

Group - 1

INTRODUCTION OF PESTEL ANALYSIS

For the development of any country many factors play a vital role. The factors as well as all the factors are interrelated. One of the most important factors affecting the expansion of a country is PESTEL.

This analysis provides a holistic view of any country from historical, current, and future. This analysis on critical, current, and future is presented through detail and is called SCPT. That means (strengths, challenges, prospects, and threats). Analysis of each segment of the PESTLE country analysis provides an in-depth analysis of 50 major countries.

This classification distinguishes between

PESTEL mainly contains the following points :

- Political factors
- Economic factors
- Social factors
- Technological factors
- Environmental factors
- Legal factors

FEATURES OF PESTEL ANALYSIS OF MALAYSIA

- ✓ Get trend and forecast of real GDP growth rate of Malaysia.
- ✓ Get trend of consumption expenditure in percentage of GDP in Malaysia.
- ✓ Research and development factors of Malaysia.
- ✓ Technological factors of Malaysia.
- ✓ Get trend of growth of population rate in Malaysia.
- ✓ Get trend of unemployment rate in Malaysia.

- ✓ Get trend of savings and consumption as well as investment and expenditure in percentage in GDP of Malaysia.

BENEFITS OF PESTEL ANALYSIS IN MALAYSIA

- Political section on Malaysia provides get the information about the whole political system governors indicators and all key figures in the country.
- From economic section we get all outlines of the economics stories of the country and is provides balanced between assessments on core macro economical issues.
- In social section of Malaysia country it enables understanding of consumer demographics by the income distribution, rural market and urban market segmentation health care and education scenario in country.
- Technological section provides all strategies information and communication of the technology, technological laws and policies, gapes patterns data also.
- In legal section we can get information about legal structure, corporate laws, business setup procedures and tax information

TYPICAL PESTEL FACTORS TO CONSIDER INCLUDE:

| Factor | Could include: |
|---------------|---------------------------------------------------------------------------------------------|
| Political | e.g. EU enlargement, the euro, international trade, taxation policy |
| Economic | e.g. interest rates, exchange rates, national income, inflation, unemployment, Stock Market |
| Social | e.g. ageing population, attitudes to work, income distribution |
| Technological | e.g. innovation, new product development, rate of technological obsolescence |
| Environmental | e.g. global warming, environmental issues |

| | |
|-------|---------------------------------------------------------|
| Legal | e.g. competition law, health and safety, employment law |
|-------|---------------------------------------------------------|

THIS VERSION OF PESTEL ANALYSIS IS CALLED LONG PESTEL. THIS IS ILLUSTRATED BELOW:

| | LOCAL | NATIONAL | GLOBAL |
|----------------------|--------------------------------------------------------------------|---------------------------------------------|------------------------------------------------------------------|
| POLITICAL | Provision of services by local council | UK government policy on subsidies | World trade agreements e.g. further expansion of the EU |
| ECONOMIC | Local income | UK interest rates | Overseas economic growth |
| SOCIAL | Local population growth | Demographic change (e.g. ageing population) | Migration flows |
| TECHNOLOGICAL | Improvements in local technologies e.g. availability of Digital TV | UK wide technology e.g. UK online services | International technological breakthroughs e.g. internet |
| ENVIRONMENTAL | Local waste issues | UK weather | Global climate change |
| LEGAL | Local licenses/planning permission | UK law | International agreements on human rights or environmental policy |

However, the relative importance of economic factors compared to other factors will depend on the particular position of a business. Exchange rate fluctuations may be critically important to a multinational but less significant to a local window cleaner.

Group - 2

Present Trade Relations

“One of the wealthiest best developed countries in south East Asia”

In 1957, the Federation of Malaya gained its independence from the British colony. In 1963, together with the British colonies of Sabah and Sarawak, Malaysia comes into being as an independent federation. The Federal government has considerable power over the state government of the 11 states of peninsular Malaysia. Sabah and Sarawak however enjoy rights that the other states do not, rights which are derived from agreements reached when Malaysia was formed.

On 2 April 2009, Najib Tun Razak, the son of Tun Abdul Razak, Malaysia's second prime minister, became prime minister in his own right. Najib successfully overcame frictions within the ruling BN and is strongly supported by his own party, the United Malays National Organization (UMNO).

Malaysia's economic transformation from 2009 to 2011 shows more positive signs than does its political development. The country was strongly affected by the global financial crisis, but its economy recovered and gained strong new momentum in 2010. On 30 March 2010, Prime Minister Najib unveiled a so-called New Economic Model (NEM), which many observers hoped would be more need- and merit-based and less focused on race.

The goals of the NEM are to allow Malaysia to double its per capita income by 2020 and become more competitive, more market-driven and more investor-friendly. As a road map toward these goals, the government

There are 13 states: 11 of which are in peninsular Malaysia and 144 Local Authorities. Social Economic planning system at the national level. Currently socioeconomic development in Malaysia is being guided by vision 2020 and Malaysia plan.

“Transform Malaysia into a high-income economy through quality growth by 2020”

The Malaysia plan sets macroeconomic growth goals, outlines the scale and distribution of public sector development projects, and lays out guidelines for the public sectors.

