

RECENT DEVELOPMENTS - ECONOMIC REPORT 1988/89

Guidelines on Foreign Equity Ownership

Domestically Oriented Industries

1. For manufacturing and agricultural projects where local participation cannot be found, foreign investors are allowed to hold up to 100% equity for a period of 5 years from the date of production, with the following conditions:

- a) The company must export at least 20% of its products;
- b) The foreign investor must negotiate with the Ministry of Trade and Industry if they cannot find local partners; and
- c) For agricultural projects, foreign investors are subject to State Government approval with regard to land ownership.

2. After 5 years, the foreign equity level must be reduced to the level that is allowed under the present guidelines, which is based on the quantum of export.

3. These guidelines cover new projects licensed or approved between 1 October 1986 and 31 December 1990.

4. These guidelines do not apply to products and activities reserved for small scale industries and for industries where foreign participation is not allowed.

The Co-Ordination Centre on Investment to The Malaysian Industrial Development Authority (MIDA)

Effective October 1, 1988, MIDA will function as the Co-ordination Centre for Investments (COI). Investors need only approach MIDA to obtain most of the approvals required at the Federal level in respect of manufacturing; and for the granting of tax incentives in respect of integrated agriculture, hotels and tourist projects. This measure is aimed at further streamlining the administrative procedures in respect of investments at the Federal level.

With the Government decision to make MIDA the Coordinating Centre for Investments, its present role will be more encompassing, thus reducing the number of agencies and departments that investors have to go to, and the time taken to get the relevant approvals.

The main functions of the Coordination Centre on Investment (COI) in MIDA will be to receive, process and convey decisions on the following matters: