The GATT: Redressing or Creating an Imbalance Seminar

The Uruguay Round and its Impact on the Malaysian Economy

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THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT), THE URUGUAY ROUND AND ITS IMPACT ON THE MALAYSIAN ECONOMY

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Export-led growth has been important in East Asia. It is therefore of great importance that the international trading system allows the free flow of goods in order to promote the growth of regional economy.

After the Second World War, plans were drawn up for an International Trade Organization (ITO) to set rules for international trade. Fifty three government drew up and signed a charter at Havana in Cuba for establishing this organization, which would serve as the counterpart in the field of trade to the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank). This trio was considered essential for sustained growth of the global economy. However, whereas the IMF and the IBRD were set up in 1944, the ITO charter faced heavy opposition; when the US Congress declined to approve the ITO, it was dropped. The demise of the ITO, however, did not eliminate the need for an international organization to deal with negotiations for reducing tariff and non-tariff barriers to international trade. Twenty three nations agreed to continue extensive negotiations for trade and tariff concessions at Geneva. These were incorporated in a General Agreement on Tariffs and Trade (GATT), signed in October 1947, which came into effect in January 1948. From this unlikely beginning, GATT emerged as a less ambitious counterpart to the IMF and the IBRD. So far, 117 nations have signed the GATT multilateral treaty, as contracting parties.

GATT has provided a permanent platform for reducing trade barriers. The fundamental objective of GATT is to achieve freer trade through reduction in tariff and non-tariff barriers on the basis of non-discrimination, reciprocity and national treatment. It also provides for safeguards against unexpected situations, binding tariff levels among member countries and establishing a framework for resolving disputes among members over its rules, e.g. over dumping, etc. The GATT has so far successfully concluded seen rounds of trade negotiations.

1. Geneva in 1947. The 23 countries that founded the GATT decided to exchange 45,000 tariff concessions, worth US$10 billion.

2. Annecy (France) in 1949. The 13 countries participating in this round proposed 5,000 additional tariff reductions.

3. Torquay (Britain) in 1950-51. The 38 countries involved adopted 8,700 tariff reductions, equivalent to 25 percent of the 1948 level.

4. Geneva in the 1955-56. The 26 participating countries decided to further cut customs tariffs worth US$2.5 billion.

5. The Dillon Round, held in Geneva in 1960-62. The 26 participating countries decided to cut customs tariffs on 4,400 items, worth equivalent to US$4.9 billion.

6. The Kennedy Round, in Geneva in1964-67. Signed by 50 participating countries, accounting for 75 percent of world trade, for the first time, it cut tariffs by whole sectors instead of by product. Aiming for a 50 percent tariff cuts target . It achieved cuts of about US$40 billion .

7. The Tokyo Round, began in 1973 in Tokyo and ended in 1979 in Geneva. The 99 participating countries (included many newly independent developing countries) decided on tariff reductions, averaging 20 to 30 percent covering US$300 billion in trade, and signed agreements on subsidies, technical barriers to trade, government procurement, meat, dairy products and civil aircraft. It also signed the Multifibre Arrangement (MFA) in 1974 to liberalize textile exports.

The Uruguay Round was the eighth and most comprehensive round in the series of GATT multilateral trade negotiations. It started at Punta Del Este (Uruguay) in 1986, originally involving 107 countries, which subsequently increased to 117. Besides tariff reduction, the main aim of the earlier seven rounds, this round has also dealt with new issues like agriculture, services, intellectual property and foreign investment. Tortuous negotiations continued for seven years. Agriculture proved to be the stumbling block as it is highly protected in most developed countries, especially in the European Union (EU), with its Common Agricultural Policy. Any significant restructuring in this sector would face strong political opposition from shrinking, but still politically influential populations engaged in agriculture although agricultural subsidies cost governments US$200 billion. Similarly, many developing countries had strong misgivings on proposal for a free trade in services. Even the United States - which had pushed this issue very strongly in earlier negotiations, as it has a significant favourable balance in its international trade in services - become cautious about freeing trade in shipping and banking. Some developing countries also had serious reservations on protection of intellectual property as they fear that it would

delay the transfer of technology from developed to developing countries. The trade related investment measures (TRIMS) were also suspected to favour multinational corporations, which want internationally guaranteed 'universal treatment' for their activities around the globe.

With many complex issues and 117 players, negotiations were very difficult and were on the point of collapse on a number of occasions. The main players were the USA, the EC (now EU), Japan and the Cairns group of agricultural product exporting countries. Arther Dunkel, former Director General of GATT, presented the text of a draft treaty in 1992, but it was not accepted by all the major trading partners. He was replaced by Peter Sutherland, an Irishman, who succeeded in getting the agreement before deadline of 15th December 1993, set by the US Congress for fast track legislation, with fast track meaning that the treaty would be approved in toto. If this deadline had expired, the prospect of the Uruguay Round being successfully completed would have become very remote, and the international trade regime - which was being subjected to many non-GATT sanctioned measures - would have become untenable, leading to contraction of international trade and global GDP. Year 1994 started with new expectations international trade as the Uruguay Round reached far-reaching agreements on many contentious issues: Some provisions of the Uruguay Round Agreement Malaysia are viewed below.

Agreement on Agriculture

Over the years non-tariff border measures have been converted into tariffs that provide substantially the same level of protection. Tariffs resulting from this "tariffication" process, as well as other tariffs on agricultural products, are to be reduced by an average of 36 per cent in the case of developed countries and by 24 per cent in the case of developing countries, with minimum reductions for each tariff line being required. Reductions are to be undertaken over six years in the case of developed countries and over ten years in the case of developing countries. The least developed countries are not required to reduce their tariffs.

The tariffication package also provides for the maintenance of current access opportunities and the establishment of minimum access tariff quotas (at reduced tariff rates), where current access is less than 3 per cent of domestic consumption. These minimum access tariff quotas are to be expanded to 5 per cent over the implementation period. In the case of "tariffied" products, "special safeguard" provisions will allow additional duties to be applied in

case shipments at prices denominated in domestic currencies fall below a certain reference level, or in case of a surge of imports. The trigger in the safeguard for import surges depends on the "import penetration" currently existing in the market, i.e. where imports currently make up a large proportion of consumption, the import surge required to trigger the special safeguard action is lower.

Domestic support subsidies have been recalculated into an index termed the aggregate measure of support (AMS). The total AMS covers all support provided on either a product specific or a non-product specific basis that does not qualify for exemption, and is to be reduced by 20 per cent (13.3 per cent for developing countries, with no reduction for the least developed countries) during the implementation period.

Reduction of Tariffs

Tariffs on industrial goods will fall by an average of 40%. Some goods, such as East Asian high tech products, will benefit from duty cuts of 50% to 70% . There will be total elimination of tariffs and quotas among industries on eleven items covering furniture, etc.

Textiles

The object of the negotiations has been to secure the eventual integration of the textiles and clothing sector - where much of the trade is currently subject to bilateral quotas negotiated under the Multifibre Arrangement (MFA) - into the GATT on the basis of strengthened GATT rules and disciplines, over a period of ten years, after which there will be no quotas on textiles, and the MFA will cease to exist.

