WORLD TRADE ORGANIZATION

RESTRICTED

WT/TPR/G/292

27 January 2014

(14-0371)

Trade Policy Review Body

Original: English

TRADE POLICY REVIEW

REPORT BY

MALAYSIA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Malaysia is attached.

Contents

1 ECONOMIC DEVELOPMENT

1.1 Overview

1.1. The economic policies are aimed at bringing Malaysia closer towards its goal of becoming a high-income nation that is both inclusive and sustainable by 2020. This would require higher levels of quality investments and boosting private investment in higher value-added industries. Over the period under review, the Government remains committed to ensuring the nation's economic growth continues to flourish despite uncertainties and challenges in the global economy.

1.2. The Malaysian economy recorded an average GDP growth of 6.1% for the period of 2010 to 2012. Real gross domestic product (GDP) growth was 7.4% in 2010, decreased to 5.1% in 2011 and increased to 5.6% in 2012. For the first half of 2013, the growth of GDP was recorded at 4.3%. For the third quarter of 2013, it was recorded at 5.0%. By the end of 2013, real GDP growth is expected to be 4.7%. In the third quarter, the higher growth is supported by private investment and consumption at 15.2% and 8.2% respectively. The construction sector is expected to increase 10.6% followed by the services sector at 5.5%.

1.3. The inflation rate in 2010 was 1.7% due to economic stability. Inflation, however, increased to 3.2% in 2011 due to higher global commodity prices, partly attributable to the political instability in the Middle East and North Africa (MENA) regions; disruption in domestic food supplies; and upward adjustments to administered prices. In 2012, the inflation rate remained benign at 1.6%. Between January to October 2013, inflation was recorded at 1.9%.

1.4. The labour force increased from 12.3 million in 2010 to 13.1 million in 2012. Unemployment rate remained at a relatively low level of 3.0%, with gains in employment coming from mining and quarrying sector followed by services sector.

1.5. The services sector registered average growth of 7.0 % for the period of 2010 to 2012. The services sector continued to account for the largest share of GDP, accounting for 54.6% of the GDP in 2012 compared to 54.1% in the previous year. The sector remains on track to meet the targeted goal of 61.0% contribution to GDP by end of Tenth Malaysia Plan (10MP) 2011-2015.

1.6. The overall performance of the manufacturing sector improved significantly in 2010 registering growth of 11.9% compared to a decline of 9.0% in 2009. However in 2011, Malaysia faced several challenges where manufacturing output of electrical and electronics (E&E) continued to decline, dragged down by weaker performance of computers and semiconductors production. In addition, the consumer-related cluster was also affected by the disruption in the automotive supply chain following natural disasters in both Japan and Thailand. This resulted in modest GDP growth of 4.7%. The manufacturing sector grew by 2012 at 4.8%.

1.7. The agriculture sector recorded growth of 2.4% in 2010 then expanded to 5.8% in 2011. This is attributed by higher palm oil output, livestock and other agriculture products. In 2012, the sector recorded marginal growth of 1.0% due to price fluctuation of palm oil and rubber.

1.8. The construction sector registered a growth of 11.4% in 2010. The sector growth decreased to 4.7% in 2011 due to the contraction in the civil engineering segment. The sector however recorded growth of 18.1% in 2012 driven by construction projects such as the second Penang Bridge, KLIA 2, Sabah-Sarawak gas pipeline and the Melaka regasification terminal.

1.9. The mining sector registered negative growth in 2010 and 2011 of 0.3% and 5.5%, respectively. In 2012, the sector grew by 1.4%.

1.10. Private investments for the period of 2009 to 2012 grew by 59.6%. Private investments grew by 47.7% in 2012 compared to 2008. The net foreign direct investment (FDI) grew by 30% in 2012 compared to 2008.

1.11. Private final consumption expenditure grew at 7.1% per annum for the period from 2010 to 2012. The contributing factors to this expansion were the healthy labour market, favourable income, low inflation, governmental assistance to low and middle income households, supportive financing conditions and improved consumer confidence.

1.12. Gross National Savings (GNS) remained high, averaging 34.8% of Gross National Product (GNP) in 2010-2012, enabling Malaysia to finance its economic activities from domestic sources.

1.13. Malaysia continued to record a current account surplus with the reserves position remaining strong. At the time of the last Trade Policy Review, the levels of reserves amounted to RM 265.3 billion or US$70.2 billion and as of 15 November 2013, the reserves position has risen to RM 445.1billion (equivalent to US$136.7billion), sufficient to finance 9.7 months of retained imports and is 3.7 times the short-term external debt.[1]

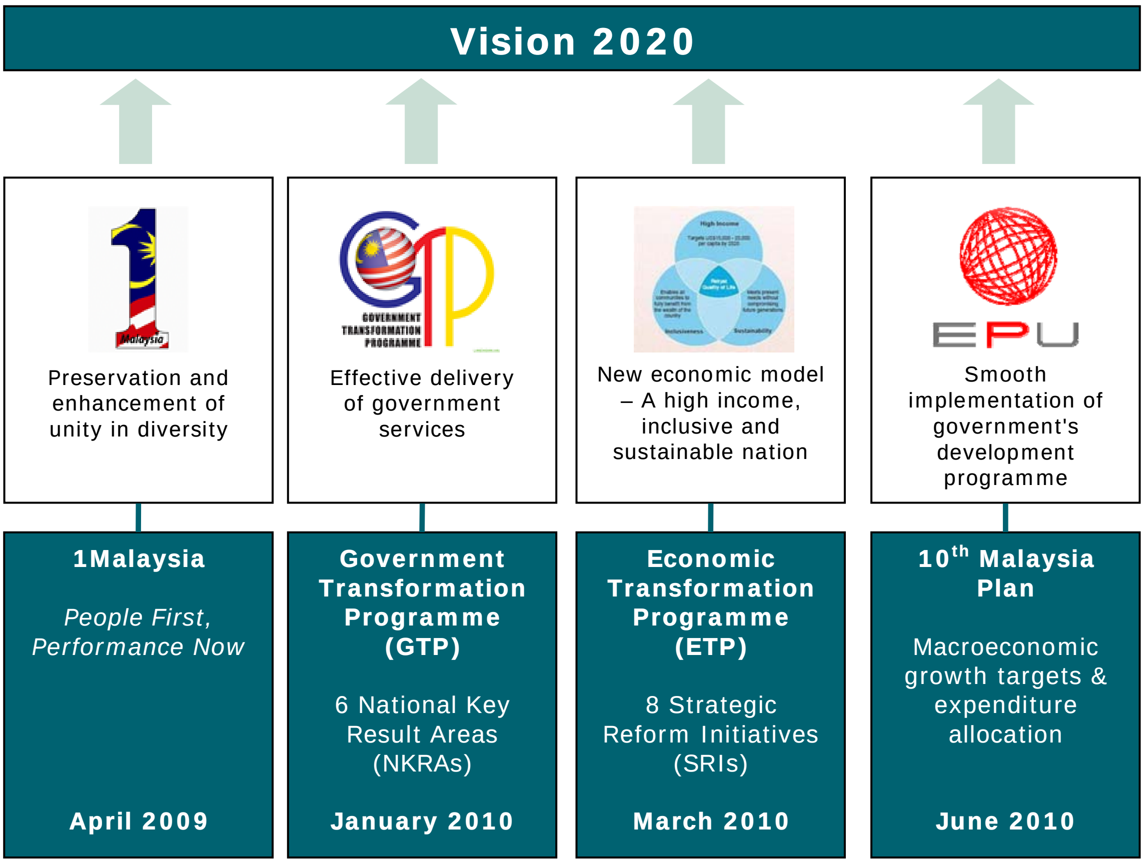
1.14. The sustained rates of growth over the past five years have resulted in the growth in per capita income from RM 24,879 in 2009 to RM 26,968 in 2010, RM 29,784 in 2011 and RM 30,856 in 2012 representing an average annual increase of 7.5%.[2] Between January to September 2013, the GNI per capita was recorded at RM 30,889.

