

Finally, the Malaysian government has encouraged countertrade as a means of increasing the export of Malaysian goods. This is also designed to improve the balance of trade and foreign exchange. The two most common forms in use are compensation and counterpurchase.

Canada - Malaysia Commercial Relations

Vigorous economic growth, industrial diversification, political stability, and the market orientation of the Malaysian government's economic policies combine to make Malaysia an attractive investment destination and a valuable economic and trading partner for Canada.

Trade between Canada and Malaysia is carried out under the GATT. In terms of exports to Canada, Malaysia is a beneficiary of Canada's General Preferential Tariff and British Preferential Tariff. As well, two arrangements are in place between Malaysia and Canada which facilitate business relations. These are an exchange of notes to promote and protect Canadian investment in Malaysia, and an agreement to avoid double taxation.

Two-way trade between Canada and Malaysia reached a high of \$583 million in 1989 which represents a 4% increase over the previous year. The balance of trade has been in favour of Malaysia since 1986 but this surplus is presently narrowing. Canadian exports to Malaysia totalled \$218.6 million in 1989 (up 14% from 1988) while imports were valued at \$320.1 (essentially at the same level as in 1988 when they stood at \$323.9 million).

Despite our growing bilateral trade, Canada and Malaysia remain very modest players in each other's markets. Canadian exports account for approximately 0.9% of all Malaysian imports, while its share of total Malaysian exports is about 1.1%.

It should be noted that the export of Canadian services (such as engineering consultancy and others) far exceed the sum of our major exports. However, these services are not taken into consideration in trade flow figures which means that basic trade statistics are not indicative of the complete bilateral trade picture.

Exports from Malaysia to Canada continue to be predominantly manufactured goods, primarily electrical products fabricated in Malaysia by foreign-owned companies for the export market. Canadian exports to Malaysia represent a more diverse mixture of goods consisting of roughly 30% in primary resources, 45% in semi-processed goods and 25% in fully manufactured goods in 1989.

The Canadian presence in Malaysia, through joint ventures or other forms of investment, continues to increase. Currently, there are 24 signed agreements with 10 more expected to be finalized before the end of 1990. These ventures comprise both the manufacturing and service sectors. A further 225 Canadian companies have Malaysian representatives. Under CIDA funding, Canada currently has a Canadian investment advisor in the Malaysian Industrial Development Authority (MIDA) in Kuala Lumpur. This official is in a position to promote joint ventures between Canada and Malaysia.