

Activity 3.5

Some of the foreign trade policy and regulations concerning in analysing risks and opportunities of a geographic segment are:

1. Does Malaysia have a liberal or restrictive trade policy?
2. Is there a favourable environment to exporting?
3. Do Malaysia's buyers have import regulations discriminating against or in favour of importing from the country?

The impact upon supply includes:

1. A restrictive trade regime may cause difficulties to exporters in the country in terms of exporting as well as in terms of importing goods and services required for production of procurement items. In Malaysia's context, the trade policy is considered quite liberal.
2. Incentives to export are likely to be reflected in lower prices. In Malaysia's context, if a company is under the licence of FIZ, FTZ or LMW, then their export items listed with customs would not be taxed. This definitely makes the pricing of finished goods lower and favourable export.
3. The buyer's government may encourage or discourage trade with the country, e.g., through different tariffs which impact on acquisition costs. In Malaysia's context, any imported material used to assemble the goods for export in FIZ, FTZ or LMW licensed companies would not be subject to tax. Thus, this makes our material cost competitive. However, any item imported for consumer use would be taxed. The examples are imported cars, furniture, office equipment and electrical appliances.