1.2 New Economic Model

1.15. In achieving Vision 2020, the Government on 30 March 2010 launched the New Economic Model (NEM) comprising four key pillars namely Economic Transformation Programme (ETP), Government Transformation Programme (GTP), "1Malaysia, People First, Performance Now" concept, and the 10th Malaysia Plan 2011-2015. The four pillars of national transformation aims to propel Malaysia to become a high income nation which is both inclusiveness and sustainable.

1.16. The NEM highlights several key initiatives, such as modernising labour laws, public sector reforms, deregulation and liberalisation, as the basis for competing in the global market place.

Figure A The four pillars of national transformation



[1] Bank Negara Malaysia (Second Quarter 2013). BNM Quarterly bulletin in Developments in Malaysia Economy. Retrieved 10 October 2013 from http://www.bnm.gov.my/files/publication/qb/2013/Q2/p3.pdf.

[2] Economic Planning Unit (2012), EPU Documents in The Malaysian Economy in Figures (2012). Retrieved 10 October 2013 from http://www.epu.gov.my/documents/10124/72ac36d7-fe5a-489b-a34c-a2cb2be073a6.

1.17. GTP was introduced in April 2009. It is an ambitious, broad-based programme of change to fundamentally transform the Government into an efficient and people-centred institution. The GTP identified seven National Key Results Areas (NKRAs) to spearhead the Government's transformation namely i.e. reducing crime, fighting corruption, improving student outcomes, raising living standards of low-income households, improving rural development, improving urban public transport and addressing cost of living.

1.18. Among the initiatives to improve accountability and the fight against corruption, the Government has legislated the Whistle-blowers Protection Act 2010 and undertaken other reform initiatives including Public Service Reforms, the convicted Corruption Offenders Database, Integrity Pact and Corporate Integrity Pledge. The continuous effort by the Government in combatting corruption enabled Malaysia to improve its ranking in the Corruption Perception Index to 54th position in 2012 from, 60th position in 2011.

1.19. The Government's transformation plan helps to improve the public and investors' perception towards Malaysia particularly in the area of transparency and competitiveness. Malaysia's ranking on the Trading Across Borders has improved from 29th to 12th in the World Bank Doing Business Report 2012. In 2013, Malaysia has further improved competitiveness ranking in Trading Across Borders from number 12th to 11th.

1.20. Malaysia was ranked at sixth position from 12th among 189 economies in the ease of doing business, according to the latest World Bank Ease of Doing Business Report 2014. With that recent achievement, Malaysia is now placed in the same league as Singapore, Hong Kong, New Zealand, the United States and Denmark.

1.21. ETP was launched on 25 September 2010 as a two-component approach with the first component being the National Key Economic Areas (NKEAs) and the second component the Strategic Reform Initiatives (SRIs).

1.22. The 12 National NKEAs are represent sectors where growth will be focused and these sectors were identified based on their potential GNI contribution and their multiplier effects across the economy. The 12 NKEAs are:

i. greater Kuala Lumpur/Klang Valley;
ii. oil, gas energy;
iii. palm oil and rubber;
iv. wholesale & retail;
v. financial services;
vi. tourism;
vii. electronics & electrical;
viii. business services;
ix. communication content & infrastructure;
x. education;
xi. agriculture; and
xii. healthcare.

1.23. Similarly, ETP also identified six SRIs made up of supportive policies namely in the areas of:

i. competition, standards and liberalization;
ii. public finance reform;
iii. public service delivery;
iv. narrowing disparity;
v. government's role in business; and
vi. human capital development.

1.24. The main thrust of the SRIs is to create an efficient, competitive and business-friendly environment in Malaysia that will drive Malaysia's global competitiveness and attract valuable foreign investment.

1.25. The Tenth Malaysia Plan (10th MP) with the theme "Towards Economic Prosperity and Social Justice" contains the new policy directions, strategies and programmes for the period between 2011 and 2015. The Plan allocates a total of RM 230 billion for development expenditure for the five-year period that would enable Malaysia to emerge as a high income nation. The Plan outlined five key strategic thrusts as follows:

i. transforming Government to transform Malaysia. The role of government will evolve to become an effective facilitator in the transformation of the economy and provide quality services to the *rakyat* (people);

ii. create a conducive environment for unleashing economic growth;

iii. move towards inclusive socio-economic development;

iv. develop and retain a first-world talent base; and

v. build an environment that enhances quality of life.

1.26. The government has formulated the principles of "1Malaysia, People First, Performance Now" concept as a way to overcome the various challenges in achieving Vision 2020, through collaboration with the *rakyat* (people). The concept outlined three main elements which include:

i. ensuring fairness to all as the basis of 1Malaysia;

ii. putting people first by focusing on what they most want and need; and

iii. ensuring performance now through transparency and accountability.

2 TRADE POLICY DEVELOPMENTS

2.1 Overview

2.1. Malaysia's trade policy continues to focus on greater integration into the world economy and enhancing its global position as a trading nation. Malaysia's trade policy is focused on efforts towards creating a more liberalised and fair international trading environment. While Malaysia continues to accord high priority to the rules-based multilateral trading system under the World Trade Organisation (WTO), Malaysia is also pursuing regional and bilateral trading arrangements to complement the multilateral approach. Trade policies are focused on both internal and external improvements to ensure that exports continue to grow. Domestically, policies are geared towards developing high quality and innovative products, creating brand awareness and consumer recognition. Another major step is to diversify the product range to reduce over-reliance on electrical and electronic products.

2.2. Bilateral Trade Agreements are seen as providing the means to achieve quicker and higher levels of liberalisation that would create effective market access to and with trading partners. Many of the bilateral trade agreements are confined to trade in goods, trade in services and investment matters.

2.3. To ensure export growth remains robust, trade policies are also focused on strengthening Malaysia's presence in traditional markets as well as diversifying into non-traditional export markets. Malaysia is actively promoting trade in new and emerging markets, such as China, India, Middle East, Africa and the new EU members. With the current focus on promoting the development of the services sector, promotional efforts have been intensified for the export of services.

2.4. Trade volume recorded RM 1.31 trillion (US$423.9 billion) in 2012, an increase of 3.0% compared with RM 1.27 trillion (US$415.6 billion) 2011. Between January to September 2013, trade volume was recorded at RM 1.01 trillion (US$320.9 billion), which was an increase of 2.4% compared to the same corresponding period in 2012.

2.5. Despite the challenges faced in 2011, exports increased to a new high of RM 702.6 billion (US$227.5 billion) from RM 697.7 billion (US$228.1 billion) in the previous year, while imports reached RM 606.7 billion (US$196.4 billion) from RM 573.6 billion (US$187.5 billion). For the third quarter of 2013, export decreased by 0.2% to RM 524.8 billion (US$167.3 billion) while imports increased by 5.5% to RM 481.5 billion (US$153.6 billion).

Malaysia's external trade 2009–13

Year	Total exports		Total imports		Trade balance		Total trade	
	RM bil	Growth rate %	RM bil	Growth rate %	RM bil	Growth rate %	RM bil	Growth rate %
2009	552.52	0.0	434.67	0.0	117.85	0.0	987.19	0.0
2010	638.82	15.6	528.83	21.7	109.99	-6.7	1,167.65	18.3
2011	697.86	9.2	573.63	8.5	124.24	12.9	1,271.49	8.9
2012	702.64	0.7	606.68	5.8	95.96	-22.8	1,309.32	3.0
2012 (Jan-Sep)	525.61	0	456.59	0	69.02	0	982.20	0
2013 (Jan-Sep)	524.72	-0.2	481.50	5.5	43.21	-37.4	1,006.22	2.4

Source: MATRADE.

