

Chapter VII

Trade

CHAPTER VII

Trade

I. INTRODUCTION

7.01 Trade, comprising domestic and external trade, continued to play an important role in the growth and development of the economy during the Fifth Malaysia Plan period. This sector facilitated the expansion and development of the major sectors of the economy, particularly agriculture, manufacturing and tourism. During the Sixth Malaysia Plan, the trade sector will be further consolidated and modernized with special emphasis on greater participation of the Bumiputera community. On the international front, efforts will continue to be made to ensure greater access of the country's exports to international markets. Programmes to facilitate and expand external trade will be further improved.

II. PROGRESS, 1986-90

7.02 The trade sector attained an average growth rate of 4.7 per cent per annum during the Fifth Plan period. The value added of the wholesale and retail trade, and of the hotels and restaurants subsector increased from \$6,911 million in 1985 to \$8,701 million in 1990. Employment in the sector grew by 6.2 per cent per annum increasing from 917,300 to 1,239,400. Malaysia's external trade performance also improved during the period. Exports more than doubled from \$38,017 million in 1985 to \$79,548 million in 1990, with an average growth rate of 14.7 per cent per annum.

Domestic Trade

Wholesale and Retail Trade

7.03 In 1990, there were 124,121 wholesale and retail trade establishments in Malaysia of which 91 per cent were retailers. The

number of retail establishments grew by 15 per cent per annum during the eighties. The states that had experienced significant growth in the number of retailers were Pulau Pinang, Melaka, Johor, Pahang, Negeri Sembilan and Selangor as shown in *Chart 7-1*. However, there were reductions in the number of retailers, particularly in the states of Terengganu and Kelantan as well as Wilayah Persekutuan Kuala Lumpur. On the other hand, the number of wholesalers had declined significantly by 44.3 per cent in the eighties. This phenomenon was widespread, and had affected all states except Melaka, as shown in *Chart 7-2*.

7.04 There were a number of factors which had given rise to changes in the wholesale and retail sector. The growth of economic activities particularly in construction and property development diverted entrepreneurial and business opportunities away from this sector. At the same time, this phenomenon appeared to be in line with structural changes in the distributive trade sector, resulting from the growth of the economy and changes in the general taste and preferences of the consumers. Consequently, there was increasing demand for greater commercial and service-oriented operations, especially in the urban areas.