The plan is based on 10 ideas: Internally driven, externally aware, Leveraging on diversity internationally, Transforming to a high income nation through specialization, Productivity-led growth and innovation, Nurturing, attracting and retaining top talent., Ensuring equality of opportunity and safeguarding the vulnerable, Concentrated growth, inclusive development, Supporting effective and smart partnerships, Valuing environmental friendliness, Government as competitive corporation.

Malaysia, a middle-income country, has transformed itself since the 1970s from a producer of raw materials into an emerging multi-sector economy. Under current Prime Minister NAJIB, Malaysia is attempting to achieve high-income status by 2020 and to move farther up the value-added production chain by attracting investments in Islamic finance, high technology industries, biotechnology, and services.

The NAJIB administration also is continuing efforts to boost domestic demand and reduce the economy's dependence on exports. Nevertheless, exports - particularly of electronics, oil and gas, palm oil and rubber - remain a significant driver of the economy. As an oil and gas exporter, Malaysia has profited from higher world energy prices, although the rising cost of domestic gasoline and diesel fuel, combined with strained government finances, has forced Kuala Lumpur to begin to reduce government subsidies.

In 2007, the economy of Malaysia was the 3rd major economy in South East Asia and 28th largest economy in the world by purchasing power parity with gross domestic product for 2008 of \$222 billion. Information/Data on Malaysia's Economic System, a combination of private enterprise and deeply managed public sector, has sent amazing record of 8%-9% average progress in 1987-92. This progress has resulted in a significant discount in scarcity with a growth

rate of 5% to 7% since 2007 In 2010, GDP per capita (PPP) of Malaysia stands at US\$14,700. In 2009, the PPPGDP was US\$383.6 billion, and the PPP per capita GDP was US\$8,100.

Economic Transformation Programme was launched in preceding year. The goal is to elevate the countries per capital GNI From the \$6700 recorded in 2010 to a level exceeding \$15000 by 2020. In order for this goal to be achieved a targeted annual growth of 6% in GNI over the next decade has been set as an objective.

The starting point of the ETP was to focus on specific factors and areas of the economy to drive such changes the 12 areas identified on the basis are: Agriculture, Business Service, Communication content and infrastructure, Education, Electronic and Electrical, Financial Services, Greater Kuala Lumpur/Klang Valley, Health Care, Oil, Gas, and Energy, Palm Oil, Tourism, Wholesale and Retail.

The ETPs have been identified to drive the growth in the financial service sectors are:

- Becoming the indisputable global hub for Islamic finance.
- Insuring up to at least 75% of the Malaysian population by 2020.
- Developing regional bank Champions.

Rubber was known to the indigenous people of the Americas long before the arrival of European explorers. In 1525, Padre d'Anghieria reported that he had seen Mexican tribes people playing with elastic balls. The first scientific study of rubber was undertaken by Charles de la Condamine, when he encountered it during his trip to Peru in 1735. A French engineer that Condamine met in Guiana, Fresnau studied rubber on its home ground, reaching the conclusion that this was nothing more than a "type of condensed resinous oil".

The first use for rubber was an eraser. It was Magellan, a descendent of the famous Portuguese navigator, who suggested this use. In England, Priestley popularized it to the extent that it became known as India rubber. The word for rubber in Portuguese - borracha - originated from one of the first applications for this product, when it was used to make jars replacing the leather borrachas that the Portuguese used to ship wine.

Natural rubber is a solid product obtained through coagulating the latex produced by certain plants, particularly the Brazilian rubber-tree (*Hevea Brasiliensis*). This raw material is usually tapped from the rubber tree, which is native to Amazonia. Although there a large number of species that exude secretions similar to latex when the bark is cut, only a few produce sufficient quantities of a quality adequate for exploitation on economic bases.

The output of Amazonia reached 42,000 tons a year, with Brazil dominating the global natural rubber market. This euphoria lasted through to 1910, when the situation began to change: rubber exports began to appear on the market from British Colonies, and Brazil was unable to withstand this fierce competition.

In the late 1920s, Brazil was still attempting to catch up this lost ground with the help of an unexpected partner: US industrialist Henry Ford, who had developed a new scheme - the production line - that was to change the face of industry for ever, and at that time accounted for 50% of the world's vehicle output. In order to loosen the grip of the British Colonies in Southeast Asia on the rubber market - the precious raw material for making tires - Ford planted no less than 70 million rubber tree seedlings in an area covering one million hectares in Para State.

The drop in natural rubber production in Brazil coincided with World War I (1914-1918), triggering the need for lower-cost products with steadier supplies in order to manufacture tires. The pressures imposed by the conquest of the plantations of Asia by the Japanese prompted the development of a rubber that was able to meet the extraordinarily high demands of the troops at that time, although its structure differed somewhat from its natural counterpart.

Each Sherman tank contained twenty tons of steel and half a ton of rubber. Each warship contained 20,000 rubber parts. Rubber was used to coat every centimeter of wire used in every factory, home, office and military facilities throughout the USA. There was no synthetic alternative. Looking at all the possible sources, at normal consumption levels, the nation had stocks for around one year. And these reserves also had to supply the largest and most critical industry in the history of the world during a time of rapid expansion: the arms segment.

