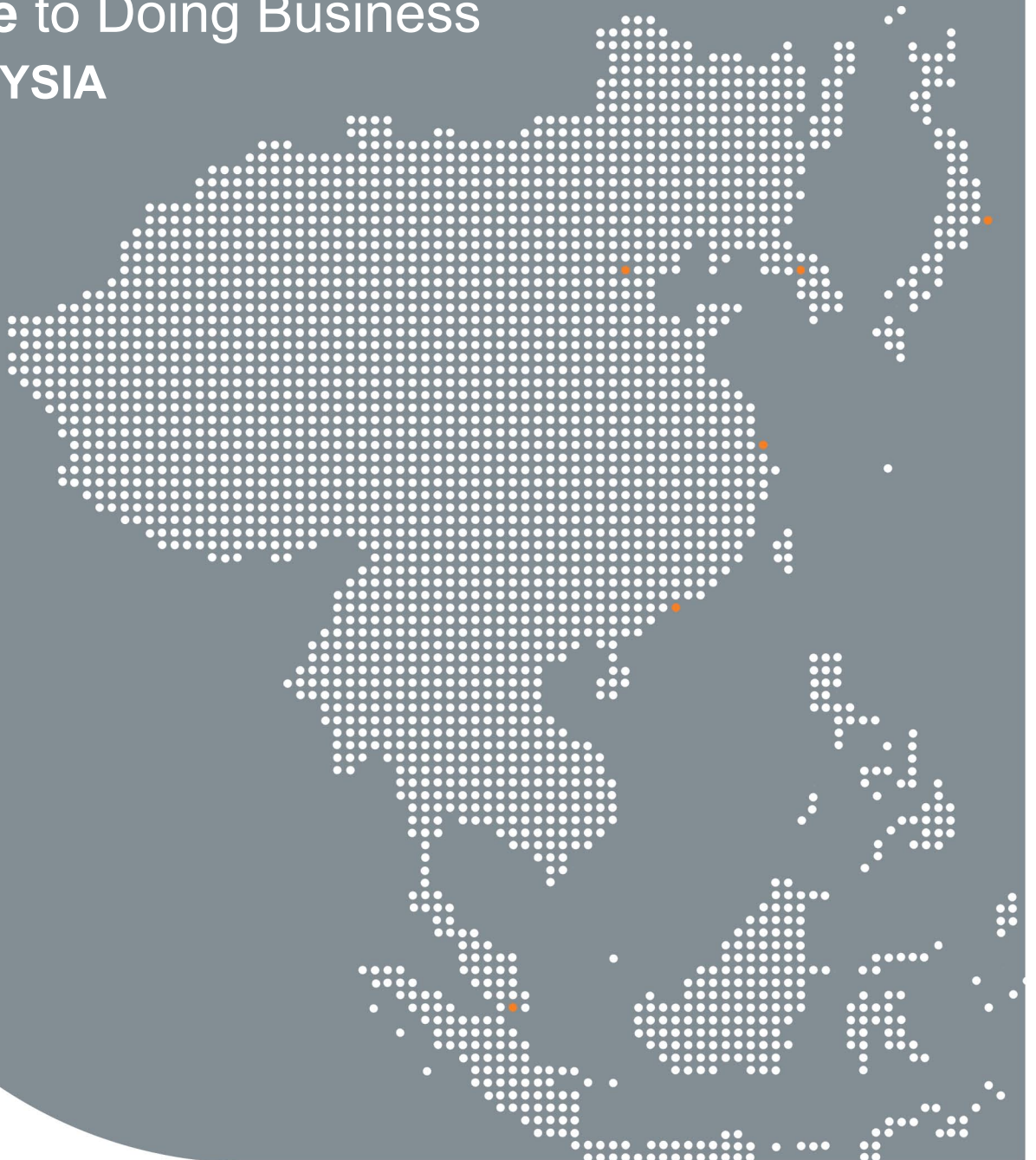


ACCESS MALAYSIA



A Guide to Doing Business in MALAYSIA



ACCESS MALAYSIA: OPEN FOR BUSINESS



Federation
of Malaysia

Currency: Ringgit (RM)

Official Language: Malay

29.3m Population

5.6% GDP Growth
(World Bank 2012)



29,240,000
Malaysian population



4,775,982
Irish population

3rd

Malaysia is the
3rd largest
economy in
South East Asia

€7620
GDP Per Capita

GROWTH SECTORS



CONSTRUCTION



EDUCATION
& TRAINING



COMMUNICATIONS



MEDICAL DEVICES
& HEALTHCARE



BUSINESS SERVICES

MAIN EXPORTS



Electronic equipment, petroleum
and liquefied natural gas,
chemicals, palm oil, wood and
wood products, rubber, textiles

Table of Contents

1. INTRODUCTION.....	3
WHY THIS MARKET IS IMPORTANT	3
PURPOSE OF THE REPORT.....	3
HOW IT WAS COMPILED	3
2. CRITICAL SUCCESS FACTORS.....	4
WHY THIS MARKET IS IMPORTANT	4
BUSINESS CULTURE	4
GETTING READY TO EXPORT.....	8
CASE STUDY – WORKING WITH PARTNERS IN MALAYSIA	10
3. STARTING IN THE MALAYSIAN MARKET.....	12
INTRODUCTION	12
GEOGRAPHY	12
TRAVELLING FROM IRELAND	13
COUNTRY TIME.....	14
MARKET RESEARCH	14
CASE STUDY - BEGINNING TO DEVELOP BUSINESS IN MALAYSIA	15
CASE STUDY – KEY SUCCESS FACTORS FOR SUCCEEDING IN MALAYSIA	16
BUILDING MARKET PRESENCE.....	17
4. ROUTES TO MARKET	20
DIRECT EXPORT FROM IRELAND.....	20
USING A LOCAL PARTNER	20
SOURCING A LOCAL PARTNER.....	20
CASE STUDY - TIPS FOR BETTER BUSINESS IN MALAYSIA	21
5. LEGAL ISSUES IN MALAYSIA.....	23
INTRODUCTION	23
ESTABLISHING A PERMANENT PRESENCE IN MALAYSIA.....	23
TAXES.....	24
EMPLOYMENT LAW	26
CASE STUDY – ESTABLISHING THE RIGHT BUSINESS IN MALAYSIA	27
6. GROWTH SECTORS IN MALAYSIA	29
INTRODUCTION	29
KEY SECTORAL OPPORTUNITIES FOR IRISH EXPORTERS.....	29
POWER GENERATION – OIL & GAS AND RENEWABLE TECHNOLOGY.....	29
CONSTRUCTION.....	30
MEDICAL AND HEALTHCARE SOLUTIONS	31
ICT – CREATIVE & DIGITAL MEDIA, BROADBAND, CLOUD COMPUTING, FINANCIAL AND SERVICES IT ..	32
EDUCATION & TRAINING.....	35
7. SELLING TO THE GOVERNMENT IN MALAYSIA.....	36
INTRODUCTION	36
GOVERNMENT TENDERS.....	36
8. HOW ENTERPRISE IRELAND CAN HELP YOU SUCCEED IN MALAYSIA ..	38
PRE-VISIT SUPPORT	38
IN-MARKET SUPPORT	38
INTERNATIONAL TRADE EVENTS PROGRAMME	38
INTERNATIONAL MARKET CONTACTS.....	38
ADDITIONAL SUPPORTS	38
CONTACTS IN MALAYSIA	39
DIPLOMATIC AND CONSULAR INFORMATION FOR MALAYSIA - EMBASSY OF IRELAND	39
ACKNOWLEDGEMENTS	40
DISCLAIMER	40

1. Introduction

“Malaysia is the third largest economy in South East Asia, and GDP is expected to grow by 5.1% for 2014, driven by higher consumer and business spending. It has an unemployment rate of just 3% and ranks sixth among the economies with the most business-friendly regulations.”

Source: World Bank 2013 - Doing Business survey

Why this market is important

Malaysia has been recognised for its transformation from being a commodity-driven economy in the 1970s into becoming one of the world's leading trading nations with a diversified economy consisting of both export (energy, commodities and manufactured electronics) and domestic (financial services, tourism, and domestic consumption) led sources of growth.

It is a highly open economy, (exports comprise over 100 per cent of GDP) and is one of the world's leading exporters of semiconductor devices, computer hard disks, audio and video products and air-conditioners, palm oil, and natural gas.

In 2010, it launched the New Economic Model (NEM), with which the country aims to reach high-income status by 2020. The NEM is expected to drive private consumption in the country as well as regionalise Malaysia's traditional economic sectors and anticipates sustained development of green-field, high-value service sectors such as tourism and biotech. These ongoing Government initiatives are expected to spur domestic private consumption as well as offering significant opportunities for Irish businesses prepared to export to this growing economy.

In 2015, The ASEAN Economic Community, or AEC, will come into effect, creating a single market that encompasses 600 million people across 10 countries. Brands in the region have an historic opportunity to connect with consumers as ASEAN enters a new growth phase. These consumers are also markedly young and upwardly mobile. ASEAN's population is projected to reach more than 650 million people by 2020, and half will be under 30.

Purpose of the report

The objective of “Access Malaysia” is to give practical and up-to-date information on the market for Irish companies. Here you will find useful, easy-to-digest advice on the critical aspects of doing business in Malaysia for companies at all levels of business development. This guide covers:

- How to get started
- Malaysia's business culture and how it differs from Ireland's
- Market research
- Routes to market
- Key legal issues, tax, and recruitment considerations
- How to sell to the Government.

How it was compiled

This report (written in Dec 2013 and Jan 2014) is based on the practical experience and knowledge of highly successful people in the market and is written by specialists in areas such as taxation, immigration law and marketing. It is informed by the lessons learned by a selection of Irish business people who have already succeeded in Malaysia.

“Access Malaysia” is intended to be of use to a wide audience, from companies thinking of exporting to Malaysia for the first time to those already selling in the market.

2. Critical Success Factors

“In order to access the Malaysian Government tenders, you need to work with a local Malay Bumiputera partner, and without it your tender is unlikely to be considered. The reason for this is that the Government wants to ensure local involvement in all foreign activities.”

Don Kingston, Managing Director, Quest Computing

Why this market is important

If you are considering doing business in Malaysia, there are a few things to note. It is an ethnically diverse country with different sets of customs and traditions for each group, so behaviour needs to be tailored according to who you are dealing with. A common factor between all the groups, however, is that it is a country where business is done through relationships, which means that it takes longer to get decisions made.

The main ethnic groups in Malaysia are the native Malays (50.4%) as well as a large population of Chinese-Malays (23.7%), and Indian-Malays (7.1%). When visiting the country, it is clear that the different ethnic groups retain their religions, customs and way of life. The most important festivals of each group are public holidays. Although growing up children are educated in the same schools and will eventually work in the same offices, few marry outside their own ethnicity. Families tend to socialise within their own ethnic group – all part of retaining their individual traditions and lifestyles.

Business Culture

Malaysia presents the visitor with a myriad of different cultures within its business world, and as it is so ethnically diverse, it is advisable to hire a local intermediary before initiating any business negotiation as they will help bridge the cultural and communications gap, thus allowing you to conduct business with greater effectiveness. Do as much research on your potential contacts as possible, as this will help tremendously during initial relationship-building. While the Government gives preferential treatment to ethnic Malays, the Chinese and Indian business communities still play a pivotal role in the Malaysian business world.

Meeting and Greeting

If possible, schedule meetings at least three to four weeks in advance. Since Malaysians want to know who they will be meeting, provide details on titles, positions, and responsibilities of attendees ahead of time. In accordance with business protocol, people should enter the meeting room in hierarchical order, as Malaysians may assume that the first foreigner to enter the room is the head of your company.

Greetings in a social context will depend upon the ethnicity of the person you are meeting.

