

2000 Country Reports on Economic Policy and Trade Practices

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MALAYSIA

Key Economic Indicators

(Millions of U.S. dollars unless otherwise indicated)

	1998	1999	2000 1/
<i>Income, Production and Employment:</i>			
Nominal GDP	72,569	79,039	85,569
Real GDP Growth (pct) 2/	-7.4	5.8	7.5
GDP by Sector (1987 prices)			
Agriculture	4,443	4,757	4,780
Manufacturing	12,984	15,200	17,777
Mining And Petroleum	3,680	3,677	3,700
Construction	1,871	1,822	1,878
Services	22,444	23,838	25,050
Government Services	3,387	3,743	3,881
Per Capita GDP (US\$)	3,272	3,480	3,598
Labor Force (000s)	8,880	9,010	9,194
<i>Money and Prices (annual percentage growth):</i>			
Money Supply Growth (M2)(pct) 3/	1.5	11.4	5.5
Consumer Inflation (pct)	5.3	2.8	1.9
Exchange Rate (RM/US\$ annual average)	3.92	3.80	3.80
<i>Balance of Payments and Trade:</i>			
Total Exports FOB	71,925	84,521	97,229
Exports to U.S. 4/	19,001	21,428	24,369
Total Imports FOB	54,321	61,160	76,551
Imports from U.S. 4/	8,952	9,079	10,562
Trade Balance	7,604	23,361	20,678
Balance with U.S. 4/	10,049	12,349	13,807
External Public Debt	16,689	20,265	20,322
Fiscal Surplus/GDP (pct)	-1.8	-6.0	-4.9
Current Account Surplus/GDP (pct)	13.1	15.9	13.4
Debt Service Payments/GDP (pct)	5.2	6.4	N/A
Gold and Foreign Exchange Reserves 5/	26,196	30,900	32,300
Aid from U.S.	0.9	0.7	0.7
Aid from All Other Countries	N/A	N/A	N/A

Note: All data converted at annual average exchange rates.

1/ Malaysian Government estimates.

2/ Calculated in Ringgit to avoid exchange rate changes.

3/ As of August for 2000.

4/ Annualized estimate on eight-month data from U.S. Department of Commerce for 2000.

5/ As of October 23 for 2000.

1. General Policy Framework

Malaysia's economy has rebounded from the 1997-1998 regional economic and financial crisis. Following a 7.4 percent drop in real GDP in 1998, the economy registered 5.8 percent growth for 1999. The recovery picked up steam, and the government estimates growth at 7.5 percent for 2000 and 7.0 percent for 2001. Malaysia's economic recovery has been export-led, based in large part on continuing strong electronics exports to the United States, Malaysia's principal trade and investment partner, and government fiscal stimulus. Though consumer and investor confidence has improved with the recovery, aggregate domestic consumption and investment remain subdued. The government projects a budget deficit equal to 6.0 percent of GNP during FY2000 and will continue its stimulative approach with a deficit equal to 4.9 percent of GNP in FY2001.

To deal with a growing number of non-performing loans (NPLs) during the financial crisis, in 1998 the government established an asset management corporation, Danaharta, and a special purpose vehicle, Danamodal, to inject funds into banks in need of recapitalization. The government also created the Corporate Debt Restructuring Committee (CDRC) to provide a framework for creditors and debtors voluntarily to resolve liquidity problems of viable businesses and serve as an alternative to bankruptcy. Danaharta has removed approximately 43 percent of the NPLs from the banking system and states it has completed the acquisition stage of the NPL cleanup. CDRC has completed the first stages of the debt workout process for a substantial number of firms and reportedly hopes to complete its activities by the end of 2000. Danamodal has completed its outlays and is currently negotiating repayment plans with five remaining client banks.

