

## OECD Services Trade Restrictiveness Index (STRI)

### MALAYSIA – 2020

#### Key findings

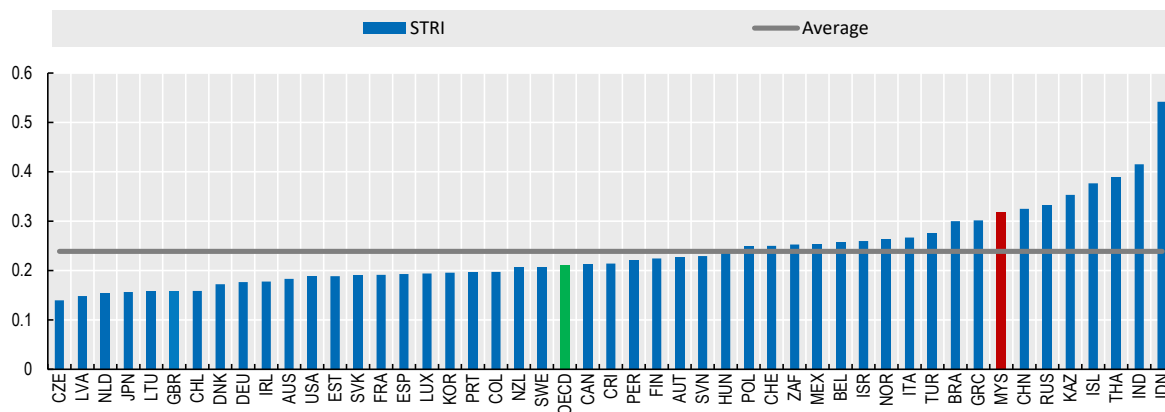
- The 2020 STRI of Malaysia is relatively high compared to the other countries covered by the STRI, but has decreased compared to 2019.
- In 2020, Malaysia has simplified the administrative procedure related to obtaining business visas.
- Accounting services is the most open services sector in Malaysia while telecommunications is the most restricted sector. In the telecommunications sector, barriers to competition and restriction on foreign entry are more stringent than in other countries in Asia.

#### Recommendation

- Innovation and adoption of technology rely on access to knowledge and to the networks, people, goods, and services that carry the knowledge around the world. In this context, Malaysia could benefit from more open markets for services trade and competition enhancing reforms in key services sectors that overarch the entire economy.

The 2020 STRI of Malaysia is relatively high compared to the other countries covered by the STRI but has decreased compared to 2019 (Figure 1).

