
Malaysia

country brief

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key economic indicators

Economic Indicator	Malaysia
Population	26.13 million
GDP	US\$69 billion (RM262 billion)
GDP Growth Rate	5.3% (2005)
GDP Per Capita	US\$4,781 (2005)
Inflation	3.1% (2005)
Total Imports	US\$114.8 billion (RM434 - 2005)
Total Exports	US\$141.2 billion (RM533.8 - 2005)
Currency	1 Ringgit (RM) = 100 sen
Exchange Rate: NZ\$	RM 2.28
Exchange Rate: US\$	RM 3.63 (2006)

Source: Department of Statistics, Malaysia

overview

Malaysia is New Zealand's 13th largest export market (NZ\$468.2 million) and our second largest market in South East Asia after Philippines (NZ\$504.1 million).

Malaysia is well endowed with natural resources and is a leading exporter of rubber, tin, palm oil, cocoa, pepper, and tropical hardwoods. The country also has large reserves of petroleum and natural gas. Agriculture used to be the mainstay of the Malaysian economy but a strong push by the government to encourage overseas investment and assist in economic recovery has resulted in manufacturing – particularly electronics and electrical machinery - becoming the driving force. The services sector is also playing an increasingly important role in the Malaysian economy.

Following a 34 percent drop in the value of the ringgit against the US dollar in October 1997, a major stock market decline, and a slowing economy, the government introduced strong austerity measures aimed at cutting government and corporate sector spending, overhauling the banking and finance sectors, increasing the productivity of the manufacturing and agricultural sectors, reducing dependence on imports, and increasing exports. In January 1998, the government established the National Economic Action Council (NEAC) to gauge the impact of the country's economic problems and to seek solutions.

Following another downturn in the economy in 2001 with GDP growth registering only 0.4 percent Malaysia saw a recovery in 2002 with economic growth increasing to 4.2 percent. This improvement was mainly driven by strong domestic demand and reinforced by stronger export performance. There was broad based growth across all sectors with manufacturing and services recording the strongest growth. Growth in 2003 was affected by the global economic downturn, the Iraq war and in particular the SARS outbreak.

Today there is general agreement that the Malaysian economy continues to show signs of recovery and that the economy will continue to grow in 2006. The Malaysian government has set a growth target of 5.5 percent in 2006 and early indications are that Malaysia should achieve this on the back of a stronger global electronic market (electronics comprise up to half of Malaysia's exports) and a strengthening commodities market.

Malaysia reported GDP growth of 5.3 percent for the first quarter of 2006. This figure supports the view that Malaysia's economic growth is firmly on track. The Malaysian Government expects the economy to expand further to 6.0 percent GDP growth by year end.

Malaysia's overall deficit has dropped from a high of 5.8 percent of GDP in 2000 to 3.8 percent by the end of 2005. Malaysia's improved GDP growth can be contributed to several factors including strong domestic demand combined with significant export growth in the electronics and manufacturing sectors plus the traditional rubber and palm oil industries. In particular the high prices of major commodities (e.g. palm oil and rubber) has helped to raise the income of those in the rural areas. Rubber prices for example have reached a 20-year high.

The main threats facing the Malaysian economy in 2006 come from rising interest rates and competition from low wage competitors, i.e. China, Vietnam etc.

Foreign direct investment (along with exports) remains key to Malaysia's future economic prosperity. Whilst China is attracting a significant share of the FDI going into Asia, Malaysia is well placed to attract investment and build on the China plus one model where companies invest in China but also in other Asian nations. The Malaysian government continues to call for Malaysian businesses and industry sectors to move further up the value chain, away from low cost production and assembly and towards R&D, design, and distribution to attract FDI at a higher level.

Malaysia's currency (ringgit) continues to strengthen with a rise of six percent to RM 3.58 to one US dollar in mid May, its highest in eight years, following the move to a managed float on 21 July 2005.

Malaysia is also actively marketing itself as the hub for Islamic Banking services and has been successful in attracting investments from the Middle East.

Malaysia's ninth five year plan launched in March 2006 set aggressive plans in a number of key sectors, including education and agriculture which are key sectors for New Zealand.

ninth malaysia plan - 9MP

Snapshot of Malaysia's 9MP 2006-2010

In the 9MP Prime Minister Abdullah embraces Dr Mahathir's vision for Malaysia to become a developed country by 2020. The 9MP takes a two-pronged approach relating to both economic growth and income distribution and has a particular focus on education, agriculture and the development of rural areas. The plan also looks to continue to strengthen the country's affirmative action policy by expanding measures under which Malays can increase ownership of the country's assets.

Implications and commercial opportunities for New Zealand resulting from the 9MP

Agri-technology, Horticulture, Animals

Under the 9MP (2006 – 2010), the agriculture sector will be revitalised as the third engine of economic growth. The Malaysian Government will develop the "New Agriculture" programmes by

giving focus on enhancing the value chain, cultivating high value added agricultural activities and large-scale commercial farming, utilising ICT as well as exploiting the full potential of biotechnology. Initiatives will be taken to enhance productivity and competency, expand usage of modern agricultural techniques and technology, increase R&D and innovation, improve farming accreditation, product standards and quality, as well as to develop marketing capabilities and infrastructure. A total of RM11.4 billion has been allocated for this sector.

The 9MP offers potential opportunities for New Zealand exporters in the areas of training, livestock breeding, animal health products, animal identification products using Radio Frequency Identification technology and equipment related to the dairy industry.

Biotechnology, Health and Natural Products

The 9MP will focus on implementing the National Biotechnology Plan which covers the development of biotechnology in agriculture, healthcare, industry and bio-informatics. Biotechnology companies will be encouraged to set up near relevant institutions and industrial bases, so as to form synergistic clusters for the development of the sector. This concept, branded as BioNexus will be promoted to attract foreign and local companies to invest in the sector.

The government has allocated RM2 billion to the Biotech sector of which 45.9 percent will be to develop physical infrastructure and the balance will be for R&D, commercialization and business development. Three related institutes will be established-the National Institute of Pharmaceuticals and Nutraceuticals; the National Institute of Natural Products, Vaccines and Biologicals and a Bio-products Validation Centre. In addition a specific RM100 million Biotechnology Fund will be made available for R&D.

Education and Training

Education and training have been allocated the biggest portion, about 20 percent or RM40.3billion, of the total allocation for the 9MP and is a major focus for Malaysia.

Access to education and training at all levels will be increased. Efforts will be made to make national schools the "schools of choice". 180 new primary and 229 new secondary schools will be built. Greater emphasis has been placed on teacher training – all secondary school teachers and 25 percent of primary school teachers will be graduates by 2010. At schools, implementation of a school-based assessment system will be accelerated, and curriculum and co-curricular activities improved. Languages such as Mandarin and Tamil will be introduced as elective subjects. All existing schools will be made "smart schools" where computers and internet access are available. In addition, importance will be placed on culture, arts and heritage at schools.

At the tertiary level, the Malaysian government will continue to take steps to increase the quality of tertiary education. Local tertiary institutions will be benchmarked against international standards. The quality of academics in terms of leadership, expertise and a sense of commitment will be enhanced. The government target is for 60 percent of academics in Malaysia to have a PhD by the year 2010.

Commitment has also been made to building the country's competency in R&D with the eventual aim of spending 1.5 percent of GDP on R&D by 2010. Two new universities are to be set up in Kelantan and Terengganu. Facilities and access to technical and vocational training will be increased by establishing Community Colleges, MARA Training Centres and Centres of Advanced Technology. Quality and course options will also be improved at technical and vocational level.

From New Zealand's point of view, the emphasis on teacher training, curriculum development, co-curricular activities, R&D, academic upgrading, the development of more options for special needs children and the move to make all national schools "smart", present both new and greater

opportunities. New Zealand Trade and Enterprise Kuala Lumpur will initiate and further develop discussion in these areas and monitor developments as they come about.

Food and Beverage

The Malaysia government will set up the Halal Industry Development Board to streamline and coordinate the development of the industry in a holistic manner. Malaysia will leverage on its halal certification standard, the MS 1500:2004 to move the industry forward. A specific fund for the halal products industry will also be introduced. Halal food parks will be developed to support the halal industry in the country. At present, these halal food parks, Prima Halal Food Park, Selangor Halal Hub and Padang Besar Halal Hub are actively being promoted to overseas investors.

Telecommunications and Electronics

The government has allocated RM12.9 billion (approx NZ\$6 billion) for ICT development which will enhance the attractiveness of Malaysia in the ICT sector. With this fund, the government intends to focus on the development of existing cybercities (ie: Cyberjaya and Penang) as well as develop new cybercities in Perak, Melaka, Johor and Sarawak.

Additionally, Malaysia has identified four sources of growth in the ICT sector for the next five years which are **Shared Services and Outsourcing, Bioinformatics, e-Commerce and Digital Content Development**.

For the **Shared Services and Outsourcing** growth area, the government plans to improve the requisite infrastructural facilities and services. For **Bioinformatics**, the focus will be on agriculture, healthcare and industrial sectors, and the government will establish a benchmarking centre to facilitate the benchmarking of applications in this field.

On the usage of **e-Commerce**, the government intends to encourage industry associations to spearhead initiatives to access online information on products and services as well as to improve the supply-chain efficiency.

Finally, in the **Digital Content Development** area, the government has allocated RM150 million (approximately NZ\$68 million) to promote and nurture creative content developers, and to improve the capacity and capability for innovative multimedia products and services.

There are opportunities for New Zealand companies who have the necessary expertise and capability, especially in the development of digital content and bioinformatics, to feed into initiatives within these focus areas and assist in the development of Malaysia's capability. Although the 9MP has been announced, sources within the Ministry have revealed that the funding for projects will only be available in the 4th quarter of 2006 and would lead to initiatives in 2007.

political

Malaysia is a federal constitutional monarchy and a parliamentary democracy. Nine of the 13 states have hereditary rulers (sultans) who share the position of King (Agong) on a five-year rotating basis. Since constitutional amendments in 1993 and 1994 the King's functions have become purely ceremonial. Race and religion underpin the entire fabric of Malaysian society, and domestic politics is strongly influenced by communal factors. The government keeps a watchful eye on radical proponents of Islam and tries to control external influences.

Most political parties in Malaysia are racially based. The governing Barisan Nasional (National Front) coalition comprises the United Malays National Organisation (UMNO), the Malaysian Chinese Association (MCA), Gerakan (another Chinese based party), and the Malaysian Indian Congress (MIC). This coalition, in which UMNO is the dominant voice, has been in power in one form or another since the first elected government in 1955 and won decisively in general elections held in April 1995 and, despite some loss of Malay support, again in late 1999. The most recent Malaysian general election took place on 21 March 2004. The election results saw the governing coalition returned to office by an overwhelming majority (around 89 percent of seats in Parliament). Overall the Government increased its vote share from a historically low 55 percent in the 1999 election to over 64 percent in 2004.

In July 2002 the Prime Minister of Malaysia, Datuk Seri Dr Mahathir Mohamad officially announced his resignation to take effect in October 2003. Dr Mahathir, Asia's longest serving leader, was Prime Minister for 21 years and the initial reaction to his resignation was an illustration of his popularity. The then Deputy Prime Minister, Datuk Seri Abdullah Ahmad Badawi, who had been groomed for the position over the last several years succeeded Dr Mahathir Mohamad as Prime Minister.

Political stability remains a key to economic recovery and attracting overseas investment. Although there are some tensions as the Muslim opposition party, Parti Islam se-Malaysia (PAS) continues to call for more strict Islamic laws, Malaysia should remain secular and a moderate Islamic state under the new leadership. Despite strong opposition to the war in Iraq and condemnation of the USA's presence in the Middle East, Malaysia is committed to working closely with the US and others to confront international terrorism in the region.

imports and exports

Malaysia's Top Ten Exports

Malaysia's Top Ten Exports, 2005	NZ\$ billion (FOB)
Electrical machinery	68.382
Machinery	38.759
Mineral fuel, oil	26.658
Fats & oils	8.584
Wood	5.848
Plastic	5.487
Rubber	4.844
Optical instruments	4.572
Iron & steel, products	3.882
Organic chemicals	3.151
Total	170.167

Source: World Trade Atlas (from Department of Statistics, Malaysia)

Malaysia's Top Ten Imports

Malaysia's Top Ten Imports, 2005	NZ\$ billion (CIF)
Electrical machinery	60.120
Machinery	25.959
Mineral fuel, oil	13.115
Iron and steel, products	8.258
Plastic	5.252
Vehicles	4.480
Optical instruments	4.463
Organic chemicals	3.275
Precious stones & metals	2.318
Copper, articles	2.161
Total	129.401

Source: World Trade Atlas (from Department of Statistics, Malaysia)

New Zealand's Top Ten Exports to Malaysia

New Zealand's Top Ten Exports to Malaysia, 2005	NZ\$ million (FOB)
Milk powders	141.084
Meat & offal	63.018
Baking related products	45.420
Other dairy products	44.660
Machinery & electrical equipment	28.366
Pulp and paper products	23.931
Fruits & vegetables (including frozen)	21.634
Iron & steel, products	17.595
Fish and seafood	8.178
Wood	7.251
Total	401.137

Source : World Trade Atlas (from New Zealand Statistics)

Exports to Malaysia of NZ\$468 million accounted for just less than 2 percent of New Zealand's total exports for the year ended December 2005. Malaysia is New Zealand's second largest export market in South East Asia and 13th largest export market overall.

The merchandise export figures do not capture the service industry revenue from Malaysia, and New Zealand Trade and Enterprise estimates that another NZ\$60 million is derived from the education sector and a further NZ\$20 million from the consulting sector (engineering, software, IT, construction, management, etc). Tourism also generate over NZ\$50m with over 23,000 Malaysian's visiting New Zealand in 2005. The merchandise export figures also do not capture a large proportion of exports that are shipped to Singapore and then re-exported into Malaysia, especially exports destined for East Malaysia.

sector opportunities

Agribusiness, Food and Beverage

The largest sector of opportunity for New Zealand exporters continues to be agribusiness, food and beverages. Nearly 80 percent of our merchandise exports to Malaysia are comprised of products from this sector with the bulk of these Dairy related products. Meat, fruit and vegetables and seafood are also important contributors. Key markets for New Zealand food and beverage products include the HRI (hotel, restaurant and institution market) as well as Malaysia's fast growing retail market (driven by large hypermarket and supermarket chains, e.g. Giant, Carrefour, Tesco etc)

ICT, Biotechnology, Agritech

The ICT, Biotechnology and Agritech sectors are most likely to show rapid growth over the next decade. Highlighted in the Government's plans for economic growth these sectors will require foreign expertise and technology. New Zealand companies are already well positioned to secure business in these sectors, particularly if they can show they have something unique to offer and are willing to enter into strategic alliances. Examples include New Zealand's expertise in offering

e-learning solutions to Malaysia's Smart Schools programme, and New Zealand's strength in agricultural technology, e.g. livestock, farm management, milk processing technology, livestock traceability systems etc.

Education

Malaysia has traditionally been New Zealand's leading source of foreign university students, however, the number of Malaysian students enrolling in New Zealand institutions began to decline in 1997. Recent indications show a reverse in this trend, with a small but steady increase in student numbers. There were many reasons for this decline, some are still prevalent, including Malaysia's past economic downturn, greater competitor activity (particularly from Australia), the establishment of local campuses by overseas institutions, and to some extent the growth of twinning arrangements. Malaysia's desire to become a regional centre of education excellence and changes in its own education environment will present future challenges but also increased opportunities for New Zealand.

Many Malaysian students are still expected to pursue their education in an English-speaking country once they have completed their pre-university studies or part of their tertiary education in Malaysia. New Zealand Trade and Enterprise's efforts will continue to target the university sub-sector as a priority. However, New Zealand Trade and Enterprise also aims to attract more Malaysian students to New Zealand Institutes of Technology and Polytechnics, Secondary Schools and Private Tertiary Providers.

There are also opportunities to expand our education relationship into areas such as teacher training, management training and building relationships with the scholarship agencies.

Other Sectors with Potential

Other sectors that have good potential for New Zealand exports are:

- Forest products
- Environmental technology
- Horticultural technology.

market entry

Malaysia and New Zealand have bilateral agreements in the areas of trade, education, science and technology, and defence. Malaysia values its relationship with New Zealand, and New Zealand companies are able to leverage off long standing links when seeking to enter into or expand in the Malaysian market.

New Zealand and Malaysia have also entered into Free Trade Agreement discussions with six full rounds of negotiations having taken place. It is hoped that the FTA may reach a successful conclusion by mid 2007.

New Zealand companies have a number of choices when it comes to strategies for market entry. These range from direct sales from New Zealand, appointing a distributor or an agent, licensing or franchising using a local company, or forming a strategic alliance with a local partner. Whatever method is chosen, establishing personal relationships with your Malaysian counterpart will always be an important part of conducting business successfully.

While this may be considered time consuming by many New Zealand business people, it is essential for establishing a sense of trust between the parties. For ongoing business, it is also extremely useful to have a presence 'on the ground' and high quality local staff to represent your business in market.

A visit to the market is highly recommended for companies considering market entry. Presentation and status are important for winning credibility in the Malaysian market. Business people are judged on their appearance and also on the way they present their company. A casual approach is likely to be interpreted as a lack of respect for the company being visited. Presentation material should be professional and thorough, and follow-up enquiries back in New Zealand should be handled promptly. It is not uncommon for companies to be comparing quotes from Europe, Australia, and North America simultaneously. Regular correspondence with Malaysian contacts will prove your interest and sincerity and will increase your chances of winning new business.

Product samples that are of no commercial value can be brought in using an ATA carnet (a Customs document that facilitates the temporary export of goods overseas, and is valid for up to one year) issued by your local Chamber of Commerce. Malaysia is a signatory to the conventions governing ATA carnets.

New Zealand companies deciding to joint venture with or take equity in a local company need to be aware of the various regulations and incentives that apply. The Malaysian Government welcomes foreign investment in the manufacturing sector, especially on a joint-venture basis. The equity policy for the manufacturing sector was liberalised in 1998 and foreign investors can now hold 100 percent equity irrespective of the level of exports. This does not apply to activities such as paper packaging, plastic packaging, plastic injection moulding components, metal stamping, metal fabrication and electroplating, wire harness, printing, and steel service centres.

Incentives for Investment in Malaysia

If New Zealand companies are considering setting up manufacturing in Malaysia or having a physical presence in-market then the following incentives from the Malaysian government may be available.

Incentive	Description
Pioneer Status	5-year partial exemption from the payment of income tax
Investment Tax Allowance (ITA)	Allowance of 60% on capital expenditure.
Reinvestment Allowance (RA)	Allowance of 60% of capital expenditure.
Multimedia Super Corridor (MSC)	Tax free status for up to 10 years.
High Technology Industries	Provides pioneer status of full tax exemption.
Storage, Treatment and Disposal of Toxic and Hazardous Wastes:	Pioneer status

The Malaysia Industrial Development Authority can provide more details of these incentives on request. Refer to www.mida.gov.my.

regulatory issues

An outline of some of the regulatory issues New Zealand exporters need to be aware of follows.

Anti Dumping

The Countervailing and Anti-Dumping Act was passed in 1993. Under this law provisional anti-dumping duties range between 0 and 99 percent. Malaysia adheres to the World Trade Organisation Conventions on anti dumping duties, subsidies and countervailing duties.

Currency Restrictions

The ringgit was pegged at US\$1 to RM3.80 on 2 September 1998 by Malaysia's central bank, Bank Negara Malaysia. However, on 21 July 2005 the ringgit was unpegged from the US dollar and switched to a managed-float system against a basket of key foreign currencies.

The ringgit continues to strengthen with a rise of six percent to RM 3.58 to US\$1 in mid May, it's highest in eight years, following the move to a managed float on 21 July 2005.

In September 1998, Bank Negara Malaysia imposed capital controls, restricting the ringgit's conversion into other currencies and banning offshore trading of the ringgit. This means that the terms of payment for commercial transactions and business settlements can only be in foreign currencies (not in Malaysian ringgit).

Under current Malaysian exchange control rules, you may import or export up to 1,000 Malaysian Ringgit per person without prior approval. There are no limits on the amount of foreign currency (notes and or travellers' cheques) you may import. Non-residents may export foreign currency (notes and or travellers' cheques) up to the amount they previously imported, provided they have documentary evidence of the amount they imported. All travellers must complete travellers' declaration forms on entering Malaysia. Penalties for offences under the Exchange Control Act 1953 are a fine of up to 10,000 Malaysian Ringgit, three years' imprisonment or both.

The controls are administered by Bank Negara Malaysia. Refer to your local New Zealand Trade and Enterprise office or New Zealand Trade and Enterprise Kuala Lumpur for the latest information, or visit the Bank Negara website at www.bnm.gov.my.

