

## CHAPTER 3

### 3.1 SOME BACKGROUND INFORMATION ON THAILAND AND MALAYSIA.

Thailand is situated in the heart of Southeast Asia. It is bordered by Laos to the north and northeast, the Union of Myanmar to the north and west, the Andaman Sea to the west, Cambodia and the Gulf of Thailand to the east and Malaysia to the south. The location of Thailand can be referred in Map 1.

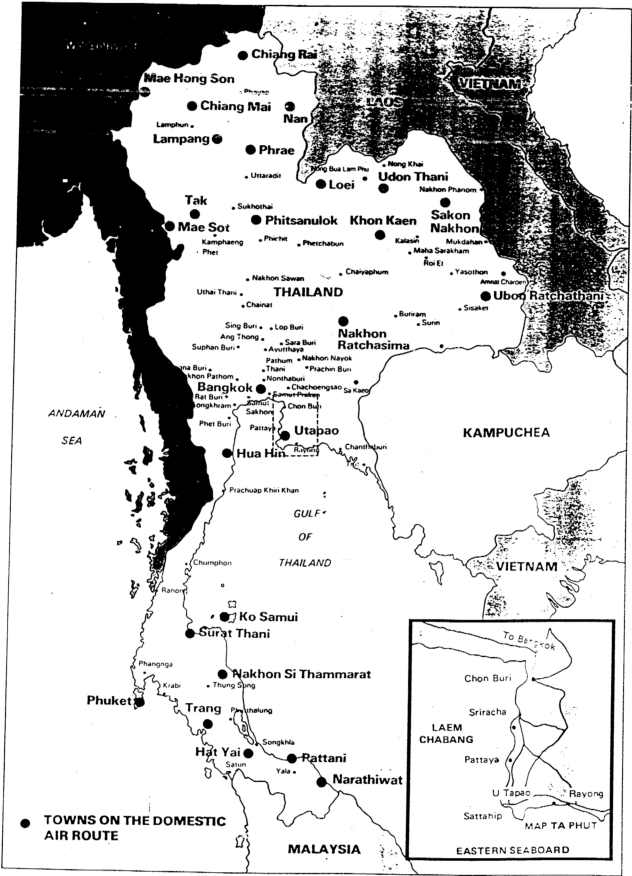
Thailand has a land area of 513,115 square kilometers and extends about 1,620 kilometers from north to south and 775 kilometers from east to west.

Geographically, Thailand can be divided into five regions. The central region provides one of the world's most fertile rice growing areas, whereas the north mountainous region provides exotic flowers and tropical fruits especially longan and lychee. It also helps in the growth of principal cash crops such as tobacco, cotton and sugarcane. The region is also rich in mineral deposits.

The eastern region consists of a rich sandy soil which is ideal for growing cassava, rubber, and sugarcane. Some of the world's finest gemstones are found here. The south region has a vast variety of seafood resources as it is exposed to the Gulf of Thailand and the Andaman Sea. Rubber, an important product, is

# Map of Thailand

MAP I



produced here followed by pineapple and palm oil.

The northeast is the driest region in the country with very little rain. However, extensive development of irrigation networks have paved the way for the cultivation of maize and tapioca. The region is rich in deposits of gypsum, lead, zinc, manganese, marble and rocksalt.

### 3.2 HISTORY OF THAILAND

A popular story of the Thai people contends that they trekked south from the Yangtze river basin in Southern China in successive waves of migration which culminated with the collapse of the independent Thai Kingdom of Nan Chao in the 12th century. This was called the Dvaravati period which saw the gradual migration of the Thais into the fertile and bountiful Chao Phraya River basin.

The Sukhothai period (13-14th century) saw Buddhism become the predominant religion almost 1600 years after it was introduced into the region. It was also at this time that the Thai script was devised. Sukhothai rulers emerged as a power not only within Thailand but extended beyond South-east Asia.

