GENERAL AGREEMENT

ON TARIFFS AND TRADE

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COUNCIL

TRADE POLICY REVIEW MECHANISM

MALAYSIA

Report by the Government

In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (BISD 36S/403), the initial full report by Malaysia for the review by the Council is attached.

NOTE TO ALL DELEGATIONS
Until further notice, this document is subject to a press embargo.

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A. TRADE POLICIES AND PRACTICES

I. TRADE POLICY OBJECTIVES

Overall Objectives

1. Malaysia's trade policies have evolved against a background where the external sector has been an important contributor to the country's economic growth and that it is expected to retain its predominance in Malaysia's future economic expansion plans. Being a small country with a population of about 18 million, Malaysia has to look beyond its borders to market its products. The external sector is also an important source of capital, inputs and technology. The preservation of a multilateral trading system that is liberal, predictable and stable is thus imperative for Malaysia's economic prosperity. This factor underlines Malaysia's approach to trade and trade-related policy formulation. Malaysia has an open and outward-oriented trade regime replacing the largely import-substitution policies of the 1960s and early 1970s. While seeking better international prospects for its products and access to better inputs, components and technology, Malaysia also accepts responsibilities and obligations commensurate with its level of economic development.

2. These principles are embodied in Malaysia's trade policy objectives which are:

a) To contribute to the maintenance of an open and strong multilateral trading system based on the GATT;

b) To undertake liberalization measures through regular reviews of the trade regime;

c) To maintain and expand Malaysia's trade with major trading partners;

d) To diversify and expand trade in non-traditional markets, particularly countries in the South;

e) To promote and develop exports of manufactured and value-added resource-based products;

f) To seek improved and favourable market access for Malaysia's exports of processed commodities and manufactured products; and

g) To strengthen and expand intra-ASEAN trade through closer economic and trade cooperation.

3. Consistent with its liberal and outward-oriented trade policies, Malaysia trades with a large number of countries. Most favoured nation (m.f.n.) treatment is accorded to all its trading partners.

Sectoral Objectives

a) Manufacturing

4. The manufacturing sector assumes the leading role for achieving Malaysia's economic growth targets. Various policy measures undertaken to foster industrial development have helped to provide a more conducive environment for investment. Industrial growth is in the main supported by the electrical and electronics, the textile and apparel and the resource-based subsectors where growth was possible due to diversification and forward and backward linkages. Future emphasis would be to promote new sources of growth and to further strengthen and diversify the industrial base giving due importance to high-value-added and high-technology industries.

5. In view of the greater competition for capital investment and the need to be competitive, policy measures to accelerate industrial restructuring, technological upgrading, human resources development and industrial linkages will continue to be emphasized to ensure greater and higher level of domestic value added. Towards this end, deliberate efforts to stimulate the development of domestic small and medium scale industries (SMIs) to provide the support and linkages to larger industries would be intensified.

b) Agriculture

6. Malaysia's current policies on agriculture are embodied in the new National Agriculture Policy (NAP) which covers the period 1992 to 2010. The NAP is based on the objective of creating a market-led, commercialised, efficient, competitive and dynamic agricultural sector in the context of sustainable development.

7. The NAP prescribes that all agricultural activities be operated on a highly commercialised basis and be exposed to international competition. New land development for agricultural activities will be undertaken on a limited basis, for reasons of sustainable development, and the emphasis will be on increasing productivity of existing lands, as well as labour and value-added of agricultural activities.

8. Issues related to market access, competition, market shares, prices and trade practices will be addressed through an integrated approach combining demand and supply aspects and by creating conditions for market transparency.

II IMPORT AND EXPORT SYSTEMS

(a) Import System

9. Consistent with the principles of GATT, tariff is the main trade policy instrument. The tariff structure is reviewed regularly and revised in line with the overall objective of the government to liberalise trade. Independent measures to lower tariff levels have been undertaken. In addition, Malaysia has tabled offers to reduce and/or bind a large number of import duties under the Uruguay Round negotiations.(See Section IV (b) for details of Malaysia's offer in the negotiations on market access).

10. Most goods can be imported freely. Where import licences are required, conditions imposed mostly relate to policies on health, sanitary and phytosanitary, public morals, security and standards.

11. Protection through import tariffs and import licensing is only extended to a small number of deserving infant industries and strategic industries that promote greater forward and backward linkages in the manufacturing sector. Protection given to industries is temporary.

b) Export System

12. Export duties and export licensing requirements are imposed on a small number of products. In most cases these are imposed to complement measures to ensure adequate local supply and to enforce policies on health, plant and animal conservation, quality and security.

III. THE TRADE POLICY FRAMEWORK

(a) Domestic laws and regulations governing the application of trade policies

i) The Legislative Process

13. Malaysia practices parliamentary democracy with the King as the Constitutional Monarch. The Federal Constitution of Malaysia clearly defines the authority of the Federation into its legislative authority, judicial authority and executive authority. The separation of power occurs both at Federal and State levels, as in keeping with the concept of federalism which forms the basis of government administration. The executive arm, which is the Cabinet, is responsible for all policy decisions of the country, including trade policies. If these policies are to be made into law, then the law is passed by the legislative authority which is the Parliament.

ii) Overview of domestic trade laws.

14. The principal law governing the implementation of trade policies in Malaysia is the Customs Act 1967 which is supplemented by the Customs Regulations 1977. Cross-border flow of currencies is regulated by the Exchange Control Act 1953. Complementary to these Acts are specific laws governing imports and exports of particular goods and other laws having various degrees of effects on trade. These Acts are reviewed periodically to take into account changing economic circumstances and to conform to changes in international trade rules including the GATT.

ii) Customs Act 1967 and Customs Regulations 1977.

15. The Customs Act 1967, together with the Customs Regulations 1977, spell out most of the conditions for export and import of goods. The underlying principles of the Act and the Regulations are to ensure that trade is conducted in a manner consistent with the development objectives of the country and to ensure that trade is conducted in an orderly manner where rules and regulations are transparent to all parties.

iii) Exchange Control Act 1953

16. The main purpose of the Act is to provide for the recording, monitoring and supervision of payments to non-residents, and also to protect the country's foreign exchange position should the need arise.

iv) Other major Trade Related Laws and Regulations

- Patents Act 1983 and Patents Regulations 1986

17. Under this Act and its Regulations, an application for a patent can be made directly in Malaysia and registration is effective for the whole of Malaysia. Malaysia's industrial property laws accord the same treatment for both nationals and foreigners.

- Trade Marks Act 1976 and Trade Marks Regulations 1983

18. This Act provides effective and adequate protection for registered trade marks in this country. The protection of a trade mark is not limited in time, provided its registration is periodically renewed and the trade mark used for a use continuous period and in accordance with the provisions of this Act.

- Food Act 1983

19. The objective is to protect the public against health hazards and fraud in the preparation, sale and use of food.

- Free Zones Act 1990 and the Free Zones Regulations 1991

20. Under the Act, the Free Zones consist of Free Commercial Zones (for carrying out trading activities which include trading, breaking bulk, grading, packing, relabelling and transit) and Free Industrial Zones (for manufacturing activities only). The objective of providing Free Zone facilities is to enable operations to enjoy minimum customs control and formalities in their import of raw materials parts, machinery and equipment as well as in the exports of their finished goods.