E-Business

The development of electronic commerce in Malaysia has become an integral component of the government's efforts to make the country a high tech leader in the Asia Pacific region. The government has already established a number of laws governing e-commerce transactions and is working closely with the private sector to expand the use of e-commerce. PC ownership is growing at 20 percent per year and there are now estimated to be around 3 million Internet users in the country.

Environmental

The Malaysian government has constituted a fairly comprehensive set of environmental regulations, which are embodied in the Environmental Quality Act of 1974 (EQA). The

Department of Environment (DOE) under the Ministry of Science, Technology and Environment is the federal agency responsible for the implementation and enforcement of EQA.

Health Regulations

The National Pharmaceutical Control Bureau (NPCB) is responsible for ensuring the quality, efficacy, and safety of pharmaceuticals through the registration and licensing scheme. This is achieved through evaluation of scientific data and laboratory tests on all products before they are marketed. A system to monitor products in the market has been set up. New Zealand exporters of pharmaceutical drugs, cosmetics, certain health care items, food supplements and tonics would usually need to have their products assessed by the NPCB before being able to enter the market. According to how the product is classified, the exporter may have to meet certain labelling and ingredient requirements.

Food Regulations, Import Quotas and Licenses

The Food Act 1983 and The Food Regulations 1985 govern all imports of food into Malaysia (see <http://dph.gov.my/Division/fqc/regulation/Regulations.htm>).

While all dairy products require import licences, this requirement does not form a significant barrier to market entry. Import permits are issued by the Department of Veterinary Services. All shipments must be accompanied by a health certificate signed by a Government veterinary authority from the country of origin. The certificate should state that the supplying country was free from foot-and-mouth disease and rinderpest for 12 months prior to and up till the export of the product to Malaysia.

All edible meat imports including offal are subject to government control. An import permit is required from the Department of Veterinary Services. In addition to health certification, all meat offal and meat products derived from cattle, buffalos, sheep, goats, poultry, and deer must be halal processed at a Malaysian approved registered export establishment. A halal certificate issued by an Islamic organisation recognised by the Malaysian government must accompany the meat.

It is important to note that New Zealand beef and beef offal have been barred from entry into Malaysia since July 2005. The New Zealand Ministry of Foreign Affairs and Trade in Malaysia is still awaiting formal written notification of the new slaughtering ruling from the Malaysia Department of Veterinary Services and JAKIM (Islamic Development Department). Imports of beef and beef offal from New Zealand are not expected to resume within the next three to six months.

Only direct shipments of meat products to Malaysia from the country of origin or transshipment through Bills of lading via Singapore will be approved. Re-exports into Peninsula Malaysia and East Malaysia via Singapore will not be accepted. There are no import duties or sales taxes imposed on meat imports entering Malaysia.

At present there are no quarantine restrictions imposed by the Malaysian government on imported fresh fruit. All fresh fruit consignments entering Malaysia are subject to inspection at the port of entry and if necessary, treatment by the Department of Agriculture prior to clearance by Customs. Import duties are levied on CIF (Cost Insurance Freight) values, whilst sales tax is based on the aggregated value (i.e. CIF plus import duty). Malaysian Customs currently grants a 10 percent rebate on the import duty for all fresh fruit shipped from the country of origin to Port Kelang and Penang direct, to try to reduce imports coming in through Singapore. There are no import duties on almost all of the fresh vegetables imported into Malaysia. The only items subject to import licensing are round cabbages.

Some processed foods face import restrictions. An Import Licence from the Veterinary Department and an Import Permit issued by the Director General of Veterinary Services are required to import products containing poultry and meat. Importers of cereal flours (wheat or meslin) also require an Import Licence. Certain food products of Australian and New Zealand origin (manufactured and consigned direct) are entitled to a preferential rate of duty. These include milk, cream, butter, and canned fruit.

There are no import restrictions imposed on seafood. However, all shipments are subject to inspection by the Ministry of Health at the port of entry and local importers are required to apply for an import license (renewable annually), from the Fisheries Development Authority of Malaysia. A letter of approval is required from the Department of Fisheries Malaysia for live fish imports.

There are no import quotas or restrictions imposed on wine and brandy. All liquor shipments entering are subject to Customs clearance and duties. It is normal for the Customs Department to take one bottle from each case to assess the alcohol content thereby affecting landed prices. Local importers must obtain a wholesale license from the Royal Customs and Excise Department.

Import Barriers

There are four schedules in the Malaysian Trade Classification and Customs Duties Order book listing a range of items under varying levels of restrictions.