In general, most Malays are aware of Western ways so a handshake is normal. There may be slight differences, though, and a few things to bear in mind include:

- Some Malays and Indians are uncomfortable shaking hands with a member of the opposite gender.
- Foreign men should always wait for a Malaysian woman to extend her hand. Foreign women should also wait for a Malaysian man to extend his hand.
- Women can shake hands with women. Instead of shaking hands with women, men may bow instead while placing their hand on their heart.
- The Malay-Chinese handshake is light and may be rather prolonged. Men and women may shake hands, although the woman must extend her hand first. Many older Malay-Chinese lower their eyes during the greeting as a sign of respect.

- Malay-Indians shake hands with members of the same gender. When being introduced to someone of the opposite gender, nodding the head and smiling is usually sufficient.
- Among all cultures, there is a general tendency to introduce higher ranking people or older people first. Introduce women before men and the older person to the younger person.
- It is important that professional titles (professor, doctor, and engineer) and honorific titles are used in business.
- The way names are used also varies between ethnicities, so it is advisable to ask upon saying your own name "How should I address you?" This then avoids any confusion.



NEED TO KNOW

Need to know – different rules for gift-giving for each ethnic group

Gift giving is not as all-pervasive as it is in some other countries such as Japan or Korea, but gifts are still appreciated and seen as a relationship-building tool. Gifts should be small and wrapped, and never open a gift given to you in the presence of the giver. The Government has recently begun to crack down on bribery, so ensure you check with your partner before giving any gifts, in case it might be perceived as such.

Always have some small items that are recognisably Irish such as a book on Ireland or an Irish pen ready to give out in your bag, in case one is offered unexpectedly to you.

Gift giving to Malays:

If invited to someone's home for dinner, bring the hostess pastries or good quality chocolates.

Never give alcohol.

Do not give toy dogs or pigs to children or anything made of pigskin.

Avoid white wrapping paper as it symbolises death and mourning and yellow wrapping paper, as it is the colour of royalty.

If you give food, it must be "halal" (meaning permissible for Muslims).

Offer gifts with the right hand only or both hands if the item is large, and gifts are generally not opened when received.

Gift giving to Malay Chinese:

If invited to someone's home, bring a small gift of fruit, sweets, or cakes, saying that it is for the children, as a gift is traditionally refused before it is accepted to demonstrate that the recipient is not greedy.

Never give alcohol.

Do not give scissors, knives or other cutting utensils as they indicate a desire to sever the relationship. Flowers do not make good gifts as they are given to the sick and are used at funerals.

Elaborate gift-wrapping is imperative. Do not wrap gifts in mourning colours - white, blue, or black. Instead use happy colours - red, pink, or yellow. It is best to give gifts in even numbers since odd numbers are unlucky, and gifts are generally not opened when received.

Gift giving to Malay Indians:

If you give flowers, avoid frangipani as they are used in funeral wreaths.

Do not give alcohol unless you are certain the recipient drinks alcohol.

Do not wrap gifts in white or black, wrap them in red, yellow or green paper or other bright colours as these bring good fortune.

Do not give leather products to a Hindu and offer gifts with the right hand only or both hands if the item is large. Gifts are generally not opened when received.

Business cards

In Malaysia, the business card represents the person, and as such they need to be treated with great care and respect. Business cards are generally exchanged after an introduction.

- After the introductions, offer your business card to everyone present. You may not always get one in return. Business cards should be printed or – preferably embossed - in English.
- Show advanced degrees on your card and make sure that it clearly states your professional title, especially if you have the seniority to make decisions.
- If you are meeting a Malay Chinese, have one side of your card translated into Chinese, with the Chinese characters printed in gold.
- If you will be meeting Government officials, have one side of your card translated into Bahasa Melayu, which is the official language of Malaysia.
- Present your card with both hands, with the print facing the recipient. Alternatively, use your right hand, with the left hand gently supporting your right.
- Accept others' cards using both hands if possible. Smile and make eye contact while doing so, then examine the card carefully. Not reading someone's card can be an insult.
- Next, place the card on the table in front of you or into your card case. Never put someone's card into your back pocket or otherwise treat it disrespectfully. Never write on a person's business card.
- The respect you show someone's business card is indicative of the respect you will show the individual in business, so act accordingly.

Business Meetings

As a general rule, you will be expected to be punctual; therefore it is advised to arrive to business appointments on time. Displaying anger if you have to wait, which happens often, will reflect very poorly on you. Politeness and diplomacy are prerequisites when doing business in Malaysia. Directness can be misconstrued as rudeness and is seen as the behaviour of people who lack respect.

The most important thing to remember in any meeting in Malaysia is that the relationship is of much greater importance than the issue being discussed. Relationships are based on loyalty, harmony, non-aggression, respect for the "face" of others and other such inter-personal issues. Therefore, it's important to always remain calm and diplomatic and not become overly animated in either speech or body gesture.

The primary purpose of the first meeting is to become acquainted and build relationships, and it is unrealistic to expect initial meetings to lead to straight decisions; instead, consider the time spent before discussing any actual business issues as a vital part of the relationship-building process, the importance of which should never be underestimated.

Suitable topics of conversation would be family, sport (especially soccer), your impressions of Malaysia, your organisation, future plans etc. Topics to avoid might be politics, religion and ethnic tensions in Malaysia. The amount of time given over to such small talk will probably diminish as the relationship develops. Therefore, don't be surprised if meetings run on later than scheduled, and allow for delays in your timetable.

Try to show respect to the senior member of the Malay delegation by addressing questions to the senior person - even if the senior person is not the best speaker of English.

When attending normal business meetings, the standard western business attire of suits and ties for men and suits or skirts and blouses for women is appropriate.

Evening functions can be more informal with short sleeves being worn by men and trousers by women. Women should be aware of Muslim sensitivities and clothes should not be too revealing.

Communication and Language

Malaysian communication styles are characterised by extreme forms of politeness and diplomacy. The underlying drive is to ensure the preservation of the existing harmony within a group or to develop a sense of harmony with new contacts. Thus, communication can, at times, seem overly formal and this is especially true when carrying bad news or when giving information to superiors.

'No' is a difficult word and is, therefore, rarely heard. Malaysians prefer to give bad news in a very circuitous way through the use of 'coded' messages, which may be difficult to pick up on. When unsure of the exact meaning of what has been said, try to ask a few 'open' questions to draw out further information. It is probably safest to assume that anything other than a definite 'yes' followed by detailed plans is really 'no'. Don't always take the word 'yes' to mean 'I agree'. It could be merely an affirmation of understanding. Also, Malaysians may laugh at what may appear to outsiders as inappropriate moments. This device is used to conceal uneasiness.

Silence is an important element of Malaysian communication. Pausing before responding to a question indicates that they have given the question appropriate thought and considered their response carefully. Many Malaysians do not understand the Western propensity to respond to a question hastily and can consider such behaviour thoughtless and rude.

Most Malaysians working in any kind of international role speak fluent English. English is widely spoken and is seen as a mark of prestige, and very many people have a near-fluent command of the language. Superficially, therefore, communication is generally much easier than in some other countries in the region. However, be aware that what is said is not necessarily what is meant.



NEED TO KNOW– The official language of Bahasa Melayu

Bahasa Melayu is the official language of Malaysia. Although most Government officials speak at least some English, their command of the language may be limited and they may prefer to use their own one. It is often best to use an interpreter in order to avoid misunderstandings.

English spoken in Malaysia often has unique pronunciation and grammar, which can lead to misunderstandings. When communicating in English, speak in short, simple sentences and avoid using slang and jargon. It will help people with a limited command of English if you speak slowly, summarise your key points often, and pause frequently to allow for interpretation. Correspondence with Government officials must be in Bahasa Melayu.

Most people will also speak their own native language and also Bahasa Melayu, which is used as a 'bridge' language across the various ethnic divides.

While English is generally considered the language of business in Malaysia, you may need to employ interpreters during formal meetings and negotiations to prevent any misunderstandings. There are two forms of interpreting:

Consecutive interpreting means you speak and then your interpreter speaks: this is the usual form for meetings, discussions and negotiations.

Simultaneous interpreting involves the immediate translation of your words as you speak them. This requires special equipment and can be expensive. It is generally used only for large seminars and conferences.

Interpreting is a skill requiring professional training. Just because someone is fluent in English and Bahasa Malaysia, it does not necessarily mean that they will make a good interpreter.

If you are giving a speech or presentation, remember that the need to interpret everything will cut your speaking time approximately in half (unless using simultaneous interpreting). It is essential to make sure that the interpreter can cope with any technical or specialist terms in the presentation. If you are giving a speech give the interpreter the text well in advance and forewarn them of any changes.



NEED TO KNOW – Getting the best out of your interpreter

Have your own interpreter available, even if your Malaysian counterparts have one for their side. With your own interpreter, you should also be able to get some post-meeting feedback concerning the nuances of what was said (and – just as importantly – not said).

Try to involve your interpreter at every stage of your pre-meeting arrangements. The quality of interpretation will improve greatly if you provide adequate briefing on the subject matter. Ensure your interpreter understands what you are trying to achieve.

Speak clearly and evenly with regular breaks for interpretation. Do not speak for several paragraphs without pause. Your interpreter will find it hard to remember everything you have said, let alone interpret all your points.

Conversely, don't speak in short phrases and unfinished sentences. Your interpreter may find it impossible to translate the meaning if you have left a sentence hanging.

Avoid jargon, unless you know your interpreter is familiar with the terminology. Listen to how your interpreter interprets what you have just said. If you have given a lengthy explanation but the interpreter translates it into only a few words, it may be that they have not fully understood. Or they may be wary of passing on a message that is too blunt and will not be well received by the audience.

Make sure that your message is getting through clearly and is delivered in a tone that will not cause resentment.

Getting ready to export

Advice from successful exporters

Decision-making and Negotiation

While companies tend to be very hierarchical, decision-making is normally a consensus-oriented group process in Malaysia, a process which can take a long time and requires patience. This can be confusing for Westerners looking to identify the 'key decision-maker' in an organisation, while in reality such a role may not exist at all.

Influencing the decision-making requires building strong relationships with as many of the stakeholders as you possibly can. Senior leaders orchestrate the process and secure the support of the group, their input carries a lot of weight and they sometimes have the final say, so do everything you can to win their approval.

Negotiation

Leveraging relationships is an important element when negotiating in Malaysia. The Malaysians expect long-term commitments from their business partners and will focus mostly on long-term benefits. Although the primary negotiation style is competitive, Malaysians nevertheless value long-term relationships and look for win-win solutions.

Should a dispute arise at any stage of a negotiation, you might be able to reach resolution by leveraging personal relationships and emphasising long-term benefits to both sides. Show your commitment to the relationship and refrain from using logical reasoning or becoming argumentative since this will only make matters worse. Patience and creativity will pay strong dividends. In extreme situations, use a mediator, ideally the party who initially introduced you.

Sharing of Information - Malaysians first spend considerable time gathering information and discussing various details before the bargaining stage of a negotiation can begin. People usually do not share their information freely.

Pace of Negotiation - Expect negotiations to be slow and protracted as relationship building, information gathering, bargaining, and decision-making all take considerable time. Be prepared to make several trips, if necessary, to achieve your objectives.

Negotiating Style - Malaysians generally pursue multiple actions and goals in parallel. When negotiating, they often may jump back and forth between topics rather than addressing them in sequential order. Negotiators from different cultures, such as Germany, the United Kingdom, or the United States, may find this style confusing, irritating, and even annoying, but don't show this; instead, keep track of the bargaining progress at all times, often emphasising areas where agreement already exists.

Bargaining – Malaysians are used to hard bargaining but will usually haggle less extensively than other Asians. However, expect local businesspeople with international experience to use a wide array of negotiation techniques quite competently. The bargaining stage of a negotiation can be extensive. Prices may move by about 25 to 40 per cent between initial offers and final agreement. Leave yourself sufficient room for concessions at different stages. Ask the other side to reciprocate if you made one.

Negotiation Techniques - Deceptive techniques are frequent and Malaysian negotiators may expect you to use them as well. It is advisable to verify information received from the Malaysian side through other channels if you have a chance. Similarly, they treat 'outside' information with caution. Do not take such tactics personally and realise that overt attempts to lie at or bluff your counterparts could backfire and might damage business relationships.