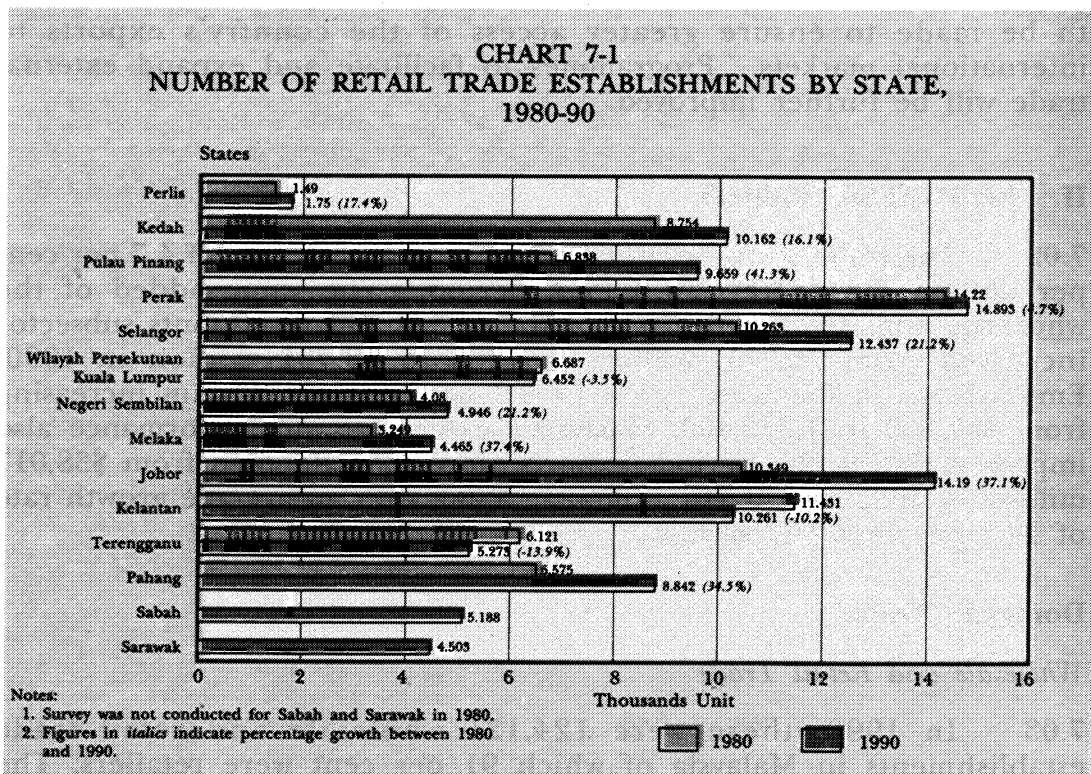
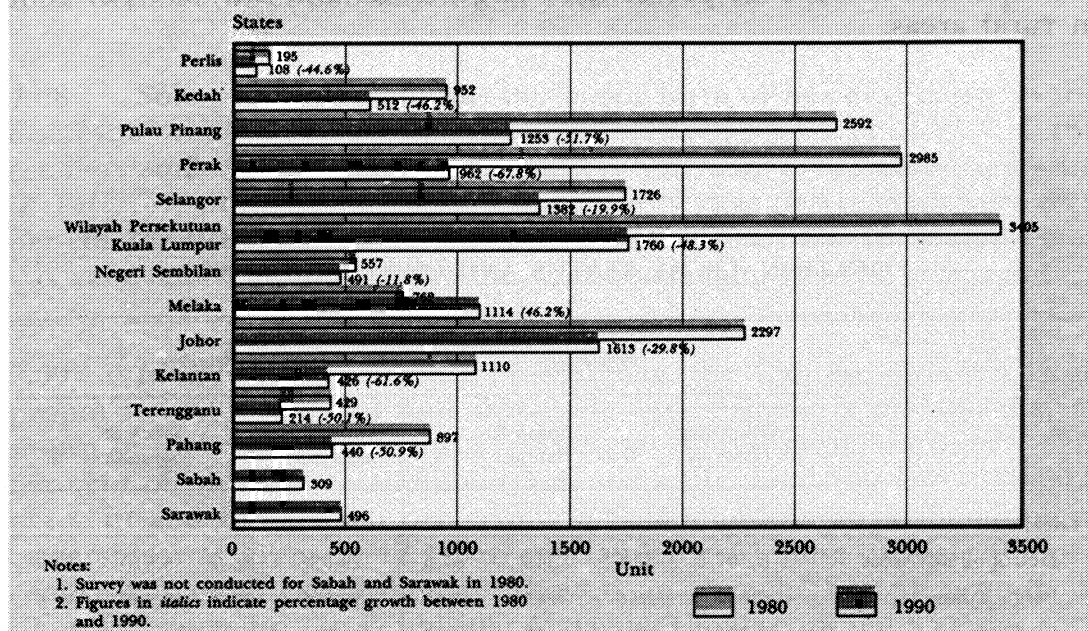


CHART 7-2
NUMBER OF WHOLESALE TRADE ESTABLISHMENTS BY STATE,
1980-90



This had increasingly necessitated the growth of trade operations and activities based on scale economies requiring horizontal and vertical integrations in order to effect efficiency, productivity and cost effectiveness of the wholesale and distributive systems. Other factors facilitating these structural changes were improved mode of air transportation, more efficient truck and internal transportation as well as better packaging and greater access to information technology.

7.05 Generally, retail outlets in Peninsular Malaysia were evenly distributed between urban and rural areas as shown in *Table 7-1*. About 52 per cent of retail establishments were situated in rural areas, 20 per cent in large towns and 28 per cent in metropolitan areas. On the other hand, wholesalers were concentrated in urban areas with 52.5 per cent in metropolitan areas, 20 per cent in large towns and the balance of 27.5 per cent in rural areas.

7.06 In contrast to Peninsular Malaysia, almost all wholesale and retail establishments in Sabah and Sarawak were urban-based, as shown in *Table 7-1*. This is largely attributed to the sparsely populated hinterland of the two states. About 60 per cent of retailers were located in metropolitan

areas, 34.6 per cent in large towns and only 5.5 per cent in rural areas. The urban nature of wholesale activities in Sabah and Sarawak was even more pronounced with 67.5 per cent of wholesalers located in metropolitan areas, 30.4 per cent in large towns and only 2.1 per cent in rural areas.

