U.S. Country Commercial Guides

2017

Malaysia

U.S. Department of Commerce | International Trade Administration

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Doing Business in Malaysia

Malaysia, a country of Southeast Asia lies just north of the Equator and is composed of two noncontiguous regions: peninsular Malaysia and East Malaysia (which is on the island of Borneo). Kuala Lumpur, Malaysia's capital and Putrajaya, the administrative and government center are located in the western part of peninsular Malaysia. The states of Sabah and Sarawak occupy roughly the northern fourth of the island of Borneo and share land boundaries with Indonesia and Brunei.

Market Overview

For centuries, Malaysia has profited from its location at a crossroads of trade between the East and West, a tradition that carries into the 21st century. Geographically blessed, peninsular Malaysia stretches the length of the Strait of Malacca, one of the most economically and politically important shipping lanes in the world. Capitalizing on its location, Malaysia has been able to transform its economy from an agriculture and mining base in the early 1970s to a relatively high-tech, competitive nation, where services and manufacturing now account for 74 percent of GDP (52 percent in services and 22 percent in manufacturing in 2016).

Malaysia's 2017 GDP growth is expected to be between 4.3-4.8 percent, while its 2016 GDP growth was 4.2. Prior to this, Malaysia's GDP growth in 2015 was at about five percent, six percent in 2014, and 4.7 percent in 2013. Malaysia is an oil and gas producing country and has been facing economic headwinds from low oil and gas prices.

Malaysia's currency, the Ringgit has experienced downward pressure over the past few years. In 2013, the average exchange rate for the Malaysian Ringgit against the US Dollar was US$1=RM3.12. In 2014, US$1=RM3.30. In 2015, it was US$1=RM3.90. For 2016, it averaged around RM4.12. The exchange rate for the month of May 2017 hovered around RM4.30 to US$1. The lower exchange rate has impacted Malaysia's economy and the government has been taking financial policy steps to strengthen its currency. The weaker ringgit and slower growth have dampened consumer sentiment and spending throughout 2016 and into early 2017. In Q2 2017, the Malaysian Ringgit strengthen slightly against the US dollar.

Despite the fact the Malaysian economy is facing some turbulence; it is worthwhile to note that according to the International Monetary Fund World Economic Outlook Projection (Oct 2016), Malaysia's per capita income was US$9546 (world ranking 66/189 economies) and its Purchasing Power Parity (PPP) was US$27,234,080 (world ranking 48). Its purchasing power per capita is among the third highest in ASEAN, after Singapore and Brunei. Malaysia's level of economic development drives both consumer and business demand for products and services. Its consumers, though price sensitive, are accustomed to several decades of strong growth. Thus, they are attracted to and are familiar with international branded products, better education, quality healthcare products and services, as well as ecological lifestyle offerings.

By December 2016, Malaysia reported it population size to be 31.7 million. According to Bank Negara Malaysia (Malaysia's Central Bank), Malaysia's 2016 GDP is RM1,230,121 million (US$298,573 million); while in 2015 it was valued at RM1,062,805 million (US$272.5 million); whereas its 2014 GDP was RM1,012,506 million (US$306,820 million). The World Bank classifies Malaysia as an upper-middle income nation. The average foreign exchange rate for 2014 was US$1=RM3.3; 2015 was US$1= RM3.90. For 2016, foreign exchange was RM4.12.

Malaysia's total trade for 2016 was $358 billion. This is a 4.5 percent decrease in value compared to 2015. Malaysia's top trading partners:

China	16.2 percent
Singapore	12,6 percent
United States	9.2 percent
Japan	8.1 percent
Thailand	5.8 percent
Taiwan	4.3 percent
South Korea	4 percent
Indonesia	3.8 percent
Hong Kong	3.4 percent
India	3.3 percent

According to the Bureau of Economic Analysis, there was a 154 percent increase in Malaysia's Foreign Direct Investment (FDI) into the United States between 2010-2015. In 2015, Malaysia's the cumulative FDI into the United States was US$1,613 million.

In 2014 (latest available data), U.S. affiliates of Malaysian-owned firms employed 2,700 U.S. workers. In 2014, U.S. affiliates of majority Asian and Pacific-owned firms spent US$10.5 billion on research and development (R&D), and contributed US$116.9 million to U.S. goods exports expansion. The top six industry sectors of the Malasyian FDI are from financial services, metals, hotels & tourism, semiconductors, and electronic components.

Top reasons why U.S. companies should consider exporting to Malaysia

There are numerous reasons why U.S. companies should consider exporting to Malaysia. These include the widespread use of English, the ability to repatriate capital and profits, a well-established legal framework, excellent infrastructure, and an affinity for United States products. In addition, a high rate (approximately 96 percent) of U.S. visa approvals and a 10-year maximum validity visa make it easy for your business partners to travel to the United States.

Trade Agreements

The U.S. has formally withdrawn from the Trans-Pacific Partnership Agreement (TPP). There are indications that the remaining eleven signatories of TPP plan to move forward with TPP without the United States. The remaining eleven signatories of the TPP are: Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam and Japan.

The United States is in favor of bilateral trade agreements over multilateral and it will continue to engage with the Asia-Pacific Economic Cooperation (APEC) countries.

Malaysia is negotiating a Regional Comprehensive Economic Partnership (RCEP), which is a free trade agreement (FTA) between the ten ASEAN members and six countries where ASEAN have existing FTAs. The goal of the RCEP is a more comprehensive regional economic integration among its members. The RCEP also aims to simplify and harmonized the RCEP member countries' respective bilateral FTAs.

The RCEP members are: Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam.

Malaysia's trade to the RCEP parties represents 62 percent (USD221.7 billion) of the nation's global trade in 2016. The RCEP agreement negotiation is expected to be finalized by the end of 2017. If the RCEP is accepted, it will be Malaysia's largest multilateral agreement.

Market Challenges

In the World Bank's global *Doing Business 2017* report, Malaysia had an overall downgrade of one rank to the 23rd position among the 190 economies covered in the survey. This report stated that it is now more difficult to start a business in Malaysia and the difficulty level is a significant drop warranting a downgrade from the 59th position in 2016 to 112th position in 2017. The ease of "Getting Credit" has increased nine positions to 20th ranking.

Import Permits

Duty rates and systems of import permits in protected industries, such as automobiles and motorcycles, combined with excessive excise taxes, continue to block open trade in these sectors.

Restrictions on Foreign Involvement

Government restrictions hamper foreign involvement in several areas, including: government procurement contracts; financial, business, and professional services; and telecommunications. In many cases it is imperative to have a local partner, usually a Malay-owned Bumiputra company to effectively compete in the market.

Intellectual Property Rights (IPR)

Malaysia continues to express a commitment to protecting and enforcing intellectual property rights (IPR), and has made important progress in the past few years, with its notable removal from the USTR Special 301 watch list in 2012. While challenges remain, Malaysian officials have augmented their resources to combat online piracy and have sustained their efforts to deny access to piracy websites, taking down infringing content on domestic sites, and conducting raids and arrests of Malaysians either operating or posting links to sites with pirated content. The Ministry of Domestic Trade, Cooperatives and Consumerism (MDTCC), responsible for IPR enforcement, remained largely dependent upon complaints from companies before taking action. Royal Malaysian Customs continued to express willingness to expand cooperation with the U.S. government to combat transshipments of pirated goods. In contrast to generally favorable views of Malaysia's record of IPR enforcement, the pharmaceutical industry has expressed concerns that weaknesses in the system of protecting drug-related data stood as a disincentive to the development of innovative medicines and could undermine public health objectives to improve patient outcomes. As a result, the National Pharmaceutical Regulatory Agency (NPRA) has implemented the pharmaceutical data exclusivity clause. Pharmaceutical data exclusivity is calculated based on the date the product is first registered, or granted marketing authorization and granted data exclusivity in the country of origin or in any country recognized, and deemed appropriate by the NPRA director.

Halal Certification

Malaysian has developed a standard MS1500:2400 requirement for the production, preparation and handling of Halal food. This standard prescribes to the practical guidelines for the food industry on the preparation and handling of Halal food and serves as a basic requirement for food product and food trade or business in Malaysia. It is used by JAKIM (the Department of Islamic Development Malaysia) as the basis for certification. JAKIM is Malaysia's Halal certifying body. In actual practice, standards and testing have remained unclear in some instances, and foreign companies have had difficulties with the certification process.

Market Opportunities

Due to recent global events, such as the rising world geopolitical tension in the Korean Peninsula and the recently strained U.S.-China relations, the Malaysia marketplace has become more cautionary. However, Malaysia's 2017 Gross Domestic Product is expected to be between 4.3-4.8 which signals a solid economic climate. While the value of the Malaysia Ringgit has depreciated against the U.S. dollar over the past three years; since the beginning of 2017 the Ringgit has started to appreciate and consumer sentiments and concerns are lessening.

Additional market opportunities exist in the proposed or under construction transportation infrastructure projects:

- High Speed Rail between Malaysia and Singapore
- Toll-free Pan Borneo Highway to be completed by 2021 with cost estimation of RM16.6 billion.
- Proposed LRT service from Kuching-Samarahan-Serian in Sarawak
- Upgrade of Sarawak interior roads

The government is committed to nation building and has outlined the following projects as key to this goal:

- Nine domestic projects in health, education, tourism, software and communication infrastructure with allocated budget of RM6.7 billion by Khazanah Bhd (Malaysia's sovereign wealth fund).
- Increase Internet speed in rural areas from 5Mbps to 20Mbps with an allocation of RM1.2 billion by the Malaysian Communications and Multimedia Commission (MCMC).
- Clean portable water treatment plant estimated budget of RM877 million earmarked.
- Government of Malaysia's affordable housing:
    - 175,000 units of PR1MA homes, to be sold at 20 percent below market price
    - 100,000 units of PPA1M houses to be built and completed by 2018, (priced between RM90, 000- RM300,000).
    - 22,300 units of condominium
    - 9,800 units of terrace houses

- National flood forecasting and warning program, develop National Earthquake and Tsunami Sub-Centre in Sabah with an estimated cost of RM60 million.

Please see Leading Sector chapter for more specific information on market opportunities.

Market Entry Strategy

Most exporters find that using a local distributor or agent is the best first step for entering the Malaysian market. A local distributor is typically responsible for handling customs clearance, dealing with established wholesalers/retailers, marketing the product directly to major corporations or the government, and handling after-sales service. Exporters of services generally also benefit from using of local partner.

Sales to the Government of Malaysia, Government Linked Companies (GLC), or for procurement in priority sectors favor local agents and/or a joint venture partners that are classified as a Bumiputra (Malay) company. The term Bumiputra refers to individuals who are ethnically Malay. A Bumiputra company is defined as a company that fulfills the following criteria:

- Established under the Companies Act, 1965
- Paid-up capital of at least RM25,000
- Shareholders are 100 percent Bumiputra
- Board of Directors are at least 51 percent Bumiputra
- Managerial and Professional Staff are at least 51 percent Bumiputra
- Supporting Staff are at least 51 percent Bumiputra

The Malaysian government and GLCs make use of offsets and other measures to encourage technology transfer, particularly in the priority sectors procurements. The Government of Malaysia and GLCs also look favorably on U.S. companies that have a long-term presence in the local market. Therefore for strategic or large-scale market entry, U.S. companies typically find they are treated more favorably when they are willing to establish a local office, hire Malaysians, engage in training, undertake some amount of local assembly or production, or at least plan regular and frequent trips to maintain relationships and presence.

In sectors that are not government dominated, companies, agents, or distributors should be selected based on competitive considerations (e.g. technical grounds or product knowledge). Since the Malaysian market is a very relationship-oriented market, having a local presence or local agent can influence the final outcome.

Political Environment

Political Environment

U.S.-MALAYSIA RELATIONS

The United States established diplomatic relations with Malaysia in 1957, following its independence from the United Kingdom, but has had a consular or commercial presence in the area comprising modern day Malaysia since the 1800's. President Obama and Prime Minister Najib elevated the relationship to a Comprehensive Partnership in April 2014. Today, Malaysia is a significant regional and global partner for the United States, and the two countries share a diverse and expanding partnership in trade, investment, security, environmental cooperation, and educational and cultural relations. Economic ties are robust, and there is a long history of people-to-people exchanges. Malaysia has a diverse democracy and is an important partner in U.S. engagement with Southeast Asia. The two countries cooperate closely on security matters, including counter-terrorism, maritime domain awareness, and regional stability and participate frequently in bilateral and multilateral training, exercises, and visits.

U.S. Assistance to Malaysia

U.S. assistance to Malaysia focuses on education, exchanges, cultural heritage preservation, counterterrorism, non-proliferation, and security cooperation. The U.S. Fulbright English Teaching Assistant program in Malaysia is among the largest in the world, helping improve the English language skills of thousands of Malaysian secondary school students. Exchange programs promote engagement with secondary school and undergraduate students, Fulbright Scholars, agricultural fellows, and participants of sports and cultural programs. In 2014, The United States announced additional exchange programs, grant opportunities and fellowships for youth ages 18 – 35 under the Young Southeast Asian Young Leaders Initiative (YSEALI). There are over 6,000 alumni of Department of State-sponsored exchange programs in Malaysia. Since 2001, the Ambassadors Fund for Cultural Preservation (AFCP) has supported 10 projects to support the preservation of cultural heritage in Malaysia. The United States supports Malaysia's counterterrorism efforts through information sharing, capacity building programs for law enforcement and judicial authorities, and assistance to improve immigration security and border controls. The United States also works with the Malaysian government and civil society actors on programs to counter violent extremism. Non-proliferation assistance aims at enhancing Malaysia's ability to enforce its laws on shipments and trans-shipments of controlled munitions, dualuse commodities, and weapons of mass destruction and related commodities. Security cooperation and training builds capabilities among Malaysia's armed forces and coast guard, allowing it to take on an expanded international role, including peacekeeping operations.

Bilateral Economic Relations

The United States and Malaysia meet frequently to discuss bilateral trade and investment issues and to coordinate approaches on APEC, ASEAN, and the WTO. In 2015, U.S.-Malaysia bilateral trade in goods and services approached $50 billion. In 2015, Malaysia was the United States' 18th largest trading partner and the second-largest trading partner among the 10 ASEAN members in Southeast Asia. In 2016, the United States was Malaysia's third largest trading partner. U.S. exports to Malaysia include electrical machinery, machinery, aircraft, optic and medical instruments, and plastics. U.S. imports from Malaysia include electrical machinery, machinery, optic and medical instruments and rubber.

In 2015, Malaysia was ranked as the fourth fastest-growing source of foreign direct investment (FDI) in the United States. Malaysian FDI in the United States is led by the financial services, metals, hotels &tourism, semiconductors, rubber and electronic components. Malaysia's Ministry of International Trade and Industry reported that the United States was the fifth largest source of foreign direct investment (stock) in 2016.

Malaysia's Membership in International Organizations

Malaysia and the United States belong to a number of the same international organizations, including the United Nations, Asia-Pacific Economic Cooperation forum, ASEAN Regional Forum, International Monetary Fund, World Bank, and World Trade Organization. Malaysia and the United States participate in the East Asia Summit. Malaysia is currently a non-permanent member of the Security Council (2015-2016).

Bilateral Representation

The U.S. Ambassador to Malaysia is Kamala Shirin Lakhdhir.

Malaysia maintains an embassy in the United States.

Embassy of Malaysia
3516 International Court NW

Washington, DC 20008
tel. (202) 572-9700.

Selling US Products & Services

Using an Agent to Sell US Products and Services

Most exporters find that using a local distributor or agent is the best first step for entering the Malaysian market. A local distributor is typically responsible for handling customs clearance, dealing with established wholesalers/retailers, marketing the product directly to major corporations or the government, and handling after-sales service. Exporters of services generally also benefit from use of partner.

Sales to the government, Government Linked Companies (GLC), or priority sectors require a local agent and/or a joint venture partner, usually a Bumiputra owned firm or "Bumi." The Malaysian government makes use of offsets and other measures to encourage technology transfer, particularly in defense procurements.

Direct involvement by the U.S. company and demonstrations of long-term commitments to the local market are essential for contracts of significant size. For strategic or large- scale market entry, companies typically find they are treated more favorably when they are willing to establish a local office, hire Malaysians, engage in training, undertake some amount of local assembly or production, or at least plan regular and frequent trips to maintain relationships and presence.

For companies that sell services, we generally recommend use of an agent or partner. Looking at specific sectors, however, there may be other considerations. Under the World Trade Organization (WTO) General Agreement on Trade in Services (GATS), Malaysia scheduled a certain number of commitments on the foreign provision of services, but retained a large degree of freedom to restrict services trade pursuant to development goals. For instance, it made no commitments to grant foreigners licenses in banking, insurance, or telecommunications or to permit foreigners to provide education, environmental, or distribution services through commercial presence (though it has in fact granted licenses to foreign entities in these sectors). Under the New Economic Policy (NEP) formulated in the 1970s to eradicate poverty and to correct racial economic imbalance, capital ownership structure was proportionated in the following ration: 30 percent Bumiputras, 40 percent non-Bumiputras and 30 percent foreign interests. In 2003, under the Malaysian Government Stimulus Packages, companies seeking public works/contracts must adhere to the requirement of at least 30 percent Bumiputra equity participation. This requirement was applied by all ministries except where exemptions have been granted by the Government. For priority sectors such as defense, this requirement was increased.

For listing of companies in the Kuala Lumpur Stock Exchange (*Bursa Saham Kuala Lumpur*), one of the Listing Requirements for eligibility is having this minimum 30 percent bumiputra ownership of equity.

Establishing an Office

The primary concerns for those considering setting up an office or factory in Malaysia are registration, taxes, labor, wages, rental/construction prices, utilities, and insurance.

A number of international accounting and consulting firms located in Kuala Lumpur can assist with the procedures and requirements for setting up a business in Malaysia. The American-Malaysian Chamber of Commerce (AmCham) can be a useful resource for U.S. firms interested in setting up an office or plant. The Malaysian Investment Development Authority (MIDA), a Malaysian government entity, works to attract and support foreign direct investment in Malaysia. It is also advisable to seek more specific information from qualified legal and/or consulting services.

Franchising

The Malaysian franchise industry continues to achieve healthy growth. As of December 2016,
there were 214 master franchisees of foreign brands, 61 Malaysian franchisors and 557 franchisees in Malaysia. Approximately 40 percent franchise concepts in Malaysia are foreign owned. The United States has the largest share, predominently in food and beverage concepts. Malaysian entrepreneurs and investors are increasingly savvy on franchise concepts. Niche concepts with unique product value proposition would be of interest to the Malaysian franchisee.

2016 Malaysian franchise market by sector are divided into:

- Food and Beverage -39 percent
- Clothing and Accessories - 11 percent
- Education and childcare -11 percent
- Services- 11 percent
- Beauty and Healthcare concepts -10 percent
- ICT- 3 percent
- Convenient Stores - 2 percent
- Others - 13 percent

The Malaysian government's continuous encouragement and promotion of franchise as a means to improve the number of entrepreneurs is slowly gaining traction. Perbadanan Nasional Berhad (PNS) is a corporatized government entity tasked as lead agency in developing the Franchise Development Program. It is under the purview of the Ministry of Domestic Trade, Co-operatives and Consumerism. Even though PNS mainly focuses on encouraging home-grown franchise concepts, they are not adverse to exploring collaboration with foreign franchise concepts. The agency's function is to identify, acquire, launch, facilitate and encourage both local and international franchise brands. PNS is leaning towards lower cost service sectors as the next prime mover for entrepreneurs.

In Malaysia, franchising is governed by the Malaysian Franchise Act 1998. This Act applies to the sale of franchises throughout Malaysia. All franchisers that are selling their franchises in Malaysia are required to register with the Registrar of Franchise (ROF). A franchise amendment bill was introduced in June 2012 and has been in operation since January 1, 2013. The bill works to strengthen administration and enforcement of franchise law, and it amends the Franchise Act to ensure the Act is consistent and up to date with current franchise development.

As over 60 percent of the Malaysian population is Muslim, U.S. food and beverage related franchise companies that intend to sell to Muslim consumers should be aware of Halal requirements. Halal is defined as what is permissible under the Islamic Sharia Law. Malaysian standard MS1500:2400 is used in the production, preparation and handling of Halal food. This standard prescribes to the practical guidelines for the food industry on the preparation and handling of Halal food and serves as a basic requirement for food product and food trade or business in Malaysia. It is used by JAKIM (the Department of Islamic Development Malaysia) as the basis for certification. JAKIM is Malaysia's Halal certifying body. In actual practice, standards and testing have remained unclear in some instances, and foreign companies have had difficulties with the certification process. JAKIM recognizes two Halal certification bodies in the United States: Islamic Food and Nutrition Council of America (IFANCA) based out of Chicago, Illinois, and Islamic Services of America (ISA) based out of Cedar Rapids, Iowa.

Direct Marketing

Since the dot-com boom in the United States, Malaysia has used technology to more effectively target its broad consumer base, using improved databases to achieve one-to-one marketing. Direct marketing in Malaysia is now on par with other developed consumer societies, and includes a full range of channels, from technology-driven Internet banners and SMS messaging to traditional billing inserts. Facebook has high penetration in Malaysia, and is increasingly a social media platform of choice for targeted marketing.

Joint Ventures/Licensing

Some exporters find it advantageous to establish their own subsidiary in Malaysia to directly handle sales, distribution, and service. While this provides more direct control, it requires a commitment of capital and the identification of suitable local joint venture partners. The selection of a joint venture partner is perhaps the single most important decision made by a potential investor in Malaysia.

All partnerships must be registered with the Companies Commission of Malaysia (CCM) under the Registration of Businesses Ordinance 1956. Partners are both jointly and separately liable for the debts and obligations of the partnership. Formal partnership deeds may be drawn up governing the rights and obligations of each partner, but this is not obligatory.

U.S. exporters interested in establishing a joint venture should contact the Malaysian Investment Developmetn Authority (MIDA) for more information about other government policies that may affect contract arrangements within their specific industry. MIDA may also be able to assist with the identification of a suitable partner. Any firm intending to establish a local office should secure the services of a local attorney.

Selling to the Government

The prime objective of the Malaysian Government procurement is to support government programs by obtaining value for money through acquisition of works, supplies and services. The benefits or value from procurement are always aligned to provide support for the achievement of a developed nation status and to:

- stimulate the growth of local industries through the maximum utilization of local materials and resources;
- encourage and support the evolvement of Bumiputra (indigenous) entrepreneurs in line with the nation's aspirations to create Bumiputra Commercial and Industrial Community;
- increase and enhance the capabilities of local institutions and industries via transfer of technology and expertise;
- stimulate and promote service oriented local industries such as freight and insurance; and
- accelerate economic growth whereby Government procurement is used as a tool to achieve socio-economic and development objectives.

The Government of Malaysia categorizes procurement into the following:

- Works: Works contracts include construction and engineering activities involving infrastructure and structures such as buildings, airports, roads/highways, dams, drainage etc. It is also inclusive of mechanical and electrical aspects of works.

- Supplies: Supplies include the supply of raw, intermediate or finished goods and products for any activity of users. Also included are construction materials, food products, uniforms, vehicles, equipment, spare parts, and furniture.

