



**HIGH COMMISSION OF PAKISTAN
(COMMERCIAL SECTION)**
132 Jalan Ampang, 50450, Kuala Lumpur
Tel: (603)21618877-79, Fax (603)21625843
E-Mail: pakcommercial@gmail.com



No.9(1)2020-Com/ImpProfile

Dated: 27th April, 2020

Subject: Import Profile Report/ Booklet for Malaysia, 2020

1. INTRODUCTION

Malaysia is the 3rd largest economy in the Southeast Asia, after Indonesia and Thailand. It is 33rd largest economy in the world with GDP of US\$ 385.3 billion. Its per capita GDP stands at US\$ 11,137 with total population of 31.52 billion. It is member of various global and regional trade organizations like WTO, ASEANS, APEC, IOR-ARC, besides bilateral and multilateral trade agreement with a number of countries. An analysis of Malaysia's overall economy has been carried in the following report to educate business persons interested in carrying out trade with Malaysia. The analyses contains information regarding import and export trends, major trading partners, outlook of Malaysian economy and gives fair information to prospective business persons for planning trade with this country. Import and export procedures have been explained for general guideline, however, they keep on changing and may vary slightly at the time of actual transaction.

1.1 Economic outlook of Malaysia

1.1.1 GDP Growth

Malaysian economy witnessed expansion in 2019, however, the growth rate decelerated to 4.3 percent, from to 4.7 percent in 2018. Private consumption remained the largest contributor to GDP growth, supported by moderate inflation and continued private sector employment and wage growth. On the other hand, slower global growth and trade activities, disruptions in commodity-related sectors and contraction in public investment resulted slower economic growth.

Services sector grew at slower pace of 6.1 percent in 2019 (2018: 6.8 percent) but remained the largest contributor to GDP growth in 2019. Agriculture sector grew modestly at 1.95 percent in

2019 (2018: 0.1 percent). Manufacturing sector growth decelerated to 3.75 percent (2018: 5 percent). Construction posted less than 1 percent growth (2018: 5 percent).

1.1.2 External Sector Indicators

On the external side, the current account surplus increased to 3.5 percent of GDP in 2019, driven by a temporary decline in capital imports and improvement in primary income account. Malaysia's Direct Investment Abroad (DIA) remained at value RM486.3 billion in 2019, with decline of RM 5.7 billion compared to 2018. Meanwhile, Foreign Direct Investment (FDI) position registered a higher value of RM691.6 billion, with an increase of RM 61 billion compared to 2018. By the end of December 2019, international reserves of Bank Negara Malaysia stood at RM 424.1 billion, with an increase of RM 5 billion compared to 2018.

1.1.3 Malaysia's External Trade

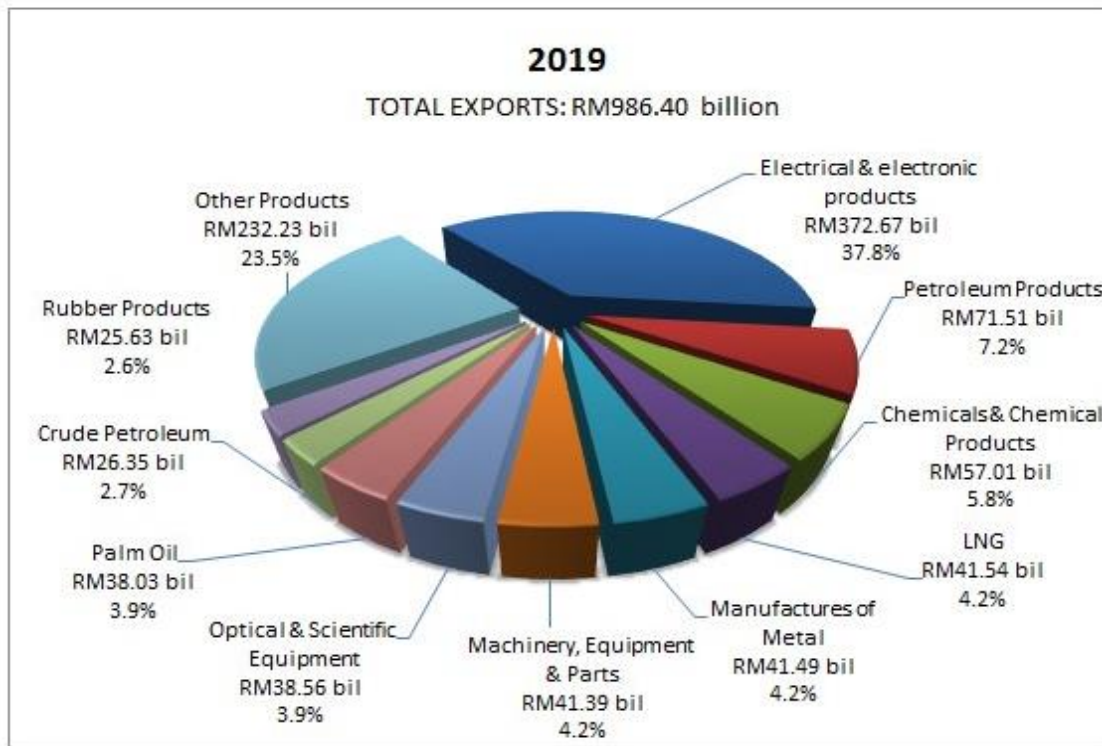
1.1.3.1 Exports

Malaysia is 19th largest exports economy in the world. However, with weaker external demand and heightened trade policy uncertainty, exports shrank by 1.7 percent in 2019 to RM 986.4 billion. Traditional export of manufactured goods remained moderated, owing largely to a big decline in E&E (Electronics and Engineering) exports. This was partially offset by a surge in export of other product groups including transport equipment, machinery parts, and iron and steel products. Meanwhile commodity exports decline due to supply disruptions.

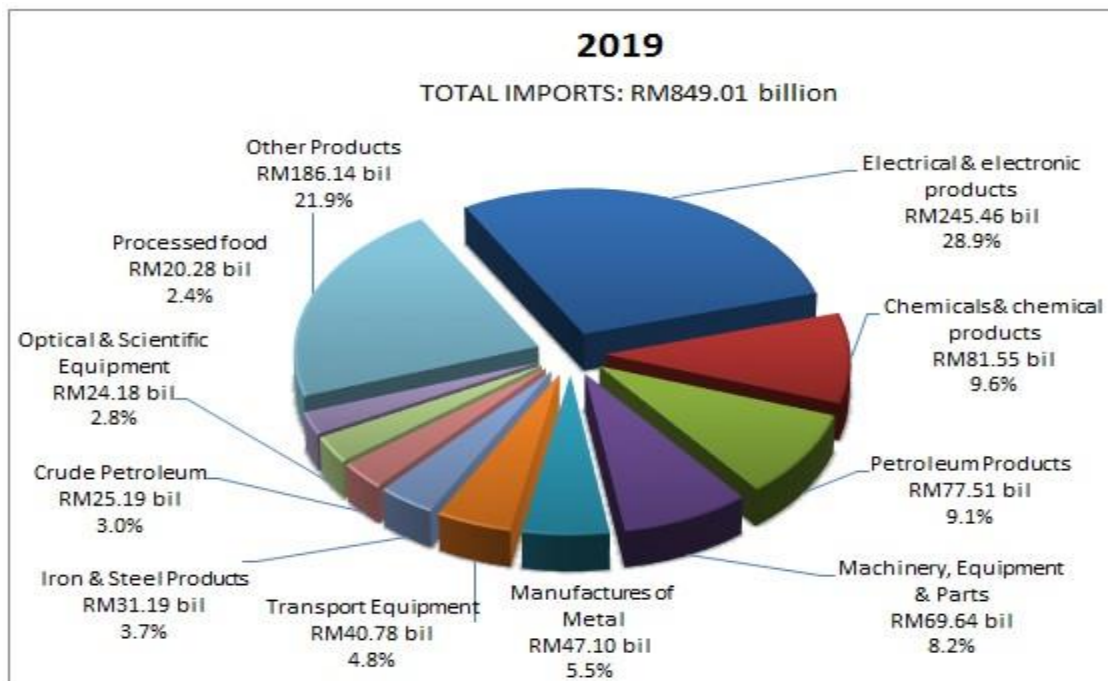
1.1.3.2 Imports

In year 2019 imports of Malaysia shrank by 3.5 percent, totaling to RM 849.0 billion, ranking it 23rd largest importer in the world. Imports are mainly led by electrical and electronic products, especially integrated circuits, followed by chemicals, chemical products and petroleum products.