Figure 1. Average STRI across countries, 2020



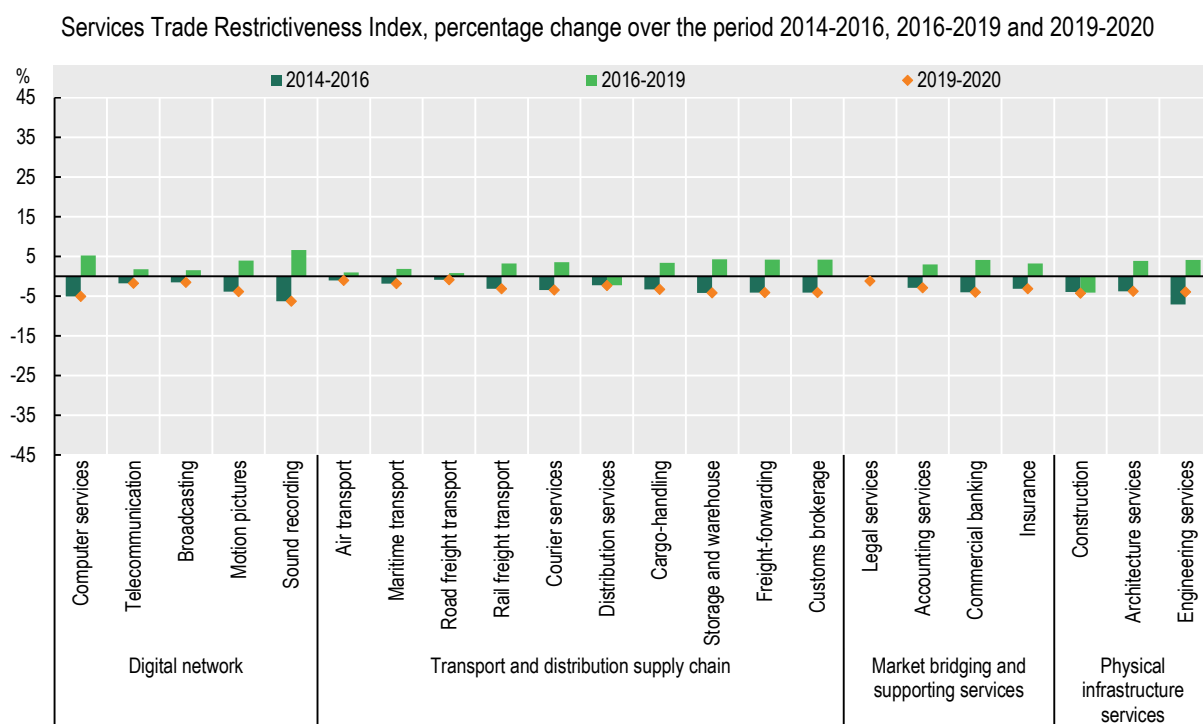
Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations basis. Air transport and road freight cover only commercial establishment (with accompanying movement of people). The indices are based on laws and regulations in force on 31 October 2020. The STRI regulatory database covers the 37 OECD countries, Brazil, China, Costa Rica, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, South Africa, and Thailand.

Source: OECD STRI and TIVA databases (2020).

The 2020 index across sectors can be explained in large part by general regulations. Foreign firms are required to incorporate in Malaysia to provide services and at least two directors need to be residents there. Foreigners cannot acquire certain types of land and real estate, including properties valued at less than RM 1 million (about USD 240,000), while large acquisitions (above RM 20 million) are subject to government approval. Foreign investments are generally not subject to government approval except in certain strategic sectors such as telecommunications, air transport, and distribution services. Malaysia applies labour market tests for natural persons seeking to provide services in the country on a temporary basis as intra-corporate transferees. There are, however, no similar requirements for contractual and independents services suppliers. The duration of stay for intra-corporate transferees is 24 months while the other two categories of services suppliers can stay up to 12 months on their initial permit through a Professional Visit Pass. There are no discriminatory taxes or subsidies. Foreigners have access to the public procurement market but local suppliers receive a price preference above certain thresholds.

The regulatory environment in Malaysia has tightened since 2016, but changes were moderate across sectors (Figure 2). The regulatory environment has become more open in 2020.

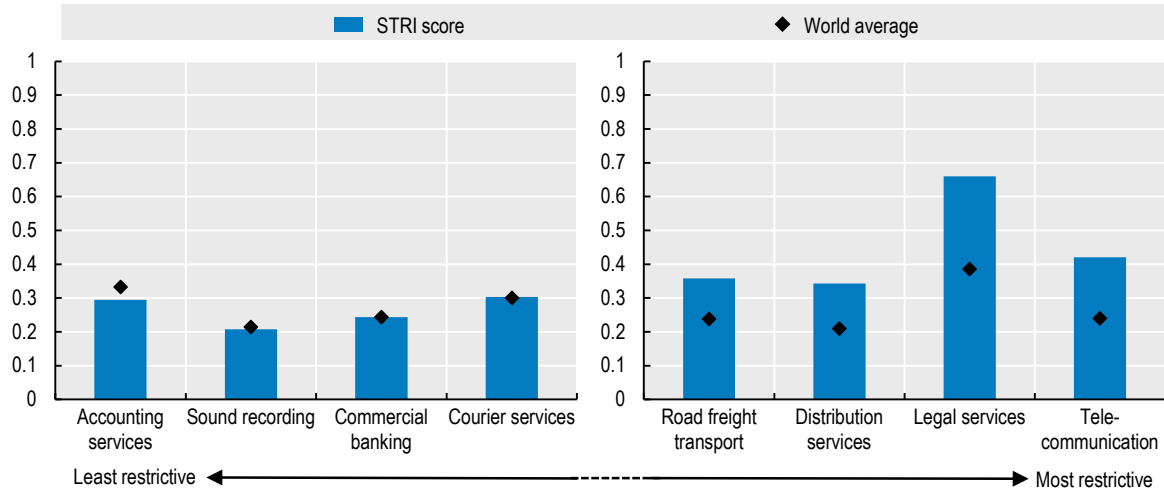
**Figure 2. Evolution of STRI scores by sector in Malaysia**