- Services: Services include engagement of manpower, expertise and consultants in the areas of feasibility studies, research, designing, surveying, and management. Other services such as repairs, maintenance and cleaning services are minor activities under this category.

All the above categories can be procured via:

- Direct Purchase

  This procedure allows procurement of supplies and services up to the value of RM50,000 directly through the issue of a Government Order to any known suppliers of goods or services consistently supplying goods at acceptable quality and reasonable price. Procurement of works valued up to RM20,000 may be through the issue of a Works Indent to a contractor who is registered with the Contractors Services Centre (PKK) and Construction Industry Development Board (CIDB) Malaysia.

- Tender

  Procurement of works, supplies and services above the value of RM500,000 must be done through tender processes. All contractors intending to participate in local tenders must be registered with the Government. International tenders will be invited for supplies and services if there are no locally produced supplies or services available. For specific works, if local contractors do not have the expertise and capability, tenders may be called on a joint venture basis between local and foreign contractors to encourage the transfer of technology. International tenders for works may only be called when local contractors do not have the expertise and capability, and a joint venture is not possible.

- Registered Contractors

  All individuals, companies or corporate bodies intending to participate in Government procurement are required to registere with the Malaysian Ministry of Finance and relevant Ministries/Agencies. The registration process ensures that all companies or contractors are bona fide, truly committed in the relevant business fields and possesses the capability to carry out works or supply and provide the services.

In 2009, the Government of Malaysia initiated the Private Finance Initiatives (PFI) Program aimed at facilitating greater private sector participation to improve the delivery of infrastructure facilities and public service. The initiative sets out many of the key principles on how some of the public sector infrastructure projects will be procured and implemented. PFI will be undertaken as part of the new modes of procurement under the Public Private Partnerships (PPP) to further enhance private sector participation in economic development. PPP involves transfering to the private sector the responsibility of financing and managing a package of capital investment and services. This could include the construction, management, maintenance, refurbishment and replacement of public sector assets such as buildings, infrastructure, equipment and other facilities. In these PPP projects, there is a contract for the private party to deliver public infrastructure-based services over a long period of time. The private party will raise its own funds to finance the whole or part of the assets that will deliver the services based on agreed performances. The public sector, in turn, will compensate the private party for these services. In some PPP projects, part of the payments may flow from the public users directly. Though ownership of assets plays a less important role in PPPs, nevertheless many of the modalities see a transfer of the assets to the public sector (revertible) as a matter of course. There are some PPP projects where the assets are not transferred to the public sector at the end of the concession period. These usually relate to facilities or projects that have little value at the end of the period due to their technological obsolescence.

U.S. Commercial Service Liaison Offices at the Asian Development Bank and World Bank

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the Asian Development Bank and the World Bank.

Distribution & Sales Channels

U.S. exports to Malaysia move through a wide variety of sales channels, depending on the product or service. U.S. export wholesalers typically sell food and other consumer goods to Malaysian general import houses, which then handle distribution to supermarkets and other outlets. Major equipment sales to corporations in both the public and private sector require a local presence and local agents, as well as the active engagement of corporate leadership. It should be noted that Bumiputra (ethnic Malay) firms are often given preference in securing government contracts and privatization projects.

Capital equipment is almost always handled by in-country representation, either through locally hired firms or a corporate representative in Malaysia. Electronic components are purchased directly from the United States by major U.S. and other multinational companies with manufacturing facilities in Malaysia. Much of that business is intra-firm. A large number of retail outlets and local and international consulting companies handle computer software. Many software companies have offices and joint ventures in Malaysia.

Express Delivery

Major global express delivery firms are actively doing business in Malaysia. Express delivery or "courier" companies in Malaysia are required to obtain a courier license in order to provide related services. As of 1st Quarter of 2017, a total of 122 licenses have been issued by the Malaysian Communications and Multimedia Commission (MCMC). There are various reputable express delivery firms in Malaysia.

- City-Link
- DHL Worldwide Express
- FedEx
- GD Express
- Malaysian Express Worldwide (parent site)
- Nationwide Express
- Overseas Courier Service OCS (international site)
- R Box Asia Pte Ltd
- Roadrunner Express
- S.O.S. Express - Pengangkutan SOS - Transportation services to hypermarkets *Carrefour, Tesco, Giant & Makro*
- Sure-Reach Worldwide Express - Courier *Surereach*
- TNT Express Worldwide
- UPS - United Parcel Service

International shipping fees and delivery times differ from one company to another. Customs clearance delays may cause interruptions in the process of delivering international inbound and outbound goods, especially time-sensitive goods. Operators that comply with customs clearance procedures and requirements will be able to minimize the risk of having their goods held by enforcement authorities for too long.

Selling Factors & Techniques

Malaysian buyers—whether individual consumers or purchasing agents for businesses or the government—tend to be highly price sensitive. Concepts such as total life cycle costs are not well understood, so a higher cost product that is higher quality, longer lasting, and lower maintenance will frequently lose out to the lowest cost product or the one that seems to have the most compelling discount. Malaysians are brand-conscious, as well, so brand and reputation can successfully trump cost, but only once the brand is well known.

Cultural Considerations

When marketing general consumer goods, U.S. companies should keep in mind the cultural norms and standards of the Malaysian population, as well as the fact that Malaysia is a multi-ethnic country (Malay, Chinese, indigenous, and Indian). The majority of the population is Muslim which means that certain food products must be Halal, meaning lawful and permissible to use/consume in Islam. Companies often focus on halal certification (or at least avoid non-compliant ingredients or images such as pork and alcohol) in order to appeal to a larger market. It is also advisable to conduct some research on the possible implications of advertising or promoting non-halal activities in Malaysia.

Food and Consumer Goods

U.S. food and other consumer goods are primarily marketed to the rapidly growing urban middle class and tend to occupy the upper end of the local retail price spectrum. While value for Dollar/Ringgit is important, the "brand name" status of certain products appeals to Malaysians with a higher level of purchasing power. However, the same techniques used to market upscale goods and services in the United States may not be as effective in Malaysia.

Equipment and Materials

Sales of equipment and material for specific industries, such as electronics, depend heavily on specialized trade fairs, publications, and visits by company representatives. Sales to the government or for large-scale projects involving major equipment require extensive high-level contact by local representatives and visiting company representatives. Major companies with investments in Malaysia or interest in significant export sales also engage in company image building programs. Image building is often performed by publishing articles and advertising in local business journals, sponsoring conferences and other events, and participating in public-private sector consultative bodies. The ability to offer training and/or some amount of local assembly or production can be critical for winning larger contracts in government or the vast portion of the economy controlled by state-owned enterprises.

Agricultural products

U.S. agricultural exporters face strong competition from foreign producers such as China, Australia, India, Thailand, Holland, New Zealand, and Indonesia. Although the Malaysian market is price sensitive, price is not the only factor that determines the success of U.S. agricultural exporters. Developing strong business relationships with local industry players (including importers), maintaining the availability and the quality of the produce, effective promotional campaigns, and targeting the right markets are other important marketing factors to consider when operating in the Malaysian food and agricultural sector.

eCommerce

Overview

Malaysia has approximately 22 million active internet users (68 percent of the population) and another five million are expected to go online in the next year. The population has extremely high rates of mobile cellular penetration, with nearly 150 mobile subscriptions per 100 people. Of these mobile subscribers, 53 percent use smartphones.

Malaysia's e-commerce laws are based on a combination of the Electronic Commerce Act 2006 and the Electronic Government Activities Act 2007. With the introduction of the Personal Data Protection Act 2010, Malaysia became the first ASEAN member country to pass privacy legislation.

The Electronic Commerce Act 2006 is the key source of electronic commerce regulation for the private sector and contains broad (technology-neutral) provisions on electronic signatures. Additionally, Malaysia enacted the Digital Signature Act 1997 which covers digital signatures.

The Consumer Protection Act 1999 (CPA) protects consumers against a range of unfair practices and enforces minimum product standards. In 2007, an amendment was made to the CPA that expanded the scope to cover electronic commerce transactions; and in 2010 a new provision was introduced on the general safety requirement for services and the protection to consumers from unfair terms in a standard form contract.

The Malaysian Communications and Multimedia Commission (MCMC) regulates the Information and the Communication industries. The MCMC also issues content and broadcasting guidelines. See Multimedia Guidelines and Content Code.

The Inland Revenue Board of Malaysia created Guidelines on Taxation for Electronic Commerce. The guidelines cover the scope of charge, the tax liability for business, treatment of server and website and an examination of business models. See Guidelines on Taxation of ECommerce.

In 2016, the Malaysian Ministry of International Trade and Industry (MITI) launched a new eCommerce Initiative with the goal to bring roughly 80 percent of small- and medium size enterprises into the world of eCommerce and to expand market access for more than 87 million digital customers in the ASEAN region. See ECommerce Initiative 2016. This initiative is focused on accelerating seller adoption of eCommerce, increasing adoption of eProcurement by businesses, lifting non-tariff barriers (such as e-fulfillment, cross-border, e-Payment, and consumer protection), realigning existing economic incentives, making strategic investments in eCommerce players, and promoting national brand to boost cross-border eCommerce.

The Malaysian Government has pledged not to censor the Internet. There is no evidence of technological Internet filtering in Malaysia. However, controls on traditional media spill over to the Internet at times, leading to self-censorship and occasional investigation of bloggers and online commentators

Current Market Trends

As a result of Malaysia's internet and mobile connectivity, as well as public sector encouragement, Malaysia has high rates of eCommerce usage. Malaysia boasts 15.3 million online shoppers (50 percent of the population) and 62 percent of mobile users their devices to shop online.

Online shoppers are motivated by price advantages, product range, and availability of reviews. Malaysian shoppers look for free shipping, convenience, and exclusive deals offered by online stores.

Online shopping trends:

- Top 3 sectors using online shopping are:
  - Fashion & Accessories - 16 percent
  - Home and Living - 15 percent
  - Health & Beauty - 13 percent
- Growing frequency of shopping on line:
  - 30 percent once a month

    - 15 percent once every 2 weeks
    - 14 percent once a week or more often
- 80 percent of Malaysian online shoppers are using their mobile phones.
- 54 percent prefer to pay using online transfer (12 percent cash on delivery, 1 percent prepaid to account, 33 percent credit/debit card).
- Travel payment is expected to grow to USD $4.41 billion/ RM 19.6 billion worth of online transactions in 2017.
- Products-only online sales volume will grow to USD $1.12 billion/ RM4.99 billion in 2017, a 20 percent share of total e-commerce market size in Malaysia.

5 trends of the Malaysia e-commerce for in 2017:

- Online shopping is positioned to keep on growing.
- Payment methods will become more digital.
- Customers are willing to shop new products categories.
- Express delivery will become the norm.
- Customers will look beyond price.

Domestic eCommerce (B2C)

The Malaysian e-Commerce market is gaining in attention and support from the government. Rising incomes, growing smartphone and internet penetration are all factors that will grow Malaysia's online market from 0.5 percent of total retail spending in 2014 to five percent by 2020. This makes it an interesting time to assess the state of the market, in terms of government initiatives, consumer trends, and incumbent players.

e-Travel is the largest segment of the online business-to-consumer (B2C) market. The online business-to-consumer segment which includes mobility services (such as Uber, GrabCar and Grab Taxi) and online travel bookings, generated over US$3.5 billion in revenue in 2016.

The online purchase of goods will yield a further US$894 million, with 'Electronics and Media' being the most popular category among Malaysian consumers. Finally, e-services, including food delivery services and online dating, among others, will add another US$260 million.

Cross-Border eCommerce

Malaysians' favorite countries for overseas online shopping are the United States, Singapore, UK, China and Hong Kong. Popular online categories include: daily supplies at 39 percent, fashion & accessories at 23 percent, special/rare items at 20 percent, home appliances at 7 percent, consumer electronics at 7 percent and food and health items at 4 percent.

B2B eCommerce

B2B eCommerce is one of the fastest growing sectors for small- and medium size enterprises (SMEs). We are seeing an expansion in eCommerce as more SME take advantage of higher disposal income of the Malaysian population, better broadband service, and the proliferation of mobile devices in the country. eCommerce is helping SMEs, especially small businesses, compete globally by reducing some of the costs which allows the SME to focus on other areas of the business such as product development.

Since the inception of electronic trading or eTrade, there has been 835 SMEs from various sectors such as food and beverages, furniture, lifestyle, building materials, machinery and hardware, and auto parts that have been approved for the eTrade financial incentive. These incentives ranges from RM1,000 to RM7,000. Out of those approved, 641 SMEs have completed their company's listing on the e-marketplace.

Challenges

Current challenges for the eCommerce industry include a lack of understanding, limitations of competent personnel to conduct eCommerce activities, fear of cyber security threats, lack of digital marketing skills, limited production capacity, high fulfilment and logistics cost, lack of knowledge regarding market access and regulations in cross-border eCommerce.

The top eCommerce businesses are in consumer goods such as apparel, halal food and beverages, electronic and household items.

The government's Economic Transformation Program includes an "Entry Point Projects (EPPs)" which is a "Virtual Mall" project. This virtual mall aims to grow the internet-based retail market. The largest virtual mall platforms in Malaysia are ezBuy and Taoboa. Alibaba from China is working with the Malaysian government to increase its presence in Malaysia.

Typically an eCommerce ecosystem is made up of the following components:

- eCommerce Platform

- Oneline Marketing
- Payment Gateway
- Accounting Software
- Inventory Management System (IMS)
- Customer Relationship Management (CRM)
- Marketplaces
- Enterprise Resources Planning (ERP)
- Channel Management Software

eCommerce Services for Other Services

The Economic Transformation Program (EPP) intends to upgrade internet connectivity for 500 hospitals and 8,000 clinics and provide five million patients with direct access to the Healthnet platform. The platform provides a gateway for information sharing among healthcare providers and insurance companies, while offering patients better access to healthcare-related services and education. Public healthcare facilities will be connected to MedikTV, the official broadcast channel of the Ministry of Health (MOH), which aims to educate the public on major healthcare issues. The MedikTV project is driven by Medic Media Network Sdn Bhd. Pemandu and MOH will continue to foster cooperative ties to ensure the successful deployment, management and utilization of the eHealthcare network within the budget allocated. With close to 3,000 health facilities now connected, the rollout of cloud-based health applications will enable all Malaysian to enjoy a higher standard of service at these facilities.

The Ministry of Education has deployed more than 100,000 laptops (more than 2,400 mobile computer labs) to schools as part of its plan to ensure schools are equipped with the necessary ICT devices for the eLearning. Every student, teacher and parent is given login access to VLE. The laptops used are Google Chromebook with 4G and are the first in the world to be developed by Google and Samsung. At least 99.9 percent of schools have been connected with high-speed Internet connection of at least 4Mbps, while more than 8,000 schools have been connected with high-speed Internet connection of 2-10Mbps in the past two-and-a-half years.

The EPP focuses on building information structure for the Government that is centralized and outsourced. This will ensure all Government facilities are connected and able to access necessary information. Efforts to achieve this include targeting 50 percent of all intra-Government transactions (e.g. job applications and internal circulars) to be completed online. A zero face-to-face target was also set, aiming for 90 percent of Government-related counter services to be made online, with the remaining 10 percent to be completed via e-forms by 2020. As Government services become increasingly digitized, this EPP will also look at addressing digital security concerns.

eCommerce Intellectual Property Rights

eCommerce activities fall under the perview of myIPO:

- Malaysian Intellectual Property Rights

Popular eCommerce Sites

The few most popular eCommerce sites that Malaysian visit are:

- Mudah.com
- Lazada.com.my
- Zalora.com.my
- Lelong.com.my
- eBay.com.my
- Amazon.com.my
- Fave by Groupon
- Taobao.com
- Alibaba.com
- Shopee.com.my
- 11th Street.my
- Gemfive.com
- Q100.my
- Hermo.my

Online Payment

The following are the major on-line payment venders:

- Pay Pal
- IPay88
- MOLPay
- GHL e-payment

Mobile eCommerce

M-Commerce is growing rapidly in Malaysia. The increase of mobile network operators, the ubiquity of commercial banks offering M-Commerce services and the increase in market size all demonstrate that the M-Commerce sector is growing. However, there are several challenges facing this industry: the level of security, the improvement of technology and the level of consumer satisfaction.

The development of M-Commerce in Malaysia is in line with the growth of mobile network operators. It has grown from three major players to 20 mobile network operators. The three major mobile network providers in Malaysia are Celcom (13.4 million), Maxis (12.4 Million) and Digi (10.9 Million). Overall, total active mobile subscribers in Malaysia are 41,324,700 and the mobile penetration rate is high at about 139 percent. The majority of customers are using prepaid services compared to post-paid services.

Digital Marketing

Due to the high level of connectivity and the growing use of mobile eCommerce, companies are now using the technology more effectively to target a broader consumer base. Facebook and Google are the most used platforms.

Major Buying Holidays

Malaysia has three yearly nationwide sales events:

- Malaysia Super Sale (March 1-31)
- Malaysia Mega Sale Carnival (June 15-Aug 31)
- Malaysia Year-End Sale (Nov 1 –Dec 31)

Social Media

Facebook is the most popular social media platform in Malaysian. About 80 percent of the Malaysian population or close to 18 million users stream or download online video content each month. Malaysians also have 1.6 times more friends than the global average. Malaysians spend an average of 5.1 hours a day on the internet, an average of 2.8 hours a day on social networking sites and 47 percent access the websites from their mobile device. Users are spending 7.2 hours a week watching videos on their smartphones, while watching 10.6 hours of television. Apps such as Whatsapp, WeChat, Twitter and Instagram are gaining in popularity.

Trade Promotion & Advertising

Advertising approaches differ according to the market sector. For consumer goods, advertising techniques include the full range of television, radio, newspaper, outdoor advertisements and other approaches. Extravagant product launches, once deemed necessary only in Singapore, are becoming the norm in Malaysia. Due to health/religious concerns, there are prohibitions on most types of advertising for tobacco and alcoholic beverages.

Malaysia has more than 7.2 million TV households. Rising GDP and income levels have increased affordability of content, thereby favoring growth of various TV platforms. The market's cultural diversity has given rise to channels based on ethnicity and language for the three principle languages: Bahasa Malaya, Tamil and Chinese. There are three government and four commercial FTA channels operated by Media Prima. With terrestrial digitization efforts undertaken by the government, this segment will show promising growth as leading broadcasters split up existing channels into genres. Advertising revenue will drive the transition and growth of channels. As to pay TV, there are currently two providers (Astro and HyppTV).

Malaysia has several English-language newspapers, the largest being the New Straits Times and the Star. The primary business-oriented paper is the The Edge. The major Malay-language newspapers are Utusan Malaysia and Berita Harian, while the largest Chinese papers are Sin Chew Jit Poh and Nanyang Siang Pau. There are also Tamil and other language newspapers. Business-oriented magazines include Malaysian Business, Malaysian Industry, and the Malaysian Investor. Published news on Malaysia can be accessed through various sites including MalaysiaNews.

A list of trade promotion events to connect U.S. and Malaysian business partners can be found on the U.S. Commercial Service's BuyUSA Malaysia website. U.S. firms can also advertise on the BuyUSA Malaysia website through the Featured U.S. Exporters (FUSE) page. Commercial Service Malaysia also promotes companies and events through its Facebook page.

Domestic trade fairs (as well as trade fairs in Singapore) provide U.S. firms with an opportunity to increase brand awareness and find trade partners. The following is a list of trade exhibition centers:

- Kuala Lumpur Convention Centre
- Malaysian International Exhibition & Convention Centre
- Midvalley Exhibition and Event Services
- Putrajaya Convention Centre
- Putra World Trade Centre
- Sunway Pyramid Convention Centre
- Malacca International Trade Centre
- Mahsuri International Exhibition Centre (in Langkawi)
- Setia Spice Convention Centre (Penang)
- Subterranean Penang International Convention and Exhibition Centre
- Straits Quay Convention Centre (SQCC)
- Sunway Carnival Convention Centre

Major trade event organizers include:

- Malaysian Exhibition Services (MES),
- ABC Exhibitions,
- AMB Exhibitions,
- CIS Network,
- Interexpo,
- Mines Exhibition Management,
- Protemp Exhibitions, and
- Trade-Link.

Pricing

Malaysians are price sensitive, but also brand conscious. A number of factors should be taken into consideration when determining appropriate product pricing. Some factors to consider are the exchange rate, applicable taxes and duties, pricing differences between urban and rural areas, and transportation costs to more remote areas. There may also be some government regulations for certain industries that affect the price charged to customers and other end-users.

Another factor to consider is the standard of living in Malaysia. The country is one of the most affluent in the Southeast Asian region, which means that higher-priced products and services have a niche market. However, prices of general consumer goods should reflect the lower cost of living and purchasing power of the average Malaysian. Malaysian Investment Development Authority (MIDA) maintains a table of prices of select consumer goods. This table can be accessed by clicking here: MIDA.

In addition, U.S. exporters should generate a price survey of competitor products and services from both domestic and international firms. The U.S. Commercial Service in Kuala Lumpur can assist exporters by providing a Customized Market Research report that specifically identifies competitive factors within the market sector or industry.

There is no one-size-fits-all formula for pricing. Depending on the product and the volatility of the market, most common pricing strategies are:

- Penetration pricing – where the exporter must work with their distributor/s on pricing to attract customers and gain market share. The price will be raised later once market share is gained. This pricing scheme is usually well suited for fast-moving consumer goods.
- Premium pricing – where the importer/distributor keeps the price of a product or service artificially high in order to encourage favorable perceptions among buyers, based solely on the price. The practice is intended to exploit the (not necessarily justifiable) tendency for buyers to assume that expensive items enjoy an exceptional reputation, are more reliable or desirable, or represent exceptional quality and distinction.

Sales Service/Customer Support

Both corporate and individual customers, expect high-quality sales service and after-sale customer support like many other customers in markets worldwide. While it is not often necessary to establish a local branch or subsidiary, it is usually crucial for U.S. companies to have a local agent (especially those that are interested in exporting products or operating services on a continual basis). This agent should be available for clients to contact immediately should any problems arise.

Protecting Intellectual Property (IP)

Malaysia is a member of the World Intellectual Property Organization (WIPO) and a signatory to the Paris Convention, the Berne Convention and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) which is an international agreement administered by the World Trade Organization (WTO) that sets down minimum standards for many forms of intellectual property (IP) regulation as applied to nationals of other WTO Members. Malaysia based its intellectual property laws from all three bodies and conforms with international standards. These regulations are reviewed periodlically by TRIPS to ensure that they provide adequate and comprehesive protection to both domestic and foreign companies on patents, trademarks, industrial designs and copyright.

The agency for the protection of Intellectual Property in Malaysia is MyIPO and is under the purview of the Ministry of Domestic Trade, Co-operatives and Consumerism. They can be contacted at:

Intellectual Property Corporation of Malaysia (MyIPO)
Unit 1-7, Aras Bawah
Tower B, Menara UOA Bangsar
5 Jalan Bangsar Utama 1
59000 Kuala Lumpur
T: +60 (3) 2299 8400
F: +60 (3) 2299 8989
E: ipomalaysia@myipo.gov.my

In any foreign market, companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to articles on Protecting Intellectual Property and Corruption.