TABLE 7-1
NUMBER OF WHOLESALE AND RETAIL TRADE ESTABLISHMENTS BY
LOCATION, LEGAL STATUS AND OWNERSHIP, 1990

	Wholesalers				Retailers			
	Peninsular Malaysia	%	Sabah & Sarawak	%	Peninsular Malaysia	%	Sabah & Sarawak	%
Location								
Metropolitan Areas	5,407	52.5	543	67.5	29,038	28.0	5,810	59.9
Large Towns	2,043	20.0	245	30.4	20,588	20.0	3,363	34.6
Rural Areas	2,826	27.5	17	2.1	53,705	52.0	536	5.5
Total	10,276	100.0	805	100.0	103,331	100.0	9,709	100.0
Legal Status								
Sole Proprietorship	4,713	45.9	271	33.7	85,041	82.3	8,368	86.2
Partnership	2,429	23.6	162	20.1	11,470	11.1	1,251	12.9
Company	3,046	29.6	369	45.8	6,200	6.0	38	0.4
Cooperatives	51	0.5	0	0.0	215	0.2	4	0.0
Others	37	0.4	3	0.4	405	0.4	48	0.5
Total	10,276	100.0	805	100.0	103,331	100.0	9,709	100.0
Ownership By Ethnic Group								
Bumiputera	1,056	10.2	31	3.8	33,375	32.3	1,685	17.4
Chinese	8,753	85.2	760	94.5	62,825	60.8	7,702	79.3
Indians	296	2.9	5	0.6	6,509	6.3	81	0.8
Other Malaysians	8	0.1	0	0.0	516	0.5	217	2.2
Foreigners	163	1.6	9	1.1	106	0.1	24	0.3
Total	10,276	100.0	805	100.0	103,331	100.0	9,709	100.0

7.07 The retail business in Malaysia includes provision shops, wet market stores and speciality stores. A survey undertaken in 1990 indicated that these three categories accounted for more than 90 per cent of the total number of establishments in retail business.

7.08 Sole proprietorship was the major form of business entity in the domestic trade sector. In Peninsular Malaysia, 82.3 per cent of the retailers and 45.9 per cent of wholesalers were sole proprietors, as shown in *Table 7-1*. In Sabah and Sarawak, the respective percentages were 86.2 per cent and 33.7 per cent. This indicated that the domestic trade sector was very much dominated by the traditional family-based businesses.

7.09 In terms of ownership by ethnicity, the Chinese owned a large proportion of the retail and wholesale establishments in Malaysia, as shown in *Table 7-1*. In Peninsular Malaysia, the Bumiputera owned 32.3 per cent of the total retail establishments, while the Chinese owned 60.8 per cent and Indians 6.3 per cent. In Sabah and Sarawak, Bumiputera ownership was lower at 17.4 per cent and the Chinese almost 79.3 per cent. Wholesale establishments showed an even higher proportion of Chinese ownership. In Peninsular Malaysia, Chinese owned 85.2 per cent of total wholesale establishments compared with 10.2 per cent for Bumiputera and 2.9 per cent for Indians. In Sabah and Sarawak, Chinese ownership was 94.5 per cent and Bumiputera 3.8 per cent.

7.10 The average monthly total gross sales for the distributive trade in the country was estimated at \$3,910 million. The average total monthly sales of wholesalers in Peninsular Malaysia was \$1,283 million, while for Sabah and Sarawak, it was \$243 million. In Peninsular Malaysia, almost one third of the monthly sales of \$2,300 million in retailing business was sold through general retailers. The balance was channelled through specialized outlets, namely, food, drink, tobacco, household and personal goods, fuels, motor vehicles and industrial goods and services.

7.11 During the Fifth Plan period, there was a discernible shift in terms of composition and pattern of sales. There was a marked shift in expenditure towards more durable goods and those which have satisfactory back-up services. These reflected changes in consumer preferences and tastes as a result of the increase in real incomes. It is anticipated that the demand for more efficient services from wholesale and retail business will be on the rise in the future.

Farmer and Night Markets

7.12 Farmer and night markets were introduced to provide greater income-generating opportunities to farmers and small traders involved in the marketing of local agricultural products and consumer items. The number of farmer markets increased by about ninefold to 130 in 1990. Farmer markets were found mostly in the west coast states of Peninsular Malaysia, with total sales of more than \$30 million in 1990.