The US industrial sector had never been called upon to shoulder such a massive task, achieving so much so quickly. The engineers were given just two years to reach this target. If the synthetic rubber program failed, the capacity of the USA to fight the war would be blunted. This

US drive was to help spread synthetic rubber throughout the world's market, even in Brazil as it strove to consolidate its industrial park during the post-War years.

The natural rubber production in Malaysia is declining recent years. The statement of supply-demand balance of natural rubber in ANRPC member countries during 2009 state that Malaysia's total supply is 1751000 tonnes while total demand is 1765000 tonnes. There is a natural rubber demand surplus of 14000 tones. Natural rubber will remain in tight supply next year as yields from aging trees decline and output grows slow, said the Association of Natural Rubber Producing Countries. The association represents Cambodia, China, India, Indonesia, Malaysia, Papua New Guinea, Philippines, Singapore, Sri Lanka, Thailand and Vietnam.

The Malaysian rubber industry was one of the major sources of income of the country in past decades. Later on, the production of rubber has been declining and some investors even labeled rubber industry as a sunset industry. Somehow it is still early to predict the future of Malaysia rubber industry. However, currently the rubber industry is in its positive trend and there are some other positive signs of the future. Therefore, we believe that the future of Malaysian rubber industry is bright.

Malaysia is a dynamic country which is constantly evolving. Being a middle-income country, Malaysia has transformed itself since the 1970s from a producer of raw materials into an emerging multi-sector economy spurred on by high technology, knowledge-based and capital-intensive industries.

Malaysia's Economic Performance ranking improved to 7th place out of 59 economies this year compared with 12th position in 2007.¹ It is one of the 20 largest trading nations worldwide and was headed of Taiwan, Sweden, Canada, Australia, the United Kingdom and Switzerland.² The World Competitiveness Yearbook 2011 Report released by the Institute for Management Development (IMD) continued to rank Malaysia as among the top 5 most competitive nations in the Asia-Pacific region, taking 6th position in the 20 million population category and 2nd position after Taiwan in the GDP per capita less than US\$20,000 category.³ Moreover, the country is the 21th largest exporter among all trading nations worldwide.

Three other pillars have been launched over the past year. They are the **Malaysia**, the **Government Transformation Programme (GTP)** to strengthen public

services in the **National Key Results Areas (NKRAs)** and the **10th Malaysia Plan 2011-2015**, the economic blueprint that will set the tone of the whole country development over the next five years. It contains the new policy directions, strategies and programmes all targeted enabling Malaysia to emerge as a **developed high-income nation**.

The rubber products industry can be categorized into the latex, tires and tire- related and industrial as well as general rubber products. For example, Latex products include rubber cloves, catheters, latex thread, condoms and foam products. Malaysia is the world's largest exporter of rubber gloves with an average annual GDP of RM6 billion. The rubber gloves industry has been generally recession-proof and has recorded increases in exports since 2000.

However, in US\$ speaking the whole rubber sector had exports in 2011 that were worth \$6,947.647Mio. Thereby, the market share of the rubber sector was 4, 61%. Thus there was an increase of 38.4% compared to the previous year where total exports were only worth \$5,019.955Mio. The fewest exports for rubber took place in 2009 with a total of \$2,965.269Mio.

Similar to the export figures, the money spent on imports for rubber increased as well. Whereas Malaysia was spending \$1,304.165 Mio for imports in 2009, they spent \$1,951.198Mio. in 2010. Thereby, the market shares each were 1.72% (2009) and 1.84% (2010). Until August this year, the government already spent \$2,699.569 Mio (2.17%) for the whole rubber sector. This is an increase of 38.35% compared to the previous year.

Rubber seed is mainly collected from the estates and big holdings by the children/dependants of workers. It is procured for nursery as well as industrial purposes and is marketed in seed and kernel forms. The seed from Kerala is entirely used for processing while that from Tamilnadu is used for nursery purposes. Rubber seed reaches the processing industry with and without the help of brokers at village and town level on commission basis. The estimated production potential of rubber seed during the current period is around 40000 mt. However, the actual procurement of seed and kernel during 2001 is 1800 mt and 450 respectively

The Rubber Board carries out various development activities designed to promote expansion and modernization of the rubber plantation industry. Until 1956, these were confined to advisory and extension services and procurement and distribution of planting materials of

improved varieties. The first major development scheme to be introduced was the one to promote replanting of old and uneconomic plantations which started operation in 1957. This was followed by a host of other schemes and activities in quick succession embracing almost all the development requirements of the industry. As of now, these broadly cover technical services, supplies, new planting, replanting, and productivity improvement, modernization of processing, exploitation of large byproducts to augment plantation economy, marketing, promotion of collective self help amongst small holders, training and labor welfare.

The strategy of integrating financial incentives and technical advice to \$ faster and effective. The statutory provision for sourcing funds for the purpose from cess on rubber satisfies this in fair measure. Planners have had to take into account the ever-growing industrial requirements of raw material rubber in this large developing country on the one hand and the geographical and agro-climatic limitations in growing rubber on the other. The latter problem is further aggravated by the unremitting fragmentation of plantations engineered by social and economical factors.