IP Attaché Contact - Southeast Asia Region

Name	Teerin Charoenpot, Senior IP Specialist
Address	US Embassy Bangkok Foreign Commercial Service Room 302, GPF Witthayu Tower A 93/1 Wireless Road Bangkok 10330 Thailand

Telephone +66 2 205 5886
E-mail teerin.charoenpot@trade.gov

Due Diligence

Several firms gather information and publish reports on Malaysian companies, including Rating Agency Malaysia, United Management Services, and D&B Information Services (M) Sdn. Bhd. For major corporate transactions, financial advisors and lawyers can perform due diligence. Publicly listed companies are required to publish audited financial results which can be checked prior to entering into business agreements. In smaller transactions, letters of credit are a standard requirement of potential customers, while bank references and track records can be checked prior to appointing agents. The U.S. Commercial Service can also assist exporters by providing an International Company Profile report which can include a visit to the office, an updated financial report, and if appropriate, a recommendation by a current supplier or customer. Please contact your local U.S. Export Assistance Center for pricing and details (USOffices).

Local Professional Services

For help locating Malaysian service providers to assist U.S. companies (i.e. legal, financial, accounting), please contact the U.S. Commercial Service in Kuala Lumpur.

Principle Business Associations

American Malaysia Chamber of Commerce (AMCHAM)

AMCHAM was founded in 1978 as an international, non-profit, private-sector business association. It is comprised of nearly 263 American, Malaysian and other International companies. The Chamber is affiliated with the Asia Pacific Council of American Chambers of Commerce (APCAC) and with the U.S. Chamber of Commerce, which is the largest Chamber of Commerce in the world.

The US-ASEAN Business Council

The US-ASEAN Business Council advocates for U.S. corporations in Southeast Asia. Founded in 1984, the Council's members include the largest companies operating in Southeast Asia, and range from newcomers to the region to companies that have been working in the region for more than a century. The Council leads business missions to key economies; convenes meetings with ASEAN heads of state and ministers; and participates in ASEAN ministerial meetings, such as the annual ASEAN Economic Ministers meetings. The Council is headquartered in Washington, D.C., and has six offices in Southeast Asia including an office in Kuala Lumpur, Malaysia.

The Federation of Malaysian Manufacturers (FMM)

The FMM is Malaysia's premier economic organization. Since its establishment in 1968, the FMM has consistently led Malaysian manufacturers in spearheading the nation's growth and modernization. Today, as the largest private sector economic organization in Malaysia representing over 2,800 manufacturing and industrial service companies of varying sizes, the FMM is the officially recognized and acknowledged voice of the industry.

The Malaysian International Chamber of Commerce and Industri (MICCI)

The MICCI was founded in 1837. MICCI is the oldest chamber in Malaysia representing close to 1,000 corporate members with over 30 different nationalities. Recognized as one of the most active advocates for the business community, MICCI facilitates and supports its members in their goals to successfully elevate their businesses.

The National Chamber of Commerce and Industry of Malaysia (NCCIM)

The NCCIM is the umbrella platform comprised of five principal Malaysian private sector organizations concerned with commerce and industry. NCCIM was established in 1962, when four principal Chambers of Commerce united to form the United Chambers of Commerce of Malaysia. It was restructured in 1974 to include the Federation of Malaysian Manufacturers and was renamed the National Chamber of Commerce and Industry of Malaysia. As a non-profit and non-governmental organization (NGO), NCCIM's role is to help represent the interests of the Malaysian business community on the domestic and international fronts. A key objective is to promote Malaysian exports and investments abroad, as well as to help attract foreign investors.

Limitations on Selling US Products and Services

Malaysia is not party to the WTO Government Procurement Agreement, and as a result foreign companies do not have the same opportunity as some local companies to compete for contracts. In most cases foreign companies are required to take on a local partner before their bids will be considered. In domestic tenders, preferences are provided to Bumiputra (Malay) suppliers over other domestic suppliers.

There are restrictions on media and advertising content. Regulations on media and advertising content can be found here: Online Content Problems.

Web Resources

Companies Commission of Malaysia

Inland Revenue Board

Malaysian Franchise Organization

Malaysian Industrial Development Authority (MIDA)

Malaysia news sites

Multimedia Development Corporation (MDEC)

Rating Agency Malaysia

Social Security Organization

U.S. Embassy Kuala Lumpur

U.S. Commercial Service Malaysia:

- For U.S. companies: Export.gov
- For Malaysian buyers: Buyusa.gov
- Our Facebook page: USCSMalaysia

Leading Sectors for US Exports & Investments

Energy

Overview

Demand for energy will increase as Malaysia powers up to meet its targeted Vision 2020 (to become a fully developed nation by 2020). Based on the Government of Malaysia's Economic Transformation Plan (ETP), Malaysia aims to build power plants to replace retiring plants and to meet growing demand for power. According to BMI Research (Major projects Database), the power plants and transmission grid sub-sector will be the main driving force with an average growth of 6.4 percent of total infrastructural industry value over the 11th Malaysia Plan from 2016-2020.

The majority of the Malaysia's electricity generation comes from thermal sources with 54 percent of total generation coming from gas-fired plants. However there are plans to increase output capacities from hydro, biomass, biogas, and solar PV to 13.1 percent (~5190MW) of total installed capacity by 2020.

In line with the Vision 2020, 93.4 percent of the population has access to electricity but there is only 88.8 percent penetration in rural areas and this is lower in Sabah and Sarawak in East Malaysia. (World Bank 2017). Malaysia has a well-developed grid network with relatively low distribution losses in Peninsula Malaysia. Under the 11th Malaysia Plan, the Government is placing more emphasis in the development of both Sabah and Sarawak. With the increase in economic activities and the development of new industrial areas, power demand will increase in tandem.

Energy Equipment

The chart below showcases the Malaysian and U.S. trade statistics only for the following HS codes: HS 8402, 8404, 840681, 840682,841311, 841319. Note that this table does not include any values attributed trade of services.

	2014	2015	2016
Total Exports	134,948,989	88,297,028	73,642,822
Total Imports	296,760,961	220,600,727	510,861,371
Imports from the US	24,261,982	14,978,311	16,741,260
Malaysian Exports to the US	479,466.00	871,099.00	3,234,347.00

	2014	2015	2016
Exchange Rates	3.28	3.91	4.15

Source: Department of Statistics Malaysia

Leading Sub-Sectors

Malaysia is concerned about a potential electricity shortage and Tenaga National Berhad (TNB) the National Electric Company, is looking for solutions to address this forecasted shortage via:

- Increasing efficiency of existing plants
- Renewable fuel sources
- Construction of new plants
- Transmission and distribution of electricity in Sabah & Sarawak
- Efficient usage and distribution of electricity

Opportunities

As noted, the government included the energy sector as part of the 11thMP and these projects have been highlighted as projects currently under construction or in the planning stage.

- 3B Coal-fired Power Plant, Negeri Sembilan, Planning Stage, estimated time of complettion (ETC): 2019
- Manjung 5 Power Plant, Perak, Under construction, ETC: 2017
- Pengerang Power Plant, Johor, Under Construction; ETC: 2019

East Malaysia's Sabah and Sarawak are also a focus in the 11th Malaysia Plan:

- Implementation of power-related projects under the Sabah Special projects and Delivery Unit , Sabah,
- Construction of Combined Cycle Power Plants, Sabah, ETC: 2020
- Sarawak Corridor of Renewable Energy, Sabah

Web Resources

Tenaga Nasional Bhd

Ministry of Energy, Green Technology & Water

Energy Commission

Agricultural Sector

Overview

Malaysia's dairy production sector is insignificant, with local production of liquid milk covering only about 5 percent of domestic needs. Virtually all retail products, such as cheeses, yoghurt, ice cream, are imported, and most fluid milk available at retail is reconstituted from imported dairy powder. Malaysia does have a very strong domestic dairy processing industry, which is growing steadily, and boosting demand for imported dairy products. All non-fat and whole milk powder, as well as whey and casein, are imported for the processing sector. The food industry also uses milk proteins as a structural ingredient for many food items. All imported dairy products, including ingredients for the food processing industry, must be certified halal. With about 50 percent market share, New Zealand is the largest supplier, followed by Australia, and then the United States. The U.S. is the most competitive in powders destined for processing, while New Zealand and Australia dominate retail food items (yoghurt, butter, cheeses, and ice cream).

Agricultural Products

Unit: USD Millions	2014	2015	2016	2017 (Estimated)
Total Local Production	68.7	53.0	43.9	45.8
Total Exports	409.1	368.5	299.7	320
Total Imports	1,304.5	1,008.1	834.1	870
Imports from the US	166.8	96.1	79.0	82
Total Market Size	964.1	692.6	578.3	595.8

total market size = (total local production + imports) - exports

Leading Sub-Sectors

The U.S. is most competitive in non-fat dry milk, whey, and casein for the food processing industries, and prepared dry and/or frozen mixes (fluid milk/cream and yoghurt) for the food service industry.

Opportunities

Good sales potential exists particularly for retail packed infant milk powder, pizza cheese and other grated cheese typically among urban population as improved living standards increase demand for such products.

Web Resources

Information and general guidance for exporters can be found at the U.S. Foreign Agricultural Service website (http://fas.usda.gov). Supplier lists and more detailed market information can be obtained by e-mailing the Office of Agriculture Affairs in Kuala Lumpur at: AgKualaLumpur@fas.usda.gov.

Engineering & Construction

Overview

The construction industry makes up an important part of the Malaysian economy due to the amount of industry linked to it and the number of people it employs. It is considered one of the most substantial economic drivers for Malaysia. The value of the construction industry is estimated at RM66.34 billion (US$15.01 billion using exchange rate of 4.4) with a forecasted growth of 6.6 percent year-on-year for 2017 and driven mainly by the civil engineering sub-sector (33.2 percent). Source: National Resources BMI.

The Construction Industry Development Board (CIDB) regulates the construction sector and broadly classifies the construction sector in Malaysia as those that are involved in:

- General Construction - This sub-sector is further divided into:
  - Residential & Non-Residential which basically comprises residential construction, non-residential construction and civil engineering construction.
  - Special Trade Works which comprises activities such as metal works, electrical works, plumbing, sewerage and sanitary works, refrigeration and air-conditioning works, painting works, carpentry, tiling, flooring works and glass works.
- Infrastructure
  - Includes bridges, airports, roads, and other public sector project.

Registration with the CIDB is mandatory for all local companies involved in the construction sector. Foreign contractors can only register on a project-to-project basis.

Construction companies are graded according to the amount/value of the jobs they are able to handle:

Grade	Project Value
Grade 1	less than RM100,000
Grade 2	RM100,001 – RM500,000
Grade 3	RM500,000 – RM 1,000,000,000
Grade 4	RM1,000,000,001 –
Grade 5	RM3,000,000,001 –
Grade 6	RM5,000,000,001 –
Grade 7	greater than RM10,000,000,000

Source: CIDB Grading Systems

To qualify for these grades, companies must prove they have the required number of qualified personnel specified by CIDB under their employment.

Construction Materials

The chart below showcases the Malaysian and U.S. trade statistics only for the following HS codes: 4409, 4410 4411, 6807, 6809, 6810, 6811, 6904, 6905, 6910, 7203, 7205, 7207, 7208, 7209, 7210, 7211, 7212, 7213, 7214, 7215, 7216,7217,7218,7219, 7220, 7221, 7222, 7223, 7224, 7225, 7226, 7227, 7228, 7229, 7391, 7303, 7304, 7305, 7306, 7307, 7308, 7317, 7318, 7610, 8413. Note that this table does not include any values attributed to trade of services.

	2014	2015	2016
Total Exports	6,573,081,908	5,818,419,224	4,424,105,917
Total Imports	8,082,570,570	6,254,984,160	6,383,900,753
Imports from the US	1,509,488,662	436,564,936	1,959,794,836
Malaysian Exports to the US	197,546,059	200,751,713	200,547,105
Exchange Rates	3.28	3.91	4.15

Source: Department of Statistics Malaysia

Leading Sub-Sectors

Opportunities in general construction are limited. Most of the inputs are in labor and materials that are procured locally and are price sensitive.

Foreign companies have advantages in modular, non-cellulosic, concrete-based building technologies that are green and environmentally sustainable. Industrialized Building System (IBS) or prefabricated systems are also being promoted by CIDB.

There are continued and on-going investments in projects that present opportunities: the Refinery and Petrochemicals Integrated Development (RAPID) in Pengerang, Johor; the Pan Borneo Highway in East Malaysia; the Mass Rapid Transit 2 (MRT2); the Light Rail Transit 3 (LRT3) and flood mitigation.

In the infrastructure construction subsector, due to complexity of the jobs, local consortiums will usually seek out foreign partners with relevant expertise.

Opportunities

The following opportunities are part of the 11th Malaysia Plan, which runs from 2016 until 2020.

- Construction of more airports in the east Malaysian state of Sarawak.
- Railway project between Gemas and Johor Bahru in West Malaysia, spanning 197 kilometers.
- At least 80 schools and six new hospitals to be built across Malaysia.
- Plans have been approved to provide clean treated water to areas outside city centers; with the goal of providing access to water and electricity to 99 percent of the country by 2020.

Historically most infrastructure investments went to peninsular Malaysia and not to Sarawak and Sabah in East Malaysia, even though East Malaysia has larger land area and bountiful natural resources. However, since the General Election in 2013, the Federal government is promising higher number of infrastructure projects, some of which were included in the 11th Malaysia Plan. Implementation of power-related projects under the Sabah Special projects and Delivery Unit

- Construction of Combined Cycle Power Plants
- Sabah Development Corridor
- Sarawak Corridor of Renewable Energy
- Upgrading Sarawak interior roads
- Light Rail from Kuching – Samarahan- Serian (Sarawak)

Additionally, the Governments of Malaysia and Singapore committed to constructing a high speed rail (HSR) between Kuala Lumpur and Singapore. The 350 km journey between the two cities will take approximately 90 minutes. To date, the Technical Advisory Tender and certain Reference Design Consultant tenders have been awarded. There are various other tenders that will cover design, engineering and civil works projects that may be coming on-line in 2017 and 2018.

Web Resources

- Association of Construction Project Managers
- Association of Consulting Engineers Malaysia
- Board of Architects Malaysia
- Board of Engineers Malaysia
- Building Materials Distributors Association of Malaysia
- Construction Industry Development Board
- Malaysian Institute of Architects
- Malaysian Institute of Interior Designers
- Ministry of Works Malaysia
- My High Speed Rail Corporation
- Real Estate & Housing Developers' Association Malaysia

- The Cement & Concrete Association of Malaysia

Oil and Gas

Overview

Despite the low price of global crude oil, this sector remain important to the country as it contributes between 20 to 30 percent to the country's Gross Domestic Product (GDP). With over 3,500 oil and gas (O&G) companies in Malaysia, comprising both international and local companies, the multiplier effect generated by this sector is still sizable and is recognized by Petroliam Nasional Bhd (PETRONAS, the National Oil Company) and the Government of Malaysia as a strategic and priority sector.

Since 2015, Malaysia has witnessed marginal growth in oil production and reserves, although natural gas production continues to decline. As a result of declining production at Malaysia's major shallow water oil fields, the government initiated efforts to encourage investment in Enhanced Oil Recovery (EOR) and the development of marginal and deep water fields through risk-sharing agreements. Malaysia's new oil reserves are located off the coast of Northern Borneo between 200 to 1,200 meters deep, making it more costly to extract these resources.

Malaysia's energy security strategy has been to export its premium Tapis sweet crude oil and import low-grade, heavy crude oil to refine in its downstream facilities. However, Malaysia is gearing up to increase its refining capacity to become a net exporter of refined products. The Pengerang Integrated Petroleum Complex (PIPC) in Johor, and Sipitang Oil & Gas Industrial Park (SOGIP) in Sabah will almost double the refining capacity nationwide from 588,000 bbl/d to 1,158,000 bbl/day.

Petronas has three major liquefied natural gas (LNG) production facilities at the Bintulu LNG complex in Sarawak - MLNG Satu, MLNG Dua and MLNG Tiga. Petronas is currently pursuing two expansion projects to increase the country's LNG production and export capacity. Despite the expansion projects, Malaysia is expected to gain smaller increments or even lose market share due for LNG exports to fierce competition from other LNG-exporting countries within the region. Although Malaysia is a net exporter of natural gas, the country also has LNG one import facility, through which it receives natural gas from countries such as Brunei and Qatar.

Oil and Gas: Pumps of various descriptions and light-vesseled, fire-floats and drilling/production platforms

The chart below showcases the Malaysian and U.S. trade statistics only for the following HS codes: 841350, 841360, 841370,841381, 841311, 841319, 8905. Note that this table does not include any values attributed to trade of services.

	2014	2015	2016
Total Exports	171,038,616	50,672,050	100,313,029
Total Imports	455,315,002	499,263,687	322,280,617
Imports from the US	101,153,524	51,668,759	35,983,906
Malaysian Exports to the US	8,191,900	1,119,388	932,683
Exchange Rates	3.28	3.91	4.15

Source: Department of Statistics Malaysia.

Leading Sub-Sectors

The downturn in the oil and gas market has impacted the industry in Malaysia, but generally speaking, the best prospects for the Oil & Gas sector in Malaysia are in deep and ultra-deep water exploration and production. There are strong market prospects for:

- Drilling tools, finishing tools, pressure control equipment, mud equipment, cementing equipment, perforating systems, multilateral well completion systems, core completion products, down-hole testing systems, blowout preventer systems, artificial lift systems, sub-sea Christmas trees, etc.

- Completion fluids and perforating optimization and completion hardware geared toward maximizing recovery.

- Intelligent completion and control architectures, multilateral systems, sand control solutions and expandable completion systems, which ensure production maintains high levels, will also have strong potential.

- We also see enhanced oil recovery, high CO2 gas fields, high pressure / high temperature, deepwater, and infrastructure projects for petroleum operations.

- There are good opportunities for technologies and services for development of viable marginal oil fields and improved economic return of such fields.

Opportunities

Malaysia has invested heavily in refining activities and now has nearly 539,000 barrels per day (bbl/d) of refining capacity at eight facilities fulfilling most of its demand for petroleum products domestically. Facilities are:

1. Kertih Refinery (PETRONAS)
2. Melaka I Refinery (PETRONAS)
3. Melaka II Refinery (PETRONAS + ConocoPhillips)
4. Shell Port Dickson Refinery (Petron)
5. Pengerang Johor Refinery (in-progress)
6. Kedah Refinery Project (deferred)
7. Perak Refinery Project (deferred)
8. Teluk Ramunia Johor Refinery Project (deferred)

As part of Malaysia's goal to compete with the oil refining and storage hub in Singapore, PETRONAS is also constructing a major new refinery and petrochemicals complex, the Pengerang Johor Refinery Project. This project located in the state of Johor at the southern tip of Peninsular Malaysia is anticipated to be completed in 2019/2020.

Web Resources

- Association Of Malaysian Oil & Gas Engineering Consultants
- Malaysia Petroleum Resources Corporation
- Malaysian Gas Association
- Petroliam Nasional Berhad

Water & Waste Water

Overview

Water

Surface water stored in reservoirs is the main source of drinking water supply in Malaysia. Groundwater supplies are comparatively limited and only occur in certain areas, such as Kelantan (the largest groundwater producing state). The government aims to have 99 percent of the population served by clean and treated water by 2020. Overall, urban access to drinking water is better than rural access. In some rural areas, there are people who prefer using alternative sources such as tube wells and underground sources. Geographical and accumulation factors have led to high infrastructure cost which has led to low coverage for certain rural areas.

Malaysia's per capita water consumption is unsustainable, with household consumption of 211 liters per capita per day. This issue is of significant concern and has been compounded by recent weather events. For example, in 2016, Malaysia experience a dry spell brought about by "El Nino phenomenon" and the water level in many of the dams dropped significantly to a critical state. In mid-2014, water rationing was instituted in Malaysia's most populous state, Selangor which affected more than 60,000 households. Poor infrastructure leading to water loss also contributes to water shortages. Even though the rate of non-revenue water decreased from 36.6 percent in 2014 to 35.6 percent in 2015, it is still considered a major inefficiency in the industry that must be addressed. Malaysia hopes to reduce non-revenue water rate to 25 percent by 2020.

Waste Water

As for wastewater and sewage treatment, the segment lags behind its drinking water counterpart in terms of development. The lack of sustainability in the sewage industry is a result of high operation and maintenance costs and environmental threats. The Indah Water Konsortium, the country's main sewerage operator, highlights that the country has not developed tertiary treatment capabilities and relies principally on primary and secondary treatment. Opportunities are growing in tertiary treatment systems as removal of agricultural run-off has presented itself as a treatment challenge. Furthermore, only 56 percent of the population is served by wastewater treatment plants while the remainder of the population relies on septic tanks and flush systems. Limited connectivity to sewerage networks as well as limited coverage of those networks has stymied growth in the sector; however, there is a strong expectation that this will change in the coming years as large wastewater infrastructure projects are introduced and come on-line.

The chart below showcases the Malaysian and U.S. trade statistics only for the following HS codes: 841350: pumps; reciprocating positive displacement pumps, n.e.c. in heading no. 8413, for liquids; HS 841360: pumps; rotary positive displacement pumps, n.e.c. in heading no. 8413, for liquids; HS 841370: pumps; centrifugal, n.e.c. in heading no. 8413, for liquids; HS 841381: pumps and liquid elevators; n.e.c. in heading no. 8413. Note that this table does not include any values attributed to trade of services.

	2014	2015	2016
Total Exports	58,578,303	40,663,451	44,510,789
Total Imports	390,234,462	274,262,936	263,549,811
Imports from the US	54,077,291	43,694,301	27,318,412
Malaysian Export to the US	620,955	725,055	912,783
Exchange Rates	3.28	3.91	4.15

Source: Department of Statistics Malaysia

Leading Sub-Sectors

For the past few years, Malaysia has been restructuring its water sector in an attempt to improve the service of the country's heavily indebted water utilities. The Malaysian Government's predominant focus in the water area is the production and supply of clean potable water. The government has invested in improved water infrastructure and rehabilitating and expanding existing drinking water treatment plants and distribution networks. The government is actively seeking to improve water efficiency and savings through integrated water management at buildings, monitoring of water usage, reducing losses and non-revenue consumption, and boosting overall water availability and reliability. This shift is fueling interest in water efficient consumer products such as rainwater harvesting systems, smart monitoring and metering equipment, advanced leak detection equipment, non-revenue water control software, low-loss distribution equipment and storage equipment.

The suite of treatment technologies or existing and expected wastewater plants is also advancing with an increased interest in mechanical treatment methods such as Extended Aeration (EA), Oxidation Ditch (OD), Rotating Biological Contactors (RBC), Sequenced Batch Reactors (SBR) and Trickling Filters. Malaysian utilities favor build-transfer (BT) models for project development where the capital ownership, operations and maintenance remains the purview of the utility. Other key technologies in demand include engineering, procurement and construction (EPC) services, advanced filtration, anaerobic digestion, nitrification, biological denitrification, monitoring, and testing equipment.

Opportunities

Currently, Malaysia's project pipeline remains limited to the Sungai Perak raw water supply scheme which promises construction of a 1 million M^3/D drinking water plant in addition to pumping stations and transmission infrastructure. However, the Sungai Perak project has been subject to years of delays related to local government disputes on project scope as well as the management and the distribution of tariffs, revealing the difficulty of moving projects past the conceptual phase.