All the MFA restrictions in place on 31 December 1994 will be carried over into the new agreement and maintained until the restrictions are removed or the products integrated into GATT. For all products remaining under restraint, the agreement lays down a formula for increasing existing growth rates. Thus, during Stage 1, and for each restriction under the MFA bilateral agreement in force for 1994, annual growth should be not less than 16 per cent higher than the growth rate established for the previous MFA restrictions. For Stage 2 (1998 to 2001 inclusive), annual growth rates should

be 25 per cent higher than the Stage 1 rates. For Stage 3 (2002 to 2004 inclusive), annual growth rates should be 27 per cent higher than the Stage 2 rates.

The agreement includes provisions to cope with possible circumvention of commitments through trans-shipment, re-routing, false declaration concerning country or place of origin and falsification of official documents.

Trade Related Investment Measures (TRIMs)

The agreement recognizes that certain investment measures restrict and distort trade. It provides that no contracting party shall apply any TRIMs inconsistent with Articles III (national treatment) and XI (prohibition of quantitative restrictions) of the GATT. To this end, an illustrative list of TRIMs agreed to be inconsistent with these articles was appended to the agreement. The list includes measures which require particular levels of local procurement by an enterprise ("local content requirements"), or which restrict the volume or value of imports which an enterprise can purchase or use to an amount related to the level of products it exports ("trade balancing requirements").

The agreement requires mandatory notification of all non-conforming TRIMs and their elimination within two years for developed countries, within five years for developing countries and within seven years for the least developed countries. It establishes a Committee on TRIMs which will, among other things, monitor the implementation of these commitments. The agreement also provides for consideration, at a later date, of whether it should be more broadly complemented with provisions on investment and competition policy .

Anti-Dumping Agreement

Article VI of the GATT provides for the right of contracting parties to apply anti-dumping measures, i.e. measures against imports of a product at an export price below its "normal value" (usually the price of the product in the domestic market of the exporting country) if such dumped imports cause injury to a domestic industry in the territory of the importing contracting party. More detailed rules governing the application of such measures are currently provided in an Anti-Dumping Agreement concluded at the end of the Tokyo Round.

In particular, the revised Agreement provides greater clarity and more

detailed rules for determining that a product is dumped, the criteria for determining that dumped imports cause injury to a domestic industry, the procedures to be followed in initiating and conducting anti-dumping investigations, and the implementation and duration of anti-dumping measures. In addition, the new agreement clarifies the role of dispute settlement panels in disputes relating to anti-dumping actions taken by domestic authorities.

Agreement on Subsidies and Countervailing Measures

The agreement establishes three categories of subsidies. First, it deems the following subsidies to be "prohibited": those contingent, in law or in fact, whether solely or as one of several other conditions, upon export performance; and those contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods.

The second category is "actionable" subsidies. The agreement stipulates that no member should cause, through the use of subsidies, adverse effects to the interests of other signatories, i.e. injury to the domestic industry of another signatory, nullification or impairment of benefits accruing directly or indirectly to other signatories under the General Agreement (in particular the benefits of bound tariff concessions), and serious prejudice to the interests of another member. Serious prejudice shall be presumed to exist for certain subsidies, including when the total ad valorem subsidization of a product exceeds 5 per cent. In such a situation, the burden of proof is on the subsidizing member to show that the subsidies in question do not cause serious prejudice to the complaining member.

The third category involves non-actionable subsidies, which could either be non-specific subsidies, or specific subsidies involving assistance to industrial research and pre-competitive development activity assistance to disadvantaged regions, or certain types of assistance for adapting existing facilities to new environmental requirements imposed by law and/or regulations.

Countervailing investigations shall be terminated immediately in cases where the amount of a subsidy is de minimis (the subsidy is less than 1 per cent ad valorem) or where the volume of subsidized imports, actual or potential, or the injury, is negligible.

General Agreement on Trade in Services (GATS)

The Services Agreement, which forms part of the Final Act, has three parts. Part I of the basic agreement defines its scope specifically, to cover services supplied from the territory of one party to the territory of another; services supplied in the territory of one party to the consumers of any other (for example, tourism); services provided through the presence of service - providing entities of one party in the territory of any other (for example, banking); and services provided by nationals of one party in the territory of any other (for example, construction projects or consultancies).

Part II sets out general obligations and disciplines. A basic most-favoured-nation (MFN) obligation states that each party "shall accord immediately and unconditionally to services and service providers of any other party, treatment no less favourable than that it accords to like services and service providers of any other country". However, it is recognized that MFN treatment may not be possible for every service activity and, therefore, it is envisaged that parties may indicate specific MFN exemptions. Conditions for such exemptions are included as an annex and provide for reviews after five years and a normal limitation of 10 years on their duration.

The agreement contains for both provisions, general exceptions and security exceptions which are similar to Article XX and XXI of the GATT. It also envisages negotiations with a view to the development of curbs on trade distorting subsidies in the services area.

Part III contains provisions on access and national treatment which would not be general obligations, but would be commitments made in national schedules. Thus, in the case of market access, each party "shall accord services and service providers of other parties treatment no less favourable than that provided for under the terms, limitations and conditions agreed and specified in its schedule". The intention of the market access provision is to progressively eliminate the following types of measures: limitations on numbers of service providers, on the total value of service transactions or on the total number of service operations or people employed. Equally, restrictions on the kind of legal entity or joint venture through which a service is provided or any foreign capital limitations relating to maximum levels of foreign participation are to be progressively eliminated.

Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) including Trade in Counterfeit Goods

The agreement recognises that widely varying standards in the protection and enforcement of intellectual property rights and the lack of a multilateral framework of principles, rules and disciplines dealing with the international trade in counterfeit goods have been growing sources of tension in international economic relations. To cope with these tensions, the agreement addresses the applicability of basic GATT principles and of relevant international intellectual property agreements; the provision of adequate intellectual property rights; the provision of effective enforcement measures for these rights; the provision of effective enforcement measures for these rights; multilateral dispute settlement; and transitional arrangements.

Part I of the agreement sets out general provisions and basic principles, notably a national treatment commitment under which the nationals of other parties must be given treatment no less favourable than that accorded to a party's own nationals with regard to the protection of intellectual property. It also contains a most-favoured-nation clause, a novelty in an international intellectual property agreement, under which any advantage a party gives to the nationals of another must be extended immediately and unconditionally to the nationals of all other parties, even if such treatment is more favourable than that which it gives to its own nationals.

Part II addresses each intellectual property right in succession. With respect to copyright, parties are required to comply with the substantive provisions of the latest version (Paris 1971) of the Berne Convention for the protection of literary and artistic works, though they will not be obliged to protect moral rights, as stipulated in Article 6b of that Convention.

With respect to trademarks and service marks, the agreement defines what types of signs must be eligible for protection as a trademark or service mark, and what the minimum rights conferred on their owners must be. Marks that have become well-known in a particular country shall enjoy additional protection. In addition, the agreement lays down a number of obligations with regard to the use of trademarks and service marks, their terms of protection, and their licensing or assignment. For example, requirements that foreign marks be used in conjunction with local marks would, as a general rule, be prohibited.