The government plays a strong, active role in the economy as investor, economic planner, approver of investment projects and public and private procurement decisions, as well as the author and implementor of domestic policies and programs. The government actively seeks to bolster the economic status of the Malay and indigenous communities (commonly referred to as *bumiputeras*), in part through the awarding of privatization contracts. The government holds equity stakes (generally minority shares) in a wide range of domestic companies, usually large players in key sectors, and can exert considerable influence over their operations. The economic downturn, however, slowed the push to privatization and increased emphasis on government support for sensitive industries, such as automobiles, steel and public transportation. The government has said it will consider granting assistance to troubled corporations on the basis of three criteria: national interest, strategic interest, and equity considerations under *bumiputera* policies.

Tariffs are the main instrument used to regulate the importation of goods in Malaysia. However, 17 percent of Malaysia's tariff lines (principally in the construction equipment, agricultural, mineral, and motor vehicle sectors) are also subject to non-automatic import licensing designed to protect import-sensitive or strategic industries. According to the Ministry of International Trade and Industry, the average applied MFN tariff rate of Malaysia is approximately 9.18 percent. However, duties for tariff lines where there is significant local production are often higher. For example, 6.8 percent have tariff rates between 16 and 20 percent, 16.9 percent have tariff rates that exceed 20 percent, and many lines have rates well over 100 percent.

The level of tariff protection is generally lower on raw materials and increases for those goods with value-added content or which undergo further processing. The government urges Malaysians to purchase domestic products, instead of imports, whenever possible. In addition to import duties, a sales tax of 10 percent is levied on most imported goods. Like import duties, however, this sales tax is not applied to raw material and machinery used in export production. Malaysia has been an active participant in multilateral and regional trade fora such as the World Trade Organization (WTO) and APEC (which it chaired in 1998).

Fiscal Policy: The government is pursuing an expansive fiscal policy in order to stimulate economic growth. The government expects to run a budget deficit in 2001 of approximately 4.9 percent of GDP, down slightly from FY2000's deficit, which was equal to 6 percent of GDP. The FY2001 budget provides few new provisions to stimulate consumption or investment. The Malaysian government finances domestically the bulk of the deficit. In FY2001 the government expects to finance over \$1 billion from external sources.

Monetary Policy: The Central Bank continues its accommodative monetary policy, featuring low interest rates to stimulate economic recovery. The government loosened monetary policy in 1998, reducing reserve requirements from 13.5 percent as of year-end 1997 to 4 percent in September 1998. The average base lending rate dropped from 8.0 percent in December 1998 to 6.8 percent in August 1999. To ensure a positive return to depositors, the Malaysian government raised the deposit rate slightly during 2000. Overall, high liquidity and relatively low interest rates have helped stimulate a domestic economic recovery.

2. Exchange Rate Policy

As part of a broad effort to stabilize the currency while stimulating the economy, on September 1, 1998 the government fixed the exchange rate of the Ringgit to the dollar at RM 3.8/\$1 and instituted selective capital controls, including a controversial tax on repatriated principal and profits. Though the government continues its fixed exchange rate policy, it has progressively relaxed capital controls until the remaining issue for foreign investors was a 10 percent exit levy on portfolio profits. In the October 27, 2000 budget speech, the Finance Minister announced that the government has dropped the levy on portfolio profits repatriated after one year. The Finance Minister pointed out that the change rewards longer-term investment, while maintaining the exit tax on profits earned through short term plays in Malaysian stocks.

3. Structural Policies

Pricing Policies: Most prices are market-determined but controls are maintained on some key goods, such as vegetable oil, fuel, public utilities, cement, motor vehicles, rice, flour, sugar, tobacco, and chicken. (Note: no restrictions are placed on wheat imports).

Tax Policies: Tax policy is geared toward raising government revenue and discouraging consumption of "luxury" items. Income taxes, both corporate and individual, comprise 40 percent of government revenue with indirect taxes, export and import duties, excise taxes, sales taxes, service taxes and other taxes accounting for another 31 percent. The remainder comes largely from dividends generated by state-owned enterprises and petroleum taxes.

In contrast to the FY2000 budget, the FY2001 budget featured few new incentives to stimulate consumption or investment. The new budget foresees a significant deficit, equal to 4.9 percent of GDP, down from last year's deficit, which was equal to 6 percent of GDP. The FY2001 budget featured tax rebates to low income earners, provisions permitting withdrawals from retirement accounts for housing purchases, tax deductions for companies buying computers to give to their employees and new deductions for investments in start-up companies. The budget also provided \$132 million to create a new venture capital fund and \$316 million for worker training.

