MINISTRY OF INTERNATIONAL TRADE
AND INDUSTRY MALAYSIA

MITI REPORT 2018

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MINISTRY OF INTERNATIONAL TRADE
AND INDUSTRY MALAYSIA

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FOREWORD

MINISTRY OF INTERNATIONAL TRADE
AND INDUSTRY MALAYSIA

A new Malaysia emerged following the 14th General Election in May 2018 which paved the way to reform and restructure in overcoming global challenges. The Government refined Malaysia's focus through the Mid-Term Review of the Eleventh Malaysia Plan (MTR-11MP) 2016 - 2020. Pillar VI of the MTR-11MP that focuses on strengthening economic growth is aligned with the Ministry of Intenational Trade and Industry's (MITI) vision to make Malaysia the preferred investment destination and among the most globally competitive trading nations.

In this first policy document, the Government outlined new priority areas that take into account the challenging global economic environment. Measures to further strengthen the economy include driving productivity, promoting quality investment, embarking on initiatives for industries to move up the value chain, strengthening exports and emphasising a fiscal consolidation path to ensure sustainability in the medium term.

In 2018, total trade continued to be resilient, expanding by 5.9% to RM1.88 trillion compared with RM1.771 trillion in 2017. Malaysia witnessed the greatest achievements in terms of trade surplus in 2018, which widened by 22.3% to RM120.52 billion, registering the fastest growth rate in 10 years, as well as the largest trade surplus since 2012. This was the 21st consecutive year of trade surplus since 1998, driven by total exports almost reaching the RM1 trillion mark. Despite uncertainties in the global environment, exports rose by 6.8% to reach a value of RM998.28 billion, surpassing the forecast export growth of 4.4% in the Ministry of Finance's Economic Outlook 2019. Imports increased by 4.9% to RM877.76 billion. The significant increase in total trade was contributed by significantly higher trade with Malaysia's major trading partners including Hong Kong, which expanded by 45.2% worth RM89.64 billion, and the People's Republic of China (PRC) by 8.1% worth RM313.83 billion.

On the investment front, Malaysia's private investments approved in the manufacturing, services and primary sectors recorded RM201.7 billion in 2018, a 0.55% increase against RM200.6 billion in 2017. Total foreign investments more than doubled, accounting for 66.4% of approved investments at RM58 billion against RM21.5 billion in 2017. Realised private investments measured in terms of Gross Fixed Capital Formation (GFCF) stood at RM246.4 billion as compared to RM234.8 billion in 2017, an increase of 4.9%. Considering the incremental total growth from 2017 to 2018, Malaysia is certainly on track to achieve the 11MP's revised target of 6.1% of average growth of real private investment by the year 2020.

In October 2018, MITI launched the Industry*4WRD* National Policy on Industry 4.0 to transform local companies in the manufacturing sector and manufacturing related services. Through the Industry*4WRD* policy, MITI will continue to push for digitalisation of manufacturers by initiating readiness assessment and intervention programmes that will encourage companies to embrace Industry 4.0 systematically.

Furthermore, work plans have been initiated for the New Industrial Master Plan 2021 - 2030 as well as for intensifying efforts to strengthen sectoral growth, facilitate structural reforms and provide quality infrastructure. The inclusion of new agencies under MITI, namely the Department of Standards Malaysia, SIRIM Berhad, MIMOS Berhad, Export-Import Bank of Malaysia Berhad and InvestKL, will further complement as well as bring about diverse capabilities and institutional strengths.

Moving forward, Malaysia is aiming towards an economic growth rate of between 4.3% and 4.8% for 2019, taking into account the challenging external environment. The manufacturing sector is projected to grow at 4.5% per annum, underpinned by the shift towards high value-added, diverse and complex products. Meanwhile, the services sector is geared to sustain growth momentum at an average of 6.3% of GDP growth. MITI and agencies will continue to work together with stakeholders and ensure Malaysia remains on track towards becoming a developed nation.

YB DATUK DARELL LEIKING
Minister of International Trade and Industry Malaysia

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INTERNATIONAL ECONOMIC ENVIRONMENT

The global economy remained on the upside in 2018 despite expanding at a slower pace of 3.6% (2017: 3.8%) as compared to the previous year. Major and emerging economies experienced moderate economic growth amid market uncertainties, trade tension, volatility in commodity prices, fluctuation in financial markets, monetary normalisation in the United States of America (US) and geopolitical conflicts. In March 2018, the US announced tariff hikes on imported washers and solar panels, originating from countries that the US had trade deficit with, including Malaysia. The US had actively used tariff rate hikes on some countries which caused currencies and confidence levels to fall. For instance, the US-Turkey conflict increased tariff rates on imported products from Turkey.

On the contrary, the US economy expanded faster than expected in 2018, amidst the tax cuts for individuals and businesses in 1Q18 via the Tax Cuts and Jobs Act of 2017. Optimism among consumers and business players in the US rose firmly and translated into strong economic growth at 2.9% (2017: 2.2%). Tax cuts as well as strong economic growth, rising inflationary pressure and full-employment condition provided the Fed room to raise the interest rate by four times in 2018.

EXHIBIT 1.1

GLOBAL GROWTH (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
WORLD	5.4	4.3	3.5	3.5	3.6	3.4	3.4	3.8	3.6
ADVANCED ECONOMIES	3.1	1.7	1.2	1.4	2.1	2.3	1.7	2.4	2.2
EMERGING MARKET & DEVELOPING ECONOMIES	7.4	6.4	5.3	5.1	4.7	4.3	4.4	4.7	4.5
US	2.6	1.6	2.2	1.8	2.5	2.9	1.6	2.2	2.9
EURO AREA	2.1	1.6	-0.9	-0.2	1.4	2.1	2.0	2.4	1.8
JAPAN	4.2	-0.1	1.5	2.0	0.4	1.2	0.6	1.9	0.8
PRC	10.6	9.5	7.9	7.8	7.3	6.9	6.7	6.8	6.6
INDIA	10.3	6.6	5.5	6.4	7.4	8.0	8.2	7.2	7.1
ASEAN-5*	7.0	4.5	6.2	5.1	4.6	4.9	4.9	5.4	5.2

*Note: * Indonesia, Malaysia, Philippines, Thailand and Vietnam*
Source: World Economic Outlook, April 2019, IMF

As interest rates in the US rose, the greenback currency appreciated strongly in 2018 and indirectly put pressure on other global currencies. Economies sensitive to foreign exchange movements, had also increased the interest rates in tandem with the US Federal Reserve to avoid currency depreciation and significant capital outflows. Hong Kong, Turkey, Indonesia and the Philippines were among them.

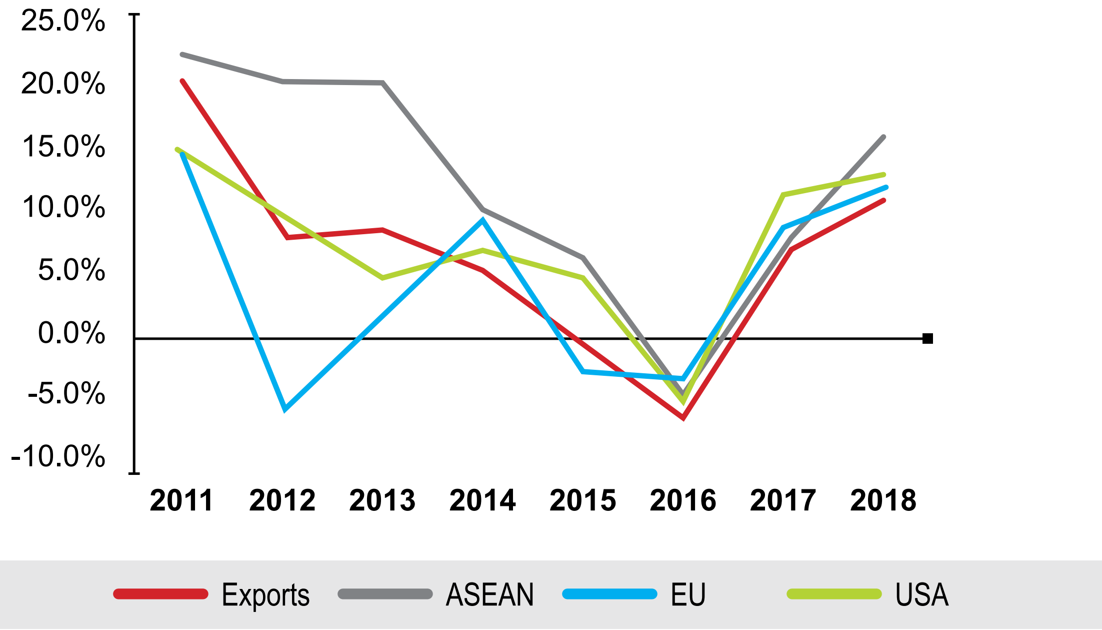
EXHIBIT 1.2
CENTRAL BANK POLICY RATE BY SELECTED ECONOMIES (%)

	JAN 2018	FEB 2018	MAR 2018	APR 2018	MAY 2018	JUN 2018	JUL 2018	AUG 2018	SEP 2018	OCT 2018	NOV 2018	DEC 2018
MALAYSIA	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
EU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HONG KONG	1.75	1.75	2.00	2.00	2.00	2.25	2.25	2.25	2.50	2.50	2.50	2.75
INDONESIA	4.25	4.25	4.25	4.25	4.75	5.25	5.25	5.50	5.75	5.75	6.00	6.00
JAPAN	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
KOREA	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75	1.75
PHILIPPINES	3.50	3.50	3.50	3.50	3.75	4.00	4.00	4.50	5.00	5.00	5.25	5.25
PRC	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
THAILAND	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.75
UK	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75
US	1.50	1.50	1.75	1.75	1.75	2.00	2.00	2.00	2.25	2.25	2.25	2.50
VIETNAM	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25

Source: CEIC

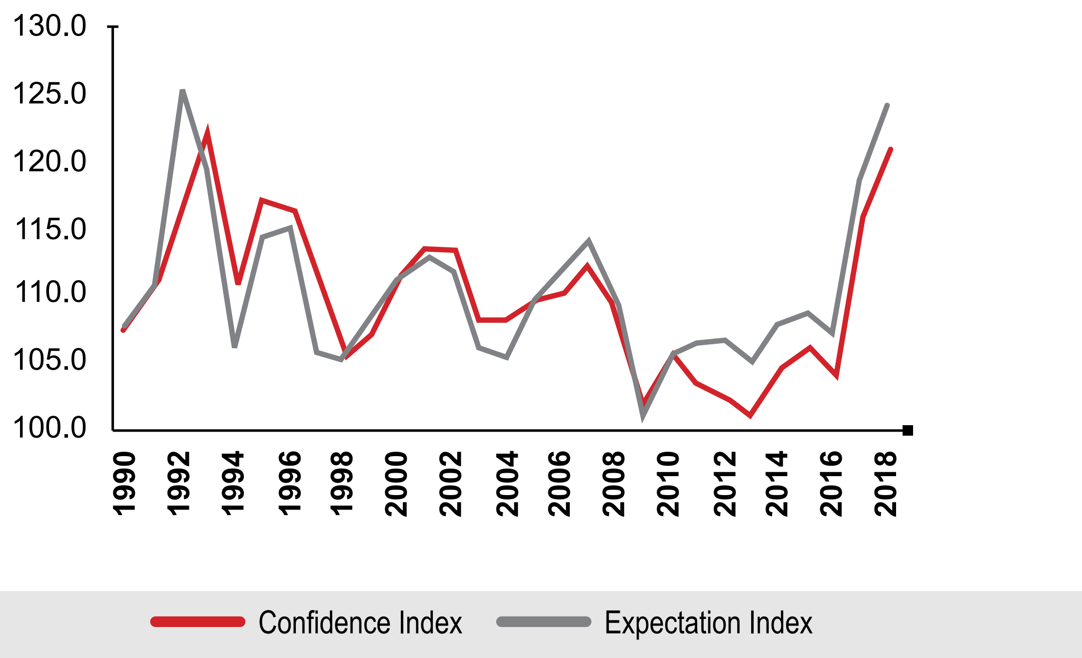
GDP Growth of the People's Republic of China (PRC) remained at 6.6% in 2018 (2017: 6.8%), the lowest growth rate ever recorded since 1990. The economy was impacted by uncertainties over trade tensions with the US, declining business optimism and structural reforms. Nevertheless, the growth rate remained above the official target of 6.5% per annum for the period of 2016 - 2020. Despite the trade tensions, PRC's external trade activities remained on an upbeat momentum as exports increased 11%, the highest since 2011, while imports rose steadily at double digit rate of 16.5% in 2018. In fact, exports to the US increased to a 7-year high at 11.9% whereas imports from the US declined to 1.3% (2017: 16%). Given that PRC is on a gradual transition from export-led to domestic-oriented economy, consumer confidence index surged to a 25-year high at 121.1 points in 2018.

EXHIBIT 1.3
PRC'S EXPORTS PERFORMANCE (YOY%)



Source: CEIC

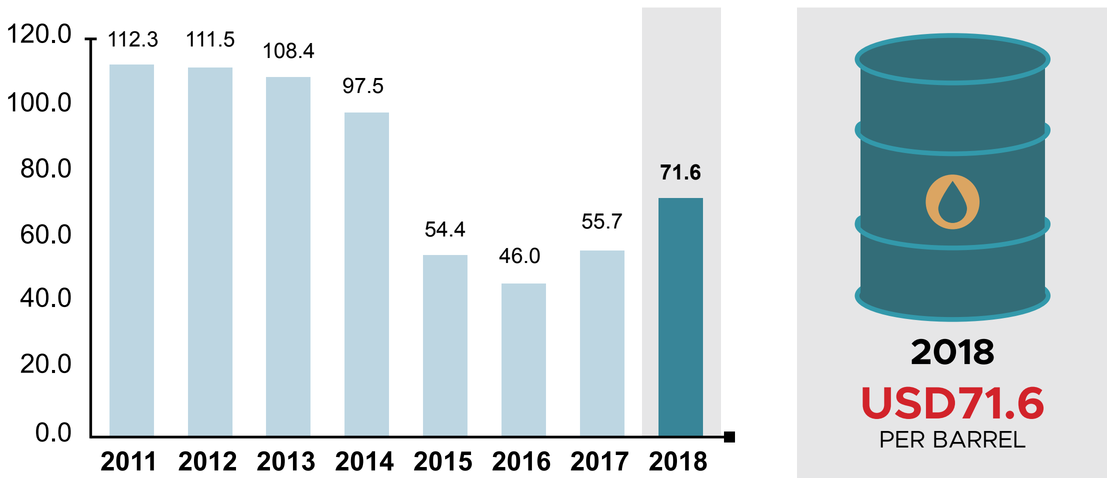
EXHIBIT 1.4
PRC'S DOMESTIC SENTIMENT (%)



Source: CEIC

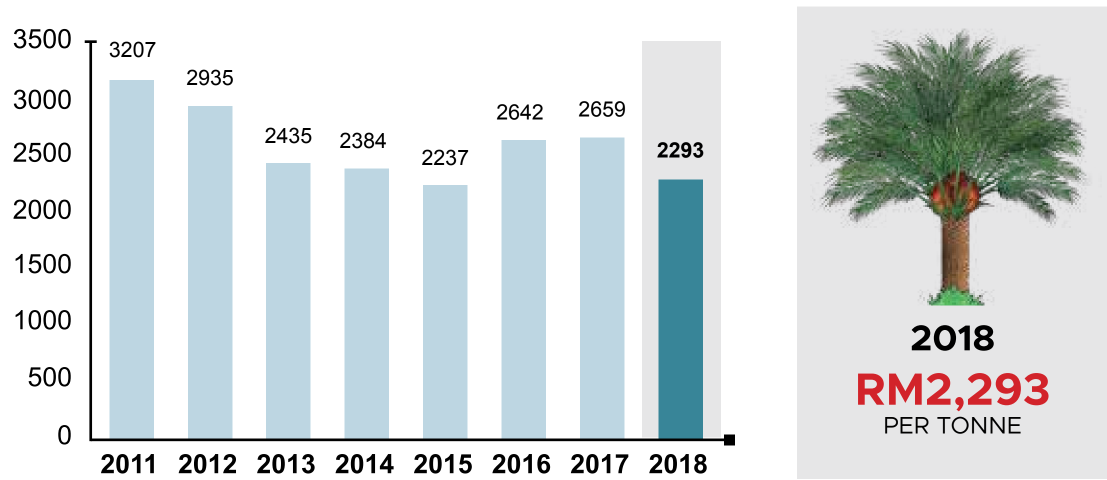
Geopolitical risks deepened in 2018 due to economic sanctions on Iran and Venezuela, tension between the US and North Korea, Brexit, "Yellow Vest" in France and the Catalonian crisis. In addition, the Mid-Term Elections in the US caused uncertainties as Republicans, who had the majority in both the Senate and the House of Representatives, had lost control of the House of Representatives to the Democrats. On the commodities front, Brent crude oil price improved to USD71.6 per barrel in 2018 (2017: USD55.7 per barrel). The recovery was aided by growing global demand, economic sanction threats on major producers and supply cut commitment. As for crude palm oil, the commodity price declined further to RM2,293 per metric tonne (2017: RM2,659 per metric tonne) due to tightened standards by the European Union (EU), higher tariff rate by India and ultimately oversupply of output that suppressed the price level.

EXHIBIT 1.5
BRENT CRUDE OIL PRICE (USD PER BARREL)



Source: BLOOMBERG

EXHIBIT 1.6
CRUDE PALM OIL PRICE (RM PER TONNE)



Source: BLOOMBERG

THE MALAYSIAN ECONOMY

Malaysia's economy expanded 4.7% in 2018, slower than the previous year's growth (2017: 5.7%). 2018 was a surprising year for the economy as both external and domestic fronts experienced structural changes. Externally, the rise of protectionist trade policies had led to import tariff hikes. This resulted in uncertainties over the trade relationship between the US and PRC which had affected business optimism and global trade flows. In addition, the volatility of commodity prices continued to impact Malaysia during the year. On the domestic front, Malaysia had the first change in Government after 61 years. The new Government instituted immediate structural changes, such as reintroducing the Sales and Service Tax (SST), stabilisation of retail fuel prices and reviewing Government-backed infrastructure projects.

External trade activities remained on a healthy path despite trade tensions and volatile commodity prices. Exports of goods grew 6.7%, imports rose 4.9% as trade balance recorded 7-year high at RM120.5 billion in 2018. The growth of outbound shipments was mainly due to re-export activities and marginal gains of domestic exports. Re-exports constituted 20% of total exports in 2018 (2017:15.3%), recording the highest level. The exports segment increased 41% while domestic exports grew at a tepid pace of 0.8%. The rise of distribution hubs in Malaysia were among the contributing factors towards the rising share of re-export activities.

EXHIBIT 1.7
GDP BY EXPENDITURE APPROACH (%)

	2011	2012	2013	2014	2015	2016	2017	2018
GDP	5.3	5.5	4.7	6.0	5.1	4.2	5.9	4.7
DOMESTIC DEMAND	7.5	10.6	6.4	5.3	6.1	4.5	6.6	4.0
PUBLIC CONSUMPTION	13.3	6.4	5.8	4.8	4.7	1.5	5.4	3.2
PRIVATE CONSUMPTION	6.9	8.4	7.2	7.0	6.1	5.9	7.0	8.1
TOTAL INVESTMENTS	6.5	18.9	8.3	4.8	3.7	2.6	6.3	1.4
PUBLIC INVESTMENT	2.5	16.6	2.9	(5.0)	(1.4)	(0.2)	0.2	(5.3)
PRIVATE INVESTMENT	10.3	21.2	13.0	11.2	6.3	4.3	9.4	4.5
NET EXPORTS	(3.2)	(24.4)	(9.4)	16.3	(3.2)	1.6	(2.3)	16.7
EXPORTS	4.2	(1.7)	0.3	5.2	0.2	1.3	9.4	1.6
IMPORTS	6.4	3.1	1.7	4.1	0.8	1.3	11.0	0.1

Source: CEIC

EXHIBIT 1.8
GDP GROWTH RATE

GDP GROWTH RATE

2018: 4.7%
2017: 5.9%

2018 was a surprising year for the economy as both external and domestic fronts experienced structural changes

The Government instituted immediate structural changes, such as reintroducing the SST, stabilisation of retail fuel prices and reviewing Government-backed infrastructure projects.

GDP by Expenditure Approach

	Domestic Demand	Public Consumption	Private Consumption	Total Investments	Public Investment	Private Investment	Net Exports	Exports	Imports
2018	4.0%	3.2%	8.1%	1.4%	5.3%	4.5%	16.7%	1.6%	0.1%
2017	6.6%	5.4%	7.0%	6.3%	0.2%	9.4%	2.3%	9.4%	11.0%

In line with moderating trade growth, the manufacturing sector grew by 5% in 2018, lower than the previous year's 16% growth. Key manufacturing industries such as electrical and electronics (E&E) and refined petroleum remained on a steady growth path, partly due to robust expansion of re-exports. Meanwhile, the mining sector was not able to take advantage of the pick-up of crude oil prices due to supply disruptions. However, the mining sector recorded a recovery in the last quarter of 2018, registering positive growth of 0.5%. As for the agriculture sector, sluggish CPO price caused production of oil palm and the overall agriculture sector to contract by -1% and -0.4% in 2018, respectively.

MALAYSIAN ECONOMY

Q1 2018 ▶ 5.4%

In the first quarter of 2018, Malaysia's economy registered a commendable growth of 5.4% as compared to 5.9% in the fourth quarter (Q4) of 2017 with a value of RM295.3 billion at constant prices and RM343.2 billion at current prices.

Q2 2018 ▶ 4.5%

Services, Manufacturing and Construction sectors continued to register positive growth. On the expenditure side, the momentum was spearheaded by Private Final Consumption Expenditure and Gross Fixed Capital Formation.

Q3 2018 ▶ 4.4%

Services and Manufacturing sectors were the key drivers for the growth. On the expenditure side, Private final consumption expenditure and gross fixed capital formation spearheaded the economy.

Malaysia's Economic Growth Accelerates to 4.7% in Q4 2018

All sectors recorded positive growth except for Agriculture. The favourable performance was mainly contributed by Services and Manufacturing sectors whereas Mining and Quarrying rebounded in this quarter. The growth of demand was led by Private final consumption expenditure and Net exports.

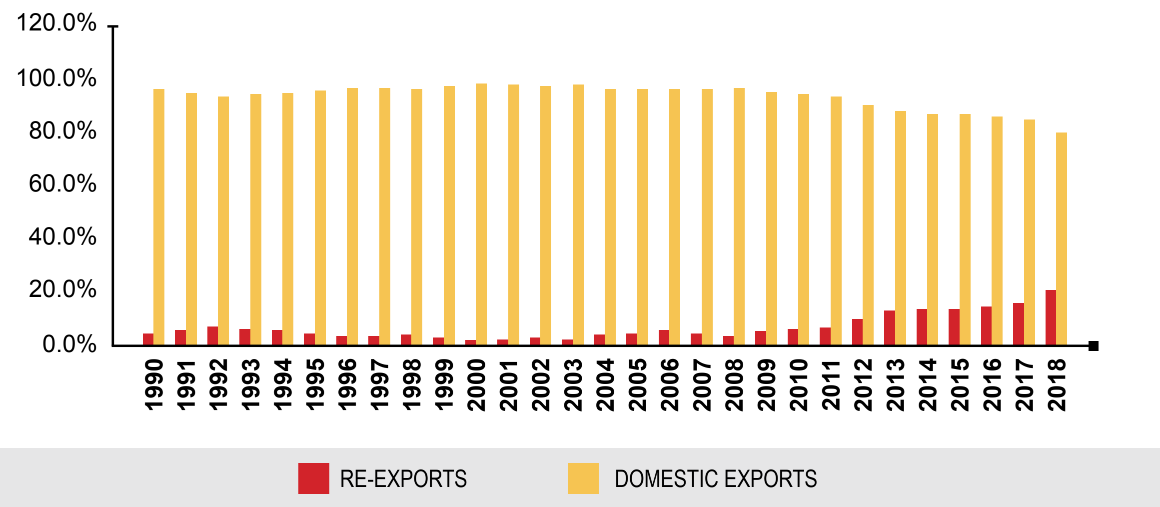
Source: Department of Statistics Malaysia

BOX ARTICLE 1.1

RISE OF RE-EXPORT ACTIVITIES

In the latest external trade performance in 2018, Malaysia's ratio of re-exports to total exports reached a new record high at 20%. The long-term average for re-exports to exports ratio from 1990 - 2018 is 6.5%. The rise of re-export activities was in line with the target specified in the Midterm Review of 11th Malaysia Plan to grow to 21.4% by 2020. The ratio however has been on an upward trend since Global Financial Crisis (GFC) in 2009 and jumped to double-digit growth since 2013. There are various factors causing the structural change in Malaysia's external trade and among others are the expansion of e-commerce, semiconductors and regional distribution hubs mainly facilitated by air cargo.

MALAYSIA'S EXPORTS MARKET STRUCTURE (%)



Source: CEIC, MIDFR

Among others, the rise in re-exports share indirectly pressure and narrow net exports contribution to GDP. Based on data, real exports and imports share to Malaysia's GDP have declined since post-GFC 2009. For instance, both shares of exports and imports peaked in 2006, 98.2% and 76.5% respectively. In 2018, both exports and imports only contributed 70.6% and 62.2% respectively, lower than post-GFC averages at 77% and 66.8% respectively. In addition, net exports contribution remained below 10% level since 2012, with 8.4% recorded in 2018. Consequently, the main concern of the surging re-exports ratio is low value-added contribution to the economy, especially through increasing domination of low-skilled jobs such as elementary occupation as well as operators and assemblers. The contribution of external trade to GDP would be impacted amid declining significance of contribution from high headline exports boosted by re-exports.

The construction sector moderated to 4.2% (2017: 6.7%), slowest ever registered in the post 2009 Global Financial Crisis period. The moderation was in tandem with the slowdown in Government spending and investment. The revision of infrastructure projects and stabilising the fiscal position was among key focus areas tackled by the new Government. Railway projects such as MRT, LRT, ECRL and HSR were among the major projects being reviewed by the Government.

EXHIBIT 1.9

GDP BY SUPPLY-SIDE APPROACH (%)

Kind of Economic Activity	2016	2017e	2018p
GDP at Purchasers' Prices	**4.4**	**5.7**	**4.7**
1 Agriculture	-3.7	5.7	**0.1**
2 Mining and Quarrying	2.2	0.4	**-2.6**
3 Manufacturing	4.4	6.0	**5.0**
4 Construction	7.4	6.7	**4.2**
5 Services	5.7	6.2	**6.8**
6 Plus Import Duties	8.8	13.0	**-11.5**

Note: e – estimation, p – preliminary
Source: DOSM

Following the zero-rated GST, MIER's consumer sentiment index peaked to a 21-year high at 132.9 points. The index has been below the 100-threshold line since mid-2014 and went down further below 80 points after the implementation of GST. In addition, the new Government had also stabilised retail fuel price, RON95 at RM2.20, thus causing inflationary pressure to remain low. Since June 2018, headline CPI had not increased above the 1% level. Consequently, retail sales rose strongly by double digit after the zero-rated GST was implemented. On average, retail sales grew 11% on a yearly basis in 2018.

2

CHAPTER

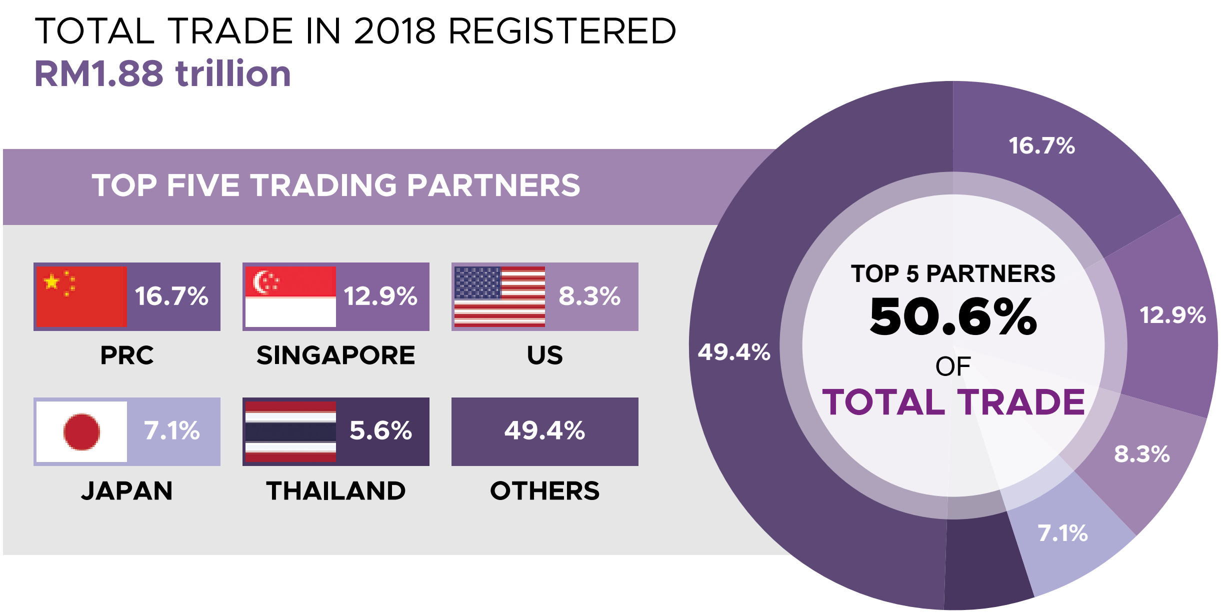
TRADE PERFORMANCE 2018

OVERVIEW

In 2018, Malaysia continued to record a steady trade performance after achieving double digit growth in the preceding year. In terms of global ranking, the World Trade Organisation (WTO) has ranked Malaysia as the world's 25th largest exporter and the 26th largest importer. Total trade expanded by 5.9% to RM1.88 trillion, contributed by higher exports and imports. Exports reached almost RM1 trillion as it expanded by 6.8% to RM998.28 billion, while imports grew by 4.9% to RM877.76 billion. Trade surplus widened by 22.3% to RM120.52 billion. The surplus registered the highest growth rate in ten years and recorded the largest trade surplus since 2012. This was the 21st consecutive year of trade surplus since 1998.

The People's Republic of China (PRC), Singapore, the United States (US), Japan and Thailand were Malaysia's top five major trading partners in 2018. Collectively, these five countries accounted for 50.6% or RM949.45 billion of total trade. Singapore was the largest export market for Malaysia, followed by PRC, US, Hong Kong and Japan. These countries contributed 51.3% or RM512.44 billion to Malaysia's total exports in 2018. Meanwhile, the top five largest sources of imports were PRC, Singapore, US, Taiwan and Japan, which collectively accounted for 53.4% or RM469.82 billion of total imports.

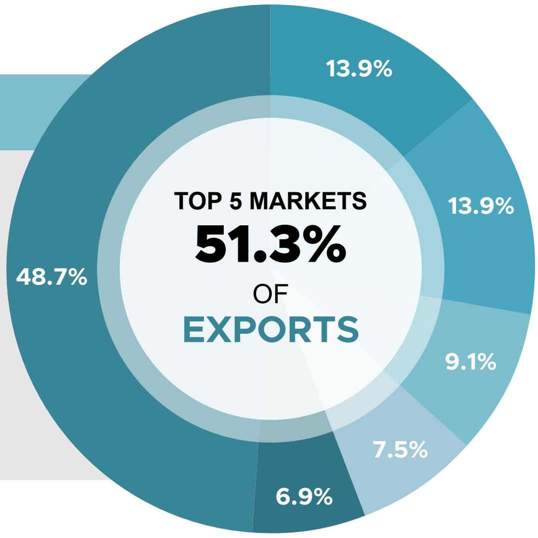
EXHIBIT 2.1
TOTAL TRADE, EXPORTS AND IMPORTS 2018



IN 2018, EXPORTS REGISTERED **RM998.28 billion**

TOP FIVE EXPORT MARKETS

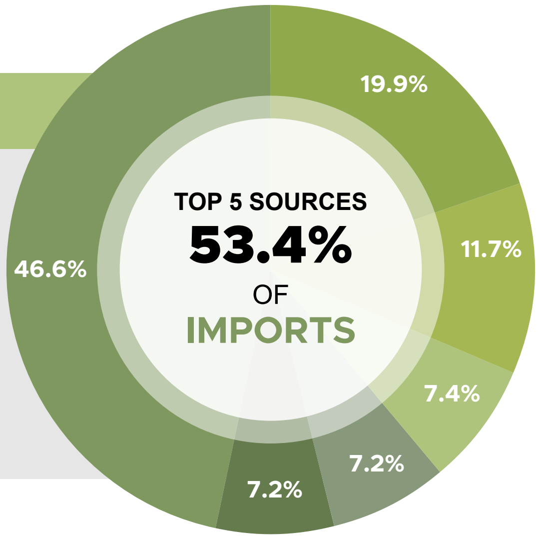
SINGAPORE 13.9%	PRC 13.9%	US 9.1%
HONG KONG 7.5%	JAPAN 6.9%	OTHERS 48.7%



IN 2018, IMPORTS REGISTERED A TOTAL OF **RM877.76 billion**

TOP FIVE IMPORT SOURCES

PRC 19.9%	SINGAPORE 11.7%	US 7.4%
TAIWAN 7.2%	JAPAN 7.2%	OTHERS 46.6%



EXPORTS

Exports of manufactured goods in 2018 grew by 9.1% to RM835.61 billion (2017: RM765.86 billion) which made up for a larger share of total exports at 83.7% (2017: 81.9%). Electrical and electronic (E&E) products held the largest share of Malaysia's exports composition, at 38.1% and increased by 11% to reach RM380.82 billion. Other manufactured products that contributed to the growth in exports for 2018 include petroleum product, chemicals and chemical products, manufactures of metal, machinery, equipment and parts as well as optical and scientific equipment.

Similarly, exports of mining goods rose by 7.2% to RM87.74 billion (2017: RM81.84 billion). This sector accounted 8.8% share of total exports in 2018. Exports of crude petroleum increased by 29.8% to RM36.67 billion contributed by higher Average Unit Value (AUV) and volume. However, exports of Liquefied Natural Gas (LNG) contracted by 3.1% to RM40.14 billion.

Meanwhile, exports of agriculture goods contracted by 14.2% to RM67.01 billion (2017: RM78.07 billion) and accounted for 6.7% of total exports in 2018. Exports of palm oil and palm oil-based agriculture products declined by 17.3% to RM44.70 billion, mainly due to lower exports of palm oil, on account of lower AUV in tandem with lower global prices despite higher export volume.

IMPORTS

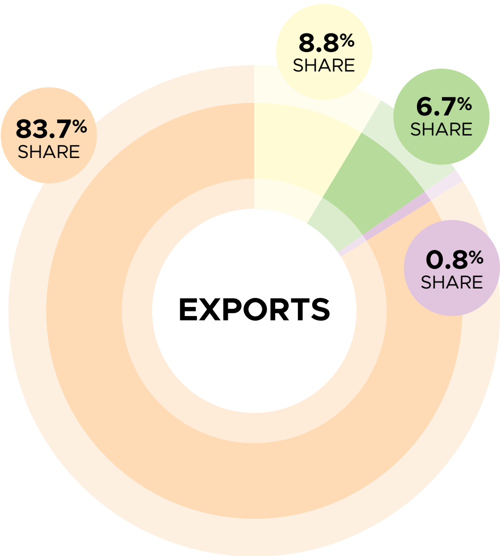
In 2018, total imports increased by 4.9% to RM877.76 billion (2017: RM836.42 billion). Intermediate goods, capital goods and consumption goods accounted for 73.5% of total imports. The imports of intermediate goods amounted to RM460.19 billion or 52.4% of total imports, a decrease of 3.9% from 2017. This is a result of lower imports of electrical machinery, equipment and parts.

Meanwhile, imports of capital goods were at RM111.8 billion or 12.7% of total imports, decreased by 3.3%, mainly due to lower imports of parts for machinery and mechanical appliances. Total imports of consumption goods were at RM72.78 billion or 8.3% of total imports, which increased by 2.5%, as a result of higher imports of goods which included costume jewellery, pharmaceutical products as well as edible preparations.

Imports of manufactured goods accounted for 87% of Malaysia's total imports in 2018 (2017: 87.2%). Major imports of manufactured goods in 2018 were E&E products followed by petroleum products, chemicals and chemical products, machinery, equipment and parts as well as manufactures of metal. These five product categories accounted for 62.7% of total imports in 2018 (2017: 62.7%).

EXHIBIT 2.2

MANUFACTURED GOODS CONTINUED TO DOMINATE EXPORTS AND IMPORTS

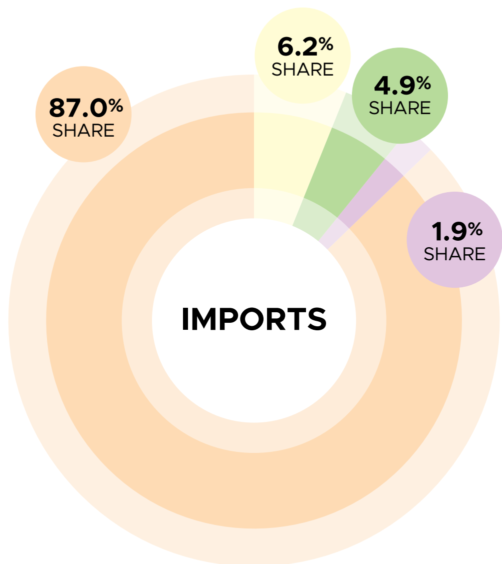


9.1%
MANUFACTURED GOODS
RM835.61 billion

7.2%
MINING GOODS
RM87.74 billion

14.2%
AGRICULTURE GOODS
RM67.01 billion

13.6%
OTHERS
RM7.92 billion



4.7%
MANUFACTURED GOODS
RM763.24 billion

24.2%
MINING GOODS
RM54.73 billion

5.4%
AGRICULTURE GOODS
RM42.93 billion

6.0%
OTHERS
RM16.86 billion

BOX ARTICLE 2.1

MATRADE'S EXPORT PROMOTION PROGRAMMES

In 2018, MATRADE undertook various types of export promotion programmes, which was aimed at facilitating business engagement between Malaysian exporters and foreign buyers. These programmes were designed at championing high value exports (E&E, oil and gas (O&G) and aerospace industry), and to continue expanding Malaysia's global footprint into growing markets such as ASEAN, China and India. Throughout 2018, a total of 96 export promotion programmes were implemented including participation in Trade Fairs, Export Acceleration Missions (EAM) and Business Missions.

MATRADE coordinated Malaysian companies' participation during these programmes and organised pre-arranged business meetings with potential foreign buyers. Among events organised were the National Pavilion at Offshore Technology Conference (O&G) and China – ASEAN Expo (mixed sector), EAM on the Malaysia Aerospace Industry in conjunction with the Farnborough International Airshow as well as Business Mission to Pontianak, Kalimantan (mixed sector).

MATRADE's International Sourcing Programmes (INSP) were organised in-conjunction with major international trade events held in Malaysia such as the MOGSEC (O&G), SEMICON SEA (E&E), Association of Private Hospitals Malaysia (APHM) International Healthcare Conference and Exhibition (healthcare products & services) and the Malaysian International Furniture Fair (MIFF) and Export Furniture Exhibition (EFE) (furniture). Through MATRADE's overseas network, potential buyers were identified and matched with Malaysian exporters. These initiatives proved to be another cost effective promotion that allowed Malaysian companies to meet with foreign buyers without having to travel overseas.

In 2018, MATRADE organised two iconic trade events in Malaysia namely The Malaysia International Halal Showcase (MIHAS) and Kuala Lumpur International Aerospace Business Convention (KLIABC). The 15th edition of MIHAS successfully strengthened Malaysia's position as a global hub for Islamic economy and became the world's leading platform for sourcing halal products and services. The 3rd edition of KLIABC marked a significant achievement for the Malaysian aerospace industry in gaining the position as the region's largest business-to-business meeting platform for the aerospace industry.

MIHAS 2018 attracted a total of 778 exhibitors from 33 countries and a total of 21,000 visitors from 72 countries participated in the exhibition. Among concurrent events organised during MIHAS were INSP, hosted buyer programme, trade talks, seminars and conferences. These events were organised in partnership with various organisations such as Bioeconomy Corporation, Association of Islamic Banks Institution (AIBIM), Majlis Amanah Rakyat (MARA) and Universiti Malaysia Pahang.