2.6. Malaysia trade balance increased by 12.9% in 2011, but in 2012 the trade balance registered a decrease of 22.8%. In the third quarter of 2013, the trade balance showed further reduction by 37.4% from the same corresponding period in 2012.

2.2 Initiatives to Facilitate Trade

2.7. Malaysia has been active in implementing trade facilitation initiatives. Among the initiatives put in place are:

National Policy for Development and Implementation of Regulations

2.8. The Malaysia Productivity Corporation (MPC) has introduced the National Policy for Development and Implementation of Regulations on July 2013. This policy will address the gaps in the national-regulatory infrastructure to position Malaysia to meet international best practices in regulations or Good Regulatory Practices (GRP). Malaysia launched the policy and handbook on GRP, in 2013, as an effort to enhance transparency and predictability of regulatory actions and to create a more conducive business climate. Moving forward, efforts to promote Regulatory Impact Assessment (RIA) among Ministries and Agencies are done through pilot projects.

2.9. Ministry of International Trade and Industry (MITI), National Water Services Commission (SPAN) and Federal Agricultural Marketing Authority (FAMA) are currently participating in the pilot project. They have been given specific training and guidance to carry out the RIA process. Results from these RIA pilot projects will be used as case studies to provide benchmarks, best practices and feedback to improve the best practice regulation handbook and RIA application process.

Customs modernisation

2.10. Customs modernisation process was carried out through a broad strategy with the aim to improve the effectiveness, efficiency, transparency and predictability of the customs administration and operation. Three main focus areas had been identified namely, capacity building, system development and output/outcome development.

2.11. Malaysia is currently engaging on a new project to improve her Customs transformation initiative in order to realise its vision to be a world class Customs administration by the year 2015. This will result in catering the latest development on global trading trend as well as improving declaration via the Self-certification mechanism, to balance both trade facilitation and compliance in line with the National Single Window (NSW) and ASEAN Single Window (ASW) aspiration. This project is called u-Customs.

2.12. The Authorised Economic Operator or AEO Programme is an initiative referring to companies that have fulfilled the criteria set-forth by the Royal Malaysian Customs Authority, which was adopted from the WCO's AEO standard criteria. Should an operator is accredited as AEO, they are entitled to enjoy substantial benefits from the AEO programme such as direct release from Customs control for importation, exportation and movement of goods, self-assessed declaration on import, export, and movement of goods periodically and deferred payment of duties/taxes via EFT. To date, 42 operators have been accredited as AEO and benefited from the AEO programme in Malaysia.

Export promotion activities

2.13. Malaysian External Trade Development Corporation (MATRADE) is an agency under MITI that continues to focus on facilitating the export promotion activities of the local business sector through international trade fairs, trade missions, specialised marketing missions and business-matching programmes. MATRADE is also actively involved in assisting foreign companies to source for suppliers of Malaysian products and services, and is represented worldwide at 40 locations in major commercial cities.

2.14. In formulating its export promotion strategy, MATRADE took into consideration various factors including the global and domestic macroeconomic trends, as well as meeting requirements of the national economic agenda. MATRADE also consulted industry players to create programmes that synergise with their strategies, in particular the selection of markets, sectors and trade promotion tools.

Promotion of investments for manufacturing and services sectors

2.15. The Malaysian Investment Development Authority (MIDA) is the principal agency to oversee and drive investment into the manufacturing and services sectors in Malaysia. The wide range of services provided by MIDA includes providing information on the opportunities for investments, as well as facilitating companies which are looking for joint venture partners. On 18 August 2011, MIDA Act was amended in line with an expansion in its role which includes coordination of all investment promotion related activities of all agencies/other entities, and enhancement of its function as a one-stop centre for potential investors.

2.16. In promoting free trade and business incentives, the government has established five economic growth corridors to further develop Malaysia's strategic investments regions. Malaysia's five corridors had their very own clear and concise visions, focus and own authority to oversee the developments in their specified region. The five economic regions are:

i. Iskandar Malaysia in Southern Johor (IRDA);
ii. Northern Corridor Economic Region (NCER);
iii. East Coast Economic Region (ECER);
iv. Sabah Development Corridor (SDC); and
v. Sarawak Corridor of Renewable Energy (SCORE).

SME Masterplan 2012-2020

2.17. Small and Medium Enterprises (SMEs) constitute 97.3% of total business establishments in Malaysia; the majority are in the services sector (90%), followed by manufacturing (5.9%), construction (3%), agriculture (1%) and mining and quarrying (0.1%). On 12 July 2012, the SME Masterplan 2012-2020 was launched. The Masterplan will adopt a new approach to SME development in accelerating SME growth through innovation and productivity through its various initiatives.

2.18. Successful implementation of this Masterplan is expected to contribute to the increase in SMEs' contribution to GDP to 41% (2010: 32%); employment to 62% (2010: 59%); and exports to 25% (2010: 19%) by 2020.

Transformation of the services sector

2.19. The Malaysian Services Development Council (MSDC) was established on 16 January 2007 under the chairmanship of the Minister of International Trade and Industry to transform the services sector into a globally competitive industry and spearhead the country's economic development. Since the services sector cuts across various Ministries, the MSDC functions as a platform to monitor, review, discuss and resolve issues impacting the development of the services sector, with the involvement of stakeholders from both government and industry.

2.20. With progressive liberalisation of the services sector, MSDC's task has expanded to include monitoring the implementation of the liberalised sectors with regard to regulatory coherence and mitigation of implementation problems that hinder the liberalisation process. Apart from that, the MSDC also provides strategic direction and advises on capacity building initiatives for service providers, as well as promotional programmes for exports and investments in the services sector.

Investment Committee

2.21. Investment Committee Meeting (ICM) established in October 2010 is co-chaired by the Minister of MITI and CEO of PEMANDU. The Committee's main focus are to promote and facilitate overall investment in achieving the RM 160.3 billion annual investment targets as set out in the ETP. Apart from that, the ICM has been tasked to monitor and ensure the economic growth target of 6% and private investment of 12.8% are achieved.

PEMUDAH

2.22. Malaysia is proactive in facilitating business through a public-private sector special task force (PEMUDAH). This body identifies bottlenecks, propose resolutions and seek timely and transparent ways of enhancing public sector decision-making and service delivery, and private sector efficiency together with creating and sustaining a business-friendly environment in an effort to make Malaysia the globally benchmarked preferred place to do business.[3] As a result of these continuous engagement facilitated by PEMUDAH, in 2014 Malaysia was ranked 6th in the easiest place to do business globally by the World Bank Report on Doing Business. The report measured indicators on 10 areas among 189 economies in the World Bank Doing Business 2014. Malaysia was ranked number one for Getting Credit, number four for Protecting Investors and number five for Trading Across Borders.

PEMANDU

2.23. Performance Management & Delivery Unit (PEMANDU) was formally established on the 16 September 2009 and is a unit under the Prime Minister's Department. PEMANDU's main role and objective is to oversee the implementation, assess the progress, facilitate as well as support the delivery and drive the progress of the Government Transformation Programme (GTP) and the Economic Transformation Programme (ETP).

2.24. The responsibility for end-to-end delivery of National Key Results Areas (NKRAs) and Ministerial Key Results Areas (MKRAs) outcomes rests with the respective ministries, and the success of the National Key Economic Areas (NKEAs) rests with the private sector. PEMANDU has been mandated to catalyse bold changes in public and private sector delivery, support the ministries in the delivery planning process and provide an independent view of performance and progress to the PM and ministers.

