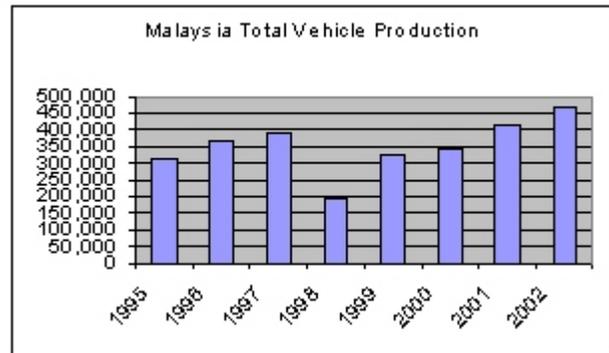
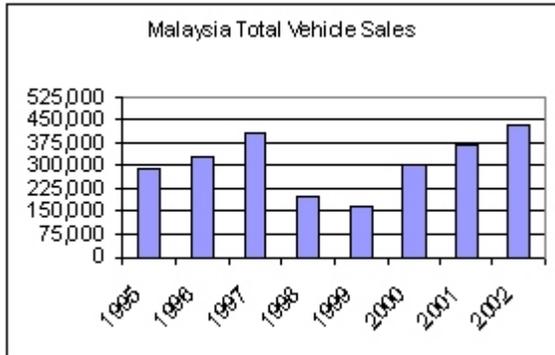


Malaysia Motor Vehicle Market Overview



*Source Automotive News

Imports/Exports

Total U.S. exports to Malaysia in actual U.S. dollars and units

Type	2000	2001	2002
Passenger Vehicles & Light Trucks	\$1,036,967	\$509,984	\$252,074
Passenger Vehicles & Light Trucks-UNITS	72	36	28
Medium & Heavy Trucks and Tractors	0	\$492,746	0
Medium & Heavy Trucks and Tractors-UNITS	0	16	0

*Data Source: compiled from tariff and trade data from the U.S. Department of Commerce, U.S. Treasury, and U.S. International Trade Commission

Market Summary

Malaysia is a member of the Association of South East Asian Nations (ASEAN), a regional trading block with combined annual vehicle sales of 1.5 million units in 2003 (see companion paper on the ASEAN Auto market). In 2000, Malaysian vehicle sales steadily rose to 299,902 units. Malaysia further demonstrated its strong recovery since the regional financial crisis, and by 2002, Malaysian vehicle sales were higher than pre-crisis levels with total sales reaching 434,879 units. Malaysia experienced a decline in sales in 2003 largely connected to the consumer's decision to wait until prices fell due to the anticipated revision of the automotive tax structure in preparation to meet ASEAN Free Trade Area commitments. The 2004 forecast for total vehicle sales is an estimated 415,000 units.

The continuing recovery of the Malaysian automotive industry has been the primary reason for a steady increase in production. In 1999, Malaysia produced a total of 322,909 vehicles and by 2002, production had climbed to 466,604 units.

National Car Policy:

The Malaysian government heavily influences the activities of the domestic automotive manufacturers/assemblers. Malaysia has developed the automotive sector to help reduce the effects of volatile changes in rubber and palm oil prices on its economy, avoid having a huge trade deficit, and as a platform for economic development. Malaysia believes that a strong motor industry brings employment, technology and prestige. Nine vehicle assembly companies produce 18 cars and 14 commercial vehicles, but the market is dominated by Proton and Perodua, Malaysia's National Car companies.

In 1985, the Malaysian government formed Proton, in conjunction with Mitsubishi, to assemble its first national car (Mitsubishi has subsequently sold off all of its Proton holdings). There are now five models being produced under the Proton name. In October 1996, Proton acquired Lotus, and plans to integrate specific models into its national car program. In 1996, the Malaysian government sold its equity in Proton to a private company-- HICOM-DRB. As of August 1999, reports indicated that Petronas, a nationally owned oil company, have purchased controlling interest in financially troubled Proton, to give it a much needed cash infusion. Purchases of non-Proton vehicles and vehicles over RM 40,000 require a 25 percent down payment and a four-year maximum payment period. Sales have continued to fall and its market share has declined since 2002. However, in 2004, Proton revived plans to purchase a manufacturing plant in Indonesia and expand export possibilities inside the region and beyond.

The Malaysian auto market is dominated by Malaysia's national cars, Proton and Perodua, which in 1998, accounted for 90 percent of the vehicles sold annually. Some 25 other manufacturers compete for the remaining 10 percent. The Malaysian government has used high tariffs to protect its domestic automakers, which control the majority of the local market. The recently revised excise tax scheme further protects the national automakers by continuing to grant them a 50 percent tax rebate thus allowing Proton and Perodua a competitive price advantage.