Only a valid IE code number holder can import or export goods to/from India. But for importing goods from Nepal or Myanmar through Indo-Myanmar Border areas or from China, through Gunji, Namgaya, Shipkila or Nathula ports, it is not necessary to obtain a IE code number provided the CIF value of a single consignment does not exceed Indian Rs.25000/- (Rs.1,00,000 in case of Nathula port). An IEC number shall be granted on application by the competent authority in accordance with the procedure in force.

If the amount of advance remittance exceeds USD 100000or its equivalent, an unconditional, irrevocable standby Letter of Credit or a guarantee from an international bank of repute situated outside India or a guarantee of an AD category-I bank in India, if such a guarantee is issued against the counter guarantee of an international bank of repute situated outside India is obtained

In cases where the importer / exporter (other than a Public Sector Company or a Dept/undertaking of the GOI/State Govt.) is unable to obtain bank guarantee from overseas suppliers and the AD category and the bank is satisfied about the track record and bona-fides of

the importer/exporter, the requirement of the bank guarantee/stand by LC may not be insisted upon for advance remittance up to USD 5 Million.

This is the most important mode of settlement of international trade transactions and has been widely accepted all over the world. In this method, the payment is settled by means of a Letter of Credit issued by importer's banker in favor of the supplier abroad. Under his method, the overseas supplier gets payment of goods from his own bank that negotiates the documents under the credit. Export / Import finance -Banks authorized to deal in foreign exchange play an important role for issue of letters of credit, finance/payments for imports, issue of guarantees etc. In matters relating to the finance for import, banks are governed by the instructions issued by their head offices.

According to the International Rubber Study Group (IRSG), the world natural rubber production increased by 5.5% to 10.97 million tonnes in 2011, compared to a growth of 7.3% during 2010. Global synthetic rubber production during 2011 registered a growth of 7.3 % to 15.1 million tonnes as against 14.1 million tonnes in 2010.

Global natural rubber consumption increased to 10.92 million tonnes in 2011 registering a growth of 1.4% compared to 10.78 million tonnes in 2010 due to low demand for vehicles and tyres. Global synthetic rubber consumption increased to 14.93 million tonnes during 2011 from 14.09 million tonnes during 2010, recording a growth of 6.0%. World NR and SR consumption ratio during 2011 was 42:58.

There is no doubt that with the saturation reaching in rubber consumption in various Western countries and the shift in consumption of rubber to the Asia Pacific region, the focal factor for this decade for development is India. The rubber industry is expected to grow at over 8% per annum in this decade. The industry is envisaged to grow at the rate of 8% per annum and the per capita consumption of rubber at 0.8 kg against 14 kg. There exists a huge scope for expansion and development and exports in coming years. Infact, exports of rubber goods was worth Rs. 30 billion in the year 2012.

Institutionalize the Society of Rubber Industry (SRI) or an equivalent industry unit as a legal entity to unify industry stakeholders, promote and monitor commercial interests, engage in cluster advocacy, and pursue strategic goals.

Double the yields of Sri Lanka rubber cultivation to an average of 1,600 kgs per hectare. Increase private ownership and management of plantations. Launch a national rubber tree forest policy under the auspices of the Ministry of Plantation Industries (or other ministry) with the support and participation of other ministries and institutions.

New standards for smallholders and the plantation sector should include the design parameters of the Model Hectare of the Rubber Research Institute of (RRISL). Plant high-yielding hectareage while retiring older lowyield hectareage. Following these recommendations will result in a minimum of 200,000 hectares planted in rubber tree and raise national production to more than 150,000 tons per year by 2010.

Organize smallholders, who control 60 percent of latex tapping, into societies with legal status governed by standards for performance and living. Adequate land for expansion can be found in non-traditional locations such as Moneregala, where growing conditions are favorable.

Malaysia should not rest on its laurels if it wants to attain a higher level and become a prominent player in the world trade for rubber products. This is not impossible to achieve given our strong foundations. But certain innovations are necessary. We need not go overboard in introducing extraordinary innovations. Mere implementation of recommendations that have been made will go a long way to generate substantial growth of the rubber product industry. These are simple recommendations often discussed and highlighted in many forums.

If implemented through strict enforcement, certain weaknesses currently faced by the industry will be quickly overcome. In due course, the industry will no longer be overly dependent on latex goods, particularly gloves for its source of revenue. Further, Malaysian rubber products will no longer be dependent on the developed markets as the industry's main markets. Exports will be more diversified with market penetration in a wider number of

countries. The industry is ready to move forward. What is required is for the Government to provide the leadership in specific areas to effect progress.

The import of major raw materials of Rubber Industry INDIGENOUSLY PRODUCED is subjected not only to peak rate of Custom Duty but also to the Anti-Dumping Duties. On the other hand, all the Rubber Products are coming into the Country with normal rate of duty without facing Anti-Dumping. With over 15,000/- Rubber Products, it is difficult to prove the Dumping Charges and most of the manufacturers are small manufacturers who do not have the resources to initiate the anti-dumping proceedings as per the law.

Bring down the import duty on raw materials like synthetic rubber not indigenously produced from peak rate of 10% to 5% ad-valorem.

Keep custom duty difference of 7.5% between raw material & finished products. ie. Duty on raw material should be lower than the finished products. Duty on Natural Rubber and Latex is reduced from 20% to 5% and 70% to 5% respectively.

