



Kingdom of the Netherlands

# Doing Business In Malaysia

**With its unique geographic position, Malaysia functions as a hub in Southeast Asia, just like the Netherlands functions as a hub in Europe. Among other countries in this region Malaysia is known for its ease of doing business, as many companies have discovered. The business environment is further complemented with good infrastructure, ample natural resources, and it is home to an educated and multilingual workforce.**

With an average growth of 5.4%, Malaysia is well underway to achieve its goal to become a high-income country. 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.

Malaysia has already established multiple bilateral and Free Trade Agreements (FTAs) with countries such as Australia, Chile, India, Japan and New Zealand. Being part of ASEAN, Malaysia is also a signatory of CPTPP and RCEP. Despite not having a free trade agreement with the EU, Malaysia and the Netherlands maintain a well-established bilateral trade relationship. The Netherlands stands out as an important trading partner for Malaysia in the EU.

In 2020 import of goods from Malaysia to the Netherlands was worth about € 7.2 billion while exports from The Netherlands to Malaysia were valued at €1.1 billion. The trade predominantly takes place in the sectors food and agriculture; chemicals; machinery and transport equipment; and oil and fats. The good trade relationship can be attributed to the complimenting attributes of both countries, with Malaysia's wealth of natural resources and good infrastructure on the one hand and the many multinationals and innovative small-medium enterprises (SMEs) that the Netherlands is home to on the other hand.

## Opportunities for the Netherlands

Malaysia ranks high on the Ease of Doing Business list, coming in 12th out of 190 countries (World Bank Group 2020). This is no surprise considering the great amenities that Malaysia offers in addition to the comparative ease of starting a business and obtaining permits. There are various organizations at the federal and state level that facilitate investors and companies that are interested in doing business in Malaysia. The following industries in particular have been identified as holding potential for Dutch businesses and bilateral trade.

## Agri & food

Agriculture accounts for 7.1% of Malaysian GDP in 2019. Malaysia has recently launched the National Agrofood Policy 2021-2030 (DAN 2.0) which will continue the momentum of the tracks of the previous National Agrofood Policy 2011-2020. The 2011-2020 policy addressed the food supply based on the consumer's need for quality, safety, nutrition, functionality and environmental sustainability. The new Malaysian Agrofood Policy has an added focus on the modernization and application of smart farming methods to transform the Malaysian Food Systems and its agrofood development agenda. The Dutch government is currently working on a multi-annual strategy program to position interested Dutch entities in such a way that they can benefit from this new policy shift. The Dutch government will be engaging with Malaysian public and private entities in exploring mutually beneficial business, investment and cooperation opportunities at various levels of the value chain. This ranges from strengthening activities in R&D, to innovation and knowledge transfer, and from the commercialization of the agri-food industry to empowering human capital. The most dominant value added agricultural sector in Malaysia is palm oil at 37.7%, followed by other agriculture (25.9%), livestock (15.3%), fishing (12.0%), forestry & logging (6.3%) and rubber (3.0%). Annually, significant amounts of palm oil 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 and pig** farming represent by far the biggest share of the livestock industry in terms of output value. In year 2020 ex-farm production value of chicken and duck eggs was estimated to be €1,094 million and poultry meat output are estimated to be in the region of €22,995 million while the pig industry contributes about €802 million. Malaysia is self-sufficient in poultry and eggs, but a large percentage of the domestic beef and mutton consumption is imported. Following a growing middle class, there is an upward trend in the demand for animal protein, including fresh dairy products.

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 2020, exports of vegetables and fruits amounted to €187.6 million while imports of vegetables and fruits amounted to €362 million. The Malaysian government aspires to become a country that net exports fresh produce. Business opportunities in agri-food will arise for packaging and grading systems, pest control, production yield & post-harvest technology and other innovative solutions.



**Horticulture** is mostly found in the highlands of the state of Pahang, 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 quality improvement on this produce, such as better tasting vegetables varieties grown with less pesticides to replace traditional production. The horticulture sector in the highlands has been targeted for a transformation with the creation of an integrated Agropark. There are plans to create a sophisticated intensive & integrated approach to farming through Malaysian public and private partnerships, as well as to establish an education hub that will provide a foundation to further develop Malaysia's horticulture industry. This new development will provide business opportunities for innovative Dutch companies that can provide expertise along the value chain of crop production to crop commercialization.