The next to follow was the Ayuttaya period (14-18th century). It was founded by King Uthong in 1350. The Ayuttaya period lasted 417 years and was most noted for its economic and military

strength. Free trade, including international trade developed under the Royal authority. After the destruction of Ayuttaya by the Burmese in 1767, most of the Thais took refuge in Bangkok. Bangkok became the capital of Thailand in 1782 under the Chakri Dynasty, King Rama 1. King Rama was a dreamer with a sense of grandeur. He built Bangkok bearing in mind the splendor of Ayuttaya. Many artisans were gathered and commissioned to build the Grand Palace and the temple of Emerald Buddha.

### 3.3 THE GOVERNMENT OF THAILAND

Thailand has been a democratic constitutional monarchy since 1932, with the King as Head of State. Under the present constitution, the parliament is composed of 270 appointed senators and 360 elected representatives. The Prime Minister is selected from among the members of the House of Representatives. The Bangkok Metropolitan comes under an elected governor and is divided into 36 districts. Besides Bangkok, there are 75 other provinces, and villages.

### 3.4 POPULATION AND LANGUAGE

Thailand has a population of approximately 58.6 million (as shown in table 2) with the annual population growth rate of 1.5% of which around 6 million live in the capital city, Bangkok. While



the national and official language is Thai, English is widely spoken and understood in major cities and in business circles.

### 3.5 THAILAND'S CLIMATE

The climate is tropical with long hours of sunshine and high humidity. There are three seasons: hot from March to June; rainy from July to October and cool from November to February. Average low temperature is 20 °C and high temperature is 37° C. The geographic and climatic conditions make the country suitable for the cultivation of a wide range of tropical and semi-tropical crops.

### 3.6 ECONOMIC OUTLOOK

The remarkable economic performance of the last ten years (1990-95), during which Thailand recorded a high annual average growth rate (8.2 per cent, table 3.1). The seventh Five-Year National Economic and Social Development Plan, which commenced in Fiscal Year 1992 (Starting 1 October, 1991), projects and average annual real economic growth of 8.2 percent.

At the end of World War II, Thailand was basically an agrarian economy. Heavily dependent on rice, which accounted for some 25 percent of GDP and about one-half of exports. Thailand had only a very small manufacturing sector and limited basic

infrastructure. Over the ensuing 40 years, real annual GNP growth has averaged some 7 percent; poverty has been dramatically reduced; and output and exports have become increasingly diversified. By the beginning of the 1990s, Thailand was well-advanced in its transition from an agricultural to an industrial and services-based economy and today is on the verge of joining the ranks as Asia's newly industrialised economies (NIEs).

The post-war development of the Thai economy can be broadly divided into three phases. The first (1950 - 1972) was characterised by rapid growth and development, driven from the late 1950s, by the adoption of an industrial strategy that was oriented towards the private sector and by a rapid improvement in infrastructure.

The second phase (1973-1985) was dominated by the need for domestic adjustment in the face of severe external shocks; attempts to maintain growth through expansionary policies in the late 1970s were followed by a series of adjustment programmes designed to restore internal and external balance.

From 1986 onwards, these adjustment efforts, aided by a favourable external environment, began to bear fruit, and Thailand embarked on its current remarkable economic expansion. One example

of the radical structural transformation of the economy which has taken place can be seen from the relative roles of agriculture and manufacturing in production and exports over the last 20 years. In 1970 agriculture accounted for nearly 26 percent of total production and 67.5 percent of exports. By 1990 agriculture had shrunk to 12.7 percent of total production and only 17 percent of exports while manufacturing now accounted for 26.5 percent of production and nearly 75 percent of exports (Table 3.2).

This dramatic shift is associated with the relocation of industries to Thailand from Japan and the NIEs of East Asia, namely, South Korea, Taiwan and Hong Kong. With this surge of foreign investments, from the traditional manufactured exports of textile products, canned food, sugar and jewellery. Thailand's exports have been expanded to include computer components, integrated circuits, footwear, plastic products, artificial flowers, leather products and electrical appliances.

In 1995 the scale and degree of internationalisation of the Thai economy had reached a level where it could now be considered a global player. With Gross Domestic Product Baht 4,173 billion in 1995, Thailand is the eight largest economy in Asia after Japan, China, Australia, India, South Korea, Taiwan and Indonesia. Thailand's total international trade in 1995 of Baht 31,370 billion (Table 3.1) ranks it among the world's top 20 largest importers and top 30 exporters.

