

## Malaysia: Liberalization measures - a fine balancing act

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- The Prime Minister has announced further liberalization measures during the Invest Malaysia 2009 event (see below), an extension to the liberalization of the 27 services subsectors announced in May, while setting a long term vision of remodeling the economic structure into a high-income and services based country.
- Announced measures are in tandem with the roadmap outlined in the Capital Market Master Plan (2000-2010) to make Malaysia more visible on the foreign investors' radar. The increased foreign stake would probably encourage partnerships with local players, with the hope that there could also be an infusion of technical expertise especially in the areas of product development, distribution channels and human capital. Eventually, this will raise the level of efficiency, capacity and capability in the domestic market place.
- Furthermore, the deregulations of FIC rules are seen as bold moves on the part of the new administration to tweak and adapt the 40-year old NEP requirements and instruments. The spirit of NEP to restructure society however remains with the counter-supporting measures, i.e the 50% Bumiputera for public spread, as well as the establishment of EkuINAS.
- Taking together, all of these measures are aimed at encouraging inflow of foreign funds and investments, strengthening the local stock market, supporting further growth and development of the services sector, particularly the capital market.
- More importantly, the liberalization moves were also seen as a fine balancing act between promoting private and foreign investments while meeting the needs and concerns of the Bumiputera sector.
- Overall, we applaud these measures as timely and market positive, given that private investment had been dragging the Malaysian economy below its potential growth post the 1997/98 recession.
- Private investment area has been facing both domestic and external constraints. Structural impediments or weaknesses to spur private investment, the relatively weak delivery services, mismatch of supply and demand of domestic labor and still low productivity growth are mainly the local issues. Externally, the emergence of major Asian players such as China and India has been repelling foreign funds away.
- Ultimately, these measures are a step in the right direction towards the reactivation of private sector as the engine of growth, given the limited fiscal strength that the government currently possessed.
- The liberalization measures announced however were just glimpses of what is to come in the New Economic Model (NEM) to be announced by the government, as we expect more policy changes and introductions to be announced in order to put Malaysia back on the global competitiveness map.

### NEW LIBERALIZATION MEASURES (ANNOUNCED ON 30 JUNE 2009)

<b>Foreign Equity Ownership</b>	(i) Full liberalisation in the ownership of wholesale fund management companies for qualified and leading fund management companies to establish operations in Malaysia;
	(ii) Foreign shareholding limits on unit trust management companies raised to 70% 49% currently;
	(iii) Foreign shareholding limits in existing stockbroking companies raised to 70% from 49% currently.
<b>Deregulation of FIC rules and jurisdictions</b>	(i) With immediate effect, Foreign Investment Committee (FIC) guidelines covering the acquisition of equity stakes, mergers and takeovers are repealed. FIC would no longer process any share transactions nor impose equity conditions on such transaction;
	(ii) Property transactions including those between foreigners and non-Bumiputeras will no longer require FIC approval, except those above RM20 million.
	(iii) FIC will no longer process property transactions, except where it involves dilution of Bumiputera or Government interests.
<b>Supporting High Growth Potential Sectors</b>	Ekuiti Nasional Bhd (Ekuinas), will be established as a private equity fund with initial capital of RM500 million. Ekuinas which will be enlarged to become a RM10 billion fund
<b>Attracting Foreign High Skilled Human Capital</b>	Bank Negara and the Securities Commission would review all visa applications for the financial services and capital market industries as part of efforts to attract international human capital