Here are two examples of projects under construction.

- Kuching Centralized Sewerage, Sarawak, Under construction, ETC: 2017
- Sungai Langat 2 Water Treatment Plant, Selangor, Under construction, ETC: 2019

Web Resources

- Ministry of Energy, Green Technology and Water (KeTTHA)
- Ministry of Natural Resources and Environment (NRE)
- Department of Irrigation and Drainage Malaysia
- National Water Services Commission (SPAN)
- Indah Water Konsortium Sdn Bhd (IWK)

Information, Communication & Telecommunications (ICT)

Overview

The National Information Technology Council of Malaysia (NITC) was established in 1994 functions as the primary advisor to the government on ICT matters. Since that time, the government has been heralding Malaysia as a global ICT hub through development of the Multimedia Super Corridor (MSC) flagship project, the computerization of several ministries and agencies, and the ongoing upgrade of Malaysia's telecommunications and IT infrastructure. During the 9th Malaysia Plan (2006-2010), the government initiated the MSC Net Leap program and expanded it into a network of cyber cities and centers throughout Malaysia. The sector continued its growth during the 10th Malaysia Plan (2011-2015) at an average rate of 6.8 percent per annum. Under the 11th Malaysia Plan (2016 – 2020) the government is striving to increase the ICT contribution to GDP to 17 percent from 13.1 percent during the 10th Malaysia Plan. (Malaysia Department of Statistics).

Within the ICT services subsector, there have been interesting structural changes. The contribution of telecommunication services dipped from 65.8 percent in 2011 to 58.4 percent in 2015. However, there was an expansion in the areas of computer service, programming, broadcasting and publishing.

These changes in growth and sectoral shares are attributed to:

- The move from traditional computers to smaller ICT devices and wearable gadgets.
- The increasing amount of real-time and interactive multimedia content supported by mobile technology.
- The rising popularity of cloud computing, Big Data Analytics, software-as-a-service (SaaS), social media applications, Internet of Things and wearable technology.
- The integration of systems and processes and ICT services by and with the people and institutions and service providers.

Information, Communication and Technology

The chart below showcases the Malaysian and U.S. trade statistics only for the following HS codes: 8523, 8529, 8527, 8528, 8529, 8530, 8531, 8521, 8533, 8535, 8536, 8537, 8538, 8539, 8540, 8541, 8542, 8544, 8545, 8546, 8547, 8548. Note that this table does not include any values attributed to trade of services.

	2014	2015	2016
Total Exports	52,623,347,598	47,143,365,935	46,105,830,118
Total Imports	42,009,407,434	36,045,324,074	35,723,545,734
Imports from the US	5,862,493,398	5,378,900,466	5,162,857,631
Malaysia Export to the US	52,623,347,598	47,143,365,935	46,105,830,118
Exchange Rates	3.28	3.91	4.15

Source: Department of Statistics Malaysia

Leading Sub-Sectors

The Malaysian ICT market is gaining momentum and capabilities are being built in digital content, software development and testing, Internet of Things (IoT), data centers and cloud services, cyber security and big data analytics (BDA).

Opportunities

The Government has taken special interest in developing the Internet of Things (IoT)technology and applications, which has resulted in several market partnerships. The commercialization of 'smart city' infrastructure, applications and services – such as smart highways, intelligent traffic management systems and advanced energy management systems – is expected to drive IoT adoption across key social and economic sectors.

Over the last five years, the datacenter industry has grown rapidly to support 26 datacenter service companies and nearly 200 specialized service providers capable of providing affordable, scalable and high-quality remote data storage and retrieval services to the growing numbers of multinational corporations looking to establish regional headquarters in the country.

Cloud computing is experiencing investment in data centers and ICT infrastructure in Malaysia. Multimedia Super Corridor (MSC) Malaysia has named cloud computing as the most important of its top 10 strategic technology priorities. The government hopes that adoption of cloud computing and building on the National Broadband Initiative, could accelerate Malaysia's development into an advanced economy. Software-as-a-Service (SaaS) has the highest adoption in cloud computing followed by Infrastructure-as-a-Service (IaaS) and Platform-as-a-Service (PaaS). Hybrid Clouds remain the dominant form of deployment by enterprises and this model has been recognized by service providers as a key growth market. While the adoption of cloud computing offers multiple potential benefits, there are also concerns regarding bandwidth consumption, lack of maturity of cloud environments, high latency rates, data security and privacy guarantees from service providers.

In 2011, the Ministry of Science, Technology and Innovation (MOSTI) identified R&D in cyberspace security as a critical issue for the continued development of its IT and telecoms sectors. MOSTI noted that reducing the vulnerability of critical infrastructure such as power grids, air traffic control systems, military and financial systems was imperative to moving forward in this industry. More focus will be given to key areas such as secure communications to protect the confidentiality and integrity of information during transmission and storage, high availability systems to ensure continuous and uninterrupted operations of critical IT systems, network surveillance to detect and respond to incidents of system disruption, secure access to protect the ICT system from unauthorized entry, and system integrity controls to ensure that a system and its data are not illicitly modified or corrupted.

With the tremendous increase of data generation due to digitization, Big Data Analytics (BDA) will be crucial for organizations in both the public and private sectors to create value for effective decision-making, productivity growth and innovation.

Web Resources

Ministry of Science, Technology and Innovation (MOSTI)

Malaysian Communications and Multimedia Commission (MCMC)

Ministry of Communications and Multimedia Malaysia

Malaysia Digital Economy Corporation (MDEC) Sdn Bhd

SIRIM Berhad

The National ICT Association of Malaysia (PIKOM)

Medical Equipment

Overview

Malaysia provides universal healthcare access to its citizens. Malaysia's national healthcare expenditure historically is around 4 -5 percent of GDP. In 2016, the government set aside approximately US$5.65 billion or 8.6 percent of the annual national budget for public healthcare. Malaysia's 2017 annual national budget allocation for public healthcare is approximately $6.7 billion.

Out of this allocation, about 7 percent is assigned for development purposes. According to the latest available data (2015), the number of hospital beds for both public and private healthcare sector combined is around 58,050 and public hospital beds accounted for 78 percent of total hospital beds.

Private healthcare services in Malaysia are predominantly used by the upper-middle to affluent segment of the population. As per capita GDP rises, demand for private healthcare consumption is expected to increase in tandem.

There has been a shift in healthcare expenditures from public toward private. For example, in 2013, 65 percent of the expenditures were covered by the public sector; whereas, it dropped to 52 percent in 2014.

In 2016, the total trade for Malaysia's medical device industry was approximately US$2 billion and it imported $585 million of medical devices. U.S. products represented 18.4 percent of the import market and the U.S. was the top exporting country of medical devices to Malaysia in the same year. Singapore followed as the second largest exporter of medical devices with market share of 17.2 percent. This was followed by Germany (13.6 percent), Japan (12.5 percent), China (10.7 percent), and South Korea (3.3 percent). Overall, Malaysian imports of medical devices decreased 10.5 percent over 2016/2015 duration. The type of medical devices Malaysia imports and exports differ significantly. Malaysia usually imports higher classification/ category of medical devices not manufactured locally.

Exports to the world for the same category of medical instruments and devices from Malaysia increased 8.1 percent from 2015 to 2016 to US$1.4 billion. Top export destinations for Malaysian products are the United States (22.9 percent), Belgium (22.6 percent), Germany (15.5 percent), Japan (11 percent) and Singapore (4 percent).

Malaysia is the world's largest medical gloves producer. Major Malaysian export categories are: surgical and examination gloves, other medical instruments, apparatus and appliances, catheters, syringes, needles and sutures, electromedical equipment, ophthalmic lenses including contact lenses, dental instruments and appliances, medical and surgical X-ray apparatus and medical furniture.

The government of Malaysia has designated the Medical Device sector as high growth potential in the 11th Malaysian Plan. According to the Malaysian Ministry of International Trade and Industry (MITI), from 2010-2014, foreign medical device industry investments into Malaysia totaled RM11 billion (US$2.9 billion), while domestic investments were RM1.2 billion (US$316 million).

Improving and achieving universal access to quality healthcare will be the focus of the Malaysian government for the next five years. The major thrusts will be in improving healthcare quality to underserved populations, as well as ensuring efficient and effective expansion of the healthcare delivery system. In addition to upgrading healthcare facilities, a government priority is to reduce communicable and non-communicable diseases. E-Health Information and Communications Technology (ICT) strategy will be implemented concurrently to track and support these measures.

Medical Equipment

Medical Equipment – this chart includes HSHS 9018. Note that this table does not include any values attributed to trade of services.

	2014	2015	2016
Total Exports	1,241,346,703	1,309,463,211	1,415,213,297
Total Imports	734,555,341	653,869,494	585,127,055
Imports from the US	139,134,263	128,396,765	107,407,170
Malaysian Exports to the US	337,899,693	353,846,923	323,611,475
Exchange Rates	3.30	3.90	4.12

Source: Department of Statistics Malaysia

Leading Sub-Sectors

Wellness

Increasingly, more Malaysians are taking the approach of wellness and disease prevention rather than treatment. Consumer medical devices are used to self-monitor one's health condition to maintain optimal health. Blood glucose and pressure monitors are gaining popularity. The United States is one of the largest suppliers of consumer health monitor devices to Malaysia. U.S. brands are both trusted and well received by Malaysian consumers.

Dental

As for dental market trends, we are seeing subspecialties in the area of orthodontics, implant and esthetic procedures increasingly being offered in private dental clinics. The United State is one of the leading suppliers of orthodontics products in Malaysia.

Private healthcare services

Private healthcare services in Malaysia are predominantly used by the upper-middle to affluent segment of the population. As per capita GDP rises, demand for private healthcare consumption is expected to increase in tandem. Health screening is increasingly popular. Medical aesthetics procedures are also gaining ground in Malaysia.

Other healthcare services

Similar to other increasingly affluent countries, NCDs such as diabetes, high-blood pressure, cardiovascular disease, oncology cases, and obesity are on the rise in Malaysia. The major vector-borne disease that Malaysia is having a difficult time containing is Dengue Fever. Tuberculosis is an increasingly infectious disease in Malaysia, with a high mortality rate. Although Malaysia has been BCG-vaccinating its citizens from birth, along with booster vaccinations administered for school age children for many decades, we are seeing resurgence in TB cases. The main cause is the influx of migrant workers into the country. Hand, Foot and Mouth Disease is also prevalent, but there is no associated mortality with this disease in Malaysia. HIV/AIDS is the third main infectious disease in Malaysia with a high mortality rate.

Opportunities

Consolidation is the key word for public healthcare resources and facilities. The government of Malaysia is implementing a hospital cluster concept. Hospitals within a similar geographic region will serve as one unit sharing assets, amenities and human resources. Additionally, existing healthcare facilities and assets will also be upgraded. Healthcare services to the rural and remote areas will be expanded via mobile healthcare teams and flying doctor services.

Implementation of the e-Health strategy will include incorporating existing ICT systems into one system-wide module. This will hopefully improve health data management, and support research and development and commercialization initiatives.

Pre-hospital care such as ambulance services, and accidents and emergencies (A&E) services will also be a key focus area. Ideally, collaboration between private sector and non-government organization ambulance service providers will improve response time and better resource utilization.

Public budget allocations for developmental projects:

- $1 billion operation costs for rural, urban and mobile clinics.
- $900 million for the supply of drugs, vaccines, reagents and consumables to all public healthcare system.
- $122 million upgrade to cardiology treatment equipment and purchase of 100 ambulances.
- $18 million prevention and control of contagious diseases (Dengue, Zika).
- $16 million underprivileged patient's medical assistance program.

Demand for private healthcare has been increasing exponentially due to its speedy service delivery and quality healthcare. In 2015, private hospital outpatient attendance was 6.4 percent of overall outpatient care provided in-country. However, private hospitals command 40 percent of total hospital admissions. In 2015, approximately 28 percent of the doctors, 37 percent of dentists, and 37 percent pharmacists and 30 percent of nurses were in private practice.

Executive health screening service is increasingly popular as a preemptive approach, especially for the upper middle income and affluent population.

As for dental market trends, we are seeing subspecialties in the area of orthodontics, implant and esthetic procedures increasingly being offered in private dental clinics. The United State is one of the leading suppliers of orthodontics products in Malaysia.

Medical aesthetics procedures are also gaining ground in Malaysia.

Web Resources

- Ministry of Health Malaysia
- National Pharmaceutical Regulatory Agency
- Malaysian Medical Association
- Malaysian Organization of Pharmaceutical Industries (MOPI)
- Nutrition Society of Malaysia

Nutritional and Food Supplements

Overview

Public healthcare is heavily subsidized in Malaysia. With increasing healthcare cost, public hospitals are getting oversubscribed and overburdened. The Malaysian government places great importance into the health and wellbeing of its citizens and has allocated a large amount of its national budget for the healthcare sector. In 2016, the Malaysian government set aside approximately US$5.65 billion or 8.6 percent of the yearly national budget for public healthcare. Malaysia's 2017 annual national budget allocation for public healthcare is approximately $6.7 billion.

Often times, the upper-middle and high income portion of the Malaysian population prefer to use private healthcare provides, as the services are usually faster and higher quality of care. The upper-middle and higher income segment are generally more educated and have a tendency to take charge of their own health. To them, an ounce of prevention is worth a pound a cure. As a result, nutritional and food supplements are seen as a means to maintain and increase overall wellbeing. Nutritional and food supplements include vitamins, minerals, herbs, meal supplements, sports nutrition products, natural food supplements, and other related products used to boost the nutritional content of the diet. Singapore is the largest exporter of nutritional and food supplement to Malaysia holding 23 percent market share; while the U.S. is the second largest supplier with 16 percent of the market share. U.S. brands are both trusted and well received by the Malaysian consumers.

Direct selling companies are major importers of health supplements in Malaysia. They generally private label the supplements. Certified organic and natural health supplement is a niche and growing market. High-end proprietary U.S. brands would do well in the specialized healthcare or organic stores. Cholesterol lowering products, cardiovascular and cancer preventives, and supplements that are beneficial to diabetics would be well received by the marketplace. Given that majority of the Malaysian population is Muslim, halal/vegetarian supplements are highly recommended.

Nutritional Supplements

The chart below showcases the Malaysian and U.S. trade statistics only for HS 2106. Note that this table does not include any values attributed to trade of services.

(US$ million)	2014	2015	2016
Total Local Production			
Total Exports	703,967,313	635,360,121	652,787,855
Total Imports	667,067,063	623,012,690	662,835,299
Imports from the US	111,614,257	104,748,784	106,213,332
Malaysian Exports to the US	4,905,198	6,626,759	4,956,850
Exchange Rates	3.30	3.90	4.12

Source: Department of Statistics Malaysia

Leading Sub-Sectors

Malaysia's nutritional and food supplement consumption is mainly met by imports. This comes either in the form of finished goods or raw materials for local assembly. Often times, local importers collaborate with foreign manufacturers to acquire private labeled products. Increasingly, local importers work with foreign supplements manufacturers and come up with their own formulation. Some source raw materials and manufacture their own supplements.

According to the National Pharmaceutical Regulatory Agency (NPRA) of Malaysia, there are 245 Good Manufacturing Practices(GMP) manufacturers. One-third of these manufacturers are licensed to produce modern medicines comprising analgesics, antacids, anti-hypertensive, diuretics, antibiotics and anti-histamines. Two-thirds are licensed to produce local traditional and herbal medicines, including food supplements. The remaning one percent are vetrinary supplement manufacturers.

Opportunities

Malaysia is ranked sixth in the Asia Pacific region and the top country within Southeast Asia for both obesity and diabetes. Obesity and diabetes have been coonected to serious non-communicable diseases (NCDs) such as heart disease and hypertension. Therefore, consumers in Malaysia are increasingly aware of such potential health issues associated with eating habits and have become more proactive in searching for consumer health products to prevent such chronic diseases. The increase in consumption of health supplements can be tied to the greater awareness of health issues and the availability of more disposal income. A wide range of health supplements are readily available in the market, including products for joint health, digestive health, heart and circulation, stress and energy, eye health, multivitamins and antioxidants, weight management, detox and wellness products for the elderly.

In particular, natural and organic supplements, and sports nutrition are gaining popularity. Joint-support care, fish oils, heart-care, cholesterol lowering supplements, CoQ10, Gingko, collagen supplements, detoxification preparations and dietary supplements, male health supplements are some of the market best sellers. Market perceptions of a combination of two or more types of natural supplement ingredients are better than single type supplements. Natural slimming and fat burning, and skin and hair strenghtening food supplements are also in high demand.

Web Resources

- Ministry of Health Malaysia
- National Pharmaceutical Regulatory Agency
- Malaysian Medical Association
- Malaysian Organization of Pharmaceutical Industries (MOPI)
- Nutrition Society of Malaysia.

Travel and Tourism

Overview

Malaysia’s total visitor arrivals into the United States have been on an upward trend for the past several years. However, there was a decrease of 1.8 percent in 2015 mainly due to economic conditions. In 2015, there were 80,584 Malaysian visitor arrivals into the United States. For the latest 2016 data (January-August, year to date (YTD)), there were 52,023 Malaysian arrivals into the United States. The YTD percent change between 2016/2015 was -2.3 percent. Receipts from Malaysian visitors for the 2015 duration amounted to $688 million, of which 11 percent was from education travel.

Tourist and business travelers generally qualify for 10-year visas, creating an incentive for repeat travel. Family and group travel decisions are generally influenced by business travel as well as Malaysians studying in the United States. According to the Institute of International Education, 7,834 Malaysian students studied in the United States for the 2015/2016 academic year. This is an increase of 8.3 percent from the previous year.

The Government of Malaysia (GOM) has indicated they are keen to be included in the U.S. visa waiver program. If Malaysia is included in the program, visitors from Malaysian to the United States most likely will increase significantly.

Total Arrivals into the United States from Malaysia

2013	2014	2015	2016 (Jan-Aug)
76,24	82,033	80,584	52,023

U.S. Travel and Tourism Receipts (Exports): Malaysia (Millions of U.S. Dollars)

	2013	2014	2015
Total Travel a Tourism-Related Expo (% Change)	**634 (6**	**681 (7)**	**688 (1)**
of which: Education Related Change)	**229(10**	**241(5)**	**268 (11**
Business/ Personal Rela (% Change)	**399 (5**	**434 (9)**	**414(-5**
Medical/ Sho Term Work Related Change)	**6 (-14**	**6 (0)**	**6(0)**

Source: U.S. Department of Commerce, National Travel and Tourism Office from the Bureau of Economic Analysis, December 2015.
Total Travel and Tourism Exports/Imports represents the sum of 'Travel' + 'Passenger Air Transport' exports/imports (what international visitors spent while here + what they spent to get here).

Leading Sub-Sectors

The strongest target for immediate commercial growth is in the Meetings-Incentive-Conference-Event (MICE) segment. MICE travel from Malaysia is significant and can involve groups of 300 to 1000, or more. With Malaysia's extensive network of royal families and high net worth individuals, as well as the growing number of retirees seeking new adventures, luxury-focused and Free-and-Independent Travel (FIT) is a worthwhile prospect.

The mainstay of travel demand, the bread and butter offerings from most travel agents are tour packages. Due to cost savings, ease of travel and absence of research required with tour packages; tour packages are very attractive to mass market travelers. Due to Malaysia's 60 percent Muslim population, an offering parallel to the traditional packages but developed specifically for the Muslim travelers (Specialty Tour Packages) would serve this market well.

According to the World Travel and Tourism Council 2015 Benchmark Report on Malaysia, the Travel and Tourism sector impact on 2014 GDP was about 15 percent. In terms of size, travel and tourism generated a total impact of US$49 billion to Malaysia's 2014 GDP. This is more than double that of the Education sector at 7.3 percent.

Malaysians are connected; it was reported that in 2014 each Malaysian owned 1.45 mobile devices. Of the mobile phone users, 66.8 percent own one mobile phone, 28.9 percent carry two phones, 3.4 percent have three phones, and 0.8 percent use four or more mobile phones. Typical e-Commerce application usage can range from airline reservation systems for Malaysian-based airlines, to bill payment systems, and consumer marketplaces. The current household broadband penetration rate in Malaysia is about 60 percent, while the cellular penetration rate is at 145 percent.

According to a market sample survey by TNS Infratest for Google of 3000 Malaysians smartphone users, 100 percent of the sampled smartphone users have used their mobile devices to make online hotel bookings. Out of the same sample size, 96 percent purchased digital music online, and 99 percent made airline tickets purchases.There are significant numbers which are expected to increase as the Malaysian smartphone penetration rate rises. Malaysia's current smartphone penetration rate is approximately 70 percent. The majority of smartphone users spend their online activities conducting research, shopping and using maps. Two thirds of smartphone users go online via their mobile devices, rather than via a computer or other device.

Opportunities

Historically, Malaysians are migrants. A pre-independence coalesensce of Chinese, Indian and Malay migrant workers into the mining sector and plantation estates in the Malay Peninsular formed the foundation of a multi-ethnic, multi-cultural and multi-religious nation. Approximately 60 percent of the population is Muslim. Other practiced religions are Buddhism, Taoism, Christianity and Hinduisms.

With the varied religious beliefs, a host of differing dietary restrictions are prevalent. Food must be halal to address Muslim dietary restrictions. Halal is defined as what is permissible under Islamic Sharia Law. Muslims also abstain from pork and alcohol. Hindus and segments of Taoists do not consume beef. Some Buddhists and Hindus are vegetarians. The ability to maneuver and cater to the varied dietary constraints would increase Malaysian arrivals into the United States. An interesting note on Malaysians: they love to eat. Malaysians do not eat to live, they live to eat. Malaysians are keen food enthusiasts and explorers constantly on the lookout to sample different cuisines. Hence, itineraries that cater to culinary and palate exploration should be addressed in a comprehensive travel offering.

Malaysians also like to shop and there is strong U.S. brand affinity. Malaysians' top priority when traveling is retail therapy. The love for retail and outlet mall shopping is so high that it is typical to see an entire day carved out just for shopping in most packaged group travel itineraries. After shopping, other activities are sightseeing, dining, amusement parks, national parks, and art and museums. Cultural and ethnic heritage sites are increasing in popularity.

A favorite activity for Malaysians has always been traveling and exploring other destinations. Due to the fact that Malaysia is a developing nation and airfares were relatively expensive in the past, the majority of its citizens vacationed domestically or regionally. This began to change around December 2001 with the advent of a Malaysian budget carrier, Air Asia. Air Asia entered the market with the tagline: "Now Everyone Can Fly" and made flying affordable. Air Asia was also one of the main impetuses for consumers to purchase air tickets online. At the point when Air Asia was revolutionizing air travel and e-commerce, similarly, the GOM was strongly advocating affordable broadband access for the masses and made great strides in ensuring the mandate was achieved. While Malaysian commercial banks were among the initiators of e-commerce deployment in-country, a healthy dose of competition amongst the telecommunications and broadband service providers has resulted in increasing e-Commerce uptake. An increasingly connected consumer base is more receptive towards using travel e-commerce price comparison sites for hotels, airfares and car rental services. Travel and tourism providers that tap into this platform will have an advantage over competitors.

