1959 CONSULTATIONS UNDER ARTICLE XIV:1(g) WITH
THE FEDERATION OF MALAYA

Basic Document

I. SYSTEM AND METHODS OF THE RESTRICTIONS

Legal Basis of the Restrictions

Legal powers to enforce the control of imports exercised in the Federation of Malaya are taken under the Customs Ordinance, 1952, as amended. Section 30 of this Order empowers the Yang di-Pertuan Agong in Council, as Supreme Head of State, to make orders prohibiting or regulating the importation of all goods.

Exercising these powers, the Supreme Head of State made an order cited as the Customs (Prohibition of Imports) Order, 1954, which came into force on 1 November 1954.

The effects of this Order are:

(i) to prohibit the importation of all goods except under and by virtue of an import licence which may be either particular or general;

(ii) to delegate the power to the Comptroller of Customs for issuing, amending or cancelling such licences;

(iii) to exempt from its general prohibition goods imported by or on behalf of the Government of the Federation or the government of any State or by His Majesty's Navy, Army or Air Force and goods imported from the State of Singapore other than those specified in the Schedule to the Order.

This Order may be amended as and when necessary by order of the Yang di-Pertuan Agong in Council.

The Comptroller of Customs, exercising his powers under the above Order, granted a licence on 18 February 1955 cited as the Open General Licence (Imports) No.(1), 1955 which stipulates the goods which, when imported from specified countries, require an individual import licence. This licence may be amended as and when necessary at the discretion of the Comptroller of Customs.

Policy of Restriction

Import controls in the Federation of Malaya are minimal in character. Most imports other than those from the USSR and other Eastern European countries are admitted without the need of an individual licence.
At present goods imported from the State of Singapore, with certain exceptions (which are listed in Section on "Methods of Restriction" below as not being exempted from control), are permitted to be imported freely. This exemption is the result of a traditional trading association between the two territories. Import licences issued in the Federation or in Singapore are therefore valid for the import of goods into both the Federation and Singapore with the exception of goods listed in the Section on "Methods of Restriction" below which are subject to strict independent control by each territory. This arrangement is a continuation of the control that was exercised on imports prior to the Federation achieving independence. A large proportion of the goods imported into the Federation are imported either from or via Singapore.

It should be noted that most of the restrictions in force on imports are maintained for reasons other than the balance of payments and are justifiable under the provisions of the General Agreement relating to security, etc. Individual import licences are at present issued freely for most of the imports which require them.

Administration of the Restrictions

Import controls are administered by the Comptroller of Customs. Where individual licences are required, applications must be submitted to the Import and Export Control Officer at either Kuala Lumpur or Penang. These two officers are gazetted as Senior Customs Officers for the express purpose of issuing import licences on behalf of the Comptroller of Customs.

Methods of Restriction

The import of goods is authorized either:

(i) under open general licences, or

(ii) under individual licences issued at the discretion of the licensing authority.

Most goods are exempt from import control when imported from Singapore. This exemption does not apply to the following goods which, when imported from Singapore, require individual licences: explosives, fireworks, arms and ammunition, imitation arms and toy guns, certain primate animals, rice and paddy, certain cotton textiles of mainland Chinese origin.

Open General Licence (Imports) No. 1, 1955 authorizes the import, without individual licences, of a range of goods of known origin from certain specified countries. The licence consists of an explanatory preamble and seven schedules, the first of which specifies the goods which may not be imported from any country without a specific import licence. The second Schedule gives a list of countries whose products, when imported from any country, require a specific import licence. The third, fourth, fifth, sixth...
and seventh Schedules, which are read in two columns, specify in the first column the country whose products may be imported freely and in the second column the goods which are excepted and require a specific licence. It will be seen that by this process of elimination a number of "free lists" are established. In detail, the Open General Licence operates as follows:

First Schedule: Goods to which this Open General Licence does not apply and which may not be imported from any country except under specific licence:

