GOING GLOBAL
ACCESS ASIA
EXPORTING TO MALAYSIA
A guide for clients

#GlobalAmbition
MALAYSIA

Capital city
Kuala Lumpur

Currency
Malaysian Ringgit

Population
32.4m

Unemployment Rate as of 2017
3.4%

GDP Growth for 2018
4.9%

Expected GDP growth for 2019
4.8%

GDP Per Capita as of 2017 was
€8,791.30

Enterprise Ireland client exports (2018)
€76.2m (+3% marginal increase on previous year)

ASEAN

Member States: Singapore, Malaysia, Indonesia, Vietnam, Thailand, Philippines, Myanmar, Cambodia, Laos and Brunei

Population for 2019
661.8m

Unemployment Rate 2017
4.1%

GDP Growth for 2018
5.3%

Enterprise Ireland client exports to ASEAN (2018)
€325.1m (+7% from previous year)
WHY EXPORT TO MALAYSIA?

Spread over 878 islands, Malaysia is situated in the heart of the 10-member Association of Southeast Asian Nations (ASEAN) and is administered from its capital Kuala Lumpur by a federal constitutional monarchy.

Malaysia is among the most advanced economies within ASEAN. The nation has completed an impressive transformation from a raw materials-based economy in the 1980s and 1990s to its current position as a destination for the manufacture of electronic components and hub for the provision of services. This has transformed the Malaysian economy into one of the most dynamic production bases within the region. For Irish companies, Malaysia has been a reference market and gateway to the wider region for certain sectors.

With a population of 634 million\(^1\), the scale of ASEAN’s marketplace is matched only by the diversity of its economies. As efforts toward further integration within the region continue, ASEAN’s projected growth rates are set to remain at around 5.5 percent until at least 2020. Enterprise Ireland client companies exporting to the region have experienced double-digit growth over the past five years. In the coming years, the bilateral relationship between Ireland and ASEAN is likely to grow as trade agreements between the EU and key ASEAN states are concluded and others with Singapore and Vietnam implemented.

**Sectoral successes**

- The partnership between Ireland and Malaysia in education services is worth over €50 million, making it Ireland’s most valuable bilateral education relationship within the ASEAN region.
- Technical and vocational education and training (TVET) is being rapidly expanded through Government funding in anticipation of 1.5 million jobs which will require TVET skills by 2020.\(^8\)
- Malaysia’s medical device market was valued at US$1.4 billion in 2016 which puts it first among Southeast Asia countries.\(^9\)
- In 2017, Malaysia imported 37,694 metric tons of raw recycled materials, making it the world’s largest importer of such materials.\(^20\)
- The Central Bank of Malaysia has established the Financial Technology Enabler Group (FTEG), a cross-functional group that is a single contact point for Fintech enquiries.

AS ASEAN’S SECOND LARGEST MARKET FOR IRISH EXPORTERS, MALAYSIA REMAINS A KEY MARKET FOR ENTERPRISE IRELAND CLIENT COMPANIES

Malaysia ranks 5\(^{th}\) in Asia in the World Bank’s Ease of Doing Business index\(^12\)

Kuala Lumpur is ranked 5\(^{th}\) amongst 30 global cities for cost competitiveness in PwC’s Cities of Opportunity report\(^13\) and as 165\(^{th}\) least expensive city in the world in Mercer’s Annual Cost of Living Survey\(^14\)

Greater Kuala Lumpur offers an educated, skilled and cost effective workforce, with Malaysia placed 22\(^{nd}\) in the IMD World Competitiveness Ranking 2019\(^15\) – ahead of Japan, India & Thailand

Electrical and electronics manufacturing accounted for over a third (36.6%) of Malaysia’s exports and a quarter of its employment (25.3%) in 2016\(^16\)

Malaysia is keen to exploit the potential of renewable energy in achieving a green economy. In 2016, a total of 111 renewable energy projects with a total investment of US$487 million were approved for State incentives\(^17\)

- Celcom Axiata has conducted the country’s first 5G trial with Ericsson, with rollout planned between 2020 and 2025.
- National Internet of Things (IoT) Strategic Roadmap forecasts opportunities in IoT will reach US$2.4bn in 2020 and US$10.8bn billion in 2025. Malaysia Digital Economy Corporation (MDEC) leads the IoT industry developmental charter.\(^21\)
GET READY TO DO BUSINESS IN MALAYSIA

Malaysia’s culture is strongly group-oriented and most Malaysians see nurturing trusting personal relationships as being of critical importance.

Traveling and geography
Malaysia is strategically located in the heart of Southeast Asia and occupies two distinct regions – Peninsular West Malaysia, and East Malaysia, separated by about 750km.