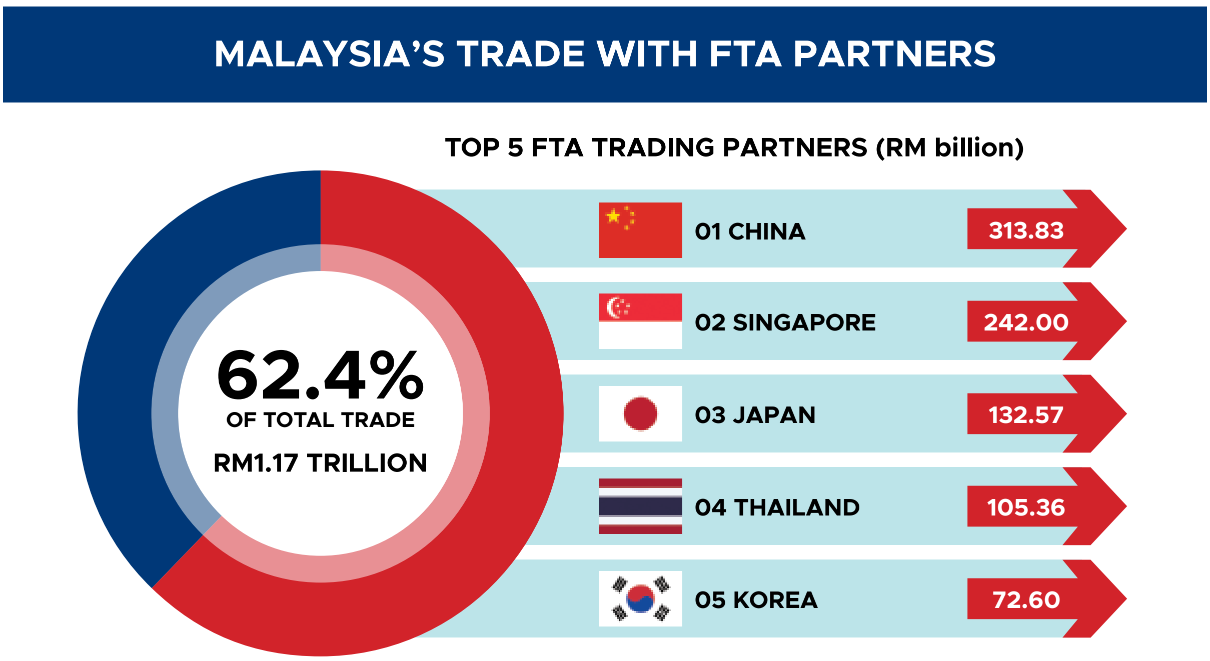
In recognition as being one of the key aerospace events in South East Asia, the KLIABC is the strategic avenue to support Malaysia's aspiration to be the major player in the aerospace sector in Asia Pacific region. This will subsequently open more doors for Malaysian companies to capitalize on the huge global demand. Approximately 500 participants attended the one-day conference, while 57 foreign buyers were identified and matched with 32 Malaysian aerospace companies. Some Malaysian companies have successfully concluded their business negotiation during the events.

FREE TRADE AGREEMENTS

FREE TRADE AGREEMENTS CURRENTLY IN FORCE

Malaysia has signed fifteen Free Trade Agreements (FTA), of which seven are bilateral agreements and the remaining eight are regional FTAs. All seven bilateral FTAs (Australia, Chile, India, Japan, New Zealand, Pakistan and Turkey) have been implemented and entered into force. Amongst the eight regional FTAs that have been signed by Malaysia, six have entered into force through the Association of Southeast Asia Nations (ASEAN) FTAs with PRC, Japan, South Korea, India, Australia and New Zealand. Meanwhile, the ASEAN-Hong Kong FTA is undergoing the final ratification process in order for the Agreement to enter into force. Malaysia has also signed the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP), however, the Agreement has not entered into force in Malaysia as it has not been ratified.

EXHIBIT 2.3
TRADE PERFORMANCE WITH FTA PARTNERS



As a country that is highly dependent on trade, involvement of Malaysia in FTAs is important in pursuing national trade and investment agenda. FTAs play an important role especially in attracting Foreign Direct Investments (FDI) as well as increasing exports through preferential market access. More than 62.4% of Malaysia's total trade for 2018 was contributed by FTA partners, boosted by growing trade activities and outsourcing activities. The total trade between Malaysia and FTA partners registered an expansion of 4.2% to RM1.17 trillion (2017:RM1.12 trillion). Total exports accounted for RM615.57 billion in 2018 (2017: RM589.40 billion) while total imports were at RM555.75 billion (2017: RM535.19 billion).

ASEAN Member States (AMS) and ASEAN Plus One FTA partners remained as Malaysia's most important trading partners for ten consecutive years since 2009. The total trade between PRC and Malaysia edged up to RM313.83 billion with an increase of 8.1% from the previous year (2017: RM290.40 billion). This accounted for more than 16.7% share of Malaysia's total trade in 2018.

Similarly, the total trade between Malaysia and the Republic of Korea (ROK) was another notable achievement as it expanded to RM72.60 billion in 2018 (2017: RM67.71 billion). The surge in export value became the main driver of improvement in the total trade as it recorded an increase of 17.8% to RM33.68 billion (2017: RM28.59 billion). The expansions were mainly contributed by exports of E&E products.

As ASEAN continues to grow into an important destination for business, trade and investment, Malaysian exporters have been quick to expand their business and investments in neighbouring ASEAN countries. Exports to ASEAN expanded by 5.1% to RM285.37 billion in 2018 (2017: RM271.64 billion). The growth has been supported by the expansion of exports to Singapore, Thailand, Vietnam, the Philippines and Cambodia that accounted for 87.1% of Malaysia's exports to the region. Manufactured goods accounted for a large share of Malaysia's total exports. Expansion of this sector was contributed by higher exports of E&E products, crude petroleum, manufactures of metal, chemicals and chemical products, transport equipment as well as iron and steel products.

BOX ARTICLE 2.2

ASEAN ECONOMIC COMMUNITY – CHAIRMANSHIP OF ASEAN IN 2018

Singapore, as the Chair of ASEAN in 2018, had set the overall theme as "Resilient and Innovative." The priority economic deliverables under the following five (5) key thrusts were achieved by ASEAN:

- **Key Thrust 1: Promote Innovation & eCommerce Flows**
  - **ASEAN Agreement on Electronic Commerce:** The Agreement was endorsed at the 50th AEM Meeting and signed at the sidelines of the 33rd ASEAN Summit in November 2018.
  - **ASEAN Digital Integration Framework (DIF):** The Framework was adopted at the 50th AEM Meeting and endorsed at the 17th AEC Council Meeting in November 2018.

- **Key Thrust 2: Improving Trade Facilitation in ASEAN**
  - **Realising the ASEAN-Wide Self Certification (AWSC):** The First Protocol to amend the ATIGA to allow for the implementation of the AWSC was signed at the AEM-32nd AFTA Council, and ad-referendum by Cambodia, Thailand and Vietnam.
  - **Realising the ASEAN Single Window (ASW):** The ASW entered the "live" operation phase on 1 January 2018 among the five exchange-ready AMS (Indonesia, Malaysia, Singapore, Thailand and Vietnam), via the exchange of electronic ATIGA Form D (e-ATIGA Form D). The remaining AMS are planning to join the ASW and also the inclusion of other documentation.
  - **Pathfinder on ASEAN-Wide Mutual Recognition Arrangement (MRA) for Authorised Economic Operator (AEO) Programmes:** A study group to determine the feasibility of the implementation of an ASEAN AEO-MRA has been established under the Customs Procedures and Trade Facilitation Working Group (CPTFWG).

- **Key Thrust 3: Deepening Services & Investment Integration**
  - Protocol to implement the 10th Package of Commitments under the ASEAN Framework Agreement on Services (AFAS): This protocol was signed at the 50th AEM Meeting that was held on 26 August to 1 September 2018.
  - Conclusion & signing of the ASEAN Trade in Services Agreement (ATISA): Negotiations on the ATISA have been concluded and AMS will undertake domestic processes to target for the signing of the ATISA at the 25th AEM Retreat in 2019.

- **Enhancing the ASEAN Comprehensive Investment Agreement (ACIA):** The AEM 21st ASEAN Investment Area (AIA) Council endorsed the agreement to transition the ACIA reservation lists to two-annex negative lists and noted that the transition shall be completed by end-2023. The Two-Annex Negative List Provides investors with greater clarity on the nature and extent of non-conforming measures reserved by the State. Negotiations on the Fourth Protocol to Amend the ACIA have been finalised. The ASEAN Member States will thereafter undertake domestic processes to target for the signing of the Fourth Protocol to Amend the ACIA at the 25th AEM Retreat in April 2019.
- **ASEAN Declaration on Cruise Tourism:** The Declaration was adopted by the ASEAN Tourism Ministers on 25 January 2018.

- **Key Thrust 4: Cultivating a Conducive Regulatory Environment**

  - **Enhancing Liquefied Natural Gas (LNG) Cooperation & Trade in ASEAN:** The "Gas Advocacy White Paper" was completed and recommendations were endorsed by the 36th ASEAN Ministers on Energy Meeting (AMEM) in October 2018.
  - **Signing the Memorandum of Understanding (MOU) with the International Renewable Energy Agency (IRENA):** The MOU was signed by the ASEAN Secretary-General on behalf of ASEAN and the IRENA Director General at the 36th AMEM in October 2018.
  - **Developing the ASEAN Green Building Code:** The key recommendations of the study towards the development of green building codes for ASEAN were endorsed by the 36th AMEM in October 2018.
  - **Establish Framework for Capacity Building Hub for Energy:** The Capacity Building Roadmap on Energy Investments and Financing for ASEAN was endorsed at the 36th AMEM in October 2018.

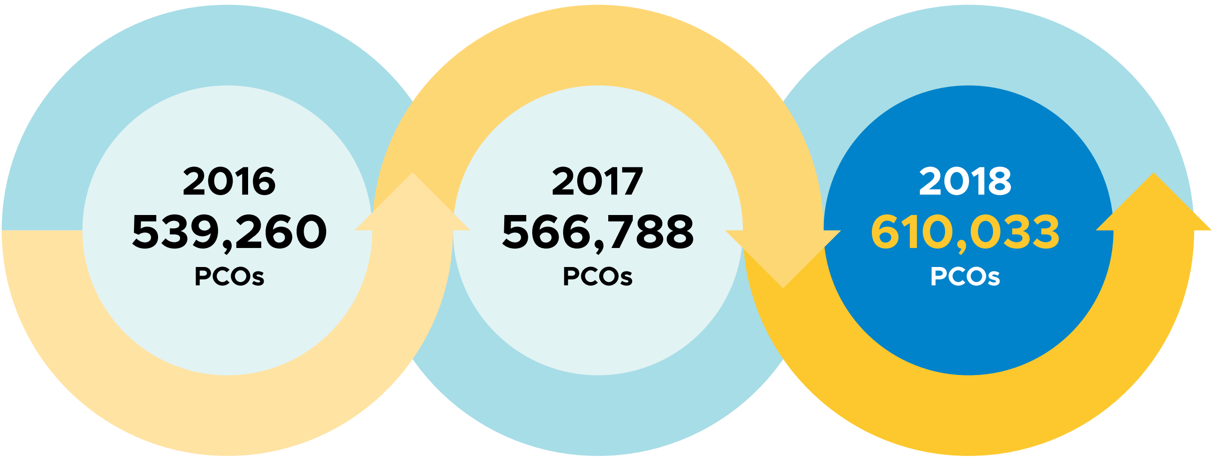
- **Key Thrust 5: Progressing ASEAN's External Relations**

  - The Regional Comprehensive Economic Partnership (RCEP) negotiations made substantial progress in 2018. All AMS's Ministers have expressed their commitment to conclude a modern, comprehensive, high quality and mutually beneficial RCEP. Seven Chapters, namely the Economic and Technical Cooperation; Small and Medium Enterprises; Customs Procedures and Trade Facilitation; Government Procurement; Institutional Provisions; Sanitary and Phytosanitary Measures; and Standards, Technical Regulations; and Conformity Assessment Procedures were concluded by end of 2018. Meanwhile, enhancement of the ASEAN+1 free trade agreements (FTAs) continued, along with the deepening of economic partnerships with Dialogue Partners and other entities.

Preferential Certificates of Origin

The impact of an FTA can be evaluated to some extent through the issuance of Preferential Certificates of Origin (PCO). A PCO verifies that goods of a certain origin are qualified to enjoy preferential treatment as provided under the specific FTAs. The issuance of PCO recorded an increase of 7.1% to 610,033 PCOs in 2018 (2017: 566,778).

EXHIBIT 2.4
NUMBER OF PCO ISSUED, 2016 - 2018



Source: Dagang Net

The scheme that issued the highest number of PCOs was the ASEAN Trade in Goods Agreement (ATIGA) where 236,446 PCOs were issued in 2018, an increase of 3.3% from the previous year (2017: 228,833). The ASEAN-China FTA (ACFTA) scheme remains the second highest at 105,133 PCOs followed by ASEAN - Australia, New Zealand FTA (AANZFTA) (61,069), ASEAN-Korea FTA (AKFTA) (47,489), Malaysia-Japan Economic Partnership Agreement (MJEPA) (42,833) and ASEAN-India FTA (AIFTA) (36,727). The main products that contributed to the growth of utilisation of PCOs include crude oil, E&E products, cocoa butter, fat and oil as well as gloves.

In addition to the above top five schemes, most schemes have also shown an increase in the number of PCOs issued, including schemes under Malaysia-New Zealand FTA (MNZFTA), Malaysia-Chile FTA (MCFTA) and Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA).

Despite the growth in economic activity in most of the implemented FTAs, there were also several schemes that showed a decline in the number of PCOs issued. The schemes that recorded a slowdown in trading activities include the Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA), Malaysia-Australia FTA (MAFTA) and Malaysia-Turkey FTA (MTFTA). The decline in the number of PCOs issued under these schemes can be attributed to the shift by exporters towards ASEAN Plus One FTA schemes.

Updates on Free Trade Agreement Negotiations

The Regional Comprehensive Economic Partnership

Since May 2013, a total of 24 Regional Comprehensive Economic Partnership (RCEP) negotiating rounds, six RCEP ministerial meetings and two Leaders' Summits have been held. In 2018, the last Ministerial Meeting which was the 6th RCEP Ministerial Meeting was held on 30 to 31 August 2018 in Singapore, while the 24th RCEP Trade Negotiating Committee Meeting was held from 21 to 27 October 2018 in Auckland, New Zealand. The second series of Leaders' Summit or the 2nd RCEP Summit was held in Singapore on 14 November 2018. After the 2nd RCEP Summit, a total of seven chapters have been finalised namely Customs Procedure and Trade Facilitation (CPTF); Economic and Technical Cooperation (ECOTECH), Small and Medium Enterprises (SME); Institutional Provisions; Government Procurement; Standards, Technical Regulations and Conformity Assessment Procedures (STRACAP); and Sanitary & Phytosanitary (SPS). Other chapters nearing conclusion include Financial Services and Competition.

Malaysia-Turkey Free Trade Agreement

The Malaysia-Turkey Free Trade Agreement (MTFTA) entered into force in 2015, and since then, trade performance between Malaysia and Turkey has increased. The bilateral trade between both countries expanded from RM5.61 billion in 2015 to RM11.99 billion in 2017. Despite the expansion of trade performance over the years, the total trade in 2018 eased to RM9.79 billion which recorded a contraction of 18.4% as compared to the previous year (2017:RM11.99 billion).

Following the decision of the 1st Joint Committee Meeting of MTFTA, the first round of negotiations was held on 13 to 14 March 2018 in Kuala Lumpur which included three new chapters, namely Services, Investment and eCommerce. The second round of negotiations convened from 2 to 4 October 2018 in Ankara, Turkey to discuss the draft texts for all three chapters. Both Parties agreed to continue working closely to expedite the negotiations as MTFTA has the potential of contributing significantly towards enhancing Malaysia-Turkey strategic economic relations.

Malaysia-Chile Free Trade Agreement

The Malaysia-Chile Free Trade Agreement (MCFTA) is the first bilateral FTA between Malaysia and a Latin American country that was signed in November 2010 and entered into force in February 2012. The implementation of MCFTA projected an expansion of bilateral trade that accounted for an increase from RM1.07 billion in 2012 to RM1.32 billion in 2018. In terms of exports, the value increased by 92.6% from RM421.29 million to RM811.38 million in the last seven years. Meanwhile, imports from Chile recorded a marginal decrease from RM646.70 million in 2012 to RM505.27 million in 2018.

The 1st Joint Committee Meeting held in Santiago on 12 to 13 November 2018 concluded several agenda items related to Trade in Goods, Rules of Origin (ROO) and Dispute Settlement Mechanism. The committee further established new areas of interest for both countries such as eCommerce and environment. As a way forward, Malaysia and Chile agreed that FTA is the best platform to enhance trade and address any outstanding issues.

ASEAN-Hong Kong Free Trade Agreement

The ASEAN-Hong Kong Free Trade Agreement (AHKFTA) and ASEAN-Hong Kong Investment Agreement (AHKIA) were signed on 12 November 2017 at the sidelines of the 31st ASEAN Summit in Manila, the Philippines. All parties have signed the AHKFTA and AHKIA on 28 March 2018 and 18 May 2018, respectively. The parties are in progress to ratify the Agreements which are expected to enter into force by mid-2019.

Hong Kong is ASEAN's sixth largest trading partner, with total merchandise trade of USD107 billion (RM460.14 billion) in 2017, which is an increase of 14.7% as compared to 2016 of USD93.3 billion (RM387 billion), and also represents 4.2% of ASEAN's total trade. Total FDI flows from Hong Kong into ASEAN amounted to USD7.7 billion (RM33.1 billion) or 5.7% of total FDI into ASEAN in 2017. With the AHKFTA and AHKIA being in place, trade and investment flows between ASEAN and Hong Kong will be greatly amplified and business opportunities will continue to flourish between the parties. The implementation of the AHKFTA and AHKIA is crucial in fostering greater economic integration and stimulate the development in ASEAN.

Comprehensive and Progressive Agreement for Trans Pacific Partnership

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was signed on 8 March 2018 by the remaining eleven Trans-Pacific Partnership Agreement (TPPA) countries, namely Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam. The CPTPP is a separate treaty that incorporated the provisions of the previous TPPA agreement with an exclusion of several provisions.

Seven countries (Mexico, Canada, Australia, New Zealand, Japan, Singapore and Vietnam) have ratified the CPTPP in 2018 which allowed the Agreement to enter into force on 30 December 2018.

CURRENT TRADE PRACTICES

Measures Related to Malaysia-Trade Remedies

Trade remedy measures are available in the form of anti-dumping, countervailing and safeguard measures. These measures may be imposed to remedy unfair trade practices based on evidence that the domestic industry has suffered or is threatened to suffer injury. Amongst others, injuries suffered by the domestic industry players may be in terms of pricing of the product, decrease in volume of sales, reduced profitability and loss in market share.

In Malaysia, trade remedy measures are implemented in accordance with the domestic laws and regulations, namely the Countervailing and Anti-Dumping Duties Act 1993, Countervailing and Anti-Dumping Duties Regulations 1994, Safeguards Act 2006 and the Safeguards Regulations 2007. These legislations reflect the provisions of the World Trade Organization (WTO) Agreements on implementation of Article VI of the General Agreement on Tariffs and Trade 1994 as well as the Agreement on Safeguards.

Two anti-dumping investigations were initiated in 2018. These investigations were administrative reviews on original investigations on steel products. These actions were taken against the PRC, Indonesia, ROK Thailand and Vietnam. Meanwhile, one anti-dumping measure was imposed in 2018 on steel products from the PRC, Chinese Taipei, ROK and Thailand. However, there were no safeguard or countervailing investigations initiated in 2018.

Compliance to Financial Action Task Force's International Standard

MITI has played a vital role in enhancing the implementation of the Strategic Trade Act 2010 (STA 2010) to address terrorist financing threats. Several on-going initiatives have been undertaken together with Bank Negara Malaysia (BNM), Labuan Financial Services Authority (LFSA) and Securities Commission (SC) which correspond to the Recommendation 7 of the Financial Action Task Force (FATF) standard. This FATF recommendation requires member states to implement Targeted Financial Sanctions relating to Proliferation Financing (TFS-PF) made under the United Nations Security Council Resolutions (UNSCRs). An important aspect is to increase awareness and provide guidance to the reporting entities on their obligations in relation to TFS-PF. In April 2018, MITI issued a Directive on the Implementation of TFS-PF under STA 2010, Strategic Trade (United Nations Security Council Resolutions) Regulations 2010 and Strategic Trade (Restricted End-Users and Prohibited End-Users) Order 2010 for compliance to all financial institutions under the jurisdiction of the BNM and LFSA.

The nation has made significant progress in addressing the technical compliance for TFS-PF and is acknowledged to comply with the international standard set by the FATF. Malaysia was upgraded to compliant status from the former partially compliant status at the FATF Plenary Meeting that was held in France on 17 to 19 October 2018. The Strategic Trade Regulations and Orders was also amended to simplify the domestic transposition process with the direct adoption of the United Nations Security Council (UNSC) Consolidated list by referencing the relevant UNSC website. The amendment has enabled

Malaysia to automatically adopt the relevant UNSCRs and apply targeted financial sanctions, without delay. Further amendments have been made to the Strategic Trade Regulations, where obligations apply in relation to all persons in Malaysia including foreign individuals and entities.

Development of Toolkit under Expert Working Group

MITI has been assisting in producing a toolkit for the design and implementation of effective outreach strategies and compliance programmes in preventing proliferation on strategic items. As a member of the Expert Working Group (EWG) under Saferworld, Malaysia adopts best practices as well as conducts continuous efforts in educating and increasing the awareness of industries. At the same time, Malaysia also details essential components and outlines measures to address the challenges encountered by companies in developing and adopting export control compliance programmes. Once the toolkit is finalised, the EWG will focus on the implementation of pilot projects in 2019 starting with the PRC and will be expanded to other participating countries. Eventually, the toolkit project will be extended to all countries, with priority given to countries which have contributed in developing the toolkit.

Trade Facilitation

STA 2010 provides trade facilitation by way of issuing Multiple and Bulk Permits to the Internal Compliance Programme's (ICP) status company. Since the inception of STA 2010, MITI has issued a total of 130 ICP approvals. The ICP status companies may enjoy green lane facility as the validity of the permit is for a period of not exceeding two years. This facility increases clients and importers' confidence when dealing with exports of strategic items. Hence, time and cost may be reduced and it also enhances the credibility of Malaysian exporters. The companies are also allowed to include additional importers to secure business along the way. With export control and compliance elements embedded in the programme, the company demonstrates compliance with the international export control requirements.

Strategic Trade (Strategic Items) (Amendment) Order 2018

The revised Strategic Items List was gazetted and published in October 2018. Malaysia adopted the control list implemented in the European Union (EU). An announcement was made through the MITI Portal and interfaced through other channels accessible by registered companies.

Permit Application

There has been an increase of 13% (1,542 permits) in permit approvals in 2018 as compared to the previous year (1,364 permits). There was an increase of 96% of multiple and bulk permit approvals in 2018 which amounted to 649 permit approvals as compared to 331 permits approved in 2017. To date, there are 130 companies with ICP status, which are entitled to multiple and bulk permit facilities. The increasing number of permits approved and ICP's status companies indicate that more companies are becoming aware of the statutory requirement and the facility accessible to apply for a strategic item permit in accordance with the STA 2010.

CURRENT INVOLVEMENT

Developments at the World Trade Organisation

Trade tensions between major economic powers grew in 2018, raising questions on the credibility and effectiveness of the WTO in administering international trade. As WTO members continue to find ways to move the Doha Round issues, new emerging issues have also been taken into account. These issues include eCommerce; micro, small and medium-sized enterprises (MSMEs); and investment facilitation. In addition, there were also new ideas to reform and modernise the WTO with the aim to enhance the multilateral trading system and improve prospects for global trade.

WTO Reform and Modernisation

The idea for WTO reform was mooted due to the perception that the multilateral trading system has failed to prevent distortive trade practices. Discussions and engagement on WTO reforms and modernisation have gathered significant momentum amongst leaders and ministers. A Trilateral Meeting of the Trade Ministers of EU, Japan and the US was held on 25 September 2018. Ministers shared a common view on the need to reform the WTO and monitoring as well as surveillance. The main discussions were on the proposal to enhance transparency; strengthen notification requirements; and overcome deadlock on the Dispute Settlement Mechanism (DSM).

eCommerce

Participation in the discussion on eCommerce was opened to all Members without prejudice to Members' positions on future negotiations. Several meetings and stock-take sessions were held in 2018, in which members were allowed to submit proposals for the way forward. The Government has placed an important focus on eCommerce, as proven by the adoption of the National eCommerce Strategic Roadmap (NeSR) and the establishment of the Digital Free Trade Zone (DFTZ). Malaysia will continue to be actively involved in the discussions on eCommerce at the WTO to ensure that Malaysia can benefit from the outcome.

Fisheries Subsidies

Members agreed to continue with constructive engagement in fisheries subsidies negotiations with a view to conclude the comprehensive and effective disciplines. This prohibits certain forms of fisheries subsidies that contribute to overcapacity, overfishing and eliminate subsidies that contribute to illegal, unreported and unregulated (IUU) fishing by 2019. The decision also recognizes that appropriate and effective special and differential treatment for developing and least-developed country (LDC) members should be an integral part of the negotiations process.

Members in the Negotiating Group on Rules on Fisheries Subsidies (NGR-FS) have convened a series of intensive discussions in 2018. Thematic discussions and streamlining of draft negotiating documents were held throughout 2018 on subsidies issues relating to:

- fishing capacity;
- overcapacity and overfishing;
- overfished stocks;
- IUU fishing;
- capacity and effort-related subsidies;
- special and differential treatment (S&DT); and
- transparency and institutional arrangements.

Discussions will continue even more rigorously in 2019 to move the negotiations forward and achieve substantial progress by the end of the year. The negotiating documents were streamlined during the November and December 2018 cluster meetings which included text-based discussions on Articles 3.6-3.8 (“Overfished discipline”) and IUU Fishing. MITI together with the Ministry of Agriculture and Department of Fisheries will closely monitor the development of this negotiation to ensure that Malaysia’s interests are protected.

Investment facilitation

Throughout 2018, informal meetings were held to discuss and exchange views on multilateral investment facilitation framework, which aimed to:

- improve transparency and predictability of investment measures;
- streamline administrative rules and procedures;
- enhance stakeholders’ consultation and engagement;
- promote international cooperation, capacity building and technical assistance; and
- benchmarking and exchange of best practices.

The multilateral framework is beneficial for Malaysian companies investing abroad. As such, Malaysia will continue to be involved in future discussions to ensure that Malaysian investors are not negatively affected.

Micro, Small and Medium Enterprises

The Informal Group meeting in March 2018 agreed on a Roadmap based on the objectives set out in the 11th Ministerial Conferences (MC11) Declaration. The meeting will be continued in 2019 with emphasis on four clusters namely; transparency (access to information, information sharing); thematic (exchange of national experiences-best practices); analytical tools (work on data collection) and conceptual (explore the relevance of developing and promoting general principles). Micro, Small and Medium Enterprises (MSME) is an important segment, making up 98.5% of business establishments in Malaysia as reported in the Economic Census 2016. The meeting at the WTO is important to pave the way for Malaysian MSMEs to integrate into the international global value chain.

Trade Policy Review

The Trade Policy Review Mechanism (TPRM) is a transparency mechanism that allows other members to review and submit questions on the trade policies introduced by the member under review. All WTO members must undergo the trade policy review process where the frequency of each country's review varies according to the share of world trade. In 2018, a total of 18 members including Malaysia underwent the review process. Malaysia's Trade Policy Review was held on 14 and 16 February 2018. Malaysia also actively participated in the Trade Policy Reviews of other major trading countries, such as the PRC (11 and 13 July 2018), Hong Kong (26 and 28 November 2018) and the US (17 and 19 December 2018).

WTO Disputes

The WTO procedure for dispute settlement under the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) is central to the effective enforcement of rules to uphold a multilateral trading system that is equitable, secure and predictable. Malaysia in 2018, took full interest as a third party on 12 dispute cases at the WTO, on issues pertaining to intellectual property rights; anti-dumping measures on fish fillets; safeguard measure on imports of crystalline silicon photovoltaic products; and cases relating to steel and aluminium products. Participation as a third party in a dispute case enables a member to gain access to the relevant documents as well to provide written submission for the case.

WTO Capacity Programmes

In 2018, two capacity building programmes were organized in collaboration with the WTO Secretariat in Geneva. The first capacity programme was the National Seminar on WTO Agreement on Subsidies and Countervailing Measures (ASCM) held on 25 to 27 September 2018. The seminar provided exposure to Government officials and enhanced understanding of the ASCM and the disciplines. A total of 100 participants from various Ministries and Agencies attended the programme. The second capacity programme, the National Workshop on WTO and the Multilateral Trading System was held on 21 to 23 November 2018. The programme benefitted 142 participants from the public and private sectors.

APEC 2018: "Harnessing Inclusive Opportunities, Embracing the Digital Future"

Papua New Guinea (PNG) was host of APEC 2018 and organised the 26th APEC Economic Leaders' Meeting (AELM) as well as the 30th APEC Ministerial Meeting (AMM) from 15 to 18 November 2018 in Port Moresby, PNG. APEC PNG 2018 outlined 3 priorities for the hosting year, namely:

- Improving Connectivity, Deepening Regional Economic Integration;
- Promoting Inclusive and Sustainable Growth; and
- Strengthening Inclusive Growth through Structural Reform.

Every year, the hosting economy will produce two consensus-driven documents; such as, the AELM Declaration and AMM Joint Statement. However, in 2018, APEC economies failed to reach consensus, resulting in the host economy PNG issuing two Chair's Statements for the 2018 meetings. The main reason cited for the failure alluded to the escalating trade tensions between the US and PRC, both major APEC economies. In addition, other key differences revolved around the subject of the Multilateral Trading System and reform of the WTO. The majority of APEC economies expressed disappointment over this situation which had affected the consensus of the 2018 AMM Joint Statement and the AELM Declaration. If trade tensions between the US and PRC continues, it is a concern that this dispute would affect the overall collaboration amongst APEC Economies, as well as the implementation of future APEC programmes and initiatives.

In 2018, Malaysia continued active participation in APEC discussions to promote free and open trade and investment to deepen regional economic integration in the Asia-Pacific region. Towards this aim, biannual review of the overarching Bogor Goals identified good progress for liberalisation of goods and services, despite the challenging global trade scenario and slower economic growth outlook. Discussions have focused on areas of addressing emerging opportunities and challenges of the internet and digital economy; as well as enhancing opportunities to integrate into the Global Value Chains (GVCs). In addition, discussions also focused on SMEs and Women, including development of relevant and supporting statistical data. Initial discussions were also held on non-traditional aspects of trade and investment, including the environment, circular economy and improvement of domestic regulations. The issue of the long-term goal of a Free Trade Area of the Asia-Pacific (FTAAP) was deliberated upon, emphasising the aim of ensuring that trade benefits and prosperity will be inclusive and shared across all segments of society in all APEC economies.

BOX ARTICLE 2.3

GEARING UP FOR APEC 2020

The APEC Economic Leaders' Meeting in 2013 officially recognised Malaysia as the host for the APEC Economic Leaders' Meeting in 2020. This would be the second round that Malaysia will be hosting the APEC Economic Leaders' Meeting since the last meeting held in 1998 in Kuala Lumpur. The preparation for the hosting of APEC 2020 is being operationalised by the newly established APEC 2020 National Secretariat which commenced in February 2018. The Secretariat was set up in MITI based on the main functions of the APEC hosting year and will be the National APEC focal point reporting to the National Organising Committee (NOC) for APEC 2020. The NOC is chaired by the Minister of International Trade and Industry and consists of high level officials from various ministries and agencies. The committee also includes representatives from the APEC Business Advisory Council and selected ad-hoc members. The main task of the NOC is to oversee and provide guidance on the preparations towards APEC 2020.

A total of 15 technical level Working Committees comprising members from related ministries and agencies was set up to execute tasks in order to support the sizeable scale of hosting arrangements. These Working Committees are guided by the National Secretariat and report to the Secretary General of MITI on a bi-monthly basis. In 2018, the planning for the hosting began with numerous meetings, engagements and workshops carried out with the relevant stakeholders and policy makers from public and private sectors, as well as academia and civil society organisations. Among the engagements and workshops held were:

- Public consultation: Framework for the Hosting of APEC 2020;
- Networking session between Ministries / Agencies and Hoteliers;
- APEC Capacity Building Workshop-Supporting Malaysia's 2020 Host Year in collaboration with the US-APEC Technical Assistance to Advance Regional Integration (US-ATAARI); and
- APEC Communications Coordination Workshop: Malaysia 2020 Host Year in collaboration with the APEC Secretariat.

As the conclusion of Bogor Goals in year 2020 approaches, being host for APEC 2020 has provided Malaysia with the added opportunity and responsibility in leading the way for APEC's agenda post-2020. Domestic consultations conducted in 2018 have provided a good foundation to assess the achievements of APEC in the past 30 years. In addition, gaps that need to be addressed will be identified to support the overall objective of APEC.

World Economic Forum on ASEAN 2018

The World Economic Forum (WEF) on ASEAN 2018 was held on 11 to 13 September 2018 in Hanoi, Vietnam and was attended by the Minister of International Trade and Industry. As panellist in two sessions, the Minister shared Malaysia's experiences and initiatives in driving regional economic integration and facilitating trade and investment, as well as suggestions on the on-going trade tensions between PRC and the US. The Minister met with global companies attending the forum namely Google, IBM, Agility, Catcha, Nissan and Shire.

In addition, the Minister also met with the Minister of Development Strategies and International Trade of Sri Lanka to discuss progress on the proposed Malaysia-Sri Lanka FTA and agreed to enhance bilateral cooperation between the two countries in the investment sector. Overall, the Minister's participation in the Forum assured the global business community, especially from the ASEAN countries and dialogue partners, of Malaysia's commitment in making the nation as the preferred destination for trade and investment.

Commonwealth Senior Trade Officials Meeting 2018

The Commonwealth Connectivity Agenda on Trade and Investment (CCA) is the first trade and investment-related agenda adopted by the Commonwealth at the Commonwealth Heads of Government Meeting (CHOGM) 2018 held on 16 to 18 April 2018 in London. The Agenda aims to increase intra-Commonwealth trade to USD2 trillion by 2030 and mandated the Commonwealth Secretariat to develop an Action Plan to realize the CCA. The first Senior Trade Officials Meeting (STOM) was convened on 28 to 29 June 2018 in London to discuss how to operationalise the CCA.

The STOM agreed on the cluster-based working plan which encompasses a group of 5 clusters where Commonwealth Members can collaborate through experience sharing and voluntary mutual support. The first cluster namely physical connectivity will be led by Gambia, while the second cluster on digital connectivity will be led by the United Kingdom and South Africa. The third cluster on regulatory connectivity will be led by Barbados and New Zealand, the fourth cluster on business to business connectivity will be led by Bangladesh and the fifth cluster on supply-side connectivity will be led by Vanuatu.

Bilateral Relations

PHILIPPINES

MITI had undertaken the Malaysia Promotion Programme (MPP) 2018 held on 11 to18 March 2018, in Manila, Philippines. The MPP was jointly organised by MITI, MATRADE, MIDA, Tourism Malaysia and the Construction Industry Development Board (CIDB). The programme served as a platform to strengthen the brand of Malaysia in the Philippines and to promote Malaysia as a preferred partner for sourcing, trade, investments, tourism destination and a gateway to ASEAN. The MPP showcased the best of Malaysian food, culture and the country's construction services providers and building materials suppliers through the three activities lined up to promote the "Malaysia" brand, namely the Citarasa Malaysia, Malaysia Business Forum and Worldbex Exhibition.

INDONESIA

The Minister of International Trade and Industry undertook a Working Visit to Jakarta, Indonesia from 10 to 12 August 2018. This working visit was an opportunity to get acquainted with the Indonesian counterparts and was also part of an on-going effort to strengthen bilateral trade and investment ties between both countries. The working visit enabled the Ministry to follow up on issues and discussions raised during the official visit of the Prime Minister of Malaysia, to Jakarta in June 2018.

During the working visit, the Minister met the Minister of Trade and the Minister of Villages, Disadvantaged Regions and Transmigration cum Minister-in-charge of Malaysia's Investment and Business Issues in Indonesia. A meeting was held with the Council of Palm Oil Producing Countries (CPOPC) and the Indonesian Chamber of Commerce and Industry (Kamar Dagang dan Industri Indonesia - KADIN) to discuss relevant issues concerning trade of palm oil, particularly on market access for palm oil and palm oil-based products to the EU. The Minister also met the Investment Coordinating Board of the Republic of Indonesia (Badan Koordinasi Penanaman Modal - BKPM) to explore potential future collaboration to facilitate and boost cross investment flows between both countries.

The Minister also witnessed the exchange of the Memorandum of Agreement (MoA) between the Malaysia Automotive, Robotics and IoT Institute (MARii) and Indonesia Automotive Institute (Institut Otomotif Indonesia - IOI). The MOA facilitates cooperation in technology, knowledge and expertise to encourage growth in automotive manufacturing as well as export of parts and components. In addition, the MOA also aims to further enhance the capabilities of the automotive industry in both countries.

THAILAND

The Minister of International Trade and Industry undertook a Working Visit to Bangkok, Thailand from 6 to 8 September 2018. During the working visit, the Minister had meetings with the Malaysia-Thailand Chamber of Commerce, the Federation of Thai Industries and potential Thai investors to explore and discuss potential future collaboration on trade and investments. The Minister also paid a courtesy call on the Minister of Commerce Thailand to discuss ways to further increase bilateral trade and investment cooperation between both countries.

SINGAPORE

The Minister of International Trade and Industry undertook a working visit to Singapore on 27 August to 1 September 2018 at the sidelines of the 50th ASEAN Economic Ministers' (AEM) Meeting. During the Working Visit, the Minister had a meeting with the Minister for Trade and Industry and other government officials to exchange views on the bilateral economic relations between Malaysia and Singapore. The Minister was interviewed by CNBC Asia and shared his views on the global economic situation and the ASEAN region. He also had a discussion with representatives from the various business chambers in Singapore and visited the Singapore Agency for Science, Technology and Research (A*STAR).

The Deputy Minister of International Trade and Industry had a working visit to Singapore on 28 to 30 November 2018. During the working visit, the Deputy Minister met the Minister of Trade and Industry and other counterparts including the Senior Minister of State and the Senior Parliamentary Secretary Ministry of Trade and Industry of Singapore. The Deputy Minister also had an interview session with CNBC Asia and discussed current issues including the trade war and impact on ASEAN.

EAST ASIA

Many engagements and programmes with the PRC were implemented throughout 2018. One of the significant engagements was participation in the Third Silk Road International Expo (SRIE) in Xi'an, Shaanxi Province from 11 to 15 May 2018. Malaysia was selected as the Guest Country of Honour for the event. This effort was aimed at enabling Malaysian companies to tap into the business opportunities along the Silk Route. MATRADE coordinated the participation of 40 companies and agencies from Malaysia in SRIE which generated total sales amounting to RM331.42 million.

The Minister of International Trade and Industry accompanied the Prime Minister of Malaysia from 17 to 21 August 2018 for an official visit to the PRC at the invitation of the Premier of the State Council of the PRC. The visit set new strategic pillars to invigorate future cooperation between the two countries, especially in the political, trade, investment, agriculture, technology and regional security realms. Following an effort to boost digital economy, the Prime Minister visited the Alibaba Group Corporate Headquarters in Hangzhou. As part of supporting the Proton-Geely collaboration, the Prime Minister also visited the Zhejiang Geely Holding Group in Beijing.

The China International Import Expo (CIIE) was held in 2018 upon the announcement by the President of China. The Expo was a significant move for the PRC government to show support for trade liberalisation and opening up the Chinese market to the world. The CIIE facilitated countries and regions from all over the world to strengthen economic cooperation and trade besides promoting global trade and economic growth. The Minister of International Trade and Industry led a delegation of 80 Malaysian companies to the CIIE 2018 from 4 to 5 November 2018 which was coordinated by MATRADE in collaboration with the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and the Malaysia-China Chamber of Commerce (MCCC). Malaysia showcased high-end products and services as well as promoted the country as a preferred investment destination and trading partner.

The Minister led a Trade and Investment Mission to Tokyo and Osaka, Japan from 14 to 17 October 2018. The mission was joined by 91 delegates including several state EXCO members and state government agencies. The Minister also had a bilateral meeting with the Minister of Economic, Trade and Industry (METI). During the mission, two seminars on business opportunities were held in Tokyo and Osaka on 15 and 17 October 2018, respectively.

In addition, a total of 203 individual business meetings were arranged in Tokyo and 125 business meetings in Osaka. In Tokyo, the potential investments generated from the engagements totalled RM1.08 billion, mainly concentrated in the petrochemical industry, logistics and medical devices. Meanwhile, in Osaka, the potential investments and potential exports were worth RM1.05 billion and RM33 million respectively. These potential investments were mainly concentrated in the electrical and electronics industry while potential trade was mainly in furniture, household products and ‘do it yourself’ products. This mission was an important annual engagement for the Government to continue enhancing bilateral economic and trade relations between Malaysia and Japan. The meetings and business matching sessions with the Japanese companies provided a great opportunity for Malaysia to learn new industrial and technology developments in sectors such as automotive, artificial intelligence, robotics and aerospace in Japan.

The Minister also led a Trade & Investment Mission to Seoul, Republic of Korea from 18 to 20 October 2018 with 54 delegates including state EXCO members and state government agencies. During the mission, the Minister had a bilateral meeting with the Vice Minister for Ministry of Trade, Industry and Energy. Several issues were discussed during the meeting including bilateral economic cooperation, potential cooperation under the Look East Policy 2.0, the halal industry as well as high-end technology sectors.

A seminar on Business Opportunities in Malaysia was held on 19 October 2018, attended by 371 Korean participants. A total of 137 business meetings were arranged in Seoul with potential investments generated totalling RM711.4 million. These investments were mainly concentrated in speciality chemicals, electrical and electronics and household appliances. The potential sales generated from this mission totalled RM1 billion.

WEST ASIA

The Minister accompanied the Deputy Prime Minister on the official visit to Doha, Qatar from 25 to 27 November 2018. Subsequently, in December 2018, the Emir of Qatar visited Malaysia and co-chaired a bilateral summit together with the Prime Minister. Both visits focused on areas of collaboration between Malaysia and Qatar. Meanwhile, to foster stronger trade relations between Malaysia and the Kingdom of Bahrain, the Asian Strategy & Leadership Institute (ASLI) and the Bahrain Chamber of Commerce & Industry (BCCI) signed a Memorandum of Understanding (MoU) on the establishment of Malaysia-Bahrain Economic Cooperation Chamber (MBECC) on 28 August 2018 in Kuala Lumpur.

