



MALAYSIA
INVESTMENT CLIMATE STATEMENT
2015

Table of Contents

Executive Summary

1. Openness To, and Restrictions Upon, Foreign Investment

- 1.1. *Attitude Toward FDI*
- 1.2. *Other Investment Policy Reviews*
- 1.3. *Laws/Regulations of FDI*
- 1.4. *Industrial Strategy*
- 1.5. *Limits on Foreign Control*
- 1.6. *Privatization Program*
- 1.7. *Screening of FDI*
- 1.8. *Competition Law*
- 1.9. *Investment Trends*
 - 1.9.1. *Tables 1 and if applicable, Table 1B*

2. Conversion and Transfer Policies

- 2.1. *Foreign Exchange*
 - 2.1.1. *Remittance Policies*

3. Expropriation and Compensation

4. Dispute Settlement

- 4.1. *Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts*
- 4.2. *Bankruptcy*
- 4.3. *Investment Disputes*
- 4.4. *International Arbitration*
 - 4.4.1. *ICSID Convention and New York Convention*
- 4.5. *Duration of Dispute Resolution*

5. Performance Requirements and Investment Incentives

- 5.1. *WTO/TRIMS*
- 5.2. *Investment Incentives*
 - 5.2.1. *Research and Development*
- 5.3. *5.3 Performance Requirements*
- 5.4. *Data Storage*

6. Right to Private Ownership and Establishment

7. Protection of Property Rights

7.1. Real Property

7.2. Intellectual Property Rights

8. Transparency of the Regulatory System

9. Efficient Capital Markets and Portfolio Investment

9.1. Money and Banking System, Hostile Takeovers

10. Competition from State-Owned Enterprises

10.1. OECD Guidelines on Corporate Governance of SOEs

10.2. Sovereign Wealth Funds

11. Corporate Social Responsibility

11.1. OECD Guidelines for Multinational Enterprises

12. Political Violence

13. Corruption

13.1. UN Anticorruption Convention, OECD Convention on Combatting Bribery

14. Bilateral Investment Agreements

14.1. Bilateral Taxation Treaties

15. OPIC and Other Investment Insurance Programs

16. Labor

17. Foreign Trade Zones/Free Ports/Trade Facilitation

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

19. Contact Point at Post for Public Inquiries

Executive Summary

The Government of Malaysia encourages foreign direct investment (FDI), although it maintains restrictions or limits on investment in some sectors. It actively reaches out to targeted industries and negotiates incentive packages to attract FDI. Malaysia provides a number of incentives, particularly in export-oriented high-tech industries and "back office" service operations. Prime Minister Najib Razak has made generating new domestic and foreign investment a centerpiece of his economic reforms. Inbound FDI has been steady in nominal terms, and Malaysia's performance in attracting FDI relative to both earlier decades and the rest of the Association of Southeast Asian Nations (ASEAN) has slowed.

According to the 2013 Organization for Economic Cooperation and Development (OECD) Investment Policy Review of Malaysia, FDI to Malaysia began to decline in 1992, and private investment overall started to slide in 1997 following the Asian financial crisis. The OECD concludes that Malaysia's FDI levels are at record high levels in absolute terms, but at an all-time low as a percentage of GDP. Moreover, Malaysia's percentage of foreign direct investment into the ASEAN member states is now lower than its share of the group's GDP.

As a destination for FDI, Malaysia's attractiveness for lower-wage manufacturing has diminished as years of steady economic growth have increased average wage levels making Malaysia an upper middle-income country. The Malaysian Government seeks to move the economy further "up the value chain" to high income status by promoting investment in higher value added manufacturing and service sectors. The National Economic Advisory Council (NEAC) has been working since 2010 to improve Malaysia's competitiveness as a foreign investment destination to meet the country's goal of becoming a high-income economy by 2020.

Since Prime Minister Najib's ascension to power in 2009, his administration has progressively introduced a series of initiatives, including the 2010 Economic Transformation Program (ETP), focusing on policy measures to improve competitiveness and investment in 12 key economic areas, including electrical and electronics (E&E), medical devices, green energy, machinery and equipment, oil and gas, and transportation, to accelerate economic growth. The ETP also targets investment into resource-based industries and some services sub-sectors, including logistics, though these are also subject to foreign investment conditions or restrictions. Another initiative, the Government Transformation Program (GTP) addresses governance and quality of life issues, and aims to reduce corruption and crime, to improve education, urban public transport and rural basic infrastructure, and to reduce the number of low-income households.

The climate has been conducive to U.S. investment. The largest U.S. investments are in the oil and gas sector, manufacturing, and financial services. Firms with significant investment in Malaysia's oil and gas and petrochemical sectors include: ExxonMobil, Caltex, ConocoPhillips, Murphy Oil, Hess Oil, Halliburton, Dow Chemical and Eastman Chemicals. Major semiconductor manufacturers, including Freescale, Texas Instruments, Intel, and others have substantial operations in Malaysia, as do electronics manufacturers Western Digital, Honeywell, Komag, Agilent, and Motorola. In recent years Malaysia has attracted significant investment in the production of solar panels, including from U.S. firms. Virtually all major Japanese consumer electronics firms (Sony, Fuji, Panasonic, Matsushita, Hitachi, etc.) have facilities in Malaysia.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Malaysia has one of the world's most trade-dependent economies with trade reaching 165% of annual GDP according to the World Trade Organization. The Malaysian government values foreign investment as a powerful force for the continued economic development of the country, but is hampered by restrictions in some sectors and an at times burdensome regulatory regime. However, the government continues to liberalize and in some cases remove investment restrictions.

In 2009, Malaysia removed its former Foreign Investment Committee (FIC) investment guidelines, enabling transactions for acquisitions of interests, mergers, and takeovers of local companies by domestic or foreign parties without FIC approval. While the FIC itself still exists, it now only reviews the purchase by foreigners of commercial properties valued greater than at MYR 20 million (approximately USD 6.5 million) from the bumiputera (ethnic Malays and other indigenous ethnicities in Malaysia).

Since 2009, the government has liberalized the services sector to attract more foreign investment. Following liberalization of activities ranging from computer-related consultancies, tourism, and freight transportation, the government in 2011 began to allow 100% foreign ownership across the following sectors: healthcare, retail, education as well as professional, environmental, and courier services. Limits on foreign ownership remain in place across much of telecommunications, financial services, and transportation.