7.13 Both the night and farmer markets have been successful in increasing income of small traders. Preliminary findings revealed that 30 per cent and 69 per cent of traders in farmer and night markets, respectively, earned monthly incomes of more than \$750. The percentage of Bumiputera traders earning such incomes of more than \$750 was 47 per cent for farmer markets and 59 per cent for night markets.

Financial Accessibility

7.14 Credit extended by the banking system to the general commerce sector rose from \$10,136 million at the end of 1985 to \$13,548 million at the end of 1990. However, its share to total credit extended by the banking system declined from 15.4 per cent to 11.9 per cent over the same period.

7.15 Small traders, including those from the Bumiputera community, continued to enjoy ready access to the Credit Guarantee Corporation (CGC) loan guarantee scheme. Under the Hawkers and Petty Traders Scheme launched in 1986, loans to the Bumiputera community represented 75 per cent of the total loans guaranteed, with a value of \$18.3 million at the end of 1990.

Support Facilities for Bumiputera Participation

7.16 Programmes to promote Bumiputera participation in wholesale and retail trade, largely through trust agencies, continued to be implemented in the Fifth Plan period. The various Government agencies including Urban Development Authority (UDA), Council of Trust for Indigenous People (MARA), State Economic Development Corporations (SEDCs), National Corporation (PERNAS), Food Industries of Malaysia (FIMA), Federal Agricultural Marketing Authority (FAMA) and Federal Land Development Authority (FELDA) extended assistance in various forms, such as provision of credit facilities, business premises, training and entrepreneurial development programmes. These efforts have substantially contributed to increased participation of Bumiputera in the domestic trade sector.

7.17 PERNAS Trading contributed significantly to the expansion of Bumiputera businesses, while PERNAS Edar provided support services to help Bumiputera small traders. FAMA, through farmer markets and other channels, actively marketed agricultural produce, particularly vegetables and fruits. In this regard, the sales turnover of agricultural produce increased from \$11.4 million in 1985 to \$154.2 million in 1990. Various Government agencies, namely, MARA, National Productivity Centre (NPC), UDA and *Bank Pembangunan Malaysia Berhad* also undertook to develop and upgrade entrepreneurial development programmes to assist the expansion of small enterprises.

External Trade

Intra-ASEAN Trade

7.18 Trade with Association of Southeast Asian Nations (ASEAN) countries accounted for about 26 per cent of Malaysia's total trade during the Fifth Plan period. The trade surplus with ASEAN countries increased from \$1,873 million in 1985 to \$8,443 million in 1990. Malaysia enjoyed a trade surplus with all ASEAN countries in 1990.

7.19 Trade under the ASEAN Preferential Trading Arrangements (PTA) is still relatively small. However, exports under PTA has shown a significant increase from \$37 million in 1985 to \$336 million in 1990. This was attributed largely to the competitiveness of Malaysia's exports in the international market. Trade under PTA, however, has not been fully harnessed since the exports of ASEAN member countries tend to be in competition with each other.

Generalized System of Preferences

7.20 The Generalized System of Preferences (GSP) schemes are granted by most developed countries with the objective of facilitating industrialization and growth of developing nations. These schemes are unilateral and non-reciprocal in nature. In 1990, 26 countries accorded GSP to Malaysia, of which 12 were European Economic Community (EEC) countries. One of the major issues related to the GSP schemes was the inability on the part of the Malaysian exporters to fully utilize the benefits of the schemes due to certain constraints, such as the limited product coverage and the stringent rule of origin requirements. The former had arisen because of the inability of Malaysian exporters to synchronize their product development with GSP schemes, while the latter was the result of relatively stringent requirement of local content in Malaysian exports

and restrictions in the form of ceilings, reduced duties and quotas as required by the schemes. Nonetheless, exports under GSP registered an increase from \$2,071 million in 1985 to about \$8,100 million in 1990, reflecting substantial progress made on the part of the Malaysian exporters to fully utilize the benefits of the GSP schemes. Currently, about 3,500 companies have registered with the Ministry of International Trade and Industry to utilize the facilities. The major exports under GSP were palm oil and its derivatives, electrical products, rubber products, timber and timber products. Malaysia's major export markets under GSP in 1989 were EEC (\$3,636 million), United States of America (\$1,713 million) and Japan (\$1,279 million).