- **List 1:** Includes prohibited items, i.e. all imports from Israel and products banned for religious, moral, security and environmental reasons.
- **List 2:** Products under this list require licenses – the list includes poultry, meat, eggs, rice, sugar, clinkers, wood, safety helmets and telecommunications equipment.
- **List 3:** Products under this list require a licence to afford temporary protection to local manufacturers. Products covered include milk, cabbage, coffee, cereal flours, some iron and steel products and certain wires and cable.
- **List 4:** Products within this list can only be imported after meeting specific criteria. The list covers animals, animal products, plants, plant products, cigarettes, soils, and fertilisers of animal origin and electrical accessories.

Packaging and Labelling

It is advantageous although not compulsory to include Malay language wording on product labels. A high percentage of the population speak English but if your product is targeted at the Malays (60 percent of the population), then it is sensible to provide both languages.

The Ministry of Health is responsible for the Production and Sale of Foodstuff Regulations. The Food Act 1983 and Regulations 1985 prescribe standards, labelling, date marking, and the use of additives and preservatives.

Tariffs and Duties

The Malaysian customs tariff nomenclature is based on the Harmonized System (HS). The government is progressively implementing a tariff reduction programme in line with its undertakings to the World Trade Organisation (WTO). At present most import duties range from zero to 30 percent. Higher rates apply to luxury goods, automobiles, tobacco, alcohol, processed and high-value food products. The ASEAN Free Trade Agreement (AFTA) will bring all member countries tariffs down to 5 percent.

New Zealand Trade and Enterprise can provide free, basic information on tariffs at an indicative level to assist companies assess viability of market entry.

taxation

Types	Rates
Corporate	28%
Resident individual income tax	Gradual rates from 0-29%
Non-resident individual income tax	28%
Real property gains tax	30% for disposal within 2 years, 20% (3 rd year) , 15% (4 th year) & disposal in fifth year and thereafter at 5%
Service tax	5%
Sales tax	Ranges form 5-25% depending on the type of product
Withholding tax	Royalties, technical fees, etc. - 10%
Double taxation	Malaysia has a treaty with New Zealand to prevent double taxation of international income

Source: Malaysia Industrial Development Authority

freight

Air Freight

Malaysia Airlines has direct flights daily between Auckland and Kuala Lumpur. Connecting services through Singapore are also available e.g. Singapore Airlines, and Qantas. Indicative freight rates are:

- NZ\$4.60 per kg for cargo weighing 45 kg and below
- NZ\$2.50 per kg for cargo between 45 kg – 100kg
- NZ\$1.70 per kg for cargo between 100 kg – 250kg
- NZ\$1.60 per kg for cargo between 250 kg – 500 kg
- Minimum charge is NZ\$50.00.

The above rates include surcharges.

Sea Freight

Tasman Orient Lines operates direct routes to Malaysia's Port Kelang approximately every 14 days. Indirect services are also available through Singapore on P&O Nedlloyd on a weekly basis. Indicative freight rates are:

- US\$800 for a 20 foot container (bunker charge of US\$375)
- US\$1300 for a 40 foot container (bunker charge of US\$750).

Additional document processing charges may apply.

New Zealand Trade and Enterprise has basic information on air and shipping freight options to this market, but for details on rates and schedules, exporters will be referred to a range of appropriate service providers.

doing business with malaysia

As in most Asian countries, Malaysia has many business customs that are different to New Zealand's. It is important to follow them to avoid offending or alienating business contacts.