Although most companies have their headquarters in Kuala Lumpur, there are also business opportunities in other major cities, including Johor Bahru, Penang and Putrajaya.

Malaysia is serviced by six international airports. Flag carrier Malaysia Airlines provides internal flights as well as serving major overseas destinations, including long-haul flights to Europe.

KLIA Ekspres is a reliable non-stop high-speed train service connecting Kuala Lumpur’s international airports with the city centre.

Peninsular Malaysia has good road infrastructure making movement between cities easy.

Malaysia’s time zone is GMT +8 with no daylight savings time (DST).

Business culture
When scheduling meetings in Malaysia it is best to do so at least four weeks in advance. Malaysian counterparts will want to know who they will be meeting and you should provide such details as the titles, positions and responsibilities of all attendees in advance.

Due to its predominantly Muslim population, Friday is reserved for prayer and it is advised not to schedule meetings on this day.

Many of Malaysia’s public holidays are celebrated across the country, however each state and territory also has its own state-specific holidays. Kuala Lumpur has 20 public holidays. For more information see https://publicholidays.com.my

Schedules are usually loose and flexible and meetings may start late. However, Malaysians generally expect foreign visitors to be punctual.

Because of the ethnic mix of the Malaysian population, many variations in naming patterns exist. It is often best to ask people politely how to address them correctly and tell them the same for yourself.

Business cards should be presented with both hands as a sign of respect.

Language
Bahasa Melayu is the official language of Malaysia. However, English is also widely used, especially in business settings. Although most Government officials speak at least some English, their command of the language may be limited and they may prefer to use their mother tongue.

As open disagreement and confrontation are generally avoided, sometimes it can be difficult to discern your Malaysia counterpart’s true intentions. It is important, therefore, that foreign companies entering the market have sufficient local support to overcome language barriers and navigate cultural differences.

Routes to market
If you are planning to do business in Malaysia, it is essential to consult a lawyer. Government restrictions can hamper foreign involvement in several areas, including Government procurement contracts, financial, business and professional services and telecommunications. In most cases it is imperative to have a local partner, usually a bumiputera, (a local person) who has the ability to provide locally-based technical support.

Administrator
Given the restrictions in setting up foreign entities in Malaysia, involvement in sectors which are of economic or strategic importance to the country, direct market entry is not advised - at least initially.

Direct sales
Given the restrictions around foreign businesses, involvement in certain sectors, coupled with the Government’s positive discrimination policy, direct market entry is not advised – at least initially. While it may work for your company, this depends on the target industry.

Third party distributors AND channel partners
Companies involved in major equipment sales or large-scale system integration projects in Malaysia will often engage a local agent or channel partner to manage project delivery and after-sales services. Companies selling consumer goods in Malaysia most commonly partner with local “import houses” which handle distribution to stores or direct to customers.

In addition to performing due diligence to correctly identify an experienced distributor, fine tuning contractual relations should be a top priority.

Joint venture
Although negotiation and agreement can take a number of years, joint ventures are a strong platform for long-term success in Malaysia, particularly in the Education sector.

Establishing a local office
As Malaysian business people value building relationships face to face, setting up a local office is the best way to demonstrate your long-term commitment to the market.
THINGS TO CONSIDER

Market landscape
Malaysia has become an attractive regional hub for services, including financial services and Information and Communications Technology (ICT), as well as being a well developed base for electrical and electronics manufacturing. Although it has achieved success in recent decades, trading in Malaysia is not without its challenges. Ongoing problems with political transparency and Government bureaucracy have harmed the local climate for foreign-owned businesses. Despite this, Irish companies in education services, software, aerospace, construction products and services have historically done well.

Market trends
Malaysia is aiming to transition from an upper middle to a high-income country by 2020. To achieve this, it is moving away from the traditional production of raw materials to promoting high technology industries, Islamic finance, biotechnology and service-based industries.

The Multimedia Super Corridor (MSC) is a national initiative that aims to help Malaysia compete in the global digital economy. Cyberjaya, 40km south of Kuala Lumpur, was created as a technology hub akin to Silicon Valley where technology entrepreneurs and global multinationals can enjoy tax breaks and have access to world-class talent and infrastructure at low costs.

Market segmentation
Malaysia’s consumer base represents a mix of several cultures. Ethnic Malays are the majority, representing 69% of the population, followed by Chinese at 23% and Indians at 7%.

The country’s level of economic development drives both consumer and business demand for products and services. Although price sensitive, consumers have enjoyed several decades of strong growth and their general preference is for branded products and services, high-quality education and superior customer service.