### 3.7 THAILAND AND INTERNATIONAL TRADE.

Thailand is still the world's number one rice exporter, but this traditional export is decreasing in term of percentage of total exports which now accounts for only 2.9 percent of exports in earnings. Computers, computer parts and integrated circuits added up to 14.6 percent of exports in 1995 (Table 3.2). As the World Bank-designated world's fastest growing economy from 1986 to 1995, Thailand is now Asia's most dynamic export platform. For example in 1990, exports rose to Baht 585,396 million (average exchange rate 10 bath = RM 1), (Table 3.2) million, with 80 percent being manufactured products. Thailand's total trade rose to Bath 3,159 billion in 1995 from Baht 1,312 billion in 1990. Thailand has become a significant player in the global market place both as a buyer and a seller.

In terms of balance of trade Thailand experienced a trade deficit of Baht 255.1 billion in 1990, Baht 205.4 billion in 1992 and Baht 373.8 billion in 1995 (Table 3.1). This deficit comprised mainly of raw materials, machinery, other capital goods and oil which together accounted for some 80 percent of Thailand's imports.

As Thailand is moving into rapid industrialization, the types of goods it produces are changing, as well as their destinations. Thailand is an exporter of passenger cars (Canada is currently the main market). It is also an exporter of auto parts and equipment.

# Thailand's Key Economic Indicators

TABLE 3.1

		1990	1991	1992	1993	1994	1995
1	Population (million persons)	56.30	56.96	57.79	58.34	59.10	59.46
2	GDP						
	2.1 Real GDP at 1988 prices (% change)	11.6	8.4	7.9	8.2	8.9	8.7
	- Agriculture	-3.8	5.9	4.2	0	4.3	3.1
	- Nonagriculture	14.5	8.8	8.5	9.4	9.5	9.4
	2.2 GDP at current prices (billion baht)	2,191.1	2,519.6	2,833.3	3,170.5	3,600.5	4,173.0
	(% change)	(18.0)	(15.0)	(12.5)	(11.9)	(13.8)	(15.9)
	2.3 Per Capita GNP (baht)	38,582	43,612	48,166	53,617	59,940	69,077
3	Inflation (consumer price index)	6.0	5.7	4.1	3.3	5.0	5.8
4	External Sector (billion baht)						
	4.1 Exports	583.2	720.5	815.2	921.4	1,118.0	1,381.6
	(% change)	(14.4)	(23.5)	(13.2)	(13.0)	(21.3)	(23.6)
	4.2 Imports	838.3	987.8	1,020.8	1,143.1	1,344.8	1,755.4
	(% change)	(29.0)	(15.4)	(5.5)	(12.0)	(17.6)	(30.5)
	4.3 Trade balance	-255.1	-247.3	-205.4	-221.7	-226.8	-373.8
	4.4 Current account balance	-186.2	-193.3	-161.3	-178.4	-203.2	-337.6
	(as percentage of GDP)	(-8.5)	(-7.7)	(-5.7)	(-5.6)	(-5.6)	(-8.1)
5	Exchange Rate (annual average)						
	Baht : US\$ (Exchange Equalization Fund)	25.59	25.52	25.40	25.32	25.15	24.92

Source: Annual Economics Report, Ministry of Finance, Thailand

The principal markets are Singapore, the United States, Japan and Germany (Table 3.4). Thailand is currently one of the world's largest exporters of natural rubber.

### **3.8 THAILAND'S EXPORT BY TYPES OF PRODUCTS**

#### **3.8a MANUFACTURED PRODUCTS.**

Manufacturing has undergone significant structural changes and modernization, encompassing production process, product diversification and quality enhancement. New factories are using more sophisticated and technology-intensive methods of production as well as higher levels of capital intensity. This overall shift has been greatly aided by the increasingly export-oriented nature of the Thai manufacturing sector which has seen an acceleration in the transfer of technology through joint-venture investments.

By the year 1990, Thailand top ten leading exports by value were textiles and garments, computers and computer components, gems, jewellery and ornaments, rice, tapioca products, integrated circuits, canned seafood, rubber, shoes and parts, and frozen shrimp (Table 3.2).