SOUTH ASIA

On 20 to 21 November 2018, the Prime Minister of Pakistan undertook an official visit to Malaysia to learn about Malaysia's best practice in battling corruption and how Malaysia strengthened the economy. The Prime Minister of Pakistan had a bilateral meeting with the Prime Minister of Malaysia and discussed bilateral, regional and international issues of mutual interest. Both leaders agreed to strengthen bilateral economic ties and expand bilateral trade and investment. The Minister and his counterpart from India held a bilateral meeting at the sidelines of the ASEAN Economic Ministers Meeting in Singapore on 31 August 2018 to discuss bilateral trade and economy cooperation.

NORTH AMERICA

The Minister, Deputy Minister and MITI officials had notable engagements with key members of the American business groups including the American-Malaysia Chamber of Commerce, US Chamber of Commerce and US-ASEAN Business Council. Meetings were also held with the US Ambassador to Malaysia as well as the officials from the White House, US Trade Representative, US Department of Commerce and US Treasury. There were also engagements with the Canadian High Commissioner to Malaysia, Canadian Parliamentary members and officials from British Columbia Ministry of Jobs, Trade and Technology.

EUROPEAN UNION

The Secretary General of MITI led a trade and investment mission to Europe on 5 to 9 November 2018 to three cities namely Munich, Germany; Paris, France; and Milan, Italy. The focus was to promote electrical and electronics (E&E), machinery and equipment, automotive, aerospace, Halal products and to learn of development and application of Industry 4.0 elements in the manufacturing sector. Sourcing of sustainable palm oil from Malaysia was also encouraged during business seminars organised at all three cities. The programmes organised during the mission included business meetings and seminars on business opportunities in Malaysia.

OCEANIA

The Australian High Commissioner called on the Secretary General of MITI on 1 March 2018 and the Minister on 10 July 2018. Apart from that, a courtesy call was paid by Malaysia-Australia Business Council (MABC) on the Minister as the co-patron of MABC on 7 August 2018. The purpose of the courtesy calls was to discuss preparations of the 18th Malaysia-Australia Joint Trade Commission, bilateral trade and investment issues as well as progress for CPTPP and RCEP.

AFRICA

Malaysia had undertaken an Export Acceleration Mission to Cairo, Egypt from 20 to 24 June 2018. In addition, an export acceleration mission was also held in Maputo, Mozambique and Johannesburg, South Africa from 27 October 2018 to 3 November 2018. Malaysia remains committed to engage businesses in Africa and continue enhancing South-South Cooperation.

ISSUES AND CHALLENGES

Palm Oil Issue

The Malaysian palm oil industry is faced with the challenge of some economies introducing new measures that discriminates against palm oil. Among the new challenges faced by Malaysian palm oil are:

- The adoption of the European Union Renewable Energy Directives (EU RED II) by the European Parliament on 13 November 2018 to phase out first generation biofuels with high risk of Indirect Land Use Change (ILUC).
- The French National Assembly adopted an amendment to exclude the use of palm oil as biodiesel feedstock and to end tax incentives for palm oil as of 2020 in the French 2019 Budget. This would render the palm oil highly uneconomical because of the subsidy removal.
- The Norwegian Parliament on 3 December 2018 voted to limit and phase out palm oil through measures and taxes in biofuels policy, effective 1 January 2020. The Parliament also requested the government to formulate a comprehensive proposal for policies and taxes in biofuels policy in order to exclude biofuels with high deforestation risk.

In 2018, Malaysia raised concerns on the palm oil restrictions by the EU at the Technical Barriers to Trade (TBT) Committee Meetings (March, June and November 2018), Council for Trade in Goods (CTG) (March and July 2018) and the Council for Trade in Environment (CTE) (June 2018). Moving forward, Malaysia will continue to utilise the WTO platform to raise concerns on the discriminatory measures introduced by other members. Malaysia will also look into the bilateral and regional platform as alternative channels to address this issue.

3

CHAPTER

INVESTMENT PERFORMANCE 2018

OVERVIEW

In 2018, Malaysia secured a total of 4,887 private investment projects which were approved in the manufacturing, services and primary sectors amounting to RM201.7 billion (2017: RM200.6 billion). These projects are expected to create around 130,000 job opportunities for Malaysia. During the first half of 2018, a total investment of RM86.1 billion or 42.7% was approved, while RM115.6 billion or 57.3% was approved during the second half of the year.

Domestic direct investments (DDI) dominated the total investments approved in 2018, accounting for 60.1% of the share at RM121.2 billion, while foreign direct investments (FDI) accounted for 39.9% valued at RM80.5 billion. The ratio of DDI and FDI is in tandem with the Government's strategic direction for domestic investments to assume a major role in driving Malaysia's development agenda. In addition, despite recording a lower share than DDI, approved FDI in 2018 reached record levels, reaffirming Malaysia's position as a competitive investment location for foreign investors.

Approved investments in the services sector was the highest in terms of sector in 2018 totalling RM103.4 billion and comprising of 4,103 projects. This is followed by the manufacturing sector with investments valued at RM87.4 billion comprising of 721 projects and the primary sector at RM10.9 billion through 63 projects. The labour market will also benefit from these investments with potential employments of around 130,000 created in the Malaysian economy.

Malaysia continued to attract high quality private investments in the targeted high technology, high value-added, capital and knowledge-intensive industries as well as R&D activities. The investment performance demonstrated investor confidence in Malaysia. The economy also continued to evolve and tap on the opportunities arising from global trade patterns and higher market integration, despite competitive investment climate and various external challenges including uncertainties in the global economy as well as the prolonged US-China trade tensions.

EXHIBIT 3.1

APPROVED PRIVATE INVESTMENTS IN VARIOUS ECONOMIC SECTORS 2018 AND 2017

	Primary Sector 2018	Primary Sector 2017	Manufacturing Sector 2018	Manufacturing Sector 2017	Services Sector 2018	Services Sector 2017	Total 2018	Total 2017
NUMBER OF PROJECTS	63	48	721	687	4,103	4,873	4,887	5,608
POTENTIAL EMPLOYMENT	1,648	930	59,294	56,431	68,838	82,150	129,780	139,511
DOMESTIC INVESTMENTS (RM million)*	4,874.6	8,049.4	29,353.5	42,136.4	86,939.9	96,032.0	121,168.0	146,217.7
FOREIGN INVESTMENTS (RM million)*	6,034.2	4,368.4	58,022.1	21,544.7	16,464.1	28,506.8	80,520.4	54,420.0
TOTAL INVESTMENTS (RM million)*	10,908.7	12,417.8	87,375.6	63,681.1	103,404.0	124,538.8	201,688.4	200.637.7

*Note : * Due to rounding, figures presented in this table may not add up precisely to the totals provided*
Source : MIDA

POLICY INITIATIVES TO ENHANCE QUALITY INVESTMENTS

Positive sentiments in 2018 for private investments in Malaysia were supported by Government's pro-business policies and clear economic direction. Taking into account new developments and realities, the Government has revised Malaysia's policy direction, priorities and selected targets for macroeconomic prospects during the mid-term review of Eleventh Malaysia Plan, 2016 - 2020 (MTR-11MP). The new key macroeconomic strategies are:

- driving productivity at the national, sector and enterprise levels to ensure sustainable and inclusive growth;
- promoting quality investment to spearhead economic growth;
- embarking on initiatives to move up the value chain;
- strengthening exports and managing imports to improve the balance of payments; and
- emphasising a fiscal consolidation path to ensure sustainability in the medium-term.

In a bid to promote quality investments to spearhead economic growth, the following strategies were further emphasised in the MTR-11MP, where the Government will:

- undertake a comprehensive review of investment policies including incentives and tax structure;
- improve the management of existing investment incentives to optimise resources; and
- encourage investment in Industry 4.0-related technology to reduce the gaps in the manufacturing sector.

Malaysia has taken into account the current challenging external environment and set a new target of average growth for real private investments for 2018 to 2020 at 6.1% (9.4% in 11thMP). Average private investments have also been adjusted to RM252 billion in current prices (RM291 billion in 11thMP). In 2018, realised private investments, measured in terms of Gross Fixed Capital Formation (GFCF), totalled RM245.7 billion, an increase of 4.8% from the previous year (2017: RM234.5 billion). Malaysia is on track to achieve the MTR-11MP's revised target of 6.1% of average growth of real private investment by the year 2020 based on the incremental total growth from 2017 to 2018.

Technological advancement has become an integral part of Malaysia's growth as an industrialised nation. The Government is steadfast in technology adoption to provide for the requirements of investors based in the country. Malaysia is one of the most technologically developed countries amongst industrialising nations in the Association of Southeast Asian Nations (ASEAN) region.

Malaysia's persistent drive to engage technological megatrend proves to be a great advantage to the industries in Malaysia. In response to digital transformation of the manufacturing sector and manufacturing related services, the National Policy on Industry 4.0, or Industry*4WRD* was launched in 2018. The Industry*4WRD* envisions Malaysia as a strategic partner for industries by facilitating companies to embrace smart manufacturing, primary destination for high-technology industries and total solutions provider for manufacturing sector and related services in the region.

The policy enhanced the country's value propositions to investors, particularly in areas such as artificial intelligence, big data analytics, the Internet of Things (IoT), cloud computing and cybersecurity. Moving into digital innovation especially in products, processes and business models are the impetus of Industry 4.0, which will increase productivity and efficiency, and significantly reduce product time to market. The 2019 Budget announced in November 2018 further supported the implementation of the Industry*4WRD* policy with allocation of RM210 million for 2019 to 2021 to assist the industry to adopt Industry 4.0.

BOX ARTICLE 3.1

FACILITATION / SERVICES OFFERED TO INVESTORS BY MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY

Malaysian Investment Development Authority (MIDA) as Malaysia's Principal Investment Promotion Agency (IPA) is responsible for the promotion of investments and coordination of industrial development and selected services sectors in the country. MIDA plays an active role as a one-stop-centre with free access to useful and authoritative information on investment, trade, financing, productivity and services. MIDA's function starts from approaching investors, promotion, evaluating incentives, planning, monitoring, handholding investors in implementing the projects and initiate implementation of investments to ensure the conditions are met.

MIDA will handhold companies until successful implementation. MIDA offers the following assistance to investors:

- Direct consultation and co-operation with relevant agencies at both the Federal and State levels in matters such as:
  - Securing infrastructural facilities, including land, factory sites, electricity and water supplies, telecommunication and others; and
  - Expediting approvals relating to Building Plans, Certificate of Fitness and Business Licences;
- To handhold and assist investors in obtaining all necessary approvals until the project is operational;
- To extend support to existing companies in planning expansion, diversification and other reinvestment projects; and
- To facilitate visits and site investigations and supply chain infrastructures.

Post implementation concerns are also acted upon swiftly by MIDA together with the relevant Ministries and institutions. Among the assistance offered are:

- Assist companies in the implementation and operation of new projects (including electricity, communication, land);
- Extend support to existing companies in their expansion, diversification and re-investment projects; and
- Undertake periodic reviews of issues and formulate appropriate measures for the smooth implementation and operation of industrial projects.

In order to assist investors, the senior representatives of the following agencies are stationed in MIDA as follows:

- Department of Immigration;
- Royal Malaysian Customs;
- Tenaga National Berhad;
- Telekom Malaysia Berhad; and
- Department of Labour.

Designated Liaison Officers have been appointed from various Ministries/Agencies as follows:

- Department of Environment;
- Department of Safety and Health;
- Multimedia Development Corporation (MDeC);
- Construction Industry Development Board (CIDB);
- Ministry of Health;
- Ministry of Tourism; and
- Ministry of Higher Education.

APPROVED INVESTMENTS

Manufacturing Sector

In 2018, a total of 721 projects were approved in the manufacturing sector with investments valued at RM87.4 billion (2017: 687 projects, RM63.7 billion). When implemented, these investments will create 59,294 employment opportunities for Malaysia (2017: 56,431). Investments into the country's manufacturing sector in 2018 continued to be led by foreign investors which accounted for 66.4% of approved investments in the sector at RM58 billion, while the remaining 33.6% were from domestic sources valued at RM29.4 billion.

Despite a global slowdown, Malaysia continued to attract a significant amount of new investments. In 2018, investments in new projects amounted to RM61.8 billion in 386 projects representing 70.7% of the total investments approved in manufacturing sector. The remaining 29.3% with approved investments worth RM25.6 billion were from expansion or diversification projects, reflecting continued confidence in Malaysia's investment environment.

EXHIBIT 3.2

OVERVIEW OF PROJECTS APPROVED IN THE MANUFACTURING SECTOR, 2018 AND 2017

	2018			2017		
	NEW	EXP / DIV	TOTAL	NEW	EXP / DIV	TOTAL
Number of Projects	386	335	**721**	326	361	**687**
Potential Employment	36,455	22,839	**59,294**	29,675	26,756	**56,431**
Total Capital Investment (RM million)	61,791.4	25,584.3	**87,375.6**	39,473.4	24,207.6	**63,681.1**
Domestic	21,458.6	7,894.9	**29,353.5**	31,728.9	10,353.5	**42,136.4**
Foreign	40,332.8	17,689.3	**58,022.1**	7,690.5	13,854.2	**21,544.7**

Source: MIDA

Foreign investments in the manufacturing sector also doubled in 2018 to RM58 billion (2017: RM21.5 billion). The petroleum products including petrochemicals industry attracted the largest amount of foreign investments at RM19.1 billion. Other industries with high levels of foreign investments were the electrical and electronic products (RM10.7 billion); basic metal products (RM8.5 billion); paper, printing and publishing (RM5 billion); chemicals and chemical products (RM4.4 billion); and rubber products (RM3.1 billion).

Domestic investments in the manufacturing sector in 2018 were valued at RM29.4 billion (2017: RM42.1 billion). Investments in new projects stood at RM21.5 billion or 73.1%, while the remaining RM7.9 billion or 26.9% was from expansion or diversification projects. Domestic investments were mainly in petroleum products including petrochemicals industry valued at RM13.8 billion, followed by basic metal products (RM4.7 billion); machinery and equipment (RM1.5 billion); food manufacturing (RM1.3 billion); rubber products (RM1.3 billion); and transport equipment (RM1.2 billion).

EXHIBIT 3.3

PROJECTS APPROVED IN THE MANUFACTURING SECTOR BY MAJOR INDUSTRY, 2018 AND 2017

	2018				2017			
	Number of Projects	Domestic Investment	Foreign Investment	Total Capital Investment	Number of Projects	Domestic Investment	Foreign Investment	Total Capital Investment
MANUFACTURING SECTOR		(RM million)	(RM million)	(RM million)		(RM million)	(RM million)	(RM million)
Petroleum Products (Including Petrochemicals)	**23**	**13,810.2**	**19,084.5**	**32,894.7**	9	16,310.8	340.2	16,651.1
Basic Metal Products	**25**	**4,658.2**	**8,476.3**	**13,134.5**	15	171.4	11.8	183.2
Electronics and Electrical Products	**56**	**467.1**	**10,712.6**	**11,179.6**	109	1,510.5	8,156.8	9,667.3
Paper, Printing and Publishing	**30**	**449.1**	**4,987.2**	**5,436.4**	10	243.0	104.9	347.9
Chemical and Chemical Products	**68**	**564.0**	**4,436.1**	**5,000.1**	65	1,728.1	2,420.4	4,185.5
Rubber Products	**21**	**1,547.2**	**3,053.4**	**4,600.6**	19	850.2	380.8	1,231.0
Non-Metalic Mineral Products	**39**	**718.1**	**1,725.2**	**2,443.3**	45	3,526.2	4,123.9	7,650.1

Source: MIDA

Services Sector

The services sector contributed the largest portion of approved investments in 2018, despite a decrease in value of investments approved in 2017. Approved investments in the services sector in 2018 accounted for 51.3% of the total investments approved valued at RM103.4 billion with 4,103 projects (2017: RM124.5 billion, 4,873 projects). These projects are expected to provide 68,838 employment opportunities for the economy when implemented.

Approved domestic investments in the services sector amounted to RM86.9 billion or 84.1% of the total investments in 2018, while foreign investments totalled at RM16.5 billion or 15.9%. The real estate subsector continued to lead with investments valued at RM47.9 billion, followed by utilities (RM9.8 billion), financial services (RM9.7 billion), global establishments (RM7.5 billion) and distributive trade (RM7.3 billion).

EXHIBIT 3.4
APPROVED PRIVATE INVESTMENTS IN SERVICES SECTOR, 2018 AND 2017

Services Sector	Number of Projects		Potential Employment		Domestic Investment (RM million)*		Foreign Investment (RM million)*		Total Investment (RM million)*	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Global Establishments	**204**	224	**2,010**	1,975	**3,080.1**	760.0	**4,378.3**	12,932.4	**7,458.4**	13,692.4
Support Services	**347**	194	**4,324**	5,040	**4,565.8**	3,201.5	**1,081.3**	1,579.8	**5,647.1**	4,781.3
MSC Status	**107**	315	**3,339**	16,278	**729.6**	2,716.0	**341.9**	3,436.4	**1,071.5**	6,152.4
Transport	**11**	16	**0**	434	**514.8**	4,277.3	**178.2**	237.6	**693.1**	4,515.0
Real Estate	**968**	973	**NA**	NA	**45,147.5**	43,214.7	**2,742.4**	2,452.8	**47,890.0**	45,667.5
Utilities	**NA**	NA	**10**	27	**9,836.1**	8,456.6	**0.0**	0.0	**9,836.1**	8,456.6
Telecommunications**	**377**	562	**NA**	NA	**5,439.4**	9,705.2	**0.0**	0.0	**5,439.4**	9,705.2
Distributive Trade	**1,263**	1,752	**43,676**	47,634	**2,409.7**	3,449.4	**4,847.4**	5,967.8	**7,257.0**	9,417.1
Hotel & Tourism	**63**	70	**4,135**	5,107	**3,925.4**	8,933.7	**716.7**	355.0	**4,642.1**	9,288.7
Financial Services	**47**	44	**105**	104	**8,950.9**	10,364.6	**744.4**	1,423.4	**9,695.3**	11,788.0
Health Services	**11**	3	**4,374**	392	**1,647.2**	374.8	**986.2**	70.3	**2,633.4**	445.2
Education Services	**704**	711	**6,837**	4,866	**682.7**	442.3	**447.3**	50.8	**1,130.0**	493.1
Other Services	**1**	9	**28**	293	**10.7**	135.9	**0.0**	0.6	**10.7**	136.5
Total	**4,103**	4,873	**68,838**	82,150	**86,939.9**	96,032.0	**16,464.1**	28,506.8	**103,404.0**	124,538.8

Note : NA – Data not available
** Due to rounding, figures presented in this table may not add up precisely to the totals provided*
*** Data is only up to September 2018*
Source : MIDA

Primary Sector

The primary sector comprises three major subsectors namely agriculture, mining as well as plantation and commodities. Approved investments in the primary sector amounted to RM10.9 billion in 63 projects. Foreign investments accounted for 55% of the share at RM6 billion, while domestic investments were valued at RM4.9 billion. The mining subsector registered the highest approved investments worth RM10.2 billion with 26 projects, followed by plantation and commodities with investments of RM601.8 million, while the agriculture subsector accounted for the rest.

EXHIBIT 3.5
APPROVED PRIVATE INVESTMENTS IN PRIMARY SECTOR, 2018 AND 2017

Primary Sector	Number of Projects		Potential Employment		Domestic Investment (RM million)*		Foreign Investment (RM million)*		Total Investment (RM million)*	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Agriculture	**14**	12	**287**	305	**68.8**	44.9	**0.0**	0.0	**68.8**	44.9
Mining	**26**	32	**59**	243	**4,204.0**	7,332.4	**6,034.2**	4,368.4	**10,238.1**	11,700.9
Plantation & Commodities	**23**	4	**1,302**	382	**601.8**	672.0	**0.0**	0.0	**601.8**	672.0
Total	**63**	48	**1,648**	930	**4,876.6**	8,049.4	**6,034.2**	4,368.4	**10,908.7**	12,417.8

*Note : * Due to rounding, figures presented in this table may not add up precisely to the totals provided*
Source : MIDA

APPROVED MANUFACTURING PROJECTS BY OWNERSHIP AND LOCATION

Malaysia continued to attract significant amount of foreign investments in the manufacturing sector in 2018, despite uncertainties in the global economic environment. Foreign investment accounted for 66.4% of approved investments in the manufacturing sector valued at RM58 billion, while the remaining 33.6% valued at RM29.4 billion were from domestic sources. The high level of foreign investments approved in 2018 is indicative of Malaysia's ability to continue to attract foreign investments despite uncertainties in the global investment environment.

In terms of sources of foreign investments, the People's Republic of China (PRC) accounted for the highest approved amount in Malaysia with investments valued at RM19.7 billion with 40 projects. This was followed by Indonesia (RM9 billion in 8 projects), the Netherlands (RM8.3 billion in 10 projects), Japan (RM4.1 billion in 63 projects), and the United States of America (US) (RM3.2 billion in 18 projects). Investments from these five nations accounted for 76.4% of foreign investments approved in 2018.

EXHIBIT 3.6

PROJECTS APPROVED BY MAJOR COUNTRY, 2018 AND 2017

PEOPLE'S REPUBLIC OF CHINA

FOREIGN INVESTMENT

2018	VALUED AT
40 PROJECTS	RM19,673.3 MILLION

2017: 20 PROJECTS ▶ RM3,851.7 MILLION

INDONESIA

FOREIGN INVESTMENT

2018	VALUED AT
8 PROJECTS	RM9,035.6 MILLION

2017: 1 PROJECT ▶ RM0.5 MILLION

NETHERLANDS

FOREIGN INVESTMENT

2018	VALUED AT
10 PROJECTS	RM8,336.9 MILLION

2017: 13 PROJECTS ▶ RM2,033.9 MILLION

JAPAN

FOREIGN INVESTMENT

2018	VALUED AT
63 PROJECTS	RM4,133.3 MILLION

2017: 41 PROJECTS ▶ RM1,310.7 MILLION

UNITED STATES OF AMERICA

FOREIGN INVESTMENT

2018	VALUED AT
18 PROJECTS	RM3,155.0 MILLION

2017: 18 PROJECTS ▶ RM1,107.2 MILLION

BRITISH VIRGIN ISLANDS

FOREIGN INVESTMENT

2018	VALUED AT
5 PROJECTS	RM2,768.5 MILLION

2017: 2 PROJECTS ▶ RM41.6 MILLION

REPUBLIC OF KOREA

FOREIGN INVESTMENT

2018	VALUED AT
10 PROJECTS	RM2,495.4 MILLION

2017: 7 PROJECTS ▶ RM636.7 MILLION

Source: MIDA

Domestic investments in manufacturing projects approved in 2018 amounted to RM29.4 billion and accounted for 33.6% of total investments approved. The major portion of the investments approved amounting to RM21.5 billion was in new projects, while RM7.9 billion was in expansion/diversification projects. Domestic investment were mainly in petroleum products including petrochemicals industry (RM13.8 billion); followed by basic metal products (RM4.7 billion); rubber products (RM1.5 billion); machinery and equipment (RM1.5 billion); food manufacturing (RM1.3 billion); and transport equipment (RM1.2 billion).

A total of 493 projects or 68.4% of the total number of projects approved in 2018 were proposed to be located in three states namely Selangor (241 projects), Johor (144 projects) and Pulau Pinang (108 projects). The state of Johor recorded the highest amount of investments at RM30.5 billion, followed by Selangor (RM18.9 billion), Sarawak (RM8.7 billion), Pahang (RM8.0 billion) and Pulau Pinang (RM5.8 billion). These five states accounted for 82.3% of the total investments approved in 2018.

The high level of investments in Johor was attributed to the two largest projects with investments totalling RM14 billion for the manufacture of petroleum products and petrochemicals, as well as an expansion project in the E&E industry worth RM7.5 billion. In Selangor, a major investment was from a new project in the basic metal products industry at RM5.7 billion. Investment in Sarawak was led by a new project by a wholly-owned Malaysian company in the petroleum products and petrochemicals industry worth RM5.7 billion.

EXHIBIT 3.7

PROJECTS APPROVED BY STATE, 2018 AND 2017

	2018				2017			
	Number of Projects	Domestic	Foreign	Total Capital	Number of Projects	Domestic	Foreign	Total Capital
STATE		(RM million)	(RM million)	(RM million)		(RM million)	(RM million)	(RM million)
Johor	**144**	**6,474.6**	**24,041.1**	**30,514.7**	146	16,821.5	5,102.7	21,927.8
Selangor	**241**	**8,110.4**	**10,837.0**	**18,947.4**	202	3,427.6	2,164.9	5,592.5
Sarawak	**11**	**6,400.6**	**2,259.1**	**8,659.7**	20	10,182.9	351.5	10,534.4
Pahang	**15**	**456.5**	**7,571.9**	**8,028.4**	19	2,138.9	823.1	2,962.0
Pulau Pinang	**108**	**2,087.6**	**3,693.4**	**5,781.0**	120	2,271.5	8,542.2	10,813.7
Terengganu	**11**	**320.9**	**4,582.5**	**4,903.4**	4	37.5	35.6	73.1
Melaka	**42**	**2,479.3**	**773.1**	**3,252.4**	37	2,396.9	2,257.8	4,654.7
Negeri Sembilan	**40**	**826.4**	**1,604.4**	**2,430.8**	28	382.3	724.1	1,106.5
Kedah	**41**	**759.5**	**1,626.8**	**2,386.3**	41	1,374.9	1,160.1	2,535.0
Perak	**37**	**949.1**	**937.8**	**1,886.9**	45	1,673.1	334.0	2,007.1
W.P. Kuala Lumpur	**10**	**141.4**	**25.6**	**167.1**	7	156.3	3.6	159.9
Kelantan	**6**	**76.7**	**24.6**	**101.2**	1	4.2	0.0	4.2
W.P. Labuan	**1**	**81.0**	**0.0**	**81.0**	–	–	–	–
Perlis	**1**	**8.0**	**0.0**	**8.0**	3	525.0	0.0	525.0
TOTAL	**721**	**29,353.5**	**58,022.1**	**87,375.6**	**687**	**42,136.4**	**21,544.7**	**63,681.1**

Source: MIDA

IMPLEMENTATION OF APPROVED MANUFACTURING PROJECTS

In 2018, a total of 254 approved manufacturing projects were implemented, with 200 projects already in production and 54 projects at the stage of machinery installation. The total capital investment of the 254 projects that were implemented amounted to RM16.9 billion with 17,828 jobs. In addition, 12 projects with investments of RM6.1 billion had acquired sites for factories and 442 projects (RM64 billion) were in the active planning stage.

Most of the implemented projects were located mainly in five major states namely Selangor (77 projects / RM1.9 billion), Johor (52 projects / RM8.9 billion), Penang (46 projects / RM2.7 billion), Negeri Sembilan (17 projects / RM1.3 billion) and Kedah (17 projects / RM0.4 billion). Major projects implemented in 2018 are mainly in fabricated metal products, machinery and equipment, food manufacturing, chemicals and chemical products and plastic products.

EXHIBIT 3.8
IMPLEMENTATION OF APPROVED MANUFACTURING PROJECTS, 2018

	PRODUCTION	MACHINERY INSTALLATION	IMPLEMENTED / REALISED	SITE AQUIRED	ACTIVE PLANNING
NUMBER OF PROJECTS 2018	200	54	254	12	442
EMPLOYMENT	12,401	5,427	17,828	3,180	37,578
DOMESTIC INVESTMENT	RM2.48 billion	RM1.28 billion	RM3.76 billion	RM0.19 billion	RM25.19 billion
FOREIGN INVESTMENT	RM10.04 billion	RM3.09 billion	RM13.13 billion	RM5.96 billion	RM25.19 billion
TOTAL CAPITAL INVESTMENT	RM12.51 billion	RM4.37 billion	RM16.89 billion	RM6.15 billion	RM64.04 billion

Source: MIDA Implementation Survey

TRADE AND INVESTMENT FACILITATION

In line with the Government's plan for the implementation of Strategic Reform Initiatives, a total of 23 reforms were undertaken by Malaysia over the last 15 years for ease of doing business. Through an ambitious reform agenda, Malaysia has gradually improved in the ease of doing business and the government is committed to facilitate businesses in reducing cost of doing business. Among efforts undertaken include Reducing Unnecessary Regulatory Burden (RURB) approach which aims at modernising business regulations in Malaysia to create a more favourable business climate.

In 2018, RURB initiatives among others include review in Customs Standard Operating Procedures for import and export procedures, streamlining application process and procedures between various government agencies which have helped facilitate business and increasing overall efficiency. The implementation of electronic systems also for example has made it easier for businesses to pay taxes and execute contracts. Major achievements in business regulatory reforms undertaken in 2018 includes:

- strengthened access to credit through the new Companies Act 2016 that establishes a modern collateral registry; and
- strengthened minority investor protection by requiring greater corporate transparency, placing Malaysia as the 4th best country for protection of minority investors.

These trade facilitation efforts, namely the simplification of required paperwork, modernization of procedures and harmonisation of customs requirements, have significantly reduced the time and costs taken for efficient trade to take place. Easing trade processes provide a critical boost to international trade and the global economy amidst the uncertain global economic trade slowdown. Hence, Malaysia has also undertaken major trade facilitation initiatives at the international and regional level in 2018 which include:

- compliance to World Trade Organisation Trade Facilitation Agreement that has entered into force effective 22 February 2017, through the coordination and monitoring by the Trade Facilitation Cluster Working Group (TFCWG) as the National Committee of Trade Facilitation;
- revival of ASEAN Trade Facilitation-Joint Consultative Committee (ATF-JCC) to strengthen cooperation to promote efficient trade among ASEAN Member States through trade facilitation reforms with the aim to reduce trade transaction costs; and
- implementing ASEAN Single Window (ASW), a regional initiative that connects and integrates National Single Windows of ASEAN Member States to expedite cargo clearance and promote ASEAN economic integration by enabling the electronic exchange of cross border documents among the Member States. The ASW currently supports end-to-end exchange of the electronic intra-ASEAN Certificate of Origin under the ASEAN Trade in Goods Agreement (ATIGA) (e-Form D). Beginning 1 January 2018, 5 participating AMS (Indonesia, Singapore, Malaysia, Thailand and Vietnam) have transited into ASW Live Operations Phase. ASW Live Operations allows exporters to submit ATIGA Form D applications online for processing and the granting of preferential treatment would be given based on e-Form D received online through the secured ASW Gateway.

The success of these initiatives was evidenced in improvements of Malaysia's competitiveness rankings internationally including:

- Bloomberg's Emerging Market Scorecard, where Malaysia is among the top 20 emerging market peers;
- Malaysia ranked 15^{th} among 190 economies Malaysia in the World Bank Doing Business Report 2019;
- Malaysia rose one spot in the World Economic Forum's 2018 Global Competitiveness Report to 25^{th} place out of 140 countries; and
- Malaysia also registered an improvement in the Switzerland-based Institute for Management Development's World Competitiveness annual rankings to 22^{nd} place from 24^{th} among 63 economies.

BOX ARTICLE 3.2

FACILITATION / SERVICES OFFERED TO INVESTORS BY INVEST KL

InvestKL Corporation (InvestKL) is tasked to attract large global multinationals to set up their regional services hubs in Greater Kuala Lumpur.

- Multinationals that are committed to high value services and ready to expand global market share, using Greater Kuala Lumpur as a springboard to strategically grow into ASEAN or Asia Pacific markets; and
- Sectors include consumer technology, smart technology, healthcare, industrial automation, engineering services, oil, gas and energy.

Greater Kuala Lumpur as a regional services hub in Asia.

- An ideal destination for multinational companies to set up their regional services and hubs with high-value business services activities;
- Multinationals leverage on the sophisticated business ecosystem, business-friendly, well-developed infrastructure, competitive cost advantage and a robust talent and multilingual pool; and
- Global companies have opened regional hubs and provide high-value employment opportunities as well as support Malaysia's transformation towards becoming a high services-driven economy.

InvestKL facilitates investors by providing insights into the city's various industries to ease the setting up of their regional services hubs.

- Advises MNCs on relevant policies and incentives while connecting them to a wider network of government agencies that can assist them in taxation, advocacy regulation, legal, and financial matters;
- Connect investors to business networks such as chambers of commerce, as well as talent pipelines via universities and recruitment agencies;
- Expat on-boarding and facilitate investors to bring in high-level expat workers by linking to relevant authorities that issue permits;
- Support MNCs plans to move up the value chain, ensuring long-term partnership with the city and country for existing investors;
- Brand development and media engagement facilitation; and
- Other requirements of project implementation and post investment services.

Malaysia Global Talent (MGT) Programme, that is key to the long-term growth of the Greater Kuala Lumpur's hub.

- To create a big pool of highly qualified Malaysian talents that can scale up the leadership ladder of both local as well as global multinational companies;
- Targeted to identify and groom potential leaders, both fresh graduates as well as across mid and senior levels;
- Link MNCs directly with local universities to ensure a steady stream of quality talent across all levels of management; and
- Facilitate Industry-University collaboration.

InvestKL team of specialists guides businesses in establishing their presence in Greater Kuala Lumpur, ensuring a facilitative and expedited process. InvestKL is pleased to aid investors through the entire investment process.

WAY FORWARD

The Government will continue to strengthen the business environment in the country to ensure that Malaysia remains as a conducive and competitive investments destination. Greater emphasis will be given in crucial areas particularly the delivery system at both federal and state levels, facilitation and ease of doing business, cost of doing business, provision of tax incentives, improving the infrastructure as well as the availability of skilled and knowledgeable workforce.

The ecosystem approach will continue to be adapted and enhanced for both manufacturing and services sectors to raise the profile of investments in these areas. The focus is leveraging on the megatrends development and smart manufacturing to target products and services with technological advancements and new applications, as well as focusing on high value research and development (R&D) activities and the IoT. The Government is committed to create opportunities for the *rakyat* in this new economic environment of technology advancement, as evidenced in the Industry*4WRD* policies.

In response to the global market uncertainty, the Government will continue to implement proactive measures to ensure that the Malaysian economy continues to tap on opportunities arising from global trade and investment patterns. Leveraging on Malaysia's well-diversified economy, solid economic fundamentals as well as pro-business and pragmatic policies, the Government will step-up efforts to enhance DDI and FDI into the country. Ultimately, this is to ensure that Malaysia continues to be the profit centre in Asia.

4

CHAPTER

INDUSTRIAL DEVELOPMENT 2018

OVERVIEW

The mid-term review of the Eleventh Malaysia Plan 2018 - 2020 (MTR-11MP) outlined six pillars to support inclusive growth and sustainable development. Pillar Six laid the priority areas and strategies to strengthen economic growth such as strengthening sectoral growth and structural reforms; accelerating innovation and technology adoption; and providing quality infrastructure. These strategies target to accelerate modernisation of economic sectors, increase export readiness and internationalisation, promote fair competition as well as improve regulatory and trade practices.

In 2018, the manufacturing sector continued its focus on strengthening sectoral growth and structural reform, while accelerating innovation and technology adoption. These resulted in several initiatives and measures taken by the Government such as modernisation of certain economic sectors, upgrading infrastructure and utilities, as well as harnessing of the huge potential with the launching of the Industry*4WRD*: National Policy on Industry 4.0. The policy aims to shape the future of manufacturing and manufacturing-related services in Malaysia to position well for the future. Industry*4WRD* outlines five strategic enablers, 13 strategies and 38 action plans to provide a concerted and comprehensive transformation agenda in creating an enabling ecosystem for the adoption of industry 4.0 by companies in the manufacturing and related services sectors, particularly SMEs.

Meanwhile, the services sector continued to be the primary driver of economic growth coordinated by four policy levers under the Services Sector Blueprint (SSB) namely internationalisation strategy, investment incentives, human capital development and sectoral governance reform. The blueprint has emphasised on high quality investments and knowledge based services to create high income jobs. The Government continues to monitor emerging technologies and trends to keep up with the rapid changes caused by disruptive technologies to accommodate to the current needs of the industry.

PERFORMANCE OF THE MANUFACTURING SECTOR

Despite the global economic challenges in 2018, the manufacturing sector continued to be the pillar of economic growth. On the supply side, the manufacturing sector has maintained its share of the contribution to Gross Domestic Product (GDP) at 23%. For the period under the 11thMP, emphasis was given to the "3+2" industries which consists of the three critical subsectors, namely electrical and electronics (E&E), machinery and equipment (M&E) and chemicals and petrochemicals and supported by the high growth potential industries, namely aerospace and medical devices.

The sector's growth was contributed by key subsectors such as the E&E, chemicals and chemical products and transport equipment. Overall, the manufacturing sector grew by 5% in 2018 with a slightly lesser growth compared to a 6% growth registered in 2017 as illustrated in Exhibit 4.1.

2018

The manufacturing sector continued to be the pillar of economic growth with GDP at 23%

Approved investments in the manufacturing sector increased by 37.2% to RM87.4 billion

2017: RM63.7 billion

Foreign investments in approved manufacturing projects have increased by more than double to RM58 billion

2017: RM21.6 billion

Approved projects also increased by 4.9% to 721 projects and this has generated total employment of 59,294 persons, an increase of 5.1%

Total exports of manufactured products increased by 7% in 2018 to reach RM998.01 billion compared to RM934.93 billion in 2017. E&E products, petroleum products as well as chemicals and chemical products are the top three export products. Likewise, total imports also increased by 5% to reach RM877.74 billion in comparison to RM836.42 billion in the previous year. E&E products, petroleum products as well as chemicals and chemical products are also the top three imported products.

Approved investments in the manufacturing sector increased by 37.2% to RM87.4 billion compared to RM63.7 billion in 2017 supported mainly by a number of capital intensive projects. The total number of approved projects also increased by 4.9% to 721 projects and this has generated total employment of 59,294 persons, an increase of 5.1% year-on-year.

Meanwhile, foreign investments in approved manufacturing projects have increased by more than double to RM58 billion in 2018 compared to the achievement in 2017 of RM21.6 billion, with petroleum products industry contributing the largest share of RM32.9 billion. This affirms the country's targeted approach in attracting investments in high value-added and knowledge-intensive industries.

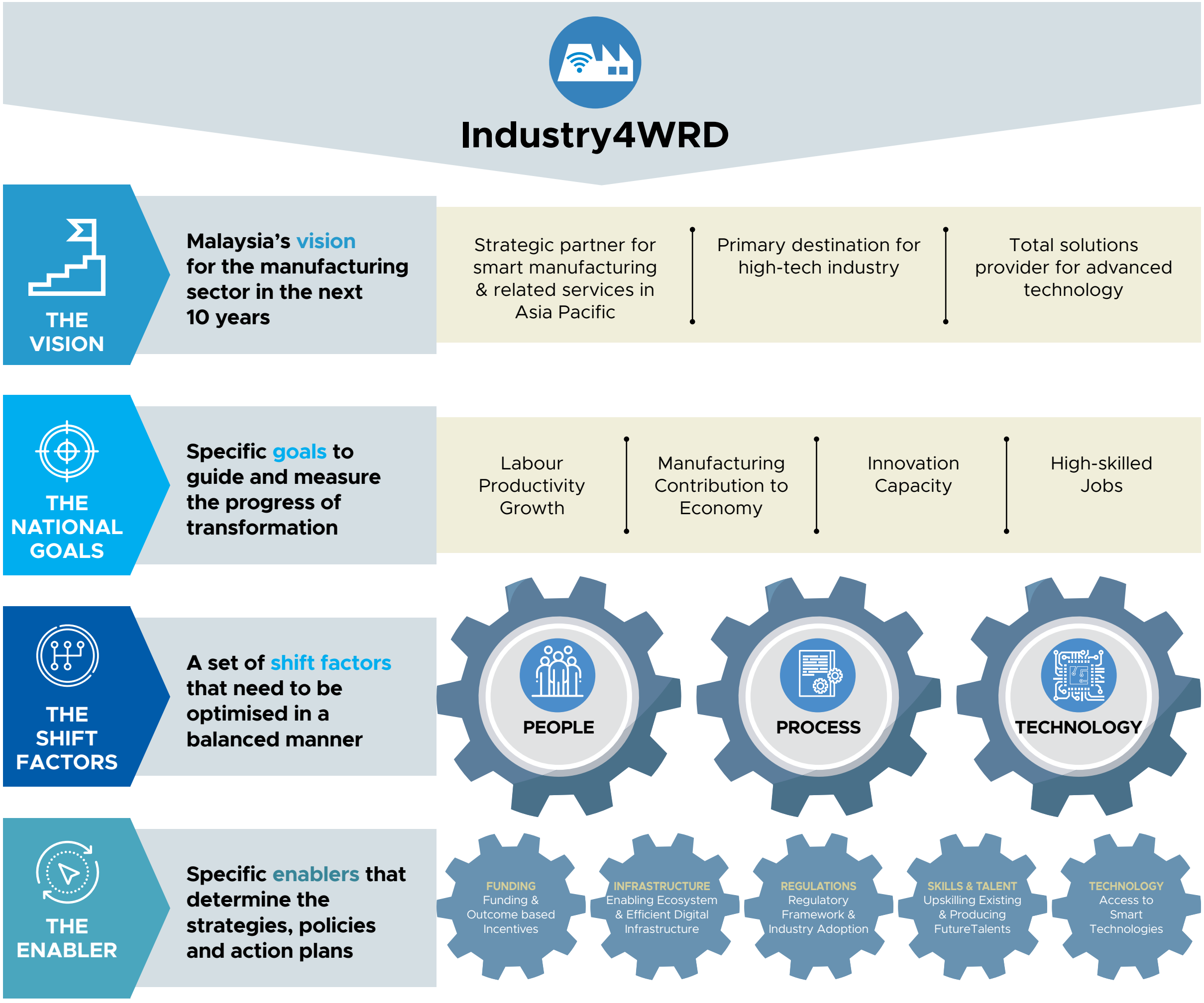
The Malaysian manufacturing sector is set to improve gradually and stabilise in 2019 with the continued adoption of the industry 4.0 related technologies which will provide the pathway for more efficient manufacturing processes, increased productivity growth, innovation and wealth creation opportunities.