Industrial designs are also protected under the agreement for a period of 10 years. Owners of protected designs would be able to prevent the manufacture, sale or importation of articles bearing or embodying a design

which is a copy of the protected design.

As regards patents, there is a general obligation to comply with the substantive provisions of the Paris Convention (1967). In addition, the agreement requires that 20 year patent protection be available for all inventions, whether of products or processes, in almost all fields of technology. Inventions may be excluded from patentability if their commercial exploitation is prohibited for reasons of public order or morality; otherwise, the permitted exclusions are for diagnostic, therapeutic and surgical methods, and for plants and (other than micro-organisms) animals, and essentially biological processes for the production of plants or animals (other than microbiological processes). Plant varieties, however, must be protectable either by patents or by a sui generis . Detailed conditions are laid down for compulsory licensing or governmental use of patents without the authorization of the patent owner. Copyrights have been protected for fifty years.

Understanding on Rules and Procedures Governing the Settlement of Disputes

The dispute settlement system of the GATT is generally considered to be one of the cornerstones of the multilateral trade order. The system has already been strengthened and streamlined as a result of reforms agreed upon following the Mid-Term Review Ministerial Meeting held in Montreal in December 1988. Disputes currently being dealt with by the Council are subject to these new rules, which include greater automaticity in decisions on the establishment, terms of reference and composition of panels, such that these decisions are no longer dependent upon the consent of the parties to a dispute. The Uruguay Round Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) will further strengthen the existing system significantly, extending the greater automaticity agreed to in the Mid-Term Review to the adoption of the panels and a new Appellate Body's findings. Moreover, the DSU will establish an integrated system permitting MTO Members to base their claims on any of the multilateral trade agreements included in the annexes to the Agreement establishing the World Trade Organization (WTO).

Setting up of the WTO

GATT's legal status and enforcing powers were very weak, and international trade was riddled with numerous exceptions like VER, OMA, etc.

Moreover powerful traders like the USA had special laws, like Super 301, under which they could impose discriminatory tariffs or quotas. All these distortions will become more difficult with a legally powerful successor institution - a World Trade Organization, as envisaged more than four decades ago at Havana. The signatories to its charter will no longer be contracting parties to GATT, but members of the WTO.

IMPACT ON THE MALAYSIAN ECONOMY

As an early signatory to the GATT and WTO, Malaysia is throwing open its doors to more imports while hoping to gain from the significantly greater market access provided for in the Uruguay Round. International Trade and Industry Minister Datuk Seri Rafidah Aziz has said that Malaysia is satisfied with the outcome of the GATT talks, calling it `a good starting point for future international trade', and has estimated the gains for Malaysia in terms of a 45 per cent (weighted average) tariff reduction in its major markets, which would benefit the country's manufactured exports. In particular, the United States has offered tariff cuts of 53.0 per cent to Malaysia, compared to the following reductions by other countries: EU 35.0 percent, Japan 83.6 percent, Canada 48.5 percent, Australia 43.1 percent, New Zealand 68.0 percent, South Korea 57.0 percent, Sweden 23.0 percent, Switzerland 36.0 percent, Brazil 51.2 per cent, Chile 28.6 per cent and Thailand 15.1 per cent (Table 1).

Trade Liberalization

Malaysia has offered to reduce tariffs on 7,218 items, including both industrial and agricultural products covering 79 per cent or RM80.1 billion worth of imports in 1992 (Business Times, 17-12-1993). The offers will increase the scope of bindings of Malaysia's tariff lines from just one per cent pre-Uruguay Round to 65 per cent. The binding of tariff lines will put a ceiling on the rise in import duties. As a result, Malaysia's trade weighted tariff for industrial products will be reduced to 8.9 per cent from 10.2 per cent, which is lower than those for a number of developed countries and a large number of developing countries.

As anticipated by the Malaysian Ministry of International Trade and Industry, the agreement will benefit the country's exports and further boost economic growth. But the question is, how advantageous will it be to the country's economy. Since the Malaysian economy is already very export-oriented , the agreement will make the economy even more to and dependent

on foreign markets. by further relaxing trade restrictions. (One indicator normally used to measure trade liberalization is the degree of openness [exports+imports/GDP] and the implicit tariff rate, also known as the index of trade liberalization. If the degree of openness moves upward and the index of trade liberalization moves downward, the economy doomed to be liberalizing). Thus, the economy will be more susceptible to external shocks, which adversely affect the country's economic stability. While exports will be further enhanced, payments for imports will also increase . As shown in Table 2, the shares of both exports and imports to the gross domestic product (GDP) have been rising.

Terms of Trade Losses

If the terms of trade (TOT) for a country deteriorate' trading will favour trade partners more. In the case of Malaysia, the terms of trade declined sharply in 1980s. The import price index has increased greatly, while the export price index has worsened (Table 3), affecting the country's trade performance significantly.

As Table 4 shows, for the period between 1960 and 1990, the volume of exports rose 1272%, much more than the 757% increase in import volume. However, import prices rose 231%, while export prices rose by 60%, resulting a 52% fall in the terms-of-trade. Thus, while the amount of money obtained from selling exports rose by 2090%, the foreign exchange needed to pay for imports rose by much more, i.e. by 2740%. To pay for the same unit of imports obtainable in 1960, Malaysia had to export 2.12 units of exports in 1990 because of the terms-of-trade decline. Thus, to finance the 757% rise in import volume, export volume would have had to rise by 1672% if the 1960 trade surplus equivalent of 23% of export value were to have been preserved. But there was only a far lower 1272% volume increase in exports, as a result of which the current value of exports rose far slower than the current value of imports. Thus, there was only a small trade surplus of RM428.5 million, equivalent to 0.53% of total only export value, compared to the 23% trade surplus in 1960. Similar trends were found for two periods, 1960-1975 and 1975-1990.

Although Malaysia gained from terms-of-trade trends in the periods 1960-1967, 1969-1970 and 1978-1979, she suffered severe trading lossess in the other years, mainly from 1981 to 1990, when such losses rose from RM5,266.4 million to RM30,794.0 million respectively (Table 5).

The two alternative conclusions from the above are that: (a) a big fall in the terms-of-trade means that the country suffer a large loss in terms of lower import volume or a much lower rate of real import growth, if the trade balance position is maintained; (b) if despite a big terms-of-trade decline, the country wants its import volume to grow at or near the same rate at as its export volume, then it will have to suffer a severe deterioration in its trade balance. In either case, the terms of trade decline seriously reduces the import-purchasing capacity of the country's exports (i.e. the export purchasing power) and thus greatly constrains the quantity of imports into the economy (Khor,1983:98). These developments may have been exacerbated by the government's trade liberalization policies dismantling trade restrictions, mainly from the mid-1980s.

Agricultural Markets

In line with obligations in the agriculture agreement, Malaysia has offered to bind or reduce tariffs for all agricultural items by 28 per cent on a simple average basis. To comply with the agreement, Malaysia has also offered to convert all non-tariff measures in the agriculture sector to tariffs. Products offered for tariffication, include wheat flour, refined sugar, chicken, chicken wings, pork, ham, eggs, liquid milk, coffee beans and cabbages (Business Times, 17-12-1993).