Foreign investments in services, whether in fully liberalized or controlled sub-sectors, remain subject to review and approval by ministries and agencies with jurisdiction over the relevant sectors. A key function of this review and approval process is to determine whether proposed investments meet the government's qualifications for the various incentives in place to promote economic development goals. Nevertheless, the Ministerial Functions Act grants relevant ministries broad discretionary powers over the approval of specific investment projects. Investors in industries targeted by the Malaysian government often can negotiate favorable terms with ministries, or other bodies, regulating the specific industry. This can include assistance in navigating a complex web of regulations and policies, some of which can be waived on a case-by-case basis. Foreign investors in non-targeted industries tend to receive less government assistance in obtaining the necessary approvals from the various regulatory bodies and therefore can face greater bureaucratic obstacles.

Other Investment Policy Reviews

Malaysia conducted an investment policy review through the Organization for Economic Cooperation and Development (OECD) in 2013. Although the review underscored the generally positive direction of economic reforms and efforts at liberalization, the recommendations emphasized the need for greater service sector liberalization, stronger intellectual property protections, enhanced guidance and support from Malaysia's Investment Development Authority (MIDA), and continued corporate governance reforms.

Malaysia also conducted a WTO Trade Policy Review in 2014, which incorporated a general overview of the country's investment policies. The WTO's review noted the Malaysian government's action to institute incentives to encourage investment as well as a number of agencies to guide prospective investors. Beyond attracting investment, Malaysia had made measurable progress on reforms to facilitate increased commercial activity. For example, the Malaysian Productivity Commission had simplified licensing requirements at the federal, state, and local levels, thus reducing business compliance costs. Construction permit procedures were also streamlined, as were processing times for construction contracts. The 2013 National Policy on the Development and Implementation of Regulations has increased the transparency of government rulemaking and made the process more inclusive of the private sector and the general public.

<http://www.oecd.org/daf/inv/investment-policy/IPRMalaysia2013Summary.pdf>
https://www.wto.org/english/tratop_e/tpr_e/s292_e.pdf

Laws/Regulations of Foreign Direct Investment

The Government of Malaysia established the Malaysia Investment Development Authority (MIDA) to attract foreign investment and to serve as a focal point for legal and regulatory questions. Organized as part of the Ministry of International Trade and Industry (MITI), MIDA serves as a guide to foreign investors interested in the manufacturing sector and in many services sectors. Regional bodies providing support to investors include: Invest Kuala Lumpur, Invest Penang, Koridor Utara Malaysia (Malaysia's Northern Corridor), the East Coast Economic Region Development Council, the Sabah Economic Development and Investment Authority (SEDIA), and the Sarawak Economic Development Corporation..

The principal law governing foreign investors' entry and practice in the Malaysian economy is the Companies Act of 1965 (CA). Incorporation requirements under the CA are relatively simple and are the same for domestic and foreign sole proprietorships, partnerships, as well as privately held and publicly traded corporations. In addition to registering with the Companies Commission of Malaysia, business entities must file: 1) Memorandum and Articles of Association (i.e., company charter); 2) a Declaration of Compliance (i.e., compliance with provisions of the Companies Act); and 3) a Statutory Declaration (i.e., no bankruptcies, no convictions).

Beyond these requirements, foreign investors must obtain licenses. Under the Industrial Coordination Act of 1975, an investor seeking to engage in manufacturing will need a license if the business claims capital of MYR 2.5 million (approximately USD 690,000) or employs at least 75 full-time staff. The Malaysian Government's guidelines for approving manufacturing investments, and by extension, manufacturing licenses, are generally based on capital-to-employee ratios. Projects below a threshold of MYR 55,000 (approximately USD 15,000) of capital per employee are deemed labor-intensive and will generally not qualify. Manufacturing investors seeking to expand or diversify their operations will need to apply through MIDA. As noted, the Ministerial Functions Act authorizes government ministries to oversee investments under their jurisdiction. Prospective investors in the services sector will need to follow requirements set by the relevant Malaysian Government ministry or agency over the sector in question.

Post is not aware of the Malaysian Government's interference in judicial proceedings involving foreign investors.

<http://www.mida.gov.my/home/invest-in-malaysia/posts/> - The Malaysian Investment Development Authority's starting point for prospective foreign investors. Select the "General Guidelines and Facilities" tab.

<http://www.ssm.com.my/en> - The Malaysian Companies Commission homepage for registering sole proprietorships, partnerships, and companies.

<http://www.mscomalaysia.my/> - The Multimedia Development Corporation (MDeC) is responsible for governing the Multimedia Super Corridor (MSC), the initiative to attract investment in information and communications technologies.

<http://www.skmm.gov.my/Sectors/Broadcasting.aspx> - The Malaysian Communications and Multimedia Commission's page for requirements in the communications sector.

<http://www.moh.gov.my/english.php/pages/view/160> - The Ministry of Health's FAQs on liberalization of medical services.

Industrial Promotion

The Malaysian Government has codified the incentives available for investments in qualifying projects in target sectors and regions. Tax holidays, financing, and special deductions are among the measures generally available for domestic as well as foreign investors in the following sectors and geographic areas: information and communications technologies (ICT); biotechnology; halal products (e.g., food, cosmetics, pharmaceuticals); oil and gas storage and trading; Islamic finance; Kuala Lumpur; Labuan Island (off Eastern Malaysia); East Coast of Peninsular Malaysia; Sabah and Sarawak (Eastern Malaysia); Northern Corridor.

The lists of application procedures and incentives available to investors in these sectors and regions can be found at: <http://www.mida.gov.my/home/invest-in-malaysia/posts/>

Limits on Foreign Control

Despite the progress of reforms to open more of the economy to a greater share of foreign investment, limits on foreign ownership remain in place across many sectors.

Telecommunications

Malaysia began allowing 100% foreign equity participation in Applications Service Providers (ASP) in April 2012. However, for Network Facilities Providers (NFP) and Network Service Provider (NSP) licenses, a limit of 70% foreign participation remains in effect. In certain instances, Malaysia has allowed a greater share of foreign ownership, but the manner in which such exceptions are administered is non-transparent. Restrictions are still in force on foreign ownership allowed in Telekom Malaysia. The limitation on the aggregate foreign share is 30% or 5% for individual investors.

Oil and Gas

Under the terms of the Petroleum Development Act of 1974, the upstream oil and gas industry is controlled by Petroleum Nasional Berhad (PETRONAS), a wholly state-owned company and the sole entity with legal title to Malaysian crude oil and gas deposits. Foreign participation tends to take the form of production sharing contracts (PSCs). PETRONAS regularly requires its PSC partners to work with Malaysian firms for many tenders. Non-Malaysian firms are permitted to participate in oil services in partnership with local firms and are restricted to a 49% equity stake if the foreign party is the principal shareholder. PETRONAS sets the terms of upstream projects with foreign participation on a case-by-case basis.