- Direct Sales Act 1992 and the Direct Sales Regulations 1993

21. The objective is to prohibit pyramid sales schemes and to regulate door-to-door and mail order sales.

- Laws and Regulations On Marking, Labelling and Packaging

22. These are:

- Weights and Measures Act 1972.
- Trade Descriptions Act 1972 under which the following orders are made:
  - i) Trade Descriptions (Use of Expression "Halal") Order 1975;
  - ii) Trade Descriptions (Marking of Food) Order 1975; and
  - iii) Trade Descriptions (Smoking Danger Warning) Order 1977.
- Price Control (Indication of Price by Retailer) Order 1977.
- Price Control (Labelling by Manufacturers, Importers, Producers or Wholesalers) Order 1980.
- Pesticides (Labelling) Regulations 1984.

23. A list of the main laws related to trade is provided in Appendix I.

(b) **Trade Policy Formulation and Review**

24. The Ministry of International Trade and Industry (MITI) is the principal agency responsible for formulating, recommending and reviewing trade policies. Inputs from other relevant government agencies are mainly channelled through an inter-agency committee called the **Co-ordinating Committee on Trade and Investment Policy** with MITI providing the chairmanship and serving as the secretariat. Trade policies have to be approved by the Cabinet.

Upon approval by Cabinet, for those policies that need to be enacted into law, the relevant bills will be submitted and passed by Parliament.

25. Malaysia's positions on various issues in the Uruguay Round negotiations are formulated by the **National Multilateral Trade Negotiations Committee** comprising representatives from the relevant Ministries and other government agencies.

26. In trade policy formulation, consultations with the private sector are conducted through annual dialogue sessions and consultative meetings with the Minister of International Trade and Industry, the Minister of Finance and the Minister of Primary Industries.

c) **Trade Agreements**

Multilateral Trade Agreements

i. General Agreement on Tariffs and Trade

27. Malaysia has been a contracting party to GATT since attaining independence in 1957. Malaysia is fully committed to the successful conclusion of the Uruguay Round and has accepted the Draft Final Act as the basis for negotiations to conclude the Round.

ii. Tokyo Round Agreements

28. Malaysia will formally accede to the Agreement on Technical Barriers to Trade before the end of 1993. Membership to the other Tokyo Round MTN Agreements is being considered. Malaysia will become a party to all agreements that would be included in the Uruguay Round package.

iii. The Multi-Fibre Agreement (MFA)

29. Malaysia is a signatory of the MFA and currently has 5 bilateral agreements under Article 4 of the MFA, namely with USA, EC, Canada, Norway and Finland.

Bilateral Agreements

i. Bilateral Trade Agreements

30. To date Malaysia has signed 29 bilateral trade agreements. These are listed in Appendix II. These agreements mainly provide for a framework within which bilateral trade cooperation could be enhanced and corresponding consultative mechanisms are instituted to effect the cooperation. These agreements have been concluded on the basis of m.f.n. principles as embodied in the GATT.

ii. Double Taxation Agreements

31. Malaysia has concluded 35 Double Taxation Agreements (DTAs). These are listed in Appendix III. DTAs provide for the avoidance of incidence of double taxation on international income such as business profits, dividends, interests and royalties.

iii) Bilateral Payment Arrangements

32. To date, Malaysia has Bilateral Payment Arrangements (BPAs) with 17 countries as indicated in Appendix IV. A BPA is a system of settlement of monetary obligations arising from trade between pairs of countries. Under this arrangement, approved authorities, normally the central banks of participating countries that have entered into such an arrangement, will pay each other or guarantee payments for imports undertaken by corporate and individual residents in the respective countries. Effectively, this arrangement converts the commercial risk relating to trade into a sovereign risk. The objectives of the arrangement are mainly to promote bilateral trade and to foster closer bilateral economic and banking relationship.

iv. Investment Guarantee Agreements

33. As shown in Appendix V, Malaysia has concluded 29 Investment Guarantee Agreements (IGAs). The purpose of the IGA is to ensure protection of investment from non-commercial risks such as expropriation and nationalisation as well as to allow for remittance of capital and repatriation of profits.

Regional and Preferential Agreements

i. ASEAN Free Trade Area (AFTA)

34. Malaysia and her ASEAN partners signed the ASEAN Preferential Trading Arrangement (PTA) on 24 February 1977, the aim of which is to encourage greater intra-regional trade. On 1 January, 1993, to effect improvements to the ASEAN PTA, the Common Effective Preferential Tariff (CEPT) Scheme was implemented under which duties on intra-ASEAN trade would be progressively reduced to 0%-5% within 15 years. This is expected to lead to the establishment of the ASEAN Free Trade Area (AFTA).

i. Global System of Trade Preferences Among Developing Countries (GSTP)

35. Malaysia is one of the 48 original signatories of the GSTP Agreement - an agreement intended to promote trade among developing countries of the Group of 77 and to increase production and employment in the participating countries. Concessions exchanged under this system thus far have been limited.

International Commodity Agreements and Arrangements

36. Malaysia is a signatory/member to the following agreements and arrangements:

- International Natural Rubber Agreement II (INRA II) 1987.
- International Tropical Timber Agreement (ITTA) 1987.
- Agreement Establishing the Common Fund for Commodities (1980).
- Association of the Natural Rubber Producing Countries.
- Association of Tin Producing Countries.
- International Pepper Community.

IV. THE IMPLEMENTATION OF TRADE POLICIES

(a) Trade Policy Measures

i. Tariffs

General features

37. Malaysia's tariff schedule has a total of 11,746 tariff lines. Most of the import duties are ad valorem except for 61 tariff lines which have specific duties, 89 with mixed duties (ad valorem and specific) and 149 with alternate duties. Imports from all countries, irrespective of whether the country involved is a contracting party to the GATT, are subject to the m.f.n. rates with the exception of goods traded under preferential arrangements mentioned below.

Preferential tariffs

- **Common Effective Preferential Tariff (CEPT)**

38. Since 1977, under the ASEAN Preferential Trading Arrangement, Malaysia has accorded concessions to 3,277 items of imports from ASEAN countries with margins of preference ranging from 50% to 100%. With the implementation of the CEPT, Malaysia plans to offer approximately 10,000 items for tariff reduction.

- **Preferences to Other Countries**

39. Preferential rates are also given to 17 items from Australia and New Zealand under bilateral trade agreements concluded in 1958 and 1961 respectively. These preferential rates were negotiated under the ambit of the Commonwealth preferential trading arrangement.

Tariff Review

40. The tariff structure is reviewed periodically in line with the objective of promoting trade liberalization. Tariff cuts are normally made through the annual budgets. From 1988 to 1992 the Government has reduced tariffs on more than 1,000 items.

ii. **Import Prohibition**

41. Under the First Schedule of the Customs (Prohibition of Imports) Orders 1988, 14 items are prohibited from being imported from all sources for reasons such as health, security, moral and protection of plant and animal life.

iii. **Import Licences and Permits**

42. As indicated in section A (II) of this report, most products may be imported freely into Malaysia. Where authorization is required, the items covered are listed in the Second, Third and Fourth Schedules of the Customs (Prohibition of Imports) Order 1988.