Top Ten Export Items (Source Department of Statistics, Malaysia)



Top Ten Import Items 2019 (Source Department of Statistics Malaysia)



Top Ten Exports

Figures in Ringgit Malaysian Billions: Source Department of Statistics Malaysia

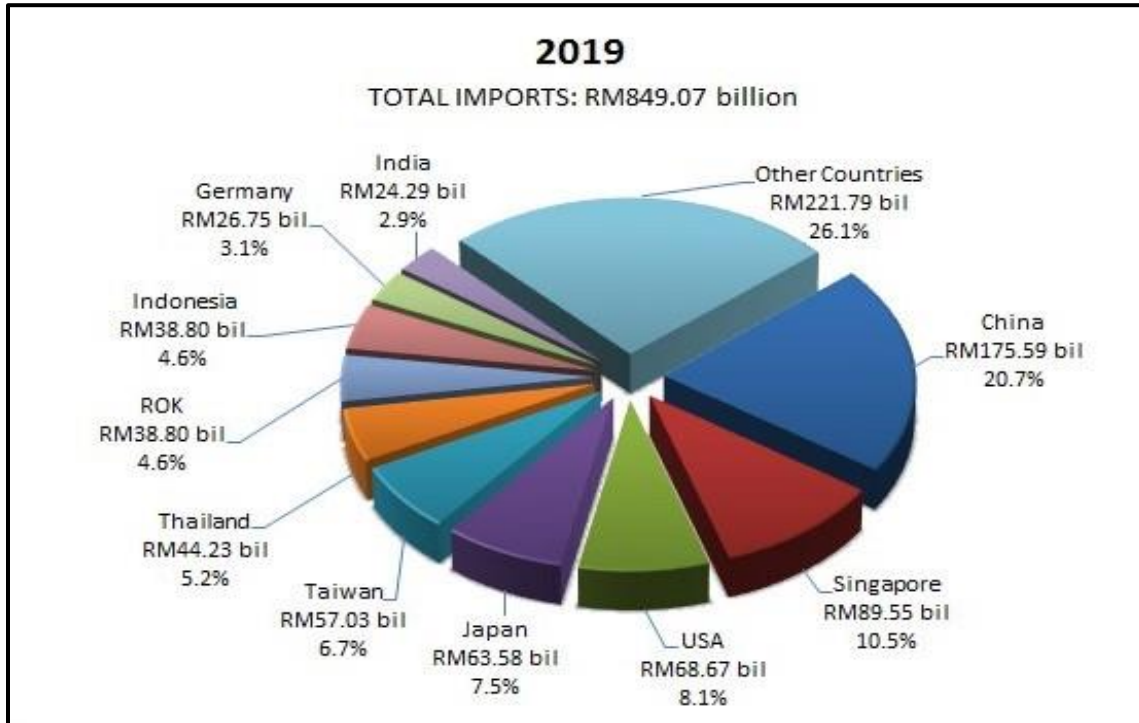
S. No	Category	EXPORTS 2019		EXPORTS 2018	
		Amount	% (of total Exports)	Amount	% (of total Exports)
1.	Electrical & Electronic Products	372.7	37.8	381.5	38
2.	Petroleum Products	71.5	7.2	76.2	7.6
3.	Chemicals & Chemical products	57	5.8	57.7	5.8
4.	LNG	41.5	4.2	42.3	4.2
5.	Manufactures of Metal	41.5	4.2	44.6	4.5
6.	Machinery, Equipment & Parts	41.4	4.2	40.7	4.1
7.	Optical & Scientific Equipment	38.56	3.9	36.6	3.6
8.	Palm Oil	38	3.9	38.7	3.9
9.	Crude Petroleum	25.6	2.7	36.7	3.7
10.	Rubber Products	25.6	2.6	26.5	2.6
11.	Other Products	232.2	23.5	222	22.1
12.	Total	986.4	100	1003.6	100

Top Ten Imports

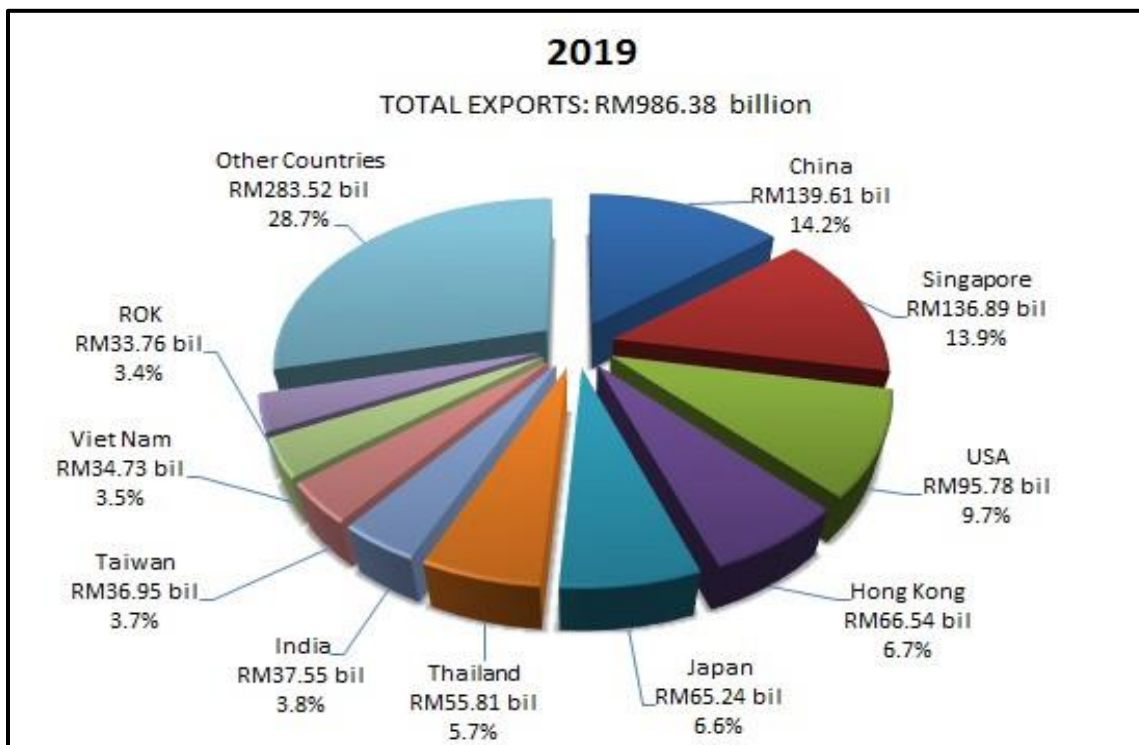
Figures in Ringgit Malaysian Billions: Source Department of Statistics Malaysia

S. No	Category	IMPORTS 2019		IMPORTS 2018	
		Amount	% (of total Imports)	Amount	% (of total Imports)
1.	Electrical & Electronic Products	245.5	28.9	262.6	29.9
2.	Chemicals & Chemical products	81.5	9.4	82.9	9.4
3.	Petroleum Products	77.51	9.1	86	9.8
4.	Machinery, Equipment & Parts	69.64	8.2	73.8	8.4
5.	Manufactures of Metal	47.1	5.5	46.2	5.2
6.	Transport Equipment	40.78	4.8	45.2	5.1
7.	Iron & Steel Products	31.2	3.7	31	3.5
8.	Crude Petroleum	25.2	3.0	21.65	2.5
9.	Optical & Scientific Equipment	24.2	2.8	23.40	2.7
10.	Processed food	20.3	2.4	19.9	2.3
11.	Other Products	186.1	21.9	187.2	21.3
12.	Total	849	100	879.8	100

Top 10 Countries Exporting to Malaysia



Top 10 Countries Importing from Malaysia



1.2 Pakistan and Malaysia Trade and Economic Cooperation in 2019

1.2.1 MPCEPA

Pakistan and Malaysia signed Malaysia Pakistan Closer Comprehensive Economic Partnership Agreement (MPCEPA) on 8th November, 2007, which is operational since 1st January 2008. The agreement is one of the most comprehensive agreements Pakistan has ever signed and as it covers Goods, Services and Investment in addition to Mutual Recognition Arrangements to facilitate entrepreneurs of both countries.