Standards: Malaysia has extensive standards and labeling requirements, but these appear to be largely implemented in an objective, nondiscriminatory fashion. Food product labels must provide ingredients, expiry dates and, if imported, the name of the importer. Electrical equipment must be approved by the Ministry of International Trade and Industry; telecommunications equipment must be "type approved" by the Communications and Multimedia Commission. Telecommunications and aviation equipment must be approved by the Department of Civil Aviation. Pharmaceuticals must be registered with the Ministry of Health. In addition, the Standards and Industrial Research Institute of Malaysia provides quality and other standards approvals.

4. Debt Management Policies

Malaysia's medium and long-term foreign debt (both public and private sector) amounted to \$36 billion at the end of 1999, equal to about 46 percent of GDP. Almost all of the medium and long-term debt was granted on concessional terms. Short-term external debt continues to decline. In 2000 short-term debt totaled approximately \$5.2 billion, down from \$6.3 billion in 1999. Malaysia's debt service ratio declined from a peak of 18.9 percent of gross export earnings in 1986 to 6.9 percent in 1998, to 6.1 percent in 2000.

5. Aid

U.S. government assistance to Malaysia in FY2000 falls into three broad categories: the Trade Development Agency (TDA), approximately \$250,000; the International Military

Education Training (IMET) program, \$700,000; and the U.S.-Asia Environment Program (U.S.-AEP), \$304,000. Although statistics are not available for assistance provided from other governments, the Japanese government has since 1998 extended the following forms of financial assistance to help Malaysia recover from the economic crisis: Japanese Government Office of Developmental Assistance (ODA) Yen Loan Projects of approximately \$2.2 billion; Japanese Ex-Im Bank loans of approximately \$900 million, of which \$600 million is co-financed with commercial banks; Ex-Im Bank guaranteed commercial bank loans of approximately \$700 million; Japanese government guaranteed commercial bank loans of approximately \$560 million; and a short-term financing facility of up to \$2.5 billion. (Note: in October 1999 Japan's Overseas Economic Cooperation Fund, which implemented ODA yen loans, and Ex-Im Bank merged to create the Japan Bank of International Cooperation [JBIC], which now administers former ODA and Ex-Im loans).

6. Significant Barriers to U.S. Exports

Import Restrictions on Motor Vehicles: Malaysia maintains several measures to protect the local automobile industry, including high tariffs and an import quota and licensing system on imported motor vehicles and motor vehicle parts. Malaysia also maintains local content requirements of 45 to 60 percent for passenger and commercial vehicles, and 60 percent for motorcycles. Arguing that the national car industry requires additional time to become competitive internationally as a result of the regional financial crisis, Malaysia has requested additional time before reducing or abolishing these measures. Malaysia has requested a two-year extension of the phaseout period for local content requirements in selected auto industry sectors that are inconsistent with its obligations under the WTO Agreement on Trade-Related Investment Measures (TRIMS) (see investment barriers). Further, ASEAN has accepted Malaysia's request for an extension of its commitments under the ASEAN Free Trade Area (AFTA) to reduce tariffs in the auto sector beginning in 2000. These restrictions have hampered the ability of U.S. firms to penetrate the Malaysian market. Customs tariffs and excise duties (up to 50 percent) for motorcycles are also significant barriers for U.S. companies. Malaysia is also considering new emissions standards for motorcycles that could restrict market opportunities for imports.

<i>Products</i>	<i>Tariff (pct)</i>
Automobiles (CB)	140-300
Automobiles (CKD)	80
Vans (CBU)	42-140
Van (CKD)	40
4WD/ Multipurpose (CBU)	60-200
4WD/ Multipurpose (CKD)	40
Motorcycle (CBU)	80-120
Motorcycle (CKD)	30

Restrictions on Construction Equipment: In October 1997 Malaysia imposed a restrictive licensing regime on imports of heavy construction equipment and raised import duties for the second year in a row, as detailed below. In October 1996 it raised duties on construction equipment from 5 to 20 percent. In addition, the initial capital allowance for imported heavy

equipment will be reduced from 20 to 10 percent in the first year, and the annual allowance will be reduced from between 12 percent and 20 percent to 10 percent. In April 1999 another licensing requirement was established for certain iron and steel products.

