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## **Investment**

### **Malaysian Legislation for Foreign Investment**

The Malaysian Government's attitude towards foreign investment revolves around two policy objectives. First, the desire to redistribute equity participation in business enterprises — especially in the manufacturing sector — from a 1970 level of approximately 63 per cent foreign, 34 per cent other-Malaysian, and 2.4 per cent Malay to a 1990 target of 30 per cent Malay, 40 per cent other-Malaysian, and 30 per cent foreign. Second, Malaysia's interest in diversifying its exports through development of the manufacturing sector plays an important role in encouraging foreign investment particularly in export-oriented industries based on local resources.

In keeping with political objectives, equity participation falls into three categories. For industrial projects oriented towards the local market, majority Malaysian equity is required. In projects involving extraction and primary processing of non-renewable resources, Malaysian participation must be at least 70 per cent, including 30 per cent by bumiputras. Finally, in projects manufacturing mainly for export, foreign majority ownership is permitted and consideration may be given in certain cases to 100 per cent foreign-owned equity.

The importance of foreign investment in government policies is reflected in the system of incentives established to encourage the investment policy. Companies producing for domestic requirements or for export may be eligible for "pioneer status" which accords tax relief for two to eight years. The degree of tax relief is calculated on the amount of capital invested, the location