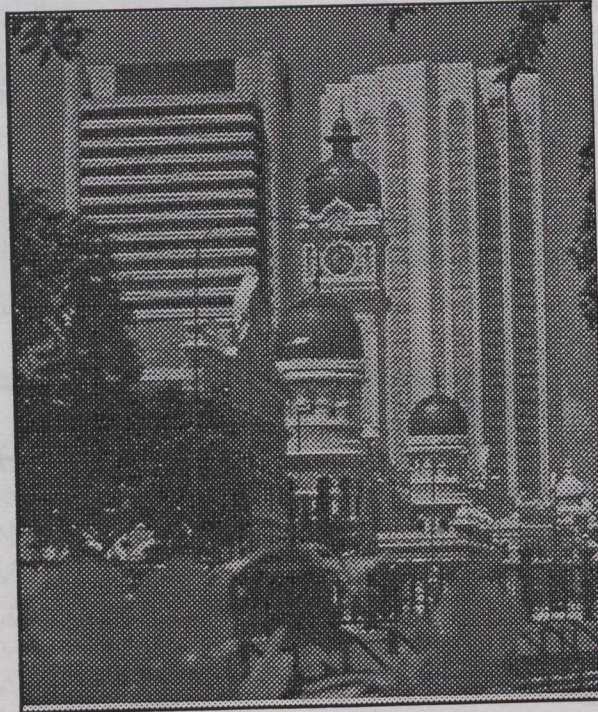


The Malaysian economy was traditionally based on the export of primary products, including tin, rubber, timber, palm oil and petroleum. Services have now become the largest economic sector. Recent strong prices for certain commodities and a boom in the manufacturing sector have also strengthened the Malaysian economy, which has performed extremely well in recent years. In 1994, real GDP growth was 8.7%, exceeding the previous year's by 0.2%. The Prime Minister has a stated goal of making Malaysia a developed country by the year 2020 (a goal stated in his plan "Vision 2020").



riots in Kuala Lumpur in May 1969 were caused in part by Malay anxiety over their economic position within the country. In response, the goal of the government's New Economic Policy (NEP) was to reduce poverty and to increase Malay ownership of the economy to 30% by 1990. By 1990, Malay (or "Bumiputra"—son of the soil) ownership of the economy had risen to about 20%, a significant increase, but still short of NEP targets. The successor to the NEP, the National Development Policy (1991-2000), retains the basic goals of the NEP, but does not set a specific time frame for the achievement of numerical objectives.

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

► Political Environment

Race relations, or communal relations, remain an important fact of political life in Malaysia. Traditionally, the Malays have been predominant in government, while the Chinese have formed the entrepreneurial class. The race

Malaysian positions on international issues, which sometime contain an anti-Western slant, have never affected Canadian business interests. A 1994 ban that prevented British firms from bidding on Malaysian government contracts had little effect on the two countries' bilateral trade. Private business during the ban continued uninterrupted and Britain even moved from a trade deficit to a trade surplus situation with Malaysia in the January to June 1994 period. While diversified in terms of partnerships, Malaysia remains heavily dependent upon Organization for Economic Co-operation and Development (OECD) markets and sources of capital and technology, and is extremely solicitous toward foreign trade and investment.