Competitors
Malay-owned companies have historically been given preference in Malaysia by the Government for state contracts. Irish companies may need to consider joint venture structures in some sectors for this reason.

Market research
Enterprise Ireland’s Market Research Centre offers client companies access to comprehensive market intelligence about all aspects of doing business in Malaysia.

The Ministry of International Trade & Industry (MITI) produces useful information for foreign companies, while the Malaysian Industrial Development Authority (MIDA), the Government agency for the promotion of the manufacturing and services sectors in Malaysia, provides information on starting an operation in manufacturing or services sectors as well as overviews of sub sectors within those industries. For more information see www.mida.gov.my

MSC Status is given to companies that undertake technology and/or knowledge transfer and/or contribute towards the development of MSC Malaysia or support Malaysia’s e-economy initiatives. For more information see www.msc.com.my

InvestKL is a good resource for information on industry growth and opportunities in the greater Kuala Lumpur area. For more information see http://www.investkl.gov.my

Customer service
Malaysian consumers and businesses expect high quality customer service on par with Singapore. This standard is achievable for most Irish businesses with an established in-market presence or a strong channel partner.

Boots on the ground
Developing trusting, personal relationships is fundamental to winning long-term business in Malaysia. For this reason, Irish companies must consider setting up a local presence at an early stage or engaging a local partner to manage relationships.
KEY GROWTH OPPORTUNITIES IN MALAYSIA

Aerospace, Aviation and Travel Tech
Malaysia is the third most connected country in ASEAN ranked after Singapore and Thailand, offering 116 destinations to passengers via a combination of direct and indirect flights. Based on 2016 figures, Singapore offers 153 destinations and Thailand, 151 destinations. The country’s passenger market totaled 56.9 million passengers which was also the third biggest in ASEAN. MAVCOM (Malaysia Aviation Commission) expects 7.8 - 8.8 percent growth of its passenger traffic for 2017, which would mean 98.3 - 99.2 million passengers.

Malaysian carriers have increased their fleet sizes from 213 to 278 aircraft in the last six years and this is expected to grow. Seventeen new aircraft will be added in 2018 and reflects the direction in which Malaysian carriers are moving. There is an emphasis on fleet renewal and growing networks in the Asia-Pacific region.

The aviation industry contributed an average of 0.6% to the Malaysian GDP, or RM5.1 billion annually and employs over 43,000 full-time employees or 0.3% of total number of persons employed in Malaysia.

The aerospace industry will continue its growth momentum this year, on the back of three years of consecutive growth and a backlog of orders for the manufacturing of aircraft parts and components, assembly base for light aircraft and corporate jets and MRO activities. Growth is projected at 5% and will contribute RM9 billion this year (RM8.49 billion in 2017).

Education
Malaysia’s rapidly emerging middle class, which already accounts for a third of the population, has high educational aspirations. In the last decade enrolment in third level education has risen by over 70% and today nine out of every 10 middle class families (91%) expect their children to obtain a third level degree. The most recent and probably conservative estimate of the number of overseas Malaysian students is around 79,000. Ireland benefits from having one of the strongest reputations in Malaysia in terms of quality of medical education. MARA, the Government agency formed to train ethnic Malays in the areas of business and industry, has decreased its level of scholarship funding for undergraduate medical studies. But despite this, new opportunities are emerging, such as postgraduate medical sub-specialty training and entrepreneurship training for Malaysian academics. In 2014 MARA nominated Ireland as a scholarship country for a number of non-medical disciplines, including engineering. This development widens the opportunity for Irish colleges to broaden their recruitment and develop Ireland’s reputation as an educational destination in disciplines other than medical studies. In addition, the Technical and Vocational Education and Training (TVET) sector has also expanded rapidly.

Telecommunications and Internet of Things (IoT)
Malaysia’s telecommunications sector is competitive with the three largest mobile networks operators – Digi, Celcom Axiata and Maxis – holding over 75% of the market. Like Singapore, subscriber growth has flattened. However, in terms of revenue growth among mobile network operators, Malaysia surpasses Singapore. This growth is being driven by a number of key trends, including improvement of the “digital and internet proposition” and a general subscriber shift from prepaid to postpaid plans.

Operators are looking for vendor solutions to strengthen their digital Value Added Services (VAS) suite of services and mobile apps in order to accelerate their transformation as fully fledged ‘Digital Service’ companies. They are also seeking to create stronger in-store experiences for customers. Although Malaysia is still far from a 5G rollout of any significant size, with operators waiting for further industry agreement on standards, Celcom Axiata is leading the charge by conducting the country’s first 5G trial with Ericsson. It has announced a 5G rollout between 2020 and 2025.
Operators are also investing in replacing legacy systems to optimise OPEX and CAPEX levels and to avail of the benefits of Network Functions Virtualization (NFV) and Software Defined Networks (SDN).