#### **3.8b AGRICULTURAL PRODUCTS.**

The share of the agriculture sector of total exports has dropped from 29 percent in 1990 to 19 percent in 1995 (Table 3.2).

## THAILAND : EXPORTS BY PRODUCTS (1985 - 1995)

TABLE 3.2

PRODUCTS	BAHT million	1985		1990		1995	
		WORLD	%	WORLD	%	WORLD	%
Food and Live Animals		86,482	45.16%	165,721	28.31%	266,273	18.97%
Beravage and Tobacco		1,648	0.86%	2,292	0.39%	3,570	0.25%
Crude Material, Inedible		19,611	10.24%	32,250	5.51%	79,165	5.64%
Mineral Fuels, Lurbricants, etc.		2,448	1.28%	4,859	0.83%	8,775	0.63%
Animal & Veg. Oils, Fats & Waxes		583	0.30%	163	0.03%	499	0.04%
Chemical & Related Products		2,440	1.27%	8,235	1.41%	43,419	3.09%
Manufactured Goods by Material		35,860	18.72%	107,786	18.41%	254,857	18.15%
Machinery & Transport Equip.		16,977	8.86%	130,841	22.35%	478,815	34.11%
Misc. Manufactured Articles		24,030	12.55%	126,291	21.57%	255,155	18.18%
Misc. Commodities Transaction		1,433	0.75%	6,958	1.19%	13,272	0.95%
<b>TOTAL</b>		<b>191,512</b>	<b>100%</b>	<b>585,396</b>	<b>100%</b>	<b>1,403,800</b>	<b>100%</b>

Source : Custom Department, Thailand.

## THAILAND : IMPORTS BY PRODUCTS (1985 - 1995)

TABLE 3.3

PRODUCTS	BAHT million	1985		1990		1995	
		WORLD	%	WORLD	%	WORLD	%
Food and Live Animals		9,441	3.75%	33,465	4.00%	50,919	2.90%
Beravage and Tobacco		2,254	0.90%	5,480	0.66%	6,541	0.37%
Crude Material, Inedible		15,791	6.27%	53,598	6.41%	93,991	5.35%
Mineral Fuels, Lurbricants, etc.		56,718	22.54%	78,195	9.35%	117,080	6.67%
Animal & Veg. Oils, Fats & Waxes		493	0.20%	634	0.08%	1,770	0.10%
Chemical & Related Products		35,718	14.19%	85,116	10.18%	178,358	10.16%
Manufactured Goods by Material		42,835	17.02%	192,336	23.00%	362,218	20.63%
Machinery & Transport Equip.		70,549	28.03%	347,794	41.59%	867,062	49.38%
Misc. Manufactured Articles		14,043	5.58%	24,573	2.94%	46,180	2.63%
Misc. Commodities Transaction		3,837	1.52%	15,141	1.81%	31,797	1.81%
<b>TOTAL IMPORTS</b>		<b>251,679</b>	<b>100%</b>	<b>836,332</b>	<b>100%</b>	<b>1,755,916</b>	<b>100%</b>

Source : Custom Department, Thailand.

However, agriculture still provides employment for some 60 percent of the workforce and Thailand remains one of the world's top food producing nations-and the only net exporter of food in Asia.

### 3.9 THAILAND'S IMPORTS

Although Thailand is regarded as one of the developing world's most successful exporters, it is not recording a trade surplus. Quite to the contrary, Thailand is running a very large trade deficit. Unlike the Asian NICs of South Korea and Taiwan, which in recent years have been recording a very substantial trade surplus with the rest of the world, at this stage in its development Thailand is likely to continue to import more than to export. As shown in Table 3.3, There are three major components of imports, They are Oil products (mineral fuels and lubricants) which consist of crude oil, Secondly Non-oil products which consist of consumer goods and raw materials and intermediate goods and capital goods.