As Malaysia has a predominantly Muslim population, the demand for and the importance of **halal certified foods** has increased over the years. Halal certification is fast becoming recognized as a new benchmark for quality, hygiene and safety. All meat and meat based products, with the exception of pork, must be certified halal. The expectation of halal standard in food products have also extended from meat and meat products to non-meat based products such dairy and dairy based products, bakery & confectionery, snacks, food ingredients, etc. Almost all food and ingredients catered for the food service and retail sector must be certified halal.

## Food Loss

Besides the modernization of agricultural production, food loss is another important strategic theme in Malaysia. Food losses occurring between harvest and retail, also known as post-harvest losses, are a key challenge undermining food security and income generation in Malaysia. Post-harvest losses have significant nutritional, environmental, and financial impacts for both farmers and consumers. Thus, by preventing losses at the early stages in food supply chains, we can increase the availability of food without requiring additional resources or placing additional burden on the environment. Thus, post-harvest loss reduction is of high importance in an effort to combat hunger, raise income and improve food security and livelihoods for vulnerable people. In Malaysia the post-harvest losses are quite high, especially in horticulture. The average post-harvest losses reported for fruits and vegetables in Malaysia are estimated at around 20% of the total harvest.

The Dutch government is currently developing a two year **Strategic Multi-Annual Market Approach programme (SMM) on Post-Harvest**. The aim is to promote Dutch post-harvest technologies for the ASEAN market (Indonesia, Singapore, Vietnam, Thailand and Malaysia). Post-harvest loss reduction is about preventing and limiting food losses from the moment products are harvested and must be stored, transported, processed and packaged. SMM ASEAN Post-harvest is therefore about exporting Dutch technologies for storage, transport, cold chain, processing and packaging of (fresh) food products. Dutch companies who register for this would get the opportunity to participate in various programmes including targeted trade missions, roundtables, matchmaking sessions and networking.

## Lifesciences and Healthcare (LSH)

Malaysia has a dynamic healthcare and life sciences industry and has emerged as an attractive medical device manufacturing hub in ASEAN. In 2020 exports of medical devices from Malaysia increased by 24.9% (€6.01 billion). In the LSH sector export focuses on surgical and examination gloves, medical instruments, apparatus and appliances, catheters, syringes, needles, sutures and electro medical equipment. Continuing the rich history as a rubber producer, Malaysia is currently a world leader in **medical glove manufacturing**.

It is also an attractive destination in the region for **medical tourism**, which has been driven by high quality and cutting edge private healthcare services. By 2019, Malaysia attracted 1.3 million international healthcare tourists with the industry valued up to €340 million making it an area of economic interest. This ecosystem of healthcare tourism has also led to the demand for more high value infrastructure and facilities. The industry still relies on imports as many local manufacturers are predominantly in the

production of rubber based products. Therefore MNC's have set up operations focusing on the production of high value added equipment.

The **pharmaceutical and biotechnology** sectors are also in a growth trajectory parallel to the medical device market. Products manufactured in Malaysia include biologics, generics, supplements, traditional and complementary medicines and veterinary products.

Foreign companies have to be aware of the regulatory requirements for the introduction of new medical devices and pharmaceutical products in the market. Most medical devices would require registration with the Medical Device Authority ([MDA](#)) according to the specific categories. The same applies to new drugs which would have to obtain approval from the National Pharmaceutical Regulatory Agency ([NPRA](#)) prior to entering the market.

It is expected that the market will grow due to the continued government investments on public health expenditures. Malaysia has an aging population and a prevalence of non-communicable diseases. The management of these ailments create opportunities for Dutch companies in the area of connected care. The emergence of the Covid-19 pandemic has further accelerated the need for investments including those in digital healthcare solutions.

The Dutch government together with Task Force Health Care is currently coordinating a two year **Strategic Multi-Annual Market Approach programme (SMM)**. The aim is to promote and position Dutch Connected Care solutions in ASEAN countries including Malaysia. Dutch companies who register for this would get the opportunity to participate in various programmes including targeted trade missions, roundtables, matchmaking sessions and networking. For further information on the [SMM](#), please visit [www.tfhc.nl/](http://www.tfhc.nl/) or contact the Netherlands embassy in Malaysia.

## Energy

Malaysia is rich with primary resources whereby the main energy production components consist of natural gas (62.4%), crude oil (29.2%) and hydropower (5.7%). In 2020 Malaysia was the fifth largest exporter of liquefied natural gas (LNG) in the world with an export volume of 32.8 billion cubic meters. Ownership rights to oil and gas (O&G) exploration and production in Malaysia fall under the government-owned company Petronas. Therefore companies that provide goods or services to the upstream sector are required to have a valid license from Petronas. License or registration also applies to catering to Petronas Group of Companies in the downstream sector.