For agricultural products, developed countries are required to reduce tariffs by at least 36 per cent , while for developing countries, the figure is 24 per cent. In this sector, some of Malaysia's major markets are reducing tariffs by 35 per cent. Malaysian products which stand to benefit include palm oil, palm oil products, cocoa products, pepper, tropical fruits, fish and fish products. However, the reduction commitments for export subsidies and volumes of subsidised farm exports were below Malaysia's expectations as developed countries have been allowed to continue providing farm and export subsidies. Malaysia's palm oil exports do not enjoy any subsidies at all. The US-EC agreement on agriculture gave the US an extra subsidy allowance of 1.2 million tonnes of oil seed per year over six years which will have a detrimental effect on Malaysian palm oil exports in the international market. Nonetheless, the agreement is still a positive step, albeit modest, towards reversing heavy subsidisation of the world trade in agriculture.

Manufactured Exports

Unlike agricultural exports, Malaysia probably obtained a better deal in

terms of improved access to markets for manufactured exports, but will pay a heavy price to be paid for this. Malaysia's domestic trade and industrialisation policies will have to be modified to conform with the Uruguay Round agreements. For example, all local content requirement measures related to investments will have to be phased out in five years as will export subsidies over eight years under the Trade Related Investment Measures (TRIMs) agreement. Suggested provisions requiring that governments must grant entry to intending foreign investors, and give them equal treatment as local companies have not been included. But certain "investment conditions" - such as requiring foreign firms to make use of locally produced intermediate products and raw materials (to meet a minimum degree of "local content") - will be prohibited.

The agreement on subsidies provides that subsidies to domestic industry to encourage the use of domestic over imported must be phased out by all developing countries, other than the least developed countries.

In Malaysia, imports of intermediate and capital goods especially associated with foreign investment activities in the country have contributed much to the growing import bill and trade deficit. The proportion of investment goods in total imports increased very significantly from 25.2 per cent in 1970 to 41.8 per cent in 1992; machinery has been a major component of imports, accounting for 30 percent on average (Table 6). Likewise, the proportion of intermediate goods has also increased from 35.3 per cent in 1970 to 41.2 per cent in 1992, with good for manufacturing purposes the major component, accounting for more than 70 percent in late 1980s. This tremendous increase of imports parallel with the inflow of direct foreign investment (DFI), especially for export-oriented manufacturing, is indicated by the private capital inflow trends shown in Table 7.

The impact direct foreign investment on outflows of income in terms of profits and dividends is pointed out by Item 1. Total DFI in 1970-80 rose from RM10,239 million to RM49,424 million in 1981-91, whereas total income outflows abroad in the same period increased from RM10,924 million to RM57,387 million and average annual net profits of foreign firms increased from RM13,685 million in 1970-80 to RM38,571 in 1981-91. However, in percentage terms, profits decreased, on average from 55.2 percent to 33.2 percent, respectively (Table 8). In contrast, net fixed assets of foreign firms

increased on average, from 34.6 percent (RM5,724 million) to 55 percent (RM20,950 million) during the same periods, while the reinvestment rate increased in the same period from 46 percent to 50 percent on average. These recent developments differ from the longer term trends for DFI inflow and income outflow, resulting from the country's industrial policies, especially from the mid-1980s.

Due to the lack of technological know-how and poor international market access, domestic capital has not been heavily invested locally, as clearly shown in Table 9. Except in 1972, 1981-83 and 1993, the level of domestic savings exceeded investments. For the period 1970-91 as a whole, total savings amounted to RM399,240 million, while investments totalled RM368,367 million. Thus, savings exceeded investments by 7.7 percent. Measured against the GDP, the savings ratio was 30.6, percent on average, while the investment ratio was 27.8 percent. For the period 1970-91, the ***'investment gap'*** was significant, averaging 2.5 percent of the GDP and 7.7 percent of total savings.

The fact that RM4,800 million of investible funds was exported by Malaysia is interesting, but also revealing of the underlying contributory economic factors. Table 10 shows these movements more clearly by linking the 'investment gap' with the inflow and outflow of capital. In the 1970-91 period, savings exceeded investments by RM30,863 million, or 7.7 percent of the value of domestic savings. Part of this excess was accounted for by the net outflow of resources from the country (RM4,800 million, or 1.2 percent of savings).

Our analysis shows a large outflow of investible funds out of the country. Hence, there is an artifically-created 'shortage of capital' which foreign capital is then asked to fill. A sum amounting to 19.1 percent of gross investments was withdrawn from the economy, while long-term capital amounting to 17.8 percent of, gross investments was injected into it. Moreover, a further sum amounting to 7.1 percent of gross investments is locally saved, but not invested.

The "two gaps" in the Malaysian economy are thus inter-dependent. As we have seen, 7.7 percent of domestic savings was not invested during the period 1970-1991. This is the "investment gap". On examination we find that

6.5 percent of locally retained savings was not invested. We also find that 17.6 percent of domestic savings went abroad while an inflow of long-term capital, amounting to 16.4 percent of domestic savings, was used to finance domestic investment, which gives a net outflow of investible funds amounting to 1.2 percent of domestic savings.

It is thus clear that the constraint on investment is not due to a shortage of domestic savings. A large proportion of it is, in fact, taken out; an even larger proprotion, although held locally, is not invested. There is no savings gap and no shortage of foreign exchange: the gaps if they can be called that are due rather to low investment rates and large capital outflows (Khor, 1983: 198).There is no lack of domestically-generated savings constraining the growth of investment. Instead, the reverse situation exists. The economy does not have the capacity to fully retain and utilise domestic savings for the purpose of domestic investment.

Trade Related Aspects of Intellectual Property Rights (TRIPS)

Another key area brought under the trade agreement for the first time is the regulation and enforcement of intellectual property rights, protecting copyright, trademarks, and other such proprietary claims to monopolistic rents for development. For the South as a whole, the greatest collective loss in the Uruguay Round is probably due to TRIPs. Most countries have exempted agriculture, medicines and other products as well as processes from their national patent laws, but with the passage of TRIPs, almost everything will be subject to strict international intelectual property protection, unless explicitly exempted in the agreement. In Third World countries that now have national pharmaceutical industries, it is expected that the prices of medicines will rise significantly and that foreign pharmaceuticals will make deep inroads. New developments in biotechnology will mean new that seed types will be patented by international agribusiness so that in future, small farmers may have to buy new seeds every year instead of using their own seed. At present, there is little patent protection in most poor countries, where people are unable to afford expensive royalty payments. Now, Third World governments will have to introduce laws to protect international patents and their owners, mainly foreign TNCs.

The Malaysian government will present the requisite amendments to the Copyright and Trademark Acts parliament in 1994. This legislation will most

probably benefit foreign firms much more than Malaysian firms. As shown in Table 11, only 5 percent of the over 18,000 applications for patents in the country since 1986 came from Malaysian manufacturers and inventors. The largest number of applications came from manufacturers in the United States, who accounted for 38 percent of total applications in 1993, followed by Japan, the United Kingdom and Germany. TRIPs will enable foreign firms to penetrate and dominate global more easily.

