

International Logistics  
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**Questionnaire - Malaysia**

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### 1. What are the rough dimensions of the country in miles?

Malaysia is located in Southeastern Asia. The country comprises of a peninsula bordering Thailand to the north and the northern one-third of the island of Borneo, bordering Indonesia and the South China Sea.

Malaysia has a total area of 127,287 Sq. mi comprising 13 states and 2 federal territories.

Area	Unit	
Malaysia	Sq. km	329,758
	Sq. mi	127,287
Peninsular Malaysia	Sq. km	131,598
	Sq. mi	50,797
Sabah	Sq. km	73,711
	Sq. mi	28,452
Sarawak	Sq. km	124,449
	Sq. mi	48,037

### 2. What is the population? What percentage live in the 3 largest cities?

22,202,614 total population

Kuala Lumpur (capital) - 1,297,526, 5.84% of population

Petaling - 1,181,034, 5.32%

Johor Baharu - 1,064,881, 4.80%

### 3. What is the predominant language? How widely used is English in business?

Bahasa Melayu (official), English, Chinese dialects (Cantonese, Mandarin, Hokkien, Hakka, Hainan, Foochow), Tamil, Telugu, Malayalam, Panjabi, Thai; note - in addition, in East Malaysia several indigenous languages are spoken, the largest of which are Iban and Kadazan

English is predominantly the business language in Malaysia. Bahasa Melayu is often used as well.

**4. In the last three years have there been any instances of political instability?**

On September 2, 1988, Anwar Ibrahim fired from his positions of finance minister and deputy prime minister based on serious economic and political disagreements with the current Prime Minister, Mahathir Mohamad. Since then, Anwar denounced Prime Minister Mahathir Mohamad as "corrupt" and called for his resignation in a series of anti-government demonstrations. Later in the month, Anwar was arrested for sexual allegations levelled against him in the government-controlled media (remember, this is a strict Muslim country where such allegations are jailable offenses). Since Anwar's arrest, Dr. Mahathir's political party, the United Malays National Organization has faced severe criticism and opposition from a new coalition, the Barisan Alternatif, or Alternative Front, formed from smaller rival political parties.

**5. What is the currency? What is the exchange rate to US dollars? How has it changed in the past two years?**

The currency is the Malaysian Ringgit. Due to the Asian economic crisis, the Malaysian Ringgit has been pegged to the US dollar at \$3.8 MYR to \$1 USD since September 1998.

**6. What time zones exist in this country? What time is it in the capital when it is noon in Cambridge, MA?**

Malaysia's time zone is 8 hours ahead of GMT and 13 hours ahead of Eastern Standard Time. When it is noon in Cambridge, MA, it is 1:00 AM the following day in Kuala Lumpur, Malaysia.

**7. What unique requirements exist for products sold in this country? (e.g. testing, packaging, language, safety, etc.)**

Malaysia adheres to the WTO's Standard Code on Technical Barrier To Trade. The appointed standards development agency, SIRIM Berhad, publishes Malaysian standards and provides quality certification services. About 2600 MS are available, with an additional 200 provided each year. In addition, the current MS are reviewed at least every five years in order to keep them up-to-date with the latest technologies.

Manufacturers and companies whose products and services consistently conform to the MS and who follow adequate procedures are given permission to use the SIRIM Quality Mark. In both the government and the private sector, particularly the manufacturing industry, there is a high level of interest in standards, and SIRIM Berhad has worked to establish ISO 9000 and 14000 standards. In addition, SIRIM Berhad is also affiliated with the standards bodies of many countries and many different industries.

As the national organization of standardization and quality in Malaysia, SIRIM Berhad plays an important role in advancing Malaysian technology; improving the market for Malaysian goods abroad; and promoting industrial efficiency, quality, and safety.

## **8. What regulations or limitations exist regarding freight transport?**

Only 75 percent of Malaysia's highways are paved with 1.8 percent of roads classified as expressways. Malaysia's railway system is less than three percent the size of its roadway infrastructure. Malaysia's air cargo facilities are well developed at five (4.3 percent) international airports, however only 29 percent of their airports have paved runways. Ninety percent of Malaysia's international trade is thus seaborne.

Import permits are required for a variety of hazardous materials. Prohibited imports include multi-color copying machines, indecent or obscene materials and certain poisonous chemicals. Import tariffs range from 0 to 300 percent, but average 10 percent. A sales tax of 10 percent is also levied on most imported goods. Additional import licensing is required for electrical products and telephone equipment, to protect import sensitive or strategic industries.