Group - 3

PRESENT TRADE SCENERIO OF MALAYSIA)

GARMENT SECTOR

TRADE-RELATED REFORMS BY MALAYSIA

Between 2005 and 2008, Malaysia's economy continued to grow steadily although the pace of growth slowed in 2008 and in particular in the first quarter of 2009 reflecting the global financial crisis and associated sharp fall in exports, according to a WTO Secretariat report on the trade policies and practices of Malaysia

Among the structural measures taken by the Government was the relaxation of restrictions

on foreign investment in services, a reflection of the authorities' efforts to promote the services sector with the goal of increasing services' share of GDP from around half to 60% by 2020, and reduce reliance on manufactured exports. The report says that a more liberal trade and investment regime, as has recently been adopted in services, would contribute greatly to Malaysia's long-term economic growth. It also says that an early recovery of the Malaysian economy depends not only on prudent macroeconomic policies but also on structural reforms, like promoting competition, and further liberalization in the services sector and moving up the value chain in manufacturing.

The report, along with policy statement by the Government of Malaysia, will be the basis for the fifth Trade Policy Review (TPR) of Malaysia by the Trade Policy Review Body of the WTO on 25 and 27 January 2010.

○ **INDUSTRIAL POLICY OF MALAYSIA WHICH REFORMS PRESENT TRADE SCENARIO**

There are major four types of industrial policy in Malaysia. Each characterized by the different objectives.

1). Wealth redistribution industry policy – that is aimed at ensuring a fair distribution of wealth amongst the different races in the country.

2). Export promotion industry policy – that aimed at promoting the development of manufacturing industries serving foreign markets.

3). Import substitution industry policy – that aimed at promoting the development of manufacturing industries serving domestic market.

4). Response to globalization industry policy – that is aimed at coping with new competition from large foreign firms in the domestic market.

Followings are the main industrial policy which formulated by Malaysia for trade.

1). Wealth redistribution industry policy

Malaysia experienced racial riots in 1969. For that, the government of Malaysia implements this policy 1970 and its objective of eradicating poverty and rectifying the unequal distribution of wealth among the different races. Even though this policy covered a twenty years period. It has been renewed under successive policies. Today, affirmative action type policy affects current economy policy of Malaysia such like ownership control and government related contracts. The purpose of that act was to ensure that firms complied with new economy policy guidelines on ownership and employment in implementing this type of industrial policy. The government accord preferences to businesses based on criteria. As such it is perceived to be in conflict with competition policy. One that argue that such practices affect only business dealing involving the government that private sector ventures would not be affected. However, this argument may not be valid because firms may gain competitive advantage initially via government related dealing.

2). Export promotion industry policy

Malaysia has implemented export promotion industrial policies extensively for more than 40 year. This has assumed the formal the granting of tax incentives and holidays. The establishment of export processing zones and industrial areas. One could argue that competition policy is chiefly about competition in domestic markets. If this view is correct. Export promoting industrial policy would be consistent with competition policy and policy maker should not worry about any possible conflicts between these two types of policies.

3). Import substitution industry policy

Malaysia implements two wave important substitution policies. The first wave in the 1960s. That encouraging the development of light industries like paint, food and clothing. In second wave, which began in 1980s, the focus was on the development of heavy industries such as the steel and car industries. The two big projects related to this are protor (car) and perwaja (steel). This type of industry is implements accompanied by tariff protection. Import restriction

and sometimes government procurement favoring locally produced products. The second wave of import substitute which is still ongoing does lesson competition in the affected sectors.

4) **Response to globalization industrial policy**

The opening domestic markets for foreign entry and competition, particularly the service sector has been a major area of concern for policy maker in recent years, some of these developments are related to Malaysia's commitment under WTO. For example, the financial sector. In 2000 the central bank of Malaysia announced a consolidation plan for the financial sector that would reduce number of financial institutions from 56 to just 10 anchor banks. The decision affected 23 commercial banks, 16 merchant banks and 17 finance company. The main was to enhance the competitiveness of locally owned finance institutions in anticipation of increased competition from foreign owned financial institutions. Such policies have significant impact on competition.

○ **○ THE NATIONAL AUTOMOTIVE POLICY BY MALAYSIA FOR INCREASING TRADE.**

Given the significant challenges facing the automotive industry, in particular globalization, economic liberalization and increasing competition, the Malaysian government felt that there is a need to review the strategic direction and policy framework for the domestic automotive sector. This change towards a less regulated policy is crucial to maintain the competitiveness of the domestic automotive sector in the country and internationally and to make it thus viable in the long term. Having this in mind, the government launched the National Automotive Policy (NAP) in March 2006, which primarily aims at progressive market liberalization. In September 2009, the NAP was revised to encourage new investments, ensure a long term sustainability of the domestic automotive industry, and ensure safety and quality of products and services and protection of the environment.

Some highlights on the revised NAP:

1) **Manufacturing license**

Local assembly of luxury passenger cars above 1,800 cc or priced above RM150, 000 is fully liberalized. This means foreign firms are allowed to obtain manufacturing license and can hold 100% equity in the companies. However, Current policy on the freeze of manufacturing license for reconditioning and reassembling activities is maintained.

