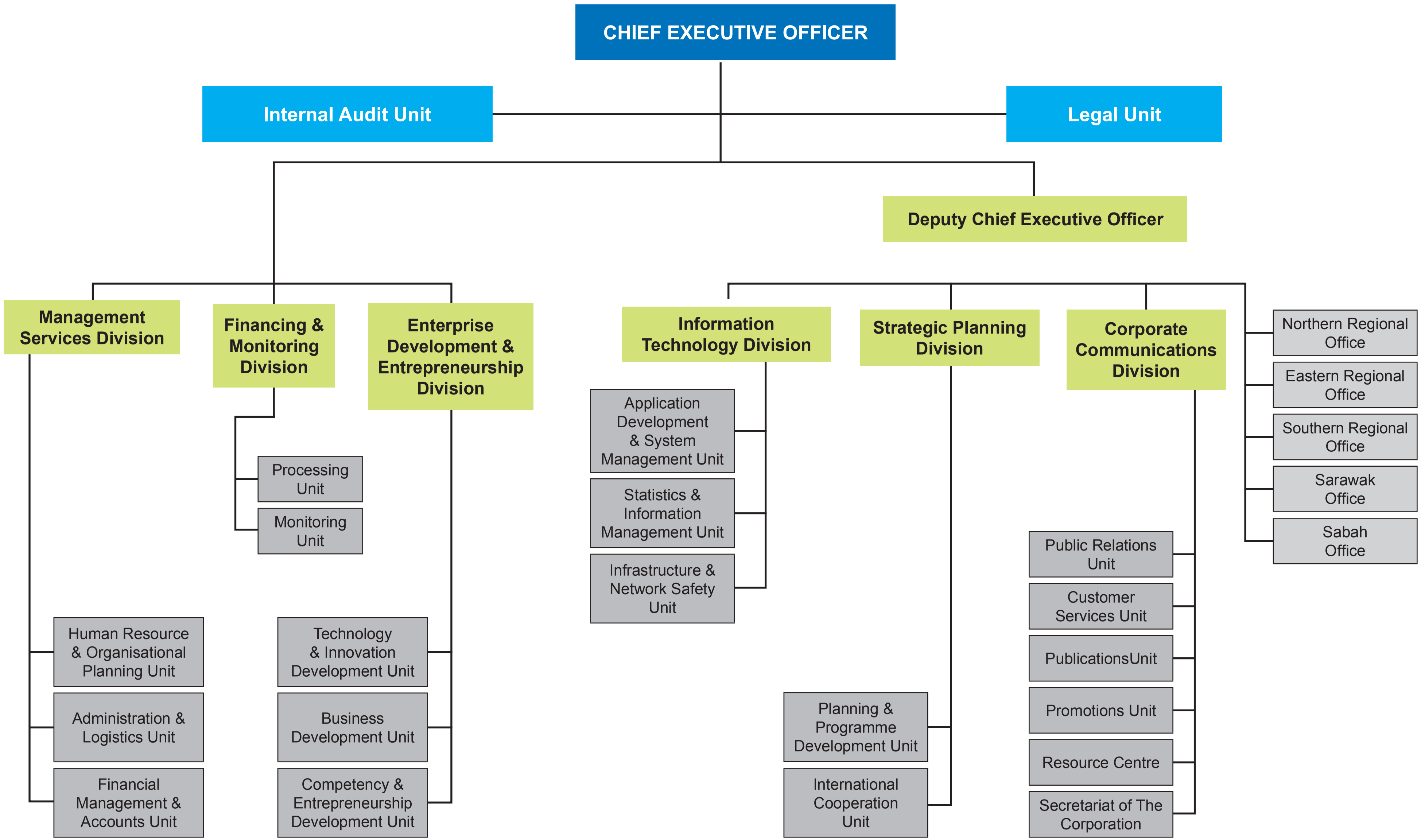
SMIDEC ORGANISATION CHART



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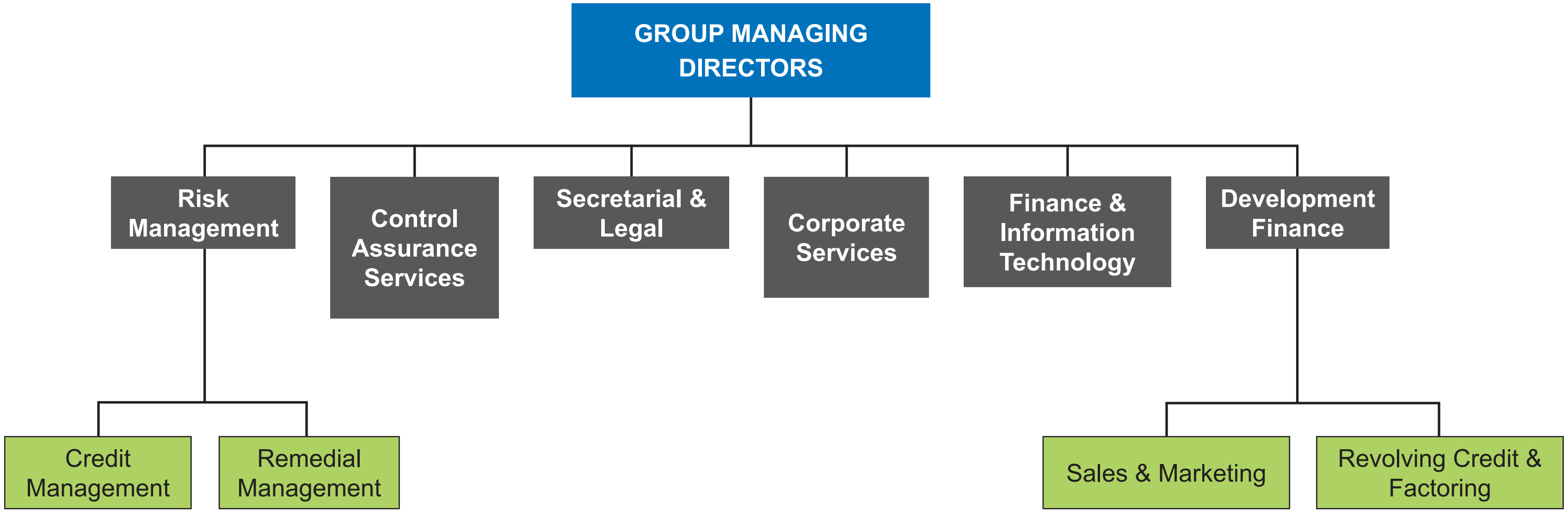

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Appendix 8

Abbreviations And Acronyms

9MP	Ninth Malaysia Plan
ABAC	APEC Business Advisory Council
ABS	Acrylonitrile-butadiene
ABTC	APEC Business Travel Card
ACA	Anti-Corruption Agency
ACCSQ	ASEAN Consultative Committee for Standards and Quality
ACDA	Agriculture Concentrated Development Area
ACFTA	ASEAN-China Free Trade Agreement
ACIA	ASEAN Comprehensive Investment Agreement
ACID II	ASEAN Cybersecurity Incidence Drills
ACSDT	ASEAN Common Submission Dossier Template
ACT	Anti-Corruption Taskforce
ACTD	ASEAN Common Technical Dossiers
ADB	Asian Development Bank
ADP	Automatic Data Processing
ADTEC	Advanced Technology Centre
AEC	ASEAN Economic Community
AELM	APEC Economic Leaders' Meeting
AFTA	ASEAN Free Trade Area
AHCRS	ASEAN Harmonised Cosmetic Regulatory Scheme
AHTN	ASEAN Harmonised Tariff Nomenclature
AIA	ASEAN Investment Area
AICC	Academia Industry Consultative Council
AIFM	ASEAN Infrastructure Financing Mechanism
AJCEP	ASEAN-Japan Comprehensive Economic Partnership Agreement
AKFTA	ASEAN–Korea FTA
ALAM	Akademi Laut Malaysia
AMA	Automotive Manufacturers and Assemblers
AMBDC	ASEAN Mekong Basin Development Cooperation
AMEICC	Japan Economic and Industrial Cooperation Committee
ANAAHC	ASEAN Network on Aquatic Animal Health Centres
ANGKASA	National Aerospace Agency