Financial Services

Malaysia's 10-year Financial Sector Blueprint envisages further opening to foreign institutions and investors but does not contain specific market-opening commitments or timelines. For example, the services liberalization program that started in 2009 raised the limit of foreign ownership in insurance companies to 70%. However, the central bank, Bank Negara Malaysia (BNM) would allow a greater foreign ownership stake if the investment is determined to facilitate the consolidation of the industry. The latest Blueprint, 2011-2020, helped to codify the case-by-case approach. Under the Financial Services Act passed in late 2012, issuance of new licenses will be guided by prudential criteria and the “best interests of Malaysia.” Prudential criteria include consideration of the financial strength, business record, experience, character and integrity of the prospective foreign investor, soundness and feasibility of the business plan for the institution in Malaysia, transparency and complexity of the group structure, and the extent of supervision of the foreign investor in its home country. In determining the “best interests of Malaysia,” BNM will consider the contribution of the investment in promoting new high value-added economic activities, addressing demand for financial services where there are gaps, enhancing trade and investment linkages, and providing high-skilled employment opportunities.

BNM currently allows foreign banks to open four additional branches throughout Malaysia, subject to restrictions, which include designating where the branches can be set up (i.e., in market centers, semi-urban areas and non-urban areas). The policies do not allow foreign banks to set up new branches within 1.5 km of an existing local bank. BNM also has conditioned foreign banks' ability to offer certain services on commitments to undertake certain back office activities in Malaysia..

Privatization Program

In several key sectors, including transportation, agriculture, utilities, financial services, manufacturing, and construction, Government Linked Corporations (GLCs) continue to dominate the market. However, the Malaysian Government remains publicly committed to the continued, eventual privatization, though it has not set a timeline for the process and faces substantial political pressure to preserve the roles of the GLCs. Malaysia revised its privatization program in 2006, and in 2009 established the Public-Private Partnership Unit (UKAS). As part of the Office of the Prime Minister, UKAS oversees transactions ranging from contracts and concessions to sales and transfers of ownership from the public sector to the private sector. .

Foreign investors may participate in privatization programs, but foreign ownership is limited to 25% of the privatized entity's equity. The National Development Policy confers preferential treatment to the bumiputera (i.e., ethnic Malays and other indigenous groups), which are entitled to at least 30% of the privatized entity's equity.

The privatization process is formally subject to public bidding. However, the lack of transparency has led to criticism that the government's decisions tend to favor individuals and businesses with close ties to high-ranking officials.

Screening of FDI

The Malaysian Government has authority to review and approve all investments, foreign and domestic. Documents subject to the government's review include those mentioned in the section of this statement on Law/Regulations of Foreign Direct Investment as well as the investor's business plans, financial statements, and staffing projections. The investment review is connected to the government's responsibilities for granting the licenses required for the business to engage in its intended activity, whether in the provision of goods or services. This process also serves as a means for the government to assess whether the proposed investment meets the criteria for the various incentives available in target sectors and regions. Although U.S. businesses have, albeit rarely, raised concerns about delays in the government's review process, none has characterized the process itself as a barrier.

Competition Law

Malaysia's Competition Commission, established in 2010, has responsibility for determining whether a company's "conduct" constitutes an abuse of dominant market position or otherwise distorts, or restricts competition. As a matter of law, the Competition Commission does not have separate standards for foreign and domestic companies.

Investment Trends

Investment in the services sector has increased steadily in the last 10 years. Constituting 42% of private investment in 2005, services now capture more than 51% of total private investment each year. During the same period, manufacturing has declined from 40% of total private investment in 2005 to 25% in 2014. According to BNM, foreign direct investment has decreased as a share of total private investment from 35% in 2007 to an estimated 19% in 2014.

Table 1

| Measure | Year | Index or Rank | Website Address |
|--|------|---------------|---|
| TI Corruption Perceptions index | 2014 | 50 of 175 | transparency.org/cpi2014/results |
| World Bank’s Doing Business Report “Ease of Doing Business” | 2015 | 18 of 189 | doingbusiness.org/rankings |
| Global Innovation Index | 2014 | 33 of 143 | globalinnovationindex.org/content.aspx?page=data-analysis |
| World Bank GNI per capita | 2013 | USD 10,430t | data.worldbank.org/indicator/NY.GNP.PCAP.CD |

2. Conversion and Transfer Policies

Foreign Exchange

Bank Negara Malaysia (BNM), the central bank, states that Malaysia maintains liberal foreign exchange administration policies. A series of sequenced and progressive liberalization initiatives gradually relaxed controls on foreign direct investment flows, wages, dividends, interest, and rental income earned in Malaysia. Financial capital now moves freely in and out of the country.

The government continues to control the use of Malaysian ringgit outside of Malaysia for settlement. However, there are no longer restrictions on resident companies with export earnings from paying in foreign currencies to another resident company for the purchase of goods and services. Foreign investors are allowed to buy or sell Malaysian ringgit on a forward or spot basis with licensed onshore banks to facilitate the settlement of investments in Ringgit. In June 2011, BNM removed limits on outbound investment, non-bank inter-company loans, and trade financing.

BNM manages a floating exchange rate against a trade-weighted basket of currencies. The exchange rate against the USD stood at 3.49 on December 31, 2014. All payments to other countries must be made through authorized foreign exchange dealers. Banks must record the amount and purpose of each cross-border transfer over MYR 200,000 (approximately USD 58,000).

More information on Malaysia’s regulation of foreign exchange can be found at http://www.bnm.gov.my/index.php?ch=fea_adm&pg=fea_adm&lang=enA.

Remittance Policies

Malaysia imposes few investment remittance rules on resident companies. Foreign exchange administration policies place no foreign currency asset limits on firms that have no ringgit-denominated debt. Companies that fund their purchases of foreign exchange assets with either

onshore or offshore foreign exchange holdings, whether or not such companies have ringgit-denominated debt, face no limits in making remittances. However, a company with ringgit-denominated debt will need approval from BNM for conversions of MYR 50 million or more into foreign exchange assets in a calendar year.

