



Kingdom of the Netherlands

Doing Business In Malaysia

With its unique geographic position, Malaysia functions as a hub into Asia, just like the Netherlands functions as a hub into Europe. Malaysia offers competitive wages, and is known for its ease of doing business, as many companies have discovered. Moreover, Malaysia has good infrastructure, ample natural resources, and is home to an educated workforce that speaks Bahasa Malaysia, English, a variety of Chinese Languages, and Tamil.

With an average growth of 5%, Malaysia is well underway to achieve its goal to become a high-income country by 2020. It tries to achieve this through sustainable and inclusive growth policies. Malaysia is a World Trade Organization (WTO) member as well as a committed founding partner of the Association of Southeast Asian Nations (ASEAN), the latter of which reached a milestone in late 2015 by establishing the ASEAN Economic Community. Negotiations continue for a single ASEAN market that would be characterized by a free flow of goods, services, investments, and a more flexible flow of capital and skills. Malaysia already has Free Trade Agreements (FTAs) with various countries in Asia, and is part of the Trans-Pacific Partnership (TPP) that was finalized in November 2015.

Malaysia and the Netherlands maintain a well-established trade relationship that flourishes from the synergy between Malaysia's wealth of natural resources and good infrastructure, and the many multinationals and innovative small-medium enterprises (SMEs) that the Netherlands is home to.

Opportunities for the Netherlands

Malaysia ranks high on the *Ease of Doing Business* list, coming in 24th out of 189 countries¹ (World Bank Group 2017). Operations such as starting a business, amenities, and obtaining building permits are particularly manageable in Malaysia. To make Malaysia a developed nation by the year 2020, the government has developed the Vision 2020 strategy, which identifies 12 National Key Economic Areas (NKEAs):

1. Greater Kuala Lumpur/ Klang Valley;
2. Oil, Gas, & Energy;
3. Palm Oil & Rubber;
4. Wholesale & Retail;
5. Financial Services;
6. Tourism;
7. Electronics & Electrical;
8. Business Services;
9. Communication Content & Infrastructure;
10. Education;
11. Agriculture; and
12. Healthcare.

¹ <http://www.doingbusiness.org/data/exploreeconomies/malaysia>

Five of these NKEAs, 'Oil, Gas, and Energy', 'Palm Oil and Rubber', 'Agriculture', 'Healthcare', and 'Electronics and Electrical' directly correspond with Dutch top sectors Energy, Bio-based Economy, Agri & Food, Life Sciences & Technology, and High Tech Systems & Materials.

Agri-food and horticulture

Agriculture, including forestry and fisheries, accounts for around 9% of Malaysian GDP in 2016. The 2011-2020 agri-food policy addresses the issue of food supply in Malaysia based on the consumer's need for quality, safety, nutrition, functionality, and environmental sustainability. This policy offers business opportunities at all levels of the value chain: from strengthening activities in R&D, innovation and new technology, to increasing the contribution of the agri-food industry, and empowering human capital. As Malaysia has an abundance of diverse crops, it has the ability to improve nutrition and develop health food products. The most dominant agricultural good in Malaysia is palm oil, followed by sawn timber. Annually, significant amounts of these commodities are exported to the Netherlands for further processing. Other agricultural goods that fuel our trade relationship are other vegetable oils, crude rubber, seafood, and vegetables.



Poultry is Malaysia's main products in the **livestock** sub-sector. Malaysia's export of live animals and meat amounted to €285 million in 2016 while imports totaled to €786 million. Following a growing middle class there is an upward trend in the demand for animal protein, including fresh dairy products. Malaysia is self-sufficient in poultry and eggs, but a large percentage of the domestic beef and mutton consumption is imported. The fastest growing sub-sector in **fisheries** is **aquaculture**, with an estimated annual production of 300,000 metric tonnes. Malaysia's total import of fish and other seafood amounted to €772 million, while export totaled €566 million. Most of the local produce within the **vegetables and fruits** sub-sector consists of fresh vegetables and fruits such as

watermelon, jackfruits, and pineapples. In 2016, exports of vegetables and fruits amounted to €540 million while imports of vegetables and fruits amounted to €1.8 billion. The Malaysian government aspires to become a country that net exports fresh produce.