AOTS	Association for Overseas Technical Scholarship
AP	Import Licence
APBSD	ASEAN Policy Blueprint for SME Development
APHIS	Agriculture, Animal and Plant Health Inspection Service
APNet	Asia-Pacific Network for Energy Technology
APT	ASEAN Plus Three
ASC	Apparent Steel Consumption
ASEAN	Association of South East Asian Nations
ASEAN BAC	ASEAN Business Advisory Council
ASEAN EE MRA	ASEAN Electrical and Electronics Mutual Recognition Arrangement
ASEAN-5	Indonesia, Philippines, Malaysia, Singapore and Thailand
ASEAN-6	Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand
ASEAN-10	Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam
ASEM	Asia-Europe Meetings
ASW	ASEAN Single Window
ATCRs	ASEAN Common Technical Requirements
ATIF	ASEAN Tourism Investment Forum
ATM	ASEAN Transport Ministers
BAS	Business Advisory Services
BIMP-EAGA	Brunei-Indonesia-Malaysia-Philippines-East ASEAN Growth Area
BIVP	Building Integrated Photovoltaic
BJC	Builders' Joinery and Carpentry
BLESS	Business Licensing Electronic Support Services
BPMB	Bank Pembangunan Malaysia Berhad
BPO	Business Process Outsourcing
CBD	Convention on Biological Diversity
CBU	Completely Built-Up
CCC	Certificate of Completion and Compliance
CDM	Clean Development Mechanism
CD-ROM	Compact Disc Read-Only Memory
CE	Conformite Europene
CEOs	Chief Executive Officers
CEPEA	Comprehensive Economic Partnership Agreement
CEPT	Common Effective Preferential Tariff
CERs	Certified Emission Reductions

CERTs	Computer Emergency Response Teams
CFO	Certificate of Fitness for Occupation
CIAST	Centre for Instructor and Advanced Skills Training
CIDB	Construction Industry Development Board
CIMP	Construction Industrial Master Plan
CIPE	Capital Investment Per Employee Ratio
CIS	Commonwealth of Independent States
CKD	Completely Knocked-Down
CLMV	Cambodia, Lao PDR, Myanmar and Viet Nam
CMIS	Committee on Mandatory Industrial Standards
COO	Certificate of Origins
CoP	Community of Practices
CPKO	Crude Palm Kernel Oil
CPO	Crude Palm Oil
CRC	Cold Rolled Coils
CReC	Clinical Research Centres
CRDF	Commercialisation of R&D Fund
CTDSS	Committee on Trade and Development in Special Session
CTTF	Counter Terrorism Task Force
D&D	Design and Development
D-8	Group of Eight Developing Countries
D-8 PTA	D-8 Preferential Trade Agreement
DCI	Development Cooperation Instrument
DDA	Doha Development Agenda
DFQF	Duty-Free Quota-Free
DOSH	Department of Occupational Safety and Health
DPK	Dual Purpose Kerosene
DSU	Dispute Settlement Understanding
DWT	Dead Weight Tonnes
E&E	Electrical and Electronics
EAERR	East Asia Emergency Rice Reserve
EA-FLEG	East Asia Forest Law Enforcement and Governance
EAS	East Asia Summit
EC	European Commission
ECAP II	EC-ASEAN Intellectual Property Rights Cooperation Programme
ECC	Economic Connectivity Corridors
ECER	East Coast Economic Region

ECHA	European Chemicals Agency
ECOTECH	Economic and Technical Cooperation
EE	Energy Efficiency
EEA	European Economic Area
EFT	Electronic Fund Transfer
EGI	Electro-Galvanised Iron
EO	Ethylene Oxide
E-PCO	e-Preferential Certificate of Origin
EPU	Economic Planning Unit
ERIA	Economic Research Institute for ASEAN
ESM	Emergency Safeguard Measures
EU	European Union
EURASEF	ASEAN-European Commission Energy Cooperation Programme Energy Facility
EXIM Bank	Exports and Imports Bank
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FELDA	Federal Land Development Authority
FEWPs	Framework Equivalency Work Plans
FFTR	Fifth Freedom Traffic Rights
FIC	Foreign Investment Committee
FMM	Federation of Malaysian Manufacturers
FoSIM	Food Safety Information System
FTAAP	Free Trade Area of the Asia Pacific
FTAs	Free Trade Agreements
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GEL	General Exception List
GERD	Gross expenditure on R&D
GHG	Green House Gas
GHS	Globally Harmonised System
GHTF	Global Harmonisation Task Force
GIS	Geographic Information System
GJ	Giga joules
GMP	Good Manufacturing Practice
GSTP	Global System of Trade Preferences