<i>Products</i>	<i>Tariff (pct)</i>
Heavy Machinery & Equipment	5
Multi-Purpose Vehicles	50
Special Purpose Vehicles	50
Construction Materials	10-30

Duties on High Value Food Products: Duties for processed and high value products, such as canned fruit, snack foods, and many other processed foods, range between 20 and 30 percent. The applied tariff on soy protein concentrate is 20 percent.

Duties on Alcoholic Beverages and Tobacco Products: In 1999 excise duties were increased on tobacco products (now ranging from \$10.50 to \$48/kg) and alcoholic beverages (e.g., vermouth in retail-sized containers is subject to a specific tariff of \$31.50/dal). In the 2001 budget, the government announced increases in the sales taxes for tobacco from 15 to 25 percent and alcohol from 15 to 20 percent.

Plastic Resins: U.S. exports of some plastic resins are hampered by 20 percent tariffs. Additional measures may be forthcoming. In October 2000 the Plastic Resins Producers Group of the Malaysian Petrochemicals Association requested government help in overcoming the combined effect of high feedstock resins and cheaper imported resins.

Tariff Rate Quota for Chicken Parts: Although the government applies a zero import duty on chicken parts, imports are regulated through licensing and sanitary controls, and import levels remain well below the minimum access commitments established during the Uruguay Round.

Float Glass Tariff Differentials: Malaysia levies high duties (30 to 60 percent ad valorem equivalent) on rectangular-shaped float glass. Nearly all float glass that moves in world trade is rectangular. To qualify for the lower ad valorem MFN tariff rate of 30 percent levied on non-rectangular float glass, exporters often must resort to time-consuming, wasteful procedures such as cutting off one or more corners or cutting one edge in a slanted fashion. This is an inefficient and expensive process that requires distributors to recut each piece of glass into a rectangular shape once it has cleared customs.

Rice Import Policy: The sole authorized importer of rice is a government corporation with the responsibility of ensuring purchase of the domestic crop and wide power to regulate imports.

Film and Paper Product Tariff: Malaysia applies a 25 percent tariff on imported instant print film that is estimated to cause an annual trade loss of \$10 to \$25 million for the U.S. industry. In August 1994 the government raised tariffs on several categories of imported kraft linerboard (used in making corrugated cardboard boxes) to between 20 and 30 percent depending on the category. These tariff increases are to be phased out after five years and are subject to

review every two years. Malaysia did not change the tariff levels after the 1996 review. Effective in February 2000, Malaysia increased the tariff on newsprint (rolls and sheets) to 10 percent.

Direct Selling Companies: In May 1999 the Malaysian government announced new requirements for the licensing and operation of direct selling companies. These requirements include the provisions that: a) no more than 30 percent of the locally incorporated company can be foreign owned, b) local content of products should be no less than 80 percent, c) no new products would be approved for sale that did not meet local content requirements, and d) all price increases would be approved by the Ministry of Domestic Trade and Consumer Affairs. These guidelines also spell out the conditions under which companies may receive one, two and three year operating licenses. The Ministry indicated that the local content targets are not mandatory, except for adherence to Malaysia's national equity policy. In May 2000 the Minister of Domestic Trade and Consumer Affairs announced that license issuance for direct selling companies would be frozen pending a review of existing licenses and company operations. In October 2000 the Minister announced its intention to limit new licenses with the aim of reducing the number of direct selling companies. The proposed conditions include requirements for higher paid-up capital, marketing plans and product quality.

