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INVEST

FOREIGN DIRECT INVESTMENT

According to UNCTAD's [World Investment Report 2023](#), FDI flows to Malaysia rose by 39% to almost USD 17 billion in 2022, a new record for the country. The largest greenfield project announced was the plan by Bin Zayed International (United Arab Emirates) to invest USD 9.6 billion in developing a mixed-use real estate project in Langkasuka, following a joint venture with Widad Business Group (Malaysia). At the end of the same year, the total stock of FDI stood at USD 199.2 billion. In terms of sectors, Malaysia's manufacturing sector attracted the highest FDI, bringing in MYR 17.1 billion and resulting in a net inflow of MYR 49.5 billion. The services sector followed as the second-largest contributor, ahead of the mining sector. Additionally, the Americas region surpassed Asia as the leading region for FDI in 2022, recording net inflows of MYR 42.6 billion, primarily from the U.S., contributing MYR 37.8 billion to the total (Statistics Malaysia). Data from the Malaysian Investment Development Authority (MIDA) show that, in the first nine months of 2023, FDI amounted to MYR 125.7 billion, coming mostly from the Netherlands, Singapore, the U.S., and China.

The investment landscape in Malaysia is strengthened by its strategic positioning and connectivity to Southeast Asian markets. It boasts ample land and natural resources, a well-established information and communications technology (ICT) infrastructure, a proficient English-speaking workforce, and a resilient ecosystem of manufacturers and suppliers. Key sectors, such as medical devices, semiconductors, and solar panels, contribute to Malaysia's robust economic environment. However, being a nation reliant on exports, Malaysia is highly responsive to fluctuations in global economic conditions and the government maintains a large discretionary power for authorising investment projects and uses it to obtain the maximum benefits from foreign participation and by demanding agreements that are advantageous in matters of transferring technologies or creating joint ventures. Depending on the specific industry, foreign investments may be obliged to fulfil local participation requirements, including equity ownership or representation on boards. Commonly, restrictions on foreign equity ownership manifest through mandated minimum or majority stakes, either held by local Malaysians or Bumiputera entities (representing ethnic Malays). Overall, Malaysia has a good business environment, ranking 36th among the 132 economies on the [Global Innovation Index 2023](#) and 45th out of 184 countries on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	3,160	12,173	16,940
FDI Stock <i>(million USD)</i>	170,682	187,257	199,206
Number of Greenfield Investments*	100	123	153
Value of Greenfield Investments (million USD)	7,284	25,086	16,805

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Malaysia	East Asia & Pacific	United States	Germany
Index of Transaction Transparency*	10.0	5.9	7.0	5.0
Index of Manager's Responsibility**	9.0	5.2	9.0	5.0
Index of Shareholders' Power***	8.0	6.7	9.0	5.0

Source: *Doing Business* - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN MALAYSIA

Strong Points

Malaysia's economy is already relatively well internationalised and relies on diversifying and growing exports. The country has also managed to create a healthy business environment, ranked at the 12th position in terms of ease of doing business out of 190 countries in the World Bank's [2020 Doing Business Report](#). The country continues to strive to make its economy attractive to FDI by implementing a broadly liberal and transparent investment policy by proposing in addition:

- High cost-competitiveness
- Attractive investment incentives
- Developed infrastructure
- A strategic position linked to the country's proximity to the main Asian markets
- Important natural resources
- Strong dynamism of the services sector
- High domestic consumption fuelled by high per capita income and low unemployment.

Weak Points

The main weaknesses of Malaysia in terms of FDI are:

- Bureaucratic and regulatory burdens
- A shortage of skilled labour
- Overall rise in labour costs, creating a risk of erosion of the country's price competitiveness
- The country's economy also remains vulnerable to a slowdown in demand from China, its main trading partner and to the prices of natural resources (gas and oil)
- The country's unity is rather fragile given regional, ethnic and religious disparities.

Government Measures to Motivate or Restrict FDI

Malaysian governments have traditionally been open to foreign direct investments, which have been an integral component of the country's economic development. Within the framework of its economic development plan, Malaysia has provided tax incentives to attract foreign investment in strategic sectors of activity, such as "pioneering status" for industry sectors, agriculture, and tourism, the "Bionexus label" for the biotechnology sector and the "MSC status" for companies in the ICT and multimedia sectors.

The government established the National Committee on Investment, an investment approval body jointly chaired by the Minister of Finance and the Minister of International Trade and Industry, to expedite the regulatory process with respect to approving new investments. The 2022 budget includes a special fund of up to RMY 2 billion to attract strategic FDI.

Malaysia has various national, regional, and municipal investment promotion agencies, including the [Malaysian Investment Development Authority \(MIDA\)](#) and [InvestKL](#). Further information can be sourced on [i-Incentives](#), the portal that provides the information on investment incentives offered by the Federal Government of Malaysia.

INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

Malaysia exploits its abundant natural resources (palm oil, rubber, tin, wood, oil, natural gas), and has developed the electronics and chemicals sectors. It also has a high value-added products industry, such as semiconductors and other electronic products. Financial services; tourism; communications content and infrastructure; education; agriculture; and health care are among the important economical sectors for the country..

High Potential Sectors

The national government has recently called for investments in high technology and research and development, focusing on artificial intelligence, "Internet of Things" device design and manufacturing, smart cities, electric vehicles, automation of the manufacturing industry, telecommunications infrastructure, and aerospace.

Privatization Programmes

Although the government restated its commitment to privatize companies in several key sectors (i.e. transportation, agriculture, utilities, financial services, manufacturing, and construction), no timeline for the process has been set.

The Malaysian Government established the [Public-Private Partnership Unit \(UKAS\)](#) to provide guidance and administrative support to businesses interested in privatization projects and large-scale government procurement projects, as well as to oversee transactions ranging from contracts and concessions to sales and transfers of ownership from the public to the private sector.

Foreign investors may participate in privatization programs, but foreign ownership is limited to 25% of the privatized entity's equity.

Tenders, Projects and Public Procurement

[Tenders Info](#), Tenders in Malaysia

[Asian Development Bank](#), Procurement Plans in Asia

[DgMarket](#), Tenders Worldwide

Sectors Where Investment Opportunities Are Fewer

Monopolistic Sectors

The Government restricts investment in those branches of production deemed to be essential for national development, such as the automobile industry, as well as in low value-added branches of production, which are labour-intensive. Foreigners have limited access to services, such as financial services, professional services (legal, for example), accounting and architecture.

Government Linked Corporations (GLCs) continue to dominate the market in several sectors, including transportation, agriculture, utilities, financial services, manufacturing, and construction.

Sectors in Decline

Agriculture, mining.

Finding Assistance For Further Information

Investment Aid Agency

[Malaysian Investment Development Authority \(MIDA\)](#)

[i-Incentives platform](#)

[InvestKL](#)

Other Useful Resources

[National Chamber of Commerce and Industry of Malaysia](#)

[SME Info](#)

Doing Business Guides

[Investment Climate in Malaysia - US Department of State](#)

[World Bank's Doing Business Report - Malaysia](#)