43. The Second and Third Schedule contain lists of products that can be imported by virtue of import licences. For the larger part the licences are imposed to effect policies on health, sanitary and phytosanitary, security, safety, moral and protection of plant and animal life.

44. For other products, licences are imposed for economic reasons such as to promote and develop deserving infant and strategic industries and to ensure stability of supply and prices. Products involved are motor-vehicles, chassis fitted with engine, bodies for motor-vehicles, road tractors for semi-trailers, activated clay and activated bleaching earth, basic steel products, insulated electric wires, cables, cabbages, coffee beans and raw sugar.

45. The Fourth Schedule lists out products that can be imported when accompanied by import permits issued by the relevant agencies. The issuance of permits facilitates inspection, monitoring and, in some instances, treatment to ensure imported goods meet health, safety, sanitary and phytosanitary standards and security requirements.

iv. **Quarantine Regulations**

46. The import of plants and plant products must be accompanied by an import permit issued under the Plant Quarantine Regulations (1981) and a phytosanitary certificate issued

by an authorised official from the country of export. All consignments are subjected to inspection by the Agriculture Department prior to clearance by the Customs. Live animals are generally required to be quarantined for at least a minimum of ten days.

v. **Customs Valuation**

47. The definition of value in relation to goods to be imported into Malaysia and the duty payable is based on a single concept of value. The principle of the Brussels Definition of Value is followed.

vi. **Government Procurement**

48. The Malaysian government practices an open tender system. Foreign suppliers or their agents when registered with the Ministry of Finance qualify to bid for public contracts.

vii. **Technical Standards**

49. The main objective of policies on technical standards is to ensure that the interest of all relevant parties affected by such standards, particularly the consumers and industries, are represented and taken into consideration before being declared and used as a national standard. In the preparation of Malaysian Standards, every effort is made to use international standards, particularly the ISO 9000 series, as the basic reference standards.

50. All Malaysian Standards are voluntary unless made obligatory by regulations of the relevant regulatory bodies. To date, standards for some 34 items are obligatory and out of this, 28 are electrical items while the rest are road transport and fire fighting items.

viii. **State Trading**

51. There is only one entity that falls within the definition of Article XVII of the GATT, i.e. the National Padi and Rice Authority (LPN). The LPN was established in 1974 and charged with the responsibility of ensuring adequate supply of rice - the staple food in Malaysia - to consumers at reasonable prices. To enable LPN to perform this function effectively it has been designated the sole importer of rice as well as the manager of the national rice stockpile.

ix. **Internal Taxes**

52. Internal trade-related taxes in Malaysia are the sales tax and the excise duties. Sales tax is charged at the same rate for domestically produced goods and imported goods. Excise duties are imposed on specified goods manufactured in Malaysia.

x. **Customs Regulations and Procedures**

53. No charges are imposed for customs clearance at designated points of entry. Declaration of goods to be imported or exported, dutiable and non-dutiable, are declared on prescribed forms in the UN layout key format.

xii. **Anti-dumping and Countervailing Measures**

54. Malaysia has tabled in Parliament a Countervailing and Anti-Dumping Duties Bill which incorporates the principles of the GATT Anti-dumping and Subsidies Codes. The provisions of the draft Agreements on Anti-dumping, Subsidies and Countervailing Duty in the Draft Final Act have also been taken into account.

xiii. **Free Zones**

55. In 1990, Malaysia introduced the Free Zones Act which replaces the Free Trade Zone Act 1971. The major change introduced in the Free Zones Act of 1990 is that, in addition to manufacturing activities, its coverage is extended to commercial activities, defined as trading, breaking of bulk, grading, packing, relabelling and transit.

56. As a result of the extension, there are now two types of Free Zones, i.e. Free Commercial Zones for trading companies and Free Industrial Zones reserved specifically for manufacturing companies. Benefits enjoyed by businesses in the two zones are similar, include exemptions of customs duties, excise duties, sales tax and service tax on raw materials, components, and service which are used directly in manufacturing processes and in the provision of services.

xiv. **Export Licences and Permits**

57. With the exception of a small number of items, goods can be freely exported out of Malaysia. The Customs (Prohibition of Exports) Order 1988 is the single reference for products subject to export licence and permit. It contains three schedules. The First Schedule contains a list of products totally prohibited from export. These are corals, rattans, turtle eggs and all goods destined for South Africa and Israel.

58. The Second Schedule lists out products which require export licence for reasons of health, sanitary and phytosanitary, protection of plants and animals, security, stability of supply and the enforcement of quotas on textile products under the Multi-Fibre Agreement.

59. The Third Schedule contains a list of products that can only be exported when accompanied by permits issued by the relevant agencies. These permits are required for the protection of wildlife, health and phytosanitary reasons, security and protection of antiquities.

xv. **Export Tax**

60. The rationale for export tax has been revenue collection as well as the maintenance of adequate supply in the domestic market. However, reliance on this tax as a source of revenue has declined over the years and, consequently, the number of products still subject to export tax is small. These include products such as live animals and fish, birds and duck eggs, natural gums, rattan, crude palm and palm kernel oils, baulks, logs and base metals. The latest abolishment of export tax was on rubber and pepper (white and black) in 1991.

xvi. **Export Levy**

61. Export levy on selected species of sawn timber is imposed to ensure adequate supply of timber for the higher-value-added timber-based industry, and for research and development.

xvii. **Cess**

62. Cess on rubber production and export is imposed for the purpose of research and development.

xviii. **Export Incentives and Facilities**

63. Principal export incentives and facilities that are still in place are summarized below:

- **Double Deduction for Promotion of Exports**

64. Certain expenses incurred by resident companies for the purpose of seeking opportunities for exports of manufactured products and agricultural produce are eligible for double deduction.

- **Double Deduction of Export Credit Insurance premiums**

65. To encourage exporters to penetrate into non-traditional markets, premium payments on export credit insurance are eligible for double deduction.

- **Export Credit Refinancing (ECR) Scheme**

66. Under the ECR Scheme, direct and indirect exporters of eligible manufactured goods and selected primary commodities can obtain short-term financing under the pre- and post-shipment ECR from commercial banks at competitive rates of interest. The ECR interest rates closely reflect the movement of market rates for bankers acceptance of similar maturities. The pre-shipment facility is to provide working capital to exporters and manufacturers in producing eligible goods for exports. The post-shipment financing is for the use by exporters to obtain immediate funds upon shipment of eligible goods sold on credit terms.