2).**Incentives**

Incentives such as Pioneer Status/Investment Tax Allowance for the manufacture of critical components for cars such as brake system and transmission

3).Safety standards

There would be a gradual introduction of Vehicle End of Life Policy. Vehicles above 15 years will have to undergo mandatory inspection during road tax renewal.

4).Tax/Duty

The Import Duty structure is maintained at 0% for CKD and 5% for CBU for AFTA. As for Excise Duty, there are no changes.

5) Imports

From June 2011, it would be prohibited to import used parts/components.

CONTRIBUTION OF 3 SECTORS FOR EXPANDING BUSINESS VOLUME

Agriculture:

- Malaysia is ranked among the world's main producers of palm oil, cocoa, and rubber.
- The country is also one of the main exporters of tropical wood.
- The country has successfully developed its economy based on raw materials the export of rubbers and tin.

Manufacturing:

- Malaysia is one of the world's largest exporters of semi-conductor devices electrical goods and appliances and the government has ambitious plans to make of Malaysia the main producer and developer of high-tech products, including software.
- Malaysia is a major outsourcing destination for components manufacturing after India and China.

Tertiary Sector:

- Malaysia has become one south East Asia's major tourist Spot.

Group - 4

OVERVIEW OF DIFFERENT ECONOMIC SECTOR

1) Plastic Industry in Malaysia

With an annual average of 20% export surplus, Malaysia is one of the 20 largest export nations worldwide and is ranked 28th out of 121 countries by the “Global Enabling Trade Report 2009”, published by the World Economic Forum.

Malaysia’s total trade in 2008 amounted to RM 1,185 trillion, which depicts an increase of 6,8% compared to 2007 trade balance; exports even rose 9,6%, while total imports grew by 4.9% to RM 504.57 billion.

But the weak global markets also affected Malaysian trade in 2009. In the first 6 months of 2009, total trade accounted for RM 441.75 billions, decreasing of about 30% in comparison to the first half of 2008.

2) Food Industry in Malaysia

Malaysia’s current population of 26.64 million is growing steadily at an annual rate of about 1.95%. The country has seen a steady increase in the standard of living and with it, its purchasing power (per capita income exceeds RM19,739 or US\$5681). Lifestyle changes have led to an increase in the demand for convenience food and health food.

Malaysia’s food industry is rich in terms of tropical and agricultural resources reflecting diverse cultures in Malaysian society — Malay, Chinese and Indian, have resulted in a fascinating range of processed food with an Asian twist. Increasing consumer awareness in nutrition value and food fortification for healthcare has created the demand for functional/healthy minimally processed fresh food, organic food and natural food flavors from plants and seafood.

3) Natural Gas In Malaysia

Natural gas which remains after: the liquefiable hydrocarbon portion has been removed from the gas stream (i.e., gas after lease, field, and/or plant separation); and any volumes of non hydrocarbon gases have been removed where they occur in sufficient quantity to render the gas unmarketable.

Dry natural gas is also known as consumer-grade natural gas. The parameters for measurement are cubic feet at 60 degrees Fahrenheit and 14.73 pounds per square inch absolute

4) Malaysia Textile Industries

The Malaysia textile industry is one the largest and oldest sectors in the country and among the most important in the economy in terms of output, investment and employment. The sector employs nearly 35 million people and after, is the second-highest employer in the country.

Its importance is underlined by the fact that it accounts for around 4% of Gross Domestic Product, 14% of industrial production, 9% of excise collections, and 18% of employment in the industrial sector, and 16% of the country's total exports earnings. With direct linkages to the rural economy and the agriculture sector, it has been estimated that one of every six households in the country depends on this sector, either directly or indirectly, for its livelihood.

5) Malaysia Tourism Industries

Tourism industry can be claimed as one important sector in the modern Malaysian economics development. It has been identified as second largest foreign exchange earning sector and had strengthen up the performance of Malaysia Gross Domestic Product and trade balance. Numbers of studies have been done in order to attempt the theory that there is a link between trade and tourism and most of them showed that it is positively correlated.

Tourism has become one of the most remarkable socioeconomic phenomena. Furthermore, now it can be considered That it is a vital dimension of global integration and trade activities and has therefore become the world's largest source of foreign exchange receipts..."

Tourism industry can be claimed as an important sector for the Malaysia economy. It has been identified as the second largest foreign exchange earning sector and helped to strengthen the Malaysian economy in terms of international trade.

6) Palm Oil In Malaysia

Palm oil is a tropical vegetable oil fruit from the palm plant. The fruit was originally from West Africa and was introduced into Malaysia in 1917 by the British under colonial rule. Until the 1960s, Nigeria was the leading producer of palm and palm oil, but at that time innovations in

technology and focus from the Government in Malaysia allowed it to overcome Nigeria's dominance.

Originally palm oil was exported from colonial territories such Malaysia and Nigeria as crude palm oil , but post independence Malaysia and other producers began to produce refined palm oil gained independence in the 1950s, the government began efforts to move up the value chain by moving into refining and marketing abroad. As a result of falling prices of rubber and tin on the world market in the 1960s, Malaysia led other Asian countries to diversify its export base by developing the palm oil cluster.

