

DETERMINANTS OF IMPORT OF TOBACCO IN MALAYSIA

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ABSTRACT

Over the past 30 years, 1970 – 2000 world tobacco consumption, production and trade have increased steadily. Malaysia basically imported the unmanufactured tobacco from a country such as Brazil, China, Indonesia, Thailand, USA and others. As a general the annual tobacco demand is met by local production and the balance is imported. However, this paper attempts to explain and prove the determinants of import of tobacco in Malaysia. Besides that, the main purpose of this project paper is to analyze the trend of import of tobacco.

This project paper will identify the determinants that can lead to import of tobacco in Malaysia since it is one of the international trade being done for Malaysian economy. In this study, an attempt is made to assess the certain variable that assume can be the determinants import of tobacco such as production of tobacco, the consumption of tobacco, population in Malaysia, the tobacco planted area and also the exchange rate. The study will take in consideration all the variables and prove the significant at the end of the paper.

CHAPTER 1

INTRODUCTION

1.1 Introduction

In this chapter, it will cover the general knowledge about the tobacco industry and the performance in Malaysia. There are also the problem statement of this study, the research questions and objectives, the scope and the significant of this study, and the limitations in finishing this research. And at the ending of this chapter there are also the definitions of terms used in this study.

1.2 Background of Study

Cigarette manufacturing in Malaysia started in the 1920s. As production increased, demand for local tobacco grew and encouraged foreign investors to establish cigarette – manufacturing factories in Malaysia. To date, there are three major cigarette manufacturing companies, namely British Tobacco (BAT), JT International (JTI) and Phillip Morris Malaysia (PMM). Together they form the Confederation of Malaysian Tobacco Manufactures (CMTM), which was established in 1980 as the Advisory Council of Malaysian Tobacco Manufactures.

Most of the local tobacco is purchased by the CMTM members for use in the manufacture of cigarettes. The manufactures also use imported tobacco to cater to the specific quality and flavor requirement of the different cigarettes brands.