Government Procurement: Malaysian Government policy calls for procurement to be used to support national objectives such as encouraging greater participation of ethnic Malays (*bumiputeras*) in the economy, transfer of technology to local industries, reducing the outflow of foreign exchange, creating opportunities for local companies in the services sector, and enhancing Malaysia's export capabilities. As a result, foreign companies do not have the same opportunity as some local companies to compete for contracts and in most cases foreign companies are required to take on a local partner before their bid will be considered. Some U.S. companies have voiced concerns about the transparency of decisions and decision-making processes. Malaysia is not a party to the plurilateral WTO Government Procurement Agreement.

Investment Barriers: Malaysia encourages direct foreign investment particularly in export-oriented manufacturing and high-tech industries, but retains considerable discretionary authority over individual investments. Especially in the case of investments aimed at the domestic market, it has used this authority to restrict foreign equity (normally to 30 percent) and to require foreign firms to enter into joint ventures with local partners. To alleviate the effects of the economic downturn, Malaysia announced relaxation (until December 31, 2000) of foreign-ownership and export requirements in the manufacturing sector for companies producing goods that do not compete with local producers. Most foreign firms face restrictions in the number of expatriate workers they are allowed to employ.

Trade-Related Investment Measures: Malaysia has notified the WTO of certain measures that are inconsistent with its obligations under the WTO agreement on Trade-Related Investment Measures (TRIMS). The measures deal with local content requirements in the automotive sector. New projects or companies granted "pioneer status" are eligible to receive a 70 percent income tax exemption. Proper notification allows developing-country WTO members to maintain such measures for a five-year transitional period after entry into force of the WTO. Malaysia was

scheduled to eliminate these measures before January 1, 2000. In December 1999 Malaysia requested a two-year extension of the phase-out period. The United States is working in the WTO committee on TRIMS to ensure that WTO members meet its obligations.

Services Barriers: Under the WTO basic telecommunications agreement, Malaysia made commitments on most basic telecommunications services and partially adopted the reference paper on regulatory commitments. Malaysia guaranteed market access and national treatment for these services only through acquisition of up to 30 percent of the shares of existing licensed public telecommunications operators, and limits market access commitments to facilities-based providers. At least two U.S. firms have investments in basic and enhanced services sectors.

Professional Services: Foreign professional services providers are generally not allowed to practice in Malaysia. Foreign law firms may not operate in Malaysia except as minority partners with local law firms, and their stake in any partnership is limited to 30 percent. Foreign lawyers may not practice Malaysian law or operate as foreign legal consultants. They cannot affiliate with local firms or use their international firm's name.

Under Malaysia's registration system for architects and engineers, foreign architects and engineers may seek only temporary registration. Unlike engineers, Malaysian architectural firms may not have foreign architectural firms as registered partners. Foreign architecture firms may only operate as affiliates of Malaysian companies. Foreign engineering companies must establish joint ventures with Malaysian firms and receive "temporary licensing," which is granted only on a project-by-project basis and is subject to an economic needs test and other criteria imposed by the licensing board. Foreign accounting firms can provide accounting or taxation services in Malaysia only through a locally registered partnership with Malaysian accountants or firms, and aggregate foreign interests are not to exceed 30 percent. Auditing and taxation services must be authenticated by a licensed auditor in Malaysia. Residency is required for registration.

Banking: No new licenses are being granted to either local or foreign banks; foreign banks must operate as locally controlled subsidiaries. Foreign-controlled companies are required to obtain 60 percent of their local credit from Malaysian banks. Insurance branches of foreign insurance companies were required to be locally incorporated by June 30, 1998; however, the government has granted extensions to that requirement. Foreign shareholding exceeding 49 percent is not permitted unless the Malaysian Government approves higher shareholding levels. As part of Malaysia's WTO financial services offer, the government committed itself to allow existing foreign shareholders of locally incorporated insurance companies to increase their shareholding to 51 percent once the WTO Financial Services Agreement goes into effect in 1999. New entry by foreign insurance companies is limited to equity participation in locally incorporated insurance companies and aggregate foreign shareholding in such companies shall not exceed 30 percent.