### 3.10 DIRECTION OF TRADE

In 1995, Thailand's major export markets are the United States, Japan and the European Union, with the average percentage share of 18 percent 17 percent and 14 percent respectively. In 1995 Export to United States, the largest market for Thai exports,

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**THAILAND'S EXPORTS TO TOP 10 COUNTRIES**  
(1985 - 1995)

TABLE 3.4

RANK	COUNTRIES	1985		1990		Growth	1995		Growth
		BAHT mil	Share	BAHT mil	Share		BAHT mil	Share	
1	U.S.A.	38,016	20%	133,390	23%	251%	249,657	18%	87%
2	JAPAN	25,828	13%	100,770	17%	290%	236,083	17%	134%
3	SINGAPORE	15,350	8%	42,914	7%	180%	198,685	14%	363%
4	HONG KONG	7,807	4%	26,528	5%	240%	72,888	5%	175%
5	NETHERLAND	13,772	7%	28,473	5%	107%	45,293	3%	59%
6	W.GERMANY	7,220	4%	30,284	5%	320%	40,645	3%	34%
7	UNITED KINGDOM	4,703	2%	23,834	4%	407%	40,497	3%	70%
8	CHINA	7,367	4%	6,331	1%	-14%	40,406	3%	538%
9	MALAYSIA	6,646	5%	14,389	2%	49%	98,987	5%	167%
10	KOREA	3,575	2%	10,052	2%	181%	19,801	1%	97%
	<b>TOTAL 10 COUNTRIES</b>	<b>133,284</b>	<b>70%</b>	<b>416,975</b>	<b>71%</b>	<b>213%</b>	<b>982,352</b>	<b>70%</b>	<b>136%</b>
	<b>OTHER COUNTRIES</b>	<b>58,228</b>	<b>30%</b>	<b>168,421</b>	<b>29%</b>	<b>189%</b>	<b>421,448</b>	<b>30%</b>	<b>160%</b>
	<b>GRAND TOTAL</b>	<b>191,512</b>	<b>100%</b>	<b>585,396</b>	<b>100%</b>	<b>206%</b>	<b>1,403,800</b>	<b>100%</b>	<b>140%</b>

Source : Custom Department, Thailand.

**THAILAND'S IMPORTS FROM TOP 10 COUNTRIES**  
(1985 - 1995)

TABLE 3.5

RANK	COUNTRIES	1985		1990		Growth	1995		Growth
		BAHT mil	Share	BAHT mil	Share		BAHT mil	Share	
1	JAPAN	66,587	26%	258,908	31%	289%	541,132	31%	109%
2	U.S.A.	28,434	11%	91,579	11%	222%	212,507	12%	132%
3	SINGAPORE	18,746	7%	62,981	8%	236%	104,045	6%	65%
4	GERMANY	13,586	5%	41,428	5%	205%	94,150	5%	127%
5	TAIWAN	7,793	3%	44,089	5%	466%	84,289	5%	91%
6	MALAYSIA	14,825	6%	18,156	2%	22%	81,585	5%	348%
7	KOREA (SOUTH)	5,089	2%	26,619	3%	425%	61,223	3%	130%
8	CHINA	6,073	2%	28,231	3%	365%	52,193	3%	85%
9	FRANCE	6,783	3%	15,671	2%	131%	48,335	3%	208%
10	UNITED KINGDOM	6,335	3%	19,985	2%	215%	36,067	2%	80%
	<b>TOTAL 10 COUNTRIES</b>	<b>174,231</b>	<b>69%</b>	<b>607,648</b>	<b>73%</b>	<b>249%</b>	<b>1,315,536</b>	<b>75%</b>	<b>116%</b>
	<b>OTHER COUNTRIES</b>	<b>77,448</b>	<b>31%</b>	<b>228,684</b>	<b>27%</b>	<b>195%</b>	<b>440,380</b>	<b>25%</b>	<b>93%</b>
	<b>GRAND TOTAL</b>	<b>251,679</b>	<b>100%</b>	<b>836,332</b>	<b>100%</b>	<b>232%</b>	<b>1,755,916</b>	<b>100%</b>	<b>110%</b>

Source : Custom Department, Thailand.