There are opportunities for Irish businesses with Malaysia’s mobile network operators which are developing and procuring IoT connectivity platforms to provide mobility solutions to their Enterprise customers. Examples include Axiata Group’s Xpand and Maxis Business Solutions, which are offering solutions in connected logistics, smart city services, smart metering and M2M connectivity platforms. In parallel, Malaysia Digital Economy Corporation (MDEC) is leading the IoT industry developmental charter, IoT Malaysia, designed to encourage IoT adoption by business, Government and the public.

Financial Services and Fintech
Kuala Lumpur has the most developed financial sector in the Southeast Asia region, after Singapore. It is known as one of the world’s capitals for Islamic finance. Shariah compliant financial products make up almost a quarter of the total financial system. In the conventional banking sector, the delivery of financial services is changing from a bank only model to competition between banks, technology companies, telecom companies, e-commerce platforms and other entities.

The main opportunity for Irish companies is to deliver efficiencies and add capability to these types of institutions in the form of payments, anti-money laundering, regulatory tech, distributed ledgers and analytics. There is also an opportunity to deliver direct financial services, such as foreign exchange and micro-lending.

The Central Bank of Malaysia has paved the way for the implementation of a regulatory framework for Fintech by establishing a cross-functional Financial Technology Enabler Group (FTEG), that serves as a contact point on all Fintech-related issues.

Many of the major banks are embracing Fintech and have accelerator and incubation programmes to help promising Fintech start-ups. There is also an awareness of the validity of partnering with software vendors to gain competitive advantage.

Construction and Cleantech
Design and construction projects for high-tech manufacturing facilities for medical instruments and devices is one of the key opportunities for Enterprise Ireland client companies in Malaysia. Malaysia continues to evolve as one of the hubs for medical device manufacturing in the region with over 200 manufacturing companies based in the country.

As a result, they are required to meet the international standard of Good Manufacturing Practice. Enterprise Ireland’s client companies may be able to leverage the expertise and relationships already built.

In the recycling sector, Malaysia is gearing up to take advantage of world demand for waste recycling facilities following the introduction of increased restrictions on waste in China in 2017. Malaysia has become the world’s largest importer of raw recycled materials, recording a 63% increase in PET imports and a 407% increase in PVC imports in 2017.
Legal & Taxation Information

Visa requirements
In general, Irish tourists visiting Malaysia for less than three months do not require a visa. Irish travelers should be aware that the entry requirements of almost all Asian countries, including Malaysia, stipulate that passports must be valid for at least six months at the time of entry.

For more information on visa requirements see: http://www.kln.gov.my

Import rules and regulations
Not all imported goods require a license. You can check the full list of goods requiring a license on the Ministry of International Trade and Industry’s website: http://www.miti.gov.my

Once registered, a company must apply for an import licence from the Ministry of International Trade and Industry (MITI). Malaysia uses a privatised single digital window for all import and export regulations called Dagang Net:
http://www.dagangnet.com

For more information on the procedure required to import goods, import tariffs, and FTA duty reductions, visit the Royal Malaysian Customs Department online at http://www.customs.gov.my/en

Intellectual Property Rights (IPR)
Malaysia has succeeded in improving Intellectual Property Rights (IPR) enforcement in recent years. It is a member of the World Intellectual Property Organisation (WIPO) and a signatory to the Paris Convention and Berne Convention which govern intellectual property rights.

The Patents Act 1983 and the Patents Regulations 1986 govern patent protection in Malaysia. An applicant may file a patent application directly if he/she is domiciled or resident in Malaysia. A foreign application can only be filed through a registered patent agent in Malaysia.

Similar to legislation in other countries, an invention is patentable if it is new, involves an inventive step and is industrially applicable. In accordance with TRIPS, the Patents Act stipulates a protection period of 20 years from the date of filing of an application.

Detailed procedures for applying for a patent can be found on the Intellectual Property Corporation of Malaysia website: http://www.myipo.gov.my

Further information and legal advice is available through the IPR SME Helpdesk: http://www.ipr-hub.eu/

Corporate structures
Malaysia offers foreign businesses a number of options ranging from low footprint representative offices to domestically incorporated and legally distinct private limited companies (see Set up options in Malaysia compared table on page 9). Choosing the right structure will depend both on the level of resources a foreign business is willing to commit as well as the level of risk they are willing to take on.

