

that "politics" does play a role in the economy. The transparency of the decision-making process for projects involving the government requires that Canadian exporters appoint strong local representatives. The Malaysian government allows 100% foreign equity in investments in most sectors. However, a notable exception is the oil and gas sector, where joint ventures with Petronas are the norm.

Market Access Results in 2002

- Malaysia's decision to keep the ringgit pegged to the U.S. dollar for the time being gives Canadian products a price advantage in the Malaysian market.
- Malaysia's high-profile campaign against piracy of software and movies gathered momentum in 2002 with many well-publicized raids on offenders. Nevertheless, Malaysia remains one of Asia's three main hubs for pirated software and movies.

Canada's Market Access Priorities for 2003

- Monitor intellectual property legislation and enforcement.
- Pursue further trade liberalization for goods and services in the context of WTO negotiations, especially in the banking sector, which holds potential for Canadian companies.
- Continue to press for further progress in corporate governance and judicial reform, the lack of which acts as a non-tariff barrier to Canadian trade and investment.
- Monitor Malaysia's decision to extend tariff protection for its automobile industry until 2005. The Malaysian approach limits joint-venture and market opportunities for Canadian parts manufacturers.

PHILIPPINES

Overview

The Philippine economy demonstrated remarkable resilience to external developments in 2002. It was competitive with all other Southeast Asian countries in 2002 with GDP growth of 4.6%. Inflation is down and the peso is stable. The positive performance is due to increased political stability and to President Macapagal-Arroyo's sound and determined

approach to the country's economic policy. The government's policy stresses fiscal responsibility, free enterprise, a modernized agricultural sector, a social bias toward the disadvantaged and a raising of the moral standards of government and society. Also contributing to positive performance in 2002 was the stabilizing effect of remittances from the estimated eight million overseas Filipino workers. Although there are still concerns over reforms, transparency and the 2002 deficit, the country's economic situation today is markedly better than under the Estrada Administration. The Philippine government is committed to eliminating the budget deficit by 2006, but it is now clear that targets for this year will not be met due to poorer-than-expected revenue collection.

Market Access Results in 2002

- The Philippines suspended Administrative Order 25 (AO-25), which would have imposed onerous requirements for third-party independent inspections in the country of origin of all meat exported to the Philippines. However, elements of AO-25 were re-introduced in a different manner (see Memorandum Order 7 below).
- Canadian advocacy of socially and environmentally responsible mining prompted the World Bank's private sector lending arm, the International Finance Corporation, to commit to holding a national policy dialogue on responsible mining in 2003. This should in turn contribute to a friendlier and more predictable investment climate.
- Canada pressed for due process on a number of specific investment projects.

Canada's Market Access Priorities for 2003

- Press for the withdrawal of Memorandum Order 7, which will impose duplicative and unnecessary certification requirements for all Canadian meat, milk and their products exported to the Philippines.
- Continue to advocate the benefits of a socially and environmentally responsible mining industry.
- Monitor and assess the investment climate for transparency and due process.