rose about 90 percent from 1990 (3.4). Exports to the Asia-Pacific market (comprising ASEAN, Indochina, Myanmar, China, Taiwan, Korea and Hong Kong), though moderating markedly from 1995 but still expanding at a faster pace than those other markets, with its share 33.7 percent in 1995. In 1995 Thai-ASEAN (the Association of South East Asian Nations), became Thailand's leading trade partner, edging out the United States and Japan. ASEAN includes Malaysia, Singapore, Indonesia, Philippines, Vietnam, Brunei, Laos and Myanmar. The top market within ASEAN is Singapore, which ranked third after the United States and Japan. Principal Thai exports to ASEAN include computers and parts, integrated circuits and plastic products. Two agricultural products, rice and rubber, sold well in ASEAN, with Indonesia being the main destination for rice and Malaysia for rubber (for re-export). Table 3.4 showed that Malaysia is in ranking number nine (based on 1995) of Thailand top ten export destinations.

Japan remains the largest source of imports, though its share in total imports declined from 23 percent in 1990 to 18 percent in 1995 (Table 3.5). The Import of consumer goods, raw materials and intermediate goods which accounted for a combined share of 44 percent of total import from Japan are declining, while imports of capital goods from Japan continued to grow marginally. Other major sources of imports are the European Union and the United States. The imports consist of capital goods, especially aircraft and consumer products. As for crude oil the Middle East is the main exporters to Thailand.

### 3.11 CONCLUSION

Thailand is the second largest Asean countries in terms of total population. Thailand is moving towards industrialization but agriculture is still the major sector of the economy. Agriculture provides employment for some 60 per cent of the workforce. Thailand is the world's top rice producer. As like other ASEAN countries. Thailand main trading partners are Japan, the United State and the European Union. Although Thailand has enjoyed a robust economic growth, but Thailand's economic growth is projected to slow down significantly in 1997 as a result of the currency crisis.

### 3.12 A SHORT REVIEW ON MALAYSIA'S BACKGROUND

Malaysia is situated in the heart of Southeast Asia. It used to be the gateway for the traders from south to west or from China to India. It is bordered by Singapore to the south and Thailand to the north. There are four main gateways to Thailand, nemely Bukit Kayu Hitam in Kedah, Padang Besar in Perlis, Bentong in Perak and Sungai Golok in Kelantan. Geographically Malaysia is divided into two parts; Sabah and Sarawak on the island of Borneo and peninsular Malaysia. Malaysia has a land area of 329,758 square kilometres of which Peninsular Malaysia covers 131,598 square kilometres. Sabah and Sarawak covers 73,711 and 124,449 square kilometres respectively.

Malaysia was formed on September 16, 1963. It comprised Malaya (which had become independent in 1957), Singapore, Sabah and Sarawak. Singapore was separated from Malaysia in 1965. Malaysia comprises 13 states and a federal territory with Kuala Lumpur as the capital of Malaysia.

Malaysia has a population of 19.5 million with a population density of 59 persons per square mile and an average annual population growth rate of about 2.3 percent. The population of Malaysia comprises Malays, Chinese, Indians, Ibans, Kadazans and other races. Bumiputeras consist of 58 percent, Chinese 28 percent and Indian 9 percent and other non-bumiputra 5 percent. Bahasa Malaysia is the national language or official language and English is widely used in commerce and industry. Besides that, other languages are also spoken in Malaysia such as Chinese and Tamil. Islam is the official religion. However, Christianity, Buddhism, Hinduism etc. are freely practised, as freedom of worship is guaranteed under the Federal Constitution.

Malaysia practises democracy with a constitutional monarch, (called the Yang Diptuan Agong) as the head of state. The Prime Minister and his cabinet is the top decision making body of the government. The Barisan Nasional (the coalition of parties which rule the country since its independence) always maintain a two-third, majority in Parliament and this assures bring about harmony and stability in the country.