Source: OECD STRI database (2020).

Accounting services sound recording, commercial banking, and courier services are the sectors with the lowest score relative to the average STRI across all countries (Figure 3). Road freight transport, distribution services, legal services and telecommunications are the sectors with the highest score relative to the average STRI across all countries.

**Figure 3. Sectoral breakdown – The least and most restricted sectors in Malaysia**



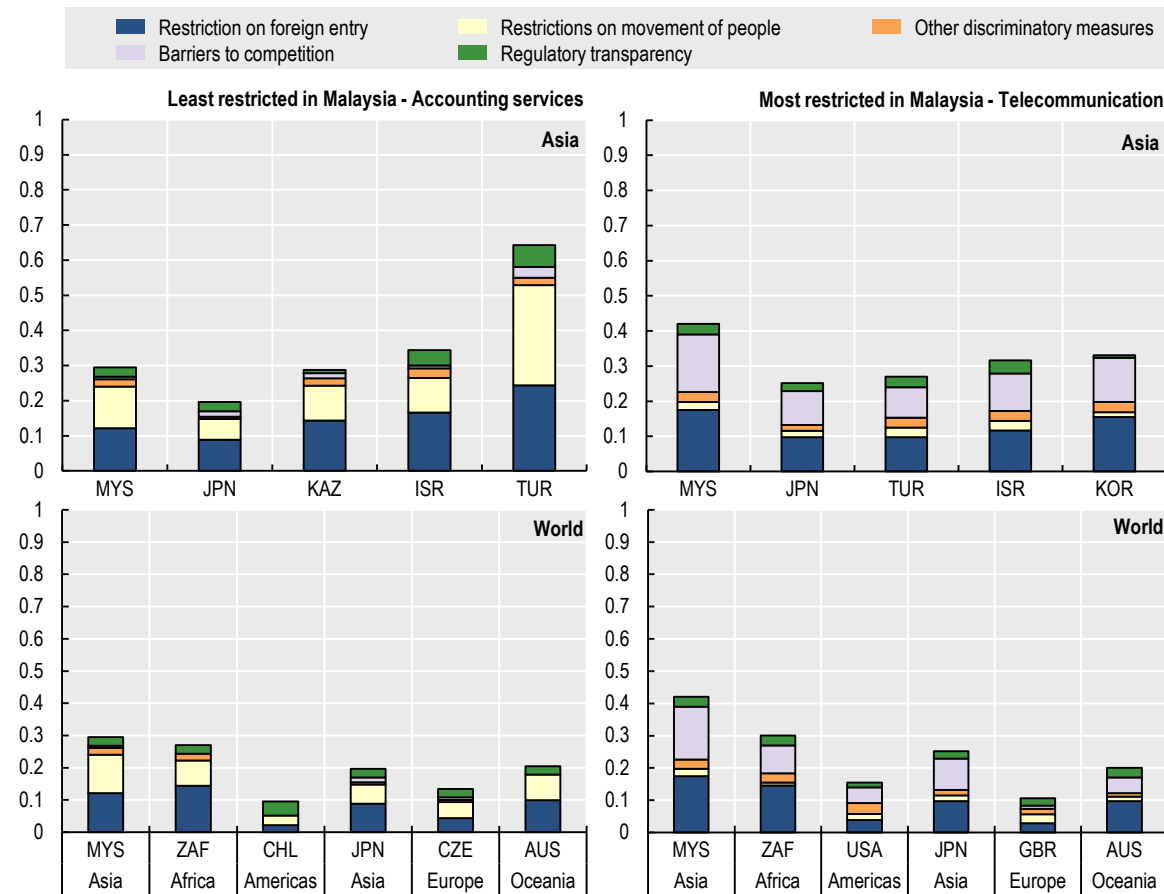
Note: Selection was made based on how far the sectors' score were from the world average score, as a percentage difference

