take a diversification is required to submit an application for such diversification in the prescribed form, for the consideration of the Licensing Officer.

3. Exemption from the ICA

Companies exempted from applying for a licence under the ICA are also exempted from having to comply with any condition with regard to equity, employment, distribution network and export. Companies that have been granted Pioneer Status or the Investment Tax Allowance or any other incentives, but are exempted from licensing under the ICA, are also exempted from the said conditions.

Guidelines On Foreign Equity

The Malaysian Government welcomes foreign investment in the manufacturing sector. In keeping with the objective of ensuring increased Malaysian participation in manufacturing activities, it is government policy to encourage projects to be undertaken on a joint-venture basis.

1. Equity policy in relation to new investments

(a) Foreign investors are permitted to hold whatever level of equity of up to 100% if the company exports[3] 80% or more of its production, irrespective of whether or not the company's products compete with products presently being manufactured locally for the domestic market.

(b) Foreign investors whose applications are received by MIDA during the period 1.10.1986 and 31.12.1990 are also permitted to hold whatever level of equity of up to 100% on meeting the following conditions:-

(i) that the company exports 50% or more of its production

or

that the company employs 350 fulltime Malaysian workers and such employment of Malaysians at all levels should reflect approximately the racial composition of the country.

(ii) that the company's products do not compete with products presently being manufactured locally for the domestic market.

(c) The level of equity participation for other export-oriented projects are as follows:-

(i) For projects exporting between 51% to 79% of their production, foreign equity ownership up to 51% will be allowed; however, foreign equity ownership of up to 79% may be allowed, depending on factors such as the level of technology, spin-off effects, size of the investment, location, value-added and the utilisation of local raw materials and components.

(ii) For projects exporting between 20% to 50% of their production, foreign equity ownership of between 30% to 51% will be allowed, depending upon similar factors as mentioned above; however, for projects exporting less than 20% of their production, foreign equity ownership is allowed up to a maximum of 30%.

In both the above cases, the company may manufacture products irrespective of whether or not the products compete with those presently manufactured locally for the domestic market.

(d) For projects producing products that are of high technology or are priority products for the domestic market, foreign equity ownership of up to 51% will be allowed.

2. Distribution of Malaysian equity in respect of new investments

Where foreign equity is less than 100% the balance of the equity to be taken up by Malaysians should be allocated according to the following principles:-

(a) **For projects initiated by foreigners and where no local partners have been identified:-**

(i) If 70% or more of the equity is held by foreigners, the balance of the equity will be reserved for bumiputeras.

(ii) If less than 70% of the equity is held by foreigners, 30% will be reserved for bumiputeras and the balance for non-bumiputeras. If foreigners hold 60% of the equity, 30% will be reserved for bumiputeras and the remaining 10% for non-bumiputeras. If the equity reserved for bumiputeras is not taken up, the Ministry of Trade and Industry will allocate part of the balance to non-bumiputeras.

(b) **For projects initiated by bumiputeras on a joint-ventures basis with foreigners:**

(i) If 70% or more of the equity is held by foreigners, the balance of the equity will be reserved for the bumiputeras concerned.

(ii) If less than 70% of the equity is held by foreigners, the balance will also be reserved for bumiputeras. However, if bumiputeras are unable to take up the entire balance, the Ministry of Trade and Industry will allocate part of the balance to non-bumiputeras.

(c) **For projects initiated by non-bumiputeras on a joint-venture basis with foreigners:-**

(i) If 70% or more of the equity is taken up by foreigners, the balance of the equity will be allocated to the non-bumiputeras concerned.

(ii) If less than 70% of the equity is taken by foreigners, 30% will be allocated to the non-bumiputeras concerned and the balance will be reserved for bumiputeras. However, under special circumstances, the non-bumiputeras may be permitted to take up the entire balance of the equity as decided by the Ministry of Trade and Industry.

3. Equity policy applicable to existing companies

(a) Companies which have been licensed between 1.4.1986 and 30.9.1986, and which have not made any investment in respect of the implementation of the project are also eligible for the same equity guidelines as

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3 Exports include sales to Free Trade Zones (FTZ) and Licensed Manufacturing Warehouses (LMW)