2.25. In relation to the ETP, PEMANDU has been tasked with facilitating the implementation of the Entry Point Projects (EPPs) and Business Opportunities (BOs) that have been identified to ensure that Malaysia is transformed into a high-income nation by 2020. To allow PEMANDU to carry out its responsibilities effectively, it combines the best talent from both the civil service and private sector.[4]

2.3 Multilateral Trading System

2.26. As a trading nation, Malaysia is dependent on international trade and foreign investment and places great emphasis on the role of the WTO in ensuring that the multilateral trade system continues to contribute towards growth and development. Malaysia continues to participate actively at the WTO in ensuring that trade regulations and measures do not hamper trade and are not unduly burdensome and restrictive. Malaysia firmly believes that a rules-based multilateral trading system under the WTO is necessary to safeguard the interests of developing countries, as well as ensuring that world trade is conducted in an orderly manner.

[3] Viewed at: www.pemudah.gov.my/documents/10124/37722/PEMUDAH+Booklet.pdf.
[4] Viewed at: http://www.pemandu.gov.my.

2.27. Malaysia will continue to push for the early conclusion of the Doha Round of negotiations as it offers vast benefits not only to the global trading community at large, but also in enhancing trade among developing countries.

2.4 Development in FTAs

Bilateral agreements

2.28. Since the last review, Malaysia has signed and implemented 6 FTAs, in which 4 are bilateral and 2 are regional.

2.29. The Malaysia-Chile Free Trade Agreement (MCFTA) entered into force on 25 February 2012. Under the MCFTA, which is Malaysia's first FTA with a Latin American country, Malaysia and Chile undertook the first tranche of tariff reduction or elimination at 89% and 90% of the tariff lines respectively upon entry into force of the Agreement with two more tranches scheduled for 2014 and 2016 respectively. By 1 January 2016, duties on 98% of tariff lines will be eliminated by Chile; and for Malaysia, 98% of the tariff lines will be eliminated while tariff for 525 tariff lines (representing 5% from the total lines) will be reduced and capped at 5% duty by 1 January 2016.

2.30. Malaysia and Australia concluded negotiations on the Malaysia-Australia Free Trade Agreement (MAFTA) on 30 March 2012. MAFTA is a comprehensive agreement comprising 21 chapters encompassing trade in goods, services and investment as well as economic cooperation. It also covers intellectual property rights, e-commerce and competition policy. MAFTA marks another important milestone in Malaysia-Australia economic relations, complementing the already established ASEAN-Australia-New Zealand FTA (AANZFTA). Under MAFTA, Australia eliminated 100% of its import tariffs upon entry into force of the agreement on 1 January 2013, while Malaysia will progressively reduce or eliminate import tariffs on 99% of its tariff lines by 2020.

2.31. Malaysia and India established the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) on 24 September 2010 and subsequently the agreement came into force on 1 July 2011. MICECA is a comprehensive agreement that covers trade in goods, trade in services, investments and movement of natural persons**.** Both the MICECA on Goods and Services have gone through the examination process under the Committee on Trade and Development on 16 September 2013 and Committee on Regional Trade Agreements (CRTA) of the WTO on 16 and 17 September 2013 respectively.

2.32. Malaysia and New Zealand concluded a bilateral FTA (MNZFTA) on 30 May 2009. The agreement was signed on 26 October 2009 and entered into force on 1 August 2010. MNZFTA is a comprehensive agreement covering trade in goods, services, investment and economic cooperation. Under the agreement, New Zealand will liberalise all of its 7,288 tariff lines (100% of total tariff lines) via full elimination by 2016 while Malaysia offers to progressively reduce and eliminate tariff on 10,293 tariff lines (or 98.8% of total tariff lines) by 2016. MNZFTA also addresses non-tariff measures, in particular technical barriers, including stringent SPS measures. The MNZFTA has gone through the examination process of the CRTA of the WTO on 10 September 2012.

2.33. Malaysia is also in the midst of negotiating the Malaysia-Turkey Free Trade Agreement (MTFTA) and Malaysia-European Free Trade Agreement (MEUFTA). The MTFTA negotiations were launched on 31 May 2010 and cover market access and cooperation chapters. The MEUFTA negotiations which commenced on 6 Dec 2010 is a comprehensive FTA covering 13 working groups which include market access for goods, services, investment, competition policy, intellectual property rights, government procurement as well as sustainable development issues covering labour and environment.

Regional trade agreement

2.34. Malaysia continued to benefit from its membership in the Association of South East Asian Nations (ASEAN). The ASEAN Free Trade Area (AFTA) is now in place with ASEAN Member States reducing and eliminating intra-regional tariffs through the Common Effective Preferential Tariff

(CEPT) Scheme for AFTA. The CEPT Agreement has been superseded by the ASEAN Trade in Goods Agreement (ATIGA) which entered into force on 17 May 2010.

2.35. The new Agreement sets out strict disciplines in implementing the commitments and obligations in ASEAN towards elimination and reduction of import duties and removal of Non-Tariff Barriers (NTBs). The Agreement also provides for enhanced transparency in the concessions granted and a strong legal framework that will enable ASEAN to realise the free flow of goods in the region, with a view to establishing a single market and production base by 2015.

2.36. On the external front ASEAN has been strengthening ties with all its FTA partners namely the US, Russian Federation, the EU, Korea and China. Work is on-going to review the ASEAN-Korea FTA and ASEAN-China FTA to take into consideration acceleration of tariff reduction and elimination on products placed in the sensitive tracks.

2.37. Economic relations between ASEAN and the EU were further intensified and strengthened with the launch of ASEAN-EU FTA in May 2007. A Joint Committee comprising senior officials was established to work on the modalities, work programme and timelines for the FTA. Six Expert Groups were set up for Services and Establishment/ Investment, Rules of Origin, Sanitary and Phytosanitary (SPS) Measures, Technical Barriers to Trade (TBT), Customs and Trade Facilitation, and Dispute Settlement.

2.38. ASEAN-Australia-New Zealand (AANZFTA) came into force on 1 January 2010 to enhance awareness among the business communities of the two regions. It is a comprehensive and single-understanding economic agreement that opens up and creates new opportunities for the 600 million people of ASEAN, Australia and New Zealand which have a combined economic output of US$2.65 trillion via a platform of a more liberal, facilitative and transparent market access and investment policies among the signatories to the Agreement.[5]

2.39. ASEAN and The People's Republic of China (PRC) signed the Second Protocol to Amend the Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China at the 17th ASEAN Summit in October 2010. Many Capacity-building initiatives were implemented under the ASEAN-China Cooperation Fund such as the Forum on SME Development. ASEAN and the PRC are working towards simplifying customs procedures, and enhanced cooperation in inspection and quarantine technical standards.

2.40. The 13th ASEAN-Korea Summit in Hanoi in October 2010 adopted the new Plan of Action to Implement ASEAN-Korea Strategic Partnership for Peace and Prosperity 2011–2015. The Summit also renewed its commitment to increase the two-way trade to US$150 billion by 2015 with full implementation of the ASEAN-Korea FTA (AKFTA) in 2010. An MoU between the Government of Malaysia (MITI) and ROK (Korea Customs Service) on Governing Mutual Administrative Assistance and Cooperation in Origin Certification and Verification under the Agreement on Trade in Goods was signed on 15 November 2010.

