

total production is exported. Manufacturing companies that export at least 80% of their output and fulfil certain other conditions may be wholly foreign-owned. Conversely, companies that cater primarily for the domestic market are required to have between 70% and 100% Malaysian ownership.

Industrial estates, Free Zones and Licensed Manufacturing Warehouses have also been established to cater specifically to the needs of manufacturing companies, as well as to encourage export-oriented production.

Industrial estates provide basic infrastructure such as roads, water, power and telecommunication facilities. Free Zones are specifically designed for manufacturing establishments producing or assembling products essentially for export. Imports of raw materials, parts, machinery and equipment for export manufacture are subject to minimum

customs control and formalities, as are the exports of finished products. To date, 12 Free Zones have been established. Licensed Manufacturing Warehouses have been established where a Free Zone is neither practical nor desirable. These warehouses are accorded similar facilities as those factories operating in the Free Zones.

- **Investment incentives**

Under the Promotion of Investment Act of 1986, both local and foreign companies can apply for a range of investment incentives, including taxation relief. Such incentives include exemption from a profits tax for pioneer status companies, an investment tax allowance, research and development incentives and export incentives that encourage companies to export locally manufactured products.