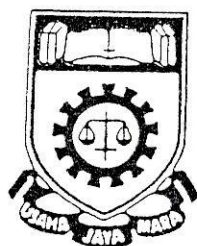


THREE DECADES OF THE MALAYSIAN COMMON MARKET:
APPRAISAL, OVERVIEW AND FUTURE DIRECTIONS



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Puan,

LAPORAN AKHIR PENYELIDIKAN "THREE DECADES OF THE MALAYSIAN
COMMON MARKET: APPRAISAL, OVERVIEW AND FUTURE DIRECTIONS"

Merujuk kepada perkara tersebut di atas, bersama-sama ini disertakan 4 (empat) naskhah Laporan Akhir Penyelidikan bertajuk "Three Decades of the Malaysian Common Market: Appraisal, Overview and Future Directions" oleh kumpulan Penyelidik ITM Sarawak untuk makluman pihak puan.

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Yang benar,



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ABSTRACT

Malaysia is trade dependent. It has been enjoying trade surpluses since 1963. However, its terms of trade has been deteriorating from the seventies. Malaysia's dynamic manufacturing sector has contributed the bulk of export earnings. Nonetheless, the manufacturing sector is narrow-based and Malaysia is over-dependent on the electrical and electronic sub-sector. Malaysia imports of capital and intermediate goods are also substantial, resulting in low value addition.

Tariff protection has encouraged import substituting industries. Nevertheless, consumers have borne higher prices of protected products. The heavy industries may require restructuring in order to increase competitiveness, particularly with the abolition of tariffs under WTO agreements.

Malaysia is committed to the abolition of tariffs, liberalisation and TRIPs under WTO. The abolition of tariffs may be beneficial to Malaysia if participating countries honour the agreements. Conversely, liberalisation of the services sector and TRIPs are detrimental to Malaysia because of its weak services sector and culture of communal intellectual property rights. There are prospects for Malaysia's collaboration with ASEAN members for purposes of trade negotiating with other economic blocs.

CHAPTER 1

Introduction

International trade has promoted the growth of many economies since the seventies. In Malaysia, gross domestic product (GDP) grew at an impressive 6.7 per cent per annum during the period 1971-90 (*Second Outline Perspective Plan*), 8.1 per cent per annum in the first half of the nineties (*Seventh Malaysia Plan*) and 8.6 per cent for 1995-96 (*Yearbook of Statistics, Malaysia, 1998*). Malaysia's economic growth is export-led, with exports increasing from 43.8 per cent of GDP in 1970 (*Fourth Malaysia Plan*) to 105.7 per cent in 1996 (*Yearbook of Statistics, Malaysia, 1998*). In fact, Malaysia is an open economy with a high import coefficient (imports as a proportion of gross domestic product) as well (Wee, 1992).

Theories of international trade argue for free trade on the one hand and support protectionism on the other. The 1955 World Bank Mission to Peninsular Malaysia recommended tariff protection to encourage industrialisation. Import tariff was used to encourage import substituting industries in the First Malaysia Plan, 1966-70. The Malaysian government's setting up of Heavy Industries Corporation of Malaysia in 1980