i.e.  $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$

Source: OECD STRI database (2020).

Accounting services are the least restricted services sector in Malaysia compared to Asia and the other best performers elsewhere while telecommunications are the most restricted (Figure 4).

**Figure 4. Malaysia compared to Asia and World's best performers**

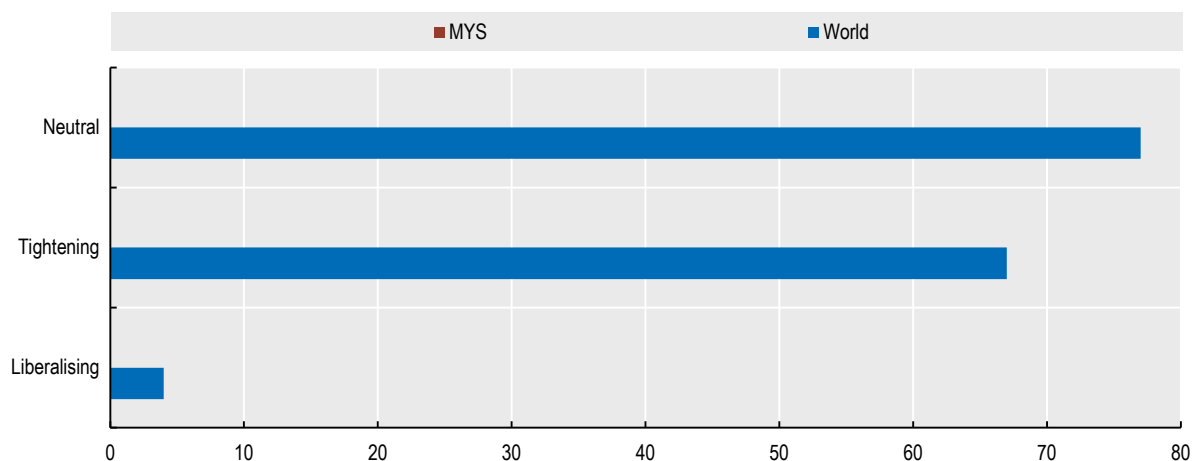


Source: OECD STRI database (2020).

### Special focus: Impact of COVID-19-related measures on the stringency of services regulations

Although Malaysia has adopted several measures in response to the COVID-19 crisis, these were either temporary or not directly relevant for the measures considered in the STRI database. Many countries have tightened their regulatory framework following the COVID-19 shock, by tightening their investment screening process or their visa requirements (Figure 5).

Figure 5. COVID-19 related measures in Malaysia and in the world



Source: OECD STRI database (2020).

### Key reforms

Malaysia has improved the administrative procedure related to obtaining the business visa in 2020. It has also eased foreign investment conditions in services in recent years, including in telecommunications, professional services, distribution, and courier services.

### More information

- » Access all country and sector notes, and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Read more about services trade policies and their impact in [Services Trade Policies and the Global Economy](#)
- » Contact the OECD Trade and Agriculture Directorate with your questions at [stri.contact@oecd.org](mailto:stri.contact@oecd.org)