Final offers may be made more than once and are almost never final. Do not use tactics such as applying time pressure or making expiring offers, since Malaysians could view these as signs that you are not willing to build a long-term relationship. They may choose to terminate the negotiation.

Periods of silence in conversations are normal and may not represent an attempt to use it as a negotiation technique. Avoid pressure tactics completely since they cannot be applied effectively without running the risk of causing loss of face. Malaysian negotiators avoid most aggressive or adversarial techniques since they affect face, and if you use them it may be viewed as an unfriendly act and so is best avoided.

As in most strongly relationship-oriented cultures, negotiators may sometimes use emotional techniques such as attitudinal bargaining, attempting to make you feel guilty, grimacing, or appealing to personal relationships. Be cautious when doing this yourself. You might cause the other side to lose face, which could damage your negotiating position.

Opening your negotiation with written offers and attempting to introduce written terms and conditions as a negotiation tactic is rarely successful. In most cases, Malaysians will ignore or tactfully reject them and request that each aspect be negotiated individually.

Dining and Entertainment

Entertaining is an important part of doing business, and most business entertaining is done in restaurants. The most important meetings are followed by lunch or dinner, so be sure to reciprocate any dinner with a dinner of equal value.

Spouses may be invited to dinner if the meal will not involve business discussion. It is not advised to bring spouses to a business lunch. Be aware that Malaysian etiquette dictates that it is the host who is expected to order all dishes in a restaurant.



NEED TO KNOW – Bumiputera

This is a Malay term widely used in Malaysia, embracing indigenous people of the Malay Archipelago. The term comes from the Sanskrit word *bhumiputra*, which can be translated literally as "sons of the soil". Since the 1970s, Bumiputeras enjoy a "special position" according to the constitution, giving them the right to preferred treatment in certain areas of public life, e.g. education. This policy was initially introduced to even out inequalities among the different ethnic groups in Malaysia, especially in view of Chinese Malaysian economic dominance.

The policies succeeded in creating a significant urban Malay middle-class but it continues to incur resentment among many Chinese and Indians, who say the policy treats them like second-class citizens, so many ethnic minorities are leaving the country.

Case Study – Working with partners in Malaysia

Don Kingston, Director Quest Computing Ltd and AIMS Software PTE Ltd.

“Do all the research and due diligence you can beforehand (even before you go to the country), because in the long run, the business partner you select can either make or break your business in Malaysia, so take the time beforehand to get it right.

www.grantmanagementsoftware.com

About Quest Computing

Established in 1989, Quest has grown to become one of the leading Management Information Systems Specialists, having built its reputation on the design and development of mission-critical systems for both public and private sector organisations. Quest is the author of the global market leading Grant and Funding Management product, AIMS, which addresses the needs of progressive funding organisations.

Top tips for Irish exporters

- Focusing on business relationships is the key to achieving long-term success in Malaysia, because it is a person-to-person culture. Before anything else can happen, the relationships have to be established, trust has to be gained, and the Malaysians need to know who they are dealing with on a personal level before they will seriously consider doing business with you.
- If you are selling in Malaysia and not setting up locally, then be prepared to travel to Malaysia regularly.
- Take note that while the Malaysians are very friendly and easy-going, decisions take a long time to be arrived at. The sales cycle can take at least 50 per cent more time over that of one in Europe, so be prepared to wait for developments to take place at their pace.
- In order to access the Malaysian Government tenders, you need to work with a local Malay Bumiputera partner, and without it your tender is unlikely to be considered. The reason for this is that the Government wants to ensure local involvement in all Government activities.
- To help you understand the lay of the land when doing business in Malaysia, take advantage of Enterprise Ireland's expertise, make use of all the Irish-Malay networks, and any other introductions or interviews you can, in order to get a good feel for how business is conducted there.
- Be very clear on your market entry strategy and your selling points with your Malaysian partner. Identify who is responsible for what aspect of doing business. For example, you as the Irish company might supply the technical, delivery and commercial capability so that the partner can then easily sell on your product or service.
- It's relatively easy to organise a meeting with the Government departments, provided you have a Bumiputera partner. However, make sure that you get to see the Director-General of the relevant department within the Government, once you've convinced his managers of your proposition. As you will need his/her approval for further engagement, your partner will need to assist you with that.
- Understand Muslim habits and customs when dealing with Government departments. Be conscious that a Friday afternoon can be a difficult day to set up meetings so make yourself familiar with the culture so that you don't offend anyone.
- Be aware of your physical size in relation to the Malays when you first enter a meeting room, especially if you are very tall, as that can be a bit intimidating since the Malaysians are of much smaller stature. When meeting Muslim women, be aware of religious courtesies, and don't shake hands with them (as a man), unless they offer first. If you touch your chest, it has the same significance as shaking hands.
- Use the two-handed submission of business cards, take time to look at the business cards, leave it on the desk in front of you during the meeting. Finding the first name can be problematic as there could be 3 or 4 names on the cards, so the best way to deal with it is to ask "How may I address you?"

- To develop the business relationship, socialising will be important, and you'll know that your business relationship is progressing well when you begin to go out to dinner with your partners. Remember not to suggest a "meet for a quiet pint" until you know the person very well.

Maintaining relationships is very important – while we have an office and are building a team there, I'd visit Malaysia / Singapore every month to 6 weeks and stay 2-3 weeks. This keeps all aspects of the relationship smooth, partnerships up to date, retains your current clients and helps develop new business. It takes a lot of time but the pipeline for opportunities in Malaysia has a tremendous amount of long-term potential that we want to invest in. ”

.

STARTING IN THE MALAYSIAN MARKET



3. Starting in the Malaysian market

“As Malaysia is still a developing market, it is relatively easy for a company with a unique product or a service to become a market leader in an industry that is still relatively open, compared to other markets that may be more developed.”

Vincent Teo, President, Ireland-Malaysia Business Association. (IMA)

Introduction

Malaysia is a relatively open, State-oriented and newly industrialised market economy. Oil income from Petronas comprises over 50% of Government revenues, and it is a substantial producer of rubber (13% of world output), palm oil (45% of world output), timber (35% of world tropical hardwood production) and tin (25% of world output). Multinational corporations from more than 40 countries have invested in over 5,000 companies in Malaysia's manufacturing and related-services sectors, encouraged by the country's pro-business environment. It is one of the world's top locations for offshore manufacturing and service-based operations today.

Geography

Malaysia is in a unique position, sitting at the centre of a population hub of some 600 million people in South East Asia. It is bordered by Brunei, Thailand, Singapore and Indonesia, and Kuala Lumpur is the capital, with a population of 1.6 million people.

It is a multi-racial, majority Muslim nation of approximately 29 million people. It is a Federal State that has a monarchy system of governance. It is comprised of 13 large states and 3 different federal territories. Its area is about 329,847 square kilometres with a population density of 86 sq. km. The Malaysian land is divided into two parts, namely Malaysian Borneo and Peninsular Malaysia, between which the South China Sea flows.



Malaysia has a typically tropical climate with temperatures ranging between 27C and 35C and with humidity about the 90% level all year round.

Government

Malaysia has 13 states and three federal territories, i.e. Kuala Lumpur, Putrajaya and Labuan, governed directly by the Federal Government of Malaysia. Kuala Lumpur is the Malaysian capital, while Putrajaya is Malaysia's administrative capital.

Nine of the 13 states have hereditary rulers. From these states (Perlis, Kedah, Kelantan, Terengganu, Pahang, Selangor, Negeri Sembilan and Johor), the Head of State of Malaysia, the King or Yang Di-PertuanAgong, is elected every five years.

The Government is a parliamentary democracy. Since independence in 1963, Malaysia has been ruled by the same coalition Government of the National Front (Barisan Nasional, BN), headed by the main Malay party, the United Malays National Organisation (UMNO).

Languages

There are as many languages spoken in Malaysia as there are people of different ethnic backgrounds. Bahasa Melayu is the official language, but English is an active second language which is widely spoken, particularly by business people.

In total, there are over 130 different languages spoken in Malaysia. The most common ones – apart from Bahasa Melayu and English – are various Chinese dialects as well as Tamil.



NEED TO KNOW – Religion in Malaysia

Religion is a defining feature of life in Malaysia. With more than 60 per cent of the population being Muslims, Islam is the official religion; however, fundamentalist principles do not affect the conduct of business. Religious duties are observed daily and the working day is punctuated by prayer in many offices. Some provinces observe Friday as the day of rest and close for business. Kuala Lumpur maintains a more Western weekly pattern - although some offices open on Saturday morning.

Ramadan, the month of fasting, is observed and levels of effort and motivation can, naturally be affected. Government departments often find themselves under staffed at this time, which may cause delays.

Freedom of religion is enjoyed by everybody. Buddhists make up another big religious group in Malaysia, followed by Christians, Hindus, and various Chinese religions. There are over 30 different religious holidays observed across the country, including Islamic New Year, Chinese New Year, Diwali/Deepavali, and Christmas. Many political parties are based on race, ethnicity, religion, and even in legislative matters, religion plays an important role.

For a full list of all the public holidays in Malaysia please access <http://publicholidays.com.my/>

Travelling from Ireland

There are no direct flights between Ireland and Malaysia. However, as Kuala Lumpur is an international hub, there are many international carriers who have connecting flights there through major European, Gulf or Asian cities. The length of time to get there varies; however, allow at least 15 hours.

Irish passport holders are not required to obtain a visa prior to arrival in Malaysia for short visits of up to 90 days. No visa is required for EU citizens, and you will normally be given permission to stay for 3 months on arrival. Visas for longer stays or for non-tourist purposes must be obtained from the nearest Malaysian diplomatic mission before you travel. Visit the website of the [Malaysian Government](http://www.malaysian.gov.my/).

There are two main passenger airports used in Kuala Lumpur, KUL and SZB. Both KUL terminals are at Sepang 55km south of the city and SZB Subang is 25km west of the city, which is closer to the city, so allow one hour for travelling time.

Most transits from KUL airport to Kuala Lumpur areas like Bukit Bintang or KLCC will generally take around 40-60 minutes, slightly longer at 'peak' times of day. An express rail system, the KLIA Ekspres, links the centre of Kuala Lumpur to the KUL airport. The high-speed railway operates at 15-minute intervals, and the journey time is 26 minutes.

Country Time

Malaysia is 8 hours ahead of Ireland, with no Daylight Saving, so allow for this time difference when planning meetings, phone calls and itineraries.

Government offices operate from 8.00 am to 4.15 pm (Kuala Lumpur operates up to 4.45 pm), with a one-hour lunchtime, extended to 2.5 hours on Fridays.

Private offices generally run on a normal eight hours a day system, from 9.00 am to 5.00 pm, with some offices open for a half day on Saturdays. Many large shopping complexes are open seven days a week between 10.00 am to 10.00 pm.

Banking hours are generally between 9.30 am to 4.30 pm on weekdays and 9.30 am to 12.00 pm on Saturdays. However, only selected branches are opened on the 2nd and 4th Saturdays of each month. The exceptions are the states of Kedah, Kelantan and Terengganu, where Friday is the weekly holiday instead of Sunday. Therefore, Government offices, banks and most shops are closed.

Market Research

Any company looking to expand into Malaysia or any foreign market must first gather information, prepare an export plan, make a series of key decisions and ensure the necessary financing is in place. Exporting can be a great way to grow a company, but it also entails risk.

Research the market and focus on the strengths, weaknesses, opportunities and threats your company might face. Set out to have a clear understanding of the culture, customs and economic conditions of the Malaysian market before setting up business.

Another useful approach is learning from other Irish companies' experiences that have been successful in the Malaysian market. This guide includes some case studies from Irish companies based in Malaysia, and Enterprise Ireland can also provide relevant introductions to useful contacts if you are interested in investigating further.