Malaysia has a major component industry, which combines locally owned companies and subsidiaries of multinational corporations. The advanced component industry in Malaysia has accelerated and expanded the growth of the manufacturing sector. The local component industry adds to a policy environment that is very protective of its national car program, which works in conjuncture with government policy and tax incentives to promote the sale of Proton and Perodua.

Motor Vehicle Investment in Malaysia

Ford:

Ford has a joint venture operation with Associated Motor Industries which assembles passenger cars and commercial vehicles (SKD and CKD kits) which are Mazda designed vehicles with a Ford nameplate.

DaimlerChrysler:

In late 1992, Malaysia's largest finance company, MBf, went into the vehicle assembly business in order to find new markets for its financial services. In January 1993, Mbf reached an agreement with Chrysler to initially import completely built-up right-hand drive Jeep Cherokee models. Chrysler's CKD agreement with MBf grants MBf a license to assemble and distribute right-hand drive Jeep Cherokees. MBf also began local assembly of the Jeep Cherokee in July 1993. Chrysler also has plans for MBf to assemble and distribute right-hand drive Jeep Wranglers. Chrysler plans to export an estimated 1,300 units annually (valued at approximately \$10 million).

General Motors:

GM has a large assembly plant in Thailand, which is used to supply the region. At this time, the company does not have a Malaysian based plant.

Toyota:

Toyota is the top selling brand in Malaysia, selling 111,567 vehicles in 2002. The commercial vehicle sector is the largest sales segment.

Tariff and Tax Rates:

Completely Built-up (CBU)

Passenger Cars	ASEAN (CEPT)	Most Favored Nation (MFN)			
		Import Duty	Excise Tax	Import Duty	Excise Tax
Engine Size					
<1800	70	60	80	60	
1800<2000	90	70	100	70	
2000<2500	110	80	120	80	
2500<3000	150	90	160	90	
3000 or above	190	100	200	100	
MPV/Van					
<1500	40	30	60	30	
1500<1800	40	30	60	30	
1800<2000	50	40	70	40	
2000<2500	90	70	100	70	
2500<3000	110	80	120	80	
3000 or above	120	90	130	90	
4WD					
<1800	40	50	60	50	
1800<2000	50	60	70	60	
2000<2500	80	70	100	70	
2500<3000	100	80	120	80	
3000 or above	110	90	130	90	

Completely Knocked Down (CKD)

Passenger Cars	ASEAN (CEPT)		Most Favored Nation (MFN)	
	Import Duty	Excise Tax	Import Duty	Excise Tax
Engine Size				
<1800	25	60	35	60
1800<2000	25	70	35	70
2000<2500	25	80	35	80
2500<3000	25	90	35	90
3000 or above	25	100	35	100
MPV/Van				
<1500	0	30	5	30
1500<1800	10	30	20	30
1800<2000	10	40	20	40
2000<2500	10	70	20	70
2500<3000	10	80	20	80
3000 or above	10	90	20	90
4WD				
<1800	10	50	20	50
1800<2000	10	60	20	60
2000<2500	10	70	20	70
2500<3000	10	80	20	80
3000 or above	10	90	20	90

Trade Barriers:

Tariffs:

- Import duties are based upon engine displacement and country of manufacture.
- In 2005, Malaysia's tariff rates for imported vehicles will drop to 20 percent for ASEAN economies, as long as members meet the 40 percent local content requirement, to comply with their negotiated AFTA (ASEAN Free Trade Area) tariff schedule. By 2008, the tariffs for vehicles imported from ASEAN economies will drop to five percent.

Taxes:

- Malaysia previously applied excise taxes only to domestically manufactured vehicles. However, as of January 1, 2004, excise taxes will be imposed on all vehicles.
- The national cars (Proton and Perodua) are granted a 50 percent reduction in excise taxes (not available to foreign manufacturers). However, this policy should be phased out by 2005.

Import Bans and Quotas:

- By 2005, Malaysia will implement an outright ban on used vehicles (both commercial and passenger) older than three years. This ban does not apply to vintage cars. In addition, Malaysia will begin enforcing stricter fuel efficiency and

- emissions standards on both imported and domestically produced vehicles.
- Malaysia maintains an import ban on motor vehicles from Israel and South Africa.

Investment Requirements:

- January 1, 2004, met their WTO Trade-related Investment Measures (TRIMS) requirements and eliminated their local content requirements for both CKDs and CBUs imports.
- Foreign investors may retain up to 100 percent equity if the firm either exports 50 percent of its output or employs 350 Malaysians full-time.
- Malaysian companies must be 30 percent Bumipatra (native Malay) owned.