Shell has a long term presence in Malaysia and is currently among the many large international O&G companies operating in the country. Malaysia also has a large O&G storage and refining facility

in Pengerang, Johor. Vopak is operating at this facility via a joint venture with the Dialogue Group and the Johor state government. Overall, it is undeniable that the oil and gas industry is still strong pillar in the Malaysian economy. The oil & gas, services and equipment industry is equally important and accounts for about 5% to 8% of the national GDP. Despite the existence of numerous local players, there are still opportunities for the delivery of higher-value services which is not entirely met by the local companies. The market offers business opportunities for Dutch companies throughout the supply chain such as in equipment supply, digital technologies, engineering expertise, exploration and various other services.

The Malaysian government aims to diversify the energy industry amidst the depleting primary resources and unpredictable energy prices. It is on the path to increasing **renewable energy's** share in the energy mix to 20% by 2025. The components of renewable energy production in Malaysia mainly consist of hydropower, solar, biodiesel, biomass and biogas. There are vast opportunities for the application of circular solutions including opportunities in the oil palm industry for alternative use of residues. To encourage further investments into the area of new energy, tax incentives are available for companies that are investing in green technologies. More information on this can be found at [MIDA](#) and [Greentech](#).

## Water Technology

Climate change has led to sea level rising, flood and drought extremities throughout the world, including Malaysia. Adding to that, the country is facing challenges with its water resources, increasing pollution, deteriorating water supply and water quality. These issues in turn affect agricultural production, the health of ecosystems and their biodiversity.

Malaysia plans to invest in more efficient water supply and conservation systems, as floods and severe droughts affect many of its citizen annually. Despite these challenges, the Malaysian government is working proactively to tackle issues related to water management. The goals are to achieve consistency in water supply throughout the year and across the country and to ensure the infrastructure will effectively prevent flooding during the wet seasons. The National Water Services Commission has set out a plan with water operators and other agencies to achieve this. In addition, there is increasing demand to look for other water resources, including underground water. Aside from the continuous efforts to encourage people to save and conserve water, ongoing discussion has been focusing on the adoption of smart metering for households, changes on water tariffs to allow the upgrading of current infrastructures and effective methods to combat non-revenue water. This creates business opportunities for Dutch companies with technologies to upgrade existing infrastructure (eg. water treatment plants, piping system), address water pollution,

solve unreliable water supply or non-revenue water and companies with experience in utilizing alternative sources of water supply such as underground water.

A report on the business opportunities in Water Technology in Malaysia is available (Dutch only). You can read the [summary](#), or you can request the [full report](#).

## Waste Management/ Circular Economy

An average Malaysian generates an equivalent to 1.17kg of solid waste each day. The National Recycling Rate in 2019 was only 28.06% while the remaining 71.94% goes to landfills. As Malaysia is moving towards zero waste direct to landfill, sanitary landfill will replace dumpsite landfill as the benchmark for Malaysia's eco-friendly landfill. Furthermore, to reduce the reliance on landfill, the government has launched many initiatives to treat waste by using new technologies such as composting technology, chemical recycling, anaerobic digesters and waste to energy facilities. Malaysia is looking forward to be a circular economy based country in the future in line with the country's aspiration towards green growth. This includes setting up a Circular Economy Roadmap and Extended Producer Responsibility (EPR) policy in the near future. This transformation from a linear economy to a circular economy is a joint responsibility among government, industry players, public organisations and non-governmental organizations (NGOs). The principles of 3R should be complemented with minimizing solid waste generation and maximizing the reuse of waste as resources. The areas with business opportunities in Malaysia (mostly for private sector) include Dutch companies providing technology and services in municipal solid waste management, recycling & upcycling, composting technology, incinerators, anaerobic digesters equipment supply and waste-to-energy.

## Logistics

The logistics sector has been identified as an industry that is of vital importance to the economic performance in Malaysia. In 2019 this sector attracted about €49 million worth of investments. Overall the freight and logistics market was valued at €31.81 billion in 2020. Alongside port based trade, airports handle a large portion of cargo within the logistics landscape of Malaysia. Kuala Lumpur International Airport and Senai Airport are major air cargo hubs. Recently Ali Baba, through their joint venture with Malaysia Airports, has set up its e-fulfillment hub in the vicinity of KLIA. Services will include cargo terminal operation (CTO), warehousing and sorting centers within the Free Commercial Zone (FCZ). This is a major milestone for the growing ecommerce industry as it facilitates the target of 24-hour delivery within Malaysia and is expected to spur the growth of air cargo in KLIA. With the pandemic there has been rapid growth in ecommerce. National statistics indicated that e-commerce income by establishments almost doubled from €89.7 billion in 2017 to €179.6 billion in 2020.