Market Research Resources - Being abreast of local market trends, especially in your sector, will help enormously when it comes to building your knowledge about the Malaysian market. Below are some websites that will help you to source industry-specific information:

The Malaysian Investment Development Authority (MIDA) is the Government's principal agency for the promotion of the manufacturing and services sectors in Malaysia. MIDA assists companies which intend to invest in the manufacturing and services sectors, and includes providing information on the opportunities for investments, as well as facilitating companies which are looking for joint venture partners. <http://www.mida.gov.my/env3/index.php>

InvestKL works with other Government Ministries, entities and agencies to formulate attractive fiscal packages, and help corporations identify business opportunities while strengthening their competitiveness regionally and globally. <http://www.investkl.gov.my/default.aspx>

PEMANDU's main role and objective is to oversee implementation and assess progress of the Economic Transformation Programme and the Government Transformation Programme. <http://www.pemandu.gov.my/>

Ministry of Trade and Industry (MITI) – www.miti.gov.my/cms/index.jsp

Malaysian Communications and Multimedia Commission – www.skmm.gov.my

Ministry of Science, Technology and Innovation – www.mosti.gov.my

Department of Statistics Malaysia – www.statistics.gov.my/portal/index.php?lang=en

Royal Malaysian Customs Department – www.customs.gov.my/index.php/en

World Intellectual Property Organisation – an overview of the legislation and relevant contacts for Malaysia: <http://www.wipo.int/portal/index.html.en>

Intellectual Property Corporation of Malaysia – information on the law and application procedures: <http://www.myipo.gov.my>

The document below promotes investments into certain identified services sub-sectors in Malaysia. It contains information on current policies, procedures, approvals, equity requirements and incentives for the services sub-sectors.

<http://www.mida.gov.my/>



NEED TO KNOW

A great source of market intelligence is Enterprise Ireland's Market Research Centre, which offers client companies access to company, sector, market, and country information to explore opportunities and compete in international markets. Much of this information is not readily available elsewhere. Please visit www.enterprise-ireland.com/en/Export-Assistance/Market-Research-Centre/ for more information on the market research facilities available, and for a database of sector-specific information that will indicate whether there is research available for the market you wish to target

Case Study - Beginning to develop business in Malaysia

Barry Murphy, CEO – TCAS Online

“Note that despite an initial very positive response from a prospect, it will still take a long time to close a deal. Malaysians need to know all about your company, who runs it, how you do business, what markets you are in, how it is growing etc. There are layers and layers of relationship that have to be built, so be patient while it's happening, as it can't be avoided if you want to do business there.

www.tcasonline.com

TCAS Online Ltd is a multi-national, leading provider of software solutions. Its systems have been designed and implemented specifically for the management of student accommodation portfolios and conference facilities.

Tips for the Malaysian market:

- It is important to frequently visit Malaysia in order to develop successful business relationships. Building and demonstrating trust is paramount to doing business, therefore a 'fly in, fly out' approach to servicing the market won't work - be prepared to commit for the long term!
- Malaysia has quite a British feel to it (it was a British colony until 1963) and the Malaysians are very considerate and friendly, so when dining out be assured that using a knife and fork instead of chopsticks is perfectly acceptable. Also, don't be surprised if the majority of Malaysians see Ireland as being part of the UK - they simply don't understand the difference.
- When presenting your product or service, be prepared to deliver a robust demonstration of your products' or service capability if it is new to the Malaysian market. We found that using examples/case studies of previous successes in UK and Ireland were not appropriate - instead it's best to clearly outline how your product or service will work for the Malaysian market.
- It's advisable to research the travel time required for any journeys you may need to make while in Kuala Lumpur and give yourself enough time to get to meetings on time. Public transport is easy to navigate and can often be quicker than taking a taxi, especially in peak hour traffic.
- While visiting Malaysia, organise as many meetings as possible with relevant contacts, local partners, Enterprise Ireland, networking associations and embassy networks, so that you remain 'front of mind' and build upon existing relationships. Therefore, give as much notice as possible to your network of any upcoming visits to Malaysia so that you can maximise your time there.
- Connecting and accessing the internet is relatively easy in Malaysia (4G and free Wi-Fi is very common) and they are quite advanced in their use and adoption of technology so if your business is cloud based, it will be easy to access an internet connection to demonstrate its capability.

- Due to there being a considerable amount of public holidays in Malaysia between the three different ethnic groups, business decisions can be significantly delayed at certain times of the year. It's worthwhile researching when these holidays are, so that you optimise your time when visiting Malaysia and also to factor in possible delays that may affect your sales cycle.”

Case Study – Key Success Factors for succeeding in Malaysia

John Casey, Head of DCC South East Asia, FEXCO

“Commit resources to Malaysia if you are serious about doing business there, as flying in and out from Ireland is simply not feasible to build long-term relationships - it reflects being “out of sight, out of mind.

www.fexco.com

FEXCO Commercial FX Services is a specialist foreign exchange and payments provider, offering efficient and cost-effective payment solutions. It provides foreign exchange and payments solutions to both business and personal customers.

- Irish businesses are typically not well known in Malaysia, therefore it is crucial to spend time building relationships and trust in order to build a reputation for your business. This can take quite a while to achieve, so it's necessary to be patient and sensitive to the Malaysian business culture.
- It's definitely worth investing in having a local presence on the ground in Malaysia as soon as possible. It is incredibly difficult to service the market remotely as it is very easy to lose momentum if you are not continually present to build ongoing relationships in Malaysia.
- Building your sales opportunity pipeline will be accelerated by having the right contacts in the marketplace to represent you – for example, arranging introductions for potential business partners, advising on local culture, and the way of doing business in Malaysia. In addition it helps to identify which opportunities are worth chasing and which should be dropped.
- The personal trust factor in doing business in Malaysia is huge and cannot be underestimated as Malaysians do not like to commit to business opportunities until they have a full understanding of your business and have taken time to delve into the detail of what is being discussed. It is important to be aware of this and factor extra time into how long your sales cycle will take.
- Make use of all the networks and introductions that Enterprise Ireland and other networking associations can offer you. Recruiting the right kind of personnel can be difficult, so this is where your network and contacts comes into play, as very often the person you require may be referred to you either through word-of-mouth, or else as a friend/colleague of a contact.
- Be aware that although Malaysia is less formal than other countries in Asia (such as Japan or Korea), business meetings can still be quite ritualised - the handing over of business cards, and the initial relationship building activities still needs to happen in order for trust to be built with your partners and clients.
- Gift-giving is not as prevalent in Malaysia as other Asian countries – any gifts we have given have been very small (such as cakes at Chinese New Year) and more of a token, a reminder of the fact that we are operating in the marketplace, and that we have a local presence.
- Overall, the Malaysian economy is going through an accelerated growth phase which is reflected through growing consumer demand with higher spending patterns. There are significant opportunities for Irish companies to be successful in Malaysia, however, it takes time to build trust for fruitful business relationships, so do not expect instant success.”

Building market presence

While Malaysia may not be regarded as being as sophisticated or as wealthy as some of its South East Asian counterparts, it is fast catching up on its neighbours. This is a country of opposites – on the one hand, it is quite religious and conservative, yet at the same time usage of the Internet, social media, and social networking sites is booming. The area around Kuala Lumpur is a bustling international city, while the more rural areas are still highly agricultural in nature.

It is very much a country of diverse ethnicities and very different culturally to that of Ireland. Beliefs in the use of certain colours and superstitious symbols are prevalent, so make time to research any marketing tools you use that might be potentially offensive.

At the point of entry into Malaysia, your company or brand may be almost totally unknown in the marketplace. This means having to spend more on marketing than your competitors, especially domestic ones. The most effective way to invest your marketing budget is to use an integrated approach from some of the following options.

Professionally translated materials

Because the Malay language and culture are so completely different to that of Ireland, it is essential that you enter there with professionally translated materials. The benefits of this are outlined below:

- Malaysian clients / trading companies will be more open to do business if all materials and documentation are provided in Bahasa Melayu as it shows the foreign company's commitment to the market.
- A professional quality translation can get your message across better, however Malay translators used by Malaysian companies in Malaysia may not have the same grasp of English nuances. For technical translations, software localisation or where health & safety are critical, any poor translations can have serious consequences, so always double-check your translations with a local person to ensure all meanings are clear.
- It is important to remember that some marketing messages in English will not make sense in direct translation. These messages may need to be "adapted" or localised. A professional translation agency can take care of this for you.

Hard-copy marketing material

Corporate marketing material is essential in establishing your credentials for Malaysian prospects, and they are a useful sales tool at events such as trade fairs which may play some role in your initial market building. Brochures should always be translated into Bahasa Melayu and should include an overview of the product or service you provide, contact details, and if possible, some endorsement by a significant customer. Just as with presentations, your marketing collateral should focus on the benefit to the customer rather than the features of your offer.

Website

A well-constructed and easy-to-navigate website provides great opportunities for Irish exporters. It might seem obvious, but when you are entering a new market, it is essential to update your website to accommodate international enquiries and purchases/sales.

A good website will serve as your corporate brochure and prospects will usually go straight to it to check you out. By providing a professionally translated Bahasa Melayu-language website, you can be sure that your contacts, clients and distributors can verify the bona fides of your organisation. A translated website is a great platform from which to develop further online marketing & sales activities within the target market.

Maintaining an up-to-date website allows you to:

- Make contact with potential customers before leaving Ireland
- Reach Malaysian customers cost-effectively
- Introduce, promote and demonstrate new products

- Project the impression of a professional organisation.

Other useful tips include:

- Use customer endorsements where possible, and photographs to show your products or services being used
- Use search optimisation and search engine marketing techniques
- Consider setting up a local .my domain dependent on company location to make sure that Malaysian prospects can find your website as easily as possible and to reinforce the idea that your service is local
- Ensure that your contact details are easy to find, preferably with a direct email address and a photo of the staff member responsible for the Malaysian market.

However, it may be necessary to give your site a complete aesthetic and navigational make-over for your new market, especially as the Malay people do not like certain colours, motifs or items. Make sure it is either designed by a local or at least checked by a Malay person.



NEED TO KNOW – Speed of Change

Due to the Malaysian economy being so open, and the fact that it is growing so quickly, if you are doing business within the Malaysian marketplace, be aware that it will need to reflect the fast-moving nature of business there, so your marketing strategy will need to be continually re-assessed and refined.

Public Relations

The Government of Malaysia does not welcome surprises in the press, so understanding the Government's agenda prior to distributing any data that might go against its plans is desired. If releasing any sensitive information that might reflect negatively upon the Government, a tailored approach with the buy-in of the Government would be essential for a company's PR communications.

Obtain a dependable Asia Pacific calendar with public holidays and festivals clearly in place, and never conduct PR activities a few days before a religious festival, as your communications will not be covered, as journalists tend to go on leave around this time.

Media

Malaysia has some of the toughest censorship laws in the world, although the internet is unregulated and the main outlet for political debate. The authorities regard foreign influences as potentially harmful and are keen to protect the largely Muslim population from these influences, particularly via television.

News is subject to censorship and entertainment and music videos are likely to have scenes featuring kissing and swearing removed. These laws can have a significant impact on advertising and marketing activities, and foreign companies are strongly advised to get in touch with local marketing specialists that are accustomed to working within the country's strict controls.

Internet & social media

Social media can be an effective way to build up a network in the Malaysia and as it continues to grow rapidly, it offers businesses new and meaningful ways to engage with other businesses, people, events and brands that are relevant to them. However, be careful about which channel you choose depending upon the image you wish to portray.

65% of Malaysians use the internet, with the heaviest users being under 35, and 38% are over 35. Social networking captures the largest percentage of consumers' time in Malaysia with 91.6% of web users visiting a social networking site, and Facebook is the most visited site in Malaysia (75.5%).

Twitter is also well integrated with 16% using it. LinkedIn has a penetration of 14%, and a user base of 1 million, while Google is the dominant search engine with 87% share of all searches.