- certain live animals (poultry, apes, monkeys, etc.)
- arms and ammunition
- articles of clothing intended as protection against attack
- diamonds and diamond-set jewellery (other than personal jewellery imported as part of personal baggage)
- eggs in the shell
- fireworks
- gold, gold coins, bullion, jewellery or ornamental gold (other than personal jewellery imported as part of personal baggage)
- plants, flowers, fruits, leaves, roots, tubers, bulbs, cuttings, seeds, etc., and any parts of plants intended for propagation, but excluding foodstuffs intended for consumption as food
- rice and paddy, in whatever form, including rice bran, rice flour and rice polishings
- toy guns, toy pistols, imitation arms
- certain types of brandy, whisky and intoxicating liquors

Second Schedule: A list of countries to which this Open General Licence does not apply in respect of any goods originating, manufactured or consigned therefrom:

- Argentina
- Bulgaria
- Czechoslovakia
- Germany (Eastern Zone)
- Hungary
- Poland
- Rumania
- USSR

Third Schedule: (a "free list"): Goods originating or manufactured wholly or mainly in, or consigned from, the countries or territories named below, with the exception of those goods listed below, may be imported freely:

...
Countries

Brunei
Burma
Cambodia
Indonesia
Laos
North Borneo (incl. Labuan)
Serawak
Thailand
Vietnam

Exceptions

All goods enumerated in the First Schedule above and -
- animals, alive, all kinds, except sheep and goats
- Bones
- Bone meal

Fourth Schedule (a "free list"):

Goods originating or manufactured wholly or mainly, or consigned from, the countries or territories named below, with the exception of those goods listed below, may be imported freely:

Countries

British Commonwealth, its dependent territories, protectorates, mandatory and trusteeship territories
Ireland
Iceland
Iraq
Jordan
Libya

Exceptions

All goods enumerated in the First Schedule above; meat (fresh or preserved), bones, hide, skin, hoofs, horns, offal of any animal, or any portion thereof, when originating from India.

Fifth Schedule (a "free list"):

Goods originating or manufactured wholly or mainly in, or consigned from, the countries or territories shown below, with the exception of those goods listed below, may be imported freely:

Countries

Any country not included in the Second, Third and Fourth Schedules above

Exceptions

All goods enumerated in the First Schedule above, and motor vehicles all types, radio sets and watches

Sixth Schedule (a "free list"):

Goods originating or manufactured wholly or mainly in, or consigned from Japan with the exception of the following goods, may be imported freely:

Exceptions

All goods enumerated in the First Schedule above, aluminium sheets, blankets, cement, clocks, cotton or silk yarn and yarn of synthetic fibres, cycles and cycle parts, enamelled holloware (household), fabrics of cotton, silk or synthetic fibres, including sarongs, fish,
fish products and fish preparations, fresh, chilled, frozen or otherwise preserved including crustacea and molluscs, galvanized iron sheets, handkerchiefs, linen, household (i.e. bed linen, table linen, toilet linen and kitchen linen), matches, mining machinery including steam generating boilers, earth-moving and excavating machines, electric motors and generators, internal combustion engines, industrial pumps, and tractors, monosodium glutamate, pears, fresh. Porcelainware, chinaware and earthenware (household) and porcelain insulators, rubber tyres and tubes for vehicles and aircraft, sewing machines, soap, tiles (roofing, wall or floor) all kinds, toys and games other than sports goods, underwear and nightwear, vegetables fresh, dried or preserved, wire nails.

Seventh Schedule (a "free list"): Goods originating or manufactured wholly or mainly, or consigned from, the countries or territories named below, with the exception of those goods listed below, may be imported freely:

<table>
<thead>
<tr>
<th>Countries</th>
<th>Exceptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>All goods enumerated in the First Schedule above and cement Certain cotton textiles</td>
</tr>
</tbody>
</table>

Rice Imports

Imports of rice from Burma and Thailand are effected by the Government of the Federation for the maintenance of the strategic rice stockpile. Import licences for rice are issued to private importers subject to a specified proportion of their rice requirement being purchased from the Federation Government stockpile. The purpose of this condition is to ensure the rotation of rice stocks held by the Government.