Malaysia has not been identified in Treasury Department reports on currency manipulation.*

3. Expropriation and Compensation

The Embassy is not aware of any cases of uncompensated expropriation of U.S.-held assets by the Malaysian government. The government's stated policy is that all investors, both foreign and domestic, are entitled to fair compensation in the event that their private property is required for public purposes. Should the investor and the government disagree on the amount of compensation, the issue is then referred to the Malaysian judicial system.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Malaysia has signed and ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Malaysia became a Contracting State on October 14, 1966 when the Convention entered into force, granting jurisdiction over investment disputes between the Government of Malaysia and non-Malaysian citizens to the International Center for Settlement of Investment Disputes (ICSID). Malaysia also is a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards. The domestic legal system is accessible but generally requires any non-Malaysian citizen to make a large deposit before pursuing a case in the Malaysian courts (i.e., USD 100,000), and can be slow and bureaucratic. Though post is unaware of any recent complaints by U.S. investors, some observers regard the courts as politically influenced.

Many firms choose to include mandatory arbitration clauses in their contracts. The government actively promotes use of the Kuala Lumpur Regional Center for Arbitration (<http://www.klrca.org.my>), established under the auspices of the Asian-African Legal Consultative Committee to offer international arbitration, mediation, and conciliation for trade disputes. The KLRCA is the only recognized center for arbitration in Malaysia. Arbitration held in a foreign jurisdiction under the rules of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States 1965 or under the United Nations Commission on International Trade Law Arbitration Rules 1976 and the Rules of the Regional Centre for Arbitration at Kuala Lumpur can be enforceable in Malaysia.

Bankruptcy

Malaysia's Department of Insolvency (MDI) is the lead agency implementing the Bankruptcy Act of 1967. The distribution of proceeds from the liquidation of a bankrupt company's assets generally adheres to the "priority matters and persons" identified by the Companies Act of 1965. After the bankruptcy process legal costs are covered, recipients of proceeds are: employees, secured creditors (i.e., creditors of real assets), unsecured creditors (i.e., creditors of financial instruments), and shareholders. Bankruptcy is not criminalized in Malaysia. The country ranks

36th on the World Bank Group's Doing Business Rankings for Ease of Resolving Insolvency, just behind F.Y.R. Macedonia and just ahead of Estonia.

Investment Disputes

Post has little data concerning the government's general handling of investment disputes. In 2004, a U.S. investor filed a case against the directors of the firm, who constituted the majority shareholders. The case involves allegations by the U.S. investor of embezzlement by the other directors. The case remains in the appeals process.

The Malaysian government has been involved in three ICSID cases -- in 1994, 1999, and 2005. The first case was settled out of court. The second, filed under the Malaysia-Belgo-Luxembourg Investment Guarantee Agreement (IGA), was concluded in 2000 in Malaysia's favor. The 2005 case, filed under the Malaysia-UK Bilateral Investment Treaty, was concluded in 2007, ultimately in favor of the investor.

International Arbitration

Many firms choose to include mandatory arbitration clauses in their contracts. The government actively promotes use of the Kuala Lumpur Regional Center for Arbitration (<http://www.rcakl.org.my>), established under the auspices of the Asian-African Legal Consultative Committee to offer international arbitration, mediation, and conciliation for trade disputes. The KLRCA is the only recognized center for arbitration in Malaysia. Arbitration held in a foreign jurisdiction under the rules of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States 1965 or under the United Nations Commission on International Trade Law Arbitration Rules 1976 and the Rules of the Regional Centre for Arbitration at Kuala Lumpur can be enforceable in Malaysia.

ICSID Convention and New York Convention

Malaysia has signed and ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Malaysia became a Contracting State on October 14, 1966 when the Convention entered into force, granting jurisdiction over investment disputes between the Government of Malaysia and non-Malaysian citizens to the International Center for Settlement of Investment Disputes (ICSID). Malaysia also is a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards. The domestic legal system is accessible but generally requires any non-Malaysian citizen to make a large deposit before pursuing a case in the Malaysian courts (i.e., USD 100,000), and can be slow and bureaucratic. Though post is unaware of any recent complaints by U.S. investors, some observers regard the courts as politically influenced.

Duration of Dispute Resolution

The World Bank Group's 2015 "Doing Business" indicators reflect that contract enforcement cases average 425 days, require 29 different procedures and filings, and cost approximately 37% of the amount at issue. The "Investing Across Borders" rankings state that parties to an arbitration process can expect to wait 24 weeks for resolution.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The Malaysian employs a variety of tax incentives to attract investment in various sectors and regions of the country. The most notable example of investment promotion efforts in tension with TRIMS is the National Automotive Policy (NAP).

Under the 2014 policy, the government eased manufacturing licensing restrictions for investors and manufacturers seeking to produce commercial and hybrid vehicles. However, the current policy on contract assembly and the freezing of licenses for reconditioning and reassembling activities remain in place. Moreover, the policy introduced higher tax exemptions for exported goods with a significant portion of value added in Malaysia. The tax exemptions on statutory income will be based on the percentage of increase in the value add to the exported goods. Specifically, tax exemptions have been increased: 1) to 30 per cent of the value of increased exports (from a previous 10 per cent), provided the goods attain at least 30% value added; and 2) to 50 per cent of the value of increased exports (from a previous 15 per cent), provided that the goods attain at least 50 per cent value added. The NAP is currently under review.

Investment Incentives

The lists of application procedures and incentives available to investors in these sectors and regions can be found at: <http://www.mida.gov.my/home/invest-in-malaysia/posts>

Research and Development

Government-funded research and development programs are open to participation by U.S. and other foreign firms.

Performance Requirements

Fiscal incentives granted to both foreign and domestic investors historically have been subject to performance requirements, usually in the form of export targets, local content requirements and technology transfer requirements. Performance requirements are usually written into the individual manufacturing licenses of local and foreign investors.

The Malaysian government extends a full tax exemption incentive of fifteen years for firms with "Pioneer Status" (companies promoting products or activities in industries or parts of Malaysia to which the government places a high priority), and ten years for companies with "Investment Tax Allowance" status (those on which the government places a priority, but not as high as Pioneer Status). However, the government appears to have some flexibility with respect to the expiry of these periods, and some firms reportedly have had their pioneer status renewed. Government priorities generally include the levels of value-added, technology used, and industrial linkages. If a firm (foreign or domestic) fails to meet the terms of its license, it risks losing any tax benefits it may have been awarded. Potentially, a firm could lose its manufacturing license. The New Economic Model stated that in the long term, the government intends gradually to eliminate most of the fiscal incentives now offered to foreign and domestic manufacturing investors. More

information on specific incentives for various sectors can be found at www.mida.gov.my.