Source: comScore Media Metrix, March 2013

Exhibitions/Symposiums/Conferences

Conferences and exhibitions are a good way of meeting potential new customers, but you still need to persuade them to buy your product. Sales literature needs to be effective in English and, if possible, in Bahasa Melayu and you need to decide what kind of advertising is appropriate.

Trade fairs are a very popular method in Malaysia to promote your business. The majority of trade fairs in Malaysia take place in Kuala Lumpur, and the most common types are electronics, food and furniture. For an up-to-date list please visit <http://www.tradefairdates.com/Fairs-Malaysia-Z155-S2.html>

ROUTES TO MARKET



4. Routes to Market

“It’s important not to sign any contracts with partners or distributors in Malaysia, until you do due diligence and are clear about who their customers are, and how they operate.”

Ron Anderson, MIBN (Malaysia Irish Business Network)

Direct export from Ireland

Given the restrictions around foreign businesses involvement in certain sectors, plus the Government’s positive discrimination policy, it is not advised to enter the Malaysian market directly – at least initially. It can work for your company, but this very much depends on the nature of your business and your considerations around the risks versus benefits of such an approach, hence the wisdom of spending time in the market before deciding on your entry strategy.

Going direct involves you supplying your products or services to your clients without involvement of any intermediaries. This way, you will need to gain knowledge of who you are selling to, obtain end users’ direct feedback and understand customer needs better. You will also need to be prepared to deal with a large amount of communication with the client directly, which may lead to potential communications difficulties and misunderstandings.

Using a local partner

In general, you will need to invest time and energy into finding the right partner in Malaysia if you are to give yourselves the best chance of success in the market. Malaysia is a business culture built on relationship building and nurturing.

When you speak to potential partners, you should be aware that it will be a two-way assessment: it is not only you who will be trying to assess suitability; they will also be assessing you.

You should assess potential partners’ appropriateness from various aspects:

- Their sector knowledge, experience and evidence of a clear marketing strategy at the outset (short-mid-long term)
- Their network in Malaysia with prospective end-user clients
- Their market coverage - are they nationwide or regional?
- The language skills you can call on

In addition, if your products or services are subject to specific regulations (e.g. medical devices, cosmetics, footwear, financial services, etc), you should check your potential partner’s level of expertise with handling regulatory affairs. The presence of a section committed to regulatory issues may be one way to judge this.

Do not assume that if you ask a question and the reply is “Yes, we can do that” that it is true. As Malaysians avoid saying “No”, all answers to questions would need to be independently verified by you.

Sourcing a local partner

There are three main ways to go about finding a local partner:

1. Indirect business with clients via agent

You will talk to an agent and they identify your potential clients for you. Generally speaking, they operate small-scale and have specific industry expertise and do not hold any stock. For example, this works efficiently in the case of identifying licensing partners for specific technologies in the ICT sector. If you manage to identify the most suitable person for your business, it can turn out to be very effective, but finding the right intermediary is not an easy process; strong and proactive management of this relationship will be important.

2. Indirect business with clients via non-exclusive distributor(s)

You may talk to more than two distributors at any time. As they identify and speak to your end-user clients, the potential for communications issues or misunderstandings will be less than talking to your clients direct. You may wish to bear in mind, however, that your distributors could approach the same end-user client and introduce the same products for different prices. Allocation of different products or regional coverage to each distributor may also be an approach.

3. Indirect business with clients via sole-representative

You select and appoint one Malaysian distributor as your sole-representative. At the outset you will discuss all aspects of your business in Malaysia with them, including identification and selection of appropriate clients, and product / service marketing (e.g. price and brand image controls). This will be the simplest way of doing business with Malaysia, but if you find their performance unsatisfactory and decide to terminate, this can bring complications as you extricate yourself from the relationship. Ensure that any agreement that is signed has an opt-out clause in the case of under-performance.

For more information on setting up a business please refer to section 5 of this document.

Case Study - Tips for better business in Malaysia

Ron Anderson, Chairperson, MIBN

“The Malaysians have a saying “Malaysia Boleh” which is a bit like our “Is féidir linn” and it means “Malaysia can do it”. When asked a question, the Malaysians tend to say “Boleh”. However, as the culture does not support saying “No” directly, you have to evaluate very carefully when a company asserts that they can do something, and verify if they actually can do it. So investigate everything thoroughly.

www.mibn.my

The MIBN is the Irish business network in Malaysia, a voluntary organisation that has been set up to facilitate better business relationships between the Irish community in Malaysia, and Malaysian businesses.

When investigating doing business in Malaysia, it is important to do your due diligence, not only to allow you to see how robust the company is, but also if they have the right contacts that you need for your chosen business sector in Malaysia.

- Make use of all possible contacts and sources of information before you even come to Malaysia – utilise Enterprise Ireland, MIBN, EU Malaysia Chamber of Commerce, Embassy of Ireland and any other sources of information you can find, ask for meetings to be set up for you as soon as you get to Kuala Lumpur, because this will then help you to find the right business partner.
- Avoid doing business in Malaysia if it will only be a long-distance relationship. This is valid for two reasons; firstly, it is not possible to do good business in Malaysia at arm's length, you need to be here on the ground. Secondly, if the business partner turns out to not be the right one for your business then it can be very difficult to extricate yourself from a legal agreement.
- While looking for the right business partner, ask them to take you out to meet their customers, as this will give you valuable insight into how their business operates, and it will help clarify for you whether this company is right for you or not.
- Selling to the Malaysian Government is very possible for Irish companies, and it's definitely worth doing as there is a lot of potential for business in it. However, the route you need to follow is quite different to how you would go about it in Ireland, and you'd need a partner.

- There is a formal system and process in place if selling to the Government, so it's important to find out as much as possible about that before you choose a business partner, because the partner has to be in the right type of business.
- Be sure to cut your cloth according to the culture in Malaysia – it is very different and it warrants doing as much research as you can on it before you begin to look for a business partner there.”



NEED TO KNOW – Tips for a successful business in Malaysia

Malaysia is not a market that can be serviced remotely from Ireland. If you are planning to do business there, make sure you factor in upfront the time and resources required to develop (and subsequently maintain) the relationships required.

A successful business in Malaysia will almost certainly have a Malaysian partner and it is essential to qualify for any Government project funding.

To find a local partner who can facilitate the necessary introductions and access networks for you, invest time in identifying suitable candidates and doing due diligence before your market entry is finalised.

LEGAL ISSUES IN MALAYSIA



5. Legal issues in Malaysia

“Location of a business in Malaysia is dependent upon what sort of industry the company is in. Whilst most companies would assume that setting up in Kuala Lumpur would be right, in fact depending on whether it is manufacturing or services, another location might be far better and include tax incentives for locating there also.”

Amnah Shaari, Group Chief Executive Officer, Beyond Corporate House

Introduction

Establishing a business in Malaysia has become a lot easier to do in recent years and the country has made great strides in reducing the complexity of the process required. Below are a number of different ways to do this, depending upon your company's objectives and business scope. Make certain, however, to seek professional legal and tax advice early on in the process, as once established it can prove difficult to alter a business structure.

Regulatory environment

Malaysia's regulatory environment changes frequently, based on the relationship between pressures on the Government to expand affirmative action policies to provide the bumiputera with more extensive benefits, and pressures from the private sector and other actors to liberalise the economy and reduce regulatory hurdles. Therefore, it is important to have expert legal and tax advice before setting up your business.

The Government has recognised red tape as an obstacle to doing business. According to business executives surveyed by the World Economic Forum in the Global Competitiveness Report 2012-2013, complying with Government administrative requirements (e.g. permits, regulations, reporting) is easy enough. A recent change has enabled companies to renew their business premise licences at any time during the year instead of year-end re-registration, and the validity of the licence has been extended from one to three years.

The World Bank & IFC's Doing Business 2013 states that the overall regulatory environment in Malaysia has been significantly improved in recent years. The Government has facilitated business start-up by introducing more online services. Now, starting a business in Malaysia requires a company to go through 3 procedures and it takes 6 days with no minimum capital requirement.

Establishing a permanent presence in Malaysia

Companies that want a permanent presence in Malaysia have to set themselves up as an appropriate legal entity - depending on their intended business scope - and be compliant with Malaysian legal and tax requirements.

Having a permanent in-market presence can have several benefits, including: demonstrating commitment, providing direct access to the end customer/supplier, giving direct control over corporate strategy and activities, enabling trading in the local currency and fulfilling a legal requirement to have a permanent presence (relevant in certain business activities and sectors).

There are a number of legal structures that allow foreign invested enterprises (FIEs) to do business in Malaysia. Each one has its own advantages, restrictions and drawbacks, so it is essential to choose the option best suited to your business aims. It is usually more difficult to alter a business structure once a legal entity has been incorporated or established, so it is essential to seek professional advice on your investment structure during the early stages of planning.

However, there is a list of businesses which may *not* be established by foreigners in Malaysia, including management consultancy and executive search, you can find the entire list here at <http://malaysiabizadvisory.com/type-of-businesses-not-permitted-for-foreigners-in-malaysia/>

Incorporating a business in Malaysia

A business in Malaysia may be conducted:

- By an individual as a sole proprietor (Malaysian citizen only),
- By two or more (but not more than 20) persons in partnership, by a locally incorporated company,
- A foreign company may carry on business in Malaysia by either:
 - i. incorporating a local company; or
 - ii. opening a representative office in Malaysia.

Only Malaysians who are residents in Malaysia or foreigners who are permanent residents in Malaysia may register a sole proprietorship or a partnership. The most important criterion for the setting up of a company is local participation. All companies must have at least two directors who are principally residing in Malaysia. The majority of foreign businesses choose to set up either a representative office or a branch office, depending on their business needs.

Representative offices

Representative offices are often the first step taken by foreign companies when establishing a permanent presence in Malaysia. They provide a vehicle through which the foreign investor can undertake activities such as market research, customer liaison and support. Representative offices can also organise business visits from company headquarters, which can make the process of obtaining business visas for visitors much easier. Public relations work and local administration are also permitted. However, a representative office cannot conduct sales activities. This means they cannot sign contracts, receive income or issue invoices and tax receipts. Applications to establish a representative office should be made to the Malaysian Industrial Development Authority (MIDA).

Branch offices

Branch offices can be used for companies that own property in Malaysia but do not plan to have their head office there, and need the ability to exercise their rights based on the Malaysian legal system. Registration to become a branch office is made with the Companies Commission of Malaysia (CCM). A registration fee is payable, based on the authorised share capital of the parent company. A higher registration fee is payable if the parent company has a high authorised share capital.

Other types of business structures may also be established, so for more information visit <http://www.mida.gov.my/env3/index.php?page=incorporating-a-company>



NEED TO KNOW – Choosing the correct business structure

Some types of industry require part-Malaysian ownership. These include: education, petroleum banking and finance and agriculture. Some types of companies can also be 100% foreign-owned, so ensure that you choose the right structure for your business before incorporation. For more information, visit <http://malaysiabizadvisory.com/types-of-malaysia-business-licenses-for-foreigners/>

Taxes

The overall regulatory environment in Malaysia has significantly improved in recent years, including a reduction of extensive red tape, and the facilitation of business start-ups by introducing more online services. Malaysia's taxes are assessed on a current year basis and are under self-assessment system for all taxpayers. There are two types of taxes, i.e. direct and indirect.

Direct taxes:

- Income tax
- Real property gains tax
- Petroleum income tax
- Stamp duty
- Others

Indirect taxes:

- Excise duty
- Import and export duty
- Sales tax
- Service tax
- Others

All income accrued in, derived from or remitted to Malaysia is liable to tax. However, income of any person (other than a resident company carrying on the business of banking, insurance or sea or air transport) derived from sources outside Malaysia and received in Malaysia is exempt from tax. The sales tax rate varies from 5 per cent to 10 per cent. The corporate tax rate is 25 per cent, and Malaysia has a tax treaty agreement with Ireland.