HACCP	Hazard Analysis and Critical Control Point
HDC	Halal Development Council
Hong Kong SAR	Hong Kong Special Administrative Region
HRC	Hot Rolled Coils
HS	Harmonised System
HSL	Highly Sensitive List
IAIS	International Association of Insurance Supervisors
IAP	Individual Action Plans
IBB	Internet-Based Business
ICs	Integrated Circuit
ICT	Information and Communication technology
IDB	Islamic Development Bank
IEC	International Electrotechnical Commission
IF	Intermediate Frequency
IFAP	Initiative and the Framework Investment Facilitation Action Plan
IGAs	Investment Guarantee Agreements
IHL	Institutions of Higher Learning
IL	Inclusion List
ILP	Industrial Linkage Programme
ILS	Integrated Logistics Services
IMF	International Monetary Fund
IMP3	Third Industrial Master Plan
IMS	Integrated Market Support Services
IMT-GT JBC	Indonesia-Malaysia-Thailand Growth Triangle Joint-Business Council
IOR-ARC	Indian Ocean Rim-Association for Regional Cooperation
IORBF	IOR Business Forum
IPCs	International Procurement Centres
IPR	Intellectual Property Rights
IRDA	Iskandar Regional Development Authority
ISCE	Industrial Standard Committee on Electrotechnical
IT	Information Technology
ITA	Investment Tax Allowance
ITI	Industrial Training Institutes
JACTIM	Japanese Chamber of Trade and Industry, Malaysia
JAKIM	Jabatan Kemajuan Islam Malaysia
JMTI	Japan-Malaysia Technical Institute
KPI	Key Performance Indicator

Lao PDR	Lao People's Democratic Republic
LDC	Least Developed Countries
LEDs	Light-Emitting Diodes
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LPS	Lean Production System
LTFR	Less Than Full Reciprocity
M&As	Mergers and Acquisitions
M&E	Machinery and Equipment
MAD	Mutual Acceptance Data
MAJAICO	Malaysia-Japan Automotive Industry Cooperation Programme
MASA	Malaysian Ship-owners Association
MASSA	Malaysian South-South Association
MASTIC	Malaysian Science and Technology Information Centre
MATAC	Malaysian Textile and Apparel Centre
MATRADE	Malaysia External Trade Development Corporation
MBAM	Master Builders Association of Malaysia
MDTCA	Ministry of Domestic Trade and Consumer Affairs
MEMA	Machinery and Equipment Manufacturers Association
MERCOSUR	Latin American Southern Cone Common Market
METI	Ministers-Minister of Economy, Trade and Industry
MFN	Most Favoured Nation
MGS	MSC R&D Grant Scheme
MIDA	Malaysian Industrial Development Authority
MIDF	Malaysian Industrial Development Finance Berhad
MIHAS	Malaysia International Halal Showcase
MITI	Ministry of International Trade and Industry
MJEPA	Malaysia-Japan Economic Partnership Agreement
MLC	Malaysian Logistics Council
MMU	Malaysia Multimedia University
MNCs	Multinational Corporations
MoU	Memoranda of Understanding
MP3	Media Players
MPC	Malaysia Productivity Corporation
MPCEPA	Malaysia-Pakistan Closer Economic Partnership Agreement
MPOB	Malaysian Palm Oil Board
MPOC	Malaysian Palm Oil Council

MRAs	Mutual Recognition Arrangements
MRLs	Maximum Residue Limits
MRO	Maintenance, Repair and Overhaul
MS	Malaysian Standards
MSC	Multimedia Super Corridor
MSDC	Malaysian Services Development Council
MT	Metric Tonnes
MTCP	Malaysia Technical Cooperation Programme
MW	Megawatts
NAMA	Non-Agriculture Market Access
NAMA 11	Argentina, Venezuela, Brazil, Egypt, India, Indonesia, Philippines, Namibia, Tunisia and South Africa
NBTF	National Branding Task Force
NCCDM	National Committee on Clean Development Mechanism
NCER	Northern Corridor Economic Region
NCIA	Northern Corridor Implementation Agency
NDTS	National Dual Training System
NGOs	Non-Government Organisations
NGR	Negotiating Group on Rules
NIOSH	National Institute of Occupational Safety and Health
NMRR	National Medical Research Registry
NSDC	National SME Development Council
NSW-TF	National Single Window for Trade Facilitation
NT	Normal Track
OCP	Operational Certification Procedures
OECD	Organisation for Economic Cooperation and Development
OHQs	Operational Headquarters
OIC	Organisation of Islamic Conference
OIE	World Organisation for Animal Health
OPCW	Organisation for the Prohibition of Chemical Weapons
OSCs	One Stop Centres
OTC	Over-The-Counter
OTDS	Overall Trade-Distorting Domestic Support
OVOP	One Village One Product
PBL	Problem-Based Learning
PBT	Polybutylene terephathalate
PE	Polyethylene