TABLE 3.6

## EXPORT'S COMMODITIES

RM million

	1990	1995
<b>AGRICULTURE</b>		
Palm oil	4,421	10,331
Rubber	3,028	4,038
Sawlogs	4,041	2,264
Sawn Timber	3,065	3,839
Cocoa	449	172
<b>MINING</b>		
Crude oil	10,639	6,701
LNG	2,635	3,171
Tin	902	545
<b>MANUFACTURE EXPORTS</b>	<b>46,835</b>	<b>147,524</b>
<b>OTHER EXPORTS</b>	<b>3,631</b>	<b>6,740</b>
<b>GROSS EXPORT</b>	<b>79,646</b>	<b>185,325</b>

Source: Seventh Malaysia Plan.

Since the independence, the Government has committed itself to improving the standard of living, and wealth and income redistribution so as to achieve greater economic equity among her citizens. With strong macroeconomic fundamentals, the Malaysian economy has maintained strong growth in the past four decades. Infrastructure improvement has always been the priority of the development objective of the government. Free education has greatly enhanced the supply of skilled manpower.

Malaysia is the world's largest producer of natural rubber, palm oil and tin of which each contributes 37%, 60% and 30% respectively to the world output.<sup>1</sup> However, with reference to the Seventh Malaysia Plan, manufacturing, services and construction sectors, (as shown in Table 3.6) have been growing rapidly. The manufacturing sector was growing at an average rate of 10.7 per cent per annum and the share of this sector to GDP increased to 33.1 per cent in 1995. The share of agriculture dropped, however, to 13.6 per cent by the same year. The main contributor to the growth of manufacturing is the electrical machinery and apparatus subsector. According to the Seventh Malaysia Plan, this subsector has contributed 34.5 per cent to the value-added of the manufacturing sector.

The export of manufactured goods in Malaysia expands at an

**MALAYSIA'S EXPORTS TO TOP 10 COUNTRIES**  
(1985 - 1995)

**TABLE 3.7**

RANK	COUNTRY	1985	1985	1990	1990	1995	1995	1995
1	U.S.A.	4,891	13%	13,489	17%	176%	38,278	21%
2	SINGAPORE	7,356	19%	18,141	23%	147%	37,584	20%
3	JAPAN	9,272	24%	12,590	16%	36%	23,449	13%
4	HONG KONG	513	1%	2,524	3%	392%	9,899	5%
5	UNITED KINGDOM	1,242	3%	3,136	4%	152%	7,483	4%
6	THAILAND	1,297	3%	2,790	4%	113%	7,238	4%
7	GERMANY	1,289	3%	3,097	4%	140%	5,926	3%
8	TAIWAN	861	2%	1,728	2%	101%	5,813	3%
9	KOREA	2,246	6%	3,677	5%	64%	5,162	3%
10	CHINA	399	1%	1,675	2%	320%	4,904	3%
	<b>TOTAL 10 COUNTRIES</b>	<b>29,368</b>	<b>77%</b>	<b>62,847</b>	<b>79%</b>	<b>114%</b>	<b>145,756</b>	<b>79%</b>
	<b>OTHER COUNTRIES</b>	<b>8,651</b>	<b>23%</b>	<b>16,799</b>	<b>21%</b>	<b>94%</b>	<b>39,230</b>	<b>21%</b>
	<b>GRAND TOTAL</b>	<b>38,017</b>	<b>100%</b>	<b>79,646</b>	<b>100%</b>	<b>110%</b>	<b>184,986</b>	<b>100%</b>

Source : Department of Statistics, Annual Statistics for External Trade, Malaysia, Various Years.

