



KCCI - Country Wrap: MALAYSIA (MAR.'19)



Malaysia – a brief overview

Malaysia has transformed itself into an emerging multi-sector economy since 1970s from a previous raw materials producer. It is attempting to achieve high-income status by 2020 and to move further up the value-added production chain by attracting investments in Islamic finance, high-tech industries, biotechnology, and services. It is a member of ASEAN Free Trade Area (AFTA) which was signed in 1992 along with Brunei, Indonesia, Philippines, Singapore and Thailand. Later on Vietnam, Laos, Myanmar and Cambodia also joined AFTA whose focus was to eliminate tariff and non-tariff barriers and attract FDI in ASEAN. Malaysia signed the 12-nation Trans-Pacific Partnership (TPP) free trade agreement in February 2016.

Key Industries and Agricultural Products of Malaysia

The key industries of Malaysia are rubber, oil palm processing and manufacturing, petroleum and natural gas, light manufacturing, pharmaceuticals, medical technology, electronics and semiconductors. Agricultural commodities of Malaysia include palm oil, rubber, cocoa, rice, subsistence crops and pepper.

Malaysia's major trading commodities and partners

The major export partners of Malaysia are Singapore (15.1%), China (12.6%), US (9.4%), Japan (8.2%), Thailand (5.7%), Hong Kong (4.5%) whereas major export commodities include semiconductors, electronic equipment, palm oil, petroleum and LNG, wood products, palm oil, rubber, textiles, chemicals and solar panels. The import partners of Malaysia include China (19.9%), Singapore (10.8%), US (8.4%), Japan (7.6%), Thailand (5.8%), S. Korea (4.5%), Indonesia (4.4%). Whereas the major import commodities include electronics, machinery, petroleum products, plastics, vehicles, iron and steel products and chemicals.

Bilateral Trade Relations between Pakistan and Malaysia

In 2018, goods exported by Pakistan to Malaysia were merely \$ 188.15Mn, 13% higher against exports of \$ 166.48Mn in 2017 while imports from Malaysia were recorded at \$ 1,278.09Mn in 2018 as compared to \$ 1,167.13Mn in 2017 showing an increase of 9.5%. The trade balance in 2018 was in favor of Malaysia at \$ -1,089.9Mn, 8.9% higher than \$ 1,000.7Mn in 2017.

Pakistan Malaysia bilateral relations

PM Imran Khan recently visited Malaysia, where he and PM Mahathir acknowledged the long history of close cooperation between both countries since Malaysia's independence. PM Mahathir is also scheduled to visit Pakistan to attend 23rd Mar' 19 celebrations as a guest of honour. Malaysia and Pakistan are expected to convene the 1st Bilateral Consultation in Islamabad in 2019. An Inter-Governmental Agreement on LNG between Malaysia and Pakistan was also signed in Nov' 17. and the countries have also signed MoU on Defence Cooperation. The 13th Joint Committee on Defence Cooperation (JCDC) is expected to be convened in 2019 in Kuala Lumpur. Malaysia has also invited Pakistan to participate in the upcoming Langkawi International Maritime and Aerospace Exhibition (LIMA) in 2019.

Trade Agreement between Pakistan and Malaysia

Pakistan and Malaysia are the first amongst Organization of Islamic Countries who signed Free trade Agreement. The FTA between Pakistan and Malaysia was approved on November 6th, 2007 under which Pakistan agreed to eliminate tariff on 43.2% of its current import lines from Malaysia by 2012. On the other hand, Malaysia eliminated tariff on 78% of imports from Pakistan. Two tracks for Margin of Preference (MoP) were set under the FTA on the basis of product categories. Pakistan's export to Malaysia has stagnated at extremely low levels that have hurt the economy due to huge trade deficit. The actual gains of FTA can be enjoyed by Pakistan only when its desired levels of exports to Malaysia are achieved. Pakistan and Malaysia established the Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA) on Nov. 8, 2007 with the objective of liberalizing trade and investment as well as bilateral technical cooperation and capacity building in areas like sanitary and phytosanitary measures, intellectual property protection, construction, tourism, healthcare and telecom.