Malaysia also seeks to attract foreign investment in the information technology industry, particularly in the Multimedia Super Corridor (MSC), a government scheme to foster the growth of research, development, and other high technology activities in Malaysia. Foreign investors who obtain MSC status receive tax and regulatory exemptions as well as public service commitments in exchange for a commitment of substantial technology transfer. For further details on incentives, see www.mdec.my. The Multimedia Development Corporation (MDeC) approves all applications for MSC status.

In the services sector, the government's stated goal is to attract foreign investment in regional distribution centers, international procurement centers, operational headquarter research and development, university and graduate education, integrated market and logistics support services, cold chain facilities, central utility facilities, industrial training, and environmental management. To date, Malaysia has had some success in attracting regional distribution centers and local campuses of foreign universities. For example, GE and Honeywell maintain regional offices for ASEAN in Malaysia, and First Solar, Motorola, Huntsman and Abbott all announced new or expanded investments in 2014.

Malaysia seeks to attract foreign investment in biotechnology, but sends a mixed message on agricultural and food biotechnology. On July 8, 2010, the Malaysian Ministry of Health posted amendments to the Food Regulations 1985 [P.U. (A) 437/1985] that require strict mandatory labeling of food and food ingredients obtained through modern biotechnology. The amendments also included a requirement that no person shall import, prepare or advertise for sale, or sell any food or food ingredients obtained through modern biotechnology without the prior written approval of the Director. There is no 'threshold' level on the labeling requirement. Labeling of "GMO Free" or "Non-GMO" is not permitted. The labeling requirements only apply to foods and food ingredients obtained through modern biotechnology but not to food produced with GMO feed. The labeling regulation was originally scheduled to be enforced beginning in July 2012. However, a Ministry of Health circular published on August 27, 2012 announced that enforcement would be deferred until July 8, 2014. However, there has not been any announcement to date of its enforcement. A copy of the law and regulations respectively can be found at: <http://www.biosafety.nre.gov.my/BiosafetyAct2007.shtml>, and <http://www.biosafety.nre.gov.my/BIOSAFETY%20REGULATIONS%202010.pdf>.

Data Storage

Malaysia has not implemented measures amounting to "forced localization" for data storage. The government has provided inducements to attract foreign and domestic investors to the Multimedia Super Corridor but does not mandate use of onshore providers. Companies in the information and communications technology sector are not required to hand over source code.

6. Right to Private Ownership and Establishment

Malaysian law allows foreign and domestic entities to establish and own business enterprises. Various requirements, such as registration and licensing, guide the government's supervision and regulation of business activity. Business owners and operators are able to compensate

employees in the form of wages, salaries, leave pay, commissions, bonuses, allowances, housing accommodations, and securities.

7. Protection of Property Rights

Real Property

Land administration is shared among federal, state, and local government. State governments have their own rules about land ownership, including foreign ownership. Malaysian law affords strong protections to real property owners. Real property titles are recorded in public records and attorneys review transfer documentation to ensure efficacy of a title transfer. There is no title insurance available in Malaysia. Malaysian courts protect property ownership rights. Foreign investors are allowed to borrow using real property as collateral. Foreign and domestic lenders are able to record mortgages with competent authorities and execute foreclosure in the event of loan default.

Intellectual Property Rights

Malaysia was removed from the U.S. Special 301 Watch List in 2012 following improvements in recent years in protecting IPR. In December 2011, the Malaysian Parliament passed amendments to the copyright law designed to, inter alia, bring the country into compliance with the WIPO Copyright Treaty and the WIPO Performance and Phonogram Treaty, define Internet Service Provider (ISP) liabilities, and prohibit unauthorized camcording of motion pictures in theaters. Malaysia subsequently acceded to the WIPO Copyright Treaty and the WIPO Performance and Phonogram Treaty in September 2012. In addition, the Ministry of Domestic Trade, Cooperatives, and Consumerism (MDTCC) took steps to enhance Malaysia's enforcement regime, including active cooperation with rights holders on matters pertaining to IPR enforcement, ongoing training of prosecutors for specialized IPR courts, and the 2013 reestablishment of a Special Anti-Piracy Taskforce.

In response to trends of rising internet piracy, the interagency Special Anti-Piracy Task Force established a Special Internet Forensics Unit (SIFU) within MDTCC. The SIFU presently consists of four officials whose responsibilities include monitoring for sites suspected of being, or known as, purveyors of infringing content. This new organization will also follow MDTCC's practice of launching investigations based on information and complaints from legitimate host sites and content providers. Near-term priorities for this new enforcement arm center on capacity building training, which includes orientation meetings with the Malaysian Communications and Multimedia Commission (MCMC), which has responsibility for overall regulation of internet content, and a short-term practicum with a firm that distributes online content. Our contacts at MDTCC have told Post they were not prepared to share details of enforcement actions related to suspected online piracy, but indicated that a "substantial number of cases" had been investigated. Officials plan to hire three additional officers to work in the SIFU by the end of 2015.

Despite Malaysia's success in improving IPR enforcement, key issues remain, including relatively widespread availability of pirated and counterfeit products in Malaysia, high rates of piracy over the Internet, and continued problems with book piracy. The United States continues

to encourage Malaysia to accede to the WIPO Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure. In addition, the United States continues to urge Malaysia to provide effective protection against unfair commercial use, as well as unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approval for pharmaceutical products, and to provide an effective system to address patent issues expeditiously in connection with applications to market pharmaceutical products.

Resources for Rights Holders

-Clayton Hays
-Deputy Economic Counselor
- +6-03-2168-5092
-hayscp@state.gov

<http://www.amcham.com.my/> - The American-Malaysian Chamber of Commerce
<http://www.myipo.gov.my/> - The Intellectual Property Corporation of Malaysia - a government body to aid in registration and protection of patents, trademarks, copyrights, and designs.
<http://www.wipo.int/directory/en> - Additional information about treaty obligations and points of contact at local IP offices.

8. Transparency of the Regulatory System

In July 2013, the Malaysian Government initiated a National Policy on Development and Implementation of Regulations (NPDIR). Under this policy, the federal government embarked on a comprehensive approach to minimize redundancies in the country's regulatory framework. The benefits to the private sector thus far have largely been reduced licensing requirements, fees, and approval wait-times for construction projects. The main components of the policy have been: 1) a regulatory impact assessment (a cost-benefit analysis of all newly proposed regulations); and 2) the creation of a regulations guide, PEMUDAH (similar to the role MIDA plays for prospective investors), to aid businesses and civil society organizations in understanding regulatory requirements affecting their organizations' activities. Under the NPDIR, the government has committed to reviewing all new regulations every five years to determine with the new regulations need to be adjusted or eliminated.