Business opportunities in agri-food arise for packaging and grading systems, pest control, and production yield technology. An important remark to consider before entering the Malaysian market is the requirement of halal certification. In order to enter the market, all processed foods must be halal certified.

Horticulture is mostly found in the highlands of Malaysia. Malaysia exports 500 million stems of chrysanthemum cut flowers to Japan and Australia annually. Thailand, Singapore, Hong Kong, and the local market account for another estimated 300 million stems of yearly trade. Vegetables that are grown in the highlands are distributed year round. There is a need for tastier varieties to replace traditional ones. The horticulture sector provides business opportunities for companies that specialize in crop yield improvement; in greenhouse technologies such as better plastic, shading, and insect nettings; or in drainage and soil conditions improvement technology.

Energy

As energy constitutes about 20% of Malaysia's GDP, it is an important factor. For the energy sector, Malaysia focuses on four key factors: sustaining oil and gas production, enhancing downstream growth, making Malaysia the number one Asian hub for oil field services, and building a sustainable energy platform for growth. The Malaysian government aims to diversify the energy industry in order to become more efficient and resilient, and to be able to support Malaysia's rapid growth against a backdrop of depleting energy resources and volatile energy prices.

Oil and Gas

Petroleum resources account for 20% of Malaysia's revenue. Malaysia provides nearly 2% of the world's natural gas and around 13% of global LNG volumes. Following an increase in oil consumption, the Malaysian government is investing heavily in Enhanced Oil Recovery services and production from deepwater and unconventional resources. Petronas, the national oil company, holds exclusive ownership rights to all oil and natural gas exploration and production projects in Malaysia, and is responsible for managing all licensing procedures. Petronas aims to increase natural gas output to meet growing domestic demand, and to set up an integrated refinery and petrochemical plant (RAPID). This program should support Malaysia in its

efforts to emerge as a well-positioned regional hub for the oilfield services sector in Asia.

In addition, several other initiatives have been rolled out to attract more oilfield services companies to the country. With favorable government policies, good infrastructure and an ideal location without space constraints, Malaysia is on its way to become the gateway to Asia for the oilfield services sector.

Sustainable Energy

The 11th Malaysia Plan introduced the National Green Technology Policy. This policy focuses on four specific areas: Energy, Building, Water & Waste Management, and Transportation. The focus on green technology brings new business opportunities for production of local green technology and R&D as well as for green technology innovation. The government has introduced several tax incentives for companies that are investing in green technologies. MIDA, the government authority for investment, can be contacted for more information on such tax incentives.

Biofuels, Biomass and Palm Oil

The Malaysian palm oil industry generates large quantities of biomass, which cause environmental problems such as air- and water pollution, but which also provide opportunities. By making use of the right technologies, palm oil residues can be converted into bioenergy, or other byproducts. As empty fruit bunches (EFB) are not suitable for the production of food, they can be used to produce bio-ethanol, or oil, char, and gas by using chemical or thermo-chemical conversion processes. This would open new markets for Malaysia in countries that are willing to pay a premium for products with less greenhouse gas emissions. Recently, a number of Dutch companies have formed a consortium to jointly enter this market. Interested parties can contact the Embassy for more information.

Water

Global warming caused extreme climate variability, which leads to sea levels rising, and to flood and drought extremities throughout the country. Climate change has an effect on Malaysia's water resources, and it deteriorates water supply, water quality, agricultural production, and ecosystems including biodiversity.

