

3

Canada-Malaysia Commercial Relations

3.1 Malaysia's Global Trade

Malaysia's global merchandise trade reached approximately \$53 billion in 1989, a 27 per cent increase over 1988 and approximately 50 per cent above the 1987 figure. While impressive, the increase in exports since 1987 (33 per cent) has not kept pace with the phenomenal growth in imports which almost doubled in the same period. This trend has had the effect of narrowing Malaysia's trade surplus to approximately \$3.8 billion in 1989, down from \$5.4 billion the previous year.

Japan is Malaysia's most important trading partner with approximately 20 per cent of the overall trade. Japan also represents Malaysia's largest source of imports. The U.S. and Singapore rank closely second and third with respectively 17 per cent and 16.5 per cent of Malaysia's global trade.

Malaysia's main exports in 1989 consisted of manufactured products (55 per cent of the total). Of these, electronic parts were the most important component representing about one third of all manufactured exports. Primary commodities such as petroleum, logs and timber, rubber and palm oil accounted together for approximately 38 per cent of

all exports. Manufacturing inputs and machinery and transport equipment were Malaysia's main imports in 1989, representing just under 50 per cent of the total.

Investment in Malaysia has been healthy, representing \$5.1 billion in 1989. Of this total, \$3.7 billion (72.5 per cent) originated from foreign sources. Japan, with \$1.5 billion and Taiwan, with \$0.84 billion were the two most important foreign investors in Malaysia in 1989, accounting for close to two-thirds of all foreign investment in Malaysia during that year. These were largely associated with plant relocations. The U.S. and Singapore were a distant third and fourth respectively, with combined investments of \$625 million.

3.2 Canada-Malaysia Trade

Trade between Canada and Malaysia has been uneven during the last decade, sometimes increasing at impressive rates (52 per cent between 1983 and 1984 and 37 per cent between 1987 and 1988) and at other times reaching a plateau or even decreasing (during the Canadian recession of 1981-83 and the Malaysian economic downturn between 1985 and

Table 1 Relative Growth in Trade between Canada and Malaysia
(\$ millions)

YEAR	CANADA'S EXPORTS	% OF TOTAL MALAYSIAN IMPORTS	CANADA'S IMPORTS	% OF TOTAL MALAYSIAN EXPORTS	TOTAL
1980	93.0	0.7	83.4	0.5	176.4
1981	125.3	0.8	100.0	0.7	225.3
1982	116.4	0.7	89.2	0.6	205.6
1983	113.1	0.6	115.6	0.6	228.7
1984	179.3	0.9	168.0	0.8	347.3
1985	204.3	1.2	146.0	0.7	350.3
1986	103.6	0.6	149.6	0.8	253.2
1987	118.4	0.7	187.2	0.8	305.6
1988	192.0	0.9	323.9	1.2	515.9
1989	218.6	0.9	320.1	1.1	538.7

Sources: Statistics Canada and IMF