Support Facilities and Trade Facilitation Programmes

7.21 During the Fifth Plan period, continuous efforts were undertaken to enhance Malaysia's export performance. In this regard, support facilities to promote exports were strengthened in order to expand sales, both in traditional and new markets. Under the export promotion programmes, trade fairs were successfully held in various countries. In addition, several trade missions were sent overseas during the period. Public sector export agencies also played a significant role in providing assistance to Malaysian exporters in the promotion of their products abroad. At the same time, Malaysian trade commissioners abroad have provided Malaysian exporters and manufacturers with relevant information pertaining to export potential, in the respective countries. To further enhance and spearhead export growth, the Export Promotion Council was established in 1987. The Council serves as a forum to discuss and resolve problems affecting the export sector.

7.22 Procedures, formalities and documentation that affected the expansion of trade were being simplified. In this respect, a National Trade Facilitation Committee was set up to examine all aspects of procedures, formalities and paperwork relating to trade transactions. The Committee succeeded in simplifying exchange control formalities, reducing the number of forms and documents used for shipment and cargo clearance, and in standardizing documents relating to foreign trade.

7.23 Recognizing the importance of the export sector, the Export Credit Refinancing (ECR) scheme was expanded and strengthened to meet the changing requirements of exporters. A major review was undertaken in 1985-86. The Phase I of the review, which was implemented in early 1986, involved mainly the extension of product

coverage, liberalization of the threshold limit and simplification of administrative procedures. The Phase II, which was implemented in November 1989, focused mainly on the reorganization of pre-shipment facility to assist the production of goods for exports as well as to promote backup linkages in industrial development. The revamp of the ECR scheme had resulted in the expanded usage of ECR facilities.

7.24 The Malaysian Export Credit Insurance Berhad (MECIB) continued to play a greater role in providing insurance coverage against export risks. At the end of 1990, a total of 250 insurance policies with a face value of \$1,600 million was in force. In order to strengthen its export credit insurance-cum-guarantee business, MECIB became a fully-owned subsidiary of *Bank Industri Malaysia Berhad* in September 1988. MECIB has undergone a major revamp, including an increase in its paid-up capital to \$75 million.

7.25 To complement the revamped ECR scheme, a new Export Credit and Insurance and Guarantee (ECIG) scheme was launched in March 1990. The new ECIG policy, known as the Banker's Export Finance Insurance Policy (BEFIP), was designed to protect commercial banks and financial institutions against non-payment of loans and advances made to exporters and suppliers. Since its inception, 14 BEFIP policies valued at \$24.4 million had been approved as at the end of 1990. BEFIP is expected to further support and enhance the growth of Malaysian exports in the coming years.

7.26 So far, Malaysia had concentrated on trading with EEC, the United States, Japan and Singapore. In the long run, it is to Malaysia's advantage to diversify the market and steps have been taken in this direction. Towards this end, the Government has negotiated bilateral payment arrangements with Third World countries. The first bilateral payment arrangement was signed with Iran in August 1988. Under this arrangement, the Government guarantees payment for Iranian exports to Malaysia and, conversely, the Iranian Monetary Authority guarantees payment for Malaysian exports to Iran. This has created confidence among traders in both nations, as it has converted normal credit risk into sovereign risk. Reflecting this confidence, Malaysia's trade with Iran increased from virtually zero to more than \$150 million in 1990. Similar bilateral payment arrangements have been signed with Venezuela and Mexico while a memorandum of understanding on payments was signed with Nigeria in 1990.

III. PROSPECTS, 1991-95

7.27 During the Sixth Plan period, the activities of the trade sector will be expanded and support facilities for export and trade facilitation will be strengthened and improved. The Government will continue to participate in international fora concerning trade barriers and other unfair trade practices that affect the free flow of international trade, in general, and Malaysia's export accessibility and performance in the external market, in particular.

Domestic Trade

Wholesale and Retail Trade

7.28 *Consolidation of Small Businesses.* Several measures will be undertaken to strengthen and consolidate the distributive trade sector, particularly retail trade. In this respect, the Government will provide the necessary support and assistance to encourage the rationalization and modernization of small businesses through the programme of management improvements as well as mergers and acquisitions. Consequently, these businesses will have the opportunity to benefit from economies of scale and able to compete with larger enterprises. This will also provide the foundation for future expansion into export markets.