Under MPCEPA, Pakistan offered concessions to Malaysia in 6083 tariff lines while Malaysia offered concessions to Pakistan in 10953 tariff lines. In trade in Services, both countries have provided WTO plus market accesses to each other. In the field of computer and I.T related services, Islamic Banking, Islamic Insurance (Takaful) Pakistan has secured 100% equity in Malaysia.

Despite this FTA, Pakistan's exports to Malaysia have never exceeded 1.5% of Pakistan's total exports. Pakistan's exports to Malaysia have only marginally increased since the signing of the FTA. It stood at 0.68% during 2018-19. One school of thought attributes that this failure lies in the fact that the items which have the highest potential for exports are either not part of Malaysia's concession list or where they are a part, competitors enjoy better tariff rates than Pakistan. In contrast even though Malaysia's exports to Pakistan amount to only 0.49% of its total exports of \$246 Billion, Malaysia has managed to get concessions for its most important export to Pakistan i.e. Palm Oil.

The top 10 items amounted to 65% of Pakistan's total exports to Malaysia in 2019-20 (July-March). These top items consisted mainly of Onion, Petroleum products, Rice, Potatoes, Bed Linen, articles of apparel and Fish. Meanwhile, the top 10 items imported by Pakistan from Malaysia contributed to 61% of total imports from Malaysia. These consisted mainly of Palm Oil (52% of total imports), Fiber Board of wood, Chemicals and Machinery

The imports of Palm Oil by Pakistan from Malaysia had been increasing since the Malaysian FTA came into effect in 2008. This trend, however, was reversed in 2013 when Pakistan signed a PTA with Indonesia. Pakistan granted the same duty preference as Malaysia for palm oil imports from Indonesia. Since then, Malaysia has been asking Pakistan to revise FTA with further concessions on Palm Oil. This data analysis at the HS 06 level shows that Pakistan's top potential trade items with Malaysia continue to be largely agriculture based.

The MPCEPA provides for a Joint Review Committee (JRC) mechanism to review the implementation and operation of the Agreement as well as to propose further liberalization of the trade and services. The Third JRC meeting was held on 27th -28th September, 2016, in Kuala Lumpur. Both sides discussed measures to further broaden and diversify bilateral trade and agreed to exchange list of 10 items in form of Early Harvest Program (EHP) for securing immediate additional concessions at par with other FTA partners. Malaysian side has provided the list while Pakistan has yet not finalized its list.

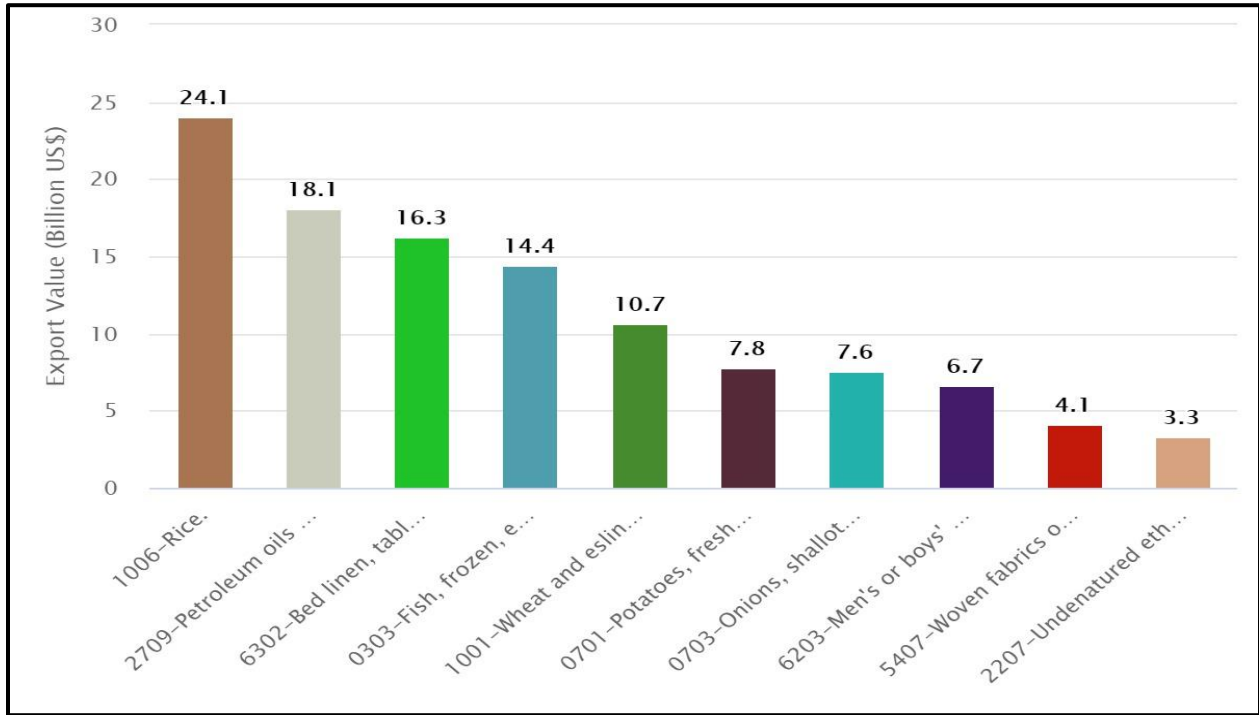
Despite a broad-based FTA between both countries, the trade is much below its true potential and the balance of trade remains in favor of Malaysia. Pakistan Schedule of Tariff can be found at https://fta.miti.gov.my/miti-fta/resources/Malaysia-Pakistan/Malaysia-Pakistan_FTA_-_Pakistan_Schedule.pdf Malaysian Schedule of Tariff can be found at https://fta.miti.gov.my/miti-fta/resources/Malaysia-Pakistan/MPCEPA-Malaysia_Tariff_Reduction_Schedule.pdf

Trade Profile With Malaysia

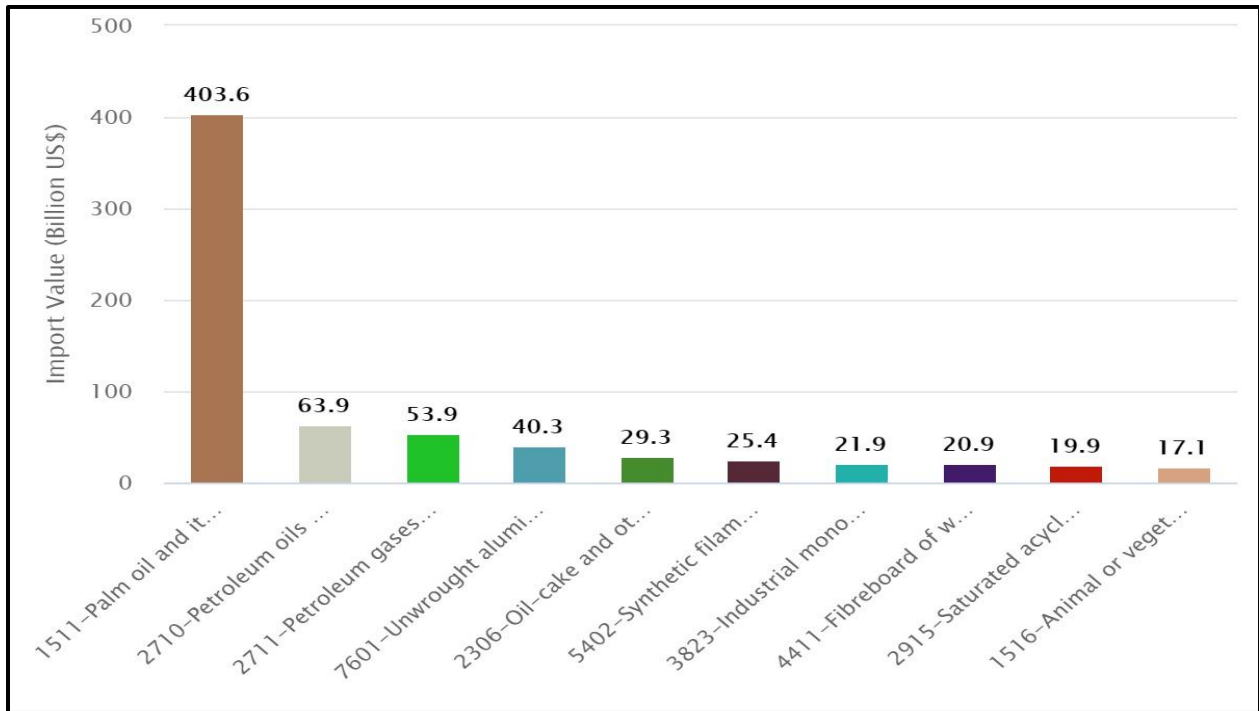
(Source Trade Analytics/ PRAL)