67. With effect from 1 January 1994, two types of export incentives would be abolished, i.e. Abatement Incentive for manufactured exports and Export Allowance.

xix. **Export Promotion**

68. To help promote Malaysia's products overseas, the Ministry of International Trade and Industry (MITI) organises trade missions and facilitates the participation of Malaysian exporters in international trade fairs held in the country and overseas. In addition, specialised agencies also organise trade missions to promote specific products. To strengthen export services currently provided as well as to provide new services, the Malaysian External Trade Development Corporation (MATRADE) has been set up to replace the Malaysian Export Promotion Centre. The functions of MATRADE include the provision of a wide range of services such as market research, market information, product design, commercial intelligence, training, product development and other related activities.

xx. **Local Content Regulations**

69. Malaysia does not have any laws or regulations regarding local content requirements applying to domestic production. The Government encourages the use of local materials in manufacturing and, in this regard, local content is one of the factors taken into account in the granting of investment incentives i.e. Pioneer Status and Investment Tax Allowance. However, for the automotive industry, there is a policy to encourage the automotive assembly industry to increase the level of local content.

xxi. **Trade-related Aspects of Foreign Exchange Regulations**

Overview

70. Malaysia has an exchange control regime which is applied uniformly to transactions with all countries, except South Africa, Israel, Serbia and Montenegro. The main objectives of the exchange control policy are to ensure that export proceeds are received promptly, to assist the Central Bank of Malaysia in monitoring the settlement of payments and receipts in international transaction, and to encourage the use of national financial resources for productive purposes in the country. Exchange control is administered by the Bank Negara Malaysia (Central Bank of Malaysia), in accordance with the provisions of the Exchange Control Act, 1953.

Inflow and outflow of funds

71. No permission is required for a non-resident to undertake direct or portfolio investment in Malaysia. All forms of inflows of foreign funds are permitted without any restriction, subject only to a monitoring of inward remittances exceeding the equivalent of Malaysian Ringgit 10,000 (approximately US$ 3,704) each. All types of payments to non-residents for any purpose

including repatriation of capital, profits and dividends are freely permitted, again only subject to a monitoring of remittances more than Malaysian Ringgit 10,000 each.

Inter-company accounts

72. No permission is required for a company in Malaysia to maintain inter-company accounts with associated companies, branches or other companies outside Malaysia, provided the specified monthly returns are submitted. The following are excluded from the inter-company accounts:

i) proceeds from the exports of Malaysian goods; and

ii) proceeds from loans extended to Malaysian companies.

73. With prior permission, however, companies located in free zones, or licensed manufacturing warehouses, are allowed to offset the export proceeds through inter-company accounts against payables to their affiliated or parent companies overseas for the supply of raw materials, parts, components, and other items and services. This enables the companies concerned to repatriate to Malaysia only the value added created by Malaysian companies.

Export proceeds

74. Export proceeds may be settled in any foreign currency (other than the currencies of South Africa, Israel, Serbia and Montenegro) or in Malaysian Ringgit from an External Account. These proceeds must be repatriated to Malaysia within the period of payment specified in the export contract, which, in any case, should not exceed six months from the date of export, and the foreign currency export proceeds sold immediately on receipt to an Authorised Bank for Malaysian Ringgit.

75. The exchange control requirement that all foreign currency export proceeds must be sold immediately on receipt for Malaysian Ringgit to an Authorised Bank in Malaysia serves two objectives, namely:

i) To consolidate the foreign exchange earnings into the "national pool" managed by the Central Bank to meet the country's foreign exchange liabilities; and

ii) To ensure there is constant inflow of funds into the country to maintain an active foreign exchange market in Malaysia.

This requirement applies uniformly to export proceeds from all countries.

xxii. **Exchange Rates**

76. Exchange rate is not used as an instrument to influence the flow of trade. The nominal exchange rate of the Malaysian Ringgit is determined in terms of a "composite basket" of

currencies of Malaysia's major trading partners and major currencies used in international settlement. Under the arrangement, the Malaysian Ringgit floats freely against these currencies so that the external value of the Malaysian Ringgit against the composite would not depend on rates of any single currency, but on a combination of these currencies, i.e. dependent on overall supply and demand factors.

77. The Central Bank's role in the foreign exchange market is to ensure orderly market conditions and to protect the market from over-exposure to undue risks. Occasional interventions are merely carried out to maintain orderly conditions and minimise sharp short-term fluctuations in the value of the ringgit. The Central Bank does not go against fundamental trends in the foreign exchange market.

xxiii. **Trade-related Aspects of Policies on Foreign Direct Investment In The Manufacturing Sector**

78. Malaysia has adopted a liberal policy towards foreign direct investments (FDIs), particularly in the manufacturing sector. There is no export performance requirement for foreign investors. However, export performance as proposed by the foreign investor in undertaking a manufacturing project will determine the level of foreign equity participation that can be allowed.

79. A foreign investor proposing to undertake a 80% - 100% export-oriented manufacturing project is allowed to hold 100% equity in the project concerned. For a project proposing to export 50% or more, but less than 80% of its production, foreign equity ownership of up to 100% can be allowed depending on the level of investment in fixed assets or the level of value-added in the project. The level of foreign equity participation for other export-oriented projects will be determined by factors such as the level of technology, spin-off effects, size of the investment, location, value-added and the utilization of local raw materials and components.

80. As mentioned earlier, there are no local content regulations on all projects including projects approved with foreign investment. However, local content is one of the factors taken into account in the granting of investment incentives i.e. Pioneer Status and/or Investment Tax Allowance.

(b) **Prospective Changes In Trade Policies And Practices**

81. Malaysia attaches importance to the promotion of a liberal multilateral trading system within the framework of the GATT. In this context, Malaysia will continue to liberalize its trade regime and maintain outward-oriented trade policies.

82. Major liberalization measures that have already been undertaken/under consideration are:

- Abolishment of Abatement of Income for Exports on 1 January 1994. An abatement of income for has been granted to resident manufacturing companies exporting, directly or through agents, products which are manufactured in Malaysia. In 1992 the amount of abatement which was applied on the statutory income was an amount equal to a rate of 50 percent of export sales as bears to total sales. The rate has been reduced to 25 percent in 1993. This incentive will be abolished in respect of exports made on or after 1 January, 1994;

- Abolishment of Export Allowances. An export allowance of 5 percent based on the f.o.b. value of export sales has been granted to trading and agricultural companies which export manufactured or agricultural products produced in Malaysia. In 1993 the rate was reduced to 3 percent and this incentive will eventually be abolished in respect of exports made on or after 1 January 1994; and

- Review of export taxes on certain agriculture products.

83. Periodic reviews of remaining licensing regulations would be undertaken consistent with the objective to further liberalise trade regulations. Parallel to this, tariff revisions would also be made from time to time in addition to the concessions offered in the Uruguay Round negotiations. In the Uruguay Round, Malaysia has offered to reduce and/or bind 3,787 tariff lines. The offer covers 48 percent of total imports and 31 percent of tariff lines. Approximately 37 percent of imports would be bound at 5 percent level. According to the assessment of the GATT Secretariat, as a result of this offer the trade-weighted average of Malaysia's tariffs will be reduced from 10.2 percent to 8.9 percent.