2.41. The Second ASEAN-Russia Summit adopted the Joint Statement in October 2010 to deepen and strengthen the dialogue mechanism between ASEAN and Russia. The Leaders have tasked the ASEAN and Russian Economic Ministers and officials with developing a comprehensive economic cooperation roadmap to enhance ASEAN-Russia cooperation in industry, SME development, R&D and private sector engagement.

2.42. One of the key initiatives pursued in 2010 was the ASEAN Economic Ministers mission to Seattle and Washington, USA from 3 to 8 May 2010. The mission was successful in raising the profile of the region among political and business leaders and research institutions in the USA. ASEAN Ministers met with several key leaders including the United States Trade Representative. Several areas of collaboration were identified including trade facilitation, trade and finance, collaboration between EXIM Banks in ASEAN and the USA, and a Government-business dialogue. Besides the mission to the USA, the ASEAN Economic Ministers also met with business leaders from U.S.-ASEAN Business Council in Danang, Viet Nam in August 2010. The Export and Import Bank of the United States signed a co-operation MoU with the chambers of commerce and industry of Malaysia, the Philippines and Singapore.

[5] Viewed at: http://aanzfta.asean.org/.

2.43. The ASEAN and India Services Agreement and ASEAN India Investment Agreement have been concluded and will enter into force on 1 July 2014. However, negotiations are still on-going to complete the ASEAN-JAPAN Services and Investments chapters for incorporation into the ASEAN-Japan Comprehensive Economic Partnership Agreement.

2.44. Meetings for Regional Comprehensive Economic Partnership (RCEP) were held on May and September 2013. Three Working Groups on Goods, Services and Investments have been finalised with the third meeting is to be held in Malaysia on January 2014 to discuss on ROO, IPR, competition policy and other sub-working groups on Customs, SPS and TBT.

Multilateral

2.45. Malaysia is among the 12 negotiating countries involved in the Trans-Pacific Partnership (TPP) negotiations. The other 11 countries are Australia, Brunei Darussalam, Canada, Chile, Japan, Mexico, New Zealand, Peru, Singapore, United States and Viet Nam. Malaysia joined the negotiations at the 3rd round on 5 October 2010.

2.46. The Government views TPP as an important initiative to expand market access opportunities, enhance Malaysia's competitive advantage, build investors' confidence through providing predictable and transparent investment regime to foreign investments and build capacity through the Agreement. The TPP will also allow Malaysia to be an integral part of the deepening economic integration taking place within the Asia Pacific region that would enable Malaysia to engage in a more concrete way with trading partners such as the United States, Canada, Mexico and Peru, with which Malaysia have yet to have any structured framework of trade agreements.

2.47. In the long run, the TPP will bring benefits of lower cost of goods and more efficient production by taking advantage of the competition and economies of scale. The successful conclusion of the TPP will form an unprecedented market of 793 million people, with a combined GDP of US$27.5 trillion. This far surpasses the limited domestic market of 29.5 million people and a GDP of US$300 billion in Malaysia. With the TPP, Malaysia aims to open up new market opportunities and horizons for Malaysians to go on the offensive and take advantage of the international market place.

2.5 ASEAN

ASEAN Economic Community (AEC)

2.48. On regional integration, the priority for Malaysia and the other ASEAN Member States has been to continue with the implementation of the ASEAN Economic Community (AEC) Blueprint measures aimed at creating a highly integrated and competitive region. Since its implementation in 2008 up to July 2013, ASEAN has collectively implemented 79.5% of the AEC measures. Over the same period, Malaysia has achieved an implementation rate of 88% of the 331 AEC measures. ASEAN member States are exerting efforts to implement all the measures by 2015.

2.49. The key challenges faced in implementing the outstanding AEC measures are the timely ratification of ASEAN agreements/protocols which affect their entry into force, alignment of regional initiatives to domestic laws and regulations and domestic constraints in the implementation of regional and country-specific commitments.

2.50. Malaysia will Chair the ASEAN Summit in 2015, the year the AEC will be realised. Hence, Malaysia's Chairmanship is critical in ensuring the priority initiatives for the AEC are in place and that economic integration will be seamlessly continued beyond 2015. Towards this end, ASEAN has recently commissioned two studies, one jointly by East Asia Economic Research Institute (ERIA) and Rajaratnam School of International Studies (RSIS) and another from Institute of South East Asian Studies (ISEAS) to propose potential frameworks for deepening integration in the future. The recommendations will build upon current deliverables in the AEC Blueprint.

ASEAN connectivity

2.51. Malaysia has been in the forefront in advocating that ASEAN expedite work towards identifying and removing NTBs. The initiatives taken include re-alignment of the ASEAN NTMs database with the new UNCTAD classification and the establishment of an interagency body at the national level in each ASEAN Member State.

2.52. Besides removing NTBs related to trade in goods, ASEAN is also working towards removing barriers and restrictions in trade in services. This liberalisation initiative is undertaken progressively under the ASEAN Framework Agreement in Services (AFAS) in ten packages starting from the First Package in 1995. The liberalisation covers 128 services sub-sectors, which includes air transport, financial services, transport and logistics, business sector, construction, tourism, recreational facilities, hotels theme parks, restaurants, retail and wholesale distributive trade, healthcare, private hospitals and medical care and consulting services. So far, ASEAN has implemented eight packages altogether, and the last two packages to be completed by 2013 and 2015 respectively. Under the 8^{th} AFAS Package, signed by ASEAN Economic Ministers in October 2010, Malaysia has offered 96 sub-sectors. In addition, ASEAN has also signed 7 mutual recognition arrangements in engineering, accountancy, architect, surveying, dental, nursing and medical care to complement the liberalisation initiative by further facilitating the movement of professionals in the services sector.

2.53. Malaysia, together with other ASEAN members, has been continuously exerting efforts to operationalize the ASEAN Single Window (ASW) for speedier Customs clearance. Malaysia together with 6 other ASEAN countries have successfully tested the ASW Gateway connectivity for the exchange of ATIGA Form D and ACDD using test data and progress are made to establish the legal framework for implementation of the ASW.

2.6 Asia Pacific Economic Cooperation

2.54. Malaysia continues to participate actively in APEC activities in order to strengthen its trade and investment linkages, as well as technical and economic cooperation. In 2012, APEC accounted for 76.3% of Malaysia's total trade. 77% of Malaysia's total exports went to APEC economies and 75.5% of Malaysia's total imports were from APEC economies. In terms of FDI contribution, APEC contributed 51.3% of Malaysia's FDI. In the manufacturing sector alone, FDI from APEC economies amounted to RM 9.9 billion or 47.4% of total investments in 2012.

2.55. Through collaboration with APEC economies, Malaysia seeks to facilitate trade, investment and reduce the cost of doing business. Among the measures adopted are reduction in tariffs and NTBs, simplifying business regulations, making information on measures affecting business operations in services trade more easily accessible through business-friendly databases, further enhancing business travellers' mobility through the APEC Business Travel Card (ABTC) scheme, as well as enhancing supply chain connectivity across the border by improving logistics and transport networks. Key initiatives in the area of trade facilitation to address supply chain issues include the operationalization of the Authorised Economic Operator (AEO) and undertaking Time Release Study (TRS) to improve the performance of the logistics supply chain.

2.56. To further improve the business environment, APEC has identified priority areas for regulatory reforms based on the World Bank Ease of Doing Business indicators. These include starting a business, access to credit, trading across borders, enforcing contracts and dealing with permits. Malaysia also participated actively in the finalization of the Environmental Goods List and is committed to implementing the commitment by 2015. In addition, in 2013, Malaysia participated actively to improve the investment climate and facilitate public-private partnerships in infrastructure development and investment in the Asia Pacific.