7.29 *Supportive Infrastructural Facilities.* Infrastructural developments, particularly road network, will play a major role in facilitating the modernization of the distributive trade sector. Despite the relatively high level of development in Malaysia's infrastructure, the current road network is inadequate to support an efficient and effective networking of the distribution system. In this respect, with further improvement and upgrading of road facilities and network in the Sixth Plan, it is envisaged that the modernization and rationalization of the wholesale and retail trade will be accelerated.

7.30 *Expansion of Domestic Market Share.* With the continued expansion and modernization of the domestic trade sector, local manufacturers and producers will be encouraged to increase their share of the domestic market. This will also help in the expansion of the domestic market for Malaysian products and reduce the current preference for imported goods. Current measures to instil a sense of loyalty and national pride among domestic consumers to purchase local goods will be further strengthened. Other programmes that support this include giving recognition to manufacturing companies which have achieved high standards and quality in the production of goods through the programme

of Product Excellence Award. Emphasis will also be continued to enforce the labelling of standards, contents and product life. At the same time, the need to continuously improve the packaging and presentation of these products as well as that of the business premises will be instilled.

Upgrading Bumiputera Participation

7.31 Bumiputera participation and involvement in the distributive trade will be further upgraded and strengthened. Towards this end, Bumiputera retail operators will be encouraged to collaborate for bulk purchases, joint advertisements and promotions, as well as trading at preferential terms. Trust agencies which own wholesale companies will take the lead in organizing small- and medium-sized retailers to consolidate in order to improve their positions. This will include leverage buy-outs and joint ventures to enable viable enterprises to attain a more efficient scale of operations. Formal and informal liaisons among Bumiputera traders as well as with non-Bumiputera traders will also be encouraged, especially with regard to collation and sharing of market information and consumer behaviour.

7.32 During the Sixth Plan, more training programmes on the management of modern businesses for Bumiputera retailers and wholesalers will be structured and organized to enable them to face emerging challenges in the distributive trade. These courses will be introduced at the various educational institutions and Government agencies such as MARA, UDA and NPC. In addition to this, a more coherent and effective system of franchise will be considered in ensuring Bumiputera participation in this sector. For this purpose, PERNAS and MARA will be entrusted with the responsibility of spearheading the franchise system.

7.33 To further strengthen Bumiputera participation in the distributive trade, the Government will increase the marketing capability of incumbent Bumiputera traders as well as new entrants through the launching of a number of initiatives. These initiatives will be aimed at increasing the 'marketing edge' and value added of their activities. In terms of the former, programmes to upgrade and consolidate the market information system will be instituted. With regard to the latter, the value added of these activities will be enhanced through the development of just-in-time inventory management to remove carrying cost, the identification of convenient locations to maximize place value, the development of specialized and dedicated outlets to maximize choice value of consumers and to nurture the growth of 'value for money' outlets

to improve consumer surpluses and enhance competition. The Bumiputera trust agencies, such as MARA, UDA, PERNAS Edar, will be given the responsibility to realize these initiatives.

Credit Facilities and Other Measures

7.34 The Government will continue to provide small traders with credit at reasonable costs under the lending guidelines for commercial banks and finance companies. CGC will continue to guarantee bank loans extended to small-scale enterprises under its programmes.

Improved Infrastructure for Farmer and Night Markets

7.35 Farmer and night markets have become an important avenue for self-employment opportunities. In this regard, the Government will look into the possibility of introducing relevant legislation requiring housing developers to allocate strategic and permanent sites for night markets within the new residential areas with requisite facilities and infrastructure. As for farmer markets, efforts will be made to extend the operations to cover other major towns in the country. The Government will also encourage farmers' and fishermen's associations to set up wholesale trading units with the aim of improving their members' income and at the same time providing services to traders in farmer and night markets.

Consumer Education and Protection

7.36 Steps will be undertaken by the newly created Ministry of Domestic Trade and Consumer Affairs to protect consumers from unethical and unfair trade practices, misleading advertisements, unsatisfactory mail order services and other unethical market practices. In this regard, the Government will study the possibility of introducing a Consumer Protection Act to protect consumers from exploitation and malpractices. The National Advisory Consumers Protection Council will be strengthened to provide an effective check on exploitation of consumers as well as to promote consumerism. On the advertising aspect, the performance of advertising features will be strictly monitored in order to reduce misleading and false advertisements. To ensure a healthy and responsible growth of consumerism, the public will continuously be educated on the issues relating to their rights as consumers through lectures, seminars and the mass media. While consumer education will be promoted by the Government, private sector trade associations and organizations are also expected to complement these efforts by playing a more effective role than in the past.