PEMUDAH	Special Task Force to Facilitate Business
PETG	Polyester Co-Polymer
PFIs	Private Finance Initiatives
PIAs	Permit Issuing Agencies
PK	Palm Kernel
PMA	Post-Marketing Alert
POC	Points of Contact
POM	Polyoxymethylene
PP	Polypropylene
PR	Public Relations
PRETAS	Protocol on the Preferential Tariff Scheme
PS	Pioneer Status
PSEF	Professional Services Export Fund
PSR	Product Specific Rules
PTP	Professional Training Providers
PVC	Polyvinyl Chloride
R&D	Research and Development
RBD	Refined, Bleached and Deodorised
RDCs	Regional Distribution Centres
RE	Renewable Energy
REACH	Registration, Evaluation and Authorisation of Chemicals
RECODA	Regional Economic Development Authority
REI	Regional Economic Integration
REs	Representative Offices
RF	Radio Frequency
RIATS	Roadmap for Integration of Air Travel Sector
Ris	Research Institutions
RoHS	Restriction of Hazardous Substances
RoO	Rules of Origin
ROs	Regional Offices
RPGT	Real Property Gains Tax
RT	Refrigerant Tonnes
S&D	Special and Differential
SBC	Small Business Corporation
SCORE	SME Competitive Rating for Enhancement
SDC	Sabah Development Corridor
SDS	Safety Data Sheets

SEDIA	Sabah Economic Development and Investment Authority
SEF	Services Export Fund
SePs	Sensitive Products
SESB	Syarikat SESCO Berhad and Sabah Electricity Sdn. Bhd.
SFFLA	Selangor Freight Forwarders and Logistics Association
SIRIM	Standard and Industrial Research Institute of Malaysia Berhad
SKRL	Singapore-Kunming Rail Link
SL	Sensitive List
SLFR	Soft Loans for Factory Relocation
SLICT	Soft Loans for ICT Adoption
SLSAM	Soft Loan Scheme for Automation and Modernisation
SLSIB	Soft Loan Scheme for International Branding
SLSME	Soft Loans for SMEs
SME CCA	SME Central Coordinating Agency
SME-NET	SME Business Adviser Network
SMEs	Small and Medium Enterprises
SMEWG	SME Working Group
SMIDEC	Small and Medium Industries Development Corporation
SMRJ	Small and Medium Enterprises and Regional Innovation, Japan
SP	Special Products
SPM	Specific Project Missions
SPS	Sanitary and Phyto-Sanitary
SSM	Companies Commission of Malaysia
SSO	Shared Services and Outsourcing
STAR	Secure Trade in the APEC Region
TDB	Trade and Development Board
TEL	Temporary Exclusion List
TFAP II	Second Trade Facilitation Action Plan
TFEP	Task Force Emergency Preparedness
TFP	Total Factor Productivity
TIFA	Trade and Investment Framework Agreement
TILF	Trade and Investment Liberalisation and Facilitation
TNB	Tenaga Nasional Bhd.
TPS-OIC	Trade Preferential System among the Member States of the Organisation of Islamic Conference
TQM	Total Quality Management
Travex	Travel Exchange

TREATI	Trans-Regional EU-ASEAN Trade Initiative
TRF	Tiered Reduction Formula
TRIPs	Trade-Related Aspects of Intellectual Property Rights
TRP	Trade Recovery Programme
TRQ	Tariff Rate Quota
UAE	United Arab Emirates
UiTM	Universiti Teknologi MARA
UK	United Kingdom
UKM	Universiti Kebangsaan Malaysia
UM	Universiti Malaya
UNCTAD	United Nations Conference on Trade and Development
UNECE WP29	United Nations Economic Commission for Europe Working Party 29
UNFCCC	United Nations Framework Convention on Climate Change
USA	United States of America
USM	Universiti Sains Malaysia
UTM	Universiti Teknologi Malaysia
VOC	Volatile Organic Content
VSS	Voluntary Separation Schemes
WCO	World Customs Organisation
WEEE	Waste Electrical and Electronic Equipment Directive
WFM	World Food Market
WGIC	Working Group on Industrial Cooperation
WHF	World Halal Forum
WTO	World Trade Organization