EXHIBIT 4.1

GDP GROWTH OF MANUFACTURING SECTOR BY SUPPLY-SIDE APPROACH (%)

Kind of Economic Activity	2017[e]	2018[p]
Manufacturing	**6.0**	**5.0**
Vegetable and animal oils & fats	17.6	-0.1
Food processing	6.1	7.0
Beverages	9.2	3.2
Tobacco products	2.0	1.8
Textile and wearing apparel	8.2	4.4
Leather and related products	6.2	3.3
Wood products	3.6	5.5
Paper and paper products	5.4	4.3
Printing and reproduction of recorded media	4.8	3.9
Refined petroleum products	3.5	3.3
Chemicals & chemical products and pharmaceutical products	4.5	4.6
Rubber products	6.3	5.1
Plastics products	2.8	4.0
Non-metallic mineral products	4.5	5.5
Basic metals	5.2	3.9
Fabricated metal products	5.0	5.0
Machinery and equipment	5.2	5.3
Computers and peripheral equipment	-6.8	4.1
Electrical equipment	8.2	1.1
Electronic components & boards, communication equipment and consumer electronics	10.1	7.1
Manufacture of medical, precision & optical instrument, watches and clocks	0.9	7.5
Motor vehicles and transport equipment	4.6	6.4
Furniture	5.8	4.2
Other manufacturing and repair & installation of machinery and equipment	8.9	6.6

Note: e – estimation, p – preliminary
Source: DOSM



Industry*4WRD*: National Policy on Industry 4.0

The Fourth Industrial Revolution (4IR) has brought digital transformation to people, process and technology in a connected cyber-physical sphere. The changing landscape of the manufacturing sector and related services due to 4IR paved the way for Industry 4.0 adoption by manufacturers, offering immense benefits in terms of reducing cost, increasing productivity, offering product variations and delivering products faster to the market. In response to the challenges posed by 4IR, the Industry*4WRD* policy was launched on 31 October 2018 to drive digital transformation of the manufacturing and related services sectors in Malaysia.

The Policy envisions Malaysia as a strategic partner for smart manufacturing, primary destination for high-technology industries and total solutions provider for the manufacturing sector and related services in the region. MITI has led the development of Industry*4WRD* policy, together with several key ministries, namely the Ministry of Finance (MOF), Ministry of Multimedia and Communications (KKMM), Ministry of Human Resources (MOHR), Ministry of Education (MOE) and Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC), agencies, industry and stakeholders.

The Policy outlines four specific goals to be achieved by 2025 where the first goal is to increase the level of productivity in the manufacturing industry per person from RM106,647 by 30%. The second goal is to elevate the absolute contribution of the manufacturing sector to the economy from RM254 billion to RM392 billion. The third goal is to strengthen innovation capacity and capability as reflected by improvement in Global Innovation Index ranking from 35th to top 30 and finally, the fourth goal is to increase the number of high-skilled workers in the manufacturing sector from 18% to 35%.

Guided by this Policy, the Government will act as an enabler in the overall digital transformation of companies in the manufacturing sector and related services, particularly the small and medium enterprises (SMEs), through the strategic enablers, F.I.R.S.T.:

- Providing Funding & outcome-based incentives;
- Creating enabling ecosystems & efficient digital Infrastructure;
- Ensuring Regulatory framework and industry adoption;
- Upskilling existing and ensuring future talents are produced; and
- Providing access to smart Technologies.

Electrical and Electronics

In 2018, the electrical and electronics (E&E) industry recorded a production index of 109 (2017: 103.5) and total sales grew by 10.3% at RM290 billion (2017: RM262.8 billion). E&E exports have shown significant growth of 11% in 2018 to RM380 billion (2017: RM343 billion) representing the highest export value since 2007. In terms of investments, a total of 56 projects worth RM11.2 billion were approved in 2018 (2017:109 projects, RM9.7 billion), which is an increase of 15.5% from the previous year.

Domestic investments accounted for RM467.1 million (2017: RM1,501.50 million) and while foreign investments were at RM10.71 billion (2017: RM8.16 billion). The 56 projects were accounted for by 17 new investments valued at RM918.2 million and 39 expansion / diversification projects which amounted to RM10.26 billion. Meanwhile, the E&E sector hired the most number of employees in the manufacturing industry in 2018 at 338,087 persons representing a 1.9% increase than 2017. The total salaries and wages of the E&E sector employees also rose 13.8% annually to RM15.2 billion with sales value per employee of RM76,978.

The Malaysia Productivity Blueprint (MPB) established the Electrical and Electronics Productivity Nexus (EEPN) to improve productivity of the E&E sector at the national, sectoral and enterprise levels. The EEPN enabled better collaboration between Government agencies as well as experts from various subsectors of the E&E industry. Under the MPB, labour productivity for E&E is targeted to grow by 3.4% in 2020. In 2018, 16 action items were undertaken according to four key strategies under the EEPN, namely to enhance higher value-added activities, nurture talent development, accelerate the adoption of Industry 4.0 and strengthen SME development.

Machinery and Equipment

The trade performance of the machinery and equipment (M&E) industry in 2018 recorded a growth of 1.2% in exports at RM40.6 billion (2017: RM40.1 billion) driven by specialised machinery and parts followed by heating and cooling equipment. In terms of investments in the M&E sector in 2018, a total of 88 projects were approved with estimated investment value of RM2.41 billion (2017: 77 projects, RM2.19 billion). Domestic investments accounted for 62.5% of total M&E investments valued at RM1.49 billion while foreign investments accounted for 32% at RM904.5 million.

The MPB established the Machinery & Equipment Productivity Nexus (MEPN) to accelerate growth of the sector by addressing three broad challenges, namely workforce, technology and industry structure. MEPN targets to achieve labour productivity growth of 4.1% in 2020. Moving forward, in 2018, the MEPN Implementation Plan 2019 - 2020 kicked off with 14 projects that have been outlined to be aligned with the strategies under Industry*4WRD* policy.

Chemicals and Petrochemicals

The chemicals and petrochemicals sector is among the top three contributors to Malaysia's total imports and exports of manufactured goods. The industry is linked to almost every other sector of the economy such as automotive, electrical and electronics, pharmaceutical and construction. It is a high technology driven and capital intensive industry which requires highly trained and skilled workers for R&D, operating activities and continuous development programme.

In 2018, petroleum products showcased a moderate growth due to the increase in oil price. Exports of the sector grew 11% and contributed RM148.78 billion worth of exports in 2018 (2017: RM133.45 billion) and imports at RM180.2 billion (2017: RM160.86 billion). Meanwhile, a total of 91 projects amounted to RM37.89 billion investments approved for the sector in 2018 (2017: 74 projects, RM20.8 billion).

The Chemicals and Chemical Products Productivity Nexus (CPN) under the MPB aims to boost labour productivity in the chemicals sector by 3.3% in 2020. The CPN comprises of experts from various chemical industries as well as relevant Government agencies to collaborate in improving the productivity level. Five sub-initiatives were launched to address key challenges hindering the sectoral growth and are expected to assist the chemical manufacturing sub-sector to grow further.

In 2018, the Malaysian aerospace industry recorded total revenue of RM14.4 billion

2017: RM13.5 billion

The aerospace manufacturing sector contributed 48% to the industry's revenue and has recorded the highest value of RM6.97 billion representing an increase of 8.3%

2017: RM6.44 billion

Aerospace

The aerospace industry is a critical sector that offers abundant opportunities for the transfer of advanced technologies in engineering; electronics; composite materials; system integration; maintenance, repair & overhaul (MRO); and industry-led research & technology. This is also reflected in the MTR-11MP where the aerospace industry has been identified as one of Malaysia's key strategic focus sectors. The industry has maintained positive growth since the implementation of the Malaysia Aerospace Industry Blueprint 2030 led by MITI and currently employs 24,500 highly skilled workers.

In 2018, the Malaysian aerospace industry recorded total revenue of RM14.4 billion (2017: RM13.5 billion). The aerospace manufacturing sector contributed 48% to the industry's revenue and has recorded the highest value of RM6.97 billion representing an increase of 8.3% (2017: RM6.44 billion). Meanwhile, the MRO sector contributed 46% of the industry's revenue valued at RM6.68 billion (2017: RM6.5billion) representing an increase of 2.7%. Aerospace exports also recorded the highest value of RM8.48 billion, representing an increase of 20.7% (2017: RM7.02 billion). Among the locally manufactured aerospace products for export include Fan Cowl, Fan Casing, Thrust Reverser, Forward Leading Edge, Aircraft Door, Avionics Equipment and Carbon Brakes.

In 2018, a total of 11 new aerospace projects with investments of RM816.3 million were approved of which 41% were foreign investments (2017: 13 projects, RM649 million). The approved projects are expected to generate a total of 2,442 employment opportunities. The quality investments and strong market demand have also accelerated the local supply chain, making Malaysia one of the critical suppliers for aircraft structure components mainly for Airbus and Boeing. Malaysia has become an important source for composite and metallic components for the original equipment manufacturers (OEMs), led by local champions.

In further accelerating the development of the Malaysian aerospace industry, the Government has developed a number of initiatives at both federal and state levels. The Malaysia Investment Development Authority (MIDA) has undertaken Industrial Linkages Programme on aerospace for companies to explore business and investment opportunities through strategic partnerships and joint ventures.

In terms of human capital development, MITI through the National Aerospace Industry Coordinating Office (NAICO) has started collaborating with the Malaysia Board of Technologists (MBOT) to promote the development of Professional Technologists and Certified Technician for aerospace industry. NAICO is also working with MBOT in drafting the regulated Technical Program Accreditation. NAICO as the Industry Lead Body (ILB) for aerospace industry, appointed by the Department of Skills Development (JPK), has developed two National Occupational Skills Standard (NOSS) for aerospace assembly and Avionics (B2) MRO in 2018.

2018 marked a new turning point for the medical devices industry in Malaysia, where for the first time, exports of medical devices increased 16.1% to reach RM22.97 billion

2017: RM19.78 billion

Medical Devices

The medical devices industry is one of the fastest growing sectors of the healthcare spectrum, which continues to be one of the most vital and dynamic economic sectors in Malaysia. The medical devices manufacturing industry produces equipment designed to diagnose and treat patients within global healthcare systems. While continuing the trend as the world's leading producer and exporter of traditional products such as catheters and medical gloves, the industry has transformed from producing simple devices to higher value-added and technologically advanced products. The new products include cardiac pacemakers, stents, orthopaedic implantable and prosthetic devices and related products, electro-medical, therapeutic, monitoring devices and other apparatus.

2018 marked a new turning point for the medical devices industry in Malaysia, where for the first time, exports of medical devices increased 16.1% to reach RM22.97 billion (2017: RM19.78 billion) of total trade contributed by exports. Total trade of medical devices was valued at RM28.35 billion with exports accounting for 81% and imports constituting 19%.

The strong trade performance showed a significant global presence for the medical devices industry. In terms of investment, a total of 28 projects with investments worth RM2.1 billion was approved in the medical devices industry. Among these projects, nine new projects accounted for investments at RM480 million and 19 expansion / diversification projects amounted to RM1.6 billion in investments. The Medical Devices Investment Advisory Panel (MDIAP) proposed strategies and action plans for the development of the medical devices industry ecosystem in line with the MTR-11MP. These measures aim to strategically chart the future for medical devices industry development.

Pharmaceuticals

In 2018, exports of the pharmaceutical industry showed a positive growth of 1.5% to RM1.68 billion (2017: RM1.65 billion) while imports increased 9.1% to RM6.9 billion (2017: RM6.31 billion). Total trade for 2018 was valued at RM8.6 billion, an increase of 7.5% compared to RM7.9 billion in 2017. A total of nine projects with investments worth RM280 million were approved for the pharmaceutical industry in 2018. Of these, six were new projects with investments of RM261 million (93.2%) and three expansion/ diversification projects worth RM19 million (6.8%). Foreign investments of RM200 million (71.4%) dominated the industry, with DDI making up the remaining RM80 million (28.6%). The projects approved are expected to result in 366 new jobs.

MIDA has established the Pharmaceutical Investment Advisory Panel (PharmIAP) to ensure that views from all relevant stakeholders involved in the pharmaceutical industry are incorporated in the development of the strategic policy direction for the industry. The PharmIAP will review existing policies and develop new strategies to enhance the capabilities of the pharmaceutical industry in Malaysia to penetrate the global market and strengthen the domestic supply chain. The focus areas are biopharmaceuticals / biologics such as vaccines and biosimilars, oncology drugs, new chemical entities, active pharmaceutical ingredients (APIs), pharmaceutical excipients / chemicals and phytomedicines.

Iron and Steel

In 2018, trade tension between the US and PRC clouded the world economic outlook and created many new tariff and non-tariff measures affecting many countries, including Malaysia. However, according to the World Steel Association (WSA), the global steel demand continued to show resilience, supported by the recovery in investment activities in developed economies and improved performance of emerging economies. Against this backdrop, Malaysia continued to attract quality investment in the iron and steel sector.

In 2018, 111 projects valued at RM14.9 billion were approved, providing an estimated 9,976 job opportunities. The industry also contributed largely to exports, recording a value of RM21.5 billion with 13.5% growth compared to the export performance in 2017. Major iron and steel exports were welded pipes & tubes, cold-rolled products and galvanised & coated steel.

The Government remains cognizant that the industry is facing various challenges over the years to remain competitive and relevant, due to factors such as influx of imports, overcapacity and import substitution. In addressing these issues and challenges, the Government has made various policy adjustments to facilitate the industry, as part of the 'shared responsibility' approach undertaken since June 2012. To address circumvention of substandard products and to ensure product quality and safety, the Government in 2018, has introduced Certificate of Approval (COA) requirement on additional 24 tariff lines to the current 284 tariff lines subject to COA which is to ensure that imported construction and non-construction materials meet established quality and safety standards.

Automotive

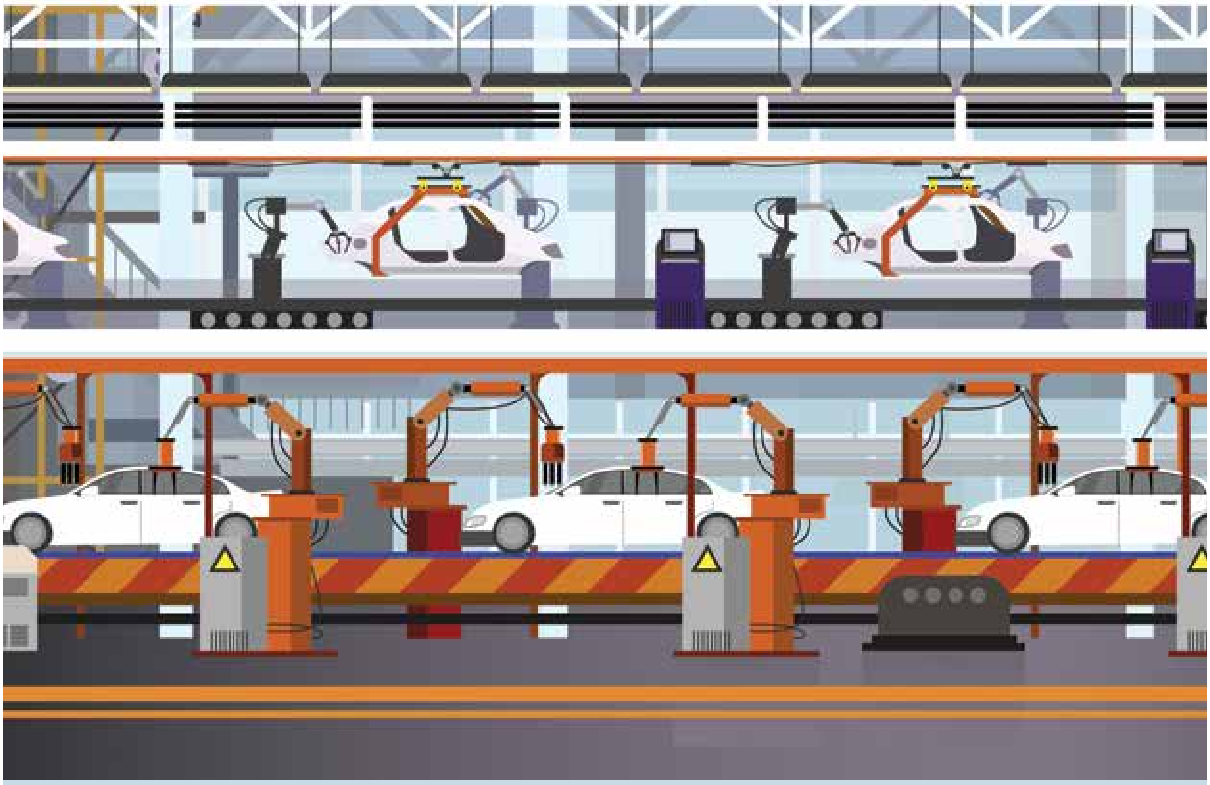
The Malaysian automotive industry is an important and strategic part of the manufacturing sector. The overall automotive industry and related sectors employ more than 700,000 people and contributes almost 4% to GDP. Today, the automotive industry has grown many folds, housing 27 vehicle manufacturers that are producing passenger cars, commercial vehicles and two-wheelers.

In 2018, both vehicle sales and production have increased as compared to 2017. The total industry volume (TIV) was 603,664 units and total production volume (TPV) was 572,471 units. The tax holiday between June and September 2018 has also contributed to increased sales.

In line with Government's aspiration to make Malaysia the Energy Efficient Vehicle (EEV) hub in the region through the National Automotive Policy (NAP) 2014, the EEV penetration rate increased to 62% in 2018 (339,978 units from TIV) as compared to 52% in 2017. The sales of EEV also showed a year-on-year increase since the NAP2014 was launched. Continuous programmes have been conducted through the Government and OEMs to increase public awareness on the consumption of EEVs.

Exports of parts and components in 2018 were valued at RM12.1 billion where the value tripled as compared to RM4.7 billion in 2014. In 2018, 64,839 jobs related to the automotive industry were created. Of this, 36,901 employments were manufacturing related while 27,938 employments were in the aftersales sector. In 2018, the automotive industry saw a total of 59 approved projects with investments worth RM1.88 billion. Domestic direct investment made up about two-thirds of all investments, totalling RM1.19 billion, while foreign direct investment was worth RM0.69 billion, or 36%.

The supply chain development in Malaysia is also growing steadily. In 2018, out of the 641 automotive parts and component vendors in Malaysia, 405 companies were certified with Supplier Competitiveness Level (SCL) Level 3, 130 companies with SCL Level 4 and 55 companies with SCL Level 5. SCL Level 3 to 5 indicated the local vendors are on par with global automotive supplier level.



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The total industry volume (TIV) was 603,664 units and total production volume (TPV) was 572,471 units. The tax holiday between June and September 2018 has also contributed to increased sales.

Shipbuilding and Ship Repair (SBSR) Industry has been identified as one of the strategic industries in terms of employment generation, industry capacity and technological capability

Shipbuilding and Ship Repair

The Shipbuilding and Ship Repair (SBSR) Industry has been identified as one of the strategic industries in terms of employment generation, industry capacity and technological capability. Capabilities of the local shipbuilding and ship repair industry in Malaysia involves designing; building and constructing; repairing and maintaining; converting and upgrading of vessels as well as manufacturing of marine equipment. In terms of shipbuilding, Malaysia has the capability of building vessels up to 30,000 deadweight tonnage (DWT). Most of the registered shipyards across the country specialise in building small to medium-sized vessels (less than 120 meters in length). These include offshore support vessels, ferries, tugs, barges, fishing vessels and patrol crafts. Malaysia is currently ranked 24th in the list of largest shipbuilding countries.

Currently, there are 31 shipyards in Peninsular and 68 in East Malaysia, whereby these shipyards are well clustered on both sides of the nation. Under the Malaysian SBSR Industry Strategic Plan 2020 (SBSR 2020), the industry aims to generate RM6.35 billion of gross national income and provide 55,000 employment opportunities by 2020. In 2018, the industry exported RM1.29 billion worth of marine products and accessories of ships, boats and floating structures which include light vessel, dredger, floating dock and cargo ship. That is an increase from RM1.07 billion compared to 2017. Two expansion projects were approved in the SBSR industry, with total investments amounting to RM33 million in 2018. These projects undertaken by wholly Malaysian-owned companies are expected to create 51 new jobs.

Rail

In 2018, exports of rail transport products and accessories including rolling stocks increased significantly by 72% to RM74 million (2017: RM43 million). The industry also experienced an increase of 170% of imports with a total of RM1.16 billion (2017: RM0.43 billion). The surge was due to the development of several high profile projects such as Bandar Utama-Klang LRT3, Sg. Buloh-Serdang-Putrajaya MRT2 and the East Coast Rail Link (ECRL). In terms of investment, one project was approved with investment worth RM25 million.

Food Processing

The Malaysian food processing sector is becoming increasingly sophisticated, supplied by both local and imported products. Lifestyle changes have also led to an increase in the demand for convenience and health food. The food processing industry, accounting for about 10% of Malaysia's manufacturing output, is mostly Malaysian-owned and dominated by small and medium-sized companies. With the advent of Industry 4.0, the sector which is predominantly labour-based is encouraged to leverage on emerging technologies such as automation and IoT in improving efficiency and productivity. This is expected to shift the food manufacturing sub-sector towards high technology adoption, upskilling of talent and innovative research in improving the industry.

The major processed food subsectors are cocoa, prepared cereals, flour preparations and dairy products. In 2018, the export of processed food decreased by 1.7% to RM19.38 billion (2017: RM19.71 billion). Malaysia's top exporting nation for 2018 was Singapore valued at RM2.56 billion (13.2%) followed by PRC with RM1.87 billion (9.7%). Meanwhile, imports also decreased 3.5% to RM19.95 billion (2017: RM20.68 billion) mainly from Thailand (RM2.4 billion) and PRC (RM2.22 billion). In 2018, total investments in food subsector slowed down to RM1.6 billion (2017: RM2.3 billion) with 56 projects approved under food manufacturing. Both foreign and domestic investments decreased to RM504 million (2017: RM900 million) and RM1.1 billion (2017: RM1.4 billion), respectively. The investments are expected to provide 4,660 new jobs.

Textile, Apparel and Footwear

The textile, apparel and footwear industry managed to generate high export earnings worth RM13.2 billion in 2018, down from RM14 billion in 2017. The United States of America (US) was the largest export destination constituting 12% of total exports. Likewise, imports of this industry also slowed to RM13.7 billion with majority of imports sourced from People's Republic of China (PRC) (47%). In 2018, investment in the textiles, apparel and footwear industry amounted to RM851 million of which foreign direct investment accounted for RM284.7 million and domestic investments amounted to RM566.3 million. Investment in the industry is promoted in the upstream sub-sector where activities such as yarn spinning and textiles manufacturing are undertaken.

PERFORMANCE OF THE SERVICES SECTOR

In 2018, the services sector expanded by 6.8% (2017: 6.2%) and continued to be the largest contributor to GDP at 56.7% valued at RM771.86 billion (2017: 55.6% or RM722.62 billion). The strong growth of the sector was mainly driven by domestic demand led by wholesale & retail; and information, communication & telecommunication (ICT) sub-sectors. The wholesale & retail sub-sector grew by 8.1% with the retail segment registering a growth of 8.1% (2017: 7.1%) supported by strong household spending, high tourist arrival and rising income level.

The ICT sub-sector moderated to 8.3% (2017: 8.4%) contributed by stronger demand for data communications services. Meanwhile, the transportation and storage sub-sector sustained growth of 6.4% (2017: 6.2%) and maintained high demand in passenger travel and land transport activities. The finance and insurance sub-sectors grew at 4% (2017: 4.9%) and 11% (2017: 3.7%) respectively. Overall, the services sector continued to register a strong growth in 2018 as illustrated in Exhibit 4.2. Thus, more private sector-led industrial services needs to be encouraged in order to move Malaysia towards a market-driven economy.

EXHIBIT 4.2
GDP GROWTH OF SERVICES SECTOR BY SUPPLY-SIDE APPROACH (%)

Kind of Economic Activity	2017[e]	2018[p]
Services	**6.2**	**6.8**
Utilities	2.8	**4.9**
Wholesale and retail trade	7.1	**8.1**
Food & beverage and accommodation	7.5	**8.9**
Transportation and storage	6.2	**6.4**
Information and communication	8.4	**8.3**
Finance	4.9	**4.0**
Insurance	3.7	**11.0**
Real estate	4.9	**4.6**
Business services	8.6	**9.0**
Owner occupied dwelling	4.7	**4.6**
Community, social and personal services	5.5	**6.4**
Government services	4.7	**4.5**
Non-profit institutions serving households	3.2	**3.8**
Domestic services of households	1.5	**2.3**

Note: e – estimation, p – preliminary
Source: DOSM

Investments in the Services Sector

In terms of investments, services continued to attract more investments in 2018. The services sector received RM103.4 billion or 51.3% (2017:124.5 billion or 62.1%) from the total approved investments. New investments in the services sector were dominated by domestic investments totalling RM86.9 billion or 84.1% (2017: RM96 billion or92.9%), while foreign investments contributed RM16.5 billion or 15.9% (2017: RM28.5 billion or 22.9%). In terms of segment, the highest approved investments in 2018 were in Real estate (46.3%), Financial services (9.4%), Global establishments (7.2%) and Support Services (5.5%). Despite the approved investments being dominated by services sector, investments in the knowledge intensive sub-sectors such as legal, accounting, as well as telecommunication and information services have remained low.

Trade Performance of the Services Sector

In 2018, Malaysia's total trade in services slowed down by 0.4% to RM339.7 billion (2017: RM341.1 billion). Total trade in services represented 27.6% of Gross Domestic Product in 2018, where exports of services expanded marginally by 0.4% to RM159.9 billion (2017: RM159.2 billion) while imports of services reduced by 1.3% to RM179.7 billion (2017: RM181.9 billion).

Exports were mainly supported by tourism especially the higher number of in-bound tourists; followed by other business services, largely the professional and management consulting services; as well as the ICT services. The strong performance in the exports of travel in 2018 was due to the higher number of tourists, especially from Singapore, Indonesia and PRC. Meanwhile, imports were attributed to higher payments for travel, transport and construction. Higher payments were made to foreign freight and insurance due to higher importation of semi-finished goods. Several projects in the oil and gas industries and high-value infrastructure projects also contributed to the strong expansion in the importation of services in 2018.

The highest contribution of revenue was recorded by the wholesale & retail trade sub-sector; food & beverages; and accommodation segment totalling RM1,329.7 billion in 2018, which is an increase of 8.3%

Revenue and Employment in the Services Sector

The services sector registered a total revenue of RM1,674 billion in 2018 representing an increase of 8.4% (2017:RM1,544 billion, 8.8%). Total employment in the services sector was 3.7 million persons in 2018, an increase of 94,278 persons or 2.6% compared to the previous year (2017: 3.6 million persons). The highest contribution of revenue was recorded by the wholesale & retail trade sub-sector; food & beverages; and accommodation segment totalling RM1,329.7 billion in 2018, which is an increase of 8.3% (2017: RM1,227.3 billion). The ICT and transportation & storage sub-sectors recorded an increase of 7.9% in revenue to RM245.54 billion in 2018 (2017: RM227.47 billion). The increase was driven by ICT sub-sector which has recorded an increase of 9.2%. In 2018, the number of persons engaged in this segment has moderately increased by 0.2% to 471,203 persons (2017: 470,065 persons), and the amount of salaries & wages paid grew by 2.2% to RM20.51 billion (2017: RM20.06 billion).

Health, Education and Arts, Entertainment & Recreation

Revenue for the health, education and arts, entertainment & recreation sub-sectors has increased by 8.2% to RM63.5 billion in 2018 (2017: RM58.7 billion). The growth was driven by Arts, Entertainment & Recreation at 9% followed by Education at 8.6%. The number of persons engaged increased by 2.3% to 283,244 persons in 2018 as compared to the previous year while salaries & wages paid increased by 4.7% to RM2.3 billion.

Professional Services and Real Estate Agents

Total revenue for professional services and real estate agents sub-sectors in 2018 has increased by 13.6% to RM35.17 billion in 2018 (2017: RM30.96 billion). The rise of revenue was mainly attributed to professional services sub-sector at RM32.54 billion (2017: RM28.5 billion), while the real estate revenue increased to RM2.64 billion. (2017: RM2.47 billion). In 2018, the number of persons engaged increased by 1.2% to 177,532 persons as compared to the previous year. Salaries & wages paid grew by 7.7% to RM9.5 billion compared to RM8.8 billion recorded in 2017. The number of persons engaged rose 1.2% in 2018 compared with the previous year.

PROGRESS OF SERVICES SECTOR BLUEPRINT

Services Sector Blueprint (SSB) was introduced in 2015 with 29 action plan items supporting four policy levers, namely Internationalisation Strategy; Investment Incentives; Human Capital Development; and Sectoral Governance Reform with projected annual growth of 6.8% and 56.5% contribution to GDP by 2020.

A snapshot of achievements in selected action plan items as at 2018 are as follows:

- A total of 19 SMEs were successfully assisted under the Large Corporation - SME Partnership Programme by MATRADE to develop SMEs through collaboration with larger and more experienced corporations.
- Consortium Promotion Programme by MATRADE to encourage symbiotic partnership to collectively build internal capabilities and ensure external readiness. Two consortia were established in 2017 to undertake a feasibility study which is currently on-going. In 2018, one consortium, mission to Bahrain was successfully implemented from 9 - 13 December 2018.
- Enhancement of the Services Export Fund by MATRADE designed to address specific needs of export-ready services firms. 65 firms were assisted through grants, soft-loans and funds for feasibility study.
- Improve incentive coordination through the establishment of a central coordination office - Incentive Coordination & Collaboration Office (ICCO) by MIDA. Currently, 36% of system development and integration have been completed.
- Raise the profile of the TVET Pathway project to meet human capital needs of services sector. Currently, MOHR has established 21 new centres with accredited programmes and created 251 new programmes under the Single Tier Certification based on NOSS.
- Research Incentives Scheme for Enterprises (RISE) Programme by Malaysia Digital Economy Corporation (MDEC) to encourage specific MNCs to establish research centres in Malaysia through targeted grants. Currently, revision of grant framework and current policy is being undertaken to ensure only quality applications are allowed to go for Evaluation Committee's consideration.
- Reducing Unnecessary Regulatory Burden (RURB) Initiative by MPC aimed to propose regulatory reforms in priority sectors. MPC has recommended regulatory reforms for sectors such as Transport Services, Tourism, Sharing Economy (Short Term Accommodation and e-hailing), and Private Healthcare Services.

**The video game industry in particular is growing faster than any other mainstream entertainment such as films, books and music.
The local game industry grew expeditiously as approximately 17.7 million Malaysians are gamers where more than half (9.3 million) spend actively on video games**

FUTURE GROWTH AREAS IN SERVICES

The Malaysian Digital Content & Creative Technology Industry

The Malaysian Digital Content & Creative Technology Industry comprises businesses that have activities involved in the creation, delivery and enhancement of digital content which include the development; production; aggregation; distribution and merchandising of IP; and the supply of associated technological tools, services and platforms.

Currently the Digital Content & Creative Technology Industry can be categorised into four sub-sectors namely animation, games and interactive media, visual effects (VFX) for film and TV; as well as the new media and platforms. This industry recorded revenue of RM7.9 billion; export sales of RM1.42 billion and created 11,590 jobs in 2018. Malaysia aims to be a Digital Content Hub by 2025, through an initiative championed by MDEC to bridge the industry, ecosystem and Government towards driving strategic investments; growing the local ecosystem and nurturing partnerships and collaborations for content development and technologies.

The video game industry in particular is growing faster than any other mainstream entertainment such as films, books and music. The local game industry grew expeditiously as approximately 17.7 million Malaysians are gamers where more than half (9.3 million) spend actively on video games. Malaysia is ranked number 21 in the Top 50 International Games Market List by Newzoo: 2018 The Global Games Market Report, ahead of Netherlands and Poland which recorded game revenue of RM2.8 billion. Malaysian gamers' spending ability places the nation among the top three Southeast Asian countries in terms of revenue. The exports from the video game industry amounted to RM684.3 million. The industry assumed an important role in driving efficiency, innovation and disrupting other sectors of the economy. The growth creates opportunities for video game related careers.

Data Centres

Malaysia has a strong potential to become a regional hub for Data Centres (DC) as well as co-location (CoLo) providers based on a myriad of factors including cheaper land, lower electricity cost and good infrastructure, skilled workforce, political stability, as well as, good international connectivity. Malaysia has been rated as one of the top locations for data centres in Southeast Asia and is leading in terms of cloud technology adoption, data recovery and big data analytics. According to MDEC, in Q2 2018, up to RM641 million of the total sales revenue was recorded from the local data centres. The data industry in Malaysia is expected to grow more than double to RM2 billion by 2020.

Global Business Services

Global Business Services (GBS) is a maturity evolution model from the Shared Services & Outsourcing industry. GBS integrates business services and has a wider scope to deliver higher value services that goes beyond transactional activities. Qualifying business services activities include IT, Finance and Accounting, Human Resources, Procurement, Legal, Marketing, Business Analytics and other shared support functions across multiple locations within an organisation. Malaysia aims to build globally competitive GBS industry by attracting and retaining the best GBS companies in the world and increasing competitiveness of Malaysian GBS companies. Up to RM14.5 billion of overseas sales have been registered in Q4 2018 while recording RM18.3 billion of total investments. The GBS industry in Malaysia has created a total of 106,253 jobs in 2018, an increase of 11% from 2017 (95,817 jobs).

Traditional and Complementary Medicine

One area in healthcare that Malaysia should look into is the practice of Traditional & Complementary Medicine (T&CM) as the industry has potential to grow both locally and globally. Recognising this fact, the Ministry of Health (MOH) launched the National T&CM Blueprint (2018 - 2027) in 2018 to chart the development of the industry with defined objectives. Three key factors that have driven the practice of T&CM to grow globally, at a rate of 13% per year since 2011 (based on estimates by the Global Wellness Institute Report) are the rising cost of healthcare, an increasing demand for health preservation and an increasing need for holistic care.

Malaysia with the natural and cultural resources, is well placed to become a key player as part of the global T&CM ecosystem. Malaysia offers unique opportunities to succeed in this market, taking advantage of the rich biodiversity, a wide range of T&CM practices and a strong local T&CM manufacturing footprint. With the right strategy, this sub-sector could be transformed into an industry that would provide measurable economic, healthcare and socio-cultural benefits. The T&CM Blueprint envisions the industry's contribution to GDP will reach RM19 to RM28 billion by 2028.

Short Term Accommodation

The socio-ecosystem is built around the sharing of assets via digital platforms to create economic value through increased utilisation of resources between individuals, businesses and governments. The Short Term Accommodation (STA) of home sharing economy is a creation of new ventures and innovative solutions, established with the spread of internet based technologies. STA refers to homeowners or host provide accommodation by renting out spaces or entire home to guests on a short term basis via the digital platform. Sharing economy is now becoming a trend whereby tourists prefer such accommodation instead of putting up in hotels.

There are several STA platforms in Malaysia such as airbnb.com, HomeAway.com, Flipkey.com, Letsgoholiday.my and MyCribBooking.com which have expanded rapidly over the years. While the independent researchers opine that STA may negatively impact the hotel revenues, especially the small local hotels, it is said that STA assists in expanding the tourism market and supports the local businesses in the non-tourist neighbourhoods. It also helps residents gain additional income to support their cost of living. While STA platforms are active and growing in Malaysia, there are current laws which prohibit the accommodation rentals within residential areas. Meanwhile, the government is exploring possibilities of regulating the sector given that it has great potential to contribute to the income of the country.

Under the Industry*4WRD* Policy Framework
MRS activities play an essential role in helping Malaysian companies accelerate transition to Industry 4.0 while playing an important role including skills development, transforming processes and adopting technologies

Manufacturing Related Services

Closer integration of Manufacturing Related Services (MRS) activities in the manufacturing processes has been recognised as an important determinant to the competitiveness of the manufacturing sector. Strong, open and competitive MRS activities are needed to support the demand from the manufacturing sector in the development of the industry 4.0 policy framework. MRS activities play an essential role in helping Malaysian companies accelerate transition to Industry 4.0 while playing an important role including skills development, transforming processes and adopting technologies.

Under the Industry*4WRD* Policy Framework, more MRS providers will be linked to the manufacturing firms, especially SMEs in order to create a holistic and effective Industry 4.0 ecosystem. Among the key strategic outcomes in the Industry*4WRD* policy is to create an end-to-end ecosystem that supports and provides solutions for manufacturing firms to improve the performance through the adoption and transformation of Industry 4.0 technologies.

Among the key action plans that MITI and Agencies are undertaking includes developing and disseminating a catalogue of service providers; linking service providers to manufacturing firms and SMEs through collaborative platforms; and supporting digital adoption within the manufacturing value chain with a structured approach and measurable outcomes.

HIGHLIGHTS OF THE NATIONAL SERVICES SECTOR SUMMIT 2018

The National Services Sector Summit (NSSS) 2018 was organised alongside MITI Day 2018 on 26 to 27 February 2018 at MITI Tower. The programme was officiated by the Minister of International Trade and Industry and attracted around 8,000 visitors including foreign dignitaries, industry leaders, entrepreneurs, university students, fresh graduates, and the public.

At the opening ceremony, the i-Incentive Portal was officially launched which is the one-stop portal information on investment incentives offered by the Government. ICCO will be a one-stop centre to advise and coordinate businesses on incentive offerings and provide cross-agency visibility.

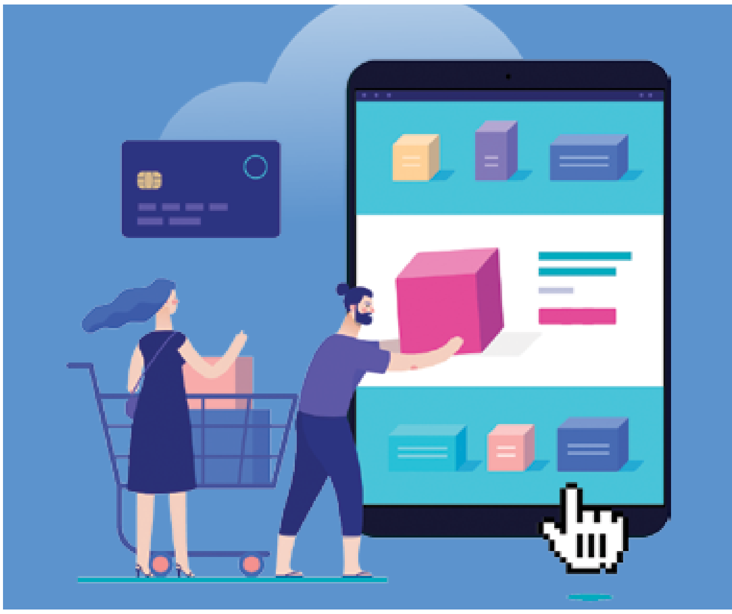
During the summit, eminent industry leaders explored and discussed the latest trend and innovation happening in the most dynamic services sector. Dedicated sessions were held focusing on creative industry covering broadcasting, animation and gaming. A renowned film director and top international graphic designers from Malaysia's best animation studios shared their views on the future opportunities for Malaysia's creative industry.

The session on maintenance, repair and overhaul (MRO) for both shipping and rail industry discussed new trends of shipping and rail as well as the way forward for the industry to overcome challenges in order for Malaysia to establish leadership in these sub-sectors. Malaysia is geared to provide top-notch rail transport for intercity, regional and even international connectivity and cooperation. Experts deliberated on addressing the urgent needs and future prospects that the rail MRO holds for Malaysian services industry.

Finally in the session on Global Business Services (GBS), the industry experts deliberated strategies and approach to position Malaysia as a world-class, high-value based location for outsourcing services via disruptive measures.

DIGITAL ECONOMY IN THE CONTEXT OF MALAYSIA

The inclusion of Digital Economy in Malaysia's industrial development has taken a front seat in recent years. The rapid growth of internet utilisation globally and in the region sets the stage for dynamic activity in digitalisation and innovation of industries and increase in trade and investment through eCommerce. In Southeast Asia alone, the internet user base is expected to grow from 260 million users at present, to around 480 million users by 2020 driven mostly by a growing base of eCommerce markets, online media and online travel.



Malaysia currently has approximately 25 million internet users in a population of 32.6 million. The internet economy in Southeast Asia is projected to reach USD240 billion by the year 2025

In comparison, Malaysia currently has approximately 25 million internet users in a population of 32.6 million. The internet economy in Southeast Asia is projected to reach USD240 billion by the year 2025[1]. Recent reports on digitalisation and eCommerce activities in Malaysia have shown positive and encouraging progress as follows:

- The latest survey in 2018 conducted by the International Data Corporation (IDC) has shown that Malaysia ranked third in the list of Asia Pacific countries with high awareness of digitalisation at 73% while the Republic of Korea topped the list (81%) and followed by Singapore (74%);[2]
- The International Telecommunications Union (ITU) has also reported that Malaysia's nationwide internet penetration rate in 2018 was at 87.4%, compared to 76.9% in 2016. It was also noted that the nation's internet penetration rate was in fact higher than the world average of 51.2%; and
- According to Hootsuite and We Are Social in the latest Digital 2019 report, in terms of mobile social media penetration, Malaysia is ranked as top five in the world at 80% and the highest in Southeast Asia. The same report indicated that 75% of internet users in Malaysia spend money via eCommerce platforms with 58% spending through mobile commerce applications.