B. BACKGROUND AGAINST WHICH THE ASSESSMENT OF TRADE POLICIES WILL BE CARRIED OUT

I. WIDER ECONOMIC AND DEVELOPMENTAL NEEDS, POLICIES AND OBJECTIVES

(a) Overview of the Malaysian Economy

i. Economic growth

84. In the early years of Independence (1956-60), the economy was growing at an average rate of 4.1 percent per annum. The growth rate accelerated to an average of 5 percent during the 1961-65 period and reached its peak in the 1970s, with the economy growing at an average rate of more than 7 percent in the first half of the decade and close to 9 percent per annum in the second half.

85. The rate of economic growth slowed down considerably in the early 1980s on account of unfavourable world economic conditions and structural weaknesses in the economy. Prudent macroeconomic policies enabled growth momentum to pick up in the second half of the decade so that the 1980s as a whole continued to generate commendable growth for the Malaysian economy.

86. In the current decade, the GDP growth rate was 9.7 percent in 1990 but has since moderated in 1991 and 1992 to 8.7 percent and 8.0 percent respectively - a consequence of the world-wide economic slowdown.

ii. Structural transformation

87. At the time of independence, Malaysia was dependent on rubber and tin for 70 percent of total export earnings, 28 percent of Government revenue and 30 percent of total employment. By the end of 1970, as a result of economic development programmes focused on diversifying and modernising agricultural production, timber and palm oil had emerged as important export commodities, accounting for 16.5 percent and 5.1 percent of gross exports respectively, while the relative importance of rubber was reduced to 33 percent (from 60 percent in 1957). With the discovery of oil fields off the Malaysian coast, production of crude petroleum also began to gain significance.

88. During the 1970s, the introduction of a new policy dimension in terms of diversifying the manufacturing sector led to the increase in the share of the manufacturing sector in the GDP to 12 percent compared to 5 percent in the 1960s.

89. The decade of the 1980s saw further diversification of the economy into more advanced industries. Consequently, the contribution of the manufacturing sector in terms of its share

of GDP increased steadily, and in 1987 surpassed the traditional mainstay, agriculture, to account for 22.5 percent of GDP.

90. In the first three years of the 1990s the manufacturing sector continued to lead overall output growth and in 1992 its share of the GDP was 28.8 percent.

iii. Commodities Sector

91. Despite its declining share, the contribution of the commodities sector to Malaysia's total export earnings is still significant. In 1992, export earnings from the this sector, including commodity-based products, accounted for 21.7 percent of the total export earnings. The major products contributing to the total commodities export earnings are timber and timber products (45.45 percent), palm oil and palm oil products (28.34 percent), rubber and rubber products (18.95 percent) and cocoa and cocoa products (2.85 percent).

iv. Services Sector

92. The services sector is a large sector in the Malaysian economy. In 1960, the services sector accounted for about 45 percent of GDP. The share of the services sector dropped to 39 percent in 1978 due to a change in the base year from 1970 to 1978. The sector continued to increase its contribution to GDP reaching 44 percent in 1992.

v. Changing Role of the Government

93. The government was actively involved in the economy in the 1970s. The increased public sector stance was necessary to implement specific programmes to reduce the incidence of poverty as well as to restructure society to achieve a more equitable distribution of income. This approach required heavy resource requirements and resulted in deficits in both the current and public sector accounts. Financing such deficits resulted in increasing national debt.

94. This situation was addressed with the government's structural adjustment policy measures. This took the form of consolidation of public sector expenditure, deregulation and liberalisation to promote increased private sector participation. Privatisation featured prominently in this process.

95. Up to January 1993, sixty five enterprises/ services/projects have been privatised including telecommunications, electricity supply and distribution, postal services, the national airlines, the national shipping carrier, cargo handling at the country's main port, highway construction and rural water supply.

96. The government concentrates on eliminating supply constraints by providing the necessary infrastructure and social services such as education and health.

(b) **The National Development Policy**

97. Malaysia's future economic development is based on the National Development Policy (NDP). The NDP's two-pronged strategy is to reduce and eventually eradicate poverty, and to accelerate the process of restructuring of society to correct economic resource imbalances so as to reduce and eventually eliminate the identification of race with economic function.

98. The framework for achieving the NDP objectives for the period 1991-2000 is provided by the Second Outline Perspective Plan (OPP2) under which the private sector is expected to assume a leading role.

99. In the context of the NDP, an expanding economy resulting from a strengthened growth process is a necessary condition to create the opportunities and generate the resources needed to ensure that the poverty eradication and distributional objectives are meaningfully realised. In this regard, key issues would be an adequate supply of well-trained, skilled and technically oriented manpower; growth of domestic investment in view of the tight international capital market; the development of small and medium scale industries to contribute towards a more dynamic and competitive industrial sector through its supportive and complementary role; further diversification of industries and increased linkages in the domestic manufacturing sector; enhancement of absorptive and adoptive technological capabilities; and reconciliation of goals of economic development with goals of environmental protection.

II. THE EXTERNAL ECONOMIC ENVIRONMENT

(a). Major Trends in Exports and Imports

Balance of Trade

100. In 1991, Malaysia experienced a trade deficit of US$2.3 billion, the third ever deficit to date recorded. Unlike the deficit in 1982, when the deterioration in the trade balance arose when imports increased continuously at a rapid pace in the face of a slump in commodity prices, the situation was different in 1991, when the deficit was caused by sharp increase in imports of investment and intermediate goods.

Table 1
Imports, exports and balance of trade
Billion Malaysian Ringgit (US$ billion)

Period	Imports		Exports		Balance of trade
	Value	Annual percentage growth	Value	Annual percentage growth	
1982	29.0 (10.7)	+ 9.1	29.8 (10.4)	+ 3.7	-0.9 (-0.3)
1983	30.8 (11.4)	+ 6.1	32.8 (12.1)	+16.6	2.0 (0.7)
1984	32.9 (12.2)	+ 6.9	38.7 (14.3)	+17.9	5.7 (2.1)
1985	30.4 (11.3)	- 7.6	38.0 (14.1)	- 1.6	7.6 (2.8)
1986	28.0 (10.3)	- 8.3	35.3 (13.1)	- 6.0	7.4 (2.7)
1987	32.0 (11.8)	+14.4	45.2 (16.7)	+28.0	13.3 (4.9)
1988	43.3 (16.0)	+35.6	55.3 (20.5)	+22.2	12.0 (4.4)
1989	61.0 (22.5)	+40.6	67.8 (25.1)	+22.7	7.0 (2.6)
1990	79.1 (29.3)	+30.0	79.6 (29.5)	+17.4	0.5 (0.2)
1991	100.8(37.3)	+26.5	94.5 (35.0)	+18.9	- 6.3 (-2.3)
1992	101.7 (37.7)	+ 1.0	103.5 (38.3)	+ 9.5	1.8 (0.7)
Average		(+14.1)		(+13.5)	

Notes: i) Imports are unadjusted c.i.f. values
ii) Exports are unadjusted f.o.b. values
iii) Figures in parenthesis are values in US dollars. Conversion was made from Malaysia Ringgit to US dollars using an exchange rate of RM2.70 to US$1.00.