Aggregate Bilateral Annual Trade with Malaysia (In Million US\$)					
Years	Exports	Imports	Total Trade	Trade Balance	
2006-07	81.3	1157.5	1238.8	-1076.1	
2007-08	138	1693.6	1831.7	-1555.5	
2008-09	158.2	1608.4	1766.7	-1450.1	
2009-10	145.5	2054.7	2200.3	-1909.1	
2010-11	165.6	2460	2625.7	-2294.4	
2011-12	226.1	2436.5	2662.6	-2210.4	Highest
2012-13	237	2100.1	2337.1	-1863.1	
2013-14	213.9	1799.9	2013.9	-1585.9	
2014-15	206.9	961.2	1168.2	-754.3	
2015-16	162.3	931.5	1093.8	-769.2	
2016-17	139.7	933.9	1073.6	-794.2	Lowest
2017-18	166.04	1200.58	1366.62	-1058	
2018-19	164.80	1056.18	1220.98	-891.38	
2019-20 (July-March)	169.62	1876.53	2046.36	-1706.71	

Pakistan's Exports to Malaysia (Top 10 Commodities)



Pakistan's Imports from Malaysia (Top 10 Commodities)



2. TRADE PREFERENCE AGREEMENTS OF MALAYSIA

(Source Ministry of International Trade and Industry, Malaysia)

2.1 FTAs Currently in Force

Thus far, Malaysia has implemented 7 bilateral FTAs and 6 regional FTAs. In terms of trade with Malaysia's free trade agreements (FTAs) partners, Malaysia's total trade value stood at RM1,122.73 billion in 2017, with exports valued at RM590.15 billion while imports totaled RM 532.57 billion. FTA partner countries contributed 63.1% of Malaysia's total exports in 2017. The main exports to the FTA partner countries in 2017 were E&E, petroleum products, chemicals and chemical products, LNG and manufactures of metal.

Regional FTAs

FTA	Date of Entry into Force (EIF)
1. ASEAN-China Free Trade Agreement (ACFTA)	1 July 2003
2. ASEAN-Korea Free Trade Agreement (AKFTA)	1 July 2006
3. ASEAN-Japan Comprehensive Economic Partnership (AJCEP)	1 February 2009
4. ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)	1 January 2010
5. ASEAN-India Free Trade Agreement (AIFTA)	1 January 2010
6. ASEAN Trade In Goods Agreement (ATIGA)	17 May 2010
7. ASEAN-Hong Kong Free Trade Agreement (AHKFTA) – signed on 12 November 2017, target entry into force in 2019	13 October 2019

Bilateral FTAs

FTA	Date of Entry into Force (EIF)
1. Malaysia-Japan Economic Partnership Agreement (MJEPA)	13 July 2006
2. Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA)	1 January 2008
3. Malaysia-New Zealand Free Trade Agreement (MNZFTA)	1 August 2010
4. Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA)	1 July 2011
5. Malaysia-Chile Free Trade Agreement (MCFTA)	25 February 2012

6. Malaysia-Australia Free Trade Agreement (MAFTA)	1 January 2013
7. Malaysia-Turkey Free Trade Agreement (MTFTA)	1 August 2015

2.2 FTAs Currently Negotiated

Malaysia is currently **undertaking four FTA negotiations** namely:

1. Regional Comprehensive Economic Partnership (RCEP)
2. Malaysia-Iran Preferential Trade Agreement (MIPTA)
3. Malaysia-European Free Trade Area Economic Partnership Agreement (MEEPA)
4. Malaysia-EU Free Trade Agreement (MEUFTA)

2.3 FTAs Signed but Pending Ratification and Entry into Force

1. Trans-Pacific Partnership Agreement (TPPA) – signed on 4 February 2016
2. Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) - signed on 8 March 2018

2.4 ASEAN

The Association of Southeast Asian Nations, or ASEAN, was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by the Founding Fathers of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Later on, Brunei Darussalam, Viet Nam, Laos (Lao PDR), Myanmar and Cambodia also joined, making up what is today the ten Member States of ASEAN.

2.5 ASEAN Free Trade Area (AFTA)

AFTA was launched in 1992 to eliminate tariffs and integrate member economies into a single production base and regional market of 550 million people. Tariffs were reduced to 0-5% in 2003 for ASEAN-6 and eliminated by 2015 for all ASEAN members. Trade within all of ASEAN is already relatively free, however, as more than 99% of traded goods are either duty free or face maximum tariffs of only 5%. Further ASEAN has signed FTAs with other nations as under.

2.5.1 ASEAN – China FTA (ACFTA)

The trade on goods agreement between ASEAN and China took effect on January 01, 2004, creating the world's largest free trade area of 1.7 billion consumers, a regional gross domestic product of approximately US\$ 2 trillion and total trade estimated at US\$ 1.2 trillion. The ACFTA has been upgraded with signing the Protocol to Amend the Framework Agreement on Comprehensive Economic Co-Operation between ASEAN and China on 22 November 2015 at the 27th ASEAN Summit. The upgrading of the ACFTA aims to further streamline and enhance economic cooperation, including amendments to the agreement on Trade in Goods, Services, Investment and Economic and Technical Cooperation (ECOTECH). Significance of ACFTA for Malaysia is very high as with US\$ 175.59 billion imports from China and US\$ 139.61 billion exports, China is the largest trading partner of Malaysia.

2.5.2 ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)

The AANZFTA is a comprehensive and single-undertaking economic agreement that opens up and creates new opportunities for the 679 million peoples of ASEAN, Australia and New Zealand which have a combined economic output of USD 4.6 trillion via a platform of a more liberal, facilitative and transparent market access and investment regimes among the signatories to the Agreement. The Agreement was signed on 27 February 2009 in Thailand. It entered into force on 1 January 2010. Malaysia has committed that 98.80% of the total tariff lines of which tariff rates will be reduced and eliminated by 2020. Last year AANZFTA trade of goods amounted to US\$ 75 billion.

2.5.3 ASEAN-India Free Trade Agreement.

The signing of the ASEAN-India Trade in Goods Agreement (AITIGA) on 13 August 2009 in Bangkok paves the way for the creation of one of the world's largest free trade areas with almost 1.8 billion people and a combined Gross Domestic Product (GDP) of US\$4.5 trillion. The AITIGA entered into force on 1 January 2010.

The ASEAN-India Trade in Services Agreement (AITISA) was signed on 13 November 2014 at the sidelines of the 25th ASEAN Summit in Nay Pyi Taw, Myanmar. The AITISA entered into force on 1 July 2015 for six ASEAN Member States, namely Brunei Darussalam, Malaysia, Myanmar, Singapore, Thailand, and Viet Nam, as well as India. The agreement has also entered into force for Lao PDR and Philippines on 15 September 2015 and 6 December 2016, respectively.