Labour law
The Employment Act 1955 is the main legislation on labour law in Malaysia. Malaysia’s business environment is generally strike free. The regulation of employment, specifically the high cost of terminating employment is worth noting and underlines the need to be very specific when outlining job requirements.

Before hiring staff in Malaysia, it is important to be aware of regulations around unfair dismissal, unions, and general legal obligations to employees. For further information please visit the website of the Ministry of Human Resources – www.mohr.gov.my

Taxes
All companies in Malaysia are subject to a number of taxes. While some may be avoided due to incentives, corporate income tax, import duties and withholding tax are costs that may have to be considered by potential investors.

The key tax rates are:
• Corporate Income Tax: 24%
• Personal Income Tax: 1-25%
• GST: 6%
• Withholding Tax (interest): 0/15%
• Withholding Tax (dividends): 0%
• Withholding Tax (royalties): 10%

General information on prevailing rates of taxation can be found online at Malaysia’s Ministry of Finance website http://www.mof.gov.br

For questions and concerns related to filing of taxes, eligibility for incentives, and other areas of compliance, see the Inland Revenue Board of Malaysia’s site: http://www.hasil.gov.my
## SETUP OPTIONS IN MALAYSIA COMPARED

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<th>PURPOSE</th>
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<tr>
<td>Private Limited Companies</td>
<td>Investors seeking to enter the Malaysian market and limit the liability of their parent company.</td>
<td>Liability rests with the Malaysian entity and is limited to invested capital.</td>
<td>High capital requirements.</td>
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<tr>
<td>Labuan Company</td>
<td>Companies seeking to oversee operations throughout ASEAN.</td>
<td>Lowered taxes, exempt from regulation under mainland Malaysian Companies Act; no minimum capital requirements.</td>
<td>Office must be located in Labuan making it difficult to oversee operations within Malaysia directly.</td>
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<tr>
<td>Joint Venture (JV)</td>
<td>Companies looking to establish in Malaysia with a smaller footprint.</td>
<td>Access to restricted sectors. Local knowledge of the Malaysian business environment.</td>
<td>Less control over company direction.</td>
</tr>
<tr>
<td>Foreign Branch</td>
<td>Investors seeking easier access to their parent company and lowered entry costs.</td>
<td>Easier repatriation of profits to parent company.</td>
<td>Prohibited from engaging in wholesale trading. Liability is extended to the parent company. High capital requirements</td>
</tr>
<tr>
<td>Representative Office</td>
<td>Pre-market entry research; coordination with distribution partners.</td>
<td>Low costs. Not subject to regulation by the Companies Act.</td>
<td>Prohibited from conducting profit generating activities in Malaysia.</td>
</tr>
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Source: Malaysian Investment Development Authority
Enterprise Ireland is committed to assisting and supporting clients to enter new markets and expand in their current markets. Our team of experienced Market Advisors in our overseas offices are ready to help you. Enterprise Ireland offers flexible solutions for client needs, as well as business supports for success in the market. This includes our Market Research Centre and local market supports, our experience in building selling capabilities, and our assistance with trade events and missions.

**Pre-visit support**

Prior to engaging with an overseas market, client companies should engage with their Development Adviser (DA) and the Enterprise Ireland Market Research Centre in Dublin to ensure they leverage the full range of possible supports in preparation for engaging with the Enterprise Ireland team in the market.

- General market and country level information
- Sector overview
- Validation of the opportunity for your product or service
- Evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary
- Summary of relevant market information resources

**In-market support**

- Introductions to buyers and decision-makers
- Identification of potential partners
- Facilitation of buyer visits to Ireland
- Assistance with product launches/workshops
- Securing reference sites

**International trade events programme**

Every year Enterprise Ireland organises an extensive programme of events to support your business abroad. These include:

- Inward buyers’ missions to Ireland
- Group stands at international trade fairs
- Overseas trade missions
- Study visits to gain knowledge of overseas markets
- Client knowledge events including seminars and workshops
- Networking events to build and enhance relationships with market contacts
- Further information is available at: [www.enterprise-ireland.com/events](http://www.enterprise-ireland.com/events)

**International market contacts**

Enterprise Ireland has built up an excellent network of individuals in Malaysia who are able to work with Irish client companies in developing their businesses. This includes market and sector specialists, business accelerators and members of business associations.

**Additional supports**

- Access to translation and interpreting services
- Introductions to specialist expertise such as legal, recruitment, public relations and taxation
- Access to mentors

**Power up your progress by plugging into local networks**

**Embassy of Ireland, Malaysia:**
[https://www.dfa.ie/irish-embassy/malaysia/](https://www.dfa.ie/irish-embassy/malaysia/)

**Malaysian Irish Business Network (MIBN):**
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