

<< BACK TO THE INEWS FRONT PAGE

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Cityneon views the contribution from Malaysia as beyond monetary gains. "It is very positive on the growth of our employees and cross-straits relations for Singapore."

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## Grow your business by exploring opportunities in Malaysia

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MARKET FOCUS

### Business Opportunities Beyond the Causeway

International Enterprise (IE) Singapore's Centre Director for Kuala Lumpur offers tips and insights

Like most other countries, Malaysia has not been spared from the global economic downturn. Since December 2008, Malaysia's trade has been trending downwards, affected by the decline in exports, particularly electronics and electrical products, to the United States and the European Union.

However, economists think that Malaysia may have already seen the worst of the recession. Manufacturing output, which had been falling since January 2008, picked up in February 2009.

Even in the current economic climate, Malaysia remains a key FDI destination for Singapore companies, according to Florence Loh, IE Singapore' Centre Director for Kuala Lumpur.

"By virtue of geographical proximity, it is a natural hinterland for Singapore companies. The cost of operation in Malaysia is also relatively lower and the two countries share cultural similarities," she explained.

In the following interview, Loh discussed the opportunities and challenges for local companies keen on penetrating the Malaysian market.

**Q: Which industry sectors in Malaysia hold the most promise for Singapore companies?**

**A:** Manufacturing will continue to be one of the key sectors of investments in Malaysia. Currently, the bulk of our investments is mainly in electronics and electrical, chemicals and food. Higher value-added industries, such as renewable energy, particularly manufacturing of solar cells and modules, have been identified as potential areas of growth.

Services such as education, retail, healthcare and logistics are other potential areas of opportunities for Singapore. The services sector accounts for 55 percent of Malaysia's GDP and the plan is to increase it to 70 percent by 2020. In view of the slowdown in the manufacturing sector, the government hopes to attract more investments to the services sector by removing the 30 percent requirement for Bumiputera participation in 27 service sub-sectors. Liberalised sub-sectors include some parts of the health and social services, tourism, transport, business and computer and related services.

**Q: What factors would help businesses to flourish in Malaysia?**

**A:** Companies that continue to innovate to meet changing market demand would do well. Publicity to profile branding efforts would also help to increase company's visibility. In the case of food service companies, it is important that they secure locations in prime retail malls.



Getting Started

Florence Loh, IE Singapore's Centre Director for Kuala Lumpur, shared pointers on the initial steps Singapore companies should take when expanding to Malaysia:

- Conducting study trips to Malaysia would give companies first-hand understanding of the market and their would-be competitors. They could use the knowledge in developing innovative concepts and honing their competitive edge.
- Knowing how to correctly price their products and services would be vital, as Malaysia is generally a price-sensitive market.
- Learning from Singapore companies already operating in Malaysia would help to shorten the learning curve.

FEATURED IADVISOR



Name: Sunny Chia  
Company: UPS  
Expertise: Import/Export  
Market: Asia Pacific, Europe

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**Q: What obstacles can Singapore companies expect to face when expanding into Malaysia?**

**A:** The government has recently tightened the inflow of foreign workers in order to save jobs for the locals. Exception is extended only to the plantation and construction industries. As such, procuring workers could be a challenge for Singapore companies operating in Malaysia. Singapore companies in the food service trade may face a bigger challenge as generally locals do not like to work in restaurants due to long working hours.

Navigating through the bureaucracy could be another challenge. First of all, the rules and the procedures may be complicated and not transparent. Furthermore, it can be time-consuming to locate the right Ministries and government officials should companies need assistance on regulatory and trade matters.

**Q: How can they overcome these obstacles?**

**A:** Engaging foreign workers recruitment agencies is advisable if the company needs a large pool of workers. This would also save the companies a lot of time and effort. Retailers planning to set up presence in Malaysia might consider engaging consultants as the process would involve dealing with a number of government agencies for licences and permits. IE Singapore's office in Kuala Lumpur could help in this aspect by introducing them to consultancy firms and other relevant contacts.

We could assist further by sharing useful insights on the Malaysian market, generating potential leads and facilitating Singapore companies in certain projects.

For more information, please visit [IE Singapore website](#).

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