

## **MEDIA RELEASE**

### **LIBERALISATION OF THE SERVICES SECTOR**

In presenting the mini-budget for the Second Stimulus Package on 10 March 2009, I had announced that the Government will take steps to liberalise the services sector to attract more investments, bring in more professionals and technology as well as strengthen competitiveness of the sector.

2. The services sector is an important component of the national economy, contributing 55 per cent to the Gross Domestic Product (GDP) in 2008, of which, 47.6 per cent was contributed by non-government services. The sector accounts for 57 per cent of the total employment in Malaysia.

3. Complementing the growth and development in the manufacturing sector, the Government is intensifying its efforts to promote and develop the services sector. The Government is targeting to tap the full potential in the services sector and raise its contribution to 60 per cent of the GDP, as targeted in the Third Industrial Master Plan.

4. Recognising the growth potential in the services sector, the Government has decided to immediately liberalise 27 services sub-sectors, with no equity condition imposed. These sub-sectors are in the areas of health and social services, tourism services, transport services, business services and computer and related services. The details of the sub-sectors are in Annex I. The Government will be progressively undertaking liberalisation of the other services sub-sector on an on-going basis.

**5. The liberalisation of the services sector is pursued with the view of creating a conducive business environment to attract investments, technology and to create higher value employment opportunities. These efforts are expected to enhance the level of competitiveness of the services sector in the country.**

**6. The liberalisation initiatives will not adversely affect the domestic services industry. The Government will continue to support the industry in capacity building and in the opening up of export markets. In this regard, a services sector capacity development fund of RM100 million has been established under the First Economic Stimulus Package. The fund is managed by the Malaysian Industrial Development Authority (MIDA), to strengthen the industry in facing the more liberalised services environment.**

**7. To facilitate investments into the services sector, a National Committee for Approval of Investments in the Services Sector has been established under MIDA. This Committee will act as a focal point to receive and process applications of investments in the services sector, excluding investments in financial services, air travel, utilities, Economic Development Corridors, Multimedia Super Corridor (MSC) and Bionexus status companies and distributive trade.**

**8. Approved investments in the services sector totalled RM50.1 billion in 2008, exceeding the investment target of RM45.8 billion per annum as in the Third Industrial Master Plan. The share of foreign investments was 11 per cent of the total investments. With the liberalisation of the services sector, the Government expects greater inflow of investments.**

**9. In terms of exports, in 2008, the services sector contributed RM102.1 billion, while imports amounted to RM99.8 billion. In 2007, for the first time, Malaysia recorded a surplus in its services trade and likewise in 2008. According to the WTO, Malaysia is among the 30 leading global exporters of services.**

**10. With the current focus on services, our promotional efforts in manufactured products would be complemented by greater intensity given to export of services. The Malaysia External Trade Development Corporation (MATRADE) has therefore been tasked to coordinate and spearhead all export promotion initiatives.**

**11. As part of the measures to develop Malaysia as an international Islamic financial hub, the legal profession will be liberalized to allow up to five top international law firms with expertise in international Islamic finance to practice in Malaysia. These firms will only be allowed to offer legal services in international Islamic finance. Successful law firms will be determined based on credentials and the business plans in respect of the office to be established in Malaysia.**

**12. The services sector is targeted to be a new growth sector of the economy. The liberalisation of this sector will provide the impetus to enhance its contribution to economic growth.**

**SERVICES SUB-SECTORS FOR LIBERALISATION**

**Computer and Related Services**

1. **Consultancy services related to the installation of computer hardware (CPC 841).**
2. **Software implementation services - systems and software consulting services; systems analysis services; systems design services; programming services and systems maintenance services (CPC 842).**
3. **Data processing services - input preparation services; data processing and tabulation services; time sharing services and other data processing services (CPC 843).**
4. **Data base services (CPC 844).**
5. **Maintenance and Repair Services of Computers (CPC 845).**
6. **Other services - data preparation services; training services; data recovery services; and development of creative content (CPC 849).**

**Health and Social Services**

7. **All veterinary services (CPC 9320).**
8. **Welfare services delivered through residential institutions to old person and the handicapped (CPC 93311).**
9. **Welfare services delivered through residential institutions to children (CPC 93312).**
10. **Child day-care services including day-care services for the handicapped (CPC 93321).**

11. Vocational rehabilitation services for handicapped (CPC 93324).

### Tourism Services

12. Theme Park (CPC 96194).
13. Convention and Exhibition Centre (seating capacity of above 5,000) (CPC 87909).
14. Travel Agencies and Tour Operators Services (For inbound travel only) (CPC 7471).
15. Hotel and Restaurant services (for 4 and 5 star hotels only) (CPC 64110 and CPC 64199).
16. Food Serving Services (for services provided in 4 and 5 star hotels only) (CPC 642).
17. Beverage Serving Services for consumption on the premises (for services provided in 4 and 5 star hotels only) (CPC 643).

### Transport Services

18. Class C Freight Transportation (Private Carrier License – to transport own goods) (CPC 7123).

### Sporting and other recreational services

19. Sporting Services (CPC 9641).  
(Sports event promotion and organisation services)

### Business Services

20. Regional Distribution Centre (CPC 87909).
21. International Procurement Centre (CPC 87909).
22. Technical Testing and Analysis Services - composition and purity testing and analysis services, testing and analysis services of physical properties, testing and analysis

**services of integrated mechanical and electrical systems, and technical inspection services (CPC 8676).**

- 23. Management Consulting Services - general, financial (excluding business tax), marketing, human resources, production and public relations services (CPC 8650).**

**Rental/Leasing Services without Operators**

- 24. Rental/Leasing services of ships that excludes cabotage and offshore trades (CPC 83103).**

- 25. Rental of cargo vessels without crew (Bareboat Charter) for international shipping (CPC 83103).**

**Supporting and Auxiliary Transport Services**

- 26. Maritime Agency services (CPC 7454).**

- 27. Vessel salvage and refloating services (CPC 7454).**