held, allowing Canada to emphasize the need for transparency. The Vietnamese accession will be a long and arduous process, as Vietnam's legal framework contradicts many of its future WTO obligations. Canada will continue to work to ensure that Vietnam meets its obligations under APEC and, in the future, the WTO.

Market Access Results in 1999

- In July 1999, a trade agreement was reached between Vietnam and the United States to normalize trade relations under what was formerly known as MFN status. However, it is not at all clear that this agreement will be ratified by either country in the short term. This is unfortunate, as the agreement is seen as a key step toward Vietnam's eventual accession to the WTO.
- In August 1999, Chinfon-Manulife Insurance Company launched operations in Vietnam. This is a joint venture between Manulife Financial of Toronto and a Taiwanese conglomerate, and is the first investment licence to be granted by Vietnam to a foreign-owned life insurance business. It sends a positive sign to the international community of the opening up of the Vietnamese financial services market and is noteworthy for Canada since a Canadian firm was the first to be so licensed.

Canada's Market Access Priorities for 2000

- advocate (including through APEC and through the accession process under the WTO) maximum Vietnamese efforts to open the market to the free flow of goods and services and to develop a more accommodating foreign investment regime.

MALAYSIA

Overview

In 1999, Canadian merchandise exports to Malaysia declined 13.7 percent to $409 million, while imports increased 3 percent to $2.06 billion. Malaysia has a relatively open, market-oriented economy and Canadian exporters have not faced major market access barriers. The Malaysian government has announced a temporary relaxing of foreign-ownership restrictions, a "special deal" whereby there are no restrictions on foreign ownership for companies investing before December 31, 1999. Companies previously had to export over 80 percent of their product in order to have 100-percent foreign ownership; otherwise, there were requirements for 50-percent Malaysian ownership, 30 percent of which had to be Bumiputra (Malays).

In September 1998, in a significant step away from free market policies, Malaysia imposed exchange control measures. Although these measures were aimed mainly at securities traders, they carry a regulatory regime that will affect exporters, importers, other business people and travellers. On September 1, 1999 these controls were significantly relaxed, and while some exodus of capital followed, it was relatively modest. Following this, the Malaysian government attempted to simplify the withholding tax regime applicable to the repatriation of funds from Malaysia to encourage new foreign investment prior to national elections on November 29, 1999, which saw the Government returned to power with a majority. Under the new regime, it is reported that investment that has remained in the country for more than one year may be repatriated without tax, while investment funds removed before one year would be subject to a 10-percent withholding tax on the profits.

The Malaysian government wants to consolidate the banking industry by reducing the number of financial institutions in the country from 52 to 6. The plan is being implemented not by legislation, but by the Central Bank on a "volunteer" basis through encouragement to smaller banks to merge with selected "anchor" banks. Despite understandable problems with compatibility and proposed limitations on the number of institutions, there is optimism that the central bank, with its leverage over the debt-laden banks, will be able to significantly streamline the sector. The banking industry, in return for subjecting itself to the restructuring, is expected to receive significant debt relief from the government. Other fundamental reforms of the banking system to ensure more professional loan management are still under discussion.

The Malaysian economy is well into recovery, with GDP growth for 1999 expected to be near 5 percent when final statistics are released (up from -7.5 percent growth in 1998). Growth for 2000 is also expected to be near 5 percent. While this growth is driven mainly by export resurgence and public spending, the Government has indicated that its next budget will provide for consumer spending through tax relief and incentives to encourage consumer lending.