India's offers cover professional services, medical and dental, computer related services, communication, construction, financial, healthcare, tourism and transport services.

2.5.4 ASEAN-Japan Comprehensive Economic Partnership (AJCEP)

The ASEAN Member States and Japan signed the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) on 14 April 2008. The Agreement entered into force on 1 December 2008. For Malaysia, it entered into force on 1 February 2009. The AJCEP was made effective from 1st June, 2009. The AJCEP are fully realised by ASEAN-6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) and Japan in 2015 when tariffs on substantially all products have been eliminated, except for those on the Sensitive Track. To date, Malaysia has eliminated duties for 93.57% of products in the normal track. AJCEP is very significant for Malaysia as Japan is Malaysia's 4th largest trading partner with US\$ 63.58 billion imports and US\$ 65.24 billion exports to Japan in the year 2019.

2.5.5 ASEAN-Korea Free Trade Agreement (AKFTA)

The Framework Agreement on Comprehensive Economic Cooperation between ASEAN and Korea was signed by the Leaders at the ASEAN-Korea Summit on 13 December 2005 in Kuala Lumpur, Malaysia and came into force on 1 July 2006. Subsequently, the ASEAN-Korea Free Trade Agreement (AKFTA) came into effect on 1 January 2010. According to this agreement, Malaysia has reduced or eliminated MFN rates on 90% of the total tariff lines of which tariff rates were reduced and eliminated from 2012.

2.5.6 ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA)

The ASEAN Economic Ministers and the Secretary for Commerce and Economic Development of HKC signed the ASEAN-Hong Kong, China Free Trade Agreement (AHKFTA) and ASEAN-Hong Kong, China Investment Agreement (AHKIA) on 12 November 2017 on the sidelines of the 31st ASEAN Summit in Manila, the Philippines. The AHKFTA contains 14 chapters covering broad areas of market access liberalization, trade facilitation, rules to promote confidence in trade, and cooperation aimed at facilitating trade in goods and services in the region. The AHKFTA and AHKIA have entered into force for Hong Kong, China and five (5) ASEAN Member States namely Lao PDR, Myanmar, Singapore, Thailand and Viet Nam. Malaysia implements the said Agreements, with effect from 13 October 2019. Whereby most of the goods have zero tariff while sensitive goods have 0-5% tariff only.

2.6 Bilateral FTAs

2.6.1 Malaysia – Australia FTA

Malaysia and Australia concluded negotiations on the Malaysia-Australia Free Trade Agreement (MAFTA) on 30 March 2012. MAFTA entered into force on 1 January 2013. MAFTA is a comprehensive agreement comprising 21 chapters encompassing trade in goods, services and investment as well as economic cooperation. It also covers intellectual property rights, e-commerce and competition policy. MAFTA marks another important milestone in Malaysia - Australia economic relations, complementing the already established ASEAN-Australia-New Zealand FTA (AANZFTA).

Australia has eliminated 100 per cent of its import duties beginning 1 January 2013, upon entry into force. Malaysia on the other hand will progressively reduce or eliminate import tariffs on 99% of its tariff lines by 2020.

In 2016, Australia was Malaysia's 13th largest trading partner. Among Oceania countries, Australia was Malaysia's largest trading partner. Total trade with Australia was RM42.35 billion (US\$10.20 billion), exports recorded as RM26.74 billion (US\$6.44 billion), imports recorded as RM15.61 billion (US\$3.76 billion) from RM17.59 billion (US\$4.53 billion) in 2015.

Major exports to Australia:

- Crude Petroleum
- Petroleum Products
- Electrical and electronic products
- Manufactures of Metal
- Machinery, equipment & parts

Major imports from Australia:

- Manufactures of metal
- Other Agricultures (cereals, coffee, fruits, live animal & meat, miscellaneous agricultures, pepper, vegetables, roots, tubers)
- Metalliferous ores and metal scrap
- Processed Food
- Other mining

2.6.2 Malaysia – Chile FTA

Malaysia-Chile Free Trade Agreement (MCFTA) is the first bilateral FTA between Malaysia and a Latin American country. MCFTA entered into force on 25 February 2012. MCFTA is Malaysia's fifth bilateral free trade agreement after Malaysia-Japan in 2005, Malaysia-Pakistan in 2007, Malaysia-New Zealand in 2009 and Malaysia-India in 2010. Duty on 95% items has been reduced to zero % or maximum at 5%.

In 2016, total trade with was RM1,138.4 million (US\$272.3 million) with exports as RM680.9 million (US\$163.9 million) and imports as RM457.5 million (US\$108.5 million).

Major exports to Chile:

- Electrical and Electronic Products (21.2%)
- Chemicals & Chemical Products (13.2%)
- Rubber Products (13.0%)
- Wood Products (11.7%)
- Palm Oil & Palm Based Products (9.6%)

Major imports from Chile:

- Metalliferous ores and metal (31.3%)
- Manufactures of Metal (16.5%)
- Other Agricultures (13.9%)
- Seafood, fresh, chilled or frozen (11.2%)
- Processed Food (8.4%)

2.6.3 Malaysia – India FTA (MICECA)

The Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) was signed on 18 February 2011 and came into force on 1 July 2011. MICECA is a comprehensive agreement that covers trade in goods, trade in services, investments and movement of natural persons. It value-adds to the benefits shared from ASEAN-India Trade in Goods Agreement (AITIG) and will further facilitate and enhance two-way trade, services, investment and economic relations in general.

Tariff has been eliminated on items by 30th June 2016, other than those in sensitive list (with maximum @ 5%) or exclusion list. Malaysia has been granted better concessions for palm oil and palm oil products under MICECA as India bound tariff @ 45% since 1st January, 2019. For Exclusion List (EL), India has excluded 1,225 products under MICECA compared with 1,298 under AITIG. Malaysia has excluded 838 products under MICECA, compared with 898 under AITIG.

In 2016, trade with India amounted to US\$10.77 billion (RM44.50 billion), exports recorded at US\$7.13 billion (RM29.44 billion), imports as US\$3.64 billion (RM15.06 billion).

Major exports to India:

- Palm Oil & Palm-Based Products
- Electrical and Electronic Products
- Crude Petroleum
- Manufactures of Metal
- Chemicals and Chemical Products
- Saw Logs

Major imports from India:

- Petroleum Products
- Manufactures of Metal
- Other Agricultures – Live Animals and Meat
- Chemicals and Chemical Products
- Machinery, equipment and parts
- Iron & Steel Products

In 2016, India was Malaysia's:

- 7th largest trading partner
- 7th largest export destination
- 11th largest import sources

2.6.4 Malaysia – Japan FTA

Malaysia and Japan established the Malaysia-Japan Economic Partnership Agreement (MJEPA) on 13 December 2005. MJEPA is Malaysia's first comprehensive Agreement and came into force on 13 July 2006. Malaysia as Japan is Malaysia's 4th largest trading partner with US\$ 63.58 billion imports and US\$ 65.24 billion exports to Japan in the year 2019.

Major exports to Japan:

- LNG
- Electrical and Electronic Products
- Chemicals & Chemical Products
- Wood Products
- Optical & Scientific Equipment

Major **imports** from Japan:

- Electrical and Electronic Products
- Machinery, equipment & parts
- Transport Equipment
- Chemicals & Chemical Products

- Manufactures of Metal

2.6.5 Malaysia – New Zealand FTA

Malaysia and New Zealand commenced negotiations on the bilateral FTA in May 2005. The Malaysia-New Zealand FTA (MNZFTA) negotiations were concluded on 30 May 2009 at the 10th round of negotiations in Kuala Lumpur. The Agreement was signed by both Ministers of Trade on 26 October 2009 in Kuala Lumpur. MNZFTA entered into force on 1 August 2010.