Web Resources

- Malaysia Tourism Promotion Board, MTPB

- Malaysian Ministry of Tourism and Culture, MOTAC
- Malaysian Association of Tour and Travel Agents, MATTA

Customs, Regulations & Standards

Trade Barriers

Malaysia's ease of trading across borders remains highly ranked in international comparisons. However, is it not a totally free and open market. Malaysia’s import barriers are aimed at protecting the environment and strategic sectors as well as maintaining cultural and religious norms.

Technical barriers such as *halal* certification for the importation of meat and poultry are regulated through licensing and sanitary controls. All imported beef, lamb, and poultry products must originate from facilities that have been approved by Malaysian authorities as halal or acceptable for consumption by Muslims.

Pork and pork products may be imported into Malaysia only if Malaysia's Department of Veterinary Services (DVS) issues a permit authorizing its importation. Each consignment of pork and pork products must be accompanied by a valid import permit issued by the Malaysian Quarantine and Inspection Services, Malaysia (MAQIS). The permits are granted on a case-by-case basis and are sometimes refused without explanation.

In 2011, Malaysia implemented a food product standard MS1500:2009 which sets out general guidelines on halal food production, preparation and storage, which many exporters consider it much stricter than the multilaterally-agreed Codex Alimentarius halal standard. This new standard requires slaughter plants to maintain dedicated halal facilities and ensure segregated transportation for halal and non-halal products. Malaysia also requires audits of all establishments that seek to export meat and poultry products to Malaysia, an issue on which the United States has raised concerns.

In January 2012, the Malaysian Department of Standards implemented MS2424:2012 General Guidelines on Halal Pharmaceuticals, a voluntary certification system. The guidelines enabled manufacturers of pharmaceutical products to apply for halal certification and established basic requirements for manufacturing and handling.

Malaysia is not party to the WTO Government Procurement Agreement, and as a result foreign companies do not have the same opportunity as some local companies to compete for contracts, and in most cases are required to take on a local partner before their bids will be considered. In domestic tenders, preferences are provided to Bumiputra (Malay) suppliers over other domestic suppliers. In most procurement, foreign companies must take on a local partner before their tenders will be considered. Procurement often goes through middlemen rather than being conducted directly by the government. The procurement can also be negotiated rather than tendered. International tenders generally are invited only where domestic goods and services are not available.

The services sector constitutes 51.2 percent of the national economy and has been a key driver of economic and job growth in Malaysia in recent years. Since 2009, Malaysia has liberalized 45 services sub-sectors., Malaysia allows 100 percent foreign equity participation in private hospital services, medical specialist clinics, department and specialty stores, incineration services, accounting and taxation services, courier services, private universities, vocational schools, dental specialist services, skills training centers, international schools, vocational schools for special needs. In November 2014, the Lower House of the Parliament passed amendments to laws governing architectural services, quantity surveying services, and engineering services, which eased restrictions on foreigners working in these professions in Malaysia. The amended legislation on architectural services came into force in June 2015.

Malaysia has an export licensing system. In some sectors, Malaysia maintains tax programs that appear to provide subsidies for exports. In other cases, the goal is to restrict exports of specific commodities. For products such as textiles, export licenses are used to ensure compliance with bilateral export restraint agreements. For other products, such as rubber, timber, palm oil, and tin exports, special permission from government agencies is required and taxes are assessed on these exports to encourage domestic processing. Malaysia is the second largest producer and exporter of palm oil and palm oil products. Malaysia accounts for approximately 39 percent of world palm oil production and 27 percent of world trade in vegetable oils. In March 2016, Malaysia raised its tax on crude palm oil (CPO) exports to 5 percent ending a duty-free policy held since May 2015. The reintroduction of the export tax is aimed at discouraging the export of CPO and to encourage local refinery. Refined palm oil and products made from palm oil are not subject to export taxes.

For more information and help with trade barriers please contact:

International Trade Administration
Enforcement and Compliance
or Report a Foreign Trade Barrier

Import Tariff

Malaysia's tariffs are typically imposed on an ad valorem basis, with a simple average applied tariff of 6.1 percent for industrial goods. For certain goods, such as alcohol, wine, poultry, and pork, Malaysia charges specific duties that represent extremely high effective tariff rates. Duties for tariff lines where there is significant local production are often higher. Imports are also subject to Malaysia's Goods and Services Tax (GST), which is applied at a standard rate of 6 percent.

More information on import declaration procedures and import restrictions can be found at the Malaysian Customs website.

Import Requirements & Documentation

The following documents are required by Malaysian customs for exporting products to Malaysia:

- Invoice
- Packing list
- Delivery letter
- Leaflet, catalogue or other related documents
- Insurance certificate, if insured
- Bill of lading / airway bill
- Letter of credit (if used)
- Permit, licenses/ certificates
- Proof of fare payment
- A declaration form (Customs Form No. 1) that indicates the number, description of packages/ crates, value, weight, quantity and type of goods and country of origin
- Completed Custom forms should be submitted to Customs offices at the place where the goods are imported or exported.
- All duties/ custom taxes imposed on imported goods will need to be paid in advance before the goods can be released. Taxes to be paid include import tax and sales tax.

Additional documentation may be required to certify US content. U.S. exporters are advised to confirm documentary requirements before shipping.

Labeling/Marking Requirements

The leading certification, inspection and testing body in Malaysia is Sirim QAS, a subsidiary of SIRIM Bhd. SIRIM Berhad, formerly known as the Standards and Industrial Research Institute of Malaysia, is the government-owned company providing institutional and technical infrastructure for the Government. It also provides marks for a variety of certifications.

Product Certification Requirement

Rules on the use of SIRIM QAS International Certification Marks

To verify SIRIM labels, please contact the following:
Tel: (+60) 3 5544 6805 / 6840
Fax: (+60) 3 5544 5655
Email: fauziaha@sirim.my /sroslina@sirim.my

U.S. Export Controls

The United States imposes export controls to protect national security interests and promote foreign policy objectives. The United States also participates in various multilateral export control regimes to prevent the proliferation of weapons of mass destruction and prevent destabilizing accumulations of conventional weapons and related material. The U.S. Department of Commerce's Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export and reexport of commodities, software, and technology (collectively "items") falling under the jurisdiction of the Export Administration Regulations (EAR). The primary goal of BIS is to advance national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS also enforces anti-boycott laws and coordinates with U.S. agencies and other countries on export control, nonproliferation and strategic trade issues.

BIS is responsible for implementing and enforcing the EAR, which regulate the export and reexport of items with chiefly commercial uses that can also be used in conventional arms, weapons of mass destruction, terrorist activities, or human rights abuses; and less sensitive military items; including "production" and "development" technology.

BIS's Export Administration reviews license applications for exports, reexports and deemed exports (technology transfers to foreign nationals in the United States) subject to the EAR. Through its Office of Exporter Services, Export Administration also provides information on BIS programs, conducts seminars on complying with the EAR, provides guidance on licensing requirements and procedures, and presents an annual Update Conference on Export Controls and Policy as an outreach program to industry. EA's Office of Technology Evaluation analyzes U.S. export data on items subject to the EAR, BIS license application data, and global trade information to assess data trends. OTE's data portal provides excerpts from statistical reports, along with data sets to enable the public to perform analyses of exports and licensing on its own.

U.S. exporters should consult the EAR for information on how export license requirements may apply to the sale of their goods. If necessary, a commodity classification request may be submitted in order to obtain BIS assistance in determining how an item is controlled (i.e., the item's classification) and the applicable licensing policy. Exporters may also request a written advisory opinion from BIS about application of the EAR to a specific situation. Information on commodity classifications, advisory opinions, and export licenses can be obtained through the BIS website at or by contacting the Office of Exporter Services at the following numbers:

Washington, D.C. Tel: (202) 482-4811 Fax: (202) 482-3322
Western Regional Office Tel: (949) 660-0144 Fax: (949) 660-9347
Further information on export controls is available via the Commerce Control List.

BIS has developed a list of "red flags," or warning signs, intended to discover possible violations of the EAR.

Also, BIS has "Know Your Customer" guidance.

The EAR does not control all goods, services, and technologies. Other U.S. Government agencies regulate more specialized exports. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services. A list of other agencies involved in export control can be found on the BIS Web site or in Supplement No. 3 to Part 730 of the EAR, which is available on the Government Printing Office Web site.

A list that consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single search as an aid to industry in conducting electronic screens of potential parties to regulated transactions is available here:

Consolidated Screening List

Temporary Entry

Malaysia acceded to the Convention on Temporary Admission of Goods (ATA Convention) in 1988. An ATA Carnet (a. k. a. "Merchandise Passport") is a document that facilitates the temporary importation of products into foreign countries by eliminating tariffs and value-added taxes (VAT) or the posting of a security deposit normally required at the time of importation.

Compedium of Temporary Admission Practices of ASEAN Member States

Prohibited & Restricted Imports

Quantitative import restrictions are seldom imposed, except on a limited range of products for protection of local industries or for reasons of security. Seventeen percent of Malaysia's tariff lines (principally in the construction equipment, agricultural, mineral, and motor vehicle sectors) are also subject to non-automatic import licensing which is designed to protect import-sensitive or strategic industries.

For a list of prohibited and restricted items, please see the Royal Malaysian Customs Department's website: Royal Malaysian Customs Department.

Customs Regulations

Malaysia follows the Harmonized Tariff System (HTS) for the classification of goods. All imported and exported goods into the country must be categorized based on the Malaysian Customs tariff numbers. Any queries regarding classification of import and export goods should be made to the particular customs station of which the goods are to be imported. For more information, please see the Royal Malaysian Customs' website Royal Malaysia Custom.

For additional customs regulations please refer to the Procedures and Guidelines section of the Royal Malaysian Custom's Department website.

For inquires/information, please contact the Royal Malaysian Customs' Offices.

Standards for Trade

The Ministry of Science, Technology and Innovation's Department of Standards (Standards Malaysia) oversees standards in Malaysia. As the National Standards Body its mandated function is to spearhead the Strategic Reform Initiatives – Competition Standards & Liberalization (SRI-CSL) while ensuring the competencies of Standards Development Agencies (SDAs). It does this through ongoing monitoring and technical training in order to develop credible Malaysian Standards (MS) in compliance with set guidelines.

Overview

Standards are widely used in all sectors of Malaysian society, and the national standardization system uses a consensus process to develop new standards, allowing manufacturers, traders, consumers, government, and others to provide input and consideration into) the development process. Malaysia adheres to the World Trade Organization (WTOAgreement on Technical Barriers to Trade. SIRIM Berhad, formerly known as the Standards and Industrial Research Institute of Malaysia, is the government-owned company providing institutional and technical infrastructure for the Government.

Standards

SDAs, conformity assessment bodies (CABs) as well as various advisory committees work together to develop Malaysian Standards, which are market-relevant standards developed and published to ensure quality, safety & environmental protection as well as to gain global competitiveness for industry at large. Malaysian Standards are devloped to be on par with international excellence and relevant to individual sectors, catering to the specific needs of the industry.

The Standards Malaysia accreditation system is operated in accordance with the international standard, MS ISO/IEC 17011, to ensure that accreditation services provided are impartial, non-discriminatory and credible. The Standards Malaysia accreditation system is set up through three operational levels: 1) strategy and policy; 2) decision; and 3) assessments to ensure fair and impartial accreditation.

Standards Malaysia accreditation services operate in a non-discriminatory manner. They are open to and accessible by any CAB , that fulfills the accreditation conditions specified and published by CABs, including testing & calibration laboratories, certification bodies and inspection bodies -- regardless of whether they are government or private sector bodies..

Testing, inspection and certification

The Department of Standards Malaysia (Standards Malaysia) is Malaysia’s national standards body and national accreditation body. Its goal is to provide confidence to various stakeholders, through credible standardization and accreditation services for global competitiveness. SIRIM, the government-owned company providing institutional and technical expertise to the government. It is a member of the International Laboratory Accreditation Cooperation (ILAC).

Foreign exporters are requireed to conform to the same standards that domestic producers must follow. Malaysia certifcation requirements do not impose undue burdens on U.S. exporters or products. U.S. testing laboratories are able to operate in Malaysia as long as they comply with the domestic regulatory requirements.

Publication of technical regulations

In keeping with Malaysia's obligations under the WTO Agreement on Technical Barriers to Trade (TBT Agreement), Malaysia notifies all proposed technical regulations that could affect trade with WTO member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets.

Contact Information

- Department of Standards Malaysia
  Century Square, Level 1 & 2,
  Block 2300, Jalan Usahawan,
  63000 Cyberjaya,
  Selangor Darul Ehsan,
  MALAYSIA
  Tel : +60 (3) 8318 0002
  Fax : +60 (3) 8319 3131
  Email : central@jsm.gov.my

- SIRIM Berhad
  1, Persiaran Dato' Menteri, P.O. Box 7035, Section 2, 40700 Shah Alam, Selangor, Malaysia
  Tel: +60 (3) 5544 6000
  Fax: +60 (3) 5544 6694
  Email: web@sirim.my

- SIRIM QAS International n Bhd
  Building 8, SIRIM Complex
  No. 1 Persiaran Dato' Menteri
  Section 2, P.O. Box 7035
  40700 Shah Alam
  Selangor

Malaysia
Tel: +60 (3) 5544 6400
Fax: +60 (3) 5544 6810
Email: qas_marketing@sirim.my

Trade Agreements

Malaysia has always been a trading nation. Strategically located along the Straits of Malacca, it sits on a major shipping channel that connects the Indian Ocean to the west and the Pacific Ocean to the east. Malaysia recognizes the importance of international trade and relations to the nation's growth and development; gross exports of goods and services constitute more than 80 percent of Gross Domestic Product (GDP). Given Malaysia's reliance on international trade, Malaysia has adopted liberal trade policies and puts a high emphasis on regional and bilateral trade agreements.

Malaysia joined the General Agreement on Trade and Tariff (GATT) in 1957 and was therefore a founding member of the World Trade Organization (WTO), which replaced the GATT. Malaysia has established bilateral Free Trade Agreements (FTAs) with the following countries: Australia, Chile, India, Japan, New Zealand, Pakistan, and Turkey.

At the regional level, Malaysia through the Association of Southeast Asian Nations (ASEAN) has established the ASEAN Free Trade Area. In addition to Malaysia, ASEAN's members include: Brunei, Burma, Cambodia, Indonesia, Laos, the Philippines, Singapore, Thailand, and Vietnam. The ASEAN Free Trade Area (AFTA) is a trade bloc agreement to support local manufacturing in all ASEAN countries. ASEAN collectively represents a market with a GDP of more than $2.2 trillion and a population of 620 million people. The primary goal of AFTA is to increase ASEAN's competitive edge as a production base in the world market. The secondary goal is to attract more foreign direct investment to ASEAN. The Common Effective Preferential Tariff, through elimination of tariffs and non-tariff barriers within ASEAN members are the main instruments in achieving its goals. Through ASEAN, Malaysia has regional FTAs with China, Japan, Korea and India, Australia, and New Zealand.

Other concluded trade agreements include: Trade Preferential System-Organization of Islamic Conference (TPS-OIC), and Developing Eight (D-8) Preferential Tariff Agreements (PTA). FTAs currently under negotiation are: Malaysia-European Union Free Trade Agreement (MEUFTA), Malaysia-EFTA Economic Partnership Agreement (MEEPA), and ASEAN - Hong Kong Free Trade Agreement (AHKFTA).

Malaysia is negotiating a Regional Comprehensive Economic Partnership (RCEP), which is a free trade agreement (FTA) between the ten ASEAN members and six countries where ASEAN have existing FTAs. The goal of the RCEP is a more comprehensive regional economic integration among its members. The RCEP also aims to simplify and harmonized the RCEP member countries' respective bilateral FTAs.

The RCEP members are: Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, South Korea, Thailand, and Vietnam.

Malaysia's trade to the RCEP parties represents 62 percent (USD221.7 billion) of the nation's global trade in 2016. The RCEP agreement negotiation is expected to be finalized by the end of 2017. If the RCEP is accepted, it will be Malaysia's largest multilateral agreement.

Licensing Requirements for Professional Services

The services sector has been a driver of Malaysia's economic and job growth in recent years. Since 2009, Malaysia has liberalized 45 services sub-sectors. Malaysia allows 100-percent foreign equity participation in private hospital services, medical specialist clinics, department and specialty stores, incineration services, accounting and taxation services, courier services, private universities, vocational schools, dental specialist services, skills training centers, international schools, vocational schools for special needs, and quantity surveyors services.

Architectural and Engineering Services

In November 2014, the Lower House of the Parliament passed amendments to laws governing architectural services, quantity surveying services, and engineering services, which eased restrictions on foreigners working in these professions in Malaysia. The amended legislation on architectural services came into force in June 2015. Under Malaysia's registration system for architects and engineers, foreign architects and engineers may only seek temporary registration. Foreign architectural firms are eligible only for special projects as agreed between Malaysia and an interested foreign government. Unlike engineers, Malaysian architectural firms may not have foreign architectural firms as registered partners. Foreign architecture firms may only operate as affiliates of Malaysian companies. Foreign engineering companies must establish joint ventures with Malaysian firms and receive "temporary licensing" which is granted only on a project-by-project basis and is subject to an economic needs test and other criteria imposed by the licensing board.

Legal services

Foreign professional service providers are generally not allowed to practice in Malaysia. Foreign law firms may not operate in Malaysia except as minority partners with local law firms, and their stake in any partnership is limited to 30 percent. Foreign lawyers may not practice Malaysian law or operate as foreign legal consultants. They cannot affiliate with local firms or use their international firm's name.

Accounting services

Foreign accounting firms can provide accounting or taxation services in Malaysia only through a locally registered partnership with Malaysian accountants or firms, and aggregate foreign interests are not to exceed 30 percent. Auditing and taxation services must be authenticated by a licensed auditor in Malaysia. Residency is required for registration.

Insurance

BNM regulates entities carrying out Insurance business, insurance broking, adjusting and financial advisory. Insurers are licensed by Ministry of Finance, and must be approved and registered with BNM.

Foreign Direct Investment: 70 percent limit restrictions on foreign equity ownership.

Securities

Foreign shareholding limits in existing stockbroking companies is 70 percent. 100 percent foreign ownership is allowed for qualified leading fund management companies in the wholesale fund management segment. In retail fund management, foreign shareholding limits is 70 percent.

Malaysian companies seeking listing in Bursa Malaysia are required to have at least 30 percent bumiputra public shareholding spread. This guideline does not apply for foreign companies seeking listing in Bursa Malaysia.

Advertising

Local content rules apply for all channels of broadcast advertising: be it free-to-air TV, subscription TV, radio and satellite. This does not apply for printed publication, online and mobile content providers. Foreign film footage is restricted to 20 percent per commercial, and only Malaysian actors may be used.

In general, broadcast advertisements should not cause serious or widespread offence, especially in regards to race, religion, sex, sexual orientation, physical or mental disability. Unsafe practices condoning and provoking violence or anti-social behavior are not encouraged. Advertising should not portray and/or refer to any local or foreign living persons unless prior permission is obtained.

The following are deemed unacceptable under the Malaysian Code of Advertising Practice and the Malaysian Communications and Multimedia Content Code:

- Cigarettes, tobacco and accessories
- Alcoholic drinks advertisements are not allowed. Alcohol title sponsor of international sporting events held in Malaysia can only advertise and use the logo of said event, and not of the sponsor.
- The occult, fortune tellers
- Marriage agencies and friendship clubs
- Unlicensed employment agencies
- Gambling, betting
- Clothing with inappropriate messages
- Sexual scenes including kissing between adults, pornography
- Pig, pork products and its derivatives
- Fire crackers
- Any form of financial speculations intended to promote or attract interest in any stocks and shares
- Death notices, funeral and burial service notices, burial monuments
- Nightclub scenes
- Slimming products
- Sanitary protection products and incontinence pads for adults must be treated with restraint and discretion.

All advertisements for food and beverage (F&B) products must comply with the Food Act 1983 and Food Regulations 1985. All F&B products claiming therapeutic or prophylactic qualities are subject to prior screening. F&B products that improve, restore and maintain consumer physical and mental health are not subject to screening. Fast food and snacks advertisement during children programming is not allowed.

Advertisements compliance for medication, remedies, appliances, skills and services related to diagnosis, prevention and treatment of diseases or conditions comes under the jurisdiction of the Medicine Advertisement Board, Ministry of Health Malaysia. Pesticides Advertising Board, Ministry of Agriculture oversees pesticides advertisements.

Television and Radio Broadcasting

The Malaysian Government maintains minimum local content threshold on radio and television program broadcasting. Local TV stations are required to air 80 percent local bumiputra content. Radio program local content threshold is 60 percent.

Other Barriers

U.S. companies have indicated that they would welcome improvements in the transparency of Malaysian Government decision-making and procedures, and limits on anti-competitive practices. A considerable proportion of government projects and procurement are awarded without transparent, competitive bidding. The Malaysian Government has declared that it is committed to fighting corruption and maintains an Anticorruption Agency, a part of the Office of the Prime Minister, to promote that objective. The Agency has the independent power to conduct investigations and is able to prosecute cases with the approval of the Attorney General.

Web Resources

- U.S.-ASEAN Business Council
- Asia-Pacific Economic Cooperation (APEC)
- ATA Carnet
- Bureau of Industry and Security
- Department of Standards Malaysia (DSM)
- Government Gazette (subscription needed)
- Malaysia's APEC Action Plan (select submissions by year in the right-hand column)
- Securities Commission (Amendment) Act 2015 And Capital Markets And Services (Amendment) Act 2015
- Capital Markets and Services Act 2007
- Securities Commission Malaysia Act 1993
- Securities Industry (Central Depositories) Act 1991
- Demutualisation (Kuala Lumpur Stock Exchange) Act 2003 (pdf)
- Securities Industry Act 1983
- Futures Industry Act 1993

- Comparison Between the Securities Industry Act 1983 and the Capital Markets and Services Act 2007

Investment Climate Statement

Executive Summary

The Malaysian government encourages foreign direct investment (FDI), although it maintains restrictions or limits on investment in some sectors. The government actively reaches out to targeted industries and negotiates incentive packages to attract FDI. Malaysia provides a number of incentives, particularly in export-oriented high-tech industries and "back office" service operations. Prime Minister Najib Razak has made generating new domestic and foreign investment a centerpiece of his economic policies. Inbound FDI has been steady in nominal terms, and Malaysia's performance in attracting FDI relative to both earlier decades and the rest of the Association of Southeast Asian Nations (ASEAN) has slowed.

According to the 2013 Organization for Economic Cooperation and Development (OECD) Investment Policy Review of Malaysia, inbound foreign investment in Malaysia began to decline in 1992, and private investment overall started to slide in 1997 following the Asian financial crises. In the intervening years, domestic demand has increasingly been the source of Malaysia's economic performance, with foreign investment receding as a driver of GDP growth. The OECD concluded in its Review that Malaysia's FDI levels in recent years had reached record high levels in absolute terms, but were at low levels as a percentage of GDP.

As a destination for FDI, Malaysia's attractiveness for lower-wage manufacturing has diminished as years of steady economic growth have boosted average wage levels, contributing to Malaysia's status as an upper middle-income country. The government seeks to promote investment in higher value-added manufacturing and service sectors.