Multifibre Arrangement

Besides agricultural products, textiles, clothing and apparel are among the most sensitive items world trade. After the developing countries gained some headway in the sector, industrialised countries brought the matter to GATT and in 1974 introduced the Multifibre Arrangement (MFA), which places quotas on Third World exports of textiles and clothing to the North. The MFA was originally conceived as a "temporary measure" enabling industrial countries to adjust to the competitiveness of Third World imports. Current trade in textiles and clothing is under MFA IV, signed in June 1986. In the new Uruguay Round accord, the MFA will be phased out within ten years by 2006. This could affect Malaysian exports of textiles and clothing, with Malaysia losing markets, mainly in the industralised countries, since the item is the second most important sub-sector in the manufacturing sector and the second largest contributor to Malaysia's manufactured exports. So far textile exports from Malaysia have gained from the quota system under the MFA. Exports of these products have increased tremendously from RM31.7 million in 1970 to RM806.3 million in 1980 and RM6,742 million in 1992. The United States of America, the European Union and Canada - which regulate their textile and clothing imports under the (MFA) through bilateral textile agreements with exporting countries - account for almost 70 percent of Malaysia's textile market (MITI, Annual Report 1993: 48). Exports to major non-quota markets - such as Singapore, Hong Kong and Japan were valued at RM1,160 million in 1993, or 17.2 percent of total exports of textiles and clothing. Malaysia's textile industry is very dependent on exports, particularly in the MFA-protected markets. Currently, Malaysia has five bilateral textile agreements, with the USA, EU, Canada, Norway and Finland. Thus, after the MFA is phased out by the year 2006, the export markets for multifibre will be more competitive. Since Malaysian textile exports currently depend largely on foreign import quotas, she might no longer be able to compete with lower cost producers.

In services, Malaysia is committed to opening up 64 sectors and sub-sectors to foreign participation. It is also committed to further liberalising the sector progressively, commensurate with the level of the country's economic development. However, opening up the services sector to foreign participation will adversely affect Malaysia's current account position. For example, the country's continuing rapid economic expansion in 1993 involved to a deterioration in the services account of the balance of payments. The services deficit rose by 10.9 per cent to RM14.4 billion in 1993, compared with a slight decline of 0.8 per cent in the previous year. Gross service payments rose by 8.0 per cent to RM33.4 billion in 1993 (4.2 per cent in 1992), while gross receipts grew moderately by 6.0 per cent to RM19 billion (8.1 per cent in 1992) (Bank Negara, 1993: 305). Of the total increase in service payments of RM2.5 billion, almost 34 per cent was due to outflows for freight and insurance, mainly reflecting higher exports and import requirements in line with sustained strong economic expansion.

Malaysia has been a victim of rising freight costs. In Table 12, net payments for freight and insurance services are compared with merchandise exports for the period 1970-1992 to determine the extent of foreign exchange losses on this account. Freight and insurance payments have been rapidly rising from an average RM788 million in 1970-80 to RM2591 million in 1981-92. This is partly due to the rising volume and value of trade, but is also partly attributable to rising freight and insurance rates. Export values rose by over twenty times from RM5020 million in 1970 to RM101,246 million in 1992.

Malaysia has offered to bind nearly all financial services to underscore its commitment to GATT. Malaysia's offers were based on a `standstill' of current policy, which means binding existing rules and regulations. Market access will be based on "national treatment" basis, except for branching and loans to non-resident companies. Malaysia's offer is significant, given the already high foreign presence in the financial sector. For example, almost half the entire trade financing business is handled by foreign banks based in Malaysia, while the foreign share in insurance is even more dominant. In the banking sector, of the 37 commercial banks operating in Malaysia, 16 are foreign banks, while 4 out of 41 finance companies are 100 per cent foreign owned. In addition, foreigners have equity participation in 12 domestic banks, 7 finance companies and one merchant bank. Foreigners' share of net working funds/paid-up capital of the banking system was RM7.1 billion, or

50.9 per cent, at the end of 1993. Foreigners accounted for RM61.7 billion, or 30 per cent of total deposits mobilised by the banking system, RM51.1 billion, or 30 per cent of total loans, and RM6.3 billion or 46 per cent of total trade financing (Bank Negara, 1993: 184).

In insurance, there are ten 100 per cent foreign owned companies, while an other eight have foreign equity exceeding 50 per cent. Foreign equity ownership amounted to RM530.6 million, or 44.4 per cent of the capital funds of the industry. Foreign companies account for RM2.41 billion, or 39.5 per cent of gross premiums and RM7.52 billion, or 51.8 per cent of total assets (Bank Negara, 1993: 184). In the securities industry, foreigners have interests in 11 of the 59 stockbroking firms (Bank Negara, 1993: 184).

On 6 September 1994, Malaysia formally ratified the establishment of the World Trade Organization (WTO), which will replace the General Agreement on Tariffs and Trade (GATT) by January 1, 1995. To date, there are 24 countries (including Malaysia) which have agreed to the WTO's establishment, and surprisingly, all the countries are developing nations, the countries include Bahrain, Bangladesh, Barbados, Belize, Central African Republic, Cuba, Dominican Republic, Gabon, Greece, Guinea Bisau, Guyana, Kuwait, Mali, Mauritania, Mauritius, Mexico, Morroco, Nambia, Qatar, Sri Lanka, Surinam, Uganda and Zambia. It seems that the developing countries have shown greater commitment to positively contributing towards global trade liberalization efforts, and to strengthening the multilateral trading system. Meanwhile the industrialized countries, the United States, the European Union and Japan, which together account for two-thirds of total world trade - have not yet ratified the Uruguay Round agreement.

The developed countries are again holding the rest of the world to ransom by not ratifying the WTO pact on time. This might be because of negotiations in four unresolved areas, namely financial services, maritime transport , basic telecommunications and labour standards as the developed nations seem to be demanding too much from the developing countries in these areas. These sectors represent perhaps 10 percent of total cross-border trade in commercial services worth more than US$1,000 billion in 1993, and much more when business by foreign subsidiaries is taken into account (Business Times; 23 August 1994).

The other source of delay, led by the US and France, involves the call for the inclusion of social clauses such - as a minimum wage rate and human rights issues - in the framework of the WTO. Although the US has said that a

global minimum wage is not part of the social clause agenda, it is keen to introduce, certain international labour standards as part of the agenda. This proposal has been vehemently opposed by the developing world on the basis that the developing countries do not have the advantages of technology, capital, large domestic markets as well as management and marketing know-how. The major advantage that developing countries have is their relatively lower labour costs. The move to link international labour standards with trade will be tantamount to removing one the comparative advantage that developing countries enjoy.

If all goes well, the WTO will come into being on 1st January 1995, it will be more powerful than GATT in supervising the new trade order. However, no international institution can enforce its rules if its most powerful members flout them. Thus, the United States and Europe can emasculate the WTO if they choose. This is a threat to developing countries' sovereignty both politically or economically, and not surprisingly, the establishment of WTO is identified with the down of a new era of colonisation.

