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DR. FRITZ LEUTWILER  
PRÄSIDENT DES DIREKTORIUMS  
DER SCHWEIZERISCHEN NATIONALBANK

8022 Zurich, May 27, 1977

Tan Sri Ismail bin Mohamed Ali  
Governor  
Bank Negara Malaysia  
P.O. Box 922  
Kuala Lumpur 11-01

Dear Mr. Governor,

As you may be aware of, Switzerland has in the course of the past fifteen years signed bilateral agreements on the reciprocal promotion and protection of investments with twentynine developing countries. Among the Asian countries, we recently concluded such treaties with the Republic of Korea (April 7, 1971) and with Indonesia (February 6, 1974). These agreements have proved very valuable instruments in the field of bilateral economic cooperation; they have brought about positive results for both parties and have encouraged the Swiss industry to make investments in these developing countries.

I have now been informed by Ambassador Klaus Jacobi of our Ministry of Economic Affairs, who is at the same time Swiss Governor of the Asian Development Bank, that he has on his trip back from the tenth annual ADB meeting resumed his negotiations with the Government of Malaysia - his counter part being Victor de Bruyne, Deputy Secretary General of the Ministry of Trade and Industry - with a view to conclude such an agreement. Ambassador Jacobi gave me to understand that the main obstacle on the way to the successful conclusion of the negotiations has been the request put forward by the Malaysian negotiating team to subject to its laws and legislation the transfer of any current as well as capital payments connected with investments which in fact means that the free transfer is not guaranteed in all cases. This position, Ambassador Jacobi was told, is based on the view taken in this particular matter by the Bank Negara Malaysia.

Switzerland so far in all cases but one has signed agreements which provide for the unrestricted transfer of all payments derived from investments. Only the agreement concluded with the Republic of Korea says that, if required by the balance of payments situation, the transfer of proceeds resulting from sales of the invested property may be limited to twenty per cent of the total investment per annum.

In order to bring the negotiations which have been going on with your country for quite some time to a successful conclusion, I would appreciate it very much if the Bank Negara Malaysia could also adopt the viewpoint taken by the Governments of the countries



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with which Switzerland so far has signed such agreements, allowing its negotiating team to agree to the Swiss request to provide for an unrestricted free transfer of all payments in connection with investments. The Swiss authorities would, however, as a gesture to accommodate the position taken by you, be prepared to grant Malaysia in times of serious balance of payments difficulties the right to restrict capital (but not current) payments to not less than twenty per cent per year.

I might mention here that the Malaysian Investment Center in Paris in cooperation with the Union Bank of Switzerland is planning a "Malaysian Investment Seminar" to be held on October 3 and 4, 1977, in Zurich. The seminar would be opened by the Minister of Trade and Industry of Malaysia. The impact of this event would in my opinion be seriously jeopardized if the agreement on the reciprocal promotion and protection of investments should not be signed by then. It would, therefore, be highly desirable to initial mutually acceptable texts in September in order that the signing ceremony may take place on the eve of the seminar.

In case you would like to discuss this matter with me before giving new instructions to the Malaysian negotiators, we could do so between June 11 and 13, 1977, on the occasion of the annual meeting of the Bank for International Settlements in Basle which, as I have been told, you will attend. I suggest that we take advantage from a recess of the forthcoming meeting to have an exchange of views on this question.

I very much appreciate the personal interest which you will pay to this matter and I look forward to hearing from you and meeting you personally in Basle. I avail myself of this opportunity to assure you, dear Mr. Governor, of my high consideration and of my best personal regards.

Yours sincerely,