The above reports are evidence to Malaysia's receptiveness towards digitalisation and eCommerce. This trend is expected to continue to expand nationwide in transforming consumers to be more sophisticated in undertaking online purchases and motivating businesses both in the manufacturing and services sector to be more agile as well as adaptive to the lucrative eCommerce potential at domestic and international markets. Thus, the National eCommerce Strategic Roadmap (NeSR), 2016 - 2020 will continue to be the key guiding blueprint to chart the comprehensive development of Malaysia's eCommerce ecosystem.

National eCommerce Council

The establishment of the National eCommerce Council (NeCC) headed jointly by MITI and MDEC since December 2015 has paved the way to the acceleration in Malaysia's eCommerce development and growth. The NeCC acts as the platform in guiding the governance and implementation of the NeSR involving 28 key Ministries and agencies in the following six key areas:

- Accelerate SMEs adoption of eCommerce;
- Increase adoption of e-procurement by businesses;
- Lift non-tariff barriers such as domestic e-fulfilment, cross-border eCommerce, e-payment and consumer protection;
- Realign existing economic incentives;
- Strategic investments in selected eCommerce players; and
- Promote national brands to boost cross-border eCommerce.

NeCC continued to chart the comprehensive development of Malaysia's eCommerce ecosystem through the on-going implementation of NeSR which has registered a continuous increase of contribution to the GDP at 6.3% (RM85.8 billion) in 2017, compared to 6.1% (RM74.6 billion) in 2016 and 5.9% (RM68.3 billion) in 2015[3].

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[1] Source: Google-Temasek e-Conomy Southeast Asia Spotlight 2018 Report, 2018
[2] Source: IDC Asia / Pacific Employee Sentiment Survey 2018, commissioned by Workday
[3] Source: Department of Statistics Malaysia (DOSM), 2018

EXHIBIT 4.3

KEY ACHIEVEMENTS OF THE NECC IN 2018

INITIATIVE	ACHIEVEMENT
Online businesses register with the Companies Commission of Malaysia (SSM)	Registration of more than **120,000 online businesses**
Registration with 'Go eCommerce' platform that provides online training and education modules	Registration of more than **20,000 SMEs**
Implementation of education and training programmes through consultation and information sharing sessions	More than **11,000 companies participated**
Transforming Malaysia into a regional fulfilment hub	**MIDA attracted investments of RM81.4 million** surpassing the target of RM50 million set for 2018
Collaboration between MATRADE and leading e-marketplaces to assist SMEs to access export markets	**Collaboration with** Alibaba.com, BuyMalaysia, DagangHalal, Amazon, eBay, Minebizs.com, AVANA / Facebook, JD.com and TMall Global
Implementation of the Digital Free Trade Zone Pilot Project providing a platform for local SMEs and enterprises to conduct business and services	**DFTZ has attracted participation from more than 5,000 Malaysian SMEs** from various sectors

Digital Free Trade Zone

The Digital Free Trade Zone (DFTZ) Pilot Project is an initiative under the NeSR with the objective to empower Malaysian entrepreneurs to export to global markets by leveraging on the strength of Alibaba as the global eCommerce leader, with more than 440 million consumers in over 190 countries. Launched in November 2017, the DFTZ encompasses physical (state of the art e-fulfilment hub) and virtual zones (world class global cloud platform) to support SMEs to trade goods, provide services, innovate and co-create solutions.

The Government is encouraging other industry players such as e-marketplaces and local and international logistics players to also participate in the pilot project as well. As at December 2018, industry partners who have onboarded the DFTZ are Alibaba.com (PRC); Lazada SEA (ASEAN); JBM (PRC); eRomman (Middle East); eBay (US); ecommerce.asia (Malaysia); BuyMalaysia (Malaysia); and Jocom (Malaysia).

ASEAN Agreement on eCommerce aimed to facilitate cross-border eCommerce transactions within the region

International Engagement Related to eCommerce

Malaysia has been supportive of all forms of engagement and discussions at the international front, including at the WTO, APEC and ASEAN fora, on the Digital Economy, including eCommerce. ASEAN, for instance, is in the midst of developing an ASEAN Agreement on eCommerce aimed to facilitate cross-border eCommerce transactions within the region.

At the regional level, on 12 November 2018, Malaysia signed the ASEAN Agreement on Electronic Commerce, a concerted effort between ASEAN Member States to facilitate more cross-border eCommerce transactions and data movement, as well as to increase the trust and confidence of ASEAN consumers in eCommerce. The Agreement is expected to streamline regional trade rules governing eCommerce to promote greater digital connectivity and lower operating barriers to entry for businesses.

The Agreement will open more opportunities to Malaysian “netpreneurs” to tap on the 260 million internet users in ASEAN, the third largest internet users in the world. In addition, the ASEAN internet economy is estimated to reach USD200 billion by 2025. While the eCommerce opportunities seem promising at the regional level, the challenges for the Government remain in identifying and removing the non-tariff barriers, including logistics and cross-border digital regulations that hamper entrepreneurs to exports.

**MIDA has carried out the Environmental Scan Studies on Human Capital Issues that began with the manufacturing sectors.
The main objective of the study is to develop the profile of the current and future workforce within the sectors**

CROSS-CUTTING ECOSYSTEM

Industry Talent Requirements

Skilled workers are imperative assets for industrial development. In this regard, MITI continuously works with other ministries and agencies as well as the industry to discuss and address the gaps and mismatch of skills faced by the industry. MITI and agencies also developed and implemented various skills development and training programmes that intend to better fit the industry talent requirements.

Under the Human Capital Council (Majlis Modal Insan - MMI) that oversees the national human capital development, MITI co-chairs the Industry Skills Committee (Jawatankuasa Kemahiran Industri - JKI) with the Malaysian Employers Federation (MEF). The JKI aims to identify the mismatch and skills gap between the workforce and the industry requirements.

Supported by two working groups, the Industry Working Group (IWG) and the Critical Skills Monitoring Working Group (CSMWG), the JKI strives to identify the skills demand required by the industry that needs to be strengthened by the academia and TVET institutions. The JKI aims to groom the workforce supply and prepare the graduates in order to ensure better skills and job placements. JKI shall benefit the industry with the role to ensure skilled talents are developed to fulfil the industry requirements. Active participation from the industry is needed in order to enhance the industry's talent workforce.

MIDA has carried out the Environmental Scan Studies on Human Capital Issues that began with the manufacturing sectors. The main objective of the study is to develop the profile of the current and future workforce within the sectors. The workforce profile will form the foundation for identifying the skillsets needed, talent gaps and the involvement of industries working with training / TVET / academic institutions for addressing their requirements. The studies also expect to look at the current industry trends and outlook, human capital requirements as well as strategic recommendations and action plans to address the talent gaps.

MITI also supports initiatives to bridge the connection between industry players and academia in streamlining TVET and training programmes to match the skills required by the industry. Industry-academia collaboration will be a strong enabler for local talent development. MIDA has carried out an Apprenticeship Programme to increase the total number of apprentices through skill training at Vocational Colleges under the National Dual Training System (NDTS) conducted by the Department of Skills Development (JPK), an agency under the Ministry of Human Resources (MOHR). The programme which is a collaboration with the Federation of Malaysian Manufacturers (FMM) and the Ministry of Education (MOE) involves students aged 15 years old and above to acquire a Level 3 Malaysian Skills Certificate upon completion of the courses through rigorous training at Vocational Colleges as well as manufacturing companies.

MITI and agencies also carried out various upskilling and reskilling training programmes for the existing workforce in the industry to increase the capacity and productivity. The Malaysia Automotive, Robotics and IoT Institute (MARii), Malaysia Steel Institute (MSI), Department of Standards Malaysia (Standards Malaysia), Standard and Industrial Research Institute of Malaysia (SIRIM) and MIMOS Berhad have sector-specific training and programmes to enhance the capability and competency of existing skilled and semi-skilled talents. Such programmes include basic & advance skills trainings, Transformation Programme, Industrial Upskilling Programme and Industry Led Professional Certification (IPC) Programme.

Various events that are open to the public such as short courses, public workshops, tech talks, symposiums and seminars were also held throughout the year to reach out to larger talent potentials. These programmes were able to achieve better results with the participation and collaboration with various parties including the industry players. For example, InvestKL conducted Malaysia Global Talent that encourages the collaboration of MNCs and higher learning institutes to up-skill local talent to meet the requirements of MNCs for highly skilled senior management.

In line with MITI's Industry*4WRD* policy, MITI acknowledges that skills training programmes need to be designed to match the skills required by the industry to catch up with global technology trends and industrial evolution. The policy identifies an urgent need to create a skilled and diverse workforce, with high salary, both by upskilling the existing labour pool and by attracting and developing future talent in the manufacturing sector. Industry*4WRD* also calls for particular attention to be given to reskilling and upskilling lesser-skilled workers to other sectors and activities.

MITI also continuously urges the industry to upgrade the talent through various training programmes offered by the Government of Malaysia via the agencies such as the Human Resource Development Fund (HRDF) to catalyse the development of competent local workforce that will contribute to Malaysia's economic development. MITI looks forward to better coordinated human capital development programmes in striving to spur the development of industrial activities towards enhancing Malaysia's economic growth.

INDUSTRY OUTLOOK 2019

Manufacturing

In 2019, MITI will focus on the implementation of Industry*4WRD* policy through 38 Action Plans by collaborating with the relevant ministries and agencies, as well as the industry. With the RM210 million allocated in Budget 2019 to support industry migration into Industry 4.0 from 2019 until 2021, MITI will implement the Industry4WRD Readiness Assessment and programmes which will drive human capital development, technology adoption and infrastructure upgrade.

For the aerospace industry, Malaysia External Trade Development Corporation (MATRADE) will be executing a number of business matching sessions for Malaysian companies with potential foreign buyers to drive Malaysia's exports and to expand Malaysia's footprint globally. SIRIM Berhad, an agency under MITI is also developing its capability to become the region's first AS9100 Certification Body to enable more local companies to enter the global aerospace market. SIRIM is also exploring opportunities to develop a dedicated centre for aerospace testing, inspection and calibration.

At the state level, several states namely Selangor, Kedah and Negeri Sembilan have highlighted initiatives to support the Aerospace Blueprint 2030. Selangor announced an action plan known as Selangor Aerospace Action Plan. Meanwhile, Kedah launched a plan to develop Kulim International Airport that will become a catalyst to position Kedah as one of the leading aerospace hubs in Malaysia. In addition, Negeri Sembilan has developed a comprehensive development plan focusing on aerospace industry under the Malaysia Vision Valley (MVV) project.

Acknowledging the importance of the automotive sector and the contribution to the nation, the NAP2014 is currently being reviewed and will be announced in 2019. MITI will continue to support the transformation of the automotive industry towards future mobility and subsequently drive the Malaysian economy to a higher level. The review will incorporate the elements of the advancement of mobility and Industrial Technology 4.0 to ensure the local automotive industry is in line with global trends.

Malaysia will be positioned as a global leader in the petrochemical and related products industry through the scheduled commissioning of Pengerang Integrated Petrochemical Complex (PIPC). The petrochemical projects under PIPC will enable companies to better assess and exploit opportunities in manufacturing downstream-intermediate and speciality chemicals, which provide greater returns and higher value exports. Meanwhile, MITI has tasked the industry to develop a White Paper for the Iron & Steel Industry to address issues at every level of the value chain. The White Paper will form the basis for a more holistic iron and steel policy towards developing a more resilient, competitive and sustainable industry.

Services

The services sector will remain as a major contributor to the Malaysian economy and is expected to continue experiencing dynamic growth due to emerging trends and disruptive technologies. In light of this, a new services sector blueprint is currently being developed. This blueprint will be more comprehensive in addressing challenges such as low productivity, slow adaptation in regulatory reforms and human capital mismatch, to be in line with the proposed new industrial master plan (IMP 2021 - 2030).

Digital Economy

2018 has witnessed the positive participation of the Malaysian SMEs and large corporations in going digital and embracing eCommerce. This indicates that the Government policy interventions through the NeCC and NeSR are bearing fruition. NeSR is continuously being reviewed in order to maintain the relevance in contributing towards increase in trade and investment and eventually towards economic prosperity and societal well-being. Moving forward, in expanding the outlook on trade and investment in the Digital Economy space, MITI is also collaborating with other key Ministries and agencies in view of creating a more integrated digital economy ecosystem under the NeSR. These include the digital economy related policies of cyber security, data protection and the adoption of standards and other technologies.

5

CHAPTER

PRODUCTIVITY AND COMPETITIVENESS DEVELOPMENT

OVERVIEW

Malaysia has been making clear strides towards transforming into an advanced economy and inclusive nation supported by strong economic performance and productivity improvements. Productivity is critical to sustain this positive growth trajectory as reflected by the revised macro multidimensional goals in the mid-term review of the Eleventh Malaysia Plan, 2016 - 2020 (MTR-11MP). Meanwhile, Malaysia also undertakes concerted efforts to enhance competitiveness in order to make the nation as the preferred investment destination.

PRODUCTIVITY PERFORMANCE

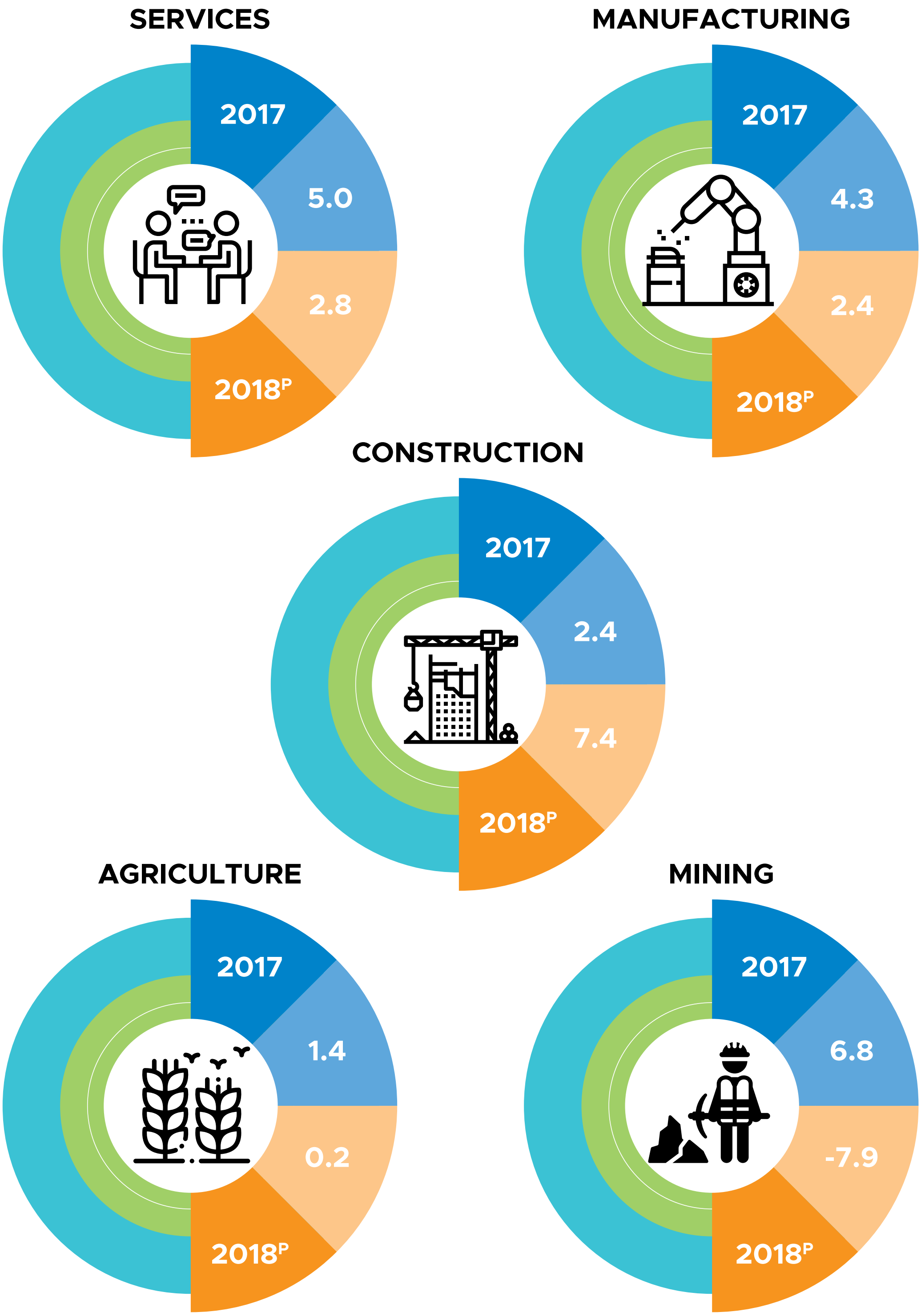
In 2018 , Malaysia's labour productivity as measured by real added value per person employed improved by 2.2% to RM83,037 (2017: RM81,268). The growth in productivity contributed to a higher growth in Gross Domestic Product (GDP) of 4.7%, while employment grew at 2.5%. Malaysia's Multi-Factor Productivity (MFP) performance between 2014 and 2017 has been 1.7%, contributing 32% to the GDP. Economic growth is dominated by capital rather than MFP, as compared with the advanced economies, where MFP is the main contributor. The contribution of MFP is below the revised target of 39.6% under the MTR-11MP.

Sectoral Productivity Performance

In 2018, labour productivity registered positive growth in several sectors namely construction at 7.4%, services (2.8%), manufacturing (2.4%) and agriculture (0.2%), while the mining & quarrying sector registered a contraction of 7.9%. The services sector accounted for the largest contribution to total GDP at 55.5% and registered a productivity growth of 2.8%. The services sector recorded significant growth in added value at 6.8%, while employment growth was at 3.9%. In the meantime, the manufacturing sector contributed 23% to GDP and recorded labour productivity growth of 2.4%. The manufacturing added value and employment growth was at 5% and 2.6% respectively.

[1] *Note: preliminary - Labour Productivity of 4th Quarter 2018, DOSM.*

EXHIBIT 5.1
PRODUCTIVITY GROWTH OF MAIN ECONOMIC SECTORS, 2017 - 2018



Note: p - preliminary
Source: Labour Productivity of 4th Quarter 2018, DOSM

INTERNATIONAL COMPETITIVENESS

MITI monitors Malaysia's rank in three international reports to ensure the nation remains competitive in the global economy. The three reports are the World Bank Doing Business Report, the World Economic Forum Global Competitiveness Report and the International Institute for Management Development (IMD) World Competitiveness Yearbook. Malaysia has shown improvement in all three reports.

World Bank Doing Business 2019

Malaysia is consistently ranked among the best countries in doing business. The World Bank Doing Business 2019 Report ranks Malaysia as the 15th best place in the world to do business among 190 participating economies (2018: 24th). The nation had carried out six business reforms which resulted in this significant increase in the overall business score, which led to the jump to 15th position (2018: 24th). The reforms implemented were in relation to starting a business, dealing with construction permits, securing electricity, registering property, trading across borders and resolving insolvency.

Among the 10 competitiveness criteria used in the Doing Business report, Malaysia achieved top five rank in three areas namely protecting minority investors (2nd), dealing with construction permits (3rd) and getting electricity (4th). Moving forward, in accelerating regulatory reform to improve business competitiveness, the structure would be strengthened to better address issues at the policy and execution levels. The Government through PEMUDAH is committed to undertake more reform initiatives to further enhance the ease of doing business of a new Malaysia that will prosper through healthy business competitiveness.

The World Bank Doing Business 2019 Report ranks

Malaysia as the 15th best place in the world to do business

among 190 participating economies

Global Competitiveness Report 2018

The most recent 2018 edition of the Global Competitiveness Report published by the World Economic Forum ranked Malaysia as the 25th most competitive economy out of 140 economies. Malaysia was one of the three non-high-income countries that were featured in the top 40 of the list. Malaysia's best performing index was macroeconomic stability which achieved a perfect score of 100. The other best achievements were the financial system and business dynamism.

The report introduced a new Global Competitiveness Index 4.0, by integrating the Fourth Industrial Revolution (4IR) wave into the definition of competitiveness. The new methodology aimed at integrating the 4IR into the definition of competitiveness, emphasising the role of human capital, innovation, resilience and agility. These elements are not only drivers but also defining features of economic success in the 4IR. Malaysia was listed as the 9th in the list as being most "future ready".

The report consists of a total of 98 variables, from a combination of data from international organisations as well as from the World Economic Forum Executive Opinion Survey. The variables are organized into twelve pillars which are institutions, infrastructure, ICT adoption, macroeconomic stability, health, education and skills, product market, labour market, financial system, market size, business dynamism and innovation capability.

The IMD World Competitiveness Yearbook 2018 ranked

Malaysia 22nd out of 63 economies

World Competitiveness Yearbook 2018

The IMD World Competitiveness Yearbook 2018 ranked Malaysia 22nd out of 63 economies, which reflects an improvement by two positions (2017: 24th). The report measures competitiveness of a nation based on economic performance, government efficiency, business efficiency and infrastructure. Malaysia performed strongly in economic performance, advancing 5 positions to 8th place (2017: 13th). The nation also improved two positions in business efficiency to 17th place (2017: 19th) and government efficiency to 23rd place (2017: 25th).

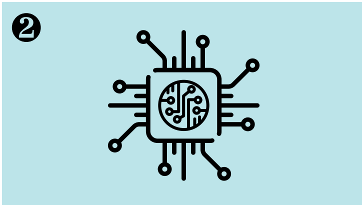
Malaysia registered 22nd position in the competitiveness rank which has overtaken New Zealand (23rd), Iceland (24th) and Belgium (26th), and continues to be ahead of Japan (25th), Republic of Korea (27th) and France (28th). Among the 30 countries with GDP per capita below USD20,000, Malaysia remains at 2nd position with a value of USD9,828. Despite the achievements, Malaysia needs to continue with efforts to improve the country's competitiveness. These efforts include building the workforce to meet dynamic industry needs, uplifting digitalisation and innovation as well as strengthening productivity and competitiveness of industries.

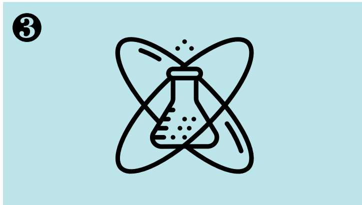
Malaysia's favourable performance in these international reports suggests that the country offers a conducive environment that allows business communities to operate effectively and efficiently. In this regard, the Government continuously encourages the adoption of best practices to drive economic growth and human development. This environment will facilitate global decision makers to undertake innovative activities in Malaysia that will have positive spillover effects to stimulate the economy further.

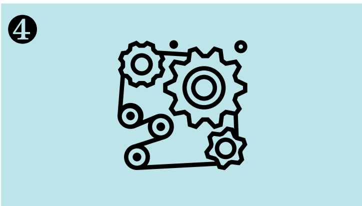
PRODUCTIVITY NEXUS

The Productivity Nexus, comprising of nine sectors, was introduced under the Malaysia Productivity Blueprint (MPB) launched on 8 May 2017. This is an action plan to materialise the country's productivity agenda to become an advanced economy and inclusive nation. The MTR-11MP continues to place focus on productivity as one of the macroeconomic strategies which will significantly improve economic growth of the country. The nine nexus identified to boost productivity at sector level are:

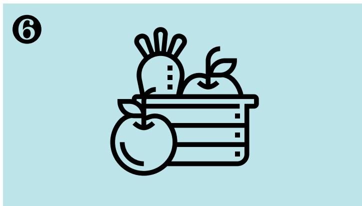

1. Retail and Food & Beverage


2. Electrical and Electronics


3. Chemicals and Chemical Products


4. Machinery and Equipment


5. Tourism


6. Agro-Food


7. Information, Communication and Technology (ICT)


8. Professional Services


9. Private Healthcare

The 9 nexus are led by key industry associations and enterprise champions. These nexus were selected based on 4 criteria which are contribution to Gross Domestic Product (GDP), share of the workforce, opportunity for productivity improvement and the readiness to implement productivity improvement. These nexus contribute 30% to GDP and account for 40% of total employment.

In 2018, a total of 43 initiatives had been designed for implementation by the nine nexus. The role of the productivity nexus is to increase awareness as well as to raise understanding of productivity improvement strategies through the implementation of sector initiatives. The productivity nexus provides a platform to strengthen collaboration and knowledge sharing among industry players and offer access to industry specialists in their respective sectors via programmes such as sharing best practices, recognition of High Productivity Enterprises and Industry Productivity Specialist.

EXHIBIT 5.2

ACHIEVEMENTS OF PRODUCTIVITY PROGRAMMES

PROGRAMME
INDUSTRY PRODUCTIVITY SPECIALIST (IPS)

OBJECTIVES
- To produce more highly trained IPS experts in Productivity areas according to 9 Productivity Nexus
- To increase the industry experts' competencies level for productivity area
- IPS experts need to demonstrate a commitment to share knowledge and experience to empower the industry

2018 ACHIEVEMENT

	NEXUS	TOTAL
1	Retail and F&B	23
2	Electrical and Electronics	8
3	Chemicals and Chemical Products	5
4	Machinery and Equipment	4
5	Tourism	1
6	Agro-Food	8
7	ICT	3
8	Professional Services	16
9	Private Healthcare	3
	OVERALL TOTAL	71

PROGRAMME
BEST PRACTICES ARTICLES

2018 ACHIEVEMENT
86 articles have been published and uploaded in the Benchmarking Online Network Database (BOND) website **http://bond.mpc.gov.my**

OBJECTIVES
The Best Practices articles published by Malaysia Productivity Corporation (MPC) aims to encourage all businesses in Malaysia to take the same steps to be on par with the best companies at the sectoral level.

PROGRAMME
HIGH PRODUCTIVITY ENTERPRISES (HPE)

2018 ACHIEVEMENT
- 13 enterprises have been recognised during the event on 22 March 2018.
- 18 enterprises have been assessed and are expected to be recognised in the mid 2019.

OBJECTIVES
- Recognise companies in Malaysia that achieve high productivity growth rates as reference models and best practices to other firms
- Create awareness about the importance of productivity growth for economic growth
- Encourage enterprises to reduce dependence on low-skilled foreign labour force

Showcase on Innovation for Productivity 2018

Showcase on Innovation for Productivity 2018 (SHIP 2018) held on 22 March 2018, was a milestone event for the year. The event was the third year of the showcase following the successful SHIP events held in 2016 and 2017. Themed as Driving Productivity of the Nation, the main objectives of SHIP 2018 were to:

- introduce strategic cooperation initiatives provided by the Government to drive innovation to improve productivity, particularly among small and medium enterprises (SMEs);
- showcase innovative products and services which have been successfully implemented as a result of the intervention project; and
- provide exposure especially to young entrepreneurs as well as the younger generation of public and private higher educational institutions towards a productive mind in driving productivity of the nation.

The event gathered 1,179 participants from 289 organisations of private and public sector, including higher education institutions, organisations and business associations. Within SHIP 2018, several other activities were conducted such as Productivity Forum, Productivity & Innovation Race, Innovation Products Exhibition and Open Mic Session. A total of 39 exhibitors consisting of companies, agencies and higher education institutions participated in the exhibition which showcased Productivity Nexus and strategic platform initiatives. During the showcase, a total of 13 enterprises consisting of multinational and local companies that achieved high productivity growth rates and employed 85% or more local workers were recognised as High Productivity Enterprises.

NATIONAL POLICY ON GOOD REGULATORY PRACTICE

Regulatory reform remains a key element in the MTR-11MP to enhance productivity and competitiveness of the nation. The Government continues the momentum of modernising the current regulatory system not only at the federal government level but also at the state and local government levels. Since 2016, Good Regulatory Practice (GRP) outreach programmes have been launched at state and local authority levels. A regulatory governance system that is robust, accountable and transparent is an important building block in sustaining a dynamic and resilient economy in the face of a rapidly changing market place. It is essential to bring in a cultural change required in improving the Government's delivery system through reducing regulatory constraints, improving the quality of the regulatory proposals and fostering a business-friendly environment that can attract more private investment. Better regulation is the result of sound policy development and good regulatory design processes that create the climate for a competitive and productive economy.

Another important milestone in strengthening GRP is to establish an innovative policy development engagement mechanism to embrace new technologies. The enhancement of public consultation and citizen engagement across the regulatory cycle for a wider outreach to stakeholders and affected parties will boost transparency, inclusiveness and trust in the Government rule-making process. The Unified Online Public Consultation (UPC) portal through collaboration between the World Bank and MPC has been established, which will provide a tracking tool for better monitoring and evaluation of evidence-based and quality rule-making.

Implementing GRP at the State level

The expansion of GRP to the state and local government levels is imperative for governance reform efforts to be effective. This expansion has provided greater consistency, accountability and transparency to the rule making process at all levels of Government. Currently, the initiatives have been extended to 12 states since 2016.

EXHIBIT 5.3
GRP IMPLEMENTED IN THE STATES, 2016 - 2019

National Convention on Good Regulatory Practice 2018

The one-day convention was officiated by YAB Deputy Prime Minister of Malaysia, Dato' Seri Dr. Wan Azizah Wan Ismail. The convention themed as 'Better Regulation, Enhance Productivity' attracted 1,693 participants including policy-makers, regulators, experts, members of trade industries, government officials and foreign delegates. It was a meeting of minds in addressing the challenges of implementation of GRP as a national transformation strategy, in collaboration with 28 speakers from local and international organisations, showcasing the best practices on GRP.

At the event, YAB Deputy Prime Minister also launched the Report on Modernisation of Regulations 2018, the second biennial report since 2016. The publication provides useful information on Malaysia's regulatory reform journey and aims to inform stakeholders on improvements taking place in the regulatory environment and the progress achieved in the implementation of the National Policy on the Development and Implementation of Regulations (NPDIR).

The following achievements on GRP initiatives were recorded:

- 315 Notifications for new and amended regulations received from 2014 - 2018;
- 74 Regulatory Impact Statements received from 2014 - 2018;
- RM6.66 billion compliance cost saving from 2014 - 2018;
- 16 projects in cutting the red tape (MyCURE) completed in Perak, Penang and Perlis in 2018.
- GRP launched in Sarawak on 2 December 2018 and published *Dasar dan Buku Panduan Amalan Baik Peraturan Sarawak*;

- GRP launched in Sabah on 23 November 2018 and published the Manual for Dealing with Construction Permits (DBKK) and Manual for Modernising Business Licensing;
- 659 non-tariff measures (NTMs) reviewed for 6 agencies (Ministry of Land and Water Resources, Ministry of Health, Ministry of Agriculture and Agro-based Industries, Ministry of Human Resources, Ministry of Primary Industries and Ministry of Works);
- Adhered to International Convention on Transparency Obligations; and
- Trained more than 5,000 regulators and policy makers on Regulatory Impact Analysis.

Unified Online Public Consultation

The UPC is an important feature of a robust regulatory system, mandated under the MPB to develop an ‘innovative policy development engagement mechanism’. Public consultation is a vital feature of NPDIR as it promotes the GRP goals of accountability, transparency and informed decision-making. Consultation is a two-way process, through which the regulator seeks and stakeholders provide their views on proposed regulatory changes. For public consultation to be effective, it should be guided by the principles of transparency, accountability, commitment, inclusiveness, timeliness and informative, and integrity with mutual respect. Among the common forms of public engagement or consultation are face-to-face meetings, seminars, forums, public surveys and focus groups.

Adequate preparation is necessary for consultations to achieve its objective, and this includes providing sufficient notice of the consultation and availability of information regarding the proposed regulatory changes. With wide-spread use of information technology, the consultation process has also been strengthened through making public consultation available on-line. Several jurisdictions have introduced unified or centralized online consultation portal to enhance public engagement thus making the consultation process more efficient and inclusive.

In uplifting the practice of public consultation to a higher level, beyond the guidelines of NPDIR, MPB has called for the establishment of an innovative engagement mechanism for policy development considering emerging technology. Towards this end, MPC is collaborating with the World Bank through the Regulatory Policy and Management project which was formally launched in 8 March 2017. Among the focus of the project will be the design of a unified (centralised) website for online consultation in rulemaking.

The established UPC portal provides an alternative mechanism for regulators to reach out to their stakeholders as well as to be a more cost-effective approach for the provision of information on the proposed regulatory changes. The publication of notice of regulatory consultations from various regulators on a centralized portal will serve to enhance transparency and encourage greater stakeholders’ participation. With the establishment of a centralised on-line public consultation mechanism, it is envisaged that a set of guidelines will be drawn up to put in place a more systematic and effective public consultation leading to a more robust rule-making process and enhancing legitimacy and trust in public institutions. The pre-launch for UPC was held on 27 March 2019.

Significant progress has been made in the implementation of GRP in Malaysia. There has been greater awareness of the benefits of GRP as reflected in the increase in compliance to the requirement of NPDIR. The experience of Organisation for Economic Co-operation and Development (OECD) countries in regulatory reform and implementation of GRP also encountered challenges in the early phases. It is envisaged that the review to be undertaken will produce recommendations to take Malaysia's regulatory reform journey to a higher level. The need for a more robust regulatory management system is even more crucial as Malaysia confronts the demands of greater integration into the global economy through its active pursuit of free trade and investments as catalyst for growth. Malaysia is an active member of the World Trade Organization (WTO), Association of Southeast Asian Nations (ASEAN), Asia-Pacific Economic Cooperation (APEC) and several free trade agreements. The benefits of these agreements are enormous but can only be more fully realized by putting in place a quality regulatory management system that supports a robust ecosystem for business to prosper.

Good Regulatory Practice in ASEAN

Effective regulations are needed to support growth, investment, innovation, and the functioning of markets and society as a whole. The importance of GRP has been well-recognised by ASEAN. Enhanced regulatory practice and the capacity of individual ASEAN Member States (AMS) is essential for the successful delivery of respective national development agenda and also the implementation of regional commitments and the region's long-term competitiveness.

In ASEAN, the concept of GRP has been given emphasis in the ASEAN Economic Community (AEC) Blueprint 2025, particularly under the second characteristic of “A Competitive, Innovative and Dynamic ASEAN”, where Element B7 explicitly refers to “Effective, Efficient, Coherent and Responsive Regulations and Good Regulatory Practice”. The said Element calls for ASEAN Member States to ensure that the regulatory regime is relevant, robust, effective, coherent, transparent, accountable, and forward looking in terms of regulatory structures and design, as well as implementation processes. The Element also reflects ASEAN recognising the need to continue engaging the various stakeholders to build a more dynamic AEC 2025 and to promote a more responsive ASEAN by strengthening governance through greater transparency in the public sector and in engaging with the private sector.

The strategic measures under the Element include ensuring new regulations to comply with GRP, review existing regulatory implementation processes, consultations, regular assessments and capacity building with knowledge partners. The extensive inclusion of GRP-related elements in the blueprint highlights the importance of strengthening good governance processes and mechanisms by ensuring policy-making to be more inclusive, transparent and responsive to the needs and expectations of stakeholders.

At the regional level, the ASEAN Work Plan on GRP (AWPGRP) 2016 - 2025, adopted at the 23rd ASEAN Economic Ministers' (AEM) Retreat in March 2017 and endorsed by the AEC Council Ministers in April 2017, serves to map and sequence possible areas for ASEAN's work on GRP over the next 10 years. The objectives of the work plan are to secure commitments to GRP at the political level, to strengthen strategic efforts to implement GRP, to conduct piloting of GRP in strategic sectors and to develop awareness and capacity building on GRP.

Among the first deliverables of the AWPGRP 2016 - 2025 are the institutionalisation of a body to work on GRP and to develop the ASEAN GRP Core Principles. In this regard, the ASEAN Economic Ministers tasked the High Level Task Force on ASEAN Economic Integration (HLTF-EI) to maintain oversight of GRP work in ASEAN. The HLTF-EI will be assisted by the ASEAN Senior Economic Officials Meeting (SEOM) to oversee the implementation of the AWPGRP 2016 - 2025.

Meanwhile, the key commitment to GRP at the political level was demonstrated with the adoption of the ASEAN GRP Core Principles by the 50th AEM Meeting in August 2018 and endorsed by the AEC Council in November 2018.

The core principles aim to assist AMS in improving their regulatory practice and to foster ASEAN-wide regulatory cooperation. The said principles are:

- Clarity in policy rationale, objectives, and institutional frameworks;
- Produce benefits that justify costs and be least distortive to the markets;
- Be consistent, transparent, and practical;
- Support regional regulatory cooperation;
- Promote stakeholder engagement and participation; and
- Be subject to regular review for continued relevance, efficiency and effectiveness.

Moving forward, ASEAN will take into account the Core Principles in its review of the ASEAN GRP Guide 2009, which is expected to be completed in 2019.

REVIEW OF NON-TARIFF MEASURES

Making a Mark in Multilateral Trading Engagements

Malaysia's total trade in 2018 remained resilient, expanding by 5.9% to RM1.88 trillion (2017: RM1.77 trillion), driven by stronger-than-expected export growth. Trade has increased by five-fold since Malaysia joined the WTO in 1995. In 2017, Malaysia has been ranked as the 25th largest exporter of merchandise trade (USD218 billion) and 26th largest importer (USD195 billion) in the world. In the commercial services sector, Malaysia was the 32nd leading exporter (USD37 billion) and 30th leading importer (USD42 billion) as reported in the World Trade Statistical Review 2018.

Amidst the global economic uncertainties and rising pro-protectionism sentiments in 2017 and 2018, Malaysia has continued to play a role in advocating the supremacy of the multilateral trading system as embodied by the WTO. Despite the cynicism raised by inward-looking segments of the society, the WTO has ensured that world trade is conducted in an open, fair, predictable and transparent manner. As parties to the only multilateral rules-based organisation in the world, all 164 WTO members including Malaysia have benefited tremendously from the market access, trade liberalisation and regulatory reform commitments undertaken under the WTO.

Malaysia's Policies and Measures at the WTO

As transparency and predictability in trade policies and measures remain vital for the global economy, the WTO has put in place various transparency mechanisms to review the trade and trade-related measures implemented by WTO members. The WTO Director General's Annual Trade Monitoring Report for the period of mid-October 2017 to mid-October 2018 has illustrated significant increase in trade restrictive measures by WTO members. This has provided the WTO-wide factual insight into the trade restrictive measures imposed in the context of current trade tensions.

While members continued to implement trade-facilitating measures, the trade coverage of the import-restrictive measures was more than seven times larger than that recorded in the previous annual overview. A total of 137 new trade-restrictive measures were put in place by members during the review period, including tariff increases, quantitative restrictions, import taxes and export duties. This has illustrated an average of 11 new measures per month, which is higher compared to the average of nine (9) recorded in the previous annual overview during mid-October 2016 to mid-October 2017.

During the same period, WTO members also continued to implement 162 trade-facilitating measures including eliminating or reducing tariffs and simplified customs procedures for imports and exports. The estimated trade coverage of import-facilitating measures (USD295.6 billion) has also risen significantly during the review period and is 1.8 times larger than the figure reported in the previous annual overview. However, this trade coverage is half that of trade-restrictive measures which amounts to USD588.3 billion, more than seven times larger than that recorded last year.

The report reveals that Malaysia had implemented three key trade-facilitating measures during the review period, namely:

- Amendments introduced to the list of prohibited export products, resulting in the removal of selected items such as miscellaneous edible preparations; pharmaceutical goods; articles of iron and steel; articles of copper; nickel bars, rods, profiles and wire; aluminium and articles thereof; articles of lead; articles of zinc; split air conditioning and freezers;
- Amendments introduced to the list of prohibited import products, resulting in the removal of selected items such as flat rolled products of iron or non-alloy steel; miscellaneous edible preparations; products of animal origin; coral; cereal pellets; oil-cake and other solid residues, resulting from the extraction of soybean oil; organic or inorganic compounds of mercury; plastic articles for the conveyance or packing of goods; iron and steel reservoirs; articles of copper; articles of nickel; aluminium reservoirs; articles of lead; articles of zinc; drying machines; washing, bleaching or dyeing machines; and preparations of fish and crustaceans; and
- Further reduction of import tariffs under the expansion of the Information Technology Agreement (ITA).

Trade remedy measures continued to be a very important trade policy tool for WTO members, accounting for about 63% of all trade measures captured in the WTO Director General's Annual Trade Monitoring Report. Initiations of anti-dumping investigations continued to be the most frequent trade remedy action. In this regard, Malaysia has initiated four anti-dumping (AD) investigations during the period from July 2016 to June 2018 and no safeguard investigations have been initiated during the same period.

During the review period, Malaysia has also raised two Specific Trade Concerns (STCs) at the WTO Technical Barriers to Trade (TBT) Committee Meeting and the Council for Trade in Goods Meeting on:

- European Union: Amendments to the Renewable Energy Directive (2009/28/EC) (ID 553) which was raised by Malaysia, Thailand, Indonesia, Colombia, Costa Rica, Guatemala and Nigeria; and
- European Union: Application of Regulation No. 1169/2011 and Regulation (EC) No. 1924/2006 regarding the labelling of food products, in not prohibiting or examining the use of "palm oil free" labels (ID 555) which was raised by Colombia, Indonesia, Costa Rica, Guatemala, Thailand and Malaysia.