**MALAYSIA'S IMPORTS FROM TOP 10 COUNTRIES**  
(1985 - 1995)

**TABLE 3.8**

RANK	COUNTRY	1985	1985	1990	1990	1995	1995	1995
1	JAPAN	7,006	23%	19,071	24%	172%	53,088	27%
2	U.S.A.	4,627	15%	13,286	17%	187%	31,412	16%
3	SINGAPORE	4,627	16%	11,861	15%	146%	24,079	12%
4	TAIWAN	807	3%	4,346	5%	439%	9,913	5%
5	GERMANY	1,362	4%	3,408	4%	150%	8,612	4%
6	KOREA	686	2%	2,037	3%	197%	7,965	4%
7	FRANCE	704	2%	1,183	1%	68%	5,917	3%
8	UNITED KINGDOM	1,202	4%	4,327	5%	260%	5,479	3%
9	AUSTRALIA	1,233	4%	2,943	4%	139%	5,259	3%
10	THAILAND	1,077	4%	1,901	2%	77%	5,131	3%
	<b>TOTAL 10 COUNTRIES</b>	<b>23,531</b>	<b>77%</b>	<b>64,363</b>	<b>81%</b>	<b>174%</b>	<b>156,855</b>	<b>81%</b>
	<b>OTHER COUNTRIES</b>	<b>6,907</b>	<b>23%</b>	<b>14,756</b>	<b>19%</b>	<b>114%</b>	<b>37,489</b>	<b>19%</b>
	<b>GRAND TOTAL</b>	<b>30,438</b>	<b>100%</b>	<b>79,119</b>	<b>100%</b>	<b>160%</b>	<b>194,344</b>	<b>100%</b>

Source : Department of Statistics, Annual Statistics for External Trade, Malaysia, Various Years.

average of 25.8 per cent per annum. In the seventh Malaysia Plan, its earnings was RM 147.5 billion in 1995, compared to RM46.8 billion in 1990 (table 3.6). The major manufactured products exported are electronics and electrical products; transport equipment; wood products; textile, clothing and footwear, and chemical products. The major agricultural exports of Malaysia are palm oil and natural rubber. The overall performance of agricultural exports is moderate with an average annual growth of 1.5 per cent (Table 3.6). This growth is mainly due to the increase in demand for palm oil. Compared to manufactured exports agricultural exports has declined significantly in terms of share in total exports.

The import of goods and non-factor services of Malaysia is expected to pick up strongly. According to the Seventh Malaysia Plan, with the strong performance of the economy, gross imports will grow at a double digit rate of 12.8 per cent per annum. Imports of investment goods and intermediate goods will continue to be the major components of imports due to the growth in the manufacturing and construction sectors. Imports of intermediate goods and investment goods have expanded rapidly in recent years.

Malaysia's largest trading partner is the Association of South-East Asian Nations (ASEAN) constituting 22.2 per cent of total trade in 1995, with Singapore as the largest trading partner.



Japan is the second largest trading partner and this is followed by the United States of America (US) and the European Union (Table 3.7 and 3.8). This means that the ASEAN countries, Japan, the US and the EU continued to be the nation's major trading partners accounting for 75.5 per cent of Malaysia's total exports in 1995 (75.3% in 1990)

Malaysia's Balance of Payments (BoP) deficits was of major concern to the government lately. BoP deficit has grown greatly from 1990 to 1994. With reference to Table (3.9), the Current-account balance deficit has grown from RM2.5 billion in 1990 to RM 17.8 billion in 1995. In order to reduce this deficit, the Government of Malaysia has implemented measures and strategies. Among others, these measures include incentives for reinvestment, twinning programmes with foreign universities and encouraging exports on cost, insurance and freight (c.i.f.) and imports on free-on-board (f.o.b.) basis. In the Seventh Malaysia Plan education will be developed as an export industry so as to make Malaysia into a regional educational centre, which will reduce the outflow of Malaysian currency and encourage inflow of foreign exchange into Malaysia.

### 3.13 CONCLUSION

Malaysia is a harmonious and prosperous country. According to the Seventh Malaysia Plan the performance of the Malaysian economy

TABLE 3.9

## BALANCE OF PAYMENT (1990 - 1995)

RM million

	1990	1995
Merchandise Account	7,093	630
Exports	77,458	180,956
Imports	70,365	180,326
Services Account	-9,723	-18,845
Transfer	147	400
Current Account	-2,483	-17,815

Source: Economic Report, Ministry of  
Finance 1996/97

## Footnote

1. EXPORT MALAYSIA, The Directory of Malaysian Goods &  
Services, Kuala Lumpur. 1990/1991.

will continue to be robust during the period 1995-2000. The expansion of the economy will be broadbased, emanating from the manufacturing, services and construction sectors. Output from the agricultural sector will improve with new sources of growth. With the strong efforts to improve the current account deficit, Malaysia believes that the current account will be in surplus by the year 2000. With high domestic investments and continuous improvements in human resources, the country will continue to do well in the future.