The Agreement outlines commitments of both countries on liberalization of trade in goods. New Zealand has eliminated 100 per cent of its import duties beginning 1 January 2016, which means the duty for ALL products is now at 0%. Except for products listed under Exclusion List (EL), Malaysia's import duties beginning 1 January 2016 is already at 0%.

In 2016, total trade with New Zealand amounted to RM5.46 billion (US\$1.31 billion), exports as RM2.82 billion (US\$0.68 billion) and Imports amounted to RM2.63 billion (US\$0.63 billion).

Major exports to New Zealand:

- Crude Petroleum
- Electrical and Electronic Products
- Manufactures of Plastics
- Manufactures of Metal
- Other Vegetable Oil

Major imports from New Zealand:

- Processed food
- Other Agricultures
- Paper & pulp products
- Crude Petroleum
- Chemicals & Chemical products

2.6.6 Malaysia – Turkey FTA

The First meeting of the Malaysia-Turkey Free Trade Agreement (MTFTA) was held in Ankara on 31 May-1 June 2010. The agreement was signed on 17 April 2014 in Ankara, Turkey and came into force on 1 August 2015. Malaysia was able to lock-in tariff preferences that were either on par with, or better than, those previously granted under Turkey's Generalised System of Preferences (GSP), which were no longer available for Malaysia, beginning 1 January 2014. As such, with the signing and subsequent entry into force of MTFTA, Malaysian exporters can continue to gain preferential market access into and also remain competitive in the Turkish market.

Malaysia eliminated duty on 98.86% tariff lines by 1st January, 2020 while Turkey gave such relaxation to 85.89% tariff lines.

In 2016, Malaysia's trade with Turkey was RM8.42 billion (US\$2.02 billion) with exports as RM7.17 billion (US\$1.72 billion), imports as RM1.24 billion (US\$300.36 million).

Major exports to Turkey:

- Palm Oil and Palm-Based Products
- Manufactures of Metal
- Textiles, Apparels and Footwear
- Chemicals and Chemical Products
- Electrical and Electronic Products

Major imports from Turkey:

- Textiles, Clothing & Footwear
- Machinery, Equipment & Parts
- Chemicals & Chemical Products
- Petroleum Products
- Fruits and Other Agricultures

3 OVERVIEW OF IMPORT REGULATIONS

3.1 Prohibition/Restriction of Imports:

Copy of "Customs Prohibition of Import Order" of Malaysia is attached with the report as **Annexure-A**. Brief of same is as under.

3.1.1 Prohibited:

The following goods are absolutely prohibited from importation:

- Reproduction of any currency note, bank note, or coin which are currently been issued in any country.
- Indecent printings, paintings, photographs, books, cards, lithographic, engravings, films, video tapes, laser discs, color slides, computer disc and any other media.
- Any device which intended to be prejudicial to the interest of Malaysia or unsuited with peace.
- All geneses of Piranha fish.
- Turtle eggs.
- Cocoa pods, rambutans, pulasan, longan, and nam nam fruits from Philipines and Indonesia.
- Intoxicating liquors containing more than 3.46 milligrams per liter in any lead or in any compound of copper.
- Daggers and flick knives.

- Broadcast receivers capable of receiving radio communication within the ranges (68 - 87) MHz and (108 - 174) MHz
- Sodium arsenate.
- Cloth bearing the imprint or duplicate of any verses of the Quran.
- Pen, pencil, and other articles resembling syringes.
- Poisonous chemical
- Lightning arresters containing radioactive material.

3.1.2 Restricted:

The importations of goods specified below are prohibited except under an import license or permit from relevant authorities:

- Egg in the shells.
- Any meat, bones, hide, skin, hoofs, horns, offal or any part of the animals and Poultry.
- Live animals-primates including ape, monkey, lemur, galago, potto, and others.
- Explosives and Fireworks
- Imitation arms, toy gun / pistols.
- Imitation hand grenades.
- Arms and ammunition other than personal arms ammunition imported by bona fide traveler.
- Bullet proof vests, steel helmets and other articles of clothing as protection against attack.
- Soil and pests including live insects, rats, snails, and cultures of plant disease causing organisms.
- Safety helmets (except as worn by motorcyclists or motorcycle pillion riders).
- Video machines excluding game watches and video games for use with television receiver.
- Motor vehicles.
- Batik sarong.
- Rice and *padi* including rice products.
- Equipment to be connected to a public telecommunication network.
- Radio communication being used for telecommunication in the frequency lower than 3000 GHz.
- Saccharin and its salt.
- Parabola antenna for outdoor use.
- Pests and organisms which are capable of being injurious to plants.
- Live fish.
- Animal oils and fats.
- Plants include parts and plant products.
- Household and agricultural pesticides.
- Electric domestic equipments that use 50 volt or 120 volt Dc or more
- Toxic and/or hazardous wastes.
- Corals, alive or dead.
- Apparatus/equipment for the brewing of beer in the home.
- Pharmaceutical products

3.1.3 The Punishment for Drug Trafficking is Death by Hanging.

Import and export of illicit drugs (eg: morphine, heroine, candu, marijuana, etc.) are strictly prohibited. Prescribed drugs can only be imported into or exported from the country by virtue of a license issued by the Ministry of Health, Malaysia.

3.1.4 Prohibition/Restriction of Exports

The following goods are absolutely prohibited from exportation:

- Turtle eggs.
- Rattan from Peninsula of Malaysia.

4 NON TARIFF BARRIERS

According to the World Bank, the time and cost of both importing and exporting in Malaysia is significantly lower than the average for neighboring countries in the East Asia and Pacific region. Import regulations in Malaysia are liberal compared to other ASEAN countries' regulations. Most goods can be freely imported. Some specific sectors, considered as strategic, are protected by a system of restricted import licenses. Items covered under this category are the iron and steel industry, cement, the sector of the automobile and its components and also polyethylene and polypropylene. The restrictions in import licensing also affect other sectors in terms of approval (electrical products) and sanitary items (foodstuffs or veterinary products), without being a protectionist measure.

4.1 Import licenses

To import or export goods which require a license, traders first must register with the Companies Commission of Malaysia. Once registered, a company must then apply for an import license from the Ministry of International Trade and Industry (MITI). Malaysia uses a privatized single digital window for all import and export regulations called Dagang Net.

A full list of goods requiring a license can be found at webpage of MITI, however, the main goods include:

- Agricultural products;
- Animals (living or dead);
- Foodstuff;
- Iron and related products;
- Heavy equipment;
- Vehicles (including motorcycles); and

- Plants.

All incoming processed meat and livestock products must be certified halal and must originate from slaughterhouses inspected and approved by the Malaysian veterinary and religious authorities.

4.1.1 Documents required for importing and exporting

When bringing goods into or out of Malaysia, traders must provide the following documents to customs officials.

- Customs Export or Import Declaration;
- Commercial Invoice;
- Bill of Lading;
- Packing List; and
- Certificate of Origin

4.1.2 Further permits required for certain exported goods

Certain goods require additional approvals from concerned ministries under the Customs (Prohibition of Export) Order, 1998). These goods include:

- Wastes and toxics (Director General of Environmental Quality);
- Animals – dead or alive (Permit from Wildlife Department & Department of Veterinary Services);
- Antiques (License from Museum Department);
- Coral used in jewelry (Export permit from Director General of Fisheries);
- Wheat or Meslin Flour (Permit issued from Ministry of Domestic Trade and Consumer Affairs);
- Pesticides (Ministry of Agriculture);
- Chemicals (Ministry of Health); and
- Radio Active Materials (Director General of the Atomic Energy Licensing Board)

4.2. Sanitary and Phytosanitary Requirements

The following are some of the goods which require an export license/permit from relevant authorities:

- Any animal or bird, other than a domestic animal or domestic fowl, whether alive or dead or any part thereof.
- Live animals from bovine species.
- Poultry.
- Meat of bovine animals.
- Cockles.
- Plants including orchids.
- Vegetables, fresh, chilled or frozen in excess 3kg per consignment.
- Palm kernels and palm seeds.
- Military clothing and equipment.
- Arms and ammunition.
- Antiquities as defined or stated in any written law in Malaysia.
- Sugar and rice
- Coral, alive or dead.
- Live prawns/shrimps/fish.
- Collections of zoological, botanical, mineralogical, anatomical, historical, archaeological, or ethnographical with numismatic interest.