Overall, transparency is essential to everything undertaken at the WTO and central to maintain the predictability and stability of the multilateral trading system. Hence, WTO members were urged to use all means at their disposal to de-escalate the situation.

Initiatives on Reviewing Non-Tariff Measures

MPC has been mandated to forge a robust business ecosystem, which is one of the five national strategic thrusts under the MPB 2017. One of the activities under this thrust is removing NTMs that impede the growth of business and improve the efficiency of the logistics sector. This activity is one of the key priority areas that need to be implemented as soon as possible, in order to achieve the targeted increase in productivity for the nation.

In undertaking the review of the NTMs, MPC was guided by three references namely the report issued by the Integrated Trade Intelligence Portal (I-TIP) under the United Nations Conference on Trade and Development (UNCTAD), Customs Prohibition Order (CPO) 2017 and inputs from technical experts and stakeholders. The aim of the Reviewing NTMs programme is not only limited to convincing the recipient ministries and agencies to adopt the GRP tools, but to embed GRP in the regulatory processes. The challenge is to promote adoption of GRP from the stage of formal adoption, right up to implementation and enforcement.

In the implementation stage, there are two different levels of indicators identified for this programme. The initiative starts with the profiling of the identified and diagnosed NTMs (Adoption Indicator) where the baseline database was derived from the Economic Research Institute for ASEAN and East Asia (ERIA), which identified 13 institutions issuing up to 713 NTMs for over 5,000 products.

The second stage aims to achieve a 25% compliance cost savings by 2020. The compliance cost estimation was carried out for the regulatory regimes of the domestic regulations using the Standard Cost Model (SCM) approach. This estimation takes into account the inputs gathered from the authorities and a sample of business. This stage involves a qualitative study of engagements with business and interested parties impacted by the regulation.

Participating Ministries

In 2018, the first stage of review exercise was done with the participation of 6 ministries and 25 agencies. During the exercise, 252 NTMs were identified, compared to 668 NTMs as reported by Integrated Trade Intelligence Portal (I-TIP) 2015. A total of 61 legislations (28 primary, 33 subsidiary) were reviewed.

EXHIBIT 5.4
THE REVIEW OF NTMS IN 2018

No.	Ministry / Agency / Commission	No. of NTMs (as per I-TIP database)	No. of NTMs identified during exercise	Legislations	
				Primary	Subsidiary
1	Ministry of Agriculture and Agro-based Industry (MOA)	86	104	8	16
2	Ministry of Health (MOH)	502	84	5	6
3	Ministry of Primary Industries (MPI)	27	30	4	5
4	Ministry of Water, Land and Natural Resources (KATS)	39	29	7	3
5	Ministry of Works (MOW)	0	1	1	–
6	Ministry of Human Resources (MOHR)	14	14	3	3
	TOTAL	**668**	**262**	**28**	**33**

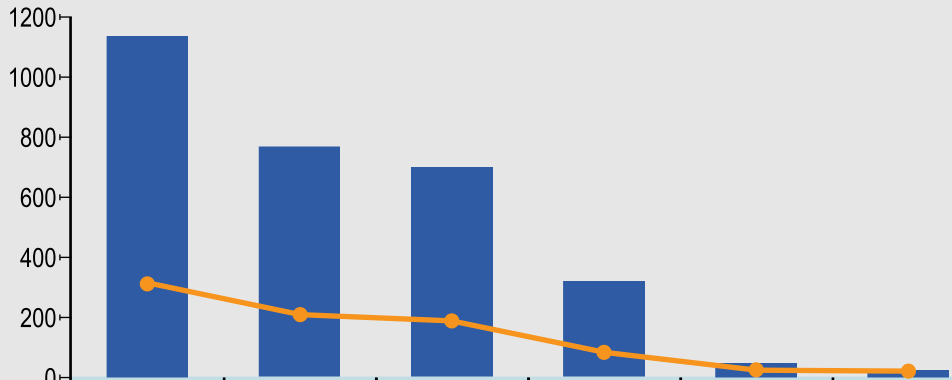
Sources: Customs (Prohibitions of Import & Export) Order 2017, Integrated Trade Intelligence Portal (I-TIP) 2015. Findings through the verification with respective Ministries and Agencies (2018).

Role of NTMs in Enhancing Productivity

Reforming the NTM regime aims to increase economic productivity as domestic industries would be able to exploit the gains from freer trade. Better regulation leads to lower costs for business, higher productivity, improve quality, increase investment and encourage innovation. These contribute to better job creation, higher growth as well as facilitate the expansion of the private sector. Inefficient regulations can constrain the ability of domestic firms to diversify and compete abroad. A better regulatory environment will also tend to make a country more attractive for both domestic and international investment. The initiatives of reviewing NTMs are one of the key strategic initiatives at the national level, in line with the establishment of 9 nexus in MPB, to uplift productivity.

EXHIBIT 5.5

ESTIMATED COMPLIANCE COSTS (RM MIL.) AND POTENTIAL COST SAVING (25%) FOR SIX MINISTRIES, 2017



	(MOH)	(MOA)	(MPI)	(MOHR)	(MOW)	(KATS)
Estimated Compliance Cost (RM Million)	22.6	763.8	695.7	318.4	12.7	1,142.60
Potential Cost Cost (25%)	5.65	190.95	173.925	79.6	3.175	285.65

Total Estimated Compliance = **RM2,955.80 Million**
Total Potential Cost Saving = **RM738.95 Million**

Source: Based on estimated 26 projects as recommended for improvement (year 2017)

MOH – Ministry of Health
MOA – Ministry of Agriculture and Agro-based Industry
MPI – Ministry of Primary Industries
MOHR – Ministry of Human Resources
MOW – Ministry of Works
KATS – Ministry of Water, Land and Natural Resources

INDUSTRY EXCELLENCE AWARD 2018

In Malaysia, the Industry Excellence Award or Anugerah Kecemerlangan Industri (AKI) was first introduced in 1991 by the Ministry of International Trade and Industry (MITI). The award is an effort by the Government to recognise companies that have demonstrated excellence in their management practices, quality of products and services and continuously provide greater value to their stakeholders.

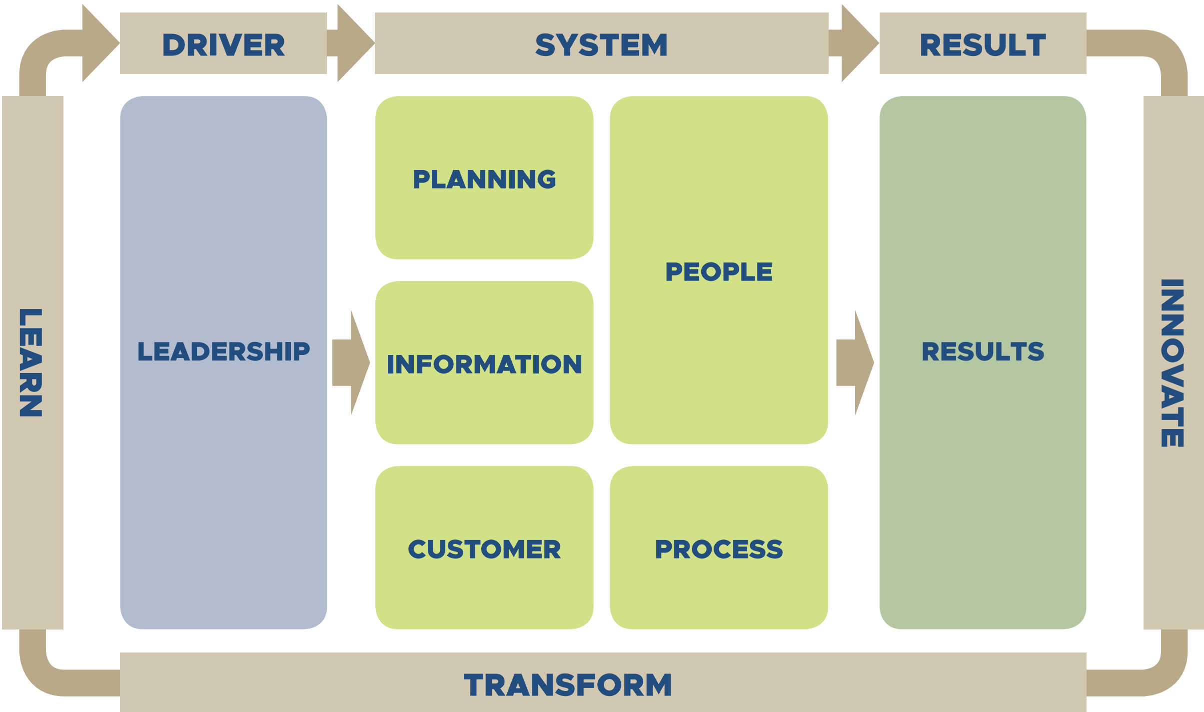
The recognition for this award comes in four categories namely manufacturing, services, open category (for multi-national companies) and most promising company. Overall, there were eleven potential winners with four winners from the manufacturing category, five winners from the services category, one winner from the open category and one winner from the most promising category. All winners from each category will be in the running for the exclusive Prime Minister's Award, which is the highest accolade conferred by the Government to the industry.

Participating companies in this award were assessed using the standards established in Malaysia Business Excellence Framework (MBEF). This framework was developed around seven criteria to include Leadership, Planning, Information, Customer, People, Process and Results. Each criteria was supported by values that are important to drive world class management practices.

Malaysia is one of the ninety award administrators globally that uses the Business Excellence Framework to assess participating companies in the award programme. Thus, the standard attained by winners in AKI is comparable if not better than award winners from other countries that have used BEF. This achievement was reflected by many Malaysian companies that were AKI winners and went on to win various international awards.

The development of MBEF takes into consideration inputs from stakeholders in the business value chain. Similarly global best practices were used to improve and refine MBEF to cater for local requirements while taking into account international practices. Some of the benchmarked awards adopted are Baldrige Criteria for Performance Excellence, the Australia Business Excellence Framework, the Canadian Framework for Business Excellence, the European Foundation for Quality Management, the Dubai Quality Award and the Singapore Business Excellence Framework.

EXHIBIT 5.6
MALAYSIA BUSINESS EXCELLENCE FRAMEWORK



The MBEF provides a holistic approach to move companies to the next level of performance through the adoption of best business and management practices. These practices will enhance companies' sustainability through the offering of better products and services exceeding customers' expectations. Incorporation of these new ideas is needed within all areas of the organisation, including stakeholder relationships to attain world class performance to enable companies reap benefits from the adoption of best practices and standards using the MBEF.

As more local businesses demonstrate the ability to compete in the global market place, investors will see Malaysia as a global and competitive trading nation and will choose Malaysia as the preferred investment destination. In order to be globally competitive, it is vital for businesses from various industries to produce high value-added goods and services. Thus, effort to embrace MBEF spurs the development of industrial activities towards enhancing Malaysia's economic growth by enhancing national productivity and competitiveness in all sectors of the industry. All these benefits lead to highly efficient companies which offer high quality jobs for the workforce which garner sizeable sales turnover. Since 2014, a total of 201 organisations participated in AKI. The participation increased from 56 in 2014 to 84 in 2018 which reflected an increase of 33%. For 2018, the participating companies comprise of 76 domestic companies and 8 multinationals.

BOX ARTICLE 5.1

RAISING NATIONAL PRODUCTIVITY AND COMPETITIVENESS THROUGH MIMOS HOMEGROWN TECHNOLOGY

MIMOS' applied R&D activities aim to transform industry and boost productivity through the 99 high-impact projects delivered up to 2018 that have created positive impact to the Government and industry. The projects have adopted advanced technologies such as big data analytics, Internet of things, artificial intelligence, edge computing and advanced electronics. Applications of MIMOS technology have helped accelerate and improve processes across key Government sectors including healthcare and public safety; and strengthen industry, particularly the electrical and electronics (E&E) sector. Some of the projects are as illustrated below:

Electrical and Electronics

MIMOS continued to contribute to the local E&E industries' productivity and competitiveness through technology development and engineering analytical services. Highlights of 2018 included:

- MIMOS' Advanced E&E shared service and facilities benefited 48 multinational companies and 15 SMEs
- Development of advanced nano materials and nano-enhanced technology aimed at increasing the competitiveness of local companies in semiconductor industry
- Launch of graphene and nano-material atomizer (nanocoating) equipment to support a Penang-based automation company to enter into new market segment in semiconductor industry
- Collaboration with industry on in-line gas quality analytics using photonics technology through Fortune 500 Vendor Development Programme, which helped drive local companies' competitiveness
- Enablement of local companies to foray into global Smart City market through Smart Street Light technology, IoT Hub and Secured Smart Energy Controller solutions
- Deployment of IoT intelligent agriculture solution using smart sensor-based technology for shiitake mushroom cultivation in Sabah recorded 85% yield improvement and 20% growth increase
- Supported customised skills development in semiconductor, microelectronic technologies and IoT certifications for industry competitiveness.

Healthcare

MIMOS worked with the Ministry of Health in national healthcare transformation namely the Clinical Information System that automates existing processes in Government primary-care and dental clinics. Improved efficiency and productivity are noted in the following areas:

- Faster patient registration process;
- Improved lab turnaround time;
- Improved efficiency in making appointments;
- Reduction of appointment defaulters for Maternal and Child Health, Non-Communicable Diseases;
- Improved efficiency in outreach activities;
- Improved billing process; and
- Improved efficiency in report generation.

MIMOS also developed the Malaysian Health Data Warehouse (MyHDW) which is a comprehensive system that integrates critical medical information from various public and private healthcare systems nationwide.

- Built with local technology, with less dependence on foreign support;
- Reduces overheads and burden of data collection, processing and reporting; and
- Improves overall analysis and delivery time.

Public Safety

As part of the Government's move to enhance public perception of community safety, MIMOS worked with the Royal Malaysia Police to introduce advanced policing technologies, which can also be applied at other public safety institutions. Meanwhile, the Self-Monitoring Analytics Reporting Technology (SMART Lokap) is an autonomous lock-up management system that fully integrates locally-developed video analytics and Internet of Things technologies. Improved efficiency and productivity are noted in the following areas:

- Decline of in-cell incidents;
- Improved productivity from less manual surveillance;
- Marked reduction in vandalism;
- Improved forensic analysis;
- More efficient investigation;
- Better planning and monitoring;
- Vehicle plate number recognition provides added security; and
- Enhanced overall situational awareness.

MIMOS Contribution to Intellectual Property

MIMOS has been a key contributor to raising Malaysia's business competitiveness through the generation of Intellectual Property and provision of technology products and services. The market-driven R&D output has strengthened the nation's innovation system and global competitiveness, positioning Malaysia as an attractive destination for trade and investments. MIMOS Intellectual Property status as of 31 Dec 2018 is as below:

LOCAL FILING

Status	2018 (as at 31 Dec 2018)	Cumulative 2004 - 2018
Patents Filed	73	1261
Patents Granted	61	445
Industrial Design Filed	1	56
Industrial Design Registered	5	53
IP Commercialised / Monetised (Patent & Copyright)	Patent - 38 Copyright - 24 Copyright - 232	Patent - 302 Industrial Design - 5

INTERNATIONAL FILING

Status	2018 (as at 31 Dec 2018)	Cumulative 2004 - 2018
International Patent Filing (Patent Cooperation Treaty)	14	809
International Patent Filing (Country Filing)	–	102
International Patent Granted (Country Filing)	–	32
Industrial Design Filed (Country Filing)	–	135
Industrial Design Registered (Country Filing)	–	97

6

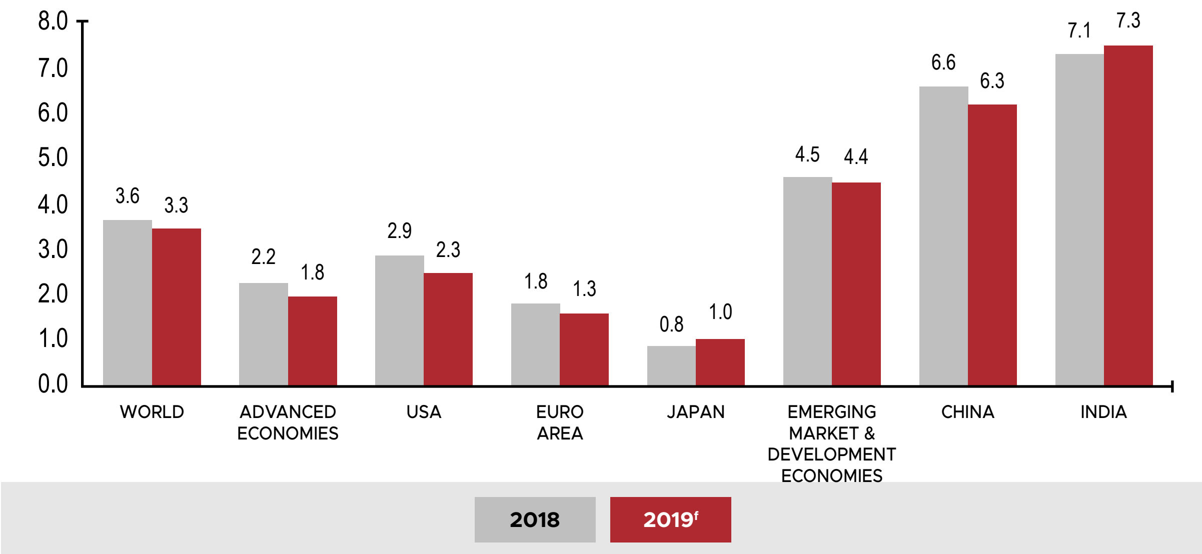
CHAPTER

ECONOMIC PROSPECTS 2019

GLOBAL ECONOMY

The IMF World Economic Outlook, April 2019 projected world economic expansion to ease gradually to 3.3% in 2019 following the slower performance at 3.6% in 2018. Growth is expected to slowdown in most major and emerging economies, with lower growth expectations for the United States of America (US) at 2.3% (2018: 2.9%) and the Euro Area at 1.3% (2018: 1.8%). Meanwhile, the emerging economies are expected to slow marginally to 4.4% (2018: 4.5%) particularly with slowdown in the People's Republic of China (PRC) at 6.3% (2018: 6.6%). However, macroeconomic policies are likely to become less accommodative over time as the geopolitical concern escalates. These include concerns on the US-PRC trade dispute, volatility of commodity prices, Brexit, Italy's fiscal deficit and European Union (EU) parliamentary elections.

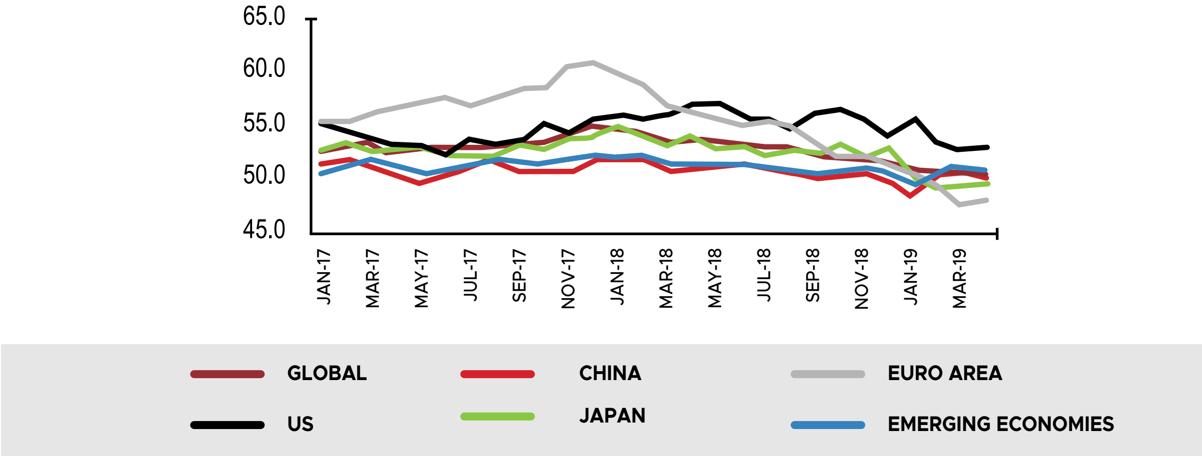
EXHIBIT 6.1
GLOBAL GROWTH FORECAST (%)



Note: f – forecasted
Source: World Economic Outlook, April 2019, IMF

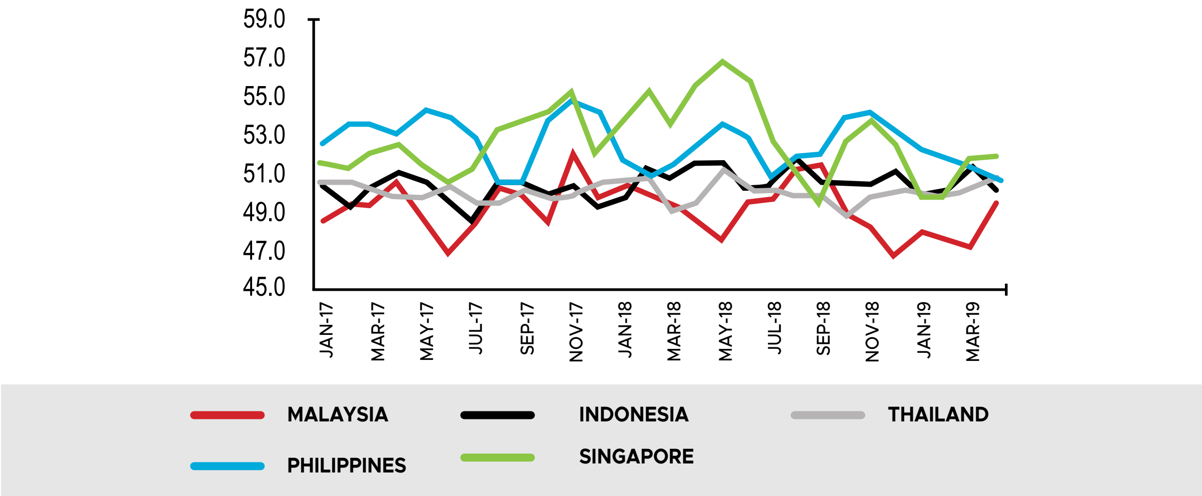
Global manufacturing PMI decreased to 50.3 in April 2019 (December 2018: 51.4 points), the lowest reading in almost 3 years, indicating a slowdown in manufacturing activities at the start of 2019. Manufacturing PMI for emerging economies also indicated a moderating trend for the first four months of 2019. The decline among others was highly associated to the uncertainty of trade talks between the US and PRC.

EXHIBIT 6.2
MANUFACTURING PMI (POINTS)



Source: Bloomberg

EXHIBIT 6.3
MANUFACTURING PMI FOR ASEAN (POINTS)



Source: Bloomberg

The introduction of restrictive trade measures and tariffs have influenced the pattern of trade flow and prices across the targeted sectors. Protectionist policy announcements have also adversely affected business sentiments as shown by the survey in recent months. Dampened business sentiments will adversely affect investment plans in the near term. Thus, surge in trade tensions will eventually affect investments, jobs creation and overall economic growth. Based on MIDF estimates, the escalation of the retaliatory tariffs could drag approximately -0.71% off global growth.

Higher oil prices have also added to challenges in oil-importing economies. Policy interest rates have risen in several countries, including India, Indonesia and Philippines, with currency depreciations adding to inflationary pressures. Broader contagion across all emerging-market economies, as seen during the crises in the late 1990s, has so far been avoided. Crude oil prices have been volatile since August 2018, reflecting supply influences. Brent crude oil price is expected to average at USD75 per barrel for 2019 (2018: USD71.6 per barrel) amid imminent production cuts from the Organization of the Petroleum Exporting Countries (OPEC) nations and sanctions on Iran and Venezuela.

PEOPLE'S REPUBLIC OF CHINA AND UNITED STATES OF AMERICA

GDP growth in PRC is projected to ease slowly to below 6.5% in 2019 as domestic and external rebalancing continues. Infrastructure investment and credit growth have both moderated and the working-age population is declining. Headwinds from trade tensions have been modest, with the currency depreciation contributing to counteract the impact of higher tariffs. Recent policy measures have improved financial conditions and the scope for expanding fiscal spending remains. Such measures could however delay the necessary deleveraging of the corporate sector and aggravate risks to financial stability.

In tandem with the interest rate normalisation plan by the US, upbeat momentum in the US economy is expected to continue amid an expansionary fiscal policy, optimistic business environment, pick up in household spending, gradual rise in global commodity prices, build-up of inflationary pressure and tightening of the labour market. However, the Federal Reserve is likely to hold the interest rate at 2.25 to 2.50% range as economic growth is forecasted to moderate to 2.3% in 2019 (2018: 2.9%). Meanwhile, the Central Bank in PRC is also expected to continue putting the policy rates on hold and act to ease domestic funding conditions by other measures such as lowering reserve requirements for banks and providing liquidity to non-bank financial companies.

The trade talks between the US and PRC is a welcome step toward de-escalating trade frictions. The trade talks could impart modest upside to growth, particularly for PRC and eventually support the momentum in global trade which would benefit emerging markets. Nevertheless, the final outcome remains uncertain as negotiations are still on going.

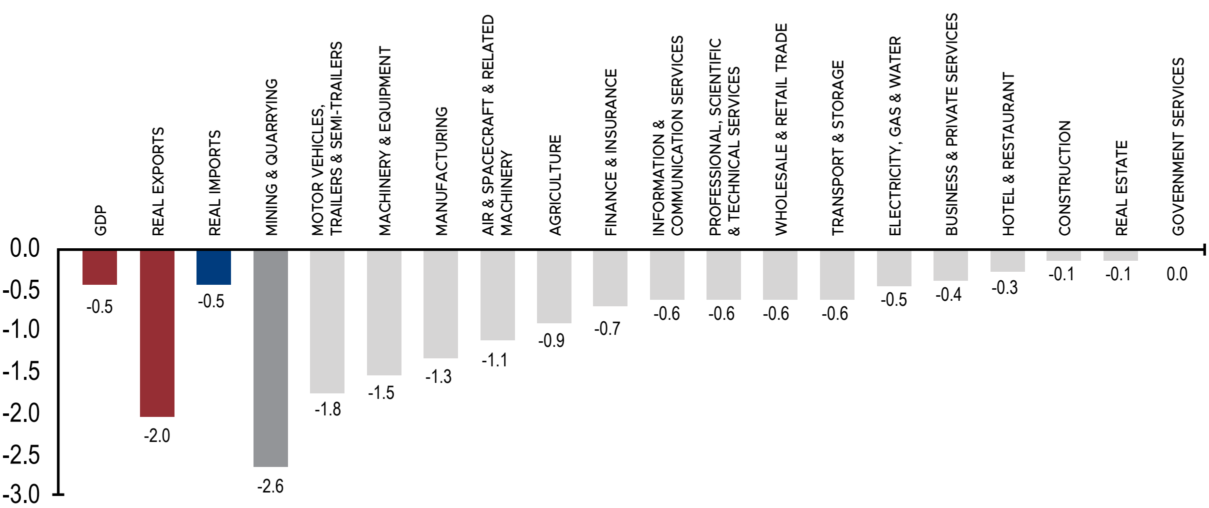
Based on MIDF estimates, world GDP will contract by -0.71% if demand by the US on PRC goods and services to decline by -1%. On the same note, PRC and Malaysia will see a -0.72% and -0.15% impact respectively. Due to geographical factors and economic conglomeration effects, slowdown in demand by the US on PRC will also affect Taiwan, Hong Kong, South Korea and Singapore, in the range between -0.14% to -0.19%. By sector, the results indicated that PRC's key sectors namely computers, electrical and optical equipment, textile products and domestic trade will be impacted the most, with contractions of -0.09%, -0.07% and -0.05% respectively.

BOX ARTICLE 6.1

BREXIT

In 2017, the European Union (EU) constituted about 44.3% of the UK's total exports whereas the EU dominated 53.3% of the imports market making EU a strategic trade partner to UK. In 2019, assuming exports demand by EU on UK products fall by -5%, MIDF analysis shows that UK GDP may contract by -0.5%. Real exports and imports are also expected to contract by -2% and -0.5%, respectively. By sector, among others mining and quarrying is likely to experience a deep contraction (-2.6%), motor vehicles (-1.8%) and machinery and equipment (-1.5%). Nevertheless, strong demand by non-EU economies may offset the Brexit impact. In short, a 5% drop by EU and 5% gain by non-EU will see the UK economy expanding marginally by 0.12%.

MACROECONOMIC & SECTORAL IMPACTS OF BREXIT ON UNITED KINGDOM (%)

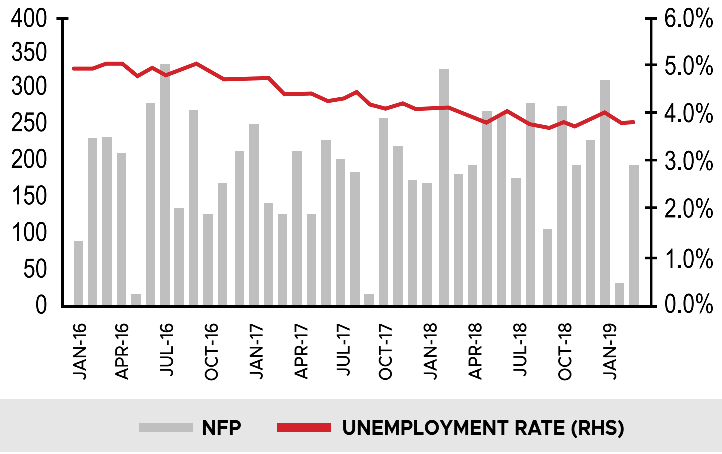


Source: Office for National Statistics (UK)
**Assuming 5% Drop of Exports Demand by EU on UK's products*

Global output is expected to shrink marginally for every 1% drop in UK's final demand. Zooming into various countries, Norway and EU27 are among economies that will be significantly impacted, -1.27% and -0.94% respectively. Some Asian economies such as Singapore and India are predicted to experience a slight slowdown of -0.6% and -0.5% respectively. Overall, the demand contraction in the UK is expected to have minimal impact on the global economy, possibly due to the relatively small size of the economy.

EXHIBIT 6.4

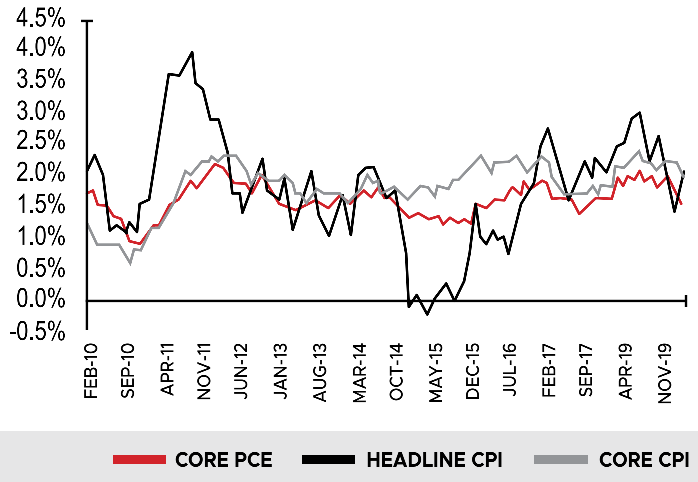
NON-FARM PAYROLL ('000) VS JOBLESS RATE (%)



Source: CEIC

EXHIBIT 6.5

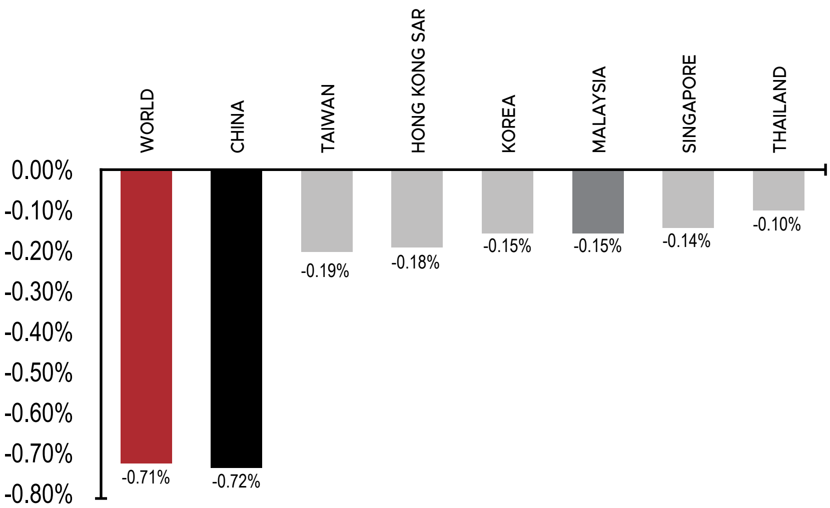
INFLATION RATE (%)



Source: CEIC

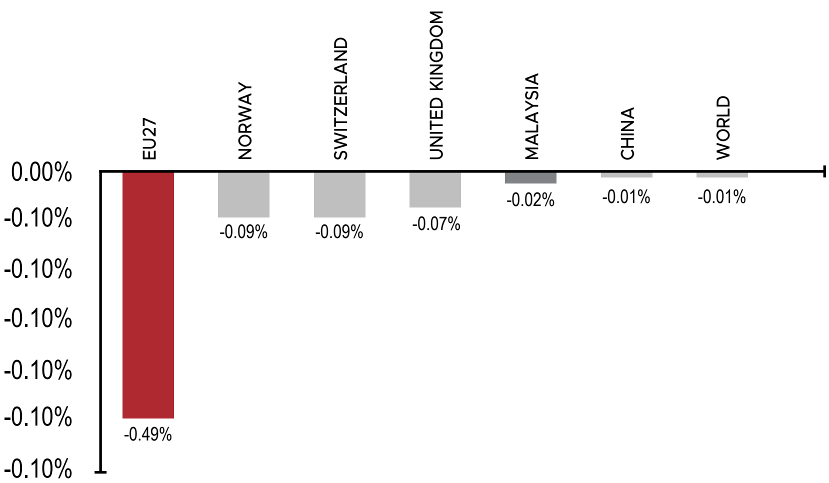
Comparatively, the economy of EU27 (excluding the United Kingdom (UK)) is expected to slowdown by -0.49% if demand by US drops by 1% with world output decreasing marginally by -0.01%. Based on MIDF findings, trade tensions between US-PRC is more damaging towards global economic activities as compared with the US-EU27 trade dispute. The effects of trade dispute between the US-EU27 are expected to spread and be contained within the European region. Norway, Switzerland, UK and Russia are among non-EU27 countries that could be affected by this bilateral trade war. Meanwhile, Malaysia's output is projected to decline by -0.86% as a result of the 1% decline in the US demand. Consequently, the fall in demand will affect among others countries such as Hong Kong, Singapore and Vietnam due to the respective roles in the global value chain, especially in the manufacturing sector.

EXHIBIT 6.6
US-PRC TRADE WAR IMPACT (%)



Source: OECD
**Assuming 1% Drop of Demand by the US on PRC's Products*

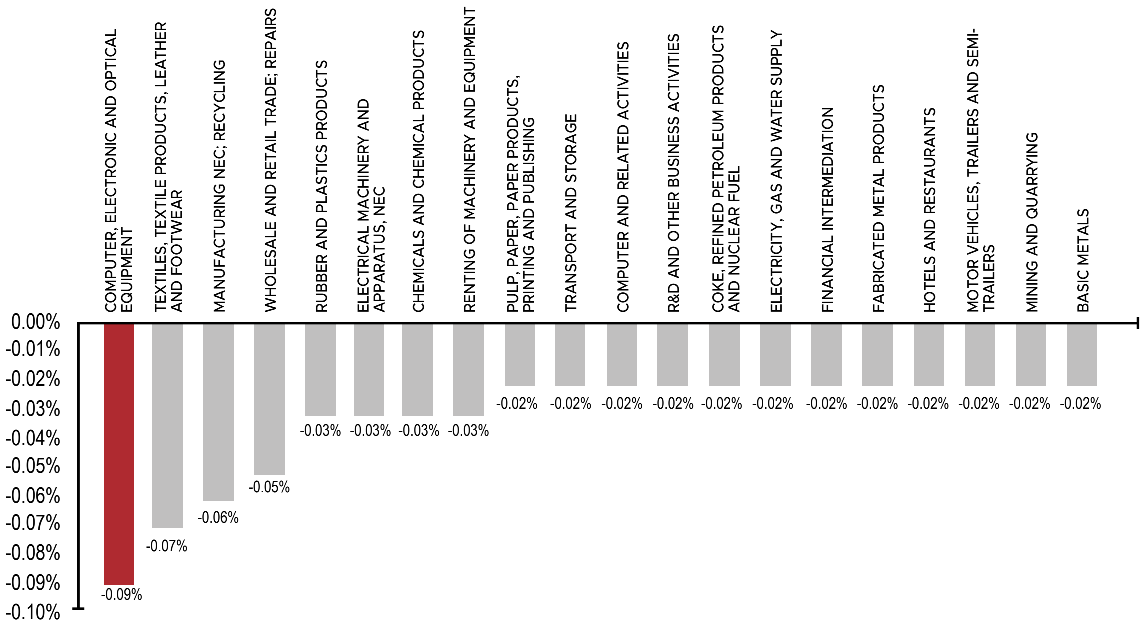
EXHIBIT 6.7
US-EU TRADE WAR IMPACT (%)



Source: OECD
**Assuming 1% Drop of Demand by the US on EU's Products*

EXHIBIT 6.8

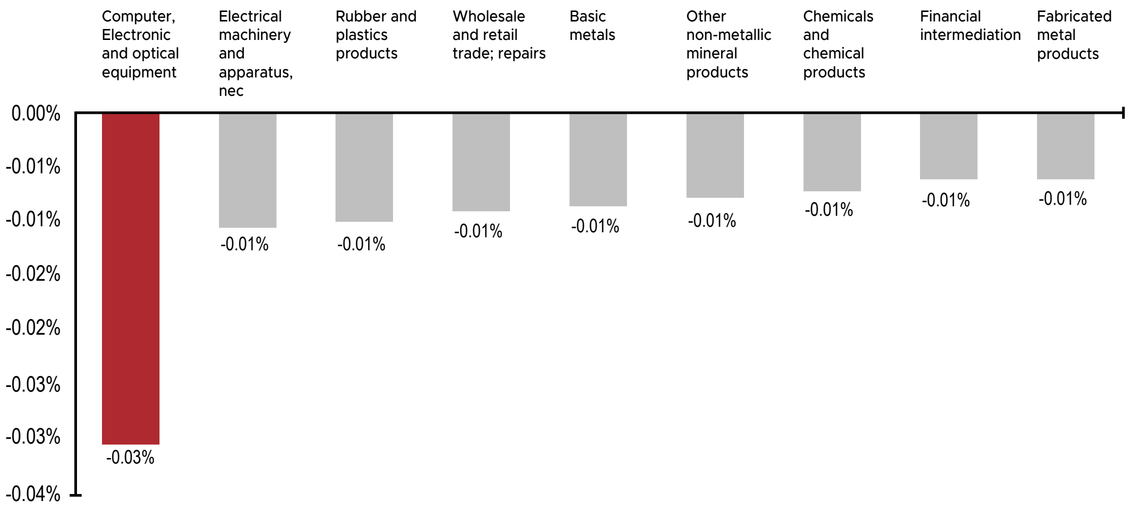
SECTORAL IMPACT IN PRC (%)



Source: OECD
**Assuming 1% Drop of Demand by the US on PRC's Products*

EXHIBIT 6.9

INDIRECT SECTORAL IMPACT IN MALAYSIA (%)



Source: OECD
**Assuming 1% Drop of Demand by the US on PRC's Products*

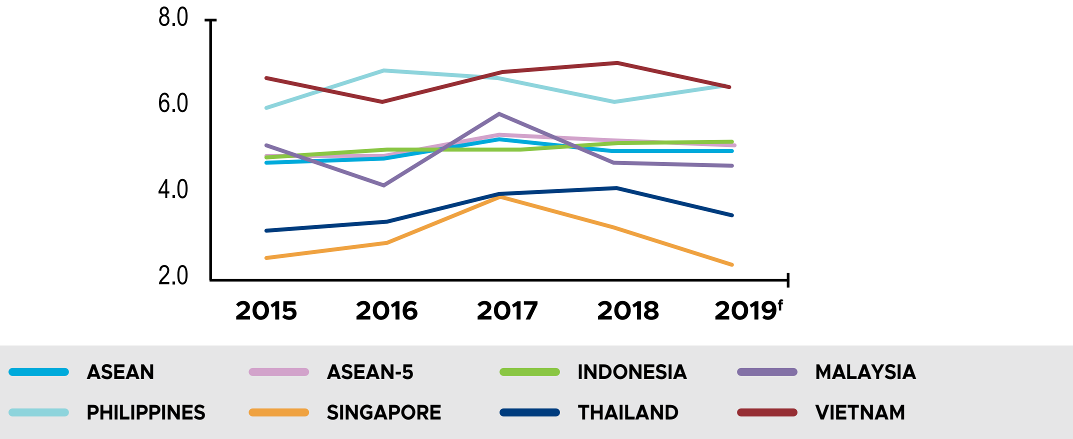
REGIONAL OUTLOOK

ASEAN

The normalisation rate practiced by US economy in 2018 led to short-term capital flights and currency depreciations. In response to this, both Indonesia and Philippines tightened the monetary stance as a measure to withstand the escalating global uncertainties. Looking further, the softening outlook in the US is expected to lift some weight held upon emerging currencies since 2018. Meanwhile on the trade prospect, the expanding global supply chain particularly in manufacturing industries and the well-maintained Malaysia-ASEAN relationship is envisaged to pose a strong trade expansion in 2019.

