



45th National Day of Malaysia



Malaysia at a glance

Country	: Malaysia
Capital	: Kuala Lumpur
Land Area (sq km)	: 329,735
Population (million)	: 24
*People	: Malays (58.1%), Chinese (24.3%), Indians (6.9%) and the rest (3.2%) comprising the aborigines of Peninsular Malaysia, indigenous tribes of Sabah and Sarawak and the Eurasians.
Language	: Bahasa Melayu is the national and official language
Religion	: Islam is the official religion but there is freedom of worship
Government	: Parliamentary Democracy
Unemployment rate (%)	: 3.7
Inflation (%)	: 3.0
GDP Growth Rate (%)	: 1.1 (First Quarter of 2002)
Net International Reserves RMS:	: 123.7 billion (as at end of May 2002)
Per capita income US\$: 3,493
Exchange Rate (RM/US\$)	: 3.80
Literacy Rate (%)	: 93.9
Life Expectancy Male (years):	: 70.3
Female (years)	: 75.1
Major Exports: Primary Commodities:	: Palm oil and palm oil based products, crude petroleum sawlogs and sawn timber, rubber, LNG
Manufacturing Products	: Electrical & electronic products, article of apparel & clothing accessories, plywood & veneer
Major Imports	: Machinery & transport equipment, manufactured goods & articles, chemicals, food, mineral fuels, lubricants etc.
Major Trading Partners	: USA, Japan, Singapore and EU
Membership of Major International Organisations:	: ASEAN, OIC, Commonwealth, UN, G-77, G-15, NAM, D-8

* Figures based on estimates for year 2000



Prime Minister Dato' Seri Dr Mahathir Mohamad

MESSAGE

I am indeed honored for this opportunity to convey the sincere greetings of the Government and people of Malaysia to the Government and people of the People's Republic of Bangladesh on this auspicious occasion of Malaysia's National Day. Today Malaysia commemorates the 45th Anniversary of its independence. As Malaysians reflect on the struggles that won the country its independence 45 years ago, they can also take pride of the achievements that has brought the nation peace, progress and prosperity. For a country so ethnically, culturally and religiously diversified, many have also acknowledged Malaysia as a model of harmony and peaceful coexistence, as well as being ranked as among the more advanced country of the developing world.

Malaysians take pride, too, of its leaders, whose visionary policies had brought Malaysia to where she is today. As an open economy, Malaysia will always be subjected to the vagaries of the global business cycles. The prudent financial and economic guidance and able administration of its leaders had successfully steered Malaysia out of the difficulties arising from the adverse developments in the international trade, economic and financial environment that has plagued the international community in the recent past.

With the advent of globalization, and the age of information and communication technology, Malaysia is now shifting its focus to ensure it remains competitive. The resilience of the Malaysian economy is attributed to the diversified structure of its economy. It is also intensifying the transition towards higher technology and higher value-added manufacturing, and further augmented by a knowledge-based human resource development strategy to ensure that Malaysia remains competitive.

Malaysia would like to share this joyous occasion with the people of Bangladesh, with whom we enjoy very close brotherly relations. As a relatively newcomer to Bangladesh, having just arrived here barely 8 months ago, I am indeed touched by the close affinity and the high regard that the people of Bangladesh have for my country, its leaders and the people of Malaysia. It indeed symbolize the close brotherly relations that our two countries enjoy today, be it at the official level or between the two peoples.

I am pleased that, in addition to the regular contacts at the leaders and officials level, the Malaysian private sector is also active in Bangladesh. Their involvement in joint venture projects ranging from telecommunications, transportation, power generation and education has placed Malaysia as the third largest foreign investor here. I am confident that this could be further developed, given the Bangladesh government's initiatives to attract more foreign investments.

The global recession and the aftermath of September 11 have negatively affect bilateral trade between our two countries, which until then have regularly shown a steady increase. I believe the situation will improve as the world economy recovers. In this regard, I am also encouraged by the establishment of a Bangladesh-Malaysia Chamber of Commerce and Industry (BMCCI), which, I believe, could play a significant role in the promotion of trade between the two countries.

Malaysia has also become increasingly popular among Bangladeshi tourists. The highly successful

visit of the Malaysian Minister of Culture, Arts and Tourism, Dato' Paduka Abdul Kadir Hj. Sheikh Fadzir in April earlier this year was in recognition of the increasing interest in Malaysia as a tourist destination and should also pave the way for further cooperation between our two countries in the field of tourism. Related to this, Malaysia is also encouraged that more people from Bangladesh are availing themselves of the medical and education facilities that Malaysia has to offer.

The development of human resources is a key element to developing countries like Malaysia and Bangladesh. Malaysia is happy that Bangladesh has participated in various training programmes conducted by the Malaysian Technical Cooperation Programme (MTCP). Similarly, military personnel has benefited from the regular exchange of visits and training courses conducted by the respective defence agencies.

Malaysia and Bangladesh also work closely in the international arena, where, as two moderate Muslim countries, we have common interests on various issues of mutual concern and have worked together for peace and stability in the international community. Malaysia will host two important international meetings next year, the Summit meetings of the Non-aligned Movement (NAM) and the Islamic Conference (OIC). Malaysia looks forward to Bangladesh's participation in these Conferences.

I pray to Allah Almighty for the continued peace and prosperity of the people of the People's Republic of Bangladesh and the further strengthening of the bond of friendship and cooperation between our two brotherly countries.