4.3. Management of Quotas

Currently there is no quota either permanent, seasonal or temporary imposed by Malaysian Government except for Tariff Rate Quota (TRQ) products as notified under the WTO transparency mechanism. Quotas are not frequently applied to imports and apply to certain products whose local production is favoured (rice, meat, fruits and vegetables). In extreme cases (frozen chicken, eggs, liquid milk or sugar), if it is considered that the local production is self-sufficient, import is forbidden. There are other products that are forbidden or subject to special licenses for safety, religion or morality reasons, as discussed above.

4.4. Preferential treatment to partner countries regarding NTBs (if any)

Malaysia has regional as well as bilateral agreements and FTAs with a number of countries having different tariffs and concessions for partner countries. Detail is given in Part 2 above.

4.5. Paying VAT on imports

Malaysian customs imposes a standard goods and service tax (GST) on imported goods at 6 percent. Excise duty is an indirect tax charged on the import of certain goods into Malaysia that are deemed to be nonessential, and harmful to public health and environment. An example of such a good is motor vehicles. Exporters are requested to kindly visit the link provided below for more information. http://www.customs.gov.my/en/faq/Pages/faq_exs.aspx

4.6 State Trading

Malaysia has only one state-trading enterprise; Padiberas Nasional Berhad (BERNAS), which oversees rice trading. Rice exporters have to win tenders from Bernas.

5 IMPORT PROCEDURES AND TARIFFS

Key Government Agencies Involved in Imports

Government Agencies	Role	Website
Ministry of International Trade and Industry	Responsible for the promotion and development of trade and industry	http://www.miti.gov.my/
Malaysia Investment Development Authority	Responsible for the development of Free Zones and Free Commercial Zones	http://www.mida.gov.my/
Royal Malaysian Customs Department	Responsible for monitoring importation and exportation of goods	http://www.customs.gov.my/en
Department of Standards Malaysia	Responsible for providing technical regulations and standards, and monitoring the overall import process of all products with the exception of pharmaceuticals	http://www.jsm.gov.my/
Ministry of Health	Responsible for food safety matters and the development of guidelines	http://www.moh.gov.my/
Food Safety Quality Division	Operates under the Ministry of Health and is responsible for monitoring food quality and safety and issuing guidelines on food labelling, sampling, and analysis.	http://fsq.moh.gov.my/v5/ms/
National Pharmaceutical Control Bureau	Responsible for developing the guidelines, regulations and monitoring of pharmaceutical products in Malaysia	www.bpfk.gov.my/

5.1 Taxes and duties on imports

Malaysia follows the Harmonized Tariff System (HTS) for imported and exported goods not originating from member's states of the Association of Southeast Asian Nations (ASEAN). For imported and exported goods arriving from ASEAN member states, Malaysia follows the ASEAN Harmonized Tariff Nomenclature (AHTN).

All goods to be imported whether or not subject to import duties must be declared in writing on Customs Form No. 1. All declarations should indicate a full and true account of the number and description of goods and packages, value, weight, measurement or quantity, and the country of origin or the final destination. Declarations must be submitted to the Customs station at the place where the goods are to be imported. All duties/ custom taxes imposed on imported goods will need to be paid in advance before the goods can be released (import tax and goods and services tax). Documents required by Malaysian Customs include: Custom Form No.1, bill of lading/airway bill; commercial invoice or Pro-forma invoice; packing list; any relevant permits, licenses or certificates.

5.2 VAT

Goods and Service Tax (GST) is a multi-stage consumption tax levied on goods that enter the Malaysian market for local consumption; it applies to both national and imported goods. This has been provided for by the Goods and Service Tax Act 2014. GST is generally levied at a standard rate of 6% of the dutiable value of goods in Malaysia, however, certain goods are exempt from GST. exporters are requested to kindly visit the link provided below for more information on the goods to which GST is applicable: <http://www.customs.gov.my/PdfFile.html> There are also certain schemes under which GST can be deferred, suspended, or avoided; examples of these include goods imported into Malaysia under the warehouse scheme, Approved Traders Scheme (ATS), and as provided for by the Goods and Services Tax (Relief) Order 2014. For more information regarding this, exporters are requested to kindly visit the link provided below: http://gst.customs.gov.my/en/rg/SiteAssets/specific_guides_pdf/IMPORT_12012016.pdf

5.3 Import duty

Malaysia levies a tariff rate which ranges from 0 to 50 percent, following *ad valorem* rates. However, the average duty paid on industrial goods imported into Malaysia is 6.1 percent. Malaysian customs apply higher tariff rates to goods in which considerable production already

exists domestically as well as so-called ‘sinful’ goods such as pork and alcohol. Average duty taxes on import come to 7.7% ad valorem.

An exemption for customs duty and sales tax exists in certain limited circumstances. For shipments entering through designated international airports (Kuala Lumpur, Penang), duty/tax is not applied to goods below FOB value of MYR 500. Customs apply either a reduced tariff or else a tariff exemption on raw materials imported into Malaysia for use in the manufacture of exported goods – particularly when such raw material is difficult to source domestically.

Malaysia customs apply a tariff on exported goods between 0 to 10 percent, following *ad valorem* rates. Under Malaysia’s Customs Act, 1976, tariffs paid on exported goods which were originally sourced from imports are eligible for a 90 percent refund.

5.4 Defer or delay import charges

Malaysia currently possesses 13 Free Industrial Zones (FIZs) and 12 Free Commercial Zones (FCZs). Companies operating out of FIZs and FCZs may import raw material, products, and equipment without paying tariffs. Further concessions are available under various FTAs. There are also certain schemes under which GST can be deferred, suspended, or avoided; examples of these include goods imported into Malaysia under the warehouse scheme, Approved Traders Scheme (ATS), and as provided for by the Goods and Services Tax (Relief) Order 2014. For more information regarding this, exporters may visit the link provided below: http://gst.customs.gov.my/en/rg/SiteAssets/specific_guides_pdf/IMPORT_12012016.pdf

In addition to the FZ’s, Malaysia permits the establishment of licensed manufacturing warehouses, which give companies greater freedom of location while allowing them to operate similar to firms based in a FZ. A bonded warehouse is referred to by Malaysian Customs as a ‘Gudang Berlesen Awam’ or Public Bonded Warehouse. A public or privately-owned warehouse where dutiable goods are stored pending payment of duty or removal under bond. The storage or delivery of goods are under the supervision of customs officers and if the warehouse is privately owned the keeper has to enter into a bond as indemnity in respect of the goods deposited, which may not be delivered without a release from the customs

5.5 Reliefs on imports for export or re-export

The importer expresses his or her intention to use imported goods solely in the process of producing, mixing, assembling or packing goods to be exported to a foreign city or as stores for

consumption on board of foreign going vessel, the Director-General or an authorized person may accept the guarantee the Ministry of Finance or a bank or any other securities in lieu of the payment of import duty, and may prescribe any conditions therefor as he or she deems fit, and after the exportation of the goods for which drawback is allowed, the securities shall be returned as drawback.

5.6 Temporary Admissions

The Malaysian Customs Department allows goods imported on temporary basis with a view to subsequent re-export without duty and taxes for certain period. However, it is subject to payment of security deposit equal to/ not less than the duty payable if goods were imported for home consumption or security being given to the satisfaction of the Director General for the payment of such duty.

Such security or deposit would be refunded or discharged once the goods are re-exported within three months from the date of importation or within a further period as approved by Director General. Application for temporary importation should be forwarded to the state custom director at the station of import. Extension in temporary importation period of three months will be allowed only in certain circumstances and this is to be submitted to the station that has granted the approval earlier.

Goods of Malaysian origin for temporary export are allowed under certain conditions as specified under the Customs Duties (Exemption) Order 1988. Goods that are allowed must be for exhibition, research.