Electricity Industry Of Malaysia

Since its independence in 1957, Malaysia has gone a long way towards developing its economy and infrastructures. A some of the fast growing developing nations, its world renowned infrastructures include the PETRONAS Twin Towers, the SMART tunnel and the Bakunin hydro dam. A key component that enables this growth is its secure, affordable and reliable electricity sector.

It was formulated in 1979 to ensure efficient, secure and environmentally sustainable supplies of energy, including electricity. Later, other policies were also formulated to address arising issues and concerns in the energy sector.

Group – 5

Demographic Profile of the Country

- Malaysia is a dynamic country which is a middle-income country Malaysia's Economic Performance ranking improved to 7th place out of 59 economies this year compared with 12th position in 2007.

- It is one of the 20 largest trading nations worldwide and was headed of Taiwan, Sweden, Canada, Australia, the United Kingdom, and Switzerland.

- The World Competitiveness released by the Institute for Management Development (IMD) continued to rank Malaysia as among the top 5 most competitive nations in the Asia-Pacific region, taking 6th position in the 20 million population category and second position after Taiwan in the GDP per capita less than US\$20,000 category. Moreover, the country is the 21th largest exporter among all trading nations worldwide.

- There are plans to renew Malaysia's private sector, to grow the service sector from 58 to 65% and to create 3.3 million new jobs. The Government will also introduce other transformation plans in 2012.

- In Malaysia, in 2011, the GDP (Gross Domestic Product) was worth 278.67 billion US Dollars. The average rate was the GDP was 59.9 USD Billion Dollar and it was recorded low of 2.4 USD Billion Dollars in 1960. The GDP represents the national income and the output of Malaysia's economy.

- In Malaysia, in the third quarter of 2012, the gross domestic product was 5.20 percent the average rate of Malaysia GDP annual growth rate is 4.6 percent which is reaching at 10.1 percent in 2010 and it is moving toward -6.2 percent in 2009. The annual growth rate measures the change in the value of goods and services which is produced by the Malaysian economy during a year.

- In Malaysia, the gross domestic product expanded 3.30 percent in the third quarter of 2012. the average GDP growth rate of Malaysia was 1.3 percent which is reaching at 5.9 percent in September 2009 Malaysia is a middle income country.

- In Malaysia, in 2011, the GDP per capita was at 5364.50 US Dollars. the average rate of Malaysian GDP per capita was 2594.3 USD Dollars which is recorded lower of 814.6 in 1960. The GDP per capita is obtained on measured by the division of the gross domestic product, adjusted by inflation on by the total population.

- In 2011, the gross domestic product per capita was 15588.66 USD Dollars when it is adjusted by purchasing power parity. the average rate of GDP per capita PPP was 7690.8 USD Dollars which is recorded low of 2323.7 USD Dollars on 1980. The GDP per capita PPP is obtained by the division of the country's gross domestic product. It is adjusted by PPP, by the total population.

- In Malaysia, the gross national product was 176.90 MYR Billions in third quarter of 2012 from 167.10 MYR Billion in second quarters of 2012. the average gross national product of Malaysia was 151.57 MYR Billion which is recorded lower of 127.10 MYR Billion in 2005.

- Inflation rate is recorded 1.70 percent in October 2012, the average inflation rate of Malaysia was 2.66 percent which is reaching 8.50 percent in 2008 and it was recorded low of -2.40 percent in 2009. In Malaysia, the inflation measures a broad use or fall in prices that consumer pay for a quality standard of goods.

- The interest rate was recorded 3 percent the average interest rate of Malaysia was 2.9 percent and it was reaching 3.5 percent in 2006 and but it is recorded low of 2.0 percent in 2009. In Malaysia, the interest rate decisions are taken by the central bank of Malaysia.

- Unemployment rate in Malaysia was 2.80 percent in August 2012 which is increased 3.30 percent in September 2012. The average rate of Malaysia was 3.3 percent which is reaching 4.5 percent in 1999. That rate measures the numbers of employee or people actively looking for a job as a percent of the labour force.
- Malaysia has taken some steps toward a more competitive market economy. The World Bank "Doing Business Index" gives ranked 20th of Malaysia economies, which was rising from 25 in 2008.
- According to the Heritage Foundation's 2009 Index of Economic Freedom, which ranked Malaysia at 58th place in the world's economies, Islamic banking accounts for around 12 % of total banking assets in Malaysia.
- Though out the controlling inflation and an appropriate foreign exchange policy is recognized goals of economic policy, they have not been consistent during the period.
- The budget deficit had declined to 3.2% in 2007 since hitting a high of 5.5% of GDP in 2000.
- Malaysia's debt-to-GDP ratio dropped to 34.8%. Because of the financial crisis, Malaysia's budget deficit in 2009 is projected at 4.8% of GDP, far higher than the original target of 3.6% of GDP.

- The growing deficit is largely due to a government economic stimulus package in the range of \$2 billion.

- Property rights and the regulation of the acquisition of property are well defined in terms of acquisition, benefit, use and sale.

- Private companies represent the backbone of the economy, but there are still state companies and strong market concentrations such as oligopolies, especially in the construction, lighting, telecommunication and transport sectors.

- In principle, social networks exist but do not cover all risks for all strata of the population.