Securities: Foreigners may hold up to 49 percent of the equity in a stockbroking firm. Currently there are 11 stockbroking firms that have foreign ownership and 20 representative offices of foreign brokerage firms. Fund management companies may be 100 percent foreign-

owned if they provide services only to foreign investors, but they are limited to 70 percent foreign-ownership if they provide services to both foreign and local investors.

Advertising: Foreign film footage is restricted to 20 percent per commercial, and only Malaysian actors may be used. The government has an informal and vague guideline that commercials cannot "promote a foreign lifestyle." Advertising of alcohol products is severely restricted.

Television and Radio Broadcasting: The government maintains broadcast quotas on both radio and television programming. Sixty percent of television programming is required to originate from local production companies owned by ethnic Malays. This share is scheduled to increase to 80 percent by the end of 2000. Sixty percent of radio programming must be of local origin. The Ministry of Information announced in January 1998 that it would study the use of the Broadcasting Act of 1988 as the means of imposing further conditions on TV stations to provide additional air time to local programming.

Other Barriers: U.S. companies have indicated that they would welcome improvements in the transparency of government decision-making and procedures, and limits on anti-competitive practices. A considerable proportion of government projects and procurement are awarded without transparent competitive bidding. The government has declared that it is committed to fighting corruption and maintains an Anti-Corruption Agency (a part of the office of the Prime Minister) to promote that objective. The agency has the independent power to conduct investigations and is able to prosecute cases with the approval of the Attorney General.

7. Export Subsidies Policies

Malaysia offers several export allowances. Under the export credit refinancing scheme operated by the central bank, commercial banks and other lenders provide financing to exporters at a preferential interest rate for both post-shipment and pre-shipment credit. Malaysia also provides tax incentives to exporters, including double deduction of expenses for overseas advertising and travel, supply of free samples abroad, promotion of exports, maintaining sales offices overseas, and research on export markets. To spur exports, 70 percent of the increased export earnings by international trading companies has been exempted from taxes.

8. Protection of U.S. Intellectual Property

Malaysia is a member of the World Intellectual Property Organization (WIPO), the Bern Convention, and the Paris Convention. Malaysia provides copyright protection to all works published in Bern Convention member countries regardless of when the works were first published in Malaysia. Malaysia is also a member of the WTO and was scheduled to meet its obligations under Trade Related Intellectual Property Agreement (TRIPS) on January 1, 2000. In 2000 the Malaysian government passed a number of new laws and amendments to existing legislation in order to bring Malaysia into compliance with its TRIPS obligations. New legislation on plant varieties is still being drafted.

As the number of manufacturing licenses for CDs has increased, so have piracy rates for music and video discs. Malaysia's production capacity for CDs far exceeds local demand plus legitimate exports, and pirated products believed to have originated in Malaysia have been identified throughout the Asia-Pacific region, North America, South America, and Europe. The International Intellectual Property Association (IIPA) estimates 1999 industry losses in Malaysia due to piracy at \$286.8 million. IIPA estimates 1999 piracy rates at 71 percent for business software, 99 percent for entertainment, and 85 percent for movies. In April 2000 the United States Trade Representative (USTR) placed Malaysia on the Special 301 Priority Watch List for its failure to substantially reduce pirated optical disc production and export.

The Malaysian Government is aware of the problem and has expressed its determination to move against illegal operations. The Prime Minister and his cabinet have publicly spoken out about the need to improve IPR protection. A special task force, chaired by the Minister of Domestic Trade and Consumer Affairs, includes representatives from all ministries and agencies with responsibility for IPR. Government and industry cooperation has expanded. For example, in July 2000, the Ministry and the Business Software Alliance (BSA) launched "Crackdown 2000" targeting corporate use of unlicensed software.

In April 2000 the Malaysian Parliament passed amendments to the Copyright Act, the Patents Act, and the Trademarks Act, as well as legislation on layout designs of integrated circuits and geographical indications. In September 2000 the Ministry of Domestic Trade and Industry gazetted the Optical Disc Act 2000 establishing a licensing and regulatory framework for manufacturing copyrighted work and to control piracy. Manufacturers are required to obtain licenses from both the Ministry of International Trade and Industry and the Ministry of Domestic Trade and Consumer Affairs. Manufacturers have been given six months to comply with the new act.