5.7 Processing and re-exporting

If goods are to be re-exported while they remain in the custody of Customs, an exporter is required to submit, at the time of importation, an Import Declaration together with an Export Declaration to Customs at the port or place of entry, and requests for an approval to process re-export procedures before the release of imports. To re-export the goods which have already been released from Customs custody, an exporter is required to submit an Export Declaration together with a request for re-export at the port or place of exit. The goods can be re-exported and the duty drawback can be claimed only when the approval for re-export is granted by Customs.

5.8 Reclaiming taxes on rejected imports

A To get refund of excess duty or interest paid, the importers should file a refund application in the prescribed format in duplicate before the Assistant Commissioner of Customs having jurisdiction over the customs port, airport, land customs or customs warehouse where the duty of customs/ interest was paid.

5.9 Labeling & packaging requirements

Goods that enter Malaysia for local consumption should be labelled in English and / Malay. Certain goods such as food products of animal origin should adhere to specific Halal labelling regulations. Furthermore, genetically-modified products and pharmaceutical products have particular labelling requirements

SIRIM Berhad is the national organization of standardization and quality and also serves as the government's catalyst for industrial research and development. Its functions include developing Malaysian standards, undertaking scientific industrial research, and providing technology transfer and consultancy services. As the appointed standards development agency, SIRIM publishes Malaysian standards and provides quality certification service

The laws and regulations are set for packaging and labelling by the Malaysian Government, which provides information about the regulations and compulsory specifications. Exporters may visit the link provided below to view the laws and regulations:
http://mytraderepository.customs.gov.my/ms/ntm/tbtt/lab_mark/Pages/lab_mark.aspx

S No	Category	Information Requirements
1	Product Name	All labels must be in English or Malay; alternatively, an English or Malaystick-on label isalso acceptable
2	Manufacturer Name and Address	
3	Net Weight	
4	Fortifying matter (eg. Vitamins and minerals to powdered milk)	
5	Lot Number	
6	"Use before" or "Best By" date	

5.10 Technical Standards

Malaysia has in place a number of technical regulations for products such as chemicals and materials, information technology, petroleum and gas, road vehicles, medical devices, palm oils, certain vegetables and flowers, and construction and engineering materials. However, technical regulations are mandatory only if deemed so by legislation. Technical regulations in Malaysia are formulated on the basis of international standards. SIRIM Berhad is Malaysia's WTO – Technical Barriers to Trade (TBT) enquiry point for disseminating information and making decisions on standards, technical regulations, and certification.

SIRIM QAS International Sdn. Bhd, a subsidiary of SIRIM Berhad, is the primary certifying body nationally, as accredited by Standards Malaysia. Certain regulated goods such as toys, batteries, and electronic equipment should be product certified to ensure alignment with Malaysian Standards (MS) before being circulated in the Malaysian market for local consumption.

5.11 Special requirements for import of food products and pharmaceuticals

5.11.1 Food Industry Regulator

The Food Act, 1983 and the Food Regulations, 1985 of Malaysia governs the various aspects of food safety and quality control including food standards, food hygiene, food import and export, food advertisement and accreditation of laboratories. The enforcement of Food Act, 1983 and the Food Regulations, 1985 is targeted towards reducing food-borne hazard and ensuring that food is safe for human consumption. The Food Safety and Quality Division (FSQD) of the Ministry of Health (MOH) is charged with the implementation and enforcement of the law. FSQD implements an active food safety program which includes routine compliance, sampling, food premises inspection, food import control activity and licensing of specified food substances required under Food Act 1983 and its Food Regulation 1985. It also conducts a food monitoring activity on specific food contaminants and additives. As a preventive approach, the FSQD have been implementing food handlers training program, vetting of food labels, giving advice to the industry and consumers, and food safety certification scheme such Health Certificate, HACCP certification and Free Sale Certificate. For details about the overall labelling requirements for the food industry, kindly visit the link provided below:
http://www.fao.org/fileadmin/user_upload/gmfp/docs/GUIDELINES%20ON%20LABELLING

5.11.2 Food Labelling Requirements

S No	Category	Information Required
1	Name of food	Specific names must be provided. True nature of food must be indicated.
2	List of ingredients	Must be listed in descending order by weight Ingredients with less than 2% of the food can be neglected
3	Net weight and configuration	The net weight must be declared as mentioned below a) The minimum drained weight if the food is packed in liquid. b) The minimum net weight, or volume or number of the content of the package
4	Name, address and contact information of the manufacturer and distributor	Name and address of the manufacturer /packer / the owner of the rights of the manufacture or packing or the agent. Name and business address of the importer in Malaysia. Name of the country of origin of the food.
5	Date marking	Date of manufacture and date of minimum durability must be declared with expiry date of consume by date clearly marked
6	Condition for storage	If the validity of date marking of food is dependent on its storage, then the storage direction of that food shall also be required on its label.
7	Other labelling information	Irradiated foods Type of fat or oil Food additives Genetically modified foods Derived from Animal Nutrition table Quality grade Special diet food.

5.11.3 Halal Food Specifications

S No	Category	Information Required
1	Listing and illustration of components of fat, meat products or meat extracts, gelatin, and rennet (if present).	All labels must be in English or Malay; Translation into additional languages may be included. Small packages with a total surface area of less than 100 square centimeters are exempted from nutrition labeling.
2	“Halal” mark certification number and certifying body	

5.11.4 Pharmaceutical Regulator

The regulator of the pharmaceuticals industry in Malaysia is the National Pharmaceutical Regulatory Agency. Exporters can visit the link provided below for more information about the industry regulator: <http://npra.moh.gov.my/>

6.COMPETITOR ANALYSIS IN THE TOP TEN EXPORT CATEGORIES FROM PAKISTAN TO MALAYSIA (2018-19)

(US\$ Million)

S. No	HS. Code	Description	Total Import of Malaysia in this Category	Export Value From Pak	(%) Share of Pak Export	Competitors and Applicable Rate Of CD
1	1006	Rice	400	24.1	6.1	ASEAN (Zero)
2	2709	Petroleum Oils Crude	18900	18.1	0.09	Saudia, Russia, Canada
3	6302	Bed Linen & other textile	588	16.3	2.77	ASEAN (Zero)
4	0303	Fish & Seafood	929	14.4	1.55	China, Chile
5	1001	Wheat & meslin	454	10.7	2.35	US, Australia, Indonesia
6	0701	Potatoes	72.4	7.8	10.7	China, US, Pak, BD (0)
7	0703	Onion	286.11	7.6	2.65	China, US, Pak, BD (0)
8	6203	Men suits, blazers, trousers	4092	6.7	0.16	ASEAN (Zero), China 0
9	5407	Woven Fabrics	298	4.1	1.37	China, Indonesia, Vietnam 0
10	2207	Ethyl Alcohol	56.12	3.3	5.88	China, Singapore, Indonesia (0)

Source: Trendeconomy.com, Malaysia Department of Statistics

7. SUGGESTED STRATEGIES TO ENTER MARKET

TDAP may include major fairs in the list of its calendar of events in consultation with relevant stakeholders and ensure participation of companies having good reputation in their respective areas to introduce Pakistani products in Malaysia. In order to introduce products of Pakistan to business communities and Malaysian people, Pakistan should organize 'One country exhibition' in a major exhibition hall to showcase the products of Pakistan.

8. ANY OTHER RECOMMENDATIONS

The prospective business persons may be provided a chance to interact with each other by organizing buyer's delegation to Pakistan, which may include important business persons of various sectors like leather, food processing, fisheries, gems and jewelry, textiles, hospitality, etc. Similarly, Pakistani exporter's delegation can be arranged to visit Malaysia. Such delegations can explore possibilities of bilateral technical cooperation to upgrade the existing facilities in Pakistan and work out possible joint ventures. Moreover, Malaysia arranges major product specific/ sector specific exhibitions all the year round, SMEs from Pakistan may participate in such exhibitions in Malaysia. Due to one of the highest turnover of tourists per day, participation in such exhibitions will provide a fair chance to SMEs in Pakistan to introduce their product world over.



Shafqat Ali Khan Niazi
Trade & Investment Counsellor