3 SECTORAL POLICIES

3.1 Manufacturing Sector

3.1. During the review period, the manufacturing sector continued to remain as one of the major contributors to economic growth. However, after decades of being Malaysia's primary growth engine, the manufacturing sector is undergoing transformation and restructuring. The country is moving from resource-based economy to high technology, knowledge-based and capital-intensive industries such as medical devices and green technologies. ETP has identified manufacturing-related NKEAs that require focused development and support. It aims to build up higher value-added subsectors such as LED lighting, solar panels and generic drug manufacturing.

3.2. The external environment continued to be affected by global economic uncertainty in 2012, dampening demand for manufacturing products. Factors such as the sovereign debt crisis in Europe, the US fiscal cliff and the stagnant economy in Japan had an impact on the export performance of manufactured goods. Despite these challenges, the manufacturing sector grew steadily at 4.8% in 2012, a significant increase from 0.8% in 2008. Manufacturing contributed 24.9% to GDP growth in 2012, making it the second largest contributor after services.

3.3. As Malaysia transforms itself into a high income nation, focus is on promoting quality investments. Due to global uncertainty in 2012, most sub-sectors registered a decrease in investments, particularly transport equipment, chemicals and chemical products and petrochemical products. MIDA approved a total of 804 manufacturing projects valued at RM 41 billion in 2012 compared with 919 manufacturing projects with investments of RM 62.8 billion in 2008. Of this total, RM 20.8 billion were from foreign investments, while RM 20.2 billion were investments from domestic sources. Malaysia's manufacturing sector growth is projected to reach 4.9% in 2013 as global demands pick up. Emphasis will be given to promoting both domestic and foreign investment.

3.4. The Government is committed to transform the automotive industry in Malaysia to become the production hub in the ASEAN region by 2020. A review of the National Automotive Policy (NAP) is being undertaken to enhance the policies and measures in meeting the objectives set in the NAP 2006 and NAP Review 2009 as well as to prepare the local industry towards meeting the latest challenges and requirement of the global automotive industry.

3.2 Agriculture Sector

3.5. Malaysia has identified agriculture sector as one of NKEA under ETP.[6] This sector emphasises on providing rural employment, uplifting rural incomes and ensuring national food security.[7]

3.6. Under this programme, the Government envisions a transformation of agriculture sector from fragmented and small scale farms to integrated, clustered and large scale agribusiness, production centric to market driven and low to higher value add products by 2020. In 2012, the agriculture sector contributed 7.3% or RM 54.8 billion to GDP.

3.7. The 10 year National Agrofood Policy was approved by the Malaysian Cabinet on 28 September 2011 and was launched on 14 January 2012. It focuses on improving the efficiency of agro-food industries along the value chain. There are 7 strategies outlined under the NAP:

i. ensuring national food security;

ii. increase the contribution of agro food industry;

iii. completing the value chain;

iv. empowering human capital;

v. strengthen the activities of R&D, innovation and the use of technology;

vi. creating the environment for private sectors led businesses; and

vii. strengthening the delivery system.

3.8. The NAP also emphasised on food safety and nutrition by implementing Good Agricultural Practices (GAP), Good Manufacturing Practices (GMP), Hazard Analysis and Critical Control Points (HACCP). This implementation will be gradually expanded to all Permanent Food Production Parks and Aquaculture Industrial Zone before extending to other commercial farms.

3.9. The Malaysian Quarantine Inspection Services (MAQIS) was established in 2011 under the Ministry of Agriculture and Agro-Based Industry as a Department to provide integrated services relating to quarantine, inspection and enforcement at entry points, quarantine station, quarantine premises and certification for the import and export of plants, animals, carcasses, fish, agricultural

[6] National Key Economic Area. Viewed at: www.moa.gov.my/web/guest.nkea-sektor-pertanian.
[7] Economic Transformation Programme: A Roadmap For Malaysia- Chapter 15 pg.513.

produce, soil and microorganism including inspection of and enforcement relating to food and for matters related to it. MAQIS aims to:

i. ensure that the Nation agriculture industry is free from pest, diseases and contaminations towards plants, animals, and fish by quarantine activities, inspection and a more effective enforcement;

ii. ensure that plants, animals, carcasses, fish, agricultural products, soils, microorganism and food that are imported to and exported from Malaysia comply with the health aspects of human, animals, plants and fish and food safety by written enforcement laws that are related to entry points, quarantine stations and quarantine premises;

iii. assist exporters in issues pertaining to market access and to comply with the requirements of the importing country through integrated services; and

iv. improve the delivery service to customers by using more efficient and integrated sources.[8]

3.10. Halal Industry Development Corporation (HDC) which was set up on 18 September 2006 has been tasked to further boost the Halal agenda in terms of standards development, branding enhancement as well as commercial and industry development. The Department of Islamic Development Malaysia (JAKIM) has developed the Malaysian Protocol for the Halal Meat and Poultry Productions as a clear guidance in the production of halal meat and poultry. The protocol is intended to support the implementation of Malaysia's requirements for halal meat, poultry and their products. This protocol is applicable to all establishments producing halal meat, poultry and their products including those intending to export to Malaysia under the Animal Act 1953 (reviewed 2006).

3.3 Services Sector

Autonomous liberalisation

3.11. During the period under review, the services sector continued to be the main contributor to the GDP. In 2010, the services sector remained the largest contributor to Gross Domestic Product (GDP) with a share of 53.2%. Non-government services contributed 46% to GDP, while government services contributed 7.2%. Total investment in the services sector was valued at RM 36.74 billion for 2010 while trade in services was recorded at RM 207.2 billion. The GDP share for services sector in 2011 and 2012 were 54.1% and 54.6% respectively. In 2013, the GDP for services sector was 54.9% (Jan-Jun). Total investment in the services sector was valued at RM 70.40 billion in 2011 and RM 122.91 billion in 2012 while in 2013 (Jan-Jun), it was valued at RM 58.1 billion. Trade in services was recorded at RM 227.5 billion (2011), RM 248.0 (2012) and RM 127.7 (Jan-Jun 2013).

3.12. On 7 October 2011, in the 2012 Budget Speech, the Government announced further liberalisation of 18 service sub-sectors in 2012, with the aim of attracting foreign investment. This initiative is an addition to the 27 services sub-sectors that were autonomously liberalised in 2009 and reported in the previous review. These 18 sub-sectors included courier services, technical and vocational secondary education services, technical and vocational secondary education services for students with special needs, skills training services, departmental stores and speciality stores, incineration services and accounting and taxation services. These services sub-sectors were identified as having high economic impact that support and serve as enablers to Malaysia's Economic Transformation Programme.

3.13. Additionally, this initiative would also contribute to creating a dynamic and competitive business environment, particularly for services sub-sectors that act as the main enablers for a sustained economic growth. With the liberalisation of this second tranche of services sectors, the Government envisages stronger growth in the key sectors through expansion or collaboration between local and foreign services suppliers. This will in turn promote a competitive and conducive environment for local service providers to gain knowledge and expertise while tapping into the

[8] Viewed at: http://www.maqis.gov.my/.

latest technological development and know-how through exposure and synergistic collaboration with their foreign partners or service suppliers.

3.14. To complement the liberalisation initiatives, the Government undertook reviews of domestic laws and regulations governing the sub-sectors such that they are coherent and streamlined and contribute towards smooth implementation of the liberalisation objective. The government also conducted regular, capacity building programmes for services providers, as well as export and investment information sharing sessions to stakeholders and undertook continuous improvements on services data collection and analysis.