All imported beef and poultry products must originate from facilities, which have been approved by Malaysian authorities as "halal" or acceptable for consumption by Muslims.

Malaysia follows the Harmonized Tariff System (HTS) for the classification of goods. All imported consumer goods are required to be labeled to identify the importing agent.

Malaysia has an export licensing system as well, where duties range from five to ten percent on commodities such as petroleum, timber, rubber, and tin as well as others. Other goods are subject to export duties only if their value is above a predetermined threshold price.

Malaysia has Free Zones, where export oriented manufacturing and warehousing facilities may be located for companies that export at least 80 percent of their output. Raw materials, products, and equipment not found domestically and used for exported goods may be imported duty free and with minimum customs restrictions.

## **9. Are there saltwater ports which can handle large ships? How far are the major population centers from those ports?**

There are six federal international ports in Malaysia, which come under the jurisdiction of the Ministry of Transport. Five federal ports, namely Port Klang, Penang Port, Johor Port, Kemaman Port and Kuantan Port are situated in Peninsular Malaysia. The sixth, Bintulu Port, which is the country's first liquefied natural gas port, is located in Sarawak. Individual port authorities have been established for the administration of these federal ports.

In addition, the Port of Tanjung Pelepas (PTP) is South-east Asia's fastest growing port and is located at the confluence of major international shipping routes at the tip of Malaysia's peninsula. With approximately 110,000 TEUs storage capacity, it is one of the largest storage facilities in the region.

Port Klang is situated on the west coast of Peninsular Malaysia, about 40 km from the capital city, Kuala Lumpur. The major city of Johor Baharu is built around the port.

	<b>1996 mn tonnes</b>	<b>1997 mn tonnes</b>
Composition of Cargo Throughput		
General Cargo	31.2	32.4
Dry Bulk Cargo	26.5	29.6
Liquid Bulk Cargo	65.3	70.3
Containerised Cargo	44.9	53.3
Total	167.9	185.6

#### **10. What business terms and financial instruments are typically used for import commercial transactions?**

Imports may be financed through letters of credit issued to importers by banks in Malaysia. The banking sector includes 35 commercial banks, 39 finance companies, 13 merchant banks and 7 discount houses. Finance is readily available for domestic importers. The Islamic bond market has also grown in popularity as a financial instrument recently. There are no foreign exchange controls, which would impede trade. The Malaysian Ringgit cannot be sent or received from abroad, but is freely convertible except for Israeli, Serbian, and Montenegrin currency. Other forms of financial instruments include sight drafts, term drafts, sales against cash deposit in advance, sales on open accounts, and sales on a consignment basis. Credit terms vary but are generally offered on a 30, 60, or 90-day basis. The Export-Import Bank of Malaysia (EXIM Bank) was established in August 1995 for the purpose of financing and facilitating Malaysia's foreign trade and investments.

English is widely spoken in business. The use of "guanxi" or connections in business is prevalent in Malaysia. Sales to the government require a local agent. Low salaries for

public and political posts means that a certain level of “under the counter” payment lessens the time it takes to do business, such as clear customs.

**11. How large is a typical supermarket or retail food store (square feet or meters)?**

Rapidly changing lifestyles have given rise to an expanding supermarket sector. Several upscale chains are vying for a share of the growing market. Most of the larger supermarkets are modern, well-designed outlets with layouts similar to those in the United States.

A new phenomenon in the Malaysian food-retailing sector is the establishment of hypermarkets and wholesale and distribution cash-and-carry warehousing centers. These incorporate wholesale activities with one-stop, self-service shopping centers. Makro Cash and Carry Wholesale franchises have several outlets. Carrefour -- the French hypermarket -- has two stores.

**12. Do any of the large US discount retailers (Wal-Mart, K-Mart, Toys ‘R Us) have stores in this country?**

Food and other consumer goods are typically sold by U.S. export wholesalers to Malaysian general import houses, which handle distribution to supermarkets and other outlets. U.S. fast food and other franchises (Kentucky Fried Chicken, McDonald's, Kenny Rogers, Chili's, Baskin-Robbins, Domino's Pizza, Coffee Bean and Tea Leaf, Starbucks, etc.) involving local partners have proliferated rapidly in recent years, reflecting lifestyle changes as Malaysia's per capita income rises and urbanization accelerates.