Despite this effort to make government more accountable for its rules and to make the process more inclusive, many foreign investors continue to criticize the lack of transparency in government decision making. The implementation of rules on government procurement contracts are a recurring concern. Non-Malaysian pharmaceutical companies claim to have lost bids against bumiputera-owned companies despite offering more effective medicines at lower cost. An example that adds to suspicions of an informal set of rules relates to a contract for providing medical devices to public hospitals. In October 2014, a group of Malaysian medical device manufacturers launched a public relations campaign with the intent of reversing a Ministry of Health contract awarded earlier in the year. The company that won the contract was started by a former senior-level Ministry of Health official and was alleged to be merely a front company for foreign-produced medical devices. The ministry began an investigation but has not made public either its findings or information about the contract awardee.

9. Efficient Capital Markets and Portfolio Investment

Foreigners may trade in securities and derivatives. Malaysia houses Asia's third largest corporate bond market, behind only Japan and Korea in market capitalization. Both domestic and foreign companies regularly access capital in Malaysia's bond market. Malaysia, which is the largest sukuk (Islamic bond) market in East Asia, provides tax incentives for foreign companies issuing Islamic bonds and financial instruments in Malaysia.

Malaysia's stock market (Bursa Malaysia) is open to foreign investment and foreign corporation issuing shares. However, foreign issuers remain subject to bumiputera ownership requirements of 12.5% if the majority of their operations are in Malaysia. Listing requirements for foreign companies are similar to that of local companies. There are additional criteria for foreign companies wanting to list in Malaysia including, among others: approval of regulatory authorities of the foreign jurisdiction where the company was incorporated, valuation of assets with standards applied in Malaysia or International Valuation Standards, and the company must have been registered with the Registrar of Companies under the Companies Act 1965. Malaysia has taken steps to promote good corporate governance by listed companies. Publicly listed companies must submit quarterly reports that include a balance sheet and income statement within two months of each financial quarter's end and audited annual accounts for public scrutiny within four months of each year's end. An individual may hold up to 25 corporate directorships. All public and private company directors are required to attend classes on corporate rules and regulations.

Legislation also regulates equity buybacks, mandates book entry of all securities transfers, and requires that all owners of securities accounts be identified. A Central Depository System (CDS) for stocks and bonds established in 1991 makes physical possession of certificates unnecessary. All shares traded on the Bursa Malaysia must be deposited in the CDS. Short selling of stocks is prohibited.

Money and Banking System, Hostile Takeovers

International investors generally regard Malaysia's banking sector as dynamic and well regulated. Although privately owned banks are competitive with state-owned banks, the state-owned banks dominate the market. The five largest banks - Maybank, CIMB, Public Bank, RHB, and Ambank - account for an estimated 75% of banking sector loans. According to the Ministry of Finance Report for 2014-2015, total banking sector lending in 2014 was 150% of GDP for 2014. According to the World Bank, 1.8% of the Malaysian banking sector's loans were non-performing for 2014.

Bank Negara prohibits hostile takeovers of banks, but the Securities Commission has established non-discriminatory rules and disclosure requirements for hostile takeovers of publicly traded companies.

10. Competition from State-Owned Enterprises

On April 21, 2010, the Parliament of Malaysia approved two bills, the Competition Commission Act 2010 and the Competition Act 2010. The Acts took effect January 1, 2012. The

Competition Act prohibits cartels and abuses of a dominant market position, but does not create any pre-transaction review of mergers or acquisitions. Violations are punishable by fines, as well as imprisonment for individual violations. The Acts established a Competition Commission with broad investigative and enforcement powers, as well as a Competition Appeals Tribunal (CAT) to hear all appeals of Commission decisions. The CAC has since completed investigations and issued rulings since the Competition Law took effect. In the largest case to date, on September 6, 2013, the CAC found national carrier Malaysian Airlines and budget airline AirAsia to have breached the Competition Act 2010 and fined both airlines of USD 3.33 million each. The airlines are appealing against the decision, which will be the first case brought before the CAT.

State-owned enterprises play a very significant role in the Malaysian economy. Such enterprises have been used to spearhead infrastructure and industrial projects. The government owns approximately 36% of the value of firms listed on the Bursa Malaysia through its seven Government-Linked Investment Corporations (GLICs), including a majority stake in a number of companies. Only a minority portion of stock is available for trading for some of the largest publicly listed local companies. The government has indicated increasing interest in restarting its privatization efforts through the New Economic Model reforms. Khazanah, often considered the government's sovereign wealth fund, owns stakes in companies competing in many of the country's major industries. The Prime Minister chairs Khazanah's Board of Directors. PETRONAS, the state-owned oil and gas company, is Malaysia's only Fortune Global 500 firm.

In July 2011, the Government stated that 33 government-linked companies were ready for divestment, but did not identify them by name. Under the plan to rationalize the portfolio of government-linked companies (GLCs) in Malaysia, the Government will reduce its stakes in some of these companies, list a few others and sell the rest. In the first quarter of 2012 Khazanah offloaded its stake in the national car company Proton to DRB-Hicom Bhd. In Sept 2013, Khazanah divested Time Engineering Bhd to private sector Bumiputera owned company Censof Holdings Bhd. Nonetheless, the majority of GLCs have not been affected by the divestment plan, and GLCs will retain a major role in Malaysia's economy. Khazanah continued its divestments in 2014 but has only specified "six divestments with a gain on divestment of MYR 3 billion."

OECD Guidelines on Corporate Governance of SOEs

State-owned enterprises (SOEs), which in Malaysia are called government-linked companies (GLCs), with publicly traded shares must produce audited financial statements every year. These SOEs must also submit filings related to changes in the organization's management. The SOEs that do not offer publicly traded shares are required to submit annual reports to the Companies Commission. The requirement for publicly reporting the financial standing and scope of activities of SOEs has increased their transparency. It is also consistent with the OECD's guideline for Transparency and Disclosure. Moreover, many SOEs prioritize operations that maximize their earnings. However, the often close connections that SOEs have with senior government officials blurs the line between strictly commercial activity pursued for its own sake and activity that has been directed to advance a policy interest. For example, Petroliaam Nasional Berhad (Petronas) is both SOE in the oil and gas sector and the regulator of the industry. Malaysia Airlines (MAS), in which the government previously held 70% but now holds 100%,

required periodic infusions of resources from the government to maintain the large numbers of the company's staff and senior executives. The airline is currently undergoing a restructuring, and the stated goal of the country's largest sovereign wealth fund, Khazanah, which holds all of the airline's shares, is to re-list MAS in the coming years.