Financial services sector

Banking and insurance sector

3.15. The Malaysian financial sector continues to remain resilient with domestic financial stability preserved since the last review. The introduction of the Financial Services Act 2013 (FSA) and the Islamic Financial Services Act 2013 (IFSA) which came into force in June 2013 together with related amendments made to the Central Bank of Malaysia Act 2009 in 2013 have further strengthened the regulatory and supervisory framework for the financial system in Malaysia. The new legislations also provide greater clarity and transparency in the implementation and administration of the law; a clear focus on *Shariah* compliance and governance in the Islamic financial sector, strengthened business conduct and consumer protection requirements as well as strengthened provisions for effective and early supervisory intervention.

3.16. The Financial Sector Blueprint 2011-2020 (Blueprint) builds on the achievement of the previous Financial Sector Master Plan (FSMP), where the Blueprint moves beyond the sector-based approach in the FSMP, to a more integrated approach that reflects a financial sector that has increasing linkages between the various sub-sectors in the financial system. The Blueprint envisages a more significant role of the participants in the financial system towards realizing the vision of a more competitive, dynamic, inclusive, diversified and integrated financial system. There are nine focus areas under the Blueprint to further advance financial sector development while ensuring financial stability is preserved at all times; (i) effective intermediation for a high value-added, high income economy; (ii) development of deep and dynamic financial markets; (iii) financial inclusion for greater shared prosperity; (iv) strengthening regional and international financial integration; (v) internationalization of Islamic finance; (vi) enhancing regulatory and supervisory regime to safeguard the stability of the financial system; (vii) electronic payments for greater economic efficiency; (viii) empowering consumers; and (ix) talent development for the financial sector.

3.17. Since the last review, progressive liberalisation of the domestic financial sector has also contributed to the further diversification of the financial system, with growing foreign presence in the banking , insurance and *takaful* sector. As of October 2013, out of 43 commercial banks (both conventional and Islamic), 25 banks are fully foreign-owned. In the insurance and *takaful* sector, 22 out of 55 institutions are foreign owned. Moving forward, as outlined in the Blueprint and as legislated in the FSA 2013 and IFSA 2013, policies on foreign investments in the financial sector through the issuance of new licenses or the acquisition of equity interests in Malaysia will be guided by two key considerations, namely prudential criteria and the "best interest of Malaysia criteria."

Capital market sector

3.18. Guided by the first Capital Market Masterplan (CMP 1), Malaysia has liberalised its capital market over the past decade through facilitating international fund-raising, listings, participation, access and investments abroad. Under the Capital Market Masterplan 2 (CMP 2) which was launched in April 2011, the future growth of Malaysia's capital market will increasingly be shaped by internationalisation strategies aimed at maximising international participation and strengthening the ability to build scale and take advantage of business opportunities.

3.19. CMP 2 forms part of the collective and coordinated efforts to invigorate the Malaysian economy through expanding the role of the capital market in financing the country's development. The growth strategies as outlined in CMP 2 are intended to create a conducive environment to foster a more diverse and innovative intermediation environment and to nurture new growth opportunities. CMP 2 also outlines governance strategies to ensure robust regulatory oversight and active shareholder participation to enhance confidence in the integrity and soundness of Malaysia's capital market. In tandem with the growth objectives, CMP 2 provides equal emphasis to achieving governance objectives to ensure Malaysia's capital market continues to be well-regulated with participants strengthening their capabilities and professional standards and exercising a strong sense of responsibility towards the interest of their customers.

3.20. The Security Commission (SC) is continuously working to strengthen cross-border transactions with other jurisdictions. Amongst others, several key initiatives have been undertaken under the ASEAN Capital Markets Forum (ACMF) as part of the regional capital market integration plan, which was endorsed by the ASEAN Finance Ministers in 2009.

3.21. Foreign equity participation in the capital market continues to be further liberalised under CMP 2. In 2011, the SC had fully liberalised restriction on foreign ownership in stockbroking companies. With this latest liberalisation measure, all existing foreign equity restrictions in the capital market have been lifted with the exception of unit trust management companies which remained at 70% and credit rating agencies at 49%.

3.22. Since the 1997 financial crisis, corporate governance reform has been a priority and continues to be a priority for Malaysia. This is evidenced by the fact that corporate governance continues to feature prominently in CMP 2, as it forms part of the governance strategies that were outlined therein. The CMP 2 recommends that the effectiveness of corporate governance regulation be strengthened through broad-based approaches to promote greater stewardship, more active shareholder participation and strengthen gate-keeping accountabilities.

3.23. The SC released the Corporate Governance Blueprint (Blueprint), a five-year plan which seeks to further improve corporate governance standards in Malaysia. The Blueprint is aimed at strengthening self and market discipline, and promoting the internalisation of corporate governance culture. Subsequently, the Malaysian Code on Corporate Governance 2012 was introduced, which marked the first major deliverable following the Blueprint.

3.24. In the Corporate Governance Watch 2012 Report, Malaysia has improved its ranking in the Asia-Pacific region by advancing to the fourth spot, two notches up from the sixth position it held in 2010. The Report is the result of a survey undertaken by the Asian Corporate Governance Association in collaboration with CLSA Asia-Pacific Markets (ACGA-CLSA). The biennial Corporate Governance Watch reports on the corporate governance landscape of 11 Asian nations since 2000.

3.25. The report attributed Malaysia's improvement in corporate governance ranking to amongst others, the publication of the 5-year Malaysian Corporate Governance Blueprint 2011 and the fact that Malaysia is one of the few markets in Asia that undertook a major overhaul of its code of corporate governance, bringing the standards expected of boards of directors in line with international standards. The report also marked an improvement in terms of corporate governance culture in Malaysia, and observed that companies seem to be taking more interest in improving corporate governance practices, and in contrast to two years ago (2010), it is companies rather than the government that seem to be making more of a difference in the country's corporate governance landscape.

3.26. CMP 2 will continue to guide the development of Malaysia's capital market for the next ten years following the conclusion of CMP 1 while addressing the challenges of this decade and transforming the competitive dynamics of the capital market.

4 OTHER DOMESTIC POLICIES

4.1 Competition Act 2010

4.1. The Competition Act 2010 (CA 2010) is in line with the Prime Minister's 2010 unveiling of the New Economic Model, which aims to double Malaysia's per capita income by 2020 through the utilisation of eight Strategic Reform Initiatives (SRIs), one of which being competition.

4.2. The Competition Act 2010 is enforced by the Malaysia Competition Commission (MyCC) and has been in force since 1 January 2012. The Act provides a regulatory framework against market manipulation and cartel practices. The Act is intended to promote a competitive environment and give foreign investors more confidence in the country's business practices.

4.3. The CA 2010 regulates commercial activities within or outside Malaysia, which have an effect on competition in any market in Malaysia through the prohibition of anti-competitive agreements and the prohibition of the abuse of a dominant market position.

4.4. Activities not covered by the Competition Act 2010 are :

i. activities which involve an exercise of governmental authority;

ii. activities carried out pursuant to the principle of solidarity; and

iii. purchasing of goods or services not intended for resale or re-supplying.

4.5. Commercial activities regulated under the Communications and Multimedia Act 1998 and the Energy Commission Act 2001, however, is not subject to the Act.

4.6. Enterprises found to have infringed the prohibitions of the CA 2010 may be subject to financial penalties of up to 10% of the enterprise's worldwide turnover for the period during which the infringement occurred.

4.2 Strategic Trade Act 2010

4.7. The Strategic Trade Act (STA) 2010 was approved in June 2010. The enactment of STA is in tandem with Malaysia's commitment to implement the United Nations Security Council Resolution 1540 (UNSCR 1540). The Act aims to curb the proliferation of weapons of mass destruction (WMD) through control over exports, transits, transhipments and brokering of strategic items. Malaysia is the second country in ASEAN to have a comprehensive export control law in place.