- Government employees receive the best benefits, while employees in the informal sector gain virtually nothing.

- Private health care facilities are projected to match the public sector by the year 2020.

- GDP growth rates for 2010 are estimated at 4.2% and 3.30 % in the 3rd quarter of 2012.

- From 1970 to 2012, the average imports were 14892.79 Million MYR and it was reaching 54504.33 Million MYR in 2012 and it is recorded low of 313.60 Million MYR in 1970.

- Import of good and services requires the involvement of the customs authority of export country and import country. For that apply the import quotas' and trade agreement when the product and services imported.

- From 1970 to 2012, the average rate of exports was 17674.78 Million MYR which is reaching 63471.70 Million MYR in 2008 and it is recorded low in 1970 which is 328.10 Million MYR.

- Exports measures the amount of any goods and any services that domestic producer provide to foreign country for the foreign consumer. That is sent to another country for sell and reached the demand of the people.

- Malaysia recorded on October of 2012; the trade surplus was 9600 Billion MYR.

- Malaysia exports were more than 50 percent of total exports which constitute electrical and electronic product.

- Economic policies of Malaysia also state that it developed and more focused on its strength like agriculture, economy towards manufacturing. That receives the profit or contribution from various or different economic sectors.

- Agriculture sector contributed 9.7 percent, industrial sector contributed 44.6 percent and service sector contributed 45.7 percent in 2008.

- The economy policies include the financial stability and look forward for development of nation large.

- The Malaysia economic sectors are: Industry sector, Finance and banking sector, Oil and gas sector, Tourism sector, Science and technology sector, Agriculture sector, Manufacturing sector, Construction sector.

- Malaysia is a newly industrialized country that experienced an economic boom and growing rapidly development during the late 20th century. Prior to this rapid of rapid industrialization, Malaysia was the world's largest producer of tin, rubber and palm oil.

- The accounts of Malaysia industrial sector was 48.1 percent of total GDP or 63.4 billion US dollars. That output is ranked 32nd in the world.

- Finance and banking sector in Malaysia is promoted or regulated by bank Negara Malaysia. The central bank limits foreign participation through licensing limits.

- Malaysia has many developments financial institutions (DFIs) want to develop and promote strategy economic sector like manufacturing and export sector, small

and medium enterprise as well as the agriculture, infrastructure and maritime sectors. These DFIs complement the banking institutions by providing an array of financial and non financial services to support development of the strategy sector. The government has plan to make Malaysia a leading international financial hub.

- Malaysia has a vibrant oil and gas industry. The national oil company, PETRONAS, provides about 40% of the federal budget in taxes, dividends, and royalties.

- Now a day, many major oil companies such as ExxonMobil, Royal Dutch Shell, Nippon Oil, and Murphy Oil are involved in such contracts. As a result, 40% of oil fields in Malaysia are developed.

- Tourism is becoming the second important sector in Malaysia. Consequently, the government of Malaysia have been putting effort to attract tourism arrive in Malaysia throughout the year. Agro, tourism promotes the rich agricultural resources and it develop agriculture and agro based industry Ministry.

- The majority of Malaysia's tourists come from Singapore in 1999. Malaysia launched a worldwide marketing campaign that known as "Malaysia truly Asia". This is largely successful in bringing in over 7.4 million tourists.

- Tourism Malaysia aims to market Malaysia as a premier destination of excellence in the region.

- The first Malaysian was Sheikh Muszaphar Shukor in space. Science Policy in Malaysia is regulated by the Ministry of Science, Technology, and Environment.
- From 1987-1997 research and development used 0.24% of GNP, and in 1998 high-tech exports made up 54% of Malaysia's manufactured exports. The country is one of the world's largest exporters of semiconductor devices, electrical goods, and information and communication technology products.
- Agriculture is a main or an important sector of Malaysia's economy which sector contributing the 12 percent of the national GDP and that providing employment for 16 percent of the population.
- The Malaysian tropical climate is very favorable for the production of various exotic fruits and vegetables, especially since Peninsular Malaysia seldom experiences hurricanes or droughts.
- As rice is a staple foodstuff in the everyday diet of Malaysians and is a symbol of traditional Malay culture, the production of rice, which stood at 1.94 million metric tons in 1998, plays an important part in the country's agriculture.
- During January - August 2012, the sales value of the Manufacturing sector posted a growth of 5.8% (RM22.9 billion) to register RM414.0 billion as compared to the same period of the previous year.

- The sales value in July 2012 has been revised positive 4.8% year-on-year to record RM52.3 billion

- Total employees engaged in the Manufacturing sector in August 2012 were 1,024,296 persons, a decrease of 4,609 persons or 0.4% compared with the preceding month.

- Salaries & wages paid in July 2012 has been revised positive 3.8% year-on-year to record RM2, 492.0 million

- Average salaries & wages paid per employee in July 2012 has been revised to positive 3.2% year-on-year to record RM2, 422.

- Productivity in August 2012, however, increased by 0.8% as compared with the corresponding month of the previous year. Productivity in July 2012 has been revised to positive 4.2% year-on-year to record RM50, 818.

- Malaysia's Construction Sector to Grow by 7% in 2012. The building and construction sector is projected to continue on its uptrend and is expected to grow by 7% in 2012.