Sovereign Wealth Funds

In 2004, the government began a 10-year SOE Transformation Program. Under this program, SOEs are defined as companies in which sovereign wealth funds (SWFs), referred to locally as government-linked investment companies (GLICs), held a majority ownership stake. During the period, the SWFs supervised the management, structural, and disclosure changes of the many companies in which they were shareholders. The transformation ultimately extended to the SWFs, which now provide annual financial statements and publish quarterly reports on their efforts to make SOEs more effective.

11. Corporate Social Responsibility

The development of corporate social responsibility in Malaysia is moving to higher levels and many larger companies have CSR programs and activities. In 2006, Malaysian stock market regulator, the Securities Commission, published a CSR Framework for all publicly listed companies, which are required to disclose their CSR programs in their annual financial reports. In 2007 the Women, Family and Community Ministry launched the Prime Minister's CSR's Awards to recognize companies that have made a difference to the communities in which they are active through their CSR programs.

OECD Guidelines for Multinational Enterprises

The government encourages the private sector to implement corporate social responsibility (CSR) programs. For example, the Prime Minister's Office presents annual CSR awards for: community and social welfare; environment; support for small businesses; workplace best practices; women's empowerment; education; culture and heritage; family friendly workplaces; and opportunities for persons with disabilities.

12. Political Violence

Malaysia has experienced political stability since its independence in 1957, with the exception of ethnic riots that followed the 1969 national elections. Najib Razak peacefully took office as Malaysia's 6th Prime Minister on April 2, 2009. The government historically denied assembly permits for anti-government street demonstrations. In April 2012, the Peaceful Assembly Act took effect, which eliminates the need for permits for public assemblies but outlaws street protests and places other significant restrictions on public assemblies. On April 28, 2012, the police disrupted a large protest march that took place despite restrictions the government attempted to impose. Subsequent demonstrations and protest marches took place in 2013 and 2014 without disruption. Following the July 2014 Israeli incursion into Gaza, several Malaysian non-governmental entities organized a boycott of McDonalds. Over a several week period, protestors picketed at several McDonalds restaurants, at times taunting and harassing employees. Periodically, Malaysian groups will organize modest protests against U.S. policies, usually

involving demonstrations outside the U.S. embassy. To date, these have remained peaceful and localized, with a strong police presence.

13. Corruption

The Malaysian government has taken steps to address corruption, including through the establishment of the Malaysian Anti-Corruption Commission (MACC) in 2008, passage of legislation to make judicial appointments more transparent (the Judicial Appointments Commission Act) also in 2008, passage of a Whistleblower Protection Act in 2010, the introduction of procurement reforms and the launch of government initiatives to target corrupt practices. The Malaysian government considers bribery a criminal act and does not permit bribes to be deducted from taxes. Malaysia's anti-corruption law includes the criminal offense of bribery of foreign public officials, permits the prosecution of Malaysians for offense committed overseas, and also provides for the seizure of properties.

Critics have questioned the MACC's ability to effectively address high-level corruption, although a number of prosecutions are ongoing. The MACC conducts investigations but prosecutorial discretion remains with the Attorney General. A lack of capacity and technical skills in some areas hampers MACC's overall effectiveness. The MACC introduced a public database of those convicted of corruption offenses. There is no systematic public disclosure of assets by senior officials. Critics also note that the Whistleblower Act does not protect those who disclose allegations to the media.

Government officials cite a four point approach to reducing corruption in government procurement, a key area of focus: increasing the number and decreasing the size of government procurement contract subject to open tenders, introducing the Transparency International "Integrity Pact" concept to be signed by all vendors that they understand bidding rules and anti-corruption laws prior to engaging in contract negotiations, issuing rules against Ministerial "referral letters" recommending specific contractors for government contracts, and fully implementing the new Whistleblower Act.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Malaysia signed the UN Convention Against Corruption in 2003 and ratified it in 2008. However, Malaysia is not a party to the OECD's Anti-Bribery Convention.

Resources to Report Corruption

Contact at government agency or agencies are responsible for combating corruption:

- Abu Kassim Mohamad
- Chief Commissioner
- Malaysia Anti-Corruption Commission
- Block D6, Complex D, Pusat Pentadbiran
Kerajaan Persekutuan, Peti Surat 6000
62007 Putrajaya
- +6-1800-88-6000

-info@sprm.gov.my

-Cynthia Gabriel
-Director
-The Center to Combat Corruption and Cronyism (C4)
-C Four Consultancies Sdn Bhd
A-2-10, 8 Avenue,
Jalan Sg Jernih 8/1,
Seksyen 8,
46050 Petaling Jaya,
Selangor, Malaysia
Email: info@c4center.org

14. Bilateral Investment Agreements

Malaysia has bilateral investment treaties with 36 countries, but not with the United States. Malaysia does have bilateral investment guarantee agreements with over 70 economies, including the United States. The Government reports that 65 of Malaysia's existing investment agreements contain Investor State Dispute Settlement (ISDS) provisions.

Bilateral Taxation Treaties

Malaysia has double taxation treaties with over 70 countries, though the double taxation agreement with the U.S. currently is limited to air and sea transportation

15. OPIC and Other Investment Insurance Programs

Malaysia has a limited investment guarantee agreement with the U.S. under the U.S. Overseas Private Investment Corporation (OPIC) program, for which it has qualified since 1959. Few investors have sought OPIC insurance in Malaysia, though in mid-2013, the OPIC Board of Directors approved a USD 250 million loan to help build Malaysia's first fully-integrated private medical school. However, the U.S. participant has since withdrawn from the project.

16. Labor

Malaysia's shortage of skilled labor is the most oft-cited impediment to economic growth cited in numerous studies. Malaysia has an acute shortage of highly qualified professionals, scientists, and academics. The Embassy has heard reports from some U.S. companies that the shortage of skilled labor is resulting in companies reconsidering future expansion or investment in Malaysia

The Malaysian labor market operates at essentially full employment, with unemployment for Malaysians averaging 3.1% in 2013. In an effort to improve the employability of local graduates, the GOM offers additional training modules at public universities in English language skills, presentation techniques, and entrepreneurship.