4.8. The Strategic Trade Secretariat (STS) was established in MITI as the focal point for the implementation of the STA 2010. During the initial stage of its implementation, the efforts were focused on conducting awareness programmes to major exporters and industry associations through seminars, workshops, briefings as well as via traditional mass media and internet. The programmes are still on going and have now become more specific to assist traders in understanding the applicability of the STA 2010 and to facilitate the industry to comply with the Act.

4.9. The on-line permit application system has been introduced to keep abreast with the rapid charging business environment and to provide easier access and sharing of data by the Royal Malaysian Customs via the Customs Information System. The Secretariat also interacts and consults with the enforcement and other relevant Government agencies frequently to ensure that the STA 2010 is implemented in a consistent and transparent manner. It is a commitment of the Secretariat to facilitate trade without compromising on the responsibility of the trading community and the authorities to safe and secure trade.

5 WAY FORWARD

5.1. The Government of Malaysia will continue its commitment to give full efforts and strength towards achieving a high-income advanced economy by 2020. This will be translated by the strategic thrusts which have designated under the 10th MP to realise the targets. In 2014, the Malaysian economy is expected to improve supported by robust domestic demand and positive improvements in external sector as the export products is expected to be more competitive. The Government will continue to further strengthen the economic and trade integration through liberalisation on the multilateral, regional and bilateral levels, while the private sectors will continue to spearhead growth.

5.2. Firms will also be encouraged to adopt and comply with international standards and requirements on quality, safety and environment to improve market access for their products and services.

5.3. Whilst strengthening the multilateral trading system and further liberalising trade through multilateral negotiations, the Government of Malaysia is also actively pursuing regional and bilateral trade policies to achieve additional trade liberalisation through FTAs with its main trading partners. For those regional and bilateral FTAs that are under negotiations, the Government will make best effort to conclude them in due course as targeted by all parties.

5.4. By taking into account the global and regional developments, the Government of Malaysia will be undertaking the ecosystem approach to promote the development of the services sector as the next engine of growth and accelerating the shift to high value-added, high technology, knowledge-intensive and innovation-based industry. The manufacturing sector will continue to remain as one of the leading contributor to growth.

ANNEX

Malaysia's five economic growth corridors

Corridors	Iskandar Malaysia	NCER	ECER	SDC	SCORE
Authority	Iskandar Region Development Authority (IRDA)	Northern Corridor Implementation Authority (NCIA)	East Coast Economic Region Development Council (ECERDC)	Sabah Economic Development and Investment Authority (SEDIA)	Regional Corridor Development Authority (RECODA)
Location/areas of coverage	State of Johor, Southern Peninsular Malaysia	States of Perlis, Kedah, Penang and Northern Perak	States of Kelantan, Terengganu and Pahang, as well as the district of Mersing in Johor	Sabah	Sarawak
Focused sector/industry	Education Financial Healthcare ICT & creative industries Logistics Tourism	Agriculture Human capital Development Infrastructure Manufacturing Tourism	Agriculture Education Manufacturing Oil & gas Petrochemical Tourism	Agriculture Green Technology Human capital Infrastructure Manufacturing Tourism	Aluminum Glass Marine Engineering Metal-based Oil & gas Timber-based Tourism Aquaculture Livestock Palm oil Tourism

Factsheet of Malaysia

	Jan – Sep 2013	2012	2011	2010
Population (mil)	**29.7**	**29.3**	**29.0**	**28.6**
Citizens	27.3	27.0	26.6	26.3
Bumiputera	18.5	18.2	18.0	17.7
Chinese	6.6	6.5	6.5	6.4
Indians	2.0	2.0	1.9	1.9
Others	0.3	0.2	0.2	0.2
Non-citizens	2.4	2.4	2.3	2.3
Population growth (%)	**1.3**	**1.3**	**1.3**	**1.8**
Labour Force (mil) (as at Aug 2013)	**14.1**	**13.1**	**12.7**	**12.3**
Unemployment rate (%) (as at Aug 2013)	**3.1**	**3.0**	**3.1**	**3.3**
Employment by sector (%)(as at Q2 2013)				
Services	60.4	60.1	60.6	59.1
Manufacturing	16.5	17.5	18.1	17.7
Agriculture	13.0	12.6	11.5	13.6
Construction	9.5	9.1	9.2	9.1
Mining & quarrying	0.6	0.6	0.6	0.5
Consumer Price Index (%)				
Malaysia	**1.8**	**1.6**	**3.2**	**1.7**
Peninsular Malaysia	1.8	1.6	3.3	1.8
Sabah	1.9	1.7	4.7	1.6
Sarawak	1.5	1.8	2.6	1.5

	Jan – Sep 2013	2012	2011	2010
Industrial Production Index (2005=100)				
Overall	**114.7**	**112.9**	**108.6**	**107.1**
Mining	88.6	88.3	87.5	93.9
Manufacturing	125.2	123.1	117.4	112.2
Electricity	136.5	129.9	123.6	121.2
External trade (RM bil)				
Export	524.7	702.2	694.5	638.8
Import	481.5	607.4	574.2	528.8
Total Trade	1,006.2	1,309.6	1,268.8	1,167.7
Trade Balance	43.2	94.8	120.3	110.0
Balance of payment (RM bil) – (Net)				
Current account	**21.1**	**57.3**	**97.9**	**88.1**
Goods	69.1	125.6	149.4	134.7
Services	-11.3	-14.0	-8.4	1.7
Income	-25.3	-36.0	-22.0	-26.5
Transfer	-11.5	-18.2	-21.1	-21.8
Capital	0.0	0.1	-0.2	-0.2
Financial account	**-5.3**	**-23.0**	**23.3**	**-19.8**
Overall balance	**17.3**	**3.9**	**31.0**	**-0.8**
Gross domestic product (GDP)				
GDP in current prices (RM bil)	**719.0**	**931.5**	**852.7**	**766.0**
Agriculture	66.4	94.8	103.0	81.1
Mining & quarrying	71.8	97.7	103.7	100.0
Manufacturing	172.0	228.0	220.7	200.0
Construction	30.1	34.9	26.9	24.8
Services	370.6	473.0	411.5	374.0
Plus import duties	8.0	10.2	8.7	7.6
Real GDP growth rate (%) (as at Q3 2013)	**4.3**	**5.6**	**5.1**	**7.4**
Agriculture	2.1	1.0	5.8	2.4
Mining & quarrying	1.7	1.4	-5.5	-0.3
Manufacturing	4.2	4.8	4.7	11.9
Construction	10.1	18.1	4.7	11.4
Services	5.9	6.4	7.0	7.4
International reserves (RM bil) (as at Sep 2013)	**444.5**	**427.2**	**423.4**	**328.6**
Reserves to GDP Ratio (%)	45.0	45.4	47.9	41.2
Reserves as month of retained imports (as at 31 Oct 2013)	9.7	9.5	9.6	8.6
Total External Debt (RM bil) (as at Q2 2013)	**306.6**	**252.8**	**257.4**	**227.1**
Medium & long term	186.3	159.8	153.6	147.7
Short term	120.3	93.0	103.8	79.4
Debt service ratio (%)	10.4	10.1	10.4	7.5
Banking institutions (RM bil) (as at Sep 2013)				
Total deposit	1,493.9	1,408.30	1,300.4	1,140.8
Total loans	1,191.4	1,108.00	1,003.5	883.6
Commercial banks interest rates (%) (as at Sep 2013)				
Saving deposits	1.01	1.03	1.15	0.94
BLR	6.53	6.53	6.53	6.02
Gross national saving (% of GNP) (as at Q3 2013)	**30.0**	**32.7**	**34.6**	**34.1**

Source: Department of Statistic Malaysia; Central Bank of Malaysia; MATRADE.

____