Potential for enhancing bilateral trade between Malaysia and Pakistan

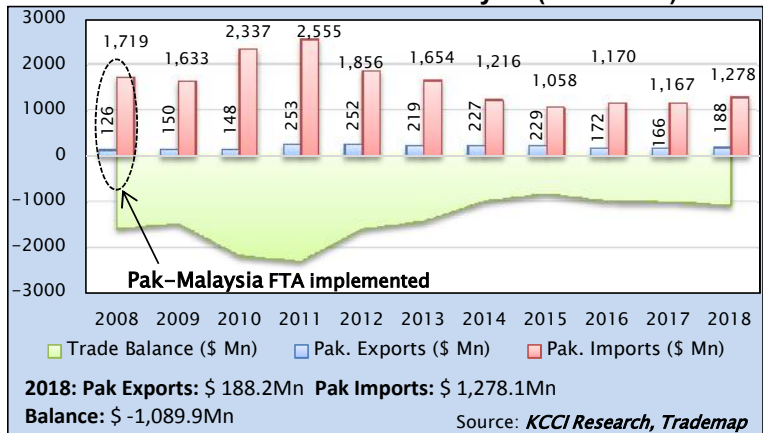
- Pakistan and Malaysia have to find new areas for mutual co-operation and try to further boost trade and economic ties.
- There is huge potential for joint ventures and investment in the areas of Islamic Finance, Halal food industries, Energy, Low cost housing, infra-structure development, telecommunications, education.
- It is a potential market for Pakistani fruits and vegetables like mangoes, onions and potatoes.
- Pakistan is rich in human resource and there is great potential for Pakistan to export its skilled technical and educated human resource to Malaysia.
- Pakistan is an open economy with no restrictions where Malaysian firms and contractors can benefit from establishing businesses.
- Malaysia and Pakistan can co-operate in the field of hi-tech equipment.

Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	881.3	933.3	5.90%
GDP per Capita	\$	27,900	29,100	4.30%
GDP growth	%	4.2	5.9	1.70%
Forex Reserves	\$ Bn	94.50	102.40	8.36%
External Debt	\$ Bn	195.3	217.2	11.21%
Exports of Goods	\$ Bn	165.30	187.90	13.67%
Imports of Goods	\$ Bn	141.00	160.70	13.97%
Trade Balance	\$ Bn	24.30	27.20	11.93%
Current Account	\$ Bn	7.24	9.30	28.47%
FDI - at Home	\$ Bn	121.60	139.50	14.72%
FDI - at Abroad	\$ Bn	126.9	128.5	1.26%
CPI	%	2.1	3.80	1.70%
Prime Lending Rate	%	4.52	4.61	0.09%
Population	Mn	30.9	31.81	2.78%
Unemployment	%	3.5	3.4	-0.10%
Litrary Rate	%	94.6	94.6	0.00%

Sources: KCCI Research, CIA Factbook

Trade between Pakistan & Malaysia (2008-2018)



Malaysia's Trade With World (2018)

Top 10 Export Items	(\$ Bn)	Top 10 Import Items	(\$ Bn)
Electrical machinery & equip.	82.98	Electrical machinery and ec	60.71
Mineral fuels & oils	38.44	Mineral fuels & oils	31.35
Machinery & appl.	25.43	Machinery & appl.	23.06
Animal or vegetable fats	12.09	Plastics & articles	8.76
Optical, photo. or surgical	9.44	Iron & steel	6.62
Plastics & articles	9.38	Vehicles, not railway	6.34
Rubber & articles	7.49	Optical, photo. or surgical	5.49
Organic chemicals	4.88	Natural or cultured pearls	4.72
Misc. chemical products	4.44	Organic chemicals	4.45
Aluminium & articles	3.87	Aircraft & parts	3.95

Sources: KCCI Research, Trademap

Pak - Malaysia Top 10 Trade Items (2018)

Pakistan Export Items	(\$ Mn)	Pakistan Import Items	(\$ Mn)
Cereals	31.31	Animal or vegetable fats	649.00
Edible vegetables & roots	28.52	Machinery & appl.	88.71
Fish & crustaceans	21.10	Organic chemicals	58.31
Other made-up textiles	19.32	Aluminium & articles	56.66
Articles of apparel, knitted	14.60	Mineral fuels & oils	51.17
Cotton	12.30	Misc. chemical products	38.41
Man-made filaments	6.88	Plastics & articles	33.79
Residues & waste from food	5.54	Residues & waste from food	28.22
Mineral fuels & oils	5.48	Man-made filaments	27.84
Articles of apparel, not knitted	4.56	Wood & articles	27.14

Sources: KCCI Research, Trademap