Prime Minister Najib's 2009 Economic Transformation Program (ETP) encompassed policies and incentives for 12 key economic areas to accelerate growth: the Greater Kuala Lumpur/Klang Valley region; oil, gas and energy; palm oil and rubber; wholesale and retail operations; financial services; tourism; the electrical and electronics sector; business services; communications content and infrastructure; education; agriculture; and health care. The ETP also targeted investment into resource-based industries and some services sub-sectors, including logistics, though these are also subject to foreign investment conditions or restrictions. Another initiative, the Government Transformation Program (GTP), addressed governance and quality of life issues, and aims to reduce corruption and crime, to improve education, urban public transport and rural basic infrastructure, and to reduce the number of low-income households.

The overall economic climate is conducive to U.S. investment. The largest U.S. investments are in the oil and gas sector, manufacturing, and financial services. Firms with significant investment in Malaysia's oil and gas and petrochemical sectors include: ExxonMobil, Caltex, ConocoPhillips, Murphy Oil, Hess Oil, Halliburton, Dow Chemical and Eastman Chemicals. Major semiconductor manufacturers, including ON Semiconductor, Texas Instruments, Intel, and others have substantial operations in Malaysia, as do electronics manufacturers Western Digital, Honeywell, St. Jude Medical Operations (medical devices), and Motorola. In recent years Malaysia has attracted significant investment in the production of solar panels, including from U.S. firms. Many of the major Japanese consumer electronics firms (Sony, Fuji, Panasonic, Matsushita, etc.) have facilities in Malaysia.

Table 1

Measure	**Year**	**Index/Rank**	**Website Address**
TI Corruption Perceptions Index	2016	55 of 175	Transparency.org
World Bank's Doing Business Report "Ease of Doing Business"	2017	23 of 190	Doing Business
Global Innovation Index	2016	35 of 128	Global Innovation Index
U.S. FDI in partner country ($M USD, stock positions)	2015	USD 13.9 billion	BEA
World Bank GNI per capita	2015	USD 8,878	World Bank

Openness to and Restrictions upon Foreign Investment

Policies Towards Foreign Direct Investment

Malaysia has one of the world's most trade-dependent economies with trade reaching 161 percent of annual GDP according to the World Trade Organization (WTO). The Malaysian government values foreign investment as a driver of continued national economic development, but is hampered by restrictions in some sectors and an at-times burdensome regulatory regime. However, the government continues to liberalize and in some cases remove investment restrictions.

In 2009, Malaysia removed its former Foreign Investment Committee (FIC) investment guidelines, enabling transactions for acquisitions of interests, mergers, and takeovers of local companies by domestic or foreign parties without FIC approval. Although the FIC itself still exists, its primary role is to review of investments related to distributive trade (e.g., retail distributors) as a means of ensuring 30 percent of the equity in this economic segment is held by the *bumiputera* (ethnic Malays and other indigenous ethnicities in Malaysia).

Since 2009, the government has gradually liberalized foreign participation in the services sector to attract more foreign investment. Following removal of certain restrictions on foreign participation in industries ranging from computer-related consultancies, tourism, and freight transportation, the government in 2011 began to allow 100 percent foreign ownership across the following sectors: healthcare, retail, education as well as professional, environmental, and courier services. Some limits on foreign equity ownership remain in place across in telecommunications, financial services, and transportation.

Foreign investments in services, whether in sectors with no foreign equity limits or controlled sub-sectors, remain subject to review and approval by ministries and agencies with jurisdiction over the relevant sectors. A key function of this review and approval process is to determine whether proposed investments meet the government's qualifications for the various incentives in place to promote economic development goals. Nevertheless, the Ministerial Functions Act grants relevant ministries broad discretionary powers over the approval of specific investment projects. Investors in industries targeted by the Malaysian government often can negotiate favorable terms with ministries, or other bodies, regulating the specific industry. This can include assistance in navigating a complex web of regulations and policies, some of which can be waived on a case-by-case basis. Foreign investors in non-targeted industries tend to receive less government assistance in obtaining the necessary approvals from the various regulatory bodies and therefore can face greater bureaucratic obstacles.

Limit on Foreign Control and Right to Private Ownership and Establishment

The legal framework for foreign investment in Malaysia grants foreigners the right to establish businesses and hold equity stakes across all parts of the economy. However, despite the progress of reforms to open more of the economy to a greater share of foreign investment, limits on foreign ownership remain in place across many sectors.

Telecommunications
Malaysia began allowing 100 percent foreign equity participation in Applications Service Providers (ASP) in April 2012. However, for Network Facilities Providers (NFP) and Network Service Provider (NSP) licenses, a limit of 70 percent foreign participation remains in effect. In certain instances, Malaysia has allowed a greater share of foreign ownership, but the manner in which such exceptions are administered is non-transparent. Restrictions are still in force on foreign ownership allowed in Telekom Malaysia. The limitation on the aggregate foreign share is 30 percent or 5 percent for individual investors.

Oil and Gas
Under the terms of the Petroleum Development Act of 1974, the upstream oil and gas industry is controlled by Petroleum Nasional Berhad (PETRONAS), a wholly state-owned company and the sole entity with legal title to Malaysian crude oil and gas deposits. Foreign participation tends to take the form of production sharing contracts (PSCs). PETRONAS regularly requires its PSC partners to work with Malaysian firms for many tenders. Non-Malaysian firms are permitted to participate in oil services in partnership with local firms and are restricted to a 49 percent equity stake if the foreign party is the principal shareholder. PETRONAS sets the terms of upstream projects with foreign participation on a case-by-case basis.

Financial Services
Malaysia's 10-year Financial Sector Blueprint envisages further opening to foreign institutions and investors but does not contain specific market-opening commitments or timelines. For example, the services liberalization program that started in 2009 raised the limit of foreign ownership in insurance companies to 70 percent. However, the central bank, Bank Negara Malaysia , would allow a greater foreign ownership stake if the investment is determined to facilitate the consolidation of the industry. The latest Blueprint, 2011-2020, helped to codify the case-by-case approach. Under the Financial Services Act passed in late 2012, issuance of new licenses will be guided by prudential criteria and the "best interests of Malaysia." Prudential criteria include consideration of the financial strength, business record, experience, character and integrity of the prospective foreign investor, soundness and feasibility of the business plan for the institution in Malaysia, transparency and complexity of the group structure, and the extent of supervision of the foreign investor in its home country. In determining the "best interests of Malaysia," BNM will consider the contribution of the investment in promoting new high value-added economic activities, addressing demand for financial services where there are gaps,

enhancing trade and investment linkages, and providing high-skilled employment opportunities.

Bank Negara currently allows foreign banks to open four additional branches throughout Malaysia, subject to restrictions, which include designating where the branches can be set up (i.e., in market centers, semi-urban areas and non-urban areas). The policies do not allow foreign banks to set up new branches within 1.5 km of an existing local bank. The central bank also has conditioned foreign banks' ability to offer certain services on commitments to undertake certain back office activities in Malaysia.

Other Investment Policy Reviews

Malaysia's most recent Organization for Economic Cooperation and Development (OECD) investment review occurred in 2013. Although the review underscored the generally positive direction of economic reforms and efforts at liberalization, the recommendations emphasized the need for greater service sector liberalization, stronger intellectual property protections, enhanced guidance and support from Malaysia's Investment Development Authority (MIDA), and continued corporate governance reforms.

Malaysia also conducted a WTO Trade Policy Review in 2014, which incorporated a general overview of the country's investment policies. The WTO's review noted the Malaysian government's action to institute incentives to encourage investment as well as a number of agencies to guide prospective investors. Beyond attracting investment, Malaysia had made measurable progress on reforms to facilitate increased commercial activity. For example, the Malaysian Productivity Commission had simplified licensing requirements at the federal, state, and local levels, thus reducing business compliance costs. Construction permit procedures were also streamlined, as were processing times for construction contracts. The 2013 National Policy on the Development and Implementation of Regulations has increased the transparency of government rulemaking and made the process more inclusive of the private sector and the general public.

OECD Investment Review
WTO Trade Policy Review
United Nations Conference on Trade and Development Investment Policy Review

Business Facilitation

The principal law governing foreign investors' entry and practice in the Malaysian economy is the Companies Act of 1965 (CA). Incorporation requirements under the CA are relatively simple and are the same for domestic and foreign sole proprietorships, partnerships, as well as privately held and publicly traded corporations. In addition to registering with the Companies Commission of Malaysia, business entities must file: 1) Memorandum and Articles of Association (i.e., company charter); 2) a Declaration of Compliance (i.e., compliance with provisions of the Companies Act); and 3) a Statutory Declaration (i.e., no bankruptcies, no convictions). The registration and business establishment process takes two weeks to complete, on average.

Beyond these requirements, foreign investors must obtain licenses. Under the Industrial Coordination Act of 1975, an investor seeking to engage in manufacturing will need a license if the business claims capital of RM2.5 million (approximately USD 641,000) or employs at least 75 full-time staff. The Malaysian Government's guidelines for approving manufacturing investments, and by extension, manufacturing licenses, are generally based on capital-to-employee ratios. Projects below a threshold of RM55,000 (approximately USD 14,100) of capital per employee are deemed labor-intensive and will generally not qualify. Manufacturing investors seeking to expand or diversify their operations will need to apply through MIDA.

Manufacturing investors whose companies have annual revenue below RM50 million (approximately USD 12.8 million) or with fewer than 200 full-time employees meet the definition of small and medium size enterprises (SMEs) and will generally be eligible for government SME incentives. Companies in the services or other sectors that have revenue below RM20 million (approximately USD 5.1 million) or fewer than 75 full-time employees will meet the SME definition.

Malaysian Investment Development Authority- The Malaysian Investment Development Authority's starting point for prospective foreign investors. Select the "General Guidelines and Facilities" tab.

Malaysian Companies Comission - The Malaysian Companies Commission homepage for registering sole proprietorships, partnerships, and companies.

Multimedia Development Corporation - The Multimedia Development Corporation (MDeC) is responsible for governing the Multimedia Super Corridor (MSC), the initiative to attract investment in information and communications technologies.

Malaysian Communications and Multimedia Comission - The Malaysian Communications and Multimedia Commission's page for requirements in the communications sector.

Ministry of Health – The Ministry of Health's FAQs on liberalization of medical services. See Question 14: "Can foreigners invest in, and operate, healthcare facilities in Malaysia?"

World Bank

Global Enterprise Regulation.

Doing Business

Outward Investment

The Malaysian Government does not promote or otherwise incentivize direct investment abroad. Bank Negara Malaysia, the central bank, routinely reports on the performance of outward investments and compares that performance with inbound foreign direct investment. The Malaysian Government does not restrict investors from investing abroad.

Bilateral Investment Agreement and Taxation Treaties

Malaysia has bilateral investment treaties with 36 countries, but not yet with the United States. Malaysia does have bilateral investment guarantee agreements with over 70 economies, including the United States. The Government reports that 65 of Malaysia's existing investment agreements contain Investor State Dispute Settlement (ISDS) provisions. Malaysia has double taxation treaties with over 70 countries, though the double taxation agreement with the U.S. currently is limited to air and sea transportation.

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Legal Regime

Transparency of the Regulatory System

In July 2013, the Malaysian Government initiated a National Policy on Development and Implementation of Regulations (NPDIR). Under this policy, the federal government embarked on a comprehensive approach to minimize redundancies in the country's regulatory framework. The benefits to the private sector thus far have largely been reduced licensing requirements, fees, and approval wait-times for construction projects. The main components of the policy have been: 1) a regulatory impact assessment (a cost-benefit analysis of all newly proposed regulations); and 2) the creation of a regulations guide, PEMUDAH (similar to the role MIDA plays for prospective investors), to aid businesses and civil society organizations in understanding regulatory requirements affecting their organizations' activities. Under the NPDIR, the government has committed to reviewing all new regulations every five years to determine with the new regulations need to be adjusted or eliminated.

Despite this effort to make government more accountable for its rules and to make the process more inclusive, many foreign investors continue to criticize the lack of transparency in government decision making. The implementation of rules on government procurement contracts are a recurring concern. Non-Malaysian pharmaceutical companies claim to have lost bids against *bumiputera* (ethnic Malay)-owned companies despite offering more effective medicines at lower cost.

International Regulatory Considerations

Malaysia is one of 10 Member States that constitute ASEAN. On December 31, 2015, the ASEAN Economic Community formally came into existence. For many years ahead of that date, and since, ASEAN's economic policy leaders have met regularly to discuss promoting greater economic integration within the 10-country bloc. Although trade within the 10-country bloc is robust, Member States have prioritized steps to facilitate a greater flow of goods, services, and capital. No regional regulatory system is in place. As a member of the WTO, Malaysia provides notification of all draft technical regulations to the Committee on Technical Barriers to Trade.

Legal System and Judicial Independence

Malaysia's legal system generally reflects English Law in that it consists of written and unwritten laws. Written laws include the federal and state constitutions as well as laws passed by Parliament and state legislatures. Unwritten laws are derived from court cases and local customs. The Contract Law of 1950 still guides the enforcement of contracts and resolution of disputes. States generally control property laws for residences, although the Malaysian government has recently adopted measures, including high capital gains taxes, to prevent the real estate market from overheating. Nevertheless, through such programs as the Multimedia Super Corridor, Free Commercial Zones, and Free Industrial Zones, the federal government has substantial reach into a range of geographic areas as a means of encouraging foreign investment and facilitating ownership of commercial and industrial property.

In 2007 the judiciary introduced dedicated intellectual property (IP) courts that consist of 15 "Sessions Courts" that sit in each state, and 6 'High Courts' that sit in certain states (i.e. Kuala Lumpur, Johor, Perak, Selangor, Sabah and Sarawak). Malaysia launched the IP courts to deter the use of IP-infringing activity to fund criminal activity and to demonstrate a commitment to IP development in support of the country's goal to achieve high-income status. These lower courts hear criminal cases, and have the jurisdiction to impose fines for IP infringing acts. There is no limit to the fines that they can impose. The higher courts are designated for civil cases to provide damages incurred by rights holders once the damages have been quantified post-trial. High courts have the authority to issue injunctions (i.e., to order an immediate cessation of infringing activity) and to award monetary damages.

Labor Courts, which the Ministry of Human Resources describes as "a quasi-judicial system that serves as an alternative to civil claims," provide a means for workers to seek payment of wages and other financial benefits in arrears. Proceedings are generally informal but conducted in accordance with civil court principles. The High Court has upheld decisions which Labor Courts have rendered.

Certain foreign judgments are enforceable in Malaysia by virtue of the Reciprocal Enforcement of Judgments Act 1958 (REJA). However, before a foreign judgment can be enforceable, it has to be registered. The registration of foreign judgments is only possible if the judgment was given by a Superior Court from a country listed in the First Schedule of the REJA: the United Kingdom, Hong Kong Special Administrative Region of the People's Republic of China, Singapore, New Zealand, Republic of Sri Lanka, India, and Brunei.

To register a foreign judgment under the REJA, the judgment creditor has to apply for the same within six years after the date of the foreign judgment. Any foreign judgment coming under the REJA shall be registered unless it has been wholly satisfied, or it could not be enforced by execution in the country of the original Court.

If the judgment is not from a country listed in the First Schedule to the REJA, the only method of enforcement at common law is by securing a Malaysian judgment. This involves suing on the judgment in the local Courts as an action in debt. Summary judgment procedures (explained above) may be used to expedite the process.

The U.S. Embassy is not aware of instances in which political figures or government authorities have interfered in judiciary proceedings involving commercial matters.

Laws and Regulations on Foreign Direct Investment

The government established the Malaysia Investment Development Authority (MIDA) to attract foreign investment and to serve as a focal point for legal and regulatory questions. Organized as part of the Ministry of International Trade and Industry

(MITI), MIDA serves as a guide to foreign investors interested in the manufacturing sector and in many services sectors. Regional bodies providing support investors include: Invest Kuala Lumpur, Invest Penang, Koridor Utara Malaysia (Malaysia's Northern Corridor), the East Coast Economic Region Development Council, the Iskandar Regional Development Authority (IRDA), the Sabah Economic Development and Investment Authority (SEDIA), and the Sarawak Economic Development Corporation.

As noted, the Ministerial Functions Act authorizes government ministries to oversee investments under their jurisdiction. Prospective investors in the services sector will need to follow requirements set by the relevant Malaysian Government ministry or agency over the sector in question.

Competition and Anti-Trust Laws

On April 21, 2010, the Parliament of Malaysia approved two bills, the Competition Commission Act 2010 and the Competition Act 2010. The Acts took effect January 1, 2012. The Competition Act prohibits cartels and abuses of a dominant market position, but does not create any pre-transaction review of mergers or acquisitions. Violations are punishable by fines, as well as imprisonment for individual violations. Malaysia's Competition Commission has responsibility for determining whether a company's "conduct" constitutes an abuse of dominant market position or otherwise distorts or restricts competition. As a matter of law, the Competition Commission does not have separate standards for foreign and domestic companies. Commission membership consists of senior officials from the Ministry of International Trade and Industry (MITI), the Ministry of Domestic Trade, Cooperatives, and Consumerism (MDTCC), the Ministry of Finance, the Prime Minister’s Economic Planning Unit and, on a rotating basis, representatives from academia and the private sector.

In addition to the Competition Commission, the Acts established a Competition Appeals Tribunal (CAT) to hear all appeals of Commission decisions. In the largest case to date, the Commission imposed a fine of RM10 million on Malaysia Airlines and Air Asia in September 2013 for colluding to divide shares of the air transport services market. The airlines filed an appeal in March 2014. In February 2016, the CAT ruled in favor of the airlines in its first-ever decision and ordered the penalty to be set aside and refunded to both airlines.

Expropriation and Compensation

The U.S. Embassy is not aware of any cases of uncompensated expropriation of U.S.-held assets, or confiscatory tax collection practices, by the Malaysian government. The government's stated policy is that all investors, both foreign and domestic, are entitled to fair compensation in the event that their private property is required for public purposes. Should the investor and the government disagree on the amount of compensation, the issue is then referred to the Malaysian judicial system.

Dispute Settlement

ICSID Convention and New York Convention

Malaysia has signed and ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Malaysia became a Contracting State on October 14, 1966 when the Convention entered into force, granting jurisdiction over investment disputes between the Government of Malaysia and non-Malaysian citizens to the International Center for Settlement of Investment Disputes (ICSID). Malaysia also is a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Although the domestic legal system is accessible to foreign investors, filing a case generally requires any non-Malaysian citizen to make a large deposit before pursuing a case in the Malaysian courts. Post is unaware of any U.S. investors' recent complaints of political interference in any judicial proceedings.

Investor-State Dispute Settlement

Malaysia's investment agreements contain provisions allowing for international arbitration of investment disputes. Malaysia does not have a Bilateral Investment Treaty with the United States.

Post has little data concerning the Malaysian Government's general handling of investment disputes. In 2004, a U.S. investor filed a case against the directors of the firm, who constituted the majority shareholders. The case involves allegations by the U.S. investor of embezzlement by the other directors. The case remains in the appeals process.

The Malaysian government has been involved in three ICSID cases; in 1994, 1999, and 2005. The first case was settled out of court. The second, filed under the Malaysia-Belgo-Luxembourg Investment Guarantee Agreement (IGA), was concluded in 2000 in Malaysia's favor. The 2005 case, filed under the Malaysia-UK Bilateral Investment Treaty, was concluded in 2007 in favor of the investor. However, the judgment against Malaysia was ultimately dismissed on jurisdictional grounds, namely that ICSID was not the appropriate forum to settle the dispute because the transaction in question was not deemed an investment since it did not materially contribute to Malaysia's development. Nevertheless, Malaysian courts recognize arbitral awards issued against the government. There is no history of extrajudicial action against foreign investors.

International Commercial Arbitration and Foreign Courts
Malaysia's Arbitration Act of 2005 applies to both international and domestic arbitration. Although its provisions largely reflect those of the UN Commission on International Trade Law (UNCITRAL) Model Law, there are some notable differences, including the requirement that parties in domestic arbitration must choose Malaysian law as the applicable law. Although an arbitration agreement may be concluded by email or fax, it must be in writing: Malaysia does not recognize oral agreements or conduct as constituting binding arbitration agreements.

Many firms choose to include mandatory arbitration clauses in their contracts. The government actively promotes use of the Kuala Lumpur Regional Center for Arbitration (http://www.rcakl.org.my), established under the auspices of the Asian-African Legal Consultative Committee to offer international arbitration, mediation, and conciliation for trade disputes. The KLRCA is the only recognized center for arbitration in Malaysia. Arbitration held in a foreign jurisdiction under the rules of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States 1965 or under the United Nations Commission on International trade Law Arbitration Rules 1976 and the Rules of the Regional Centre for Arbitration at Kuala Lumpur can be enforceable in Malaysia.

Bankruptcy Regulations

Malaysia's Department of Insolvency (MdI) is the lead agency implementing the Bankruptcy Act of 1967. The distribution of proceeds from the liquidation of a bankrupt company's assets generally adheres to the "priority matters and persons" identified by the Companies Act of 1965. After the bankruptcy process legal costs are covered, recipients of proceeds are: employees, secured creditors (ie, creditors of real assets), unsecured creditors (ie, creditors of financial instruments), and shareholders. Bankruptcy is not criminalized in Malaysia. The country ranks 46th on the 2017 World Bank Group's Doing Business Rankings (compared to 45th last year) for Ease of Resolving Insolvency, just behind Switzerland and just ahead of Romania.

Industrial Policies

Investment Incentives

The Malaysian Government has codified incentives available for investments in qualifying projects in target sectors and regions. Tax holidays, financing, and special deductions are among the measures generally available for domestic as well as foreign investors in the following sectors and geographic areas: information and communications technologies (ICT); biotechnology; halal products (e.g., food, cosmetics, pharmaceuticals); oil and gas storage and trading; Islamic finance; Kuala Lumpur; Labuan Island (off Eastern Malaysia); East Coast of Peninsular Malaysia; Sabah and Sarawak (Eastern Malaysia); Northern Corridor.

The lists of application procedures and incentives available to investors in these sectors and regions can be found.

Foreign Trade Zones/Free Ports/Trade Facilitation

The Free Zone Act of 1990 authorized the Minister of Finance to designate any suitable area as either a Free Industrial Zone (FIZ), where manufacturing and assembly takes place, or a Free Commercial Zone (FCZ), generally for warehousing commercial stock. The Minister of Finance may appoint any federal, state, or local government agency or entity as an authority to administer, maintain and operate any free trade zone. Currently there are 13 FIZs and 12 FCZs in Malaysia. In June 2006, the Port Klang Free Zone opened as the nation's first fully integrated FIZ and FCZ, although the project has been dogged by corruption allegations related to the land acquisition for the site. The government launched a prosecution in 2009 of the former Transport Minister involved in the land purchase process, though he was later acquitted in October 2013

Raw materials, products and equipment may be imported duty-free into these zones with minimum customs formalities. Companies that export not less than 80 percent of their output and depend on imported goods, raw materials, and components may be located in these FZs. Ports, shipping and maritime-related services play an important role in Malaysia since 90 percent of its international trade by volume is seaborne. Malaysia is also a major transshipment center.