Cultural and Business Tips

- Business cards are commonly exchanged in all business introductions. Ensure you bring a sufficient supply. When meeting a Chinese businessperson, use two hands to present your card. This indicates esteem for the person you are meeting. Look at their card for a short time before putting it down. When meeting a Malay (Muslim) person, hand your card over with the right hand, placing your left hand on the right forearm. Try not to use the left hand only as it is considered unclean. If in doubt, it is acceptable to use both hands. (Also avoid using the left hand when passing food).
- Business dress for men should be a long sleeve shirt and tie. A jacket is sometimes necessary for evening cocktails or other events. A batik shirt is also suitable for formal occasions. When in doubt, check with your host. For women, dress should be conservative given the strong Muslim culture. Dresses and blouses should have sleeves and mini skirts should be avoided. If most of your time will be spent in meetings then you should dress for the cooler air-conditioned offices and try to avoid the heat outside.
- In the Malay community courtesy is very highly prized and one should never show irritation or impatience.
- Prominent businessmen often have titles such as Tan Sri or Dato. In addressing them one should use these titles (e.g. Tan Sri or Dato Lim – where Lim is the surname). Otherwise Mr or Miss is normally used, even when the woman is married. For Malay business contacts, males are addressed as Encik (pronounced Inchik) and females are addressed as Cik (pronounced Chik) if they are not married and Puan if they are married.
- Pork and alcohol are forbidden for Muslims, so exercise sensitivity when entertaining Muslim companions.
- Few Malays will drink alcohol or smoke publicly.
- Never touch the head of a Malay - the head is considered to be sacred.
- The Malay handshake (salam) is a simple palm to palm touch followed by the hand touching the heart. This is meant to show that the greeting is sincere and from the heart.
- Women are well accepted in the business culture and there are a number of Malaysian female politicians and business leaders.

health risks

Avian Influenza (Bird Flu)

The World Health Organisation (WHO) has warned that outbreaks of bird flu/avian influenza could trigger an international concern of a possible future human flu pandemic. Previously the WHO have issued an alert which means that there have been human infections of the virus, but very rare instances of human to human spread.

Avian influenza is largely a disease of birds. Internationally, 208 people have caught the disease and of these 115 have died. Human cases have been confirmed in Azerbaijan, Cambodia, China,

Egypt, Indonesia, Iraq, Thailand, Turkey and Vietnam. Almost all are thought to have caught the disease directly from infected poultry. Medical experts warn that the avian influenza virus could combine with influenza viruses already circulating in the human population or adapt into a form which could be transmitted readily between people.

Malaysia is currently free from bird flu, but has been on a heightened state of bird flu alert since three recent outbreaks – the first in Kelantan state in late 2004, as well as separate outbreaks near Kuala Lumpur and in Perak and Penang in February-March 2006. All outbreaks have been quickly contained. The lead agencies in Malaysia for dealing with bird flu issues are the Department of Veterinary Services (DVS) of the Ministry of Agriculture and the Ministry of Health (MOH).

Dengue Fever Warning

A number of Asian countries appear to be facing a dengue fever epidemic. Dhaka (Bangladesh), Kaosiung (Taiwan), and Kuala Lumpur (Malaysia) appear to be worst hit, but the disease is also quite prevalent in Indonesia, Singapore, Hong Kong, and Vietnam. (By October 2002 there were 2,500 reported dengue fever cases in Singapore, including 3 deaths).

Dengue fever is a viral disease transmitted by certain types of tropical mosquitoes (distinguished by their black and white stripes) which are active in the day time. It is prevalent in tropical urban areas after rainfall. One strain causes severe internal bleeding which is fatal if not treated.

The incubation period is about a week after being bitten. Symptoms are very painful and include severe headaches, rashes, cramps, and bone and muscle pains. For this reason, dengue is sometimes called "break bone fever". Fatalities usually occur when people mistake dengue fever for flu, and fail to seek early medical advice.

New Zealand Trade and Enterprise advises exporters to Asia to be particularly aware of the symptoms of dengue fever, and to wear insect repellent when outdoors in any area where there may be sources of still water (even as apparently innocuous as water saucers around pot plants).

visa requirements

Everyone entering Malaysia must possess national passports or other internationally recognised travel documents and these must be valid for at least six months beyond the date of entry. New Zealand citizens do not need a visa to enter Malaysia. Business travellers and tourists will be issued with a three-month visa upon arrival.

New Zealanders who are visiting Brunei for 30 days or less do not require a visa to enter Brunei.

time difference

Malaysia is four hours behind New Zealand except during daylight savings (October-March) when it is five hours. To find out the current time in Malaysia, go to www.timeanddate.com.

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Note: Market coverage includes Brunei

useful websites

- www.tourism.gov.my/corp/about/default.asp – About Malaysia
- www.mycen.com.my/search/ministry.html – Malaysian Government / Ministries
- www.mfat.govt.nz – refer Malaysian Country Paper
- www.bnz.co.nz/ – shows the latest foreign exchange rates so you can calculate New Zealand dollars into foreign currency
- www.xe.net/ucc/ – Universal Currency Converter website

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