Thank you



Ashaary Sani High Commissioner of Malaysia to Bangladesh

Economic development

Malaysia is a small open economy, which is highly integrated with the world economy. Over the last three decades, Malaysia has had a record of achieving a high GDP growth of 7 per cent with a low inflation rate of 3 per cent. Despite facing a challenging external environment in 2001, the Malaysian economy remained resilient. Malaysia had avoided economic contraction with real GDP expanding of 0.4 per cent during the year. While the effect of the global economic slowdown was transmitted through a decline in both demand and price of its exports, Malaysia was able to intensify efforts to provide domestic sources of growth. Fiscal stimulus measures and continuing accommodative monetary policy led to higher public spending and positive growth in private consumption. These measures have mitigated the negative impact of the external sector on the domestic economy and the contraction in domestic private investment.

Overall, with macroeconomic stability accorded by the sound economic fundamentals, the outlook for 2002 is for a stronger economic recovery in Malaysia. In the first quarter, real GDP increased by 1.1 per cent. The recovery in external demand and resilient domestic demand are expected to lead to a broad-based growth across both supply and demand for the year. The private sector is expected to resume a stronger role in supporting the growth with higher private consumption and recovery in invest-

ment. The strengthening of economic performance was achieved within an environment of low inflation. Inflation, as measured by the annual change in the consumer price index (CPI), remained low at



The Petronas Twin Towers, Kuala Lumpur, still reign as the world's tallest buildings

1.4 per cent in 2001 and 1.6 per cent in the first five months of 2002. The low inflationary environment, effectiveness of policy measures coupled with the diversified economic structure and flexibility in the

labour market are key fundamental strengths for Malaysia to adjust to any unexpected adverse developments in the external environment.

Monetary policy

The overall objective of monetary policy has been to create a positive environment to promote domestic activity to mitigate the effects of the global economic slowdown. Interest rates were kept unchanged during the first eight months of 2001. The September 11 incident increased the risks of further weaknesses in the global economic outlook. On September 20, BNM reduced its Intervention Rate by 50 basis points of 5.00 per cent, as a pre-emptive measure to address the potential for weaker economic growth and to enhance business and consumer confidence. The prevailing low level of interest rates and ample liquidity led to strong growth in financing activities, which consequently had positive impact on economic growth, particularly on domestic consumption. As domestic sources of growth becomes more important, there was also a greater reliance on domestic sources of financing. Total financing via loans extended by the banking system and private debt securities increased by RM33.7 billion or 6.1 per cent year-on-year as at end-2001.

The relative price stability combined with the stability in the financial markets has created a conducive environment for sustaining business activity and consumer confidence. Given the low inflation environment, the accommodative

monetary policy stance was maintained in the first five months of 2002. The low interest rates have been an important factor in facilitating further expansion in bank lending to support economic growth. Total loans outstanding extended by the banking system rose further by RM11.1 billion during the first five months of 2002. On an annual basis, loans outstanding rose by 4.1 per cent at end-May (3.6 per cent at end-December 2001). Consequently, despite a lower net PDS financing, total financing through banking system and PDS remained sustainable, increasing by RM1.9 billion during the first five months of 2002. On an annual basis, total financing rose by 4.5 per cent at end-May.

Exchange rates

The Malaysian ringgit is pegged to the US dollar at an exchange rate of USD1=RM3.80, an arrangement introduced in September 1998. Against a volatile external environment, the certainty and stability provided by the ringgit peg to the US dollar, which is a major currency of international settlement, creates a conducive environment for business and economic activity while allowing the restructuring of the banking system and the corporate sector to progress to an advanced stage. The fixed exchange rate also provides an incentive for Malaysian manufacturers and exporters to strive for efficiency gains rather than relying on the exchange rate as a tool for enhancing international competitiveness. The positive influence of the peg is buttressed by the fact that the exchange rate is fairly-valued and consistent with the fundamentals of the economy, supported by low and stable inflation, continued surpluses in the current account, a high level of international reserves, low level of external debt and a strong and well-capitalized banking sector.

Balance of payments

The external positive remained robust in 2001 and the overall balance of payments turned around to a surplus position. The current account continued to record a large surplus at RM27.7 billion or 9 per cent of GNP, reflecting a moderate decline in the trade surplus while the income and services accounts improved. In the financial account, the flows were relatively stable with long-term flows continuing to dominate. The trade surplus and sustained inflows of investments further strengthened the net international reserves of Bank Negara Malaysia, which increased to RM17.2 billion (US\$30.8 billion) as at end-2001.

The revival of economic activity is expected to result in the narrowing of the current account surplus in 2002. Nevertheless, the current account surplus is expected to remain large at 7.9 per cent of GNP in 2002. For the first five months of 2002, the trade account sustained a surplus of RM 18.7 billion (US\$4.9 billion). The financial account continued to be supported by inflows of long-term capital and net inflows of portfolio capital. Reflecting the sustained inflows of export earnings, the net international reserves increased further to RM127.7 billion or US\$33.6 billion as at end-June 2002.

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Celebrating 45 Years of Independence, Unity & Growth

MALAYSIA

Truly Asia

FROM THE MANAGEMENT AND STAFF OF

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Ericsson
 wishes the people of **Malaysia**
 all the best
 on their **National Day.**

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