Exports

101. For the period 1982 to 1992, Malaysia's exports expanded at an average of 13.5 per cent per annum and stood at US$38.3 billion in 1992. Negative growth was only recorded during the recession years of 1985 and 1986. Other main features of Malaysia's export performance are as follows:

i. the share of manufactured exports in total exports rose from 22 percent in 1980 to 70 percent in 1992,

ii. correspondingly, the share of agricultural exports declined from 44 percent in 1980 to 17 percent in 1992,

iii. within the manufacturing sector, the share of exports of non-resource-based industries are substantially higher than that of resource-based industries (Table 2), and

iv. major markets are the ASEAN countries, USA, Japan, the EC, Republic of Korea, Hong Kong, Taiwan, Republic of China and Australia (Table 3).

Table 2
Malaysia: Exports of Manufactured Goods

	1981-1986	1987-1992	1991	1992
	Average annual growth rate in %		% share	
Total exports	15.9	29.1	100.0	100.0
Resource-based	13.8	24.2	17.8	17.9
Non-resource based	17.3	29.9	76.8	77.1
of which:				
Electrical, electronic machines and appliances	18.8	30.3	57.9	58.6
Textiles and clothing	11.6	22.5	7.8	7.4
Transport equipment	15.1	39.6	5.3	5.4
Iron and steel	38.0	23.1	1.0	1.3
Fabricated metal	7.5	29.0	1.3	1.3

Table 3
Major markets for Malaysia's exports
(Percentage share of total exports)

Markets	1988	1990	1992
ASEAN	24.4	28.9	29.6
United States	17.4	16.9	18.6
Japan	16.8	15.8	13.3
European Communities	14.5	14.9	14.9
United Kingdom	3.4	3.9	4.1
Germany	3.4	3.9	4.1
Netherlands	3.1	2.6	2.4
France	1.4	1.4	1.4
Hong Kong	3.4	3.1	3.8
Republic of Korea	4.9	4.6	3.4
Taiwan	2.9	2.1	3.1
China	2.0	2.1	1.9
Australia	2.5	1.6	1.6

Imports

102. As the case for exports, the only time that imports declined was during the recession years of 1985-86. Average annual growth rate of imports for the period 1982-1992 was 14.1 percent which was slightly higher than that for exports. Major features of imports are as follows:

i. in terms of composition, imports of investment goods (excluding aircraft, ships and offshore oil installations) recorded the sharpest growth in the period 1987-91 and in the year 1992 followed by intermediate and consumption goods (Table 4), and

ii. major sources of imports are Japan, ASEAN countries, U.S.A., the E.C., Taiwan, Republic of Korea, China, Australia and Hong Kong (Table 5).

Table 4
Malaysia: Imports By Economic Functions

	1981-1986	1987-1991	1992	1990	1991	1992
	Average annual growth in %			% share		
Investment goods*	1.2	37.2	4.2	30.0	37.7	42.0
(Inputs for manufacturing sector)	(4.0)	(41.2)	-	(10.8)	(18.7)	-
Intermediate goods	2.6	26.0	-3.6	50.3	45.3	41.3
(Input for manufacturing sector)**	(8.3)	(24.3)	-	(25.5)	(29.7)	-
Consumption	5.6	21.8	2.0	18.2	15.4	16.1

* Excluding "lumpy" imports such as aircraft, ships and offshore oil installations.
** For production of exportables only (estimates of the Central Bank).

Table 5
Major sources of Malaysia's imports
(Percentage share of total imports)

Markets	1988	1990	1992
Japan	23.3	24.0	26.0
ASEAN	18.7	19.0	20.4
United States	17.8	16.7	15.7
European Communities	13.4	14.7	12.5
Germany	3.9	4.3	4.1
United Kingdom	4.9	5.4	3.4
France	1.6	1.5	1.3
Italy	0.9	1.4	1.3
Taiwan	4.6	5.4	5.6
Republic of Korea	2.5	2.5	3.0
China	3.0	1.9	2.8
Australia	4.2	3.7	2.7
Hong Kong	2.3	1.9	2.3

(b) Important Economic Trends

i. Balance of Payments

103. The overall balance of payments (BOP) position has remained favourable in the 1988-92 period with the overall account recording surpluses ranging between US$1.2 billion and US$6.2 billion except in 1988 when a deficit of US$0.4 billion was recorded. The current account moved from a surplus of US$1.7 billion in 1988 to a deficit of US$1.6 billion in 1992. The services account deficit continues to widen and in 1992 amounted to US$4.4 billion.

Table 6
Balance of payments
Billion Malaysian Ringgit
(Billion US$)

	1988	1989	1990	1991	1992
Merchandise balance	14.5 (5.4)	10.6 (3.9)	5.2 (1.9)	-0.5 (-0.2)	7.3 (2.7)
Exports	54.6 (20.2)	66.8 (24.7)	78.1 (28.9)	93.2 34.5	101.2 (37.5)
Imports	-40.1 (-14.9)	-56.2 (-20.8)	-72.9 (-27.0)	-93.6 (-34.7)	-94.0 (-34.8)
Services balance	-10.2 (-3.8)	-11.4 (-4.2)	-9.7 (-3.6)	-12.3 (-4.6)	-12.0 (-4.4)
of which:					
Investment income	-5.0 (-1.9)	-5.9 (-2.2)	-5.1 (-1.9)	-6.1 (-2.3)	-6.4 (-2.4)
Current account balance	**4.7** **(-1.9)**	**-0.6** **(-0.2)**	**-4.4** **(-1.6)**	**-12.5** **(-4.6)**	**-4.4** **(-1.6)**
Net long-term capital inflow	-3.2 (-1.2)	2.7 (1.0)	5.5 (2.0)	11.8 (4.4)	8.5 (3.2)
Official	-5.1 (-1.9)	-1.8 (-0.7)	-0.8 (-0.3)	0.6 (0.2)	-1.9 (-0.7)
Private	1.9 (0.7)	4.5 (1.7)	6.3 (2.3)	11.2 (4.2)	10.5 (3.9)
Overall balance	**-1.1** **(-0.4)**	**3.3** **(1.2)**	**5.4** **(2.0)**	**3.4** **(1.3)**	**16.7** **(6.2)**

Note: Figures in parenthesis are in US dollars with the conversion made using an exchange rate of RM 2.70 to US$1.00.

ii. International Reserves

104. The net international reserves of the Central Bank, comprising gold, foreign exchange, reserves position with the International Monetary Fund (IMF) and holdings of SDRs, increased for the fourth consecutive year to reach US$17,480 million at the end of 1992 (Table 7). The level of reserves at the end of 1992 was sufficient to finance 5.6 months of retained imports.

Table 7
Net International Reserves
(US$ million)

	1989	1990	1991	1992
SDR holding	169.9	196.1	211.1	109.5
IMF reserve position	224.4	233.0	259.4	314.0
Gold and foreign	7,627.9	9,580.2	10,808.1	17,056.4
Net reserves	8,022.2	10,009.3	11,278.6	17,479.9

Note: Conversion was made from Malaysian Ringgit (RM) to US Dollars using an exchange rate of RM2.70 to US$1.00.

iii. Exchange Rates

105. The Malaysian Ringgit (RM) is effectively floating in the foreign exchange market and its value is influenced by fundamental developments in both domestic and foreign sectors. The movement of the Malaysian Ringgit against selected currencies from 1980 to 1992 is shown in Table 8.