External Trade

Expansion of Market Shares

7.37 Continuous efforts will be made to expand market shares within existing as well as new and non-traditional markets. Within this context, regional trade will be expanded not only to cover ASEAN nations but also countries in the Asia Pacific region. Among the ASEAN nations, intra-ASEAN trade is expected to be further liberalized through improvements to the present PTA. More specifically, there would be deepening of the Margin of Preferences (MOPs) to 50 per cent for existing items in PTA and reducing the exclusion lists of individual ASEAN nations to not more than 10 per cent of traded items. Items remaining in the exclusion lists should not account for more than 50 per cent of intra-ASEAN trade value. In addition, the ASEAN content requirement in the PTA Rules of Origin will be reduced from 50 per cent to 35 per cent on a case by case basis. This is expected to enhance further the export performance of the manufacturing sector. At the same time, standstill on non-tariff barriers (NTBs) and roll-back of NTBs will continue to be negotiated to benefit Malaysian traders. In addition, the Government has proposed and promoted the idea of forming an East Asian Economic Group (EAEG). The proposed group is expected to consolidate the strengths of its members so as to spur trade and investments within the region.

7.38 Countertrade will continue to be used as a supplementary trading arrangement and, on a selective basis, for trade and the transfer of technology. In addition, greater efforts will be undertaken to increase Malaysia's trade with developing countries through the improvement of existing mechanisms and instituting new ones where necessary. In this regard, the Government has agreed that a South Investment, Trade and Technology Data Centre (SITTDEC) be established in Malaysia. This is to promote trade, technological developments and investments among the Third World countries. The Government will continue to draw up bilateral payment arrangements with more central banks in other countries to support the development of trading relationships especially with the Third World countries.

Institutional Support to Enhance Export

7.39 The promotion and development of exports will be further strengthened. In this respect, a new trade promotion organization will be established to replace agencies currently involved in export promotion. In order to be business like in orientation and market driven in approach, this organization will be established as a corporation and

will be directed at consolidating and coordinating export promotional activities. In addition, the Government will also establish trade promotion centres abroad as well as rationalize existing overseas trade representations with a view to avoiding duplications and strengthening export promotion. Steps will also be undertaken to further improve the collection and dissemination of market information in order to strengthen market analysis and international market intelligence for our exports. An efficient information system will be established to provide accurate and timely information to support the export efforts of individual companies.

7.40 Trade and industry associations are also expected to assume a more significant role in improving standards and quality and developing high value added products for exports. The Government will assist these associations in meeting and complying with the technical requirements of standards and quality of products in overseas markets. Besides promoting those activities, these associations will also be encouraged to carry out overseas marketing surveys as well as gather trade information for their members to understand the external market demands and technological developments. This will enhance the development of an international market-oriented approach that will influence relative cost and competitive position as well as product differentiation.

7.41 In addition to strengthening the public sector trade promotion organizations, the Government will provide a new premise to house agencies involved in trade promotion. The proposed building will provide the necessary facilities and space for trade exhibitions, seminars and workshops to promote trade and exports. Beside these, chambers of commerce and industry associations and other trade-related agencies will also be given the opportunity and encouragement to locate their offices in the complex. Efforts will also be intensified to increase the frequency of trade publications in order to keep exporters informed of the market opportunities available overseas. The Government, in cooperation with the private sector, will continue to organize trade fairs and missions to overseas markets, including the non-traditional markets. The Export Promotion Council will continue to assume a vital role in the formulation of export promotion programmes and trade facilitation measures to assist Malaysian exporters. In addition, the Consultative Panel on Trade and Industry will provide the forum for discussing policies affecting trade and industry as well as receiving feedback from the private sector on such policies.

7.42 *Export Refinancing and Insurance Guarantee Scheme.* MECIB will establish a network of branches during the Sixth Plan period and with the expansion of MECIB, the utilization of ECR is expected to increase

substantially during the same period. MECIB's current level of insurance coverage, which is less than 1 per cent of total exports, is expected to double in the next five years. The ECR scheme will continue to be upgraded and modified, whenever necessary, to suit changing export conditions. In addition, it could be expanded to include special long-term financing schemes to finance exports of various commodities to certain markets with potential.