Despite that, there are still challenges in meeting the demands including traffic bottlenecks and inefficiencies in the systems. Dutch companies are active in this sector in Malaysia mainly in areas such as freight services, transport and equipment and airlines and air cargo. Opportunities in the industry are in the areas such as cold chain logistics, last mile delivery services and smart logistics solutions.

MIDA also grants the international integrated logistics services (IILS) status to eligible foreign logistic companies. Through this process those with IILS will be issued the Customs Forwarding Agent approval by the Royal Customs Department. Information on various other tax incentives can be found at [MIDA](#).

## Maritime & port development

Malaysia's ports are strategically located amidst major maritime trade routes and functions as an entry point into this region. In 2019 Port Klang (13.58 million TEU) along with the Port of Tanjung Pelepas (9.08 million TEU) were listed among the world's top 20 container ports. Both of these ports handle the bulk of the total cargo throughput in Malaysia mainly dealing in transshipment. Apart from these there are also federal administrated ports including the port of Johor, Penang, Bintulu and Kuantan. These ports have their own strengths based on strategic locations in the country and cargo being handled. To further expand the growth of the port industry, there is a need to innovate and modernize their operating facilities through digitalization and automation. Market opportunities exist for Dutch organisations that can add value in these areas. There are also long term expansion and land development plans around these major ports for which Dutch dredging technologies are in high demand. In order to gain access to these projects, collaborating with a local partner or having a positive rapport with relevant stakeholders is essential.



There are also opportunities for Dutch companies in the maritime and shipbuilding sectors. The ship building and repair (SBSR) industry in Malaysia consists of approximately 100 registered shipyards in Malaysia and over 200 companies in the SBSR related

industries. Activities focus on building small and 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 bulkers and tankers, as well as to manufacture and service offshore structures. The shipyards in the peninsular of Malaysia are mostly focusing on building steel and aluminium vessels for government as well as for oil and gas companies. The yards in Sarawak and Sabah are generally working on steel vessels for offshore supply, tugs, barges and river ferries.

## Digitalization & Industry 4.0

In an effort to secure future growth and boost its competitiveness, Malaysia has set ambitious targets to promote digitalization and advance industries. With high internet coverage and adaptation of online services, Malaysia is well posed to further digitize its economy. In its recently launched Digital Economy Blueprint, Malaysia expects an investment of RM70 billion in digitalization between 2020 and 2025. A nationwide 5G network will be rolled out in the next 10 years, cloud service providers are expected to substantially enlarge their capacity and efforts are being made to enhance cyber security. With these developments, opportunities will arise for Dutch businesses to provide solutions to advance digitalization and Industry 4.0 uptake, such as artificial intelligence and big data solutions, digital skills and e-learning, cyber security and e-commerce. Sectors with potential for innovation include manufacturing, agriculture, health-care and port development. The Malaysian government offers various incentives to foreign companies, with the Malaysia Digital Economy Corporation ([MDEC](#)) serving as the dedicated lead agency for growing its digital economy.

## 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 that is Malaysia, we can support you in finding your way in doing business. The Embassy in Kuala Lumpur offers support to Dutch companies that are already active in Malaysia as well as 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). The MDBC is the accredited NL Business Hub in Kuala Lumpur that provides soft landing opportunities in Malaysia. The strong network of more than 250 member - companies are provided with a wide range of business services, information, representation and events, and with an extensive network of Malaysian organisations and authorities. The MDBC also has chapters in Penang and Johor

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**Relevant websites:**

Embassy of the Kingdom of the Netherlands in Kuala Lumpur  
Malaysia: [Malaysia | Netherlandsandyou.nl](#)

Netherlands Enterprise Agency (RVO): [www.rvo.nl/onderwerpen/internationaalondernemen/landenoverzicht/maleisie](http://www.rvo.nl/onderwerpen/internationaalondernemen/landenoverzicht/maleisie)

Malaysian Dutch Business Council (MDBC):  
[www.mdbc.com.my](http://www.mdbc.com.my)

European Chamber of Commerce and Industry in Malaysia  
(EUROCHAM Malaysia)  
[www.eurocham.my](http://www.eurocham.my)

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

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

Published by:

**Ministry of Foreign Affairs**  
P.O. Box 20061 | 2500 EB The Hague

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