Company Liability to tax and Tax rates

Companies are subject to tax on non-exempted income or profit derived from Malaysia as follows:

For companies with paid up capital of not more than RM2.5 million (€561,827), the income tax rate is 20 per cent on the first RM500,000 of chargeable income and 25 per cent thereafter subject to conditions.*

For companies with paid up capital of more than RM2.5 million (€561,827), the income tax rate is at the flat rate of 25 per cent. (Does not apply to a company in which 50 per cent of its paid up capital is directly owned by a company that has a paid up capital of more than RM2.5 million. (€561,827))

Generally, all income of companies and individuals accrued in or derived from sources outside Malaysia and received in Malaysia is liable to tax. However, income remitted to Malaysia by resident companies (other than companies carrying on the business of banking, insurance, air and sea transportation), resident individuals, non-resident companies and non-resident individuals are exempt from tax.

Personal Income Tax and Withholding Tax

- Resident individuals with chargeable income of RM16,667 (€3,710) and above per annum (after deduction of personal reliefs) 1-26 per cent
- Non-resident individuals (not entitled to any personal reliefs) 26 per cent

Withholding Tax (Non-resident persons)

- Special classes of income (use of moveable property, technical services, installation services on the supply of plant and machinery, etc.) 10 per cent
- Interest 15 per cent
- Royalty 10 per cent
- Contract payment on:
 - Account of contractor 10 per cent
 - Account of employee 3 per cent
- Other income such as commission, guarantee fees, agency fees, brokerage fees, introducers' fees etc. 10 per cent

Whilst every effort has been made to provide the most up-to-date advice on tax and incentives, regulation is subject to change so visit the Malaysian tax information site <http://www.hasil.gov.my/index.php> for the latest information.

Tax incentives for foreign investors

There is a suite of tax incentives available in Malaysia including but not limited to the following:

- Pioneer status
- Investment tax allowance
- Reinvestment allowance
- Infrastructure allowance
- Allowance for increased exports
- Operational headquarters
- Treasury management centres
- Green incentives
- Double deductions/special deductions
- Pre-package incentives for approved business, and
- Import duty and sales tax exemption.

The extent of exemption under each type of tax incentive varies. Companies from various sectors, including but not limited to the manufacturing, services, tourism, construction, trading, agriculture and education, may be eligible to apply for the types of incentives available for the respective sector.

In addition, the Malaysian Government, in trying to attract foreign direct investment, is open to considering pre-packaged incentives, for tax, fiscal and non-fiscal incentives. Factors such as the size of investment, level of spin-off, employment opportunities, and technology transfer, whether of national and strategic importance, will play a role in the granting of the incentive.

For more information on incentives available for foreign firms, go to the Malaysian Industrial Development Authority (MIDA) site at www.mida.gov.my

Employment Law

Please note that there are certain jobs for which no foreigners can be employed – the full list of these can be found here <http://malaysiabizadvisory.com/types-of-industries-in-malaysia-foreigners-not-permitted/>

Malaysia has a young workforce that is disciplined, educated and trainable. Young people who enter the labour market will have undergone 11 years of school education, up to secondary school level. Workers in Malaysia are generally keen to acquire new skills. However, employers' previous over-reliance on unskilled and cheap foreign labour has led to inadequate growth of skilled workers in the labour market, so many businesses in Malaysia, including SMEs, face increasing difficulties in recruiting and retaining skilled workers at the technical, supervisory and managerial levels.

TalentCorp Malaysia, an agency set up by the Malaysian Government in 2011, is designed to streamline the performance of the Malaysian labour market and to attract Malaysians who are working abroad to return home. There are also programmes that assist local graduates such as FasTrack, Structured Internship Programme (SIP) and also Talent Wanita to raise and improve the market of skilled labour.

Skills development

To cope with the manufacturing sector's demand for highly skilled workers, the Malaysian Government has taken measures to increase the number of engineers, technicians and other skilled personnel graduating each year from local educational institutions, as well as foreign universities, colleges, technical and industrial training institutions. The Human Resources Development Fund (HRDF) was launched in 1993 and is aimed at encouraging direct private-sector participation in skills development with a grant from the Malaysian Government.

Recruitment

There are several channels for recruiting staff in Malaysia:

- Job online services such as www.bestjobs.com.my and www.mycen.com.my/malaysia/job.html.
- Classified adverts for jobs in English are available in English daily newspapers such as the Business Times, New Straits Times and The Star.
- There are trade journals for key industry sectors, such as the Malaysian Timber Bulletin and Water 21.

There are several experienced domestic and international recruitment services operating in Kuala Lumpur. When you are recruiting in Malaysia, make sure that you carry out all the normal steps that you would if recruiting in Ireland. Ensure that candidates' technical and linguistic capabilities match their claims and that you hire staff at the right level for the role.

Hiring staff in Malaysia

The Employment Act 1955 is the main legislation on labour matters in Malaysia. Malaysia's business environment is generally strike-free. The Industrial Relations Department (IRD) continues to be important in maintaining a harmonious environment in the labour market, by helping to avert industrial action through active intervention, consultations as well as negotiations between parties. In the event of a dispute, the Industrial Relations Act provides for free negotiation between trade unions and employers on a voluntary basis. The regulation of employment in Malaysia, specifically the high cost of terminating employees, should be noted before any recruitment is undertaken and underlines the need to be very specific in outlining job requirements.

Employers and employees share the costs of the [Social Security Organization](#) (SOSCO), which covers an estimated 12.9 million workers. No systematic welfare programmes 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. Before undertaking the employment of any staff in Malaysia, it is important to be aware of regulations relating to unfair dismissal, unions, and general legal obligations to employees. For further information, visit the website of the Ministry of Human Resources – www.mohr.gov.my.



NEED TO KNOW – Business transparency in Malaysia

Corruption remains an issue in Malaysia. Anyone doing business in the country is likely to encounter, or hear of, corruption in one form or another. Practices such as facilitation payments and bribes in order to develop business relationships are still a problem in certain places. Malaysia is determined to stamp out these anti-competitive practices and the Malaysian Anti-Corruption Commission (MACC) was formed on 1st January 2009, and has launched a number of high-profile investigations since its formation. The Government has aimed at curtailing corruption through several initiatives and efforts, for instance:

- Malaysia was ranked 60 (of 182) in Transparency International's corruption perception index in 2011, and by 2013 it had improved to be ranked at 53.
- The Corporate Integrity Pledge was introduced in 2011.
- The Whistleblower Protection Act came into force in December 2010, providing protection to those who report corruption cases from both the public and private sectors.

Case Study – Establishing the right business in Malaysia

Amnah Shaari, Group Chief Executive Officer, Beyond Corporate House

“Be advised that to have the best chance of success as a foreign company in Malaysia, a Regional Office or Representative Office should be set up first. The business objective could be research and development for new software, or to find business partners in Malaysia. While this “office” status means that no sales can take place, on the other hand there is no auditing or capital requirement, bank accounts and offices may be opened, and Malaysian staff can be hired. This is a good way for any foreign company to investigate doing business in Malaysia.

Beyond Corporate House is a Chartered Secretary and an associate Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), and provides a broad spectrum of corporate secretarial services, among which are business consultancy and company incorporation.

<http://www.bch.my/>

- Setting up a Representative Office in Malaysia can be done if a company is in operation for more than two years (outside of Malaysia or in Ireland) by registering the organisation through MITI, the Ministry of International Trade. The same entity, directors and shareholders can be used, and the company

can then be fully registered in Malaysia. The process takes about two months, and then the company has a full work permit. The two-year licence that is granted is then renewable for up to ten years.

- After that, if the company then decides it wants to trade in Malaysia, then a limited company must be set up. It is essential to get local advice before setting up any sort of limited company in Malaysia, because depending upon the type of industry, there are different incentives and tax benefits; however, if the company is not set up correctly in the first place, these benefits may be lost.
- The Ministry of International Trade or MIDA (<http://www.mida.gov.my/env3/index.php>) controls many of the tax and fiscal incentives for foreign companies in Malaysia. For example, a particular company wanted a “pioneer status” which is zero tax for the company for ten years. (If a business is unique, and has never been done before in Malaysia, it can qualify for this). The company had to apply for eligibility and once it was deemed eligible, it then received the status within a few months. However, local legal and tax help was essential in order to get through the application process.
- Location of a business in Malaysia is dependent upon what sort of industry the company is in. Whilst most companies would assume that setting up in Kuala Lumpur would be right, in fact depending on whether it is manufacturing or services, another location might be far better and include tax incentives for locating there also.
- Get the right advice for what your business is from the start. In Malaysia, there is a free trade zone with zero tax. Companies can import and export goods outside of Malaysia around the world without any problem. If you are located in the free trade zone, 10 per cent of your goods can be sold internally or into Malaysia, but 90 per cent is expected to be exported, and there are different tax incentives.
- Join every network you can find as networking is very important and make sure to meet as many people as possible.
- In Malaysia, the Human Resource Development Fund (HRDF) is funded by a 1 per cent levy of the total monthly salary and this fund must then be spent on training. Irish companies, once registered with the Ministry of Human Resources, can then apply for a licence which enables them to supply the training to the staff of these private companies. Equally, a good Corporate Social Responsibility (CSR) programme may also attract incentives.
- Irish people are very well-liked in Malaysia and Malaysians like doing business with them, so it is a real advantage for Irish companies to go there, as they are already well-known and have a good reputation.”



NEED TO KNOW – Setting up a business

If you are planning to do business in Malaysia, it is essential to consult a lawyer about the possible options and how you plan to conduct the business. Government restrictions 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, who has the ability to distribute and provide locally-based technical support.



NEED TO KNOW - Import Licences and Customs

Most goods, with the exception of certain items, may be imported under an Open General Licence. Other licensing requirements need to be met, depending on the type of product or service. However, this can be quite an onerous task and may involve many different licensing bodies. For further information, visit the Royal Malaysian Customs Department website: <http://www.customs.gov.my/>

To find out information on import duties into Malaysia please visit this EU website http://madb.europa.eu/madb/datasetPreviewFormATpubli.htm?datacat_id=AT&from=publi#

6. Growth Sectors in Malaysia

“Malaysia was ranked as ASEAN’s second most dynamic country (after Singapore) in 2013. Now in its second year, the GDI ranks 60 of the largest economies in the world on their dynamism, drawing on both economic and business survey data. Malaysia scored second best in key areas such as business operating environment and financing environment in ASEAN for growing businesses.”

Source: The Grant Thornton Global Dynamism Index (GDI) 2013

Introduction

Malaysia is a fast-growing economy with liberal market policies aimed at promoting trade, entrepreneurship, industrial and economic development. Initiatives undertaken by the Government and the private sector have always been investor-centric and business-friendly with the aim of encouraging market development. This has transformed Malaysia into one of the most dynamic business environments in South East Asia.

The Government has ambitious plans to make Malaysia the main producer and developer of high-tech products, including software. It is a major outsourcing destination for components manufacturing after China and India. The country has attracted significant foreign investments which have played a major role in the transformation of Malaysia's economy. The Economic Transformation Programme (ETP) is focused on investment in 12 key economic areas to accelerate economic growth; and a set of policy measures to improve competitiveness. Under this model, efforts will be intensified to target and attract industries in which Malaysia has strong foundations for new growth areas such as:

1. Education and training services
2. Oil and gas
3. Healthcare travel (health tourism)
4. High value tourism activities such as eco-tourism
5. Green technology including renewable energy and energy conservation/efficiency
6. Financial services (integrated Islamic finance)
7. Creative industries
8. ICT such as telecommunications and mobile services
9. Waste management (e.g. recycling)
10. R&D and design activities
11. Regional operations such as operational headquarters (OHQ), international procurement centres (IPC), and regional distribution centres (RDC).
12. Agriculture

Key sectoral opportunities for Irish exporters

Power generation – Oil & Gas and Renewable Technology

Oil and Gas

Malaysia's energy industry is a critical driver of continued economic growth in Malaysia, accounting for about 20 per cent of Malaysia's total gross domestic product, and about 45 per cent of the Government's revenue. Malaysia is South East Asia's second largest oil producer behind Indonesia, and was the world's second largest exporter of liquefied natural gas after Qatar in 2012. It is an important regional supplier of gas to Indonesia, Thailand and Singapore.