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TABLE 1

Trade Weighted Tariffs For Malaysian Manufactured Exports

Country	Pre-Uruquay Round	Post-Uruquay Round	Reduction (%)
United States	6.00	2.80	53.00
EU	5.40	3.50	35.00
Japan	1.63	0.26	83.60
Canada	7.90	4.07	48.50
Australia	14.02	7.90	43.10
New Zealand	36.03	11.53	68.00
Korea, Rep of	12.60	5.40	57.00
Sweden	6.00	4.61	23.00
Switzerland	2.38	1.52	36.00
Brazil	51.20	25.00	51.20
Chile	35.00	25.00	28.60
Thailand	28.40	24.10	15.10

Source: Ministry of International Trade and Industry Malaysia, Malaysia International Trade and Industry Report, 1994, Kuala Lumpur: p. 84.

TABLE 2
Malaysia: Shares of Exports and Imports To Gross Domestic Product and Trade Liberalization Index, 1960-90

Year	Exports/GDP (percentages)	Imports/GDP (percentages)	Degree of Openness (X+I)/GDP	Index of Trade Liberalization
1960	54.96	42.15	0.97	0.27
1961	47.09	40.94	0.88	0.12
1962	45.26	42.44	0.88	0.32
1963	43.38	41.59	0.85	0.25
1964	41.31	39.15	0.80	0.17
1965	41.80	37.08	0.79	0.27
1966	39.68	34.88	0.75	0.29
1967	37.96	33.90	0.72	0.41
1968	38.86	34.34	0.74	0.31
1969	43.72	31.18	0.75	0.36
1970	41.27	34.28	0.76	0.26
1971	39.00	34.33	0.73	0.20
1972	34.62	32.41	0.67	0.18
1973	40.73	32.78	0.74	0.19
1974	46.69	45.30	0.92	0.13
1975	41.52	38.37	0.80	0.12
1976	47.86	34.59	0.82	0.10
1977	46.26	34.52	0.81	0.10
1978	47.07	37.62	0.85	0.09
1979	53.73	38.07	0.92	0.08
1980	52.85	43.99	0.97	0.09
1981	47.05	46.18	0.93	0.08
1982	44.92	46.38	0.91	0.09
1983	46.86	44.03	0.91	0.10
1984	48.58	41.39	0.90	0.11
1985	49.02	39.25	0.88	0.11
1986	49.24	38.93	0.88	0.15
1987	57.17	40.37	0.98	0.14
1988	60.86	47.68	1.09	0.16
1989	66.86	60.02	1.27	0.12
1990	69.40	69.03	1.38	0.09

Source: Mohamed Aslam, 'Tariff Reductions and Trade Performance: A Case of Malaysia', M.Ec dissertation, University of Malaya, 1993: pp. 59, 149.

Table 3

Malaysia: Terms of Trade, 1960-1990 (1980=100)

Year	Export Price Index	Import Price Index	Terms of Trade
1960	50.97	35.64	1.43
1961	40.78	35.64	1.14
1962	40.78	34.95	1.17
1963	39.81	35.64	1.12
1964	40.78	35.99	1.13
1965	42.72	35.64	1.20
1966	40.78	36.33	1.12
1967	37.38	35.64	1.05
1968	35.44	37.02	0.96
1969	40.78	37.37	1.09
1970	39.32	37.37	1.05
1971	36.41	40.14	0.91
1972	34.47	41.87	0.82
1973	44.66	48.44	0.92
1974	59.71	68.86	0.87
1975	51.94	73.01	0.71
1976	62.62	74.05	0.85
1977	73.30	75.78	0.97
1978	78.64	77.85	1.01
1979	90.78	83.39	1.09
1980	100.00	100.00	1.00
1981	93.69	114.53	0.82
1982	83.98	113.84	0.74
1983	88.83	109.00	0.81
1984	89.01	105.88	0.85
1985	83.01	104.84	0.79
1986	68.45	100.69	0.68
1987	78.16	101.38	0.77
1988	83.01	108.30	0.77
1989	91.64	115.20	0.80
1990	81.35	118.10	0.69

Source: Mohamed Aslam, *Tariff Reductions and Trade Performance:A Case of Malaysia*,M.Ec dissertation, University of Malaya, 1993: p.431.

Table 4

Malaysia: Terms of Trade Effects on Import and Export Changes

		Exports	Imports
(a) Changes Between 1960 and 1990			
1960:	Current value	RM 3,632.6 mil	RM 2,786.4 mil
	Volume increase	1,271.5%	756.6%
	Price increase	59.6%	231.4%
	Value increase	2,089.9%	2,739.5%
1990:	Current value	RM29,548.6 mil	RM79,120.1 mil
(b) Changes Between 1960 and 1975			
1960:	Current value	RM 3,632.6 mil	RM 2,786.4 mil
	Volume increase	149.2%	49.4%
	Price increase	1.9%	104.9%
	Value increase	154.1%	206.1%
1975:	Current value	RM 9,230.90mil	RM 8,530.4 mil
(c) Changes Between 1975 and 1990			
1975:	Current value	RM 9,230.90mil	RM 8,530.40mil
	Volume increase	450.3%	473.5%
	Price increase	56.6%	61.8%
	Value increase	761.8%	827.5%
1990:	Current value	RM79,548.6 mil	RM79,120.10mil

Sources: As in Table 2, 3 and 5.

Table 5

Malaysia: Trading Losses, 1960-1990

Year	Exports at current prices (RM'mil)	Export price index (1980=1.00)	Import price index (1980=1.00)	Export purchasing power (RM'mil) (1)-(3)	Real exports at constant 1980 prices (1)-(2)	Trading gain or loss at 1980 prices (4)-(5)
1960	3632.6	0.51	0.36	10090.6	7122.7	2967.9
1961	3238.3	0.41	0.36	8995.3	7898.3	1097.0
1962	3259.6	0.41	0.35	9313.1	7950.2	1362.9
1963	3330.0	0.40	0.36	9250.0	8325.0	925.0
1964	3381.9	0.41	0.36	9394.2	8248.5	1145.7
1965	3782.5	0.43	0.36	10506.9	8796.5	1710.4
1966	3845.8	0.41	0.36	10682.8	9380.0	1302.8
1967	3723.7	0.37	0.36	10343.6	10064.1	279.5
1968	4122.6	0.35	0.37	11142.2	11142.2	-636.7
1969	5063.1	0.41	0.37	13661.4	13661.4	1332.9
1970	5163.1	0.39	0.37	13954.3	13954.3	715.6
1971	5016.8	0.36	0.40	12542.0	12542.0	-1393.6
1972	4854.0	0.34	0.42	11557.1	11557.1	-2719.4
1973	7372.1	0.45	0.48	15358.5	15358.5	-1023.9
1974	10194.7	0.60	0.69	14774.9	14774.9	-2216.3
1975	9230.9	0.52	0.73	12645.1	12645.1	-5106.6
1976	13442.0	0.63	0.74	18164.9	21336.5	-3171.6
1977	14959.2	0.73	0.76	19683.2	20492.1	-808.9
1978	17073.9	0.79	0.78	21889.6	21612.5	277.1
1979	24222.0	0.91	0.83	29183.1	26617.6	2565.5
1980	28171.6	1.00	1.00	28171.6	28171.6	0
1981	27109.4	0.94	1.15	23573.4	28839.3	-5266.4
1982	28108.2	0.84	1.14	24656.3	33462.1	-8805.8
1983	32771.2	0.89	1.09	30065.3	36821.6	-6756.3
1984	38646.9	0.90	1.06	36459.3	42941.0	-6481.7
1985	38016.7	0.83	1.05	36206.4	45803.3	-9596.9
1986	35318.6	0.68	1.01	34968.9	51939.1	-16970.2
1987	45224.9	0.78	1.01	44777.1	57980.6	-13203.5
1988	55260.0	0.83	1.08	51166.7	66578.3	-15411.6
1989	67836.3	0.92	1.15	58988.1	73735.1	-14747.0
1990	79548.6	0.81	1.18	67414.1	98208.1	-30794.0

Sources: Bank Negara Malaysia, Quartely Economic Bulletin, December 1993.