7.43 *Improving Trading Practices.* Efforts will continue to be made to improve trading practices in order to foster the growth and development of domestic insurance and shipping industries, which in turn will assist in reducing the deficit in the services account. Measures will be taken to encourage traders to make greater use of local insurance and shipping services. Efforts will also be intensified to encourage exporters to ship their products to overseas markets in non conference vessels. As dependence on foreign vessels preclude the possibility of control over freight rates and shipping schedules, the Government will continue with efforts to promote the consolidation of cargo where through coordinated bookings, Malaysian exporters will be provided alternative shipping space at competitive rates on a regular basis.

7.44 *Generalized System of Preferences.* During the Plan period, it is expected that many developed countries will review their GSP schemes. In this regard, the Government will continue with its efforts to negotiate against any unfair withdrawal of the GSP schemes for Malaysia. At the same time, Malaysian exporters will need to prepare themselves for open competition. This will require exporters to continually enhance their competitiveness by improving efficiency and productivity of trade operations as well as the design and quality of products. The private sector's initiative will be supported by the existing as well as new programmes which will be provided for in the Sixth Plan in order to attain these objectives.

7.45 *Product Standards and Quality.* Standard and quality control systems will play an increasingly vital role in enhancing export as more and more value added products are produced. Within this context, manufacturers will be encouraged to institute in-house quality control measures at their production line in order to ensure products are of consistent quality and competitive in price. The Government will provide training and technical advice through vocational schools and technical institutes to industry in order to inculcate concern for quality and standards as well as encourage the adoption of in-house quality control measures as a standard routine in their daily operations. Research and development activities on product development and production efficiency will be intensified. In this respect, the Government will continue to

encourage R&D activities. On the other hand, the private sector is expected to play its role in financing and conducting such activities on a greater scale in the future.

7.46 *Other Measures.* The Government will continue to participate actively in international fora such as Multilateral Trade Negotiations, General Agreement on Tariffs and Trade and United Nations Conference on Trade and Development for the reduction and removal of tariffs and non-tariff barriers encountered by Malaysian exporters. Dialogues with ASEAN partners, will be continued in order to improve market access of Malaysian products.

IV. ALLOCATION

7.47 The Federal Government development allocation and estimated expenditure for the Fifth Plan period and the allocation for the Sixth Plan period for the trade sector are as shown in *Table 7-2*. The allocation for the Fifth Plan for this sector was \$368.7 million with an estimated expenditure of \$326.1 million, reflecting a shortfall of 11.6 per cent. For the Sixth Plan, a total of \$658.8 million is allocated for the sector. A major proportion of this allocation is for the construction of business

TABLE 7-2
DEVELOPMENT ALLOCATION FOR
TRADE SECTOR, 1986-95
(\$ million)

<i>Programme</i>	<i>5MP</i>		<i>6MP</i>
	<i>Allocation</i>	<i>Expenditure</i>	<i>Allocation</i>
Export Promotion	10.5	10.2	136.7
Strengthening and Modernization of Trade Administrative Services	98.7	97.7	125.0
Business Premises	243.1	237.8	371.9
Training and Consultancy Services	16.4	16.4	25.2
Total	368.7	326.1	658.8

premises by UDA, MARA and SEDCs to increase retail outlets, especially for the Bumiputera business community. Allocations will also be channelled for export promotion, training and consultancy services as well as for strengthening and modernizing business administration and services. The allocation reflects the emphasis and development thrusts for the sector and is aimed essentially at upgrading and modernizing domestic trade while simultaneously expanding and enhancing the support to expand international trade.

V. CONCLUSION

7.48 With continuous support from the Government and with better economic conditions after the 1986 recession, the trade sector grew tremendously during the Fifth Plan period. The sector provided support for the expansion and development of the other major sectors of the economy particularly agriculture, manufacturing and tourism. The trade sector is expected to continue its role in providing the critical support for the growth and development of the economy during the Sixth Plan. Several major programmes will be implemented to consolidate and strengthen this sector. These programmes will include the modernization of wholesale and retail trade, upgrading the farmer and night markets, as well as the further enhancement of Bumiputera participation in these activities. Promotional activities to gain better access to international markets for new products will be intensified. For the Sixth Plan, the trade sector will be expected to play a greater role in the generation of output, income, employment and foreign exchange earnings.