U.S. firms in the retail sector include Avon, Toys R Us, Hallmark and Levi's, among others. U.S. food and other consumer goods are primarily marketed to the rapidly growing urban middle class, and so tend to occupy the upper end of the local retail price spectrum.

**13. Describe the highway and rail infrastructure. Are they: extensive, moderate, or primitive nationwide?**

Malaysia's only railroad operator, Keretapi Tanah Melayu Bhd. (KTM), operates in Peninsular Malaysia and is wholly owned by the Malaysian Government. KTM can be considered the single largest transport organization in the country, with the capacity to transport several classifications of goods, ranging from grains to machinery. Today, it has an extensive network totaling 2,003 track kilometers.

Peninsular Malaysia's road system is extensive, in contrast to those of Sabah and Sarawak. In 1999 the road network in Peninsular Malaysia totaled an estimated 65,877 km, of which 16,206 km were highways and 31,777 km secondary roads. 75.8 percent of the network was paved. Sabah maintains a network totaling 10,744 km, while Sarawak has 4,897 km in roads.

#### 14. How bad is the traffic congestion in the major cities?

The traffic congestion in several major cities in Malaysia, such as Kuala Lumpur, is bad and getting worst. The air quality index fluctuates almost everyday from good to bad. Rapid development of new public transportation, such as the Light Railway Transit (LRT) system has been developed to ease this problem. To date, development of the infrastructure has not kept pace with the proliferation of motorized vehicles.

#### 15. Which countries are the primary trading partners? For each partner, in which direction is the balance of trade (import or export)?

**Exports:** \$97.9 billion (2000 est.)

**Exports - commodities:** electronic equipment, petroleum and liquefied natural gas, chemicals, palm oil, wood and wood products, rubber, textiles

**Exports - partners:** US 21%, Singapore 18%, Japan 13%, Hong Kong 5%, Netherlands 4%, Taiwan 4%, Thailand 3% (2000 est.)

**Imports:** \$82.6 billion (2000 est.)

**Imports - commodities:** machinery and transport equipment, chemicals, food, fuel and lubricants

**Imports - partners:** Japan 21%, US 17%, Singapore 14%, Taiwan 6%, South Korea 5%, Thailand 4%, China 4% (2000 est.)

#### 16. Is security an issue in logistics? Why?

There is little security issue for land and air transportation. However, there is pirate problem with ocean transportation. The pirate problem here is an international one that until a few years ago had been pretty well under control through police cooperation by the three countries of Indonesia, Singapore, and Malaysia. But since Indonesia has had its internal problems with East Timor and other islands, there has been less participation from them with the other countries. The resultant increase in piracy and attendant brazen violence has caused the Singapore and Malaysia authorities to conclude these newly very well armed pirates may actually be Indonesian Navy personnel who are "moonlighting".

#### 17. How reliable is the phone system? How long for a consumer to get a phone line installed? How extensive is the mobile phone network?

**Telephone system:** *general assessment:* modern system; international service excellent

*domestic:* good intercity service provided on Peninsular Malaysia mainly by microwave radio relay; adequate intercity microwave radio relay network between Sabah and Sarawak via Brunei; domestic satellite system with 2 earth stations

*international:* submarine cables to India, Hong Kong, and Singapore; satellite earth stations - 2 Intelsat (1 Indian Ocean and 1 Pacific Ocean) (2001)

**Telephones - main lines in use:** 4.5 million (1999)

**Telephones - mobile cellular:** Extensive use, 2.698 million (1999)

## 18. How many people have internet access?

**Internet Service Providers (ISPs):** 7 (2000)

**Internet users:** 1.5 million (2000)

## 19. What is the price of regular gasoline, \$ per gallon?

<u>Gas</u>	
(RM/litre)	0.64 - 1.20
(USD/gal)	0.64 - 1.20

## 20. What trade restrictions exist? What are the highest import duties – which products and countries of origin? What embargoes exist, if any?

Imports	\$61.5 billion (1999 est.)
Main Items of Import	Machinery and equipment, chemicals, food, fuel and lubricants
Main Sources	Japan, US, Singapore, Taiwan, South Korea, Thailand, China (1999 est.)

The WTO reports that Malaysia has cut its import tariffs by almost one half from 1993 - 1997. The average applied most-favored-nation tariff has declined from 15.2% in 1993 to 8.1% in 1997. Import duties range from zero to 100 percent though only a few items are subject to over 25 percent duties. Import licensing affects some 17 per cent of all tariff lines, principally in the agricultural and automobile sector. Imports of coffee beans and round cabbages are restricted and imported motor vehicles are subject to quotas and high tariffs. Domestic manufacturers of cars, meanwhile, benefit from sales tax reductions.