Oil and gas production are set to grow, thanks to the development of large discoveries made in recent years. Malaysia is also aggressively developing its natural gas resources. Like most of its oil fields, the majority of Malaysia's gas reserves are located offshore.

The Malaysian Government has taken a number of measures to sustain and develop its oil and gas sector. Attractive new tax and investment incentives in the local exploration and production sector, including for enhanced oil recovery (EOR), marginal field development and deep-sea projects have opened up investment opportunities for foreign companies. For Irish exporters with project management and/or engineering-related products, this would be a very attractive sector to consider exporting into.

Renewable Energy

Malaysia is facing an energy security challenge. Electricity demand is forecast to grow by over 20 per cent by 2020 and energy subsidies remain high. Domestic oil consumption has risen while production has fallen over the past decade, leaving smaller volumes of oil available for export and meaning that Malaysia could become a net oil importer in the next few years.

It has a national target to reduce its emissions by up to 40 per cent by 2020, but the plans to burn more coal in power generation pose a challenge to Malaysia's reduction targets. Because the energy sector is hugely important to the Malaysian economy this offers significant opportunities for Irish companies to help drive energy generation towards renewable and solar sources.

The Malaysian Government plans to increase the share of renewable energy in the total energy mix to 5.5 per cent by 2015. Several fiscal incentives, policy instruments, and institutional mechanisms are in place for the development of renewable energy in Malaysia. Malaysia's feed-in-tariff system obligates the distribution companies to buy electricity generated from the renewable energy sources from the Feed-in Approval Holders (FIAHs) at a fixed premium price for a specific duration. For Irish companies with expertise in this area, there is a multitude of opportunities associated with supply, management, maintenance and monitoring.

Cleantech & Biomass

Malaysia is considered a "megadiverse country" because of the large number of endemic fauna and flora. The Malaysian Government is an active supporter of developing new knowledge and value from applied research that leads to commercial outcomes of benefit to Malaysian industry, particularly in biotechnology sectors.

As such, the country now has a number of clean technology projects going on around the country in order to decrease reliance on fossil fuels which will protect the biodiversity by decreasing the overall carbon dioxide footprint, making the environment much more sustainable in the battle against climate change.

Biomass is one of the most important sources of renewable energy in Malaysia. The National Biofuel Policy, launched in 2006, encourages the use of environment-friendly, sustainable and viable sources of biomass energy. Under the Five Fuel Policy, the Government of Malaysia has identified biomass as one of the potential renewable energy sources, as Malaysia produces at least 168 million tonnes of biomass, including timber and oil palm waste, rice husks, coconut trunk fibres, municipal waste and sugar cane waste annually.

The significant quantities of waste from palm oil extraction and processing are said to be highly damaging to the environment. For Irish companies who have expertise in algae-based bio-fuels production, consisting of the following areas: research, development, production, extraction, processing and refining, there is a wealth of opportunities to investigate in Malaysia.

Construction

Malaysia's property market remains one of the strongest performers in the region, supported by positive investor sentiments, healthy domestic demand, low borrowing costs and attractive loan packages offered by banks. Following a 25.9 per cent annual growth rate in 2012, the property market is expected to maintain this momentum with a forecast CAGR of 11.48 per cent up to 2017. The growth was supported by the country's expanding economy and increased Government spending on public infrastructure and residential construction, which collectively accounted for 63.9 per cent of the total construction industry in

2012, and these two markets will contribute significantly to the total construction industry's growth in the next 4 years.

The Government is providing the sector with a major boost: in the 2013 budget, it made affordable housing a "continuous priority," allocating €610 million to build 123,000 new affordable housing units. The Malaysian Government also launched the "Green Buildings Mission", which provides funding (approximately €336 million) and tax incentives for developing green technology and promoting the construction of green buildings. There will be a further development allocation of €52 billion for 2011-15 construction opportunities, and it continues to be an essential element of the Malaysian economy, with an urgent need for "green" building. Irish companies with expertise in the supply, manufacture and project management in this area could find significant growth opportunities there.

Medical and Healthcare Solutions

Malaysia's primary care model has been acknowledged by the World Health Organisation as a viable system to achieve "Health for all". The demand for quality healthcare continues to rise in Malaysia, with increasing affluence and rising consumer awareness. Currently about 7.25 per cent of the country's GDP is expected to be spent on healthcare. This is expected to increase with the growing population and a longer life expectancy, as well as the Government's increasing expenditures on provision of better healthcare facilities and services.

Healthcare remains a priority of the Malaysian Government, with an average 10 per cent of a budget increase year-on-year forecast out to 2017. In 2012, the Government allocation for healthcare was €3.8 billion. €419 million of this was spent on healthcare development, to enhance health facilities and provide medical equipment, increase supply of medicines, develop human resources, intensify research and enforcement activities, as well as to build more hospitals, clinics and quarters. In 2013, the Government announced plans to recruit 10,000 nurses, and there is a shortage of specialist doctors in the country.

Private healthcare spend in 2012 was €4.1bn, representing just under 55 per cent of total healthcare spending in Malaysia. Demand for this is set to increase, driven by a greater knowledge of disease and greater access to modern medicine, especially in rural areas, where healthcare is based on traditional remedies. A number of major international healthcare firms have recently announced plans to invest in Malaysia, including Novartis and Caphipharm.

Pharmaceuticals

The manufacture of pharmaceuticals, biopharmaceuticals, nutraceuticals, microbials and probiotics are eligible for special allowances and tax incentives. The development, testing and production of pharmaceuticals promoted under biotechnology are also eligible for incentives.

Local and foreign players are already engaged in activities like biopharmaceutical APIs, FDA / EMEA cGMP compliant services, specialising in monoclonal antibodies and recombinant proteins. In addition, specialised research, and development and commercialisation of biopharmaceutical products are ongoing.

To further support the development of the pharmaceutical industry in Malaysia, increasing efforts are being undertaken by the Government to develop the clinical trial services sector. Under the authority of the National Institute of Health of the Ministry of Health (MOH), a Clinical Research Centre (CRC) has been established to conduct clinical trials, clinical epidemiology and economic research, and manage complex medical databases.

Malaysia has also developed specialised parks to cater to the needs of specific industries which are technology-intensive and research-intensive. Examples of these parks are the Technology Park Malaysia in Bukit Jalil, Kuala Lumpur and the Kulim Hi-Tech Park in the northern state of Kedah.

Medical Devices

Malaysia currently imports around 95 per cent of medical devices, and the market is expected to increase by a CAGR of 13.5 per cent (2013-2018) reaching a total of €2 billion by 2018. Imports are expected to continue growing at a strong rate, in line with rising health expenditure growth, and the country's heavy reliance on imports to meet its healthcare needs.

Malaysia's medical devices industry has been identified and placed under the healthcare sector, which is among the 12 National Key Economic Areas (NKEAs). It includes seven medical devices-related Entry Point Projects (EPPs), which are projected to create €3.8 billion in revenue and generate 86,000 jobs by 2020. The seven EPPs for medical devices include tapping into the fast-growing IVD (in-vitro diagnostics) market through academic/industry partnerships, developing the next generation of single-use devices, establishing medical equipment refurbishment facilities in Malaysia for CT scanners, MRI and molecular imaging, as well as developing a medical furniture and hardware cluster, focusing on home care in developed markets, and supplying hospital furniture in emerging countries. For Irish companies with expertise in the manufacturing, or research and development in this sector, there is a wealth of opportunities to be explored.

Health IT

The scale and scope of e-health in Malaysia shows significant potential in Internet-based health services. E-health in Malaysia covers all forms of electronic healthcare delivered over the Internet, from informational, educational and commercial products to direct services offered by professionals, non-professionals, businesses and consumers.

E-health also includes a wide variety of clinical activities that have traditionally been characterised as 'tele-health' but are now delivered through the Internet. Malaysia's Hospital Information System is being implemented in phases at all new and existing hospitals and clinics. In linking public and private facilities, a National Health Informatics Centre, which is in development, will ensure all health information is processed centrally to control the transfer of patient information between providers. The emphasis on ICT infrastructural development as well as application usage and adoption will provide the private sectors, and hence Irish businesses, with extensive investment opportunities in both e-health and Hospital Information Systems.

ICT – Creative & Digital Media, Broadband, Cloud Computing, Financial and Services IT

The Malaysian Information Technology (IT) industry spending is projected to grow by 7 per cent to €3.8 billion in 2013. The market has strong growth fundamentals, including low PC penetration, rising incomes and a high-tech-focused national development plan. Key sectors include Government, telecoms, finance, health and education.

The Malaysian IT market is fragmented, with a sophisticated metropolitan market in Kuala Lumpur and its surrounds and a still very much developing market in other regions. A major production location is Penang, located on the west coast of Peninsular Malaysia. The Malaysian IT market is import-oriented and reliant on foreign technologies, with international software, hardware and services providers already active in the market.

There will be increasingly attractive opportunities in the IT services area as the Government implements measures to grow Malaysia as a regional services hub. Outsourcing in key verticals such as banking and financial services is attracting investment in data centres and other infrastructure. The Government has a number of long-term initiatives with favourable implications for demand for IT products and services, including investment in high-speed broadband infrastructure.

Internet penetration is at 56.4 per cent and the broadband penetration rate is expected to increase to 22.9 per cent in 2016, from 20.9 per cent in 2012. The total broadband market is forecasted to achieve €796 million in annual revenue by 2015, with Fibre to the Home (FTTH), Fixed Wireless Access (FWA) and Metro Ethernet.

Multimedia Super Corridor

The use of IT is being promoted by the Malaysian Government in all industries. MSC Malaysia (formerly known as the Multimedia Super Corridor) was set up in 1996 with the aim of building a competitive cluster of local ICT companies and a sustainable ICT industry. MSC Malaysia is identifying and supporting the development of niche areas in software and e-solutions, creative multimedia, shared services and outsourcing, as well as e-business.

The MSC provides state-of-the-art ICT and multimedia facilities in 'Cybercities' to various businesses, including major global ICT companies. It gives MSC-status companies incentives and benefits from the

Malaysian Government. Niche areas for applications development include healthcare, education and financial services (especially in Islamic banking).

IT-Creative media

The Malaysian industry is estimated to be worth €3.6 billion based on advertising, animation, digital content, film & TV, games, music and video. The focus for developing the industry is on creative multimedia – especially animation for simulation, advertising and entertainment – and games development.

Creative Malaysia was established by the Multimedia Development Corporation (MDeC) and helps Malaysian companies collaborate with reputable foreign firms to build skills and technologies. It provides grants and assistance for creative media projects, as well as marketing-led activities.

Ireland's indigenous creative and animation industry in particular could benefit from collaborating with the Malaysian MSC.

Digital Media

Digital technology is gaining importance in the country as a key contributor to GDP. Digital Malaysia is a new national programme launched in 2012 by the Ministry of Science, Technology and Innovation (MOSTI) and the Multimedia Development Corporation (MDeC). The objective is to advance the country towards a developed digital economy by 2020.

Internet penetration in Malaysia (currently at 56.4 per cent in 2012) is set to increase further with emerging adoption of mobile devices and social media. The mobile entertainment segment is the primary contributor of premium content revenues, and growth which is likely to be driven by mobile gaming and music-based content. There is a growing demand for digital media/e-commerce in other National Key Economic Areas (NKEAs) such as network security, e-learning and education solutions, telecommunications, e-government and e-health, all of which provide Irish exporters with opportunities to develop new business there. Opportunities also exist for developing mobile content, content applications for PDAs/mobile phones, and customised features for mobile phones.

IT-Broadband

Malaysia continues to heavily promote itself as an IT hub in the Asia-Pacific region. Demand for broadband is increasing due to mobile technology, due to growing penetration of smartphone handsets and other mobile devices. The Malaysia Communications and Multimedia Commission (MCMC) awarded the 4G- Long-Term Evolution (LTE) spectrum to eight operators in December 2012.