TABLE 6

Malaysia: Imports of Intermediate and Investment Goods, 1970-1992

Year	Investment: Machinery (%)	Equipment (%)	Metal Product (%)	Others (%)	Total (RM'mil) (%)	Intermediate: For Manufacturing (%)	Other (%)	Total (RM'mil) (%)
1970	41.8	13.0	23.3	21.9	1079.2 (25.2)	62.7	37.3	1515.1 (35.3)
1971	43.6	8.2	21.1	27.9	1203.2 (27.3)	63.1	36.9	1596.7 (36.2)
1972	38.6	17.3	19.7	24.5	1383.9 (30.5)	62.9	37.1	1726.5 (38.0)
1973	38.5	7.7	26.0	27.9	1795.8 (30.3)	66.8	33.2	2333.6 (39.3)
1974	38.6	7.4	24.1	29.9	3300.9 (33.4)	59.7	40.3	3920.8 (39.6)
1975	35.7	6.0	17.9	40.4	2705.7 (31.7)	54.5	45.5	3527.0 (41.3)
1976	31.5	9.2	19.5	39.7	3061.3 (31.5)	55.4	44.6	4235.6 (43.6)
1977	32.6	7.1	20.1	40.1	3450.1 (30.9)	55.8	44.2	5013.1 (44.9)
1978	34.0	8.8	23.4	33.8	4042.8 (29.6)	60.5	39.5	6253.8 (45.8)
1979	34.7	12.5	25.9	26.9	5129.4 (29.9)	59.2	40.8	8252.6 (48.1)
1980	36.9	13.1	25.1	25.1	7030.0 (30.0)	57.3	42.7	11,752.0 (50.1)
1981	38.2	12.7	23.0	26.0	7512.7 (28.2)	55.1	44.9	13,569.5 (51.0)
1982	34.9	17.7	22.9	24.5	9038.0 (31.1)	56.4	43.6	14,168.1 (43.6)
1983	33.5	17.0	21.2	28.3	9810.2 (31.9)	60.2	39.8	14,919.1 (48.4)
1984	33.5	12.4	19.4	34.6	10,804.7 (32.8)	65.8	34.2	15,633.4 (47.5)
1985	34.7	13.9	18.2	33.3	9481.1 (31.1)	64.3	35.7	14,518.8 (47.7)
1986	30.0	17.7	17.0	34.5	8043.2 (28.8)	74.2	25.8	13,735.5 (49.2)
1987	28.8	13.6	19.4	38.2	9128.8 (28.6)	76.5	23.5	16,028.8 (50.2)
1988	31.4	11.2	22.3	35.0	12,814.3 (29.6)	78.1	21.9	21,568.0] (49.8)
1989	30.7	17.5	19.0	32.8	20,824.6 (34.2)	79.2	20.8	28,414.0 (46.7)
1990	29.8	19.5	16.8	33.9	29,658.2 (37.5)	79.0	21.0	35,904.0 (45.4)
1991	28.8	16.6	15.2	39.4	40,826.6 (40.5)	79.4	20.6	43,472.6 (43.1)
1992	29.3	17.3	14.3	39.0	42,363.7 (41.8)	78.0	22.0	41,743.6 (41.2)

Source: Bank Negara Malaysia, Quartely Economic Bulletin, December 1993.

Notes: Values in parentheses are shares of imported investment and intermediate goods to total imports.

Malaysia: Inflows and Outflows of Capital 1970-1992

	1970	1975	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	199[illegible]
1. Investment income to abroad	-355	-727	-1,571	-1,797	-1,820	-1,836	-2,679	-4,208	-5,255	-5,434	-4,597	-4,824	-5,019	-5,935	-5,072	-6,109	-6,[illegible]
(a) inflows	235	341	n.a	n.a													
(b) outflows	-590	-1,067	n.a	n.a													
2. Net Transfers	-180	-79	-82	-119	-45	-78	-75	-21	-90	-14	-96	+348	+395	+219	+147	+303	[illegible]
3. Current Account Movements (1+2)	-535	-806	-1,653	-1,916	-1,865	-1,914	-2,754	-4,229	-5,345	-5,448	-4,693	-4,476	-4,624	-5,716	-4,925	-5,806	-6,[illegible]
4. Private Financial Capital	-10	-83	-349	-1,579	902	97	+326	-263	-288	+870	-47	-2,491	-2,914	1,562	1,356	2,372	10,[illegible]
5. Errors and Omissions	-260	-397	-1,034	2,247	-1,493	-1,488	-963	-885	-2,043	-368	1,322	147	289	-358	2,952	1,676	1,9[illegible]
6. Inflows of longterm capital	313	-1,716	1,689	2,247	2,342	5,823	8,004	7329	5,087	3,064	2,873	-1,373	-1,210	3,480	5,522	11,318	7,3[illegible]
(a) public-sector borrowing	21	872	513	712	309	2,909	4,741	4,403	3,218	1,339	1,611	-2,438	-3,094	-1,038	-787	118	-3,1[illegible]
(b) private capital	287	862	1,258	1,448	2,033	2,914	3,263	2,926	1,869	1,725	1,262	1,065	1,884	4,518	6,309	11,200	10,4[illegible]
(c) commercial credits	5	-18	-82	87													
7. Capital Account Movement (4+5+6)	43	-1,236	306	-497	1,751	4,432	7,367	6,181	2,756	3,566	4,148	-3,717	-3,835	4,684	9,830	15,366	19,9[illegible]
8. Total Movement of Funds (3+7)	-492	430	-1,347	-2,413	114	2,518	4,613	1,952	-2,589	-1,882	-545	-8,193	-8,459	-1,032	4,965	9,360	13,[illegible]
9. Total Outflows (1+2+4+5)	-805	-1,286	-3.036	-4,660	-2,456	-3,305	-3,391	-5,377	-7,676	-4,946	-3,418	-6,820	-7,249	-4,512	-617	-1,758	6,[illegible]
10. Total Inflows (6)	313	1,716	1,689	2,247	2,342	5,823	8,004	7,329	5,087	3,064	2,873	-1,373	-1,210	3,480	5,522	11,318	7,[illegible]

Note: Errors and omissions are mainly unrecorded short-term capital outflows.

Sources: Bank Negara, *Quarterly Economic Bulletin*, various issues.
Martin Khor Kok Peng, *The Malaysian Economy*, Maricans, Kuala Lumpur: pp 196-197.