## 21. What customs documents are required for an import shipment? For export?

Malaysia's customs authorities may enforce strict regulations concerning temporary importation into or export from Malaysia of items such as firearms, religious materials, antiquities, medications, business equipment, currency, ivory, and other items. Some goods are subject to quantitative restrictions as a temporary measure to protect local industries. Imports from Israel are prohibited. Imports of motor vehicles are subject to an



import licensing with quantitative restrictions. Imports of meat, bones, hides, skin, hooves, horns and offal of any animal require an import license.

Customs officials encourage the use of an ATA (Admission Temporary Admission) carnet for the temporary admission of professional equipment, commercial samples, and/or goods for exhibitions and fair purposes.

A simple form must be completed for all exports, the value of which exceeds RM 100,000 f.o.b. per shipment. This form does not require any authorization and is given to the customs authorities at the time of shipment.

Completion of form J.K. 69 for import applicants and completion of form Custom No. 2 (Principal Custom Area) or form Custom No. 8 (Licensed Manufacturing Warehouse and Free Trade Zone) for export.

**22. How common is “bribery” (US definition) in trade transactions? (normal, infrequent, very rare). What are the legal ramifications?**

In its first study of perceptions of the tendency of various countries' exporters to resort to bribery, Transparency International named China, South Korea, Taiwan and Malaysia as among the places where companies are seen to be most disposed to bribing senior public officials abroad. Transparency International is a Berlin-based private consortium of national and international organizations.

**23. How strong are the unions? In what industries are they an important factor? Are they predominantly national or local? What impact do they have on logistics?**

Compared with other Southeast Asian countries, the trade union movement in Malaysia is quite strong. In accordance with the Malaysian constitution, matters pertaining to labor and industrial relations come within the jurisdiction of the federal government, allowing the Ministry of Labour and Manpower to adjudicate disputes.

Most public-sector unions belong to the Congress of Unions of Employees in Public and Civil Services (CEUPACS), which split from the Malaysian Trade Union Congress (MTUC) in 1980. In 1989, the Malaysian Labour Organization (MLO), was founded, and this group recently joined the MTUC. In 1995, 11.5% of Malaysia's non-agricultural labor force was unionized.

In Malaysia, trade unions have the right to strike provided that a two-thirds majority vote is obtained and that the strike is not motivated by political purposes or sympathy for other workmen. However, since the Registrar of Trade Unions has the power to deregister labor organizations, it has become very difficult for workers to carry on an organized protest. In the event of a labor dispute, the Director-General of Industrial Relations and the Minister of Labor and Manpower are empowered to arbitrate, often with the assistance of the Industrial Court. According to literature from MTUC, the establishment

and activities of industrial unions have been seriously obstructed by the government. Critics of the Malaysian system have pointed out that it encourages foreign investment in the country at the expense of workers' rights. From a logistics standpoint, the government's policies tend to support foreign business activities in Malaysia, provided that they are bringing sufficient revenue to the area. However, the uncertainty created by the government's intricate involvement in trade practices could create problems for long-term planning.

## **Resources**

<http://www.cia.gov/cia/publications/factbook/>

[http://www.abisnet.com/malaysia\\_1.htm](http://www.abisnet.com/malaysia_1.htm)

<http://dotmy.com/>

<http://usembassymalaysia.org.my/>

<http://usembassymalaysia.org.my/ccg-2002.html>

[http://www.bocm.com/bocmrs/Research\\_FX/asiaperspectives/2002/01-25-02\\_asiamarket.pdf](http://www.bocm.com/bocmrs/Research_FX/asiaperspectives/2002/01-25-02_asiamarket.pdf)

<http://wwwarc.murdoch.edu.au/arc/newspaper/khoo19nov.html>

<http://travel.state.gov/malaysia.html>

<http://www.jaring.my/>

<http://www.uscib.org/>

<http://www.pka.gov.my/> - Port Klang

<http://www.iornet.org/newiornet/malaysia.htm> - general stats

<http://www.iornet.org/newiornet/malaysia.htm>

<http://www.fe.doe.gov/international/malaysia.html>

<http://www.tradeport.org/ts/countries/malaysia.html>

<http://www.asiamarketresearch.com/malaysia/>