

MALAYSIA

Overview

Although Malaysia is a relatively small market in the 10-country ASEAN region, it ranked second (after Indonesia) as a destination for Canadian exports in 2000. Canadian exports totalled \$405.8 million in 2000, a decrease of 3.5 percent over 1999. Malaysia is the primary source of Canadian imports from the ASEAN region. In 2000, Malaysian sales to Canada totalled \$ 2.5 billion, an increase of 20.8 percent over the previous year. Nearly 30 percent of Malaysian exports are semi-conductors and other electronic components for Canada's computer industry. The Malaysian economy is well into recovery, and gross domestic product growth for 2001 is expected to be 7 percent. This growth has mainly been driven by exports and public spending. However, continued flat foreign direct investment in manufacturing may hamper growth starting in late 2001, as may mounting inflation.

Market Access Results in 2000

- Malaysia has a relatively open, market-oriented economy and Canadian exporters have not faced major market access barriers. The Malaysian government has continued to liberalize foreign investment requirements in the country, and 100 percent foreign equity is now allowed in investments.
- Similarly, Malaysia has been gradually lifting the exchange control measures it imposed in 1998, which raised serious concerns in the international financial community. Currently, the only measures that remain are the ringgit peg to the American dollar, the non-convertibility of the ringgit outside Malaysia, and a 10 percent tax on repatriated profits from foreign portfolio investment in the country for less than one year.
- The Malaysian government has been encouraging the consolidation of the banking industry by reducing the number of financial institutions in the country from 52 to 10. This has been largely accomplished. The aim is to produce a more streamlined and internationally competitive domestic banking industry. After a politically rough start with complaints from the financial sector about forced mergers, the process appears to be moving along.

- Malaysia's insistence on extending tariff protection for its auto industry until 2005 has raised some questions about its commitment to AFTA, which required lowering of those tariffs by 2002.

Canada's Market Access Priorities for 2001

- monitor both intellectual property (IP) legislation, newly implemented to assist in the development of the Multimedia Super Corridor (problems still exist in terms of enforcement of copyright and intellectual property laws), and foreign-exchange control measures, implemented September 1998, for their impact on Canadian companies;
- monitor Malaysia's commitment to trade liberalization, particularly its impact on the AFTA process; and
- continue to press for progress in corporate governance and judicial reform, which act as non-tariff barriers to Canadian trade and investment.

THE PHILIPPINES

Overview

The country has recently enacted significant reforms in the financial sector. Canadian exports to the Philippines in 2000 amounted to \$387 million, an increase of more than 30.7 percent from 1999, while Canadian imports in 2000 increased to \$1.4 billion. Major Canadian exports to the Philippines include telecommunications equipment, wheat, copper, ore and agri-food products. Following the slump of 1998, exports have resumed their growth. Canadian companies have been quite successful in exporting services to the Philippines, in sectors including transportation, information technology and telecommunications (ICT) and finance.

The administration of President Gloria Arroyo-Macapagal has promised a balanced budget in 2004. Most sources consider that the change in government will be good for the economy. The most positive changes will be the strengthening of the peso and an improved business climate, i.e. lower interest rates plus increased confidence. The slowdown in the United States's economy, however, may reduce exports. The insurance sector is booming and food exports are likely to stay stable. Several large projects that are in the works will continue to move