

## MALAYSIA

Canada's relationship with Malaysia is longstanding and encompasses a broad range of interests. Commonwealth links, Canada's strong interest in and support for ASEAN, development assistance, as well as growing trade and investment activities are the principal features of the relationship between Canada and Malaysia. The two countries have ongoing discussions through international economic and trade fora such as Asia-Pacific Economic Cooperation (APEC) and the Multilateral Trade Negotiations, as well as under the umbrella of ASEAN.

### Recent Economic Developments

The Malaysian economy has traditionally been based on the extraction and export of primary resources such as rubber, tin and oil. However, consumer goods and export oriented industries have gradually assumed a greater responsibility for the economic development of the country. In this context, foreign investment has been an important factor in the industrialization of Malaysia.

Strong domestic demand and foreign investment (up 33% in 1989) have contributed to a strong GDP in 1988 and 1989, reaching annual growth rates of 8.7% and approximately 8% in those two years. Rising private consumption, strong external demand and investments from abroad (principally Japan, the U.S., Singapore and Taiwan) are expected to contribute to a GDP growth rate in 1990 in the neighbourhood of 7 - 8%.

The country's external debt which stood at 14.8% in 1987, is being effectively reduced through appropriate fiscal and financial policies. The debt service ratio has been reduced to less than 12% in 1989, with this trend expected to continue in 1990. Over the years 1986-1990, the Malaysians set a goal to reduce public expenditures by 40%. In this context, they have proposed an ambitious program of privatization. This program also looks to the private sector as a significant means to stimulate future growth.

Over the next decade Malaysia will continue its efforts to diversify its economic base away from primary resources and to encourage investment in value-added and technology-intensive activities. The government is also promoting the economic development of the Malay population through the implementation of a New Economic Policy (NEP). Measures to promote Malay participation in the economy include an overall target for ownership of all businesses by Bumiputras (native Malays).

### Malaysia's Global Trade

Malaysia's two-way trade with the rest of the world reached approximately \$53 billion in 1989, a 27% increase over 1988 and approximately 50% above the 1987 figure. While impressive, the increase in exports since 1987 (33%) has not kept pace with the phenomenal growth in imports which almost doubled in the same period. This is principally due to the continued deficit recorded in the services sector. This trend has had the effect of narrowing Malaysia's trade surplus to approximately \$3.8 billion in 1989, down from \$5.4 billion a year earlier.