Goods sold into the Malaysian economy by companies within the FZs must pay import duties. If a company wants to enjoy Common External Preferential Tariff (CEPT) rates within the ASEAN Free Trade Area, 40 percent of a product's content must be ASEAN-sourced. In addition to the FZs, Malaysia permits the establishment of licensed manufacturing warehouses outside of free zones, which give companies greater freedom of location while allowing them to enjoy privileges similar to firms operating in an FZ. Companies operating in these zones require approval/license for each activity. The time needed to obtain licenses depends on the type of approval and ranges from 2 to 8 weeks.

Performance and Data Localization Requirements

Fiscal incentives granted to both foreign and domestic investors historically have been subject to performance requirements, usually in the form of export targets, local content requirements and technology transfer requirements. Performance requirements are usually written into the individual manufacturing licenses of local and foreign investors.

The Malaysian government extends a full tax exemption incentive of fifteen years for firms with "Pioneer Status" (companies promoting products or activities in industries or parts of Malaysia to which the government places a high priority), and ten years for companies with "Investment Tax Allowance" status (those on which the government places a priority, but not as high as Pioneer Status). However, the government appears to have some flexibility with respect to the expiry of these periods, and some firms reportedly have had their pioneer status renewed. Government priorities generally include the levels of value-added, technology used, and industrial linkages. If a firm (foreign or domestic) fails to meet the terms of its license, it risks losing any tax benefits it may have been awarded. Potentially, a firm could lose its manufacturing license. The New Economic Model stated that in the long term, the government intends gradually to eliminate most of the fiscal incentives now offered to foreign and domestic manufacturing investors. More information on specific incentives for various sectors can be found via the Malaysian Investment Development Authority.

Malaysia also seeks to attract foreign investment in the information technology industry, particularly in the Multimedia Super Corridor (MSC), a government scheme to foster the growth of research, development, and other high technology activities in Malaysia. Foreign investors who obtain MSC status receive tax and regulatory exemptions as well as public service commitments in exchange for a commitment of substantial technology transfer. For further details on incentives, see the Malaysian Digital Economy Corporation. The Multimedia Development Corporation (MDeC) approves all applications for MSC status.

In the services sector, the government's stated goal is to attract foreign investment in regional distribution centers, international procurement centers, operational headquarter research and development, university and graduate education, integrated market and logistics support services, cold chain facilities, central utility facilities, industrial training, and environmental management. To date, Malaysia has had some success in attracting regional distribution centers and local campuses of foreign universities. For example, GE and Honeywell maintain regional offices for ASEAN in Malaysia. In 2016, McDermott moved its regional headquarters to Malaysia and Boston Scientific broke ground on a medical devices manufacturing facility.

Malaysia seeks to attract foreign investment in biotechnology, but sends a mixed message on agricultural and food biotechnology. On July 8, 2010, the Malaysian Ministry of Health posted amendments to the Food Regulations 1985 [P.U. (A)

437/1985] that require strict mandatory labeling of food and food ingredients obtained through modern biotechnology. The amendments also included a requirement that no person shall import, prepare or advertise for sale, or sell any food or food ingredients obtained through modern biotechnology without the prior written approval of the Director. There is no 'threshold' level on the labeling requirement. Labeling of "GMO Free" or "Non-GMO" is not permitted. The labeling requirements only apply to foods and food ingredients obtained through modern biotechnology but not to food produced with GMO feed. The labeling regulation was originally scheduled to be enforced beginning in July 2012. However, a Ministry of Health circular published on August 27, 2012 announced that enforcement would be deferred until July 8, 2014. However, there has not been any announcement to date of its enforcement.

Malaysia has not implemented measures amounting to "forced localization" for data storage. The government has provided inducements to attract foreign and domestic investors to the Multimedia Super Corridor but does not mandate use of onshore providers. Companies in the information and communications technology sector are not required to hand over source code.

Protection of Property Rights

Real Property

Land administration is shared among federal, state, and local government. State governments have their own rules about land ownership, including those governing foreign ownership. Malaysian law places few limitations on foreign ownership of land and affords strong protections to real property owners. The Economic Planning Unit (EPU) of the Prime Minister's Department must approve any land purchase that would dilute *bumiputera* or government stakes in properties valued at RM 20 million (USD 4.65 million). All other property transactions, whether residential or commercial, and including those between foreigners and non-*bumiputera* Malaysians do not require EPU approval provided the price of the property is greater than RM 1 million (USD 232,600). Real property titles are recorded in public records and attorneys review transfer documentation to ensure efficacy of a title transfer. There is no title insurance available in Malaysia. Malaysian courts protect property ownership rights. Foreign investors are allowed to borrow using real property as collateral. Foreign and domestic lenders are able to record mortgages with competent authorities and execute foreclosure in the event of loan default.

Intellectual Property Rights

Malaysia was removed from the U.S. Trade Representative's Special 301 Watch List in 2012 following improvements in protecting international property rights (IPR).

In December 2011, the Malaysian Parliament passed amendments to the copyright law designed to, inter alia, bring the country into compliance with the World Intellectual Property Organization (WIPO) Copyright Treaty and the WIPO Performance and Phonogram Treaty, define Internet Service Provider (ISP) liabilities, and prohibit unauthorized recording of motion pictures in theaters. Malaysia subsequently acceded to the WIPO Copyright Treaty and the WIPO Performance and Phonogram Treaty in September 2012. In addition, the Ministry of Domestic Trade, Cooperatives, and Consumerism (MDTCC) took steps to enhance Malaysia's enforcement regime, including active cooperation with rights holders on matters pertaining to IPR enforcement, ongoing training of prosecutors for specialized IPR courts, and the 2013 reestablishment of a Special Anti-Piracy Taskforce.

In response to trends of rising internet piracy, the interagency Special Anti-Piracy Task Force established a Special Internet Forensics Unit (SIFU) within MDTCC. The SIFU team's responsibilities include monitoring for sites suspected of being, or known as, purveyors of infringing content. This organization follows MDTCC's practice of launching investigations based on information and complaints from legitimate host sites and content providers. Capacity building remains a priority for the SIFU. Coordination with the Malaysian Communications and Multimedia Commission (MCMC), which has responsibility for overall regulation of internet content, has been improving, according to many rights holders in Malaysia. Our contacts at MDTCC have told Post that the process of developing investigative leads that would support a case for the Attorney General's Chambers (equivalent to the U.S. Department of Justice) is a work in progress.

Despite Malaysia's success in improving IPR enforcement, key issues remain, including relatively widespread availability of pirated and counterfeit products in Malaysia, high rates of piracy over the Internet, and continued problems with book piracy. The United States continues to encourage Malaysia to accede to the WIPO Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure. In addition, the United States continues to urge Malaysia to provide effective protection against unfair commercial use, as well as unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approval for pharmaceutical products, and to provide an effective system to address patent issues expeditiously in connection with applications to market pharmaceutical products.

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles.

Financial Sector

Capital Markets and Portfolio Investment

Foreigners may trade in securities and derivatives. Malaysia houses one of Asia's largest corporate bond markets, and is the largest sukuk (Islamic bond) market in East AsiaBoth domestic and foreign companies regularly access capital in Malaysia's bond market. Malaysia, provides tax incentives for foreign companies issuing Islamic bonds and financial instruments in Malaysia.

Malaysia's stock market (Bursa Malaysia) is open to foreign investment and foreign corporation issuing shares. However, foreign issuers remain subject to *bumiputera* ownership requirements of 12.5 percent if the majority of their operations are in Malaysia. Listing requirements for foreign companies are similar to that of local companies. There are additional criteria for foreign companies wanting to list in Malaysia including, among others: approval of regulatory authorities of foreign jurisdiction where the company was incorporated, valuation of assets that are standards applied in Malaysia or International Valuation Standards and the company must have been registered with the Registrar of Companies under the Companies Act 1965.

Malaysia has taken steps to promote good corporate governance by listed companies. Publicly listed companies must submit quarterly reports that include a balance sheet and income statement within two months of each financial quarter's end and audited annual accounts for public scrutiny within four months of each year's end. An individual may hold up to 25 corporate directorships. All public and private company directors are required to attend classes on corporate rules and regulations.

Legislation also regulates equity buybacks, mandates book entry of all securities transfers, and requires that all owners of securities accounts be identified. A Central Depository System (CDS) for stocks and bonds established in 1991 makes physical possession of certificates unnecessary. All shares traded on the Bursa Malaysia must be deposited in the CDS. Short selling of stocks is prohibited.

Money and Banking System

International investors generally regard Malaysia's banking sector as dynamic and well regulated. Although privately owned banks are competitive with state-owned banks, the state-owned banks dominate the market. The five largest banks - Maybank, CIMB, Public Bank, RHB, and Ambank - account for an estimated 75 percent of banking sector loans. According to the Ministry of Finance Report for 2016-2017, total banking sector lending as of August 2016 was 132 percent of GDP. According to the World Bank, 1.6 percent of the Malaysian banking sector's loans were non-performing for 2016.

Bank Negara, the central bank, prohibits hostile takeovers of banks, but the Securities Commission has established non-discriminatory rules and disclosure requirements for hostile takeovers of publicly traded companies.

Foreign Exchange and Remittances

Foreign Exchange

In December 2016, the central bank, Bank Negara, began implementing new foreign exchange management requirements. Under the policy, exporters are required to convert 75 percent of their export earnings into Malaysian ringgit. The goal of this policy is to deepen the market for the currency, with the goal of reducing exchange rate volatility. All domestic trade in goods and services must be transacted in ringgit only, with no optional settlement in foreign currency. The central bank has demonstrated little flexibility with respect to the ratio of earnings that exporters hold in ringgit. The U.S. Embassy is not aware that the requirement for exporters to hold their earnings in ringgit has impeded their ability to remit profits to headquarters.

Remittance Policies

Malaysia imposes few investment remittance rules on resident companies. Incorporated and individual U.S. investors have not raised concerns about their ability to transfer dividend payments, loan payments, royalties or other fees to home offices or U.S.-based accounts. Tax advisory firms and consultancies have not flagged payments as a significant concern among U.S. or foreign investors in Malaysia. Foreign exchange administration policies place no foreign currency asset limits on firms that have no ringgit-denominated debt. Companies that fund their purchases of foreign exchange assets with either onshore or offshore foreign exchange holdings, whether or not such companies have ringgit-denominated debt, face no limits in making remittances. However, a company with ringgit-denominated debt will need approval from the central bank for conversions of RM50 million (USD 11.6 million) or more into foreign exchange assets in a calendar year.

The U.S. Treasury Department has not identified Malaysia as a currency manipulator.

Sovereign Wealth Funds

The government established government-linked investment companies (GLICs) as vehicles to harness revenue from commodity-based industries and promote growth in strategic development areas. Khazanah is the largest of the GLICs, and the company holds equity in a range of domestic firms as well as investments outside Malaysia. The other GLICs – Armed Forces Retirement Fund (LTAT), National Capital (PNB), Employees Provident Fund (EPF), Pilgrimage Fund (Tabung Haji), Public Employees Retirement Fund (KWAP) – execute similar investments but are structured as savings vehicles for Malaysians. Khazanah follows the Santiago Principles and participates in the International Forum on Sovereign Wealth Funds

Khazanah was incorporated in 1993 under the Companies Act of 1965 as a public limited company with a charter to promote growth in strategic industries and national initiatives. As of December 31, 2015, Khazanah reported "realizable" assets of RM150 billion (US$38 billion) and a pre-tax profit of RM1.2 billion (US$308 million). The sectors comprising its major holdings include telecommunications and media, airports, banking, real estate, health care, and the national energy utility. According to the company's 2015 annual review, 81 percent of Khazanah's assets are invested in Malaysian-headquartered companies. Although the company generally manages its investments with the objective to produce strong companies and high returns, Khazanah often undertakes investments that are deemed government policy priorities.

State Owned Enterprises

State-owned enterprises (SOEs), or government-linked companies (GLCs) as they are known in Malaysia, play a very significant role in the Malaysian economy. Such enterprises have been used to spearhead infrastructure and industrial projects. The government owns approximately 36 percent of the value of firms listed on the Bursa Malaysia through its seven Government-Linked Investment Corporations (GLICs), including a majority stake in a number of companies. Only a minority portion of stock is available for trading for some of the largest publicly listed local companies. Khazanah, often considered the government's sovereign wealth fund, owns stakes in companies competing in many of the country's major industries. The Prime Minister chairs Khazanah's Board of Directors. PETRONAS, the state-owned oil and gas company, is Malaysia's only Fortune Global 500 firm.

As part of its Government Linked Companies Transformation Program, the Malaysian Government embarked on a two-pronged strategy to reduce its shares across a range of companies and to make those companies more competitive. Among the notable divestments of recent years, Khazanah, the largest Government-Linked Investment Company (GLIC), offloaded its stake in the national car company Proton to DRB-Hicom Bhd in 2012. In 2013, Khazanah divested its holdings in telecommunications services giant Time Engineering Bhd. In 2015, Khazanah cut its equity ownership of national utility company Tenaga Nasional from 31 percent to 29 percent. Khazanah's annual report for 2015 noted only that the fund had completed 10 divestments that produced a gain of RM 2.9 billion (USD 674 million).

OECD Guidelines on Corporate Governance of SOEs

SOEs with publicly traded shares must produce audited financial statements every year. These SOEs must also submit filings related to changes in the organization's management. The SOEs that do not offer publicly traded shares are required to submit annual reports to the Companies Commission. The requirement for publicly reporting the financial standing and scope of activities of SOEs has increased their transparency. It is also consistent with the OECD's guideline for Transparency and Disclosure. Moreover, many SOEs prioritize operations that maximize their earnings. However, the close relationships SOEs have with senior government officials blur the line between strictly commercial activity pursued for its own sake and activity that has been directed to advance a policy interest. For example, Petroliam Nasional Berhad (Petronas) is both SOE in the oil and gas sector and the regulator of the industry. Malaysia Airlines (MAS), in which the government previously held 70 percent but now holds 100 percent, required periodic infusions of resources from the government to maintain the large numbers of the company's staff and senior executives. The airline is still undergoing a restructuring, and the stated goal of the country's largest sovereign wealth fund, Khazanah, which holds all of the airline's shares, is to re-list the airline in early 2019.

Privatization Program

In several key sectors, including transportation, agriculture, utilities, financial services, manufacturing, and construction, Government Linked Corporations (GLCs) continue to dominate the market. However, the government remains publicly committed to the continued, eventual privatization of such corporations, though it has not set a timeline for the process and faces substantial political pressure to preserve the roles of the GLCs. The government established the Public-Private Partnership Unit (UKAS) in 2009 to provide guidance and administrative support to businesses interested in privatization projects as well as large-scale government procurement projects. As part of the Office of the Prime Minister, UKAS oversees transactions ranging from contracts and concessions to sales and transfers of ownership from the public sector to the private sector.

Foreign investors may participate in privatization programs, but foreign ownership is limited to 25 percent of the privatized entity's equity. The National Development Policy confers preferential treatment to the *bumiputera*, which are entitled to at least 30 percent of the privatized entity's equity.

The privatization process is formally subject to public bidding. However, the lack of transparency has led to criticism that the government's decisions tend to favor individuals and businesses with close ties to high-ranking officials.

Responsible Business Conduct

The development of responsible business conduct (RBC) programs in Malaysia has shifted from a government-led initiative to business-led practices. In 2006, Malaysian stock market regulator, the Securities Commission, published a Corporate Social Responsibility (CSR) Framework for all publicly listed companies, which are required to disclose their CSR programs in their annual financial reports. In 2007 the Women, Family and Community Ministry launched the Prime Minister's CSR's Awards to encourage the spread of CSR programs. In 2011, the Malaysian Government launched the 1Malaysia Training Plan (SL1M), an employment incentive that allows businesses to double the tax deduction for expenses to hire and train graduates from rural areas or from low-income families. In 2011, the Board for Corporate Sustainability and Responsibility Malaysia (BCSRM) supplanted the Institute for Corporate Responsibility Malaysia as the focal point for the country's responsible business conduct programs. The BCSRM is the local affiliate of the World Business Council for Sustainable Development.

Although the Malaysian Government encourages companies to adopt RBC programs, it does not promote adherence to the principles in the OECD Guidelines for Multinational Enterprises or the UN Guiding Principles on Business and Human Rights. Malaysia is not a member of the Extractive Industries Transparency Initiative.

Corruption

The Malaysian government has taken steps to address corruption, including through the establishment of the Malaysian Anti-Corruption Commission (MACC) in 2008, passage of legislation to make judicial appointments more transparent (the Judicial Appointments Commission Act) also in 2008, passage of a Whistleblower Protection Act in 2010, the introduction of procurement reforms, and the launch of government initiatives to target corrupt practices. The Malaysian government considers bribery a criminal act and does not permit bribes to be deducted from taxes. Malaysia's anti-corruption law includes the criminal offense of bribery of foreign public officials, permits the prosecution of Malaysians for offense committed overseas, and also provides for the seizure of properties. However, despite the legislative and organizational framework to address corruption, Malaysia has fallen in Transparency International's Corruption Perception Index from a ranking of 50 in 2014 to 55 in 2016.

The MACC conducts investigations but prosecutorial discretion remains with the Attorney General's Chambers (AGC). Moreover, there is no systematic public disclosure of assets held by senior officials. Consequently, critics have questioned the MACC's ability to effectively address high-level corruption. Critics also note that the

Whistleblower Act does not protect those who disclose allegations to the media. These vulnerabilities were on display in 2015 when questions surrounding the financial management of state development fund 1 Malaysia Development Berhad (1MDB) led to an investigation by the Attorney General and a formal inquiry by Parliament. With the Prime Minister as the Chairman of the Board of 1MDB, the matter became a political scandal during Malaysia's year as the Chair of ASEAN. However, the Prime Minister reshuffled the Cabinet in late July 2015, installing a new Attorney General and removing other ministers. The new Attorney General brought the MACC's investigation into 1MDB to a close in late 2015 and in January 2016 declared the Prime Minister innocent of any wrongdoing connected to 1MDB.

In July 2016, the U.S. Department of Justice filed complaints seeking the forefeiture and recovery of more than USD 1 billion in assets associated with an international conspiracy to launder funds misappropriated from 1MDB. The 2016 filing represented the largest-action ever taken under the Kleptocracy Asset Recovery Initiative. The complaints asserted that, from 2009 through 2015, more than USD 3.5 billion in funds belonging to 1MDB were allegedly misappropriated by high-level officials and their associates. Although 1MDB was established by the Malaysian government to promote economic development through global partnerships and foreign direct investment, officials responsible for supervision of 1MDB and their associates allegedly routed the fund's resources through the U.S. financial system to acquire interests in companies, works of art, and real estate. The ongoing U.S. legal action has, thus far, proven to be an irritant for Malaysian Prime Minister Najib Tun Abdul Razak but has not prevented him from governing or working to achieve his policy objectives.

Resources to Report Corruption
Contact at a government agency responsible for combating corruption:

Abu Kassim Mohamad
Chief Commissioner
Malaysia Anti-Corruption Commission
Block D6, Complex D, Pusat Pentadbiran
Kerajaan Persekutuan, Peti Surat 6000
62007 Putrajaya
+6-1800-88-6000
info@sprm.gov.my

Contact at a "watchdog" organization:

Cynthia Gabriel
Director
The Center to Combat Corruption and Cronyism (C4) - C Four Consultancies Sdn

Bhd
A-2-10, 8 Avenue
Jalan Sg Jernih 8/1
Seksyen 8
46050 Petaling Jaya
Selangor, Malaysia
info@c4center.org

Political and Security Environment

Malaysia has enjoyed political stability since its independence in 1957, with the exception of ethnic riots that followed the 1969 national elections. Najib Razak peacefully took office as Malaysia's 6th Prime Minister on April 2, 2009. In April 2012, the Peaceful Assembly Act took effect, which eliminates the need for permits for public assemblies but outlaws street protests and places other significant restrictions on public assemblies. On April 28, 2012, the police disrupted a large protest march that took place despite restrictions the government attempted to impose. Subsequent demonstrations and protest marches took place in 2013 and 2014 without disruption. Following the July 2014 Israeli incursion into Gaza, several Malaysian non-governmental entities organized a boycott of McDonald's. Over a several week period, protestors picketed at several McDonalds restaurants, at times taunting and harassing employees.

Periodically, Malaysian groups will organize modest protests against U.S. policies, usually involving demonstrations outside the U.S. embassy. To date, these have remained peaceful and localized, with a strong police presence. In late-August 2015, the Coalition for Clean and Fair Elections (aka Bersih) organized rallies in Kuala Lumpur, Kuching (Sarawak state), and Kota Kinabalu (Sabah state). Thousands of participants, predominantly Malaysian Chinese, gathered to call upon the Malaysian Government for greater transparency and accountability. Police did not interfere with the demonstrations, and the overall event was largely peaceful.

Labor Policies and Practices

Malaysia's shortage of skilled labor is the most frequently mentioned impediment to economic growth cited in numerous studies. Malaysia has an acute shortage of highly qualified professionals, scientists, and academics. The Embassy has heard from some U.S. companies that the shortage of skilled labor has resulted in more on-the-job training for new hires.

The Malaysian labor market operates at essentially full employment, with unemployment for Malaysians at 3.4 percent as of December 31, 2016. In an effort to improve the employability of local graduates, the government offers additional training modules at public universities in English language skills, presentation techniques, and entrepreneurship.

Malaysia is a member of the International Labor Organization (ILO). Labor relations in Malaysia are generally non-confrontational. A system of government controls strongly discourages strikes and restricts the formation of unions. Some labor disputes are settled through negotiation or arbitration by an industrial court, though cases can be backlogged for years. Once a case is referred to the industrial court, the union and management are barred from further industrial action. Labor reforms that U.S. and Malaysian negotiators had identified for inclusion in the Labor Consistency Plan under the Labor Chapter of the Trans-Pacific Partnership (TPP) are expected to address many of these concerns. Although the United States has withdrawn from TPP, Malaysian authorities have pledged to move forward with amendments to the country's labor laws as a means of boosting the economy's overall competitiveness. The provisions of the amended legislation should lead to reduced government control over strikes and unions.

Although national unions are currently proscribed due to sovereignty issues within Malaysia, there are a number of territorial federations of unions (the three territories being Peninsular Malaysia, Sabah and Sarawak). The government has prevented some trade unions, such as those in the electronics and textile sectors, from forming territorial federations. Instead of allowing a federation for all of Peninsular Malaysia, the electronics sector is limited to forming four regional federations of unions, while the textile sector is limited to state-based federations of unions, for those states which have a textile industry. Employers and employees share the costs of the Social Security Organization (SOSCO), which covers an estimated 12.9 million workers. No systematic welfare programs or government unemployment benefits exist; however the Employee Provident Fund (EPF), which employers and employees are required to contribute to, provides retirement benefits for workers in the private sector. Civil servants receive pensions upon retirement.

The regulation of employment in Malaysia, specifically as it affects the hiring and redundancy of workers remains a notable impediment to employing workers in Malaysia. The high cost of terminating their employees, even in cases of wrongdoing, is a source of complaint for domestic and foreign employers.