Suppressing CD-based digital piracy is consistent with the government's objective to establish the Multimedia Super Corridor as the preeminent locus of high-technology manufacturing and innovation in Asia. Police and legal authorities are generally responsive to requests from U.S. firms for investigation and prosecution of copyright infringement cases. However, despite thousands of raids and inspections since April 1999, no one has been criminally prosecuted for piracy. Notwithstanding these efforts of the government, illegal production of optical disks remains a significant problem in Malaysia, and its effects have been observed throughout the region.

Trademark infringement and patent protection have not been serious problem areas in Malaysia for U.S. companies in recent years.

9. *Worker Rights*

a. *The Right of Association:* By law most workers have the right to engage in trade union activity, but less than 10 percent of the work force is represented by one of Malaysia's 544 trade unions. Exceptions include certain categories of workers labeled "confidential" and "managerial and executives," as well as police and defense officials. No legal barrier prevents foreign

workers from joining a trade union, but the Immigration Department places conditions on foreign workers' permits that effectively bar the workers from joining a trade union. Government policy places a de facto ban on the formation of national unions in the electronics sector, but allows enterprise-level unions,

b. *The Right to Organize and Bargain Collectively*: Workers have the legal right to organize and bargain collectively, and collective bargaining is widespread in those sectors where labor is organized. However, severe restrictions on the right to strike weaken collective bargaining rights. The law requires that the parties to a labor dispute submit to a system of compulsory adjudication. Thus, though theoretically legal, strikes are extremely rare.

c. *Prohibition of Forced or Compulsory Labor*: The constitution prohibits forced or compulsory labor, and the government enforces this prohibition. There is no evidence that forced or compulsory labor occurs in Malaysia except for rare cases that, when discovered, are prosecuted vigorously by the government.

d. *Minimum Age for the Employment of Children*: Malaysian law prohibits the employment of children younger than the age of 16. The law permits some exceptions, such as light work in a family enterprise, work in public entertainment, work performed for the government in a school or training institutions, or work as an approved apprentice. In no case does the law permit children to work more than six hours per day, or more than six days per week, or at night. Child labor occurs, but there is no reliable recent estimate of the number of child workers. Most child laborers work in the plantation sector, assisting parents with the physical labor, but not receiving a wage. Child labor can also be found in urban areas in family-run food businesses, night markets and small-scale manufacturing.

e. *Acceptable Conditions of Work*: There is no minimum wage, but prevailing wages generally provide an acceptable standard of living. Malaysian law stipulates working hours, mandatory rest periods, overtime rates, holidays, and other labor standards. The government enforces these standards. Working conditions and occupational safety concerns are considerably worse in the plantation sector. An occupational safety law provides some protections, but there are no specific statutory or regulatory provisions that provide a right for workers to remove themselves from a dangerous workplace without arbitrary dismissal.

f. *Rights in Sectors with U.S. Investment*: U.S. companies invest widely in many sectors of the Malaysian economy. Worker rights in sectors in which there is U.S. investment generally do not differ from those in other sectors. U.S. companies invest heavily in the electronics sector, in which workers' right to organize is limited to enterprise-level unions.

**Extent of U.S. Investment in Selected Industries in Malaysia—U.S. Direct Investment
Position Abroad on an Historical Cost Basis—1999**

(Millions of U.S. dollars)

Category	Amount
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Petroleum		1,041
Total Manufacturing		3,555
Food & Kindred Products	5	
Chemicals & Allied Products	253	
Primary & Fabricated Metals	-6	
Industrial Machinery and Equipment	419	
Electric & Electronic Equipment	2,589	
Transportation Equipment	0	
Other Manufacturing	296	
Wholesale Trade		139
Banking		440
Finance/Insurance/Real Estate		483
Services		343
Other Industries		-13
TOTAL ALL INDUSTRIES		5,989

Source: U.S. Department of Commerce, Bureau of Economic Analysis.