Malaysia is a member of the International Labor Organization (ILO). Labor relations in Malaysia are generally non-confrontational. A system of government controls strongly

discourages strikes. Some labor disputes are settled through negotiation or arbitration by an industrial court, though cases can be backlogged for years. Once a case is referred to the industrial court, the union and management are barred from further industrial action.

While national unions are proscribed due to sovereignty issues within Malaysia, there are a number of territorial federations of unions (the three territories being Peninsular Malaysia, Sabah and Sarawak). The government has prevented some trade unions, such as those in the electronics and textile sectors, from forming territorial federations. Instead of allowing a federation for all of Peninsular Malaysia, the electronics sector is limited to forming four regional federations of unions, while the textile sector is limited to state-based federations of unions, for those states which have a textile industry. Employers and employees share the costs of the Social Security Organization (SOSCO), which covers an estimated 12.9 million workers. No systematic welfare programs 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.

The regulation of employment in Malaysia, specifically as it affects the hiring and redundancy of workers remains a notable impediment to employing workers in Malaysia. The high cost of terminating their employees, even in cases of wrongdoing, is a source of complaint for domestic and foreign employers. The World Bank estimates that the financial cost of firing an employee averages 75 weeks of salary for that worker.

The Embassy hears reports from some U.S. companies that the government monitors the ethnic balance among employees and enforces an ethnic quota system for hiring in certain areas. Race-based preferences in hiring and promotion are widespread in government, government-owned universities and government-linked corporations. Implementation of the Minimum Wage Order 2012 began on January 1, 2014 and fixed the rate at just under USD 300 per month in Peninsular Malaysia and about USD 260 for those in East Malaysia.

In 2014, the Department of Labor's Trafficking Victims Protection Reauthorization Act (TVPRA) listing of goods produced with child labor and forced labor included Malaysian palm oil (child labor) and electronics (forced labor). Senior officials across the Malaysian interagency have taken this listing seriously and have been working with the private sector and civil society to address the concerns as they pertain to palm oil and electronics as well as other sectors.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

The Free Zone Act of 1990 authorized the Minister of Finance to designate any suitable area as either a Free Industrial Zone (FIZ), where manufacturing and assembly takes place, or a Free Commercial Zone (FCZ), generally for warehousing commercial stock. The Minister of Finance may appoint any federal, state, or local government agency or entity as an authority to administer, maintain and operate any free trade zone. Currently there are 13 FIZs and 12 FCZs in Malaysia. In June 2006, the Port Klang Free Zone opened as the nation's first fully integrated FIZ and FCZ, although the project has been dogged by corruption allegations related to the land acquisition for the site. The government launched a prosecution in 2009 of the former Transport Minister involved in the land purchase process, though he was later acquitted in October 2013

Raw materials, products and equipment may be imported duty-free into these zones with minimum customs formalities. Companies that export not less than 80% of their output and depend on imported goods, raw materials, and components may be located in these FZs. Ports, shipping and maritime-related services play an important role in Malaysia since 90% of its international trade by volume is seaborne. Malaysia is also a major transshipment center.

Goods sold into the Malaysian economy by companies within the FZs must pay import duties. If a company wants to enjoy Common External Preferential Tariff (CEPT) rates within the ASEAN Free Trade Area, 40% of a product's content must be ASEAN-sourced. In addition to the FZs, Malaysia permits the establishment of licensed manufacturing warehouses outside of free zones, which give companies greater freedom of location while allowing them to enjoy privileges similar to firms operating in an FZ. Companies operating in these zones require approval/license for each activity. The time needed to obtain licenses depends on the type of approval and ranges from 2-8 weeks.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

| | Host Country Statistical source* | | USG or international statistical source | | USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other |
|---|-------------------------------------|------------------|---|---------|---|
| Economic Data | Year | Amount | Year | Amount | |
| Host Country Gross Domestic Product (GDP) (\$M USD) | 2013 | 302,000 | 2013 | 313,159 | www.worldbank.org/en/country |
| Foreign Direct Investment | Host Country Statistical source* | | USG or international statistical source | | USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other |
| U.S. FDI in partner country (\$M USD, stock positions) | 2013 | 11,600 | 2013 | 16,409 | http://bea.gov/international/factsheet/factsheet.cfm?Area=617 |
| Host country's FDI in the United States (\$M USD, stock positions) | Not available | Not available | 2013 | 635 | http://bea.gov/international/factsheet/factsheet.cfm?Area=617 |
| Total inbound stock of FDI as % host GDP | 2012 | 53.8% | 2012 | 43% | |

*Bank Negara Malaysia (i.e., central bank), and Department of Statistics Malaysia

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data**From Top Five Sources/To Top Five Destinations (US Dollars, Millions)**

| Inward Direct Investment | | | Outward Direct Investment | | |
|--------------------------|---------|------|---------------------------|---------|------|
| Total Inward | 135,638 | 100% | Total Outward | 127,566 | 100% |
| Singapore | 24,600 | 18% | Singapore | 20,413 | 16% |
| Japan | 19,917 | 15% | Indonesia | 14,203 | 11% |
| United States | 11,647 | 9% | Australia | 8,413 | 7% |
| Netherlands | 10,708 | 8% | Mauritius | 6,421 | 5% |
| Switzerland | 6,525 | 5% | Cayman Islands | 6,203 | 5% |

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

The IMF's data on Malaysia's portfolio investment partners are generally consistent with figures that the central bank and the Malaysian Department of Statistics supply.

Portfolio Investment Assets**Top Five Partners (Millions, US Dollars)**

| Total | | | Equity Securities | | | Total Debt Securities | | |
|---------------|--------|------|-------------------|--------|------|-----------------------|--------|------|
| All Countries | 66,068 | 100% | All Countries | 44,317 | 100% | All Countries | 21,571 | 100% |
| Singapore | 21,589 | 33% | United States | 16,378 | 37% | Singapore | 7,445 | 34% |
| United States | 19,549 | 30% | Singapore | 14,143 | 32% | United States | 3,171 | 15% |
| UK | 3,581 | 5% | UK | 2,814 | 6% | Australia | 1,300 | 6% |
| Hong Kong | 3,576 | 5% | Hong Kong | 2,478t | 6% | S. Korea | 1,236 | 6% |
| Australia | 2,234 | 3% | Russia | 1,077 | 2% | Hong Kong | 1,098 | 5% |

Source: IMF Coordinated Portfolio Investment Survey

19. Contact for More Information

-Clayton Hays
 -Deputy Economic Counselor
 -376 Jalan Tun Razak, Kuala Lumpur 50400 Malaysia
 -+6-03-2168-5092
 -hayscp@state.gov