Malaysia wants to invest more in efficient water use and conservation systems, as floods and severe droughts affect many people annually. Although there are still challenges to be overcome, Malaysia's government is starting to focus on pro-actively taking measures for water management. The goals of these measures are for water supply to become more stable

during drought seasons, and for infrastructure to effectively prevent flooding during wet seasons. The National Water Resources Policy sets out a plan to achieve this. Encouraging people to save and conserve water requires high capital outlay and manpower, in combination with possible additional changes on water tariffs and combatting non-revenue water. This creates business opportunities for Dutch companies with expertise in either water resources information systems or water management infrastructures.



Transport and logistics

The transport equipment industry comprises the automotive, aerospace, shipbuilding and ship repair (SBSR), and rail subsectors. The transport equipment industry attracted some RM4.8 billion worth of capital investments in 2016. These projects are expected to generate more than 7,239 employment opportunities.

The Malaysian government is developing a petrochemical hub Iskandar in Johor region, which shows similarities to our Port of Rotterdam. Its strategic location provides multiple advantages, such as: being in a six to eight hour flight radius of growth markets like Bangalore, Dubai, Hong Kong, Shanghai, Taipei, and Tokyo; being within reach of a global market of about 800 million people; being accessible by air, land, rail, and sea; and being flanked by three major ports: the Pasir Gudang Port, the Port of Tanjung Pelepas, and Tanjung Langsat Port. This sector hence offers opportunities for companies that are seeking economic growth in ASEAN and Asia.

Maritime

The shipbuilding and ship repair (SBSR) industry in Malaysia covers an extensive range of ships. There are approximately 100 registered shipyards in Malaysia, most of which specialize in building small-medium size vessels such as ferries, barges, tugs, offshore support vessels, yachts, fishing vessels, and patrol crafts. Some larger yards have the capacity to build and service

bulk carriers and tankers, as well as to manufacture and service offshore structures. According to the Review of Maritime Transport 2017 by UNCTAD, Malaysia ranked 25th in the list of nations with the largest registered fleets. In addition, Port Klang is the largest port in Malaysia and is in the same league as the port of Rotterdam. The SBSR industry is mainly driven by local players, yet it generated RM470.9 million worth of investments for new projects in 2016. These projects are expected to generate a total of 159 employment opportunities. The industry is projected to grow in tandem with the maritime sector, which contributes significantly to Malaysia's economic development. There is ample opportunity for business expansion here, particularly for the manufacturing of related parts and components, system integration, and other marine equipment.



How can we support your business?

If your company is in need of support, do not hesitate to contact the Netherlands Embassy in Kuala Lumpur. In a diverse and welcoming society such as Malaysia, we can support you in finding your way in doing business. The Dutch Embassy in Kuala Lumpur offers support to Dutch companies that are already active in Malaysia, and to Dutch companies that are looking to start doing business in Malaysia.

Our main services include:

- Providing information on sectors and potential business partners;
- Monitoring business opportunities;
- Supporting trade missions and visiting programs to Malaysia;
- Organizing meetings with relevant authorities at local, provincial, or government level;
- Providing information on Malaysian rules and regulations;
- Identifying relevant partners for Research & Development;

- Troubleshooting and assistance;
- Advise on available financial instruments and services.

The Embassy collaborates closely with the Malaysian Dutch Business Council (MDBC), which provides members with access to an extensive network of both Malaysian and Dutch companies. It has an active network of over 250 members.

Relevant addresses:

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Relevant websites:

Embassy of the Kingdom of the Netherlands in Kuala Lumpur Malaysia: malaysia.nlembassy.org/

Netherlands Enterprise Agency (RVO):
www.rvo.nl/onderwerpen/internationaal-ondernemen/landenoverzicht/maleisie

The Malaysian Dutch Business Council (MDBC):
www.mdbc.com.my

European Chamber of Commerce and Industry in Malaysia (EU-MCCI): www.eumcci.com

Malaysian Investment Development Authority (MIDA). With an office in Frankfurt, serving the Netherlands: www.mida.gov.my

Malaysia External Trade Corporation (Matrade). With an office in Rotterdam: www.matrade.gov.my



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