Table 8
Movement of Ringgit Against Selected Currencies
(% change)

	US$	SFR	S$	Stg.	Yen	DM
1980	-1.3	-4.2	-8.2	-16.4	12.5	10.2
1081	-1.2	-3.3	23.5	7.1	13.2	-0.1
1982	-3.2	-0.4	14.1	3.5	2.2	7.6
1983	-0.9	0.0	10.5	-2.2	13.2	7.8
1984	-3.6	-1.3	20.4	4.3	11.5	14.6
1985	0.5	-2.8	-18.7	-19.8	-21.5	-19.5
1986	-7.2	-4.1	-9.1	-25.9	-26.4	-27.1
1987	4.4	-4.0	-18.1	-20.1	-15.2	-17.9
1988	-8.1	-10.6	-4.1	-5.6	3.6	8.6
1989	0.5	-2.2	12.2	14.4	-5.0	2.2
1990	0.0	-7.9	-16.1	-5.7	-11.1	-16.8
1991	-0.9	-7.4	1.7	-8.2	0.2	4.7
1992	4.5	5.4	29.1	4.0	11.3	13.0

iv. Inflation Rates

106. The inflation rate in the country has been rising as shown in Table 9.

Table 9
Inflation Rates, 1988-1993
(Per cent)

Year	CPI (%)
1988	12.5
1989	2.8
1990	3.1
1991	4.4
1992	4.7
1993*	4.4

* January-February only

(c) International Macroeconomic Environment Affecting the External Sector

107. Economic recovery in the industrialised countries and further growth in the developing countries would enhance the prospects for better export performance. An upturn in the world economy would also help to check possible decline in the inflow and growth of investments. More importantly, worldwide economic turn-around and growth would provide the impetus for further liberalization and improvement in the multilateral trading system which, as underlined earlier, is important to the Malaysian economy.

III. PROBLEMS IN EXTERNAL MARKETS

108. Malaysia's exports still encounter barriers and discriminatory trade practices in foreign markets. High tariffs and tariff escalation in some countries are affecting exports of processed and higher value-added resources-based products. Uncertainties caused by frequent initiations of anti-dumping and countervailing duty proceedings have increasingly become a major problem.

109. Other non-tariff barriers affecting Malaysia's exports are prohibitive sanitary and phytosanitary regulations, pre-shipment inspections and arbitrary customs values, discriminatory labelling and distortive payment regulations.

110. A major concern for Malaysia is the increasing use of unilateral trade measures for reasons of environment. Environment could and has been used as a convenient cover for protectionist motives. An even more dangerous trend is the use of unilateral trade measures such as eco-labelling to restrict imports of products to impose a country's own environmental standards on a third country, merely because it originates from a country with environmental policies or standards different from its own.

APPENDIX I

MAIN TRADE AND TRADE-RELATED LAWS

1. Antiquities Act 1976
2. Antiquities and Treasure Trove Ordinance 1957
3. Arbitration Act 1952 (Revised 1972)
4. Banking and Financial Institution Act 1989
5. Bills of Exchange Act 1949 (Revised 1978)
6. Bills of Sale Act 1950 (Revised 1982)
7. Carriage by Air Act 1974
8. Carriage of Goods by Sea Ordinance 1950
9. Central Bank of Malaysia Ordinance 1958
10. Civil Aviation Act 1969
11. Commodities Trading Act 1985
12. Companies Act 1965 (Revised 1973)
13. Coin (Import and Export) Act 1957 (Revised 1990)
14. Continental Shelf Act 1966
15. Contract Act 1950
16. Control of Supplies Act 1961 (Revised 1973)
17. Convention on the Recognition and Enforcement of Foreign Arbitral Awards Act 1985
18. Convention on the Settlement of Investment Disputes Act 1966 (Revised 1989)
19. Copyright Act 1987
20. Customs Act 1967 (Revised 1980)
21. Customs (Exemption and Remission of Charges) Act 1965
22. Customs (Malaysian Common Tariffs) Act 1966

23. Dangerous Drugs Act 1952 (Revised 1980)

24. Electricity Supply Act 1990

25. Emblems and Names (Prevention of improper use) Act 1963 (Revised 1989)

26. Environmental Quality Act 1974

27. Exchange Control Act 1953

28. Excise Act 1976

29. Exclusive Economic Zone Act 1984

30. Explosives Act 1957 (Revised 1978)

31. Export of Plants (Control) Ordinance 1939

32. Extra - Territorial Offences Act 1976

33. Factories and Machinery Act 1967

34. Finance Acts (Annual) - All the Finance Acts essentially provide for amendments to revenue laws following the annual budgets proposals.

35. Finance (Banking and Financial Institutions) Act 1986

36. Financial Procedure Act 1957

37. Fisheries Act 1985

38. Food Act 1985

39. Free Zone Act 1990

40. Government Contracts Act 1949 (Revised 1973)

41. Hire Purchase Act 1967 (Revised 1978)

42. Immigration Act 1959/63 (Revised 1975)

43. Import Duties (Validation) Act 1992

44. Income Tax Act 1967 (Revised 1971)

45. Industrial Coordination Act 1975

46. Industrial Relations Act 1967

47. Insurance Act 1963 (revised 1972)

48. National Forestry Act 1984

49. Offshore Banking Act 1990

50. Offshore Companies Act 1990

51. Offshore Insurance Act 1990

52. Partnership Act 1961

53. Patens Act 1983

54. Petroleum Mining Act 1966 (Revised 1972)

55. Plant Quarantine Act 1976

56. Petroleum Development Act 1974.

57. Poisons Act 1952 (Revised 1989)

58. Price Control Act 1946 (Revised 1973)

59. Promotions of Investments Act 1986

60. Protection of Wild Life Act 1972

61. Registration of Business Act 1956

62. Rubber Export Registration Act 1966

63. Rubber Price Stabilisation Act 1975

64. Sale of Goods Act 1957 (Revised 1989)

65. Sales Tax Act 1972

66. Service Tax Act 1975

67. Tin Control Act 1954

68. Trade Descriptions Act 1972

69. Trade Marks Act 1976

70. Weights and Measure Act 1972

APPENDIX II

TRADE AGREEMENTS

	Country	Date of agreement
1.	Argentina	01.07.1991
2.	Australia	26.08.1958
3.	Bangladesh	01.12.1977
4.	Bulgaria	20.05.1968
5.	Chile	21.06.1991
6.	China (PRC)	01.04.1988
7.	Czechoslovakia	20.11.1972
8.	Egypt	08.01.1977
9.	Germany	27.05.1980
10.	Hungary	02.02.1970
11.	Indonesia	16.10.1973
12.	Iran	19.03.1989
13.	Iraq	17.02.1977
14.	Japan	10.05.1960
15.	Korea (DR)	09.06.1979
16.	Korea (ROK)	05.11.1962
17.	Libya	18.01.1977
18.	Mali	16.11.1990
19.	New Zealand	03.02.1961
20.	Pakistan	05.11.1987
21.	Poland	07.11.1970
22.	Romania	01.03.1991
23.	Tunisia	25.11.1992
24.	Turkey	13.02.1977
25.	USSR*	03.04.1967
26.	United Arab Republic (Egypt)	26.02.1962
27.	Vietnam (SR)	11.08.1992
28.	Venezuela	26.11.1991
29.	Yugoslavia**	26.06.1969

* This agreement is now effective with Russia.
** The agreement with Yugoslavia is now null and void.