Bilateral Trade Agreements

The Federation entered into a Trade Agreement with Australia in 1958, and preliminary talks were held in Kuala Lumpur during July 1959, between representatives of the Federation Government and a Japanese trade delegation to explore possibilities of concluding a Trade Agreement between the two nations.

Imports under State Trading

There is no Government agency or other official or private body with an import monopoly.
Proportion of Imports covered by each Import Procedure

Value of Imports of Commodities on Specific Import Licence

(in million dollars)

<table>
<thead>
<tr>
<th></th>
<th>1956</th>
<th>1957</th>
<th>1958</th>
<th>Jan.-June 1959</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar Area countries</td>
<td>26.6</td>
<td>30.9</td>
<td>50.3</td>
<td>27.0</td>
</tr>
<tr>
<td>State-trading countries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in Eastern Europe and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td>3.6</td>
<td>4.0</td>
<td>30.3</td>
<td>13.1</td>
</tr>
<tr>
<td>Japan</td>
<td>34.6</td>
<td>28.7</td>
<td>70.1</td>
<td>35.0</td>
</tr>
<tr>
<td>Other countries</td>
<td>176.5</td>
<td>172.3</td>
<td>179.2</td>
<td>86.1</td>
</tr>
<tr>
<td>Total imports on specific licence</td>
<td>241.3</td>
<td>235.9</td>
<td>329.9</td>
<td>161.2</td>
</tr>
<tr>
<td>Percentage of imports on specific licence</td>
<td>15.6%</td>
<td>13.1%</td>
<td>19.9%</td>
<td>21.5%</td>
</tr>
</tbody>
</table>

Note: Prior to 1958 no record was kept of imports under Specific Licence via Singapore, and figures for 1956 and 1957 therefore represent only direct foreign imports into the Federation. Figures for 1958 and to the end of June 1959, include foreign imports under Specific Licence via Singapore, and they therefore represent the actual total imports under such licence into the Federation.

Recent Changes in the Restrictions

Despite the requirement of specific licensing for all goods not covered by Open General Licence, administrative discretion in practice allows for most of these commodities to be imported freely from all sources.

Prior to 1959, direct imports into the Federation from the dollar area were restricted to those goods which were not readily available at competitive prices from non-dollar sources and which were necessary for economic development and maintenance of the standard of living of the country. As an alternative, however, Malayan importers were permitted to import goods from the dollar area indirectly via Hong Kong against sterling payment. The issue of licences to import such goods from Hong Kong did not authorize a licence-holder to arrange for funds to be remitted beyond Hong Kong. It was required that such goods must be invoiced from Hong Kong and bills of lading were issued in Hong Kong.
On 1 January 1959 the Federation Government added a further twenty-three categories to the list of goods that may be imported freely under specific licence from dollar account countries and Canada.

On 14 July 1959 the Government of the Federation announced that in view of the external convertibility of sterling and in the light of the favourable balance-of-payments position of the Federation, retention of discriminatory restrictions against imports from dollar account countries and Canada were no longer justified. Effective 1 August 1959 discriminatory restrictions were removed and dollar goods were accorded the same licensing treatment as goods imported from OEEC countries.

The Federation Government is at present reviewing the list of goods still subject to specific import licences with a view to still further reducing this list.

II. EFFECTS OF THE RESTRICTIONS

(Statement by the Government of the Federation of Malaya)

The effects of current restrictions on imports are:

(i) to maintain a strict control on the import of those goods which, for health or security reasons, are prohibited free entry into the Federation;

(ii) to ensure a constant and ready check on the licensing of imports which in the past have represented a major expenditure; and

(iii) until 31 July 1959 imports from the dollar area were limited to items which were regarded as essential to the economic development of the country and were not available from other sources, but with the removal of the restrictions on dollar imports with effect from 1 August 1959, the Federation of Malaya no longer maintains any import restrictions except for health and security reasons. It is true that certain import items and imports from certain countries remain on specific licence, but in effect it is merely a licensing procedure under which licence is granted freely and without any restrictions.