Table 8

Malaysia: Rates of Reinvestment, Local and Foreign Companies, 1970-1991

	1970	1975	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
1. NET PROFITS	590	1,458	3,091	4,021	6,293	6,948	6,957	7,337	7,973	10,696	7,558	4,457	7,471	9,377	15,509	20,246	24,262
Local (RM)	176	670	1,668	2,147	3,941	4,632	4,637	4,955	4,966	7,575	4,971	2,619	4,874	5,872	10,835	14,513	17,451
Foreign subsidiary (RM)	164	574	683	800	957	1,186	1,241	1,127	1,298	1,315	876	934	1,304	1,960	2,539	2,965	4,122
Foreign branch (RM)	250	313	740	1,075	1,396	1,130	1,076	1,255	1,709	1,806	1,710	903	1,293	1,545	2,136	2,768	2,689
Foreign share (%)	70	54	46	47	37	33	33	32	38	29	34	41	35	37	30	28	28
2. INCREASE IN NET FIXED ASSETS	407	1,512	1,574	2,258	2,553	3,053	4,582	5,650	2,958	4,172	3,176	848	284	1,945	5,024	8,587	17,291
Local (RM)	236	877	1,165	1,565	1,672	2,237	2,756	2,820	1,882	3,412	2,896	443	-356	819	2,952	4,612	11,328
Foreign subsidiary (RM)	120	469	108	331	309	487	1,022	924	583	676	96	412	533	956	1,752	3,364	5,208
Foreign branch (RM)	51	167	301	362	572	329	804	1,906	492	83	183	-7	107	170	320	611	755
Foreign share (%)	42	53	26	31	35	27	40	50	36	18	9	48	225	58	41	46	34
3. REINVESTMENT RATE (%)																	
Local	134	131	70	73	42	48	59	57	38	45	58	17	-7	14	27	32	65
Foreign subsidiary	73	99	16	41	32	41	82	82	45	51	11	44	41	49	69	113	126
Foreign branch	20	53	41	34	41	29	75	152	29	5	11	-1	8	11	15	22	28
All foreign companies	41	51	29	37	37	35	79	119	36	24	11	22	25	32	44	69	88

Source: Malaysia, Department of Statistics, Financial Survey of Limited Companies, various issues.

Table 9

Malaysia: Savings, Investments and Gross Domestic Product, 1970-1991

Year	(1) Gross Domestic Product (market price) (RM'mil)	(2) Gross Domestic Savings (RM'mil)	(3) Gross Investment (RM'mil)	(4) Savings Ratio (2)-(1) (%)	(5) Investment Ratio (3)-(1) (%)	(6) Savings Minus Investment (2)-(3) (RM'mil)	(7) (6)-(2) (%)
1970	12,510	3,027	2,467	24.2	19.7	560	19.0
1971	12,955	2,874	2,688	22.2	20.7	186	6.0
1972	14,220	2,869	3,061	20.2	21.5	-192	-7.0
1973	18,622	5,253	4,197	28.2	22.5	1,056	17.3
1974	22,858	6,566	6,512	28.7	28.5	54	1.0
1975	22,332	5,322	5,221	23.8	23.3	101	2.0
1976	28,085	9,069	6,135	32.3	21.8	2,934	32.0
1977	32,340	10,154	7,586	31.4	23.5	2,568	25.0
1978	37,886	12,212	10,104	32.2	26.7	2,108	17.3
1979	46,424	17,553	13,423	37.8	28.9	4,120	23.5
1980	53,308	17,551	16,217	32.9	30.4	1,334	7.6
1981	57,613	16,594	20,157	28.8	35.0	-3,563	-21.5
1982	62,599	17,904	23,338	28.6	37.3	-5,423	-30.3
1983	70,444	22,971	26,466	32.6	37.6	-3,495	-15.2
1984	79,550	28,215	26,697	35.5	33.6	1,518	5.4
1985	77,470	25,343	21,367	32.7	27.6	3,976	15.7
1986	71,594	22,968	18,604	32.1	26.0	4,364	19.0
1987	79,625	29,701	18,455	37.3	23.2	11,246	37.9
1988	90,861	33,008	23,584	36.3	26.0	9,424	28.6
1989	101,463	34,353	29,256	33.9	28.8	5,097	14.8
1990	114,616	36,993	37,073	32.3	32.3	-80	-0.2
1991	128,352	38,740	45,759	30.2	35.7	-7,019	-18.1

Source: Bank Negara Malaysia, Quartaly Economic Bulletin, various issues.

Table 10

Malaysia: Capital Outflows and Inflows,
Savings and Investments 1970-1991

	(RM`mil)	As % of Domestic Savings
1. Savings minus Investment	30863	7.7
2. Net outflows of resources	4800	1.2
3. Residual: savings remaining in country but not invested (1-2)	26063	6.5
4. Gross domestic savings	399230	100
5. Outflows of resources	70440	17.6
6. Remaining savings left in economy for investment (4-5)	328790	82.4
7. Remaining savings not invested (3)	26063	6.5
8. Remainder savings locally invested (6-7)	302727	75.8
9. Gross Investments	368367	92.3
10. Local savings locally invested (8)	302727	75.8
11. Investments financed from abroad (9-10)	65640	16.4

Source: As in Table 9

TABLE 11

Ten Major Applicants For Patents

	1986 (Oct.)	1987	1988	1989	1990	1991	1992	1993	1994 (May)	Total
USA	44	1,232	580	747	912	995	992	1,119	477	7,098
Japan	62	665	301	331	357	376	301	388	257	3,038
UK	38	378	189	186	221	211	215	293	165	1,896
Germany	17	129	81	105	160	135	126	176	71	1,000
Malaysia	29	71	73	84	92	106	151	198	87	891
Australia	18	181	61	62	57	69	76	104	36	664
Switzerland	12	191	64	52	62	64	73	72	27	617
France	6	84	70	61	79	79	81	52	38	550
Taiwan	1	16	21	39	56	90	95	128	51	497
Netherlands	12	68	47	39	55	58	73	68	32	452

Source: Domestic Trade and Consumer Affairs Ministry.

Table 12

Freight and Insurance Payments, Malaysia 1963-1992 (RM million)

Year	Net Payments for freight & insurance	Exports of goods (fob)	Freight insurance as % exports
1970	304	5020	6.1
1971	322	4884	6.6
1972	309	4736	6.5
1973	420	7263	5.8
1974	714	10022	7.1
1975	621	9057	6.9
1976	726	13330	5.4
1977	883	14861	5.9
1978	1072	16925	6.3
1979	1362	23977	5.7
1980	1781	28013	6.4
1981	2008	26900	7.5
1982	2154	27946	7.7
1983	2132	31762	6.7
1984	2120	38452	5.5
1985	1852	37576	4.9
1986	1306	34970	3.7
1987	1185	44733	2.6
1988	2072	54607	3.8
1989	3027	66818	4.5
1990	3837	78100	4.9
1991	4872	93177	5.2
1992	4529	101246	4.5

Source: Bank Negara Malaysia, Quartely Economic Bulletin, various issues