The Government is targeting 50 per cent broadband penetration by 2015 and will be undertaking a nationwide broadband strategy to help achieve the target, which will use a mixture of fixed, mobile and satellite technologies. The push for broadband penetration will create a large demand for telecommunication products and solutions in the country, providing opportunities for Irish IT providers. Malaysia currently lags behind several of its peers when it comes to download speeds, while demand for faster broadband is set to rise significantly in the coming years.

Under its Malaysia Digital Economy initiative, the Government expects the IT industry to contribute 17 per cent to GDP by 2020. The leadership is also targeting a compound annual growth rate of 9.8 per cent in five key sub-sectors – ICT services, e-commerce, ICT manufacturing, ICT trade, and content and media – over the next seven years, all of which provides Irish exporters with a wealth of opportunities to investigate for their businesses, in both fixed and wireless broadband technologies.

The Government is looking at undertaking an in-depth study into ways of boosting broadband speeds to between 40 and 50 Mbps by the year 2020. At present, Malaysia offers a limited fibre-optic Internet service, with operations restricted to key urban areas, mainly in the capital.

Proposals to construct a fibre optic network, providing a backbone service across the country, have already been submitted by the private sector. However, the project would have limitations and requires feeder-link connections to be put in place for wide-ranging access to be made available.

A fibre optic roll-out would produce extensive opportunities for ICT service providers, while the faster rates offered by a new grid should also open doors for firms to market more advanced technology suited to higher speeds. However, the cost of achieving near-total connectivity through fibre optics would make any project a long-term initiative.

Cloud Computing

Cloud computing is expected to gain momentum with growing investment in data-centres and ICT infrastructure in Malaysia. This model is becoming an important part of most organisations' IT strategy and is one of the Government's top ten strategic technology priorities in the Economic Transformation Programme. Cloud computing services need to be developed to provide SMEs with critical software applications for customer relations management, enterprise resource planning, supply chain management, human resource management and financial and accounting management.

33 per cent of organisations consider cloud computing as their top priority and one-third of organisations in Malaysia are using some form of cloud computing. In Malaysia, 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 identified 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, latency, data security and privacy guarantees from service providers.

Opportunities in Cloud Computing include:

- Software-as-a-Service (SaaS)
- Infrastructure-as-a-Service (IaaS)
- Platform-as-a-Service (PaaS)
- Network security
- Application security
- Access control

Financial IT

Bank Negara Malaysia (BNM), the country's central bank, is responsible for promoting monetary stability and smooth operations of national payment and settlement systems. The introduction of the Kuala Lumpur International Financial District (KLFID), which will house major international banks and financial services firms, is also expected to draw local software investments that support the growth of industry-specific applications such as banking and customer services solutions. Financial IT opportunities include:

- Technologies that improve efficiencies and cost competitiveness
- Risk and compliance management and governance
- Next generation electronic payment solutions
- User authentication
- Asset management/wealth management solutions
- Business intelligence, business process and document management solutions

IT Services

With strong domestic demand for outsourcing services and intense competition from India and China, the Government has been supportive in developing Malaysia into a competitive location through various incentives and providing programmes to improve skill sets to create a ready IT services talent pool. World-class companies such as DHL, HSBC, IBM, Intel, Motorola, Nokia, Shell, Unisys and many others have set up their base of regional and global operations in Malaysia. With the growth in Business Process Outsourcing (BPO) and IT services, Malaysia's IT services sales of €1.2 billion in 2012 has a high growth potential.

IT Services opportunities include:

- IT/technical training
- System integration and consultancy services
- Software/hardware development
- Data centre/storage

- Web services
- Software outsourcing

Telecommunications

The main telecommunications providers in Malaysia are the dominant fixed operator, Telekom Malaysia, three major mobile operators – Maxis, Celcom and DiGi - as well a host of smaller operators.

Government-linked TM has extensive telecommunications infrastructure for Malaysia's highly urbanised population. Opportunities for Irish suppliers include new technology telecommunication equipment, optical fibres, synthesis equipment, new generation networking and digital equipment.

Education & Training

Education absorbed almost a quarter of total Government operational spending in 2005, not including the major role of the private sector in higher education. The higher education system, however, is confronted with a major problem regarding the quality of teaching and research staff, and the low level of the curricula, so there are opportunities for Irish companies to offer solutions to address this issue.

The rapid development of this sector and hence growing business opportunities for Irish suppliers is demonstrated by the fact that it will soon become the "Education Hub" of the ASEAN region and €12 billion will be allocated each year for developing this sector, under the tenth Malaysia Plan (2011-2015) and Economic Transformation Programme. Some of the focus will be on skills training, English language, pre-school education and R&D.

E-learning and distance learning

Malaysia is listed as one of the eight leading nations in Online Education by Edudemic. One of the nation's biggest e-learning schools is Asia e-University, based out of Kuala Lumpur. It has been a boon for people in under-served areas, many of which have abundant access to the Internet but not universities or higher-level degree programmes. Asia e-University doesn't just reach Malaysians; it offers education to 31 different Asian nations and has partnered with a number of schools to deliver blended and fully online programmes, including developing an MBA programme through the International Business School of Scandinavia in Denmark.

The Ministry of Higher Education, via The Economic Transformation Plan (ETP Education), has set a target to increase the international online student enrolment from 7,000 in 2010 to 130,000 by 2020. The Malaysian Government reported that there were 85,000 students enrolled in online education in 2011 of which 1,497 were international students. According to PEMANDU (the Government's key delivery agency), distance learning is a globally booming market with Asia alone seeing an average growth rate of 12 per cent per year over the past 10 years. There are significant opportunities for Irish companies with expertise in the efficient delivery of education to end-users.

7. Selling to the Government in Malaysia

“In order to access the Malaysian Government tenders, you need to work with a local Malay Bumiputera partner, and without it your tender is unlikely to be considered. The reason for this is that the Government wants to ensure local involvement in all Government activities.”

Don Kingston, Director, Quest Computing Ltd and AIMS Software PTE Ltd.

Introduction

The Government's investment in the New Economic Model is intended to propel Malaysia from a middle-income to a high-income economy by 2020, based on innovation, creativity and high-value sources of growth. This is boosting not only Malaysia's traditional economic sectors but it also offers grants and assistance for the development of newer higher-value service sectors such as ICT and biotech, thereby promoting new markets and opportunities. These ongoing Government initiatives offer significant opportunities for any Irish companies prepared to do business with the Malaysian Government.

Government tenders

In most Government tenders, especially for major infrastructure, foreign companies are required to take on a Bumiputera partner before their bids will be considered, because procurement policies are designed to encourage greater participation of Bumiputera people in the economy, in order to transfer technology to local industries, create opportunities for local companies in the services sector, and enhance Malaysia's export capabilities.

It's important to be aware that the Government will expect direct involvement by a foreign company and demonstrations of long-term commitment to the local market as prerequisites for contracts of significant size. Companies should note that the Government procurement process may not be straightforward and are recommended to use a specialised public procurement due diligence tool in order to mitigate risks involving procurement in Malaysia; for further information, click [here](#).

There is a website for public procurement tenders that can be accessed [here](#), and it aims to be a centralised Government procurement information centre.

Any firm wishing to tender for Government contracts has to register with the Ministry of Finance (MOF) using the codes specified by MOF. Application and registration with the MOF can only be made through this site <http://home.eperolehan.gov.my/v2/index.php/en/index.php?lang=bm> which is the official site for Malaysian Government procurement.

There are a number of conditions that must be fulfilled for registration with MOF, to do with paid-up capital, qualifications of the employees, and the Bumiputera participation requirement. For more information on the conditions, as well as a comprehensive list of sectors, visit [this government site](#).

As an example of what tenders might be available, the Malaysian Multimedia Super Corridor (MSC) is a pioneering initiative in the world to assist companies to test the latest technology in preparing for the future. MSC has identified seven main areas of multimedia applications to be developed:

- Electronic Government
- Multi-purpose Card

- Smart Schools
- Telehealth
- R&D Cluster,
- E-Business
- Technopreneur Development



NEED TO KNOW- Selling to the Government

For any Irish companies interested in selling to the Malaysian Government, there are a myriad of opportunities available. However, in order to be successful in this, it is essential to have a local partner to help you navigate through the complex systems and procedures required to be followed. For more information on the opportunities available for businesses, visit

<http://home.eperolehan.gov.my/v2/index.php/en/about-ep/background-of-msc>

HOW ENTERPRISE IRELAND CAN HELP YOU SUCCEED IN MALAYSIA



8. How Enterprise Ireland can help you succeed in Malaysia

Enterprise Ireland is committed to assisting and supporting its clients in entering new markets and expanding in your current markets. Our team of experienced marketing professionals in our network of overseas offices are ready to help you. An overview of our service offering is listed below:

Pre-Visit Support

Enterprise Ireland can provide:

- A sector overview
- A validation of the opportunity for your product/service
- An 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

Services available include:

- Introductions to buyers and decision-makers
- Identification of potential partners
- Facilitating 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 buyer missions to Ireland
- Group stands at important 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

International market contacts

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

Additional supports

We can offer additional supports in the following areas:

- Access to translation and interpreting services

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

For further information on the services of Enterprise Ireland overseas, go to <http://www.enterprise-ireland.com/en/Export-Assistance/>

Contacts in Malaysia

Enterprise Ireland

Enterprise Ireland
 Malaysia is serviced from Enterprise Ireland Singapore office
 Enterprise Ireland
 Ireland House
 541 Orchard Road #08-00
 Liat Towers
 Singapore 238881
 Tel: +65-6733-2180
 Fax: +65-6733-0291

Contacts in Malaysia

Smruti Inamdar
Director ASEAN
 Tel: +65-6733-2180
smruti.inamdar@Enterprise-Ireland.com

Aine Kinsella
Market Executive ASEAN
 Tel: +65-6733-2180
aine.kinsella@Enterprise-Ireland.com

Contact in Dublin

George Kiely
Senior Market Adviser – ASEAN and South Asia
 High Growth Markets, Enterprise Ireland, Dublin
 Tel: +353 1 7272329
 Mobile: +353 87 1323039
george.kiely@Enterprise-ireland.com

Diplomatic and Consular Information for Malaysia - Embassy of Ireland

Embassy of Ireland, Ireland House
 Declan Kelly, Ambassador
 Ireland House
 The Amp Walk
 218 Jalan Ampang
 50450 Kuala Lumpur, Malaysia

Phone: + 603 2161 2963
Fax: + 603 2161 3427
Web: <http://www.embassyofireland.my>

Acknowledgements

Enterprise Ireland wishes to thank everyone whose input and assistance was invaluable in preparing this report:

Ron Anderson, MIBN

John Casey, Fexco

Don Kingston, Quest Computing

Barry Murphy, TCAS Online

John Ward, Steripack

Amnah Shaari, Beyond Corporate House

Vincent Teo, Malaysia-Ireland Network

Diana Byrne, Nutshell Marketing

Clíodhna Purcell, Nutshell Marketing

DISCLAIMER

Compiled during December 2013 and January 2014, this report is up-to-date with the latest available research and findings. Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. **Enterprise Ireland** accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

Readers are encouraged to consult with professional advisers for advice concerning specific matters before making any decision.

While every effort has been made to ensure the accuracy of the information contained in this publication, Enterprise Ireland accepts no responsibility for errors or omissions.

Enterprise Ireland
The Plaza
East Point Business Park
Dublin 3
Ireland
Tel: +353 1 727 2000
Fax: +353 1 727 2020

While every effort has been made to ensure the accuracy of the information contained in this publication, Enterprise Ireland accepts no responsibility for errors or omissions.

Enterprise Ireland
The Plaza
East Point Business Park
Dublin 3

Tel: +353 1 727 2000
Fax: +353 1 727 2020

www.enterprise-ireland.com



European Union
Structural Funds

©Enterprise Ireland 2014