On occasion, American companies have reported to the U.S. Embassy that the government monitors the ethnic balance among employees and enforces an ethnic quota system for hiring in certain areas. Race-based preferences in hiring and promotion are widespread in government, government-owned universities, and government-linked corporations.

On July 1, 2016, the minimum wage increased. In Peninsular Malaysia, the monthly minimum wage now stands at RM1,000 (USD 232), and in East Malaysia the monthly minimum wage is RM920 (USD 214).

In 2014, the Department of Labor's Trafficking Victims Protection Reauthorization Act (TVPRA) listing of goods produced with child labor and forced labor included Malaysian palm oil (child labor) and electronics (forced labor). Senior officials across the Malaysian interagency have taken this listing seriously and have been working with the private sector and civil society to address concerns relating to the recruitment, hiring, and management of foreign workers in all sectors of the Malaysian economy, including palm oil and electronics.

OPIC and Other Investment Insurance Programs

Malaysia has a limited investment guarantee agreement with the U.S. under the U.S. Overseas Private Investment Corporation (OPIC) program, for which it has qualified since 1959. Few investors have sought OPIC insurance in Malaysia.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical Source*		**USG or International Statistical Source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2016	$297	2015	$296.3 bln	World Bank
Foreign Direct Investment	**Host Country Statistical Source***		**USG or International Statistical Source**		**USG or international Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country	2016	$9.5bln	2015	$13.9 bln	BEA

	Host Country Statistical Source*		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
($M USD, stock positions)					
Host country's FDI in the United States ($M USD, stock positions)	2015	$1.3 bln	2015	$1.3 bln	BEA
Total inbound stock of FDI as % host GDP	2016	44.8%	2015	39.5%	Bank Negara Malaysia's Annual Report 2016

* Statistics.gov.my; Treasury.gov.my

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	117,644t	100%	Total Outward	136,892t	100%
Singapore	25,052	21%	Singapore	19,427	14%
Japan	17,185	14.6%	Indonesia	13,086	9.6%
Netherlands	10,224	8.6%	Australia	8,384	6%
United States	8,200t	7%	Mauritius	8,382	6%
Hong Kong	6,205	5.3%	Cayman Islands	6,891	5%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets
Top Five Partners (Millions, US Dollars)

Portfolio Investment Assets								
Total			Equity Securities			Total Debt Securities		
All Countries	71,845	100%	All Countries	47,688	100%	All Countries	24,157	100%
Singapore	23,373	32.5%	USA	18,788	39%	Singapore	8,966	37%
USA	22,784	31.7%	Singapore	14,407	30%	USA	3,996	16.5%
Hong Kong	3,717	5.2%	Hong Kong	2,786	5.8%	Australia	1,732	7.2%
Australia	3,076	4.3%	Australia	1,344	2.8%	Indonesia	1,007	4.2%
Indonesia	2,100	2.9%	Indonesia	1,093	2.3%	Hong Kong	931	3.9%

Contact for More Information

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Deputy Economic Counselor
376 Jalan Tun Razak / 50400 Kuala Lumpur Malaysia
+6-03-2168-5092
HaysCP@state.gov

Trade & Project Financing

Methods of Payment

Exports to Malaysia may be financed through cash in advance, open account, or letters of credit issued to importers by banks in Malaysia. Financing is readily available in the domestic market to Malaysian importers. Exporters requiring credit ratings can obtain them from two domestic credit rating institutions, the Rating Agency Malaysia Berhad (RAM, www.ram.com.my) and the Malaysian Rating Corp. Berhad (MARC, www.marc.com.my), both launched in the 1990s.

Banking Systems

The structure of the Malaysian financial system has evolved to become less fragmented through consolidation and rationalization. The evolution started when the government took measures to strengthen Malaysia's banking system following the regional financial crisis in mid-1997. The country's central bank, Bank Negara Malaysia (BNM), directed the merger of Malaysia's local banking institutions into ten anchor banks, which was completed in 2002. The government encouraged further mergers among the local banking institutions to ensure competitiveness with international banks. Presently, there are eight local banks in the country. BNM licenses and regulates businesses such as commercial banking, investment banking, Islamic banking and money brokering.

Malaysia initiated Islamic banking in August 2006 with the creation of the Malaysian International Islamic Financial Centre (MIFC) initiative and has the aspiration to be an Islamic banking leader. At that time, the government encouraged local banks to enter the Islamic finance market. Concurrently, it allowed foreign Islamic banks to operate in Malaysia. As of June 2017, there are eighteen Islamic local and foreign banks operating in Malaysia. Foreign banks with operations in Malaysia are allowed 100 percent equity participation. Islamic banking is based on Sharia law that disallows the payment of interest in favor of profit-sharing.

In 2016, The Malaysian economy recorded 4.2 percent GDP growth despite considerable external and domestic headwinds. Subdued global demand and low commodity prices has heightened market uncertainties. Even so, the International Reserves of BNM was at US$94.5 billion by the end of Dec 2016. As of May 15, 2017, the reserve was at US$97.3 billion. The international reserve is able to sustain 7.8 months of retained imports and 1.1 times short-term external debt. Malaysia's external debt is about US$200.6 billion or 73.9 percent of GDP as of Dec 2016.The weakening Malaysian Ringgit against major currencies partly contributed to the external debt.

Foreign Exchange Controls

Foreign exchange control (FEC) in Malaysia is governed by the Exchange Control Act, 1953. The Controller of Foreign Exchange is the Governor of Bank Negara of Malaysia (BNM) who also acts as the foreign exchange dealings regulator in Malaysia.

The Act imposes general restrictions on foreign exchange dealings by residents and non-residents. There are no restrictions for non-residents to invest in Malaysia to purchase ringgit assets, such as landed property and securities. There is also no restriction for non-residents to transfer abroad, in foreign currency, all profits, returns and divestment proceeds from their investments in Malaysia.

Foreign Investment Committee (FIC) guidelines prior to June 30, 2009 states that any acquisition of property by foreign interest requires FIC approvals. Since the liberalization of FIC guidelines, the approval for property acquisistion will be required from the Economic Plannig Unit (EPU) of the Prime Minister's Department if the acquisition diludes bumiputra or government interest for properties exceeding RM20 million (approximately US$5.62 million). This acquisition emcompass direct or indirect (via shares).

Restrictions apply for residents of Malaysia. No person is allowed, among others, to buy or borrow foreign currency from, or sell or lend foreign currency to, any person; to make any payment in Malaysian ringgit to a non-resident in and outside Malaysia; or to deal in ringgit assets in Malaysia without the prior permission of the Controller. For more information on FEC: Foreign Exchange Control Guideline by BNM

In December 2016, BNM issued a new policy that requires exporters from Malaysia to convert at least 75 percent of their export earnings into ringgit. Companies continue to strive towards implementation; however, foreign firm are able to request exemptions to this policy, and the BNM will issue exemptions on a case-by-case basis.

US Banks & Local Correspondent Banks

Three U.S. banks have operations in Malaysia: Bank of America, Citibank, and J.P. Morgan Chase Bank. In addition, Wells Fargo Bank and Bank of New York have representative offices in Kuala Lumpur. The island of Labuan is Malaysia offshore banking center. Most Malaysian banks have correspondent relationships with banks in the United States.

Project Financing

Government initiated projects are usually funded by the Ministry of Finance. Though another ministry may implement the tender or be in charge of technical committees, the Ministry of Finance is the final decision maker in all major projects. As the Prime

Minister also serves as the Minister of Finance, this ensures that government projects are decided at the highest level, often with cabinet input.

The Islamic Development Bank (IDB) finances a few projects in Malaysia, mainly in the areas of healthcare and university expansion. Malaysia is considered to be a high or mid-income country by the IDB and a partner in providing technical expertise to other IDB member countries.

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (Asian Development Bank, World Bank)
The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Asian Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the Asian Development Bank and the World Bank.

Multilateral Development Banks:
The Asia Development Bank (ADB) is not active in Malaysia, as its projects, whether public or private, must satisfy the criterion of poverty alleviation in order to qualify for ADB financing. For most purposes, Malaysia is too affluent to borrow from the ADB for Malaysia-specific projects. The only area where Malaysia could benefit from ADB assistance would be in the area of a Regional (not Malaysia-specific) Cooperation Technical Assistance program (such as an ASEAN-wide telecom network or similar regional project).

Financing Web Resources

- Bank Negara Malaysia | Central Bank of Malaysia
- Commercial Liaison Office to the Asian Development Bank
- Commercial Liaison Office to the World Bank

Business Customs

Malaysia has a multicultural and multiracial population consisting of Malays, Chinese, Indians, and indigenous peoples. Although Malaysia's ethnic mix is generally harmonious, the various communities remain largely separate and ethnic/religious tensions exist. With such a varied ethnic composition, there is a diversity of religions. The official religion is Islam, but it is common to see temples, mosques, and churches within the same area.

Business customs in Malaysia do not differ fundamentally from those of the United States. Compared to some other Asian countries, the traits of frankness, openness, and punctuality are valued relatively more in business negotiations and dealings. Ongoing personal contact is very important. However, visitors should be aware of differing religious and cultural traditions for each ethnic group. For example, Malay Muslims may feel uncomfortable in business or social functions where alcohol or pork is served, and visitors should take note that items (such as business cards) should always be presented or received using the right hand.

Travel Advisory

Information from credible sources suggests that there is a continued risk of armed terrorist and criminal groups operating and planning attacks against foreigners, including U.S. citizens, in the East Asian and Pacific region. Since 2014, Malaysian authorities have arrested more than 150 supporters of the Islamic State in Iraq and the Levant (ISIL) terrorist group, including many individuals who planned to fight in Syria and Iraq.

U.S. citizens are advised against travel to coastal areas and outlying islands in Eastern Sabah from Kudat to Tawau because of the threat of kidnappings-for-ransom and violence from both terrorist and criminal groups, including the Philippines-based Abu Sayyaf Group (see the Philippines Travel Warning for more information). In addition to incursions on coastal or resort islands themselves, criminal or terrorist groups may attempt to intercept boats ferrying tourists from the mainland to resort islands. Due to safety concerns, U.S. government employees are prohibited from travelling to most of this area without permission from the Embassy security office and Ambassador. Malaysian law enforcement officials have enacted land and water-based curfews in the coastal areas of Eastern Sabah. Check local media or ask local police for the most recent curfew information if traveling to Eastern Sabah.

Crime: Petty theft and violent crime in Kuala Lumpur continue to be concerns. Purse snatching, pick-pocketing, and residential burglaries are the most common crimes committed against foreigners. Criminals frequently target women, alone or with children, for purse snatching. These incidents can occur anytime or anywhere and have also targeted men. Avoid wrapping purse straps around arms or shoulders to avoid injury. Taxi drivers in downtown Kuala Lumpur have perpetrated violent crimes against foreign tourists and local residents. Travelers are advised to book taxis in downtown shopping areas by phone or online, rather than hailing a taxi on the street, particularly after dark.

Criminals also target motorists stuck in traffic or stopped at a light with smash and grab robberies. Keep valuables out of sight while driving or remove them from the car (including from the trunk) when parked. GPS devices should not be left on the windshield or dashboard.

Visa Requirements

For holders of a U.S. Passport your passport must be valid for at least six months. You do not need a visa if you are coming for business or tourism for 90 days or less. Immigration officials will place an entry stamp, known as a social visit pass (visa), in your passport authorizing a stay of up to 90 days. Travelers may apply to the Immigration Department for extensions of up to two months. For additional information, including visa requirements for non-U.S. passport holders visit the website of the Immigration Department Of Malaysia.

Travel to Sabah and Sarawak: The eastern states of Sabah and Sarawak (on the island of Borneo) have special entry requirements. You must have your passport to enter or exit Sabah or Sarawak, even when arriving from peninsular Malaysia on domestic flights.

Currency

Currently, Malaysia’s central bank, Bank Negara Malaysia (BNM) issues Malaysian ringgit (RM) notes in five denominations, as follows: 1 ringgit, 5 ringgit, 10 ringgit, 50 ringitt and 100 ringgit. Coins are also issued in 4 denominations: 5 sen, 10 sen, 20 sen, and 50 sen. Most of the banking institutions in Malaysia own proprietary ATM networks.

Only institutions with prior approval from BNM are allowed to issue credit cards in Malaysia. Institutions primarily issue Visa and MasterCard credit cards.

The charge card is another form of payment mechanism frequently used in Malaysia. Typically, charge cards are issued by non-banking institutions that do not provide a line of credit. It enables the cardholders to make purchases, but does not offer revolving credit and as such, cardholders need to settle in full the amount due at the end of a specific period. The main charge card company in Malaysia is American Express (AMEX).

The usage of debit cards is gaining popularity in Malaysia, with banking institutions issuing both domestic debit cards and international brand debit cards, such as Visa Electron and MasterCard Maestro. As a step forward to improve the operational efficiency of the domestic debit card system and promote the usage of debit cards in Malaysia, Malaysian Electronic Payment System Sdn Bhd (MEPS) has set up a domestic debit card switching network that enables universal usage of domestic debit cards at all debit card merchants.

Banking institutions in Malaysia provide electronic banking. This includes telephone banking, desktop banking, mobile banking and home banking. Desktop banking and telephone banking are commonly used in electronic distribution channels.

Effective June 1, 2000, domestic banking institutions were allowed to provide a full range of Internet banking facilities, subject to compliance with the guidelines on Internet banking issued by BNM. Typically, the services offered by banking institutions through their Internet banking facilities are account balance summaries, request for account statements, funds transfer between own or third party accounts, payment facilities and check book request services.

Telecommunications/Electricity

International telephone service from Malaysia is good and more investment is being undertaken to keep up with the very rapid increase in demand. GSM is the Malaysian standard for digital cellular communications. One of its cellular providers is GPRS enabled, while the other two are 3G spectrum holders.

Broadband Internet access is widely available in most major hotels. Offices and residential customers have dial-up or broadband Internet access via ISDN, ADSL, SDSL, WiFi and/or WiMax.

The major telecommunication companies in Malaysia are TM Berhad, Celcom (013, 019 and 0148), Maxis (012, 017 and 0142), DiGi (010, 011, 016, 0146, 014-30, 014-31 and 014-32) and U Mobile (018).

The voltage used in Malaysia is 230/240 volts and 50hz. If the electrical appliance uses 110/120 volts, you need to use a transformer/converter to step down the 230/240 volts Malaysian voltage to your 110/120 volt appliances. Failing to do so will damage your electrical appliances.

Some electrical appliances are multi voltage, that is can be used for both 120volt and 230/240volt. Most multi-voltage equipment will state somewhere on the product, usually on a label or decal on the charging unit, input 100-240 AC 50-60 HZ. Malaysia uses the British Standard BS 1363 domestic AC power plugs and sockets.

Transportation

Malaysia's central location in the Asia Pacific region makes it an ideal gateway to Asia and ASEAN markets.

With such a massive coastline, there are more than 40 seaports across the country. Sixteen of these ports have container facilities. By far the largest container port is Westport, along the Straits of Malacca in Port Klang, about an hour by road from Kuala Lumpur.

Air cargo facilities are well developed in the five international airports. On Peninsular Malaysia these are the Kuala Lumpur International Airport (KLIA), Penang International Airport, and Langkawi International Airport. Malaysia's modern Kuala Lumpur International Airport (KLIA) is the nation's largest, located 50 kilometers south of Kuala Lumpur. Cargo import and export procedures are fully automated at KLIA.

In East Malaysia on the island of Borneo, Kota Kinabalu International Airport serves the State of Sabah, and Kuching International Airport serves the State of Sarawak.

Kuala Lumpur is served by a number of international airlines, with international carriers flying into KLIA and low cost carriers utilizing the nearby and ultra-modern KLIA2 terminal opened in 2014. No U.S. airlines fly to Malaysia directly, though there are codeshare and partner flights available through major U.S. carriers. Additional international connections are available via Singapore, from which there is a joint Malaysia Airlines/Singapore Airlines air shuttle service. Direct flights to Singapore are available from the U.S., Europe, the Middle East, and Asia.

Allow at least an hour for taxi service between the airport and Kuala Lumpur's central business district (though 45 minutes is the norm for off-peak times), and fares can range from RM100 to RM200+ (approximately US$24 – 49+ at an exchange rate of RM4.10 = USD$1.00) depending on style of car and whether the trip is a pre-negotiated fare or on the meter. Taxi fares can be prepaid at KLIA at booths located just outside the Customs area; avoiding taxi touts is recommended. The KLIA Ekspress train is faster and less expensive, providing direct service between KLIA and the city's Stesen Sentral (central train station) in under 30 minutes for RM55 (approx. US$13) per person.

Within Malaysia, the national airline—Malaysia Airlines (MAS)—provides frequent service to all major cities. A range of low-cost carriers has dramatically expanded service to cities throughout Malaysia and, in some instances the rest of Asia. The largest of these is Air Asia. Malindo Air, Firefly, TigerAir, Lion Air, Jetstar are other local low cost carriers.

Taxis are generally plentiful and inexpensive, and online booking services such as Grab Car and Uber are increasingly popular and commonplace.

Visit the State Department's website for the latest security tips. Taxis and cars may be booked by the hour or day for extended trips. Kuala Lumpur boasts a growing and modern light rail system that can be convenient for avoiding traffic delays.

Local transportation rates can be found on the MIDA website.

Language

As a result of the country's ethnic diversity, most Malaysians speak at least two and even three languages: Bahasa Malaysia (the national language), English, and an individual's own ancestral tongue (often Chinese Mandarin, Cantonese, or Tamil). English is widely spoken and is commonly used in business. British English conventions are generally used.

Health

State-of-the-art private medical facilities are available in Kuala Lumpur and other big cities. Quality health care is accessible in Malaysia with many reputable private hospitals, as well as numerous clinics and doctors who are aware of the expectations and needs of expatriates. Rates for medical services as well as hospital stays are generally lower than in the U.S. Foreigner visitors should consider travel insurance to cover any necessary medical costs or evacuation.

The climate can be debilitating for some because of the warm temperatures (typically 83F-95F during the day in Kuala Lumpur dropping as low as 71F at night), the rainfall (afternoon downpours often delivering more than an inch per day), and high humidity (well over 90 percent during the day, dropping to 60 percent at night).

Travelers should also be aware of dengue fever including the hemorrhagic variety and Zika virus, which exists throughout Malaysia. Dengue has reached epidemic numbers in Malaysia and throughout Southeast Asia. Wearing long sleeves and trousers, and regular application of DEET-containing insect repellant are strongly recommended when spending any time out of doors, including at the numerous open-air dining establishments. Though it is not as common in Kuala Lumpur, open drainage ditches and stagnant water at construction sites facilitate breeding of mosquitoes in the city, and expatriates have been increasingly affected by dengue. As of September 2016 a total of seven cases were reported positive for Zika, nationwide. Symptoms such as fever, rash, conjunctivitis and other symptoms of Zika and if you have recently visited an endemic country or had contact with Zika patients, you are advice to consult a doctor immediately. The public is advised to protect themselves from mosquito bites by using repellent or wearing bright colored clothing that cover the exposed body areas. Aerosol spray can be applied during the active biting time of mosquito between 5am to 7am and 5pm to 7pm. Information about Zika can be obtained from Ministry of Health website Ministry of Health.

In developed areas, water is generally safe to drink, and ice is generally safe to use.

Local Time, Business Hours and Holidays

The first thing to consider when planning business travel to Malaysia is whether or not any local holidays may occur during the trip, and whether they will disrupt the normal flow of business. If offices are not open, appointments may not be scheduled as easily. All states and territories in Malaysia observe federal holidays, and in addition each state observes its own respective local holidays, such as birthday celebrations of its Sultan and the current King. In 2016 there were 42 official federal and state holidays. The Malaysian Prime Minister's Department announces federal and state holidays through the Cabinet. The Malaysian Employer's Federation provides a useful set of links to 2017 Public Holidays. The holidays observed by the U.S. Embassy are can be found on the Embassy website.

Malaysian government offices are open five days a week, Monday through Friday, in all states except Kedah, Kelantan and Terengganu. Saturdays and Sundays are considered weekends and offices are closed during these days.

The typical hours of operation for offices in Malaysia are as follows:

Putrajaya and Kuala Lumpur: 8:00am to 5:30pm

Other States: 8:00am to 5:00pm

On Fridays, the lunch break is usually from 12:15pm-2:45pm to allow the Muslims to perform their prayers.

Kedah, Kelantan, Johor and Terengganu

Working days are from Sunday through Thursdays. Fridays and Saturdays are considered weekends. The typical operating office hours in these states are:

Sundays to Wednesdays: 8:00am to 4:45pm
Thursdays: 8:00am to 4:30pm

Additionally, travelers should be aware that Friday is the holy day for Muslims, and government offices close from 12:00-2:45 on Fridays. It is usually difficult to schedule meetings on Friday afternoons, especially with government agencies.

Malaysia does not practice daylight saving time, and is UTC +08:00 (EST + 12 hours) in spring/summer and UTC +9.00 (EST + 13 hours) in the fall/winter.

Bank Operation Hours

Most banks are open five days a week. However, some banks in shopping complexes or selected branches operate 6 days a week.

All States except Terengganu, Kelantan, Johor and Kedah

Monday - Thursday: 9:15am to 4:30pm
Friday: 9:15am to 4:00pm
Sunday: Closed

Terengganu, Kelantan, Johor and Kedah

Sundays - Wednesdays: 9:15am to 4:30pm
Thursdays 9:15am to 4:00pm
Fridays - Saturdays: Closed

Temporary Entry of Materials or Personal Belongings

Malaysia has no restrictions on temporary entry of business-related materials, such as software, laptop computers, etc. Movement of exhibit materials for Malaysia-based trade shows is typically handled by official freight-forwarding companies that are able to handle customs and other required procedures easily and quickly. Malaysia also accepts the ATA Carnet, which is essentially a passport for your goods. If the good can be described as a "tool of the trade," then upon presentation of the ATA Carnet the good may be exempt from duties and taxes. "Tools of the trade" are items such as commercial samples, professional equipment, items used for trade shows or exhibitions and some ordinary goods such as computers (including laptops) or industrial equipment. Carnets do not cover consumable goods, disposable items or postal traffic. The ATA Carnet can be ordered by contacting the U.S. Council for International Business (1-866-786-5625 or 1-212-703-5078).

Some equipment, including some high-speed or encrypted laptop computers, requires an export license from the Department of Commerce's Bureau of Industry and Security (BIS) or other U.S. government export licensing authorities. Also, some technical materials, sophisticated equipment, and goods to certain countries will need a license. If you are unsure whether or not an export license is required for your laptop or other materials, please contact BIS at 202-482-4811 or visit their website.

Finally, before returning to the U.S., the U.S. Customs Service should be notified that your temporary entry items will be coming back into the U.S. and that U.S. import duties and taxes should not be assessed on the goods once they return. U.S. Customs will need the serial number of the item(s) taken. To find your local customs office, information may be found online at the U.S. Customs website.

Travel Related Web Resources

- Bureau of Industry and Security
- Malaysia Ministry of Foreign Affairs
- State Department's Travel Advisories
- State Department visa information
- U.S. Customs
- U.S. Embassy Kuala Lumpur holidays
- United States Council for International Business
- Immigration Department of Malaysia
- Tourism Malaysia (Official Site)
- Malaysia Employers Federation public holidays knowledge center