- Pursue further trade liberalization for goods and services in the context of WTO negotiations, especially in the banking sector, which holds potential for Canadian companies. No banking licence has been issued to a foreign bank for more than 20 years, and existing foreign banks face numerous restrictions in expanding retail banking.
- Continue to press for further progress in corporate governance and judicial reform, the lack of which acts as a non-tariff barrier to Canadian trade and investment.
- Continue to monitor the application of the anti-dumping duty on Canadian newsprint and encourage Canadian exporters to participate in the process.

IMPROVING ACCESS FOR TRADE IN GOODS AND SERVICES

Bovine Spongiform Encephalopathy

Following Canada's May 20, 2003, announcement of a BSE case, Malaysia issued a temporary suspension on the import of live bovines, meat and meat products, including offal. Canada has kept all its trading partners, including Malaysia, fully informed of the results of its investigation and regulatory response, and it is requesting a resumption of trade on scientific grounds. (For further information, see the BSE overview in Chapter 2.)

Financial Services Sector

The financial services sector in Malaysia is relatively well developed, with local expertise available in most areas. Although the financial system is considered to be restrictive, there are encouraging signs that the government is moving toward a more liberal approach. The aim of the government's Financial Sector Master Plan is to first improve the strength of the financial sector before opening it up to greater foreign competition in the medium term. The Master Plan covers a 10-year time frame to 2010. The government also has a detailed framework for developing Malaysia's capital markets over the next 10 years, which is set out in the Capital Markets Master Plan. The plan is published by the Securities Commission, the central authority in the regulation and development of the securities and futures industries in Malaysia.

Banking

With respect to commercial banking there are 14 foreign banks with approximately 140 branches. The 51 domestic banking institutions have been merged into just 10 banking groups, and further mergers are now believed likely. The 10 merged banks are Maybank, Alliance Bank, Bumiputra-Commerce bank, Affin Bank, Public Bank, Southern Bank, RHB-Utama Bank, EON Bank, Arab-Malaysian Bank and Hong Leong Bank. The foreign banks account for approximately 25% of total banking assets. Investment banks, where American banks dominate, are subject to more stringent restrictions than are commercial banks. Bank of Nova Scotia, the only Canadian bank with a presence in Malaysia, has one branch in Kuala Lumpur offering a comprehensive range of banking products.

Insurance

The insurance market in Malaysia is still highly regulated. However, it is also to be opened up to foreign competition under the Financial Sector Master Plan. This will occur only when the domestic industry is fully consolidated (from 64 to 15 domestic insurers by 2010) and ready, by government standards, to withstand international competition. Foreign firms are already benefiting alongside domestic ones from some of the liberalizing measures, including the lifting of restrictions on outsourcing and employment of expatriates, as well as a generally more flexible attitude by Bank Negara. The 14 foreign firms that are already active in Malaysia hold about 40% of the equity and 50% of the assets in the market, and they dominate the fast-growing life insurance market. Canadian insurer Manulife will be represented in this market now that it has acquired the worldwide assets of John Hancock.

Islamic Banking and Finance

Malaysia is promoting itself as a centre for Islamic banking and finance. It already has a comprehensive system with a new Islamic Financial Services Board to set standards and harmonize practices, and a centralized syariah council in the Bank Negara. The Islamic banking sector currently accounts for a little less than 10% of the banking sector's total assets, and the government has a target of doubling this to 20% by 2010.