EXHIBIT 6.10

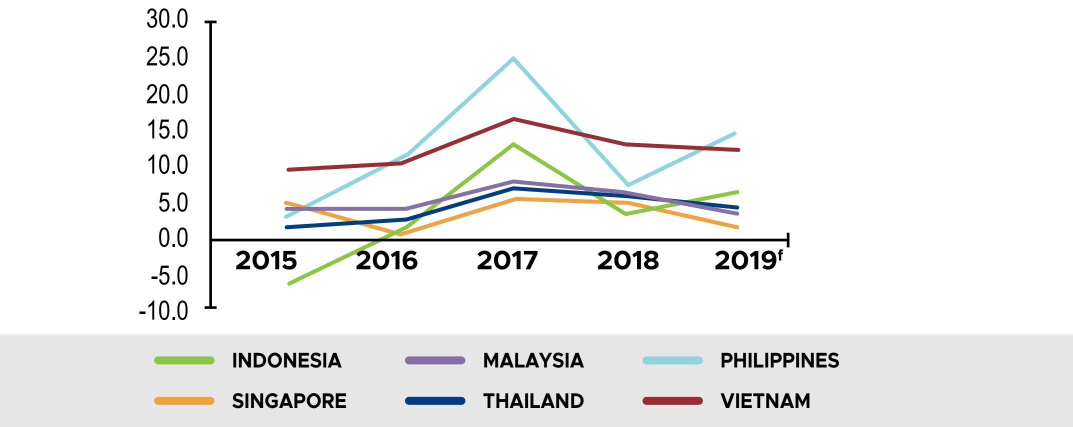
SELECTED ASEAN GROWTH (%)



Source: World Economic Outlook, April 2019, IMF

EXHIBIT 6.11

SELECTED ASEAN EXPORT GROWTH (%)

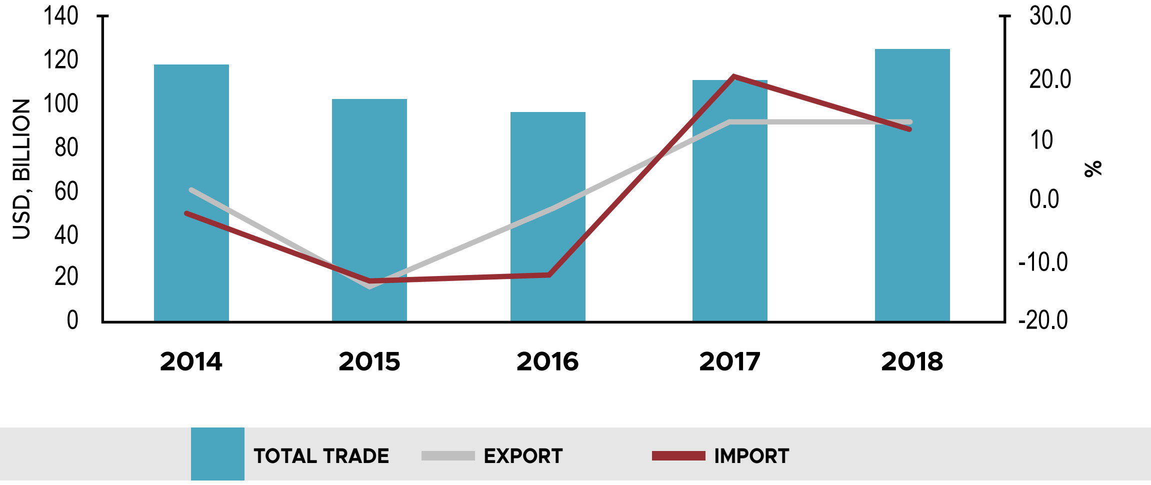


Source: World Economic Outlook, April 2019, IMF

Moving forward, the major ASEAN economies are expected to grow healthily by 5.1% in 2019 (2018: 5.2%) underpinned by steady commodity prices and an optimistic outlook amidst the escalating trade tension between US and PRC. ASEAN will likely become the sweet spot for producers to relocate production units in order to deter away from PRC's export levy. In addition, the trade liberalisation within Southeast Asia countries will benefit the producers from expansion of intra-regional trade.

EXHIBIT 6.12

MALAYSIA-ASEAN TRADE



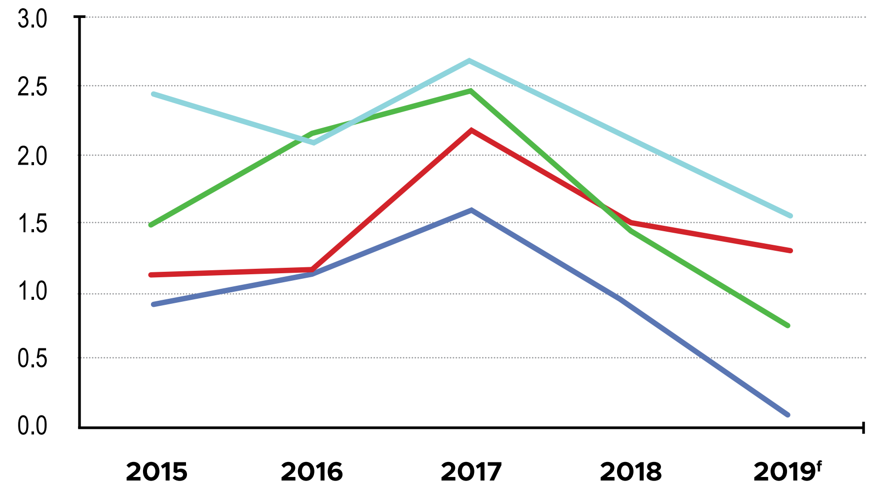
Source: Trademap

Europe

In 2019, the economy in the European region is expected to fall rapidly on the back of myriad headwinds. The growth is set to decline further to 1.6% (2018: 2.1%) over persisting Brexit uncertainties, emergence of global protectionism, moderate commodity prices plus the challenging political prospects. Following the Brexit issues, the removal of trade agreement is only triggering further uncertainties particularly on the businesses set within the region. The cut in the trade agreement will shift the cost of doing business higher thus weighing down on the sentiment further. In addition, the US threat over the imposition of import tax on Europe's automobiles and parts could taper off the sector's growth given the significant exports to the US.

EXHIBIT 6.13

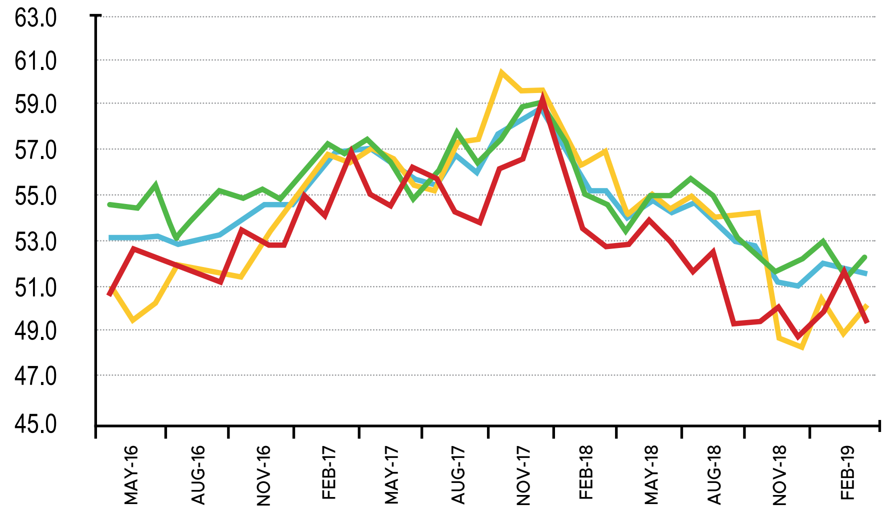
EUROPE GROWTH (%)



Source: World Economic Outlook, April 2019, IMF

EXHIBIT 6.14

COMPOSITE PMI INDEX (%)

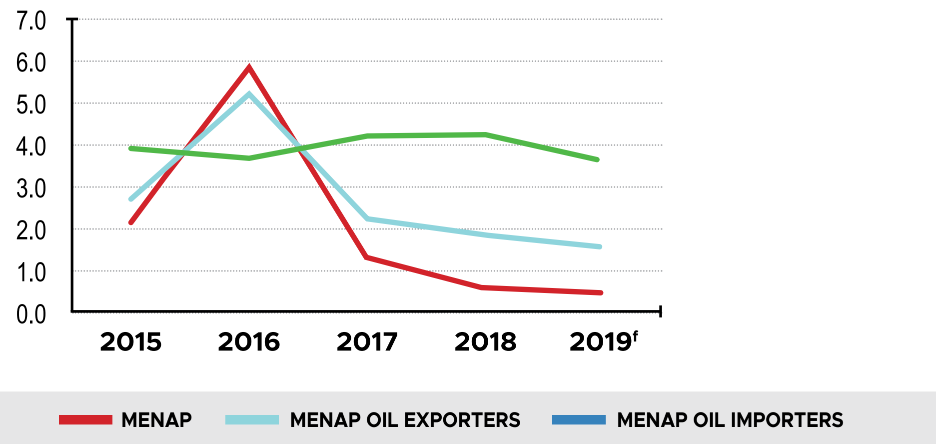


Source: Bloomberg

Middle East North Africa Pakistan

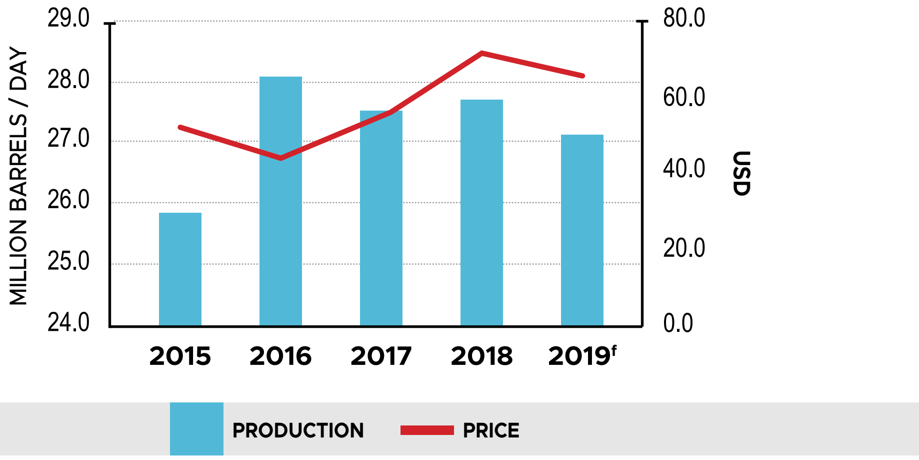
In 2019, the MENAP region economy is expected to grow at 1.5% over the outlook from higher capital and operating spending as well as expected higher crude oil price. Therefore, the halal industry, tourism and SMEs should stand to benefit following the good relationship between Malaysia and MENAP countries. Even so, few alarming risks remain out there, especially geopolitical turmoil and volatility of crude oil price in oil-exporting countries which will have an adverse effect on their budget spending.

EXHIBIT 6.15
MIDDLE EAST NORTH AFRICA PAKISTAN (MENAP) GROWTH (%)



Source: Bloomberg, World Economic Outlook, April 2019, IMF

EXHIBIT 6.16
MENAP OIL PRODUCTION AND BRENT PRICE

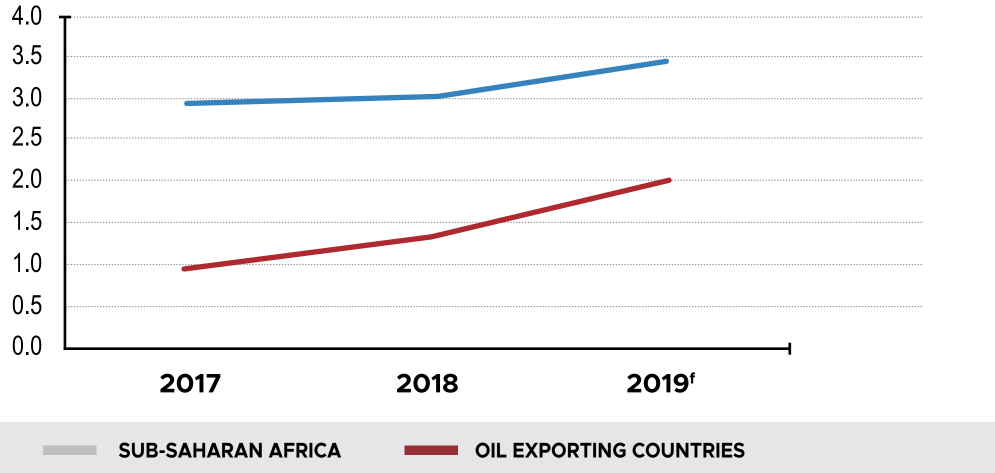


Source: World Economic Outlook, April 2019, IMF

Africa

Average Real GDP growth in Africa is estimated at 3.5% in 2019 (2018: 3%). The economy of oil exporting countries are on a recovery path, supported by increased oil production and higher oil prices. On the other hand, oil importing countries' rapid growth, stimulated by large public investment outlay came at the cost of rising debt levels.

EXHIBIT 6.17
REAL GDP GROWTH (%)



Source: World Economic Outlook, April 2019, IMF

Growth in East Africa is powered by Ethiopia, Kenya and Tanzania, with strong domestic expenditure and high capital investment driving growth in those economies. East African states in particular will maintain solid levels of growth, with real GDP growth in Ethiopia, Kenya, Tanzania and Uganda to average 6.6% in 2019 (2018: 6.5%). This growth will be supported by a variety of factors, including robust investment in development and manufacturing in Ethiopia, transport infrastructure in Tanzania and energy infrastructure in Uganda.

EXHIBIT 6.18

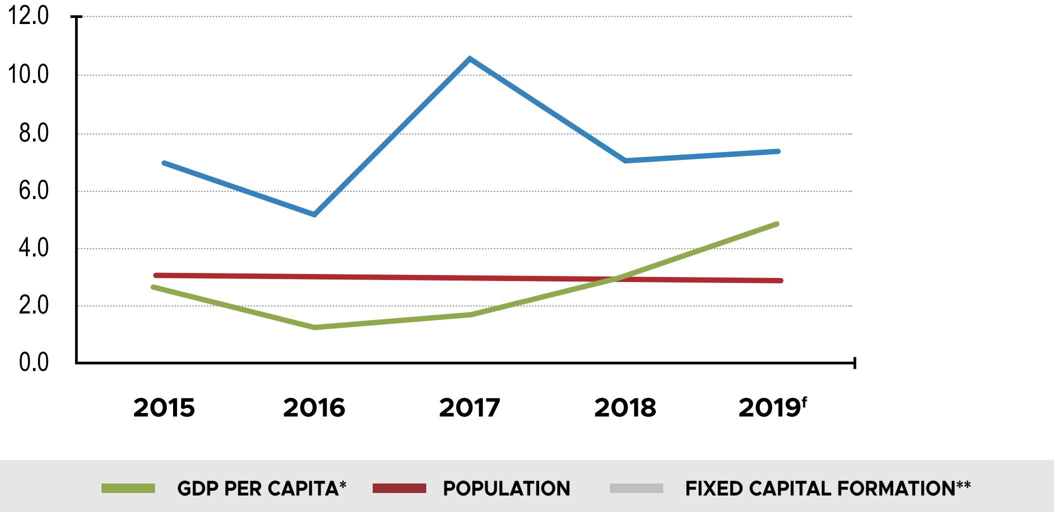
SELECTED AFRICAN COUNTRIES REAL GDP GROWTH

Country	2016	2017	2018	2019f
Angola	-2.6	-0.2	-1.7	0.4
Cameroon	4.6	3.5	4.0	4.3
Democratic Republic of the Congo	2.4	3.4	3.9	4.3
Ethiopia	8.0	10.1	7.7	7.7
Ghana	3.4	8.1	5.6	8.8
Guinea	10.5	9.9	5.8	5.9
Kenya	5.9	4.9	6.0	5.8
Liberia	-1.6	2.5	1.2	0.4
Madagascar	4.2	4.3	5.2	5.2
Mozambique	3.8	3.7	3.3	4.0
Nigeria	-1.6	0.8	1.9	2.1
São Tomé and Príncipe	4.2	3.9	3.0	4.0
Senegal	6.2	7.2	6.2	6.9
Seychelles	4.5	5.3	3.6	3.4
South Africa	0.4	1.4	0.8	1.2
Tanzania	6.9	6.8	6.6	4.0
Togo	5.6	4.4	4.7	5.0
Uganda	2.3	5.0	6.2	6.3

Note: f – forecast
Source: Bloomberg, World Economic Outlook, April 2019, IMF

EXHIBIT 6.19

SELECTED MACROECONOMIC GROWTH (%) IN EAST AFRICAN COMMUNITY (EAC)



Key Focus
- Manufacturing
- Infrastructure

East African Community (EAC)
- Burundi
- Kenya
- Rwanda
- South Sudan
- Tanzania
- Uganda

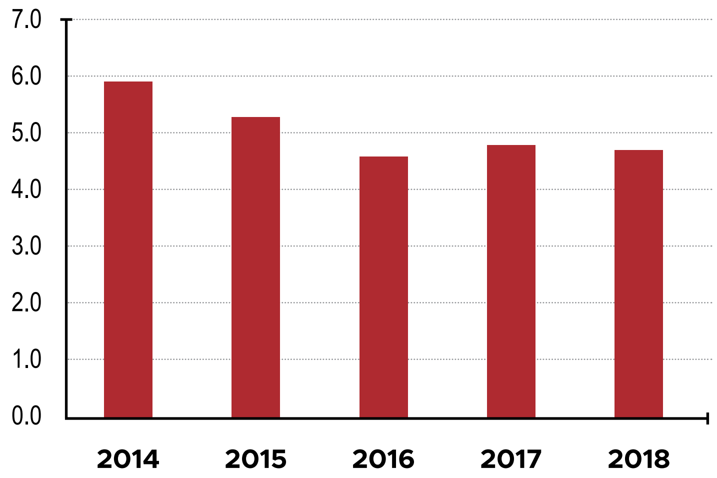
*Note: * Average GDP Per Capita ** Except Burundi (NI)*
Source: BMI

Household demand also expected to be fairly strong in the sub-region. The improvement in political risk in the Horn of Africa (comprising Djibouti, Eritrea, Ethiopia and Somalia) also has the potential to be a boon on investor sentiment and sub-regional growth. Improving regional ties will likely mean greater economic cooperation, offering upside potential for trade and infrastructure projects. For example, since normalising relations, Eritrea and Ethiopia have agreed to cooperate on the development of Eritrea's port, which may bring other opportunities in supporting infrastructure projects such as road and rail projects in the future. This has the potential for positive spillover effects in neighbouring countries including Kenya.

Malaysia's main exports to Africa are palm oil and refined petroleum products, processed food and electrical and machinery. South Africa, Nigeria and Angola are Malaysia's top trading partners and export destinations. Various indicators show that there are opportunities for improvement in decreasing costs and time necessary to create new businesses. Financial depth and inclusion are low in Africa compared to other regions. Therefore, access to trade finance or bank funding will be key to promote Africa as the next business frontier. This will facilitate the flow of capital to developing countries in Africa, where there are many profitable investment opportunities that would require purchasing capital equipment from industrialised economies from ASEAN countries, including Malaysia.

EXHIBIT 6.20

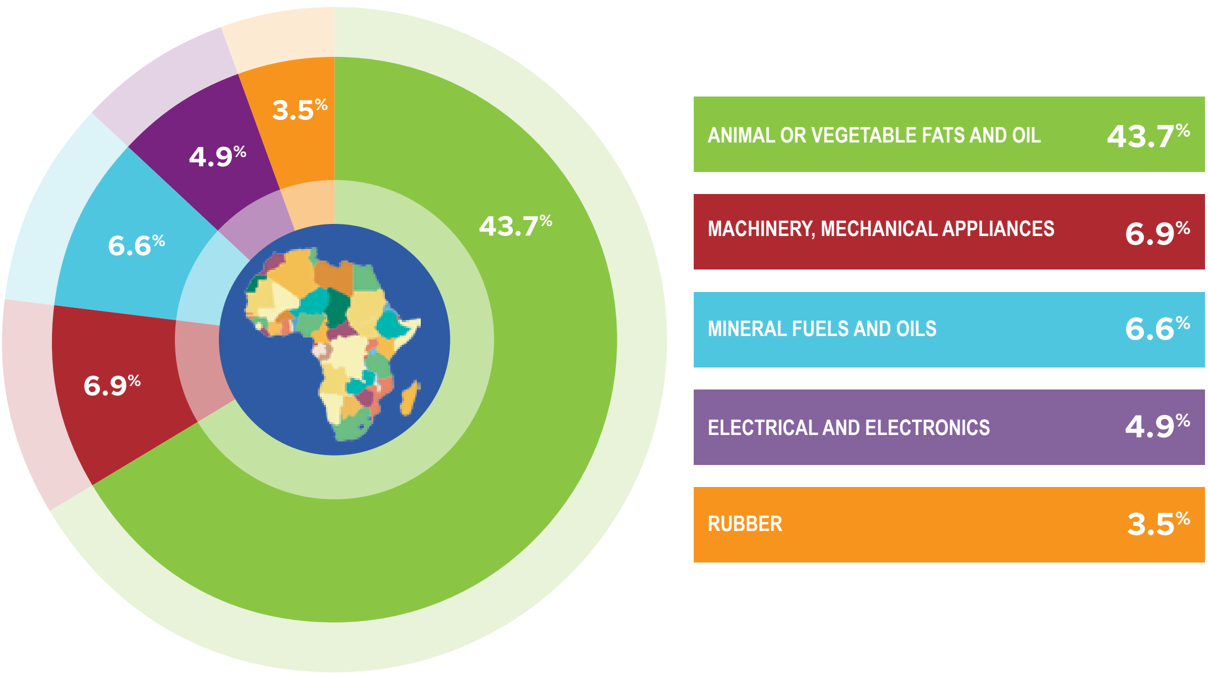
MALAYSIA EXPORTS TO AFRICA



Source: Trademap

EXHIBIT 6.21

TOP MALAYSIA EXPORTS TO AFRICA



Source: Trademap

EXHIBIT 6.22

BARRIERS TO TRADE IN AFRICA

Variable	Africa	Sub-Saharan Africa	Advanced Economies	North America	South America	Central America	Asia
LEVEL OF INFRASTRUCTURES:							
Container port traffic (WDI)	0.09	0.07	0.75	0.11	0.12	0.38	0.65
Air transport passengers, per capita(WDI)	0.23	0.25	2.6	1.6	1.43	0.93	1.18
Quality of port infrastructure, (1=low to 7=high) (WDI)	3.64	3.64	5.35	5.21	3.65	4.15	4.17
Liner shipping connectivity index (WDI)	14.38	12.72	50.64	58.51	24.16	16.36	35.11
Infrastructure efficiency score (LPI)	2.32	2.34	3.75	3.73	2.56	2.43	2.92
Customs efficiency score (LPI)	2.35	2.39	3.58	3.53	2.52	2.5	2.88
International shipments efficiency score (LPI)	2.52	2.52	3.56	3.4	2.76	2.81	3.01
Timeliness efficiency score (LPI)	2.87	2.86	4.09	3.88	3.21	3.1	3.44
Overall logistics efficiency score (LPI)	2.49	2.51	3.74	3.68	2.77	2.69	3.05
TRADING COSTS:							
Burden of customs (1 = inefficient to 7 = efficient) (WDI)	3.6	3.6	5	4.6	3.5	3.7	4.3
Time to export (days) (DB)	29.3	30.9	10.2	9.8	19.8	15.4	20
Time to import (days) (DB)	36.4	38.5	9.3	9.7	24.3	15.3	21.6
Cost to export (USD per container) (DB)	2,149	2,302	1,054	1,395	1,809	1,181	1,026
Cost to import (USD per container) (DB)	2,819	3,056	1,102	1,570	2,020	1,329	1,092
OTHER:							
Start business (days) (DB)	31.2	33.3	112	6.5	72.4	26.9	30.5
Start business (cost as % of income per capita) (DB)	69.7	74	4.1	7.2	27	39.8	24.1

Source: WTO. WITS

MALAYSIA

Clarity in domestic policy direction observed through mid-term review of 11MP and Budget 2019 will lend support to both domestic and external sectors. The new economic direction which focuses on free market and investor-friendly policies will have a significant impact on overall business confidence and investment flows. Nevertheless, growth of the Malaysian economy in 2019 will be influenced by various internal and external factors such as trajectories of global trade, threat of protectionism, global financial stability, geopolitical risks, commodity prices, stable labour market as well as improved business and consumer sentiments. Moderation in global trade seen in 2018 is expected to continue in 2019 as the pace of PRC's economic growth is expected to moderate in 2019. The import demand from PRC is projected to ease and expected to result in a slower pace of expansion in Malaysia's exports in 2019.

In terms of business expectations for the next 6 months, the overall business performance is expected to improve. Business performance between 4Q18 and 1Q19 has seen a steady pick-up especially for mining and quarrying, manufacturing and services sectors. Strong domestic demand and low inflationary pressures are fundamental factors supporting the services sectors. On the external front, the effects of the trade tension are gradually contained by most economies including Malaysia. Business confidence among manufacturers is on an improving trend, with expectation of better performance for the next six months. As for commodity-based sectors, uncertain future for agriculture remains while the mining and quarrying sector is expected to be better in the coming months. The upbeat momentum from the first half of 2019 is expected to carry on into the second half of the year indicating favorable investment climate for businesses.

Malaysia's GDP growth recorded at 4.7%yoy for the 4Q18, higher than market estimates of 4.5%yoy. The growth is in tandem with the direction shown earlier by the Business Tendency Index, 7.1% in 4Q18. MIDF expects Malaysia's economy to expand by 4.9% in 2019 given the upbeat performance of domestic and external trade sectors. In addition, supportive economic policies, stable labour market, continued wage growth and moderating inflation will support and spur domestic economy. Moving forward, the economic performance in 1Q19 is expected to expand amid better performance in global trade flows and continued robust domestic demand.

Looking at export products, manufactured goods will remain the main contributor, followed by mining and agricultural goods. Higher expected demand from Malaysia's major trading partners in both developed and emerging economies, mainly ASEAN economies, will result in a more positive outlook for these sectors. Nevertheless, risks to the forecast are still prevalent. Anticipated shifts in the stance of monetary policy in developed countries could result in large changes in prices and exchange rates, an influential factor to international trade patterns. Monetary policy decisions are a major concern to the vulnerability of the economies of Indonesia, Philippines and India. These countries have been vigorously increasing their interest rates in 2018 and engaged in efforts to curb imports in order to protect the currency woes and fledgling domestic economy. This will be a downside risk to Malaysia's exports performance as these countries are key exports destinations for domestic products.

Strong performance of Malaysia's external trade would contribute to economic growth in the medium term. Malaysia's external market will remain solid amid escalating trade and other geopolitical struggles. Nevertheless, weakening domestic exports could drag Malaysia's overall external trade performance. In addition, rising influence of re-exports activity is generating less value-add towards the domestic economy as well as net exports. Moving forward, exports are expected to continue expanding in 2019 albeit at a moderating pace. Amid higher base effects and continuous signs of easing key global economic indicators, MIDF estimates Malaysia's exports are expected to increase by 3.6% in 2019 (2018: 6.7%). The moderating pace is consistent with the developments on the global front.

Growth in both labour force and employment have been outpacing unemployment growth since March 2017, mainly contributed by robust Industrial Production Index (IPI) and strong exports. Moving forward, Malaysia's external trade and IPI performance are expected to expand at a steady pace. In addition, supportive policy changes for businesses and consumers such as fuel subsidies and fund aid for SMEs will add more support particularly for industries. In addition, the unemployment rate is expected to average at 3.3% in 2019 according to MIDF.

Encouraging trend of distributive sales in 2018 is expected to continue for 2019 supported by economic conditions such as strengthening labor market including more job creation and wage growth on top of upbeat tourism activities. Distributive trade is projected to increase gradually as consumers adapt to the reinstatement of Sales and Services Tax (SST). The strong momentum in distributive trade will translate into solid growth for private consumption and services sector, thus strengthening the Malaysian economy in 2019. Moreover, clearer direction of the economy and supportive policies such as targeted petrol subsidy with RON95 to be capped at RM2.08 per litre will pave the path for domestic consumption to rise steadily throughout the year. Therefore, MIDF forecasts private consumption and services sector to grow at 7.5% and 6.2% respectively for 2019.

Amid lower base effects, MIDF projects headline inflation rate to average at 1.1% in 2019 compared to 1% in 2018. Inflationary pressure mainly from fuel related items will stay low as RON95 and Diesel prices are capped at RM2.08 and RM2.18 per liter in 2019, lower than previous year's average of RM2.20 and RM2.19 respectively. On a flip side, core inflation rate is expected to remain steady in 2019, hovering around 2018's level of 1%yoy.

Bank Negara Malaysia is expected to maintain its accommodative level in 2019 as domestic economy to continue to expand at a slightly higher pace in 2019. In addition, inflationary pressure remains benign as core inflation is likely to remain below 2% in 2019. Furthermore, the US has indicated that their interest rate is to stay unchanged at 2.25% to 2.50%. After the 25bps OPR rate cut in May 2019, MIDF expects Bank Negara Malaysia to maintain the OPR at 3% for the remaining months of 2019.

EXHIBIT 6.23

MIDF RESEARCH MACROECONOMIC FORECAST FIGURES FOR 2019 (%)

(YoY%) UNLESS STATED OTHERWISE	2013	2014	2015	2016	2017	2018	2019f
Real GDP	4.7	6.0	5.1	4.2	5.9	4.7	4.9
- Private Consumption	7.2	7.0	6.0	6.0	7.0	8.1	7.5
- Public Consumption	5.8	4.4	4.5	0.9	5.4	3.3	1.3
- Gross Fixed Capital Formation	8.1	4.8	3.6	2.7	6.2	1.4	1.6
- Exports of goods & services	0.3	5.0	0.3	1.3	9.4	1.5	2.0
- Imports of goods & services	1.7	4.0	0.8	1.3	10.9	0.1	1.9
- Net Exports (RMb)	83.6	94.7	91.2	92.8	91.0	103.2	106.0
- Agriculture etc.	2.0	2.0	1.4	(5.2)	7.2	(0.4)	1.1
- Mining & Quarrying	1.2	3.3	5.3	2.1	1.0	(1.5)	1.3
- Manufacturing	3.4	6.1	4.8	4.4	6.0	5.0	4.9
- Construction	10.6	11.7	8.4	7.4	6.7	4.2	2.1
- Services	5.9	6.6	5.3	5.7	6.2	6.8	6.2
Exports of Goods (f.o.b)	2.5	6.7	1.5	1.4	19.3	7.3	3.6
Imports of Goods (c.i.f)	7.0	5.4	0.6	2.0	20.2	5.6	3.0
Trade Balance - RMb	71.3	82.5	91.6	88.1	98.5	119.8	126.3
Consumer Price Index	2.1	3.1	2.1	2.1	3.8	1.0	2.2
END OF YEAR, UNLESS STATED OTHERWISE	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019f**
Brent Crude Oil (Avg)	108.4	97.5	54.4	46.0	55.7	71.6	75.0
Crude Palm Oil (Avg)	2,435	2,384	2,237	2,642	2,659	2,293	2,280
USD / MYR (Avg)	3.15	3.27	3.90	4.14	4.30	4.03	4.05
USD / MYR	3.25	3.48	4.28	4.46	4.08	4.10	4.00
Overnight Policy Rate (%)	3.00	3.25	3.25	3.00	3.00	3.25	3.25

Note: f – forecast
Source: DOSM, Bloomberg

7

CHAPTER

MITI AND AGENCIES

OVERVIEW

The Ministry of International Trade and Industry, or better known as MITI, promotes and strategises Malaysia's global competitiveness in international trade and spurs the development of industrial activities. It was first established as the Ministry of Commerce and Industry in April 1956 in the Government Office of Jalan Raja, and then renamed as the Ministry of Trade and Industry in February 1972. On 27 October 1990, the Ministry was separated into two Ministries which are Ministry of International Trade and Industry (MITI); and Ministry of Domestic Trade and Consumer Affairs (KPDN).

In supporting MITI's vision to promote Malaysia as the preferred investment destination, in 1967, the Malaysian Investment Development Authority (MIDA) was established as the government's principal agency for the promotion of investment in manufacturing and services sectors. MIDA assists companies which intend to invest in the manufacturing and services sectors, as well as facilitates the implementation of projects. 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.

In positioning Malaysia as a globally competitive trading nation, Malaysia External Trade Development Corporation (MATRADE) is a national trade promotion agency under MITI. Established in March 1993, MATRADE's primary role is to assist Malaysian exporters to develop and expand export markets by carving new frontiers globally. MATRADE is also actively involved in assisting foreign companies to source for suppliers of Malaysian products and services through its branch offices worldwide.

The Government recognises the importance of productivity growth through enhancement of human capital and higher total factor productivity growth towards economic growth. The Malaysia Productivity Corporation (MPC), which was formerly known as the National Productivity Corporation, was established in 1962 as a joint project between the United Nations Special Fund and the Malaysian Government, with the International Labour Organisation acting as its executing agency. MPC is the agency under MITI that takes the lead in productivity enhancement for global competitiveness and innovation.

Malaysian Industrial Development Finance Berhad (MIDF) was established on 30 March 1960, mainly for the purpose of ensuring access to financing for manufacturing-based small-and-medium enterprises (SMEs) as part of Malaysia's strategy to expedite the industrial sector development. It started as premier industrial development finance institution. Over the years, MIDF has transformed into a diversified financial services group in four core business areas namely investment banking, development finance, asset management and mezzanine financing. MIDF's Development Finance Division in particular, supports MITI to promote the development of the services and industrial sector in Malaysia through the provision of financing for Malaysian enterprises.

The Malaysian Automotive Institute was established in 2010 and was recently rebranded on 5 December 2018 as the Malaysian Automotive, Robotics and IoT Institute (MARii). The agency's rebranding exercise reflects the expansion of its scope as the focal point, coordinating centre and think-tank towards enhancing the competitiveness of the local automotive industry. The expansion will add on coverage in areas such as overall mobility, including intelligent transportation systems and related services through the adoption of robotics and the internet of things (IoT), which falls in line with current developments and future trends, and elaborated on the importance of finding new sources of value and growth through the convergence of new technologies.

Malaysian Steel Institute (MSI) was established in 2013 with the aim to reshape, promote and develop the Malaysian iron and steel industry competitiveness, resilience and sustainability. MSI offers access to latest development in the iron & steel industry through its MSI Quarterly Newsletter; industrial relations advisory services and industrial skills training programs to help develop the talent pool to support efforts for the industry to move up the value chain. Another important role played by MSI is as a conduit to the government through contribution towards policy development and resolving industry related issues, as well as advisory services on matters pertaining to trade remedies.

With the formation of the new Cabinet following the 14th General Election in May 2018, a total of five agencies have been assigned under the purview of the Minister of Trade and International Industry. The agencies are the Department of Standards Malaysia (Standards Malaysia), SIRIM Berhad, Malaysia's National Applied Research and Development Centre (MIMOS Berhad), the Export-Import Bank of Malaysia Berhad (EXIM Bank) and InvestKL. This move is consistent and will strengthen further MITI's efforts to make Malaysia a globally competitive trading nation and promote local enterprises to the world.

EXHIBIT 7.1

MITI AND AGENCIES

BOX ARTICLE 7.1

STANDARDS MALAYSIA

ENHANCING INDUSTRY COMPETITIVENESS THROUGH STANDARDS MALAYSIA

Products and services made in Malaysia aim to meet high standards in line with international best practices in order to attain confidence and trust. This will drive Malaysia's global competitiveness and enhance the well-being of the rakyat towards becoming a developed nation. Towards this end, the Department of Standards Malaysia (Standards Malaysia) is entrusted to provide credible standardisation and accreditation services to enhance societal and environmental well-being as well as facilitate trade and economic growth.

Standards Malaysia has assisted various industries and propelled companies and businesses to improve quality of products and services and gain market trust in wide ranging areas such as agriculture, halal, industrial building and management systems. As standards generally facilitate trade, differing standards from one market to another will have negative effects on global trade. The need to harmonise national standards with international ones is one of the key requirements under the WTO Agreement on Technical Barriers to Trade (WTO / TBT Agreement). As the national standards and accreditation body of Malaysia, Standards Malaysia promotes the adoption of international standards as national standards, as far as possible.

Standards Malaysia membership in the International Organisation for Standardisation (ISO) and the International Electrotechnical Commission (IEC) gives Malaysia a competitive advantage. Standards Malaysia is able to participate in the formulation of international standards so as to influence the development, voice out our concerns and also able to protect Malaysia's interest. This will ease the alignment of our national standards with international standards.

Standards Malaysia also plays major roles in bilateral and multilateral negotiations for Free Trade Agreements (FTAs), specifically for the Technical Barriers to Trade (TBT) Chapter which enable greater acceptance and recognition of our standards, technical regulations and conformity assessment procedures. It also provides enabling provisions for initiating Mutual Recognition Arrangements (MRAs) between countries and as such increase export of products and services.

In line with the National Policy on Industry 4.0 (Industry*4WRD*), industries need to embrace digitisation and orientate to new ways of doing business. In this regard, Standards Malaysia has identified Industry*4WRD* standards for interoperability, quality and safety; and is on track to develop new standards titled Industry*4WRD* Readiness - General Requirements.

BOX ARTICLE 7.2

SIRIM

TECHNOLOGY INNOVATION AND QUALITY ASSURANCE LED BY SIRIM

SIRIM Berhad plays an important role in increasing industry productivity and competitiveness which contributes to enhance Malaysia's economic growth. SIRIM helps to accelerate the adoption of innovative technologies towards competitive industries in Malaysia. Facilitating the integration of digitalisation amongst the Small and Medium Enterprises, SIRIM also spearheads smart technology adoption by industry via the research infrastructure and smart collaborations.

SIRIM builds and develops digital manufacturing strategies and provides the support needed to master the challenges of implementation and embrace new technologies to pave the way to bigger markets. Focusing on research and technology development, SIRIM works as the bridge between R&D and the industry by imparting knowledge and technology to local companies. SIRIM's technology cluster offers total solutions covering the entire product life cycle from technology conceptualisation, development and commercialisation.

SIRIM has an extensive network of partnerships with research technology organisations such as Fraunhofer Institute from Germany which enabled the adoption of principles on applied research for the development of SMEs in Malaysia. This strategic alliance puts forth the establishment of Industrial Centres of Innovation in SIRIM, to support SMEs in enhancing innovative capabilities, increase productivity and move up the value chain. Pooling resources from various research organisations, the Industrial Centres of Innovation assists SMEs to be globally competitive via services in BioMedical, Bio Natural Gas Energy Management, Smart Manufacturing, Sensor and Nanotechnology.

Supporting local industry needs and businesses, SIRIM continues to deliver conformity assessment services vital to the nation and the relevant industry. This helps ensure safety and quality of products and services and facilitate international trade as well as improve quality of life. To further support the industries and nation's needs on the reliability of measurement unit in Malaysia, National Metrology Institute of Malaysia (NMIM) helps to maintain national infrastructure for the measurement standards to support economic and social development.

SIRIM provides a comprehensive range of certification, inspection and testing services to the industry that are accredited to international standards such as Standards Malaysia and the United Kingdom Accreditation Services. Other services include industrial research, industry standards, calibration and measurement as well as packaging and design. SIRIM is also actively involved in upskilling and reskilling of human capital and in various quality management courses such as Anti Bribery Management System and Halal, as well as technical training in Industry 4.0, TVET and aerospace. SIRIM developed technology-based entrepreneurs through productivity improvement program via technology adoption, innovative packaging and business transformation and assisted in exporting their products globally as well as helping them to enter the Hypermarkets. To better support MITI, SIRIM positions itself as a driver for MITI to implement the roles in industrial development, international trade and investment and technology.

SIRIM continues to pursue high revenue growth and market development strategies while strengthening relationship with industry players through strategic collaborations to deliver sustainable innovation to the industries, growing the economy, productivity and competitiveness. As the industry has shifted the focus to high-end range products such as orthopaedic and dental implants, SIRIM will continue to assist MITI and the government in making Malaysia a burgeoning global medical device manufacturing hub.

SIRIM is committed to play an instrumental role to accelerate adoption of smart manufacturing through public private partnership platform. SIRIM will also look into low carbon projects, eco and sustainable materials. In addition, SIRIM will help to strengthen the manufacturing sector by increasing utilisation of local labs in calibration, testing, certification, inspection and R&D to facilitate trade, market access and industrial R&D.

BOX ARTICLE 7.3

INNOVATING MALAYSIA FOR 4IR BY MIMOS BERHAD

The inclusion of MIMOS under MITI's fold in 2018 is both strategic and timely, given industry's enthusiastic transformation as the country advances into the Fourth Industrial Revolution (4IR). MIMOS is Malaysia's National Applied Research and Development Centre, which plays a leading role in addressing digital technological challenges in the Government and industries. The agency has been a provider of homegrown technology platforms and solutions for the Government, supporting the growth of SMEs and entrepreneurs along the way. MIMOS' roles reflect Malaysia's strategic intent in deepening its research, development and innovation capabilities towards putting 'smart' into the country's governance, industry and economy.

MIMOS has been increasingly active in energising the electrical and electronics (E&E) sector, particularly with the Advanced Shared Service facilities in Kuala Lumpur and Innovation Hub in Penang. Both centres have been used in upgrading the knowledge and skills of university lecturers, students, postgraduate students as well as in upskilling and re-skilling E&E personnel already serving in the industry, to create industry-competent talent pool. In addition, MIMOS' Open Innovation Platform offers an open-source platform for industry players to build their own customised offerings towards boosting the local E&E sector.