APPENDIX III

DOUBLE TAXATION AGREEMENTS

	Country	Date of agreement
1.	Australia	20.08.1980
2.	Austria	20.09.1989
3.	Bangladesh	18.04.1983
4.	Belgium	24.10.1973
5.	Canada	16.10.1976
6.	China (PRC)	23.11.1985
7.	Denmark	04.12.1970
8.	Finland	28.03.1984
9.	France	31.01.1991
10.	Germany (DR)	29.01.1985
11.	Germany (FR)	08.04.1977
12.	Hungary	22.05.1989
13.	India	25.10.1976
14.	Indonesia	12.09.1991
15.	Iran	12.11.1992
16.	Italy	28.01.1984
17.	Japan	30.01.1970
18.	Korea (ROK)	20.04.1982
19.	Mauritius	22.08.1992
20.	Netherlands	07.03.1988
21.	New Zealand	19.03.1976
22.	Norway	23.12.1970
23.	Pakistan	29.05.1982
24.	Philippines	27.04.1982
25.	Poland	19.09.1977
26.	Romania	26.11.1982
27.	Singapore	06.07.1973
28.	Sri Lanka	16.09.1972
29.	Sweden	21.11.1970
30.	Switzerland	30.12.1974

(Cont'd)

	Country	Date of agreement
31.	Thailand	29.03.1982
32.	Union of Soviet Socialist Republic	31.07.1987
33.	United Kingdom	30.03.1973
34.	United States of America	18.04.1989
35.	Yugoslavia	30.09.1989

APPENDIX IV

BILATERAL PAYMENT ARRANGEMENT

	Country	Date of agreement
1.	Algeria	31.01.1992
2.	Botswana	06.06.1991
3.	Chile	21.06.1991
4.	Fiji	12.10.1991
5.	Iran	08.08.1988
6.	Mozambique	27.04.1991
7.	Mexico	24.09.1990
8.	Nigeria	07.09.1990
9.	Pakistan	06.08.1992
10.	Peru	13.11.1991
11.	Romania	20.05.1991
12.	Seychelles	21.09.1992
13.	Sudan	04.01.1992
14.	Tunisia	25.11.1992
15.	Venezuela	03.08.1990
16.	Zimbabwe	07.06.1991
17.	Vietnam	29.03.1993

APPENDIX V

INVESTMENT GUARANTEE AGREEMENTS

	Country	Date of Agreement
1.	Association of South East Asian Nations (ASEAN)	15.12.1987
2.	Austria	12.04.1985
3.	Belgium-Luxembourg	22.11.1979
4.	Canada	01.10.1971
5.	Chile (Republic of)	11.11.1992
6.	China (PRC)	21.11.1988
7.	Denmark	06.01.1992
8.	Finland	15.04.1985
9.	France	24.04.1975
10.	Germany	22.12.1960
11.	Hungary	19.02.1993
12.	Italy	04.01.1988
13.	Korea (ROK)	11.04.1988
14.	Kuwait	21.11.1987
15.	Laos People's Democratic Republic	08.12.1992
16.	Norway	06.11.1982
17.	Netherlands	14.08.1972
18.	Organization of Islamic Countries (OIC)	30.09.1987
19.	Papua New Guinea	27.10.1992
20.	Romania	26.11.1982
21.	Poland	21.04.1993
22.	Switzerland	01.03.1978
23.	Sweden	03.03.1979
24.	Sri Lanka	16.04.1982
25.	Taiwan	18.02.1993
26.	United Arab Emirates	11.10.1991
27.	United Kingdom	21.05.1981
28.	United States of America	(Revised in 1965)
29.	Vietnam (SR)	21.01.1992

APPENDIX VI

MALAYSIA - MACRO ECONOMIC INDICATORS

	1990	1991	1992
Population (million persons)	17.8	18.2	18.6
Labour force (million persons)	7.0	7.3	7.5
Employment (million persons)	6.6	6.8	7.1
Unemployment (million persons)	0.4	0.4	0.4
(% of labour force)	5.6	4.3	4.1

	1990		1991		1992	
	RM billion	% change	RM billion	% change	RM billion	% change
National product						
Gross Domestic Product (GDP) at 1978 prices	79.4	9.7	86.3	8.7	93.2	8.0
Agriculture, forestry & fishing	14.8	0.3	14.8	0.0	15.2	2.6
Mining and quarrying	7.7	4.9	7.9	2.5	8.0	1.0
Manufacturing	21.3	15.7	24.3	13.9	26.9	10.5
Construction	2.8	19.1	3.3	14.6	3.7	14.0
Services	33.8	11.5	37.3	10.4	41.1	9.9
Gross National Product (GNP) at current prices	110.5	14.4	123.5	11.8	140.3	13.6
Gross National Product (GNP) at 1978 prices	76.0	11.2	82.2	8.2	89.0	8.3
Aggregate domestic demand	77.3	14.5	89.3	15.4	91.2	2.1
Private expenditure	56.8	16.1	66.1	16.4	67.6	2.3
Private consumption	40.3	13.1	44.3	9.9	45.1	2.0
Private investment	16.7	24.8	21.2	27.2	22.7	6.9
Public expenditure	20.6	10.1	23.2	12.8	23.6	1.6
Private consumption	11.5	5.5	12.9	12.4	13.0	0.4
Private investment	9.2	17.1	10.0	9.2	10.7	7.1
Gross national savings (% of GNP)	29.6		28.0		32.3	

(cont'd)

	1990 RM billion	1991 RM billion	1992 RM billion
Balance of Payments			
Merchandise balance	5.2	-0.5	7.3
Exports	78.1	93.1	101.3
Imports	72.9	93.6	94.0
Services account (net)	-9.7	-12.3	-12.0
Current account balance	-4.4	-12.5	-4.4
Current account balance (% of GNP)	-4.0	-10.1	-3.1
Central Bank reserves (net)	27.0	30.5	47.2
Reserve as months of retained imports	4.1	3.6	5.6

	1990 % change	1991 % change	1992 % change
Prices			
Goods and non-factor services			
Export price index	0.7	3.0	0.1
Import price index	1.0	2.6	-1.0
Change in terms of trade	-0.3	0.5	1.1
CPI (1990=100)	3.1	4.4	4.7
PPI (1978=100)	0.9	4.1	1.1

Note: One US$ is equivalent to approximately 2.7 Malaysian Ringgit.