MIMOS' R&D focus evolves with changing business models and key global trends. The current focus aligns with Industry 4.0- enabling technologies, with particular emphasis on big data analytics, Internet of things, artificial intelligence, augmented / virtual reality, edge computing, blockchain, system integration, cyber security and additive manufacturing.

In line with MITI's objectives, MIMOS supports the Government's digital transformation agenda through four strategies:

- undertaking strategic R&D towards generating patentable technology platforms, products and solutions that would enable the Government to deliver better services, and the industry to stay globally-relevant;
- hosting shared facilities in ICT and E&E for use by industry as well as for collaborative research with academia;
- establishing technology ventures with industry, adopting MIMOS-developed technologies; and
- nurturing skilled, industry-competent workforce through training, collaborative research and placement programmes.

MIMOS serves the needs of three distinct target groups namely the Government, industry and citizens. MIMOS works on global and emerging technologies to improve Government efficiency and productivity, enhance fiscal governance, and ensure integrity of the trade environment.

Meanwhile, the industry is driven to gain competitive edge in the value chain by innovating processes, creating new systems, new materials and applications while increasing productivity, lowering costs and meeting sustainability goals. In addition, the technology responds to citizen's needs with regard to national security, public safety, healthcare, mobility, food production and safety.

MIMOS will continue to ensure that Malaysia overcomes and forges ahead in the evolving challenges posed by the 4IR. The activities are focussed on ensuring Malaysia's homegrown industries, particularly SMEs, have the necessary acumen, technology and talent to adopt Industry*4WRD*.

MIMOS will intensify efforts to contribute to e-Government initiatives and prepare Malaysian youth with necessary skills and competency. In addition, SMEs will be galvanised to embrace digital manufacturing and digital business, while leveraging emerging global technologies.

BOX ARTICLE 7.4

EXIM BANK
MALAYSIA

EXPANDING FRONTIERS BY EXIM BANK

The Export-Import Bank of Malaysia Berhad (EXIM Bank) is a government owned development financial institution incorporated on 29 August 1995. Commonly known as EXIM Bank, the institution promotes reverse investment and export of strategic sectors such as capital goods, infrastructure projects, shipping, and value-added manufactured products. EXIM Bank also facilitates the entry of Malaysian companies into new markets as well as the non-traditional ones.

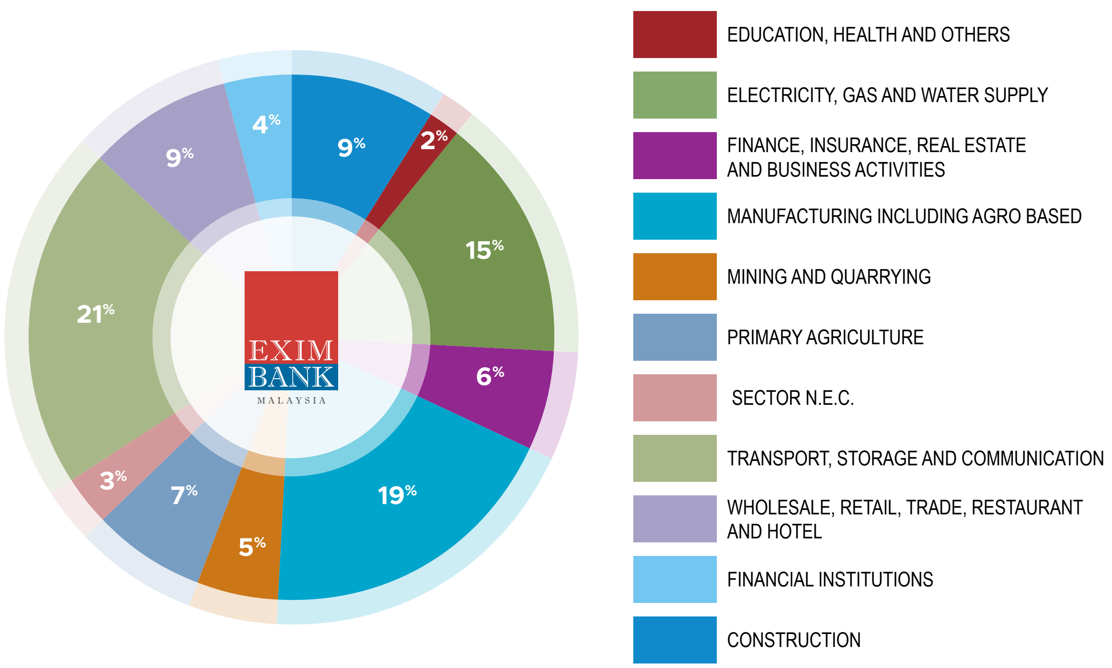
EXIM Bank complements MITI's other agencies such as Malaysia External Trade Development Corp (MATRADE) and Malaysia Investment Development Authority (MIDA) in providing companies with funds and credit support for cross-border business ventures. This is consistent with MITI's vision to make Malaysia a globally competitive trading nation and promote Malaysian enterprises to the world. EXIM Bank also undertake efforts to facilitate the development of homegrown industries to integrate into the global value chain.

With over 23 years of experience in doing business, EXIM Bank has exposure in approximately 133 countries through the banking as well as credit insurance and takaful facilities. The financing products have features that can be customised or tailor-made to the needs of the business.

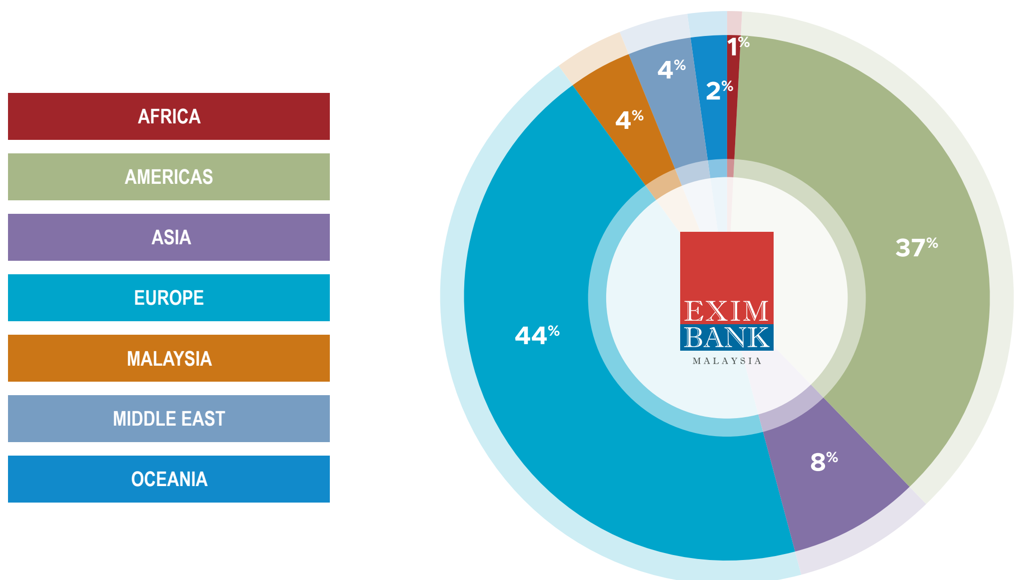
In terms of providing risk cover, EXIM Bank's credit insurance and takaful allows and facilitates undertaking of new businesses in the new and non-traditional markets by providing assurance on calculated risks. The risks that are being covered are, among others, political risk, possibility of default by buyers, difficulties to expropriate funds and breaches of any contractual agreements.

EXIM Bank's commitment in financing Malaysian global ventures is evidenced in the growth of the gross loan and financing of more than 100 per cent in 5 years from RM5.84 billion in 2013 to RM11.71 billion in 2017, with exposures across all sectors.

DIVERSIFICATION IN EXIM BANK'S PORTFOLIO FINANCING



EXIM BANK'S GLOBAL PRESENCE



BOX ARTICLE 7.5

ATTRACTING MNCS REGIONAL SERVICES HUB BY INVEST KL

Established in 2011, InvestKL is tasked to attract large global multinationals to set up regional services hub in Kuala Lumpur, in sectors such as consumer technology, smart technology, healthcare, industrial automation, engineering services, oil, gas and energy. The focus is on multinationals that are committed to digital activities and ready to expand global market share, using Greater Kuala Lumpur as a springboard into ASEAN or Asia Pacific markets.

As a result, many global companies have opened regional hubs and provide high-value employment opportunities and at the same time support Malaysia's transformation towards becoming a high-value services-driven economy.

InvestKL facilitates global multinationals across various stages of the investment process. This includes advisory and facilitation on business strategy and connections to other agencies. To ensure seamless business transitions, investors are linked to talent management programmes that help fulfil the human resource needs of growing regional hubs. InvestKL assists multinationals to leverage on Greater Kuala Lumpur's sophisticated ecosystem, business-friendly policies, well-developed infrastructure, competitive cost advantage and skilled talent pool.

These global multinationals are able to tap into the local network of SMEs in order to propel growth in the region and move up the value chain. The local SMEs meanwhile will benefit from international best practices and transfer of knowledge. The SMEs will be able to work with industry partners and global players and participate in world-class best practice vendor projects.

With the fast-paced development of digitalisation, multinationals in traditional industries such as oil and gas, fast-moving consumer goods, engineering and aerospace are increasingly exploring Industry 4.0 to drive further the ASEAN and Asia Pacific regions. InvestKL has drawn many of these innovation-driven investors with regional high-value service activities into Greater Kuala Lumpur. Typically, these investors focus in areas of big data, Internet of Things, machine learning, and artificial intelligence technologies from the heart of the city.

To support the need of the multinationals, InvestKL has introduced the Malaysian Global Talent programme (MGT) which it is dedicated towards enhancing, developing and producing homegrown talent that can scale up the leadership ladder of corporate organisations. The MGT programme connects local tertiary education institutions and multinational employers to ensure homegrown talents are developed across the leadership ladder. A constantly-replenished talent pipeline that is needs-aware provides multinationals the assurance that Greater Kuala Lumpur's ecosystem can support investors' regional growth ambitions for the long haul.

Up to end-2018, InvestKL has successfully drawn 78 MNCs to set up regional hubs in the Greater Kuala Lumpur. The approved and committed investments are close to RM12 billion and 12,000 jobs. Greater Kuala Lumpur's progress as a competitive regional hub location has succeeded in attracting investments and raised Malaysia's profile in the global business community.

APPENDIX

TABLE 1
ANNUAL TRADE, 2005 - 2018

Period	Total Trade (RM million)	Exports (RM million)	Imports (RM million)	Balance of Trade (RM million)
2005	969,104.5	536,233.7	432,870.8	103,362.9
2006	1,067,388.3	589,240.3	478,147.9	111,092.4
2007	1,106,344.3	604,299.6	502,044.6	102,255.0
2008	1,182,817.8	663,013.5	519,804.3	143,209.2
2009	987,187.9	552,518.1	434,669.8	117,848.3
2010	1,167,650.7	638,822.5	528,828.2	109,994.3
2011	1,271,488.3	697,861.9	573,626.3	124,235.6
2012	1,309,318.2	702,641.2	606,676.9	95,964.3
2013	1,368,687.3	719,992.4	648,694.9	71,297.5
2014	1,448,354.0	765,416.9	682,937.1	82,479.7
2015	1,463,133.5	777,355.1	685,778.4	91,576.6
2016	1,485,782.8	786,964.2	698,818.7	88,145.5
2017[f]	1,771,349.0	934,926.8	836,422.2	98,504.6
2018[p]	1,876,039.1	998,278.4	877,760.7	120,517.6

Source: DOSM

APPENDIX

TABLE 2

TRADE WITH THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN), 2017 - 2018

	Exports					Imports					Balance of Trade		Total Trade	
	2018p			2017f		2018p			2017f		2018p	2017f	2018p	2017f
COUNTRY	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million	RM million	RM million
TOTAL	**998,278.4**	**100.0**	**6.8**	**934,926.8**	**100.0**	**877,760.7**	**100.0**	**4.9**	**836,422.2**	**100.0**	**120,517.6**	**98,504.6**	**1,876,039.1**	**1,771,349.0**
ASEAN	**285,373.3**	**28.6**	**5.1**	**271,636.3**	**29.1**	**223,904.9**	**25.5**	**4.3**	**214,651.1**	**25.7**	**61,468.4**	**56,985.2**	**509,278.3**	**486,287.4**
Singapore	139,135.9	13.9	2.6	135,628.3	14.5	102,871.9	11.7	10.9	92,729.0	11.1	36,264.0	42,899.3	242,007.8	228,357.3
Thailand	56,761.2	5.7	12.4	50,508.0	5.4	48,596.6	5.5	0.9	48,141.2	5.8	8,164.6	2,366.8	105,357.9	98,649.3
Indonesia	31,747.4	3.2	-5.6	33,630.9	3.6	40,270.9	4.6	6.3	37,879.4	4.5	-8,523.4	-4,248.6	72,018.3	71,510.3
Vietnam	34,208.0	3.4	24.0	27,596.8	3.0	19,266.7	2.2	-14.8	22,625.6	2.7	14,941.3	4,971.2	53,474.7	50,222.4
Philippines	16,915.5	1.7	2.4	16,520.8	1.8	9,185.8	1.0	2.3	8,976.1	1.1	7,729.7	7,544.7	26,101.4	25,496.9
Myanmar	2,809.6	0.3	-32.0	4,134.4	0.4	1,232.7	0.1	27.5	967.1	0.1	1,577.0	3,167.2	4,042.3	5,101.5
Brunei	2,212.0	0.2	-4.2	2,308.2	0.2	1,749.5	0.2	-32.7	2,600.1	0.3	462.6	-292.0	3,961.5	4,908.3
Cambodia	1,542.6	0.2	23.7	1,246.7	0.1	706.9	0.1	-0.3	708.8	0.1	835.7	537.9	2,249.5	1,955.4
Lao PDR	40.9	0.0	-34.3	62.3	0.0	24.0	0.0	1.7	23.6	0.0	16.9	38.7	65.0	85.9

**Note: Top countries are sorted according to Total Trade value for 2018*
Source: DOSM

APPENDIX

TABLE 3
TOP TEN TRADE PARTNERS IN THE EUROPEAN UNION (EU), 2017 - 2018

	Exports					Imports					Balance of Trade		Total Trade	
	2018p			2017f		2018p			2017f		2018p	2017f	2018p	2017f
COUNTRY	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million	RM million	RM million
TOTAL	**998,278.4**	**100.0**	**6.8**	**934,926.8**	**100.0**	**877,760.7**	**100.0**	**4.9**	**836,422.2**	**100.0**	**120,517.6**	**98,504.6**	**1,876,039.1**	**1,771,349.0**
EU	**98,601.9**	**9.9**	**3.5**	**95,290.9**	**10.2**	**84,769.4**	**9.7**	**6.5**	**79,626.1**	**9.5**	**13,832.5**	**15,664.8**	**183,371.3**	**174,917.0**
Germany	28,191.4	2.8	5.7	26,673.1	2.9	26,377.5	3.0	0.4	**26,277.5**	3.1	1,813.9	395.6	54,568.8	52,950.7
Netherlands	25,794.1	2.6	-4.1	26,900.0	2.9	6,773.1	0.8	-13.7	7,851.8	0.9	19,021.0	19,048.2	32,567.2	34,751.8
France	6,292.5	0.6	7.9	5,830.0	0.6	16,625.4	1.9	30.6	12,728.1	1.5	-10,332.8	-6,898.0	22,917.9	18,558.1
United Kingdom	8,634.1	0.9	-10.6	9,654.6	1.0	6,971.0	0.8	3.6	6,727.0	0.8	1,663.1	2,927.6	15,605.1	16,381.6
Italy	5,811.9	0.6	27.0	4,574.7	0.5	6,673.7	0.8	-7.5	7,216.7	0.9	-861.8	-2,642.1	12,485.6	11,791.4
Belgium	4,644.4	0.5	-4.5	4,863.1	0.5	2,918.4	0.3	7.9	2,703.7	0.3	1,725.9	2,159.4	7,562.8	7,566.8
Spain	3,939.7	0.4	46.6	2,687.9	0.3	2,977.2	0.3	17.5	2,533.9	0.3	962.5	154.1	6,916.9	5,221.8
Ireland	1,192.2	0.1	75.4	679.8	0.1	4,642.0	0.5	29.2	3,592.5	0.4	-3,449.8	-2,912.7	5,834.2	4,272.3
Austria	506.4	0.1	12.8	448.9	0.0	2,828.5	0.3	21.1	2,335.5	0.3	-2,322.1	-1,886.6	3,334.9	2,784.4
Sweden	1,314.3	0.1	-15.3	1,552.5	0.2	1,816.6	0.2	-12.9	2,086.6	0.2	-502.3	-534.1	3,130.8	3,639.1

**Note: Top countries are sorted according to Total Trade value for 2018*
Source: DOSM

APPENDIX

TABLE 4
TOP TEN TRADE PARTNERS IN THE ASIA-PACIFIC ECONOMIC COOPERATION (APEC), 2017 - 2018

	Exports					Imports					Balance of Trade		Total Trade	
	2018p			2017f		2018p			2017f		2018p	2017f	2018p	2017f
COUNTRY	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million	RM million	RM million
TOTAL	**998,278.4**	**100.0**	**6.8**	**934,926.8**	**100.0**	**877,760.7**	**100.0**	**4.9**	**836,422.2**	**100.0**	**120,517.6**	**98,504.6**	**1,876,039.1**	**1,771,349.0**
APEC	**776,912.2**	**77.8**	**9.1**	**712,171.3**	**76.2**	**678,771.5**	**77.3**	**4.8**	**647,940.5**	**77.5**	**98,140.7**	**64,230.9**	**1,455,683.8**	**1,360,111.8**
P.R.China	138,904.6	13.9	10.3	125,957.0	13.5	174,925.5	19.9	6.4	164,444.7	19.7	-36,020.9	-38,487.7	313,830.1	290,401.6
Singapore	139,135.9	13.9	2.6	135,628.3	14.5	102,871.9	11.7	10.9	92,729.0	11.1	36,264.0	42,899.3	242,007.8	228,357.3
United States	90,733.6	9.1	2.3	88,680.2	9.5	64,943.7	7.4	-0.5	65,274.6	7.8	25,789.9	23,405.6	155,677.3	153,954.7
Japan	69,061.3	6.9	-8.6	75,596.9	8.1	63,512.6	7.2	-0.2	63,610.7	7.6	5,548.7	11,986.1	132,573.8	139,207.6
Thailand	56,761.2	5.7	12.4	50,508.0	5.4	48,596.6	5.5	0.9	48,141.2	5.8	8,164.6	2,366.8	105,357.9	98,649.3
Chinese Taipei	32,525.5	3.3	35.7	23,961.9	2.6	63,563.9	7.2	16.1	54,754.6	6.5	-31,038.4	-30,792.7	96,089.4	78,716.5
Hong Kong SAR	74,602.0	7.5	56.4	47,713.5	5.1	15,042.0	1.7	7.4	14,010.6	1.7	59,560.0	33,702.9	89,644.0	61,724.0
R.O.Korea	33,680.7	3.4	17.8	28,586.5	3.1	38,916.5	4.4	-0.5	39,118.9	4.7	-5,235.8	-10,532.4	72,597.2	67,705.4
Indonesia	31,747.4	3.2	-5.6	33,630.9	3.6	40,270.9	4.6	6.3	37,879.4	4.5	-8,523.4	-4,248.6	72,018.3	71,510.3
Australia	33,545.0	3.4	3.6	32,376.6	3.5	21,584.1	2.5	7.4	20,091.8	2.4	11,960.9	12,284.8	55,129.1	52,468.4

**Note: Top countries are sorted according to Total Trade value for 2018*
Source: DOSM

APPENDIX

TABLE 5

TRADE WITH THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA), 2017 - 2018

	Exports					Imports					Balance of Trade		Total Trade	
	2018P			2017f		2018P			2017f		2018P	2017f	2018P	2017f
COUNTRY	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million	RM million	RM million
TOTAL	**998,278.4**	**100.0**	**6.8**	**934,926.8**	**100.0**	**877,760.7**	**100.0**	**4.9**	**836,422.2**	**100.0**	**120,517.6**	**98,504.6**	**1,876,039.1**	**1,771,349.0**
NAFTA	**102,646.9**	**10.3**	**0.8**	**101,816.1**	**10.9**	**69,701.4**	**7.9**	**0.0**	**69,722.8**	**8.3**	**32,945.4**	**32,093.3**	**172,348.3**	**171,538.9**
United States	90,733.6	9.1	2.3	88,680.2	9.5	64,943.7	7.4	-0.5	65,274.6	7.8	25,789.9	23,405.6	155,677.3	153,954.7
Mexico	8,365.8	0.8	-13.0	9,611.2	1.0	1,485.1	0.2	6.0	1,401.7	0.2	6,880.7	8,209.5	9,850.9	11,012.8
Canada	3,547.5	0.4	0.6	3,524.8	0.4	3,272.6	0.4	7.4	3,046.6	0.4	274.9	478.2	6,820.1	6,571.3

Note: Top countries are sorted according to Total Trade value for 2018
Source: DOSM

TABLE 6

TRADE WITH EUROPEAN FREE TRADE ASSOCIATION (EFTA), 2017 - 2018

	Exports					Imports					Balance of Trade		Total Trade	
	2018P			2017f		2018P			2017f		2018P	2017f	2018P	2017f
COUNTRY	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million	RM million	RM million
TOTAL	**998,278.4**	**100.0**	**6.8**	**934,926.8**	**100.0**	**877,760.7**	**100.0**	**4.9**	**836,422.2**	**100.0**	**120,517.6**	**98,504.6**	**1,876,039.1**	**1,771,349.0**
EFTA	**3,496.7**	**0.4**	**-38.2**	**5,653.5**	**0.6**	**11,617.1**	**1.3**	**-16.0**	**13,826.9**	**1.7**	**-8,120.5**	**-8,173.4**	**15,113.8**	**19,480.4**
Switzerland	3,125.6	0.3	-40.1	5,221.4	0.6	10,679.5	1.2	-9.9	11,852.6	1.4	-7,554.0	-6,631.2	13,805.1	17,074.0
Norway	353.8	0.0	-16.7	424.8	0.0	936.0	0.1	-52.4	1,966.3	0.2	-582.2	-1,541.4	1,289.8	2,391.1
Iceland	14.9	0.0	260.2	4.1	0.0	1.5	0.0	-79.4	7.3	0.0	13.4	-3.1	16.4	11.4
Liechtenstein	2.3	0.0	-24.0	3.1	0.0	0.1	0.0	-88.1	0.7	0.0	2.3	2.4	2.4	3.8

Note: Top countries are sorted according to Total Trade value for 2018
Source: DOSM

APPENDIX

TABLE 7

TOP TEN TRADE PARTNERS IN THE ORGANIZATION OF ISLAMIC COOPERATION (OIC), 2017 - 2018

	Exports					Imports					Balance of Trade		Total Trade	
	2018p			2017f		2018p			2017f		2018p	2017f	2018p	2017f
COUNTRY	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million	RM million	RM million
TOTAL	**998,278.4**	**100.0**	**6.8**	**934,926.8**	**100.0**	**877,760.7**	**100.0**	**4.9**	**836,422.2**	**100.0**	**120,517.6**	**98,504.6**	**1,876,039.1**	**1,771,349.0**
OIC	**90,946.8**	**9.1**	**-5.2**	**95,985.8**	**10.3**	**92,762.5**	**10.6**	**12.3**	**82,636.5**	**9.9**	**-1,815.8**	**13,349.3**	**183,709.3**	**178,622.3**
Indonesia	31,747.4	3.2	-5.6	33,630.9	3.6	40,270.9	4.6	6.3	37,879.4	4.5	-8,523.4	-4,248.6	72,018.3	71,510.3
UAE	11,273.6	1.1	-6.2	12,019.1	1.3	11,588.3	1.3	-12.0	13,161.5	1.6	-314.6	-1,142.4	22,861.9	25,180.5
Saudi Arabia	3,770.3	0.4	-11.0	4,235.4	0.5	17,901.3	2.0	67.5	10,689.2	1.3	-14,131.0	-6,453.8	21,671.6	14,924.6
Turkey	7,966.4	0.8	-23.7	10,443.0	1.1	1,821.9	0.2	17.4	1,551.4	0.2	6,144.6	8,891.6	9,788.3	11,994.4
Bangladesh	8,493.0	0.9	29.8	6,544.8	0.7	1,064.1	0.1	12.0	949.8	0.1	7,428.9	5,595.0	9,557.1	7,494.6
Pakistan	5,150.6	0.5	2.1	5,044.3	0.5	757.5	0.1	5.3	719.7	0.1	4,393.1	4,324.6	5,908.0	5,763.9
Brunei	2,212.0	0.2	-4.2	2,308.2	0.2	1,749.5	0.2	-32.7	2,600.1	0.3	462.6	-292.0	3,961.5	4,908.3
Iran	2,788.3	0.3	-14.3	3,254.3	0.3	1,007.7	0.1	-20.5	1,267.1	0.2	1,780.6	1,987.3	3,796.1	4,521.4
Qatar	989.6	0.1	29.8	762.4	0.1	2,731.1	0.3	29.1	2,115.6	0.3	-1,741.5	-1,353.2	3,720.7	2,878.0
Oman	1,067.1	0.1	-10.2	1,188.3	0.1	2,272.8	0.3	72.3	1,318.8	0.2	-1,205.7	-130.5	3,340.0	2,507.1

**Note: Top countries are sorted according to Total Trade value for 2018*
Source: DOSM

APPENDIX

TABLE 8

TOP TEN TRADE PARTNERS IN THE ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT (OECD), 2017 - 2018

	Exports					Imports					Balance of Trade		Total Trade	
	2018p			2017f		2018p			2017f		2018p	2017f	2018p	2017f
COUNTRY	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million	RM million	RM million
TOTAL	**998,278.4**	**100.0**	**6.8**	**934,926.8**	**100.0**	**877,760.7**	**100.0**	**4.9**	**836,422.2**	**100.0**	**120,517.6**	**98,504.6**	**1,876,039.1**	**1,876,039.1**
OECD	**350,102.5**	**35.1**	**-0.1**	**350,316.1**	**37.5**	**293,861.4**	**33.5**	**1.4**	**289,834.9**	**34.7**	**56,241.1**	**60,481.2**	**643,964.0**	**643,964.0**
United States	90,733.6	9.1	2.3	88,680.2	9.5	64,943.7	7.4	-0.5	65,274.6	7.8	25,789.9	23,405.6	155,677.3	155,677.3
Japan	69,061.3	6.9	-8.6	75,596.9	8.1	63,512.6	7.2	-0.2	63,610.7	7.6	5,548.7	11,986.1	132,573.8	132,573.8
R.O.Korea	33,680.7	3.4	17.8	28,586.5	3.1	38,916.5	4.4	-0.5	39,118.9	4.7	-5,235.8	-10,532.4	72,597.2	72,597.2
Australia	33,545.0	3.4	3.6	32,376.6	3.5	21,584.1	2.5	7.4	20,091.8	2.4	11,960.9	12,284.8	55,129.1	55,129.1
Germany	28,191.4	2.8	5.7	26,673.1	2.9	26,377.5	3.0	0.4	26,277.5	3.1	1,813.9	395.6	54,568.8	54,568.8
Netherlands	25,794.1	2.6	-4.1	26,900.0	2.9	6,773.1	0.8	-13.7	7,851.8	0.9	19,021.0	19,048.2	32,567.2	32,567.2
France	6,292.5	0.6	7.9	5,830.0	0.6	16,625.4	1.9	30.6	12,728.1	1.5	-10,332.8	-6,898.0	22,917.9	22,917.9
United Kingdom	8,634.1	0.9	-10.6	9,654.6	1.0	6,971.0	0.8	3.6	6,727.0	0.8	1,663.1	2,927.6	15,605.1	15,605.1
Switzerland	3,125.6	0.3	-40.1	5,221.4	0.6	10,679.5	1.2	-9.9	11,852.6	1.4	-7,554.0	-6,631.2	13,805.1	13,805.1
Italy	5,811.9	0.6	27.0	4,574.7	0.5	6,673.7	0.8	-7.5	7,216.7	0.9	-861.8	-2,642.1	12,485.6	12,485.6

**Note: Top countries are sorted according to Total Trade value for 2018*
Source: DOSM

APPENDIX

TABLE 9

MAJOR EXPORTS OF MANUFACTURED GOODS TO TOP FIVE DESTINATIONS, 2017 - 2018

		2018p		2017f	
PRODUCTS	COUNTRY	RM million	Share (%)	RM million	Share (%)
Total		**998,278.4**	**100.0**	**934,926.8**	**100.0**
Manufactured Goods		**835,614.6**	**83.7**	**765,857.7**	**81.9**
Electrical and Electronic Products	**Total**	**380,815.2**	**38.1**	**343,070.1**	**36.7**
	Singapore	64,129.9	6.4	61,416.6	6.6
	Hong Kong SAR	58,424.4	5.9	35,933.7	3.8
	P.R.China	55,302.6	5.5	50,387.7	5.4
	United States	47,268.1	4.7	49,169.0	5.3
	Thailand	21,102.8	2.1	16,911.9	1.8
Petroleum Products	**Total**	**76,528.9**	**7.7**	**71,813.0**	**7.7**
	Singapore	21,631.0	2.2	21,156.2	2.3
	P.R.China	11,683.8	1.2	13,304.5	1.4
	Vietnam	9,059.4	0.9	6,644.3	0.7
	Indonesia	5,473.7	0.5	8,976.1	1.0
	Australia	4,523.1	0.5	6,327.8	0.7
Chemicals & Chemical Products	**Total**	**57,721.1**	**5.8**	**47,137.8**	**5.0**
	P.R.China	17,267.9	1.7	11,072.9	1.2
	Indonesia	6,416.3	0.6	6,045.9	0.6
	Thailand	5,018.0	0.5	4,576.7	0.5
	Vietnam	4,140.6	0.4	3,685.9	0.4
	Singapore	3,702.2	0.4	3,731.2	0.4
Manufactures of Metal	**Total**	**44,670.8**	**4.5**	**37,936.7**	**4.1**
	P.R.China	6,794.7	0.7	4,532.0	0.5
	India	5,078.0	0.5	4,499.1	0.5
	Singapore	3,910.6	0.4	4,079.7	0.4
	Vietnam	3,070.7	0.3	1,684.8	0.2
	Thailand	2,983.4	0.3	2,418.6	0.3
Machinery, Equipment & Parts	**Total**	**40,621.7**	**4.1**	**40,133.0**	**4.3**
	Singapore	7,902.5	0.8	8,436.4	0.9
	United States	3,952.2	0.4	3,250.4	0.3
	Indonesia	2,764.3	0.3	2,682.9	0.3
	Thailand	2,748.1	0.3	2,951.0	0.3
	P.R.China	2,723.1	0.3	2,498.0	0.3
Optical & Scientific Equipment	**Total**	**36,328.6**	**3.6**	**32,394.6**	**3.5**
	United States	7,108.5	0.7	5,562.2	0.6
	Singapore	5,074.6	0.5	4,764.8	0.5
	P.R.China	4,719.3	0.5	3,553.9	0.4
	Chinese Taipei	2,812.2	0.3	2,007.0	0.2
	Germany	2,687.6	0.3	2,419.5	0.3

APPENDIX

PRODUCTS	COUNTRY	2018p RM million	2018p Share (%)	2017f RM million	2017f Share (%)
Palm Oil-Based Manufactured Products	**Total**	**22,790.7**	**2.3**	**23,784.7**	**2.5**
	P.R.China	3,532.2	0.4	3,556.9	0.4
	United States	1,939.2	0.2	2,316.4	0.2
	Netherlands	1,785.6	0.2	2,222.4	0.2
	Japan	1,598.6	0.2	1,794.9	0.2
	India	1,441.7	0.1	1,226.6	0.1
Processed Food	**Total**	**19,386.4**	**1.9**	**19,712.6**	**2.1**
	Singapore	2,562.8	0.3	2,573.7	0.3
	P.R.China	1,871.2	0.2	1,552.9	0.2
	Indonesia	1,437.7	0.1	1,501.8	0.2
	Thailand	1,236.5	0.1	1,357.5	0.1
	Philippines	1,000.4	0.1	1,044.0	0.1
Transport Equipment	**Total**	**18,029.1**	**1.8**	**15,605.4**	**1.7**
	United States	2,556.9	0.3	1,566.9	0.2
	Thailand	2,556.5	0.3	1,593.9	0.2
	Singapore	1,750.7	0.2	1,893.7	0.2
	P.R.China	1,615.7	0.2	1,188.4	0.1
	Indonesia	1,148.3	0.1	723.4	0.1

TABLE 10

MAJOR IMPORTS OF MANUFACTURED GOODS FROM TOP FIVE IMPORT SOURCES, 2017 - 2018

PRODUCTS	COUNTRY	2018p RM million	2018p Share (%)	2017f RM million	2017f Share (%)
Total		**877,760.7**	**100.0**	**836,422.2**	**100.0**
Manufactured Goods		**763,243.9**	**87.0**	**729,012.9**	**87.2**
Electrical and Electronic Products	**Total**	**261,648.2**	**29.8**	**252,922.4**	**30.2**
	P.R.China	65,269.6	7.4	61,292.6	7.3
	Chinese Taipei	45,900.0	5.2	37,755.7	4.5
	Singapore	32,559.2	3.7	31,914.3	3.8
	United States	29,548.2	3.4	31,165.7	3.7
	Japan	17,015.7	1.9	17,868.1	2.1
Petroleum Products	**Total**	**86,216.2**	**9.8**	**75,359.8**	**9.0**
	Singapore	38,451.1	4.4	28,487.3	3.4
	India	9,731.6	1.1	9,965.8	1.2
	P.R.China	7,413.8	0.8	7,994.3	1.0
	R.O.Korea	6,106.0	0.7	4,577.0	0.5
	UAE	4,304.7	0.5	3,948.3	0.5
Chemicals & Chemical Products	**Total**	**82,729.6**	**9.4**	**74,507.4**	**8.9**
	P.R.China	14,249.9	1.6	13,021.8	1.6
	Singapore	8,934.0	1.0	8,774.4	1.0
	Saudi Arabia	7,059.3	0.8	4,955.7	0.6
	United States	6,240.1	0.7	5,619.4	0.7
	Japan	5,713.7	0.7	5,651.8	0.7

APPENDIX

PRODUCTS	COUNTRY	2018[p] RM million	2018[p] Share (%)	2017[f] RM million	2017[f] Share (%)
Machinery, Equipment & Parts	**Total**	**73,617.6**	**8.4**	**78,574.8**	**9.4**
	P.R.China	20,301.7	2.3	19,436.5	2.3
	Japan	8,867.5	1.0	10,582.6	1.3
	United States	7,525.0	0.9	7,579.6	0.9
	Singapore	6,238.7	0.7	7,258.2	0.9
	Germany	5,564.9	0.6	6,618.4	0.8
Manufactures of Metal	**Total**	**46,109.9**	**5.3**	**43,649.0**	**5.2**
	P.R.China	12,534.6	1.4	11,274.0	1.3
	Japan	5,283.9	0.6	5,169.6	0.6
	India	3,473.0	0.4	3,634.6	0.4
	Australia	3,311.8	0.4	4,118.3	0.5
	United States	2,937.4	0.3	1,926.1	0.2
Transport Equipment	**Total**	**45,163.8**	**5.1**	**41,360.8**	**4.9**
	France	9,869.6	1.1	6,318.0	0.8
	Japan	7,295.7	0.8	6,372.5	0.8
	Thailand	6,600.1	0.8	6,273.5	0.8
	P.R.China	4,713.0	0.5	3,683.4	0.4
	Germany	4,623.0	0.5	4,341.2	0.5
Iron & Steel Products	**Total**	**30,980.2**	**3.5**	**27,346.0**	**3.3**
	P.R.China	7,668.0	0.9	6,726.5	0.8
	Japan	5,503.3	0.6	5,400.7	0.6
	Chinese Taipei	3,110.9	0.4	2,821.9	0.3
	R.O.Korea	3,080.3	0.4	2,860.3	0.3
	Vietnam	1,808.7	0.2	1,033.0	0.1
Optical & Scientific Equipment	**Total**	**23,276.1**	**2.7**	**24,826.8**	**3.0**
	P.R.China	4,150.3	0.5	4,679.6	0.6
	United States	4,080.0	0.5	4,156.7	0.5
	Singapore	3,185.0	0.4	3,241.7	0.4
	Japan	2,386.9	0.3	2,375.1	0.3
	Germany	1,776.0	0.2	1,672.0	0.2
Processed Food	**Total**	**19,950.6**	**2.3**	**20,684.3**	**2.5**
	Thailand	2,408.7	0.3	1,785.1	0.2
	P.R.China	2,224.0	0.3	2,066.0	0.2
	New Zealand	2,029.3	0.2	2,166.2	0.3
	Indonesia	1,661.9	0.2	1,787.2	0.2
	Brazil	1,635.9	0.2	3,328.5	0.4
Textiles, Apparels & Footwear	**Total**	**17,671.8**	**2.0**	**17,669.8**	**2.1**
	P.R.China	8,478.4	1.0	8,800.8	1.1
	Vietnam	1,573.3	0.2	1,415.4	0.2
	Indonesia	1,013.7	0.1	1,028.2	0.1
	India	833.3	0.1	729.9	0.1
	Bangladesh	825.4	0.1	752.1	0.1

APPENDIX

TABLE 11

TABLE 11: TOP TEN TRADE PARTNERS IN AFRICA, 2017 - 2018

	Exports					Imports					Balance of Trade		Total Trade	
	2018p			2017f		2018p			2017f		2018p	2017f	2018p	2017f
COUNTRY	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	Share (%)	Change (%)	RM million	Share (%)	RM million	RM million	RM million	RM million
TOTAL	**998,278.4**	**100.0**	**6.8**	**934,926.8**	**100.0**	**877,760.7**	**100.0**	**4.9**	**836,422.2**	**100.0**	**120,517.6**	**98,504.6**	**1,876,039.1**	**1,771,349.0**
Africa	**18,970.6**	**1.9**	**-9.3**	**20,904.4**	**2.2**	**12,408.0**	**1.4**	**7.6**	**11,536.0**	**1.4**	**6,562.6**	**9,368.5**	**31,378.6**	**32,440.4**
South Africa	3,772.5	0.4	13.2	3,333.3	0.4	3,069.7	0.3	3.8	2,957.3	0.4	702.8	376.0	6,842.2	6,290.5
Nigeria	1,719.9	0.2	4.6	1,643.5	0.2	1,144.1	0.1	37.4	832.8	0.1	575.8	810.7	2,863.9	2,476.4
Cote D'ivoire	430.8	0.0	21.4	354.9	0.0	1,920.6	0.2	-24.4	2,539.2	0.3	-1,489.9	-2,184.4	2,351.4	2,894.1
Egypt	1,633.8	0.2	-20.9	2,065.7	0.2	548.4	0.1	-3.9	570.6	0.1	1,085.4	1,495.1	2,182.2	2,636.4
Libyan Arab Jamahiriya	81.1	0.0	-9.2	89.4	0.0	2,066.5	0.2	505.7	341.2	0.0	-1,985.4	-251.8	2,147.7	430.5
Ghana	905.5	0.1	-18.1	1,105.7	0.1	1,014.9	0.1	11.7	908.4	0.1	-109.4	197.2	1,920.4	2,014.1
Kenya	947.5	0.1	-9.0	1,041.5	0.1	24.4	0.0	-24.6	32.4	0.0	923.1	1,009.2	971.9	1,073.9
Algeria	498.6	0.0	-2.0	509.0	0.1	358.2	0.0	3,778.4	9.2	0.0	140.5	499.8	856.8	518.2
Djibouti	826.1	0.1	33.2	620.4	0.1	3.1	0.0	370.1	0.7	0.0	823.1	619.8	829.2	621.1
Tanzania	699.0	0.1	-28.0	971.5	0.1	86.5	0.0	-67.1	262.7	0.0	612.6	708.8	785.5	1,234.2

**Note: Top countries are sorted according to Total Trade value for 2018*
Source: DOSM

APPENDIX

TABLE 12

MANUFACTURING PROJECTS APPROVED WITH FOREIGN PARTICIPATION BY TOP TEN COUNTRIES, 2017 - 2018

	2018P			2017f		
COUNTRY	Number	Investment (RM million)	Investment (USD million)	Number	Investment (RM million)	Investment (USD million)
Total	***	**58,022.1**	**14,015.0**	***	**21,544.7**	**5,306.6**
P.R.China	40	19,673.3	4,752.0	20	3,851.7	948.7
Indonesia	8	9,035.6	2,182.5	1	0.5	0.1
Netherlands	10	8,336.9	2,013.7	13	2,033.9	501.0
Japan	63	4,133.3	998.4	41	1,310.7	322.8
USA	18	3,155.0	762.1	18	1,107.2	272.7
British Virgin Islands	5	2,768.5	668.7	2	41.6	10.2
R.O.Korea	10	2,495.4	602.7	7	636.7	156.8
Singapore	82	1,834.0	443.0	101	2,309.8	568.9
Hong Kong SAR	10	1,250.6	302.1	10	1,494.5	368.1
Panama	4	892.0	215.5	0	0.0	0.0
Chinese Taipei	18	678.7	163.9	20	755.4	186.1

**Note: Top countries are sorted according to Investment (RM million) value for 2018*
Source: MIDA

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