



MALAYSIA – 2023

Key findings

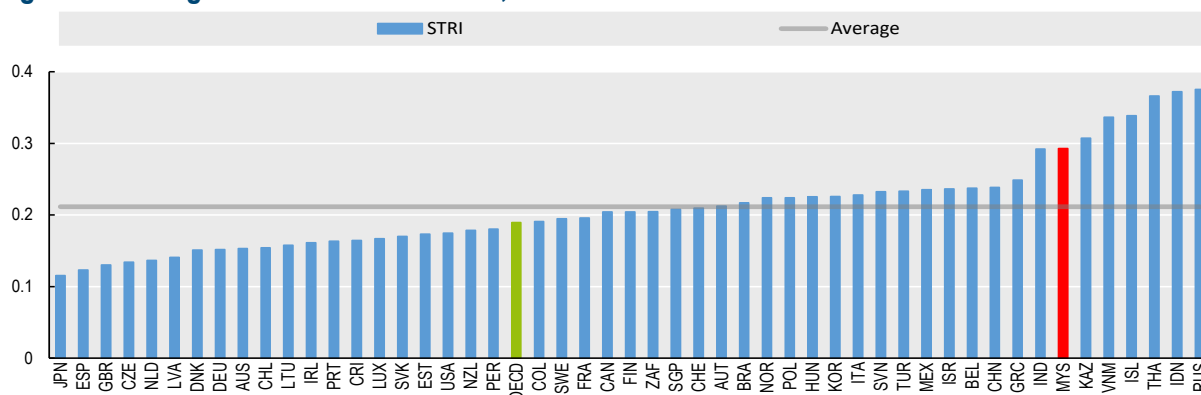
- The 2023 STRI of Malaysia is above the OECD average and relatively high compared to all countries in the STRI sample, indicating a relatively closed regulatory environment for trade in services. The index decreased slightly in 2023 compared to 2022.
- Malaysia's regulatory environment for services has been relatively stable in recent years, with signs of slight liberalisation across sectors particularly in 2018-22.
- Commercial banking is the most open sector in Malaysia while legal services is the most restricted, relative to the sectoral average.

Recommendation

- Trade in services strengthens resilience across supply chains, facilitating environmental sustainability and promoting greater inclusiveness. To ensure the benefits of open markets and a rules-based international trading system, national and multilateral action is needed to lower barriers and reduce trade costs, promote greater regulatory interoperability, and facilitate the digital transformation of economies

The 2023 STRI of Malaysia is above the OECD average, and relatively high compared to other countries in the STRI sample (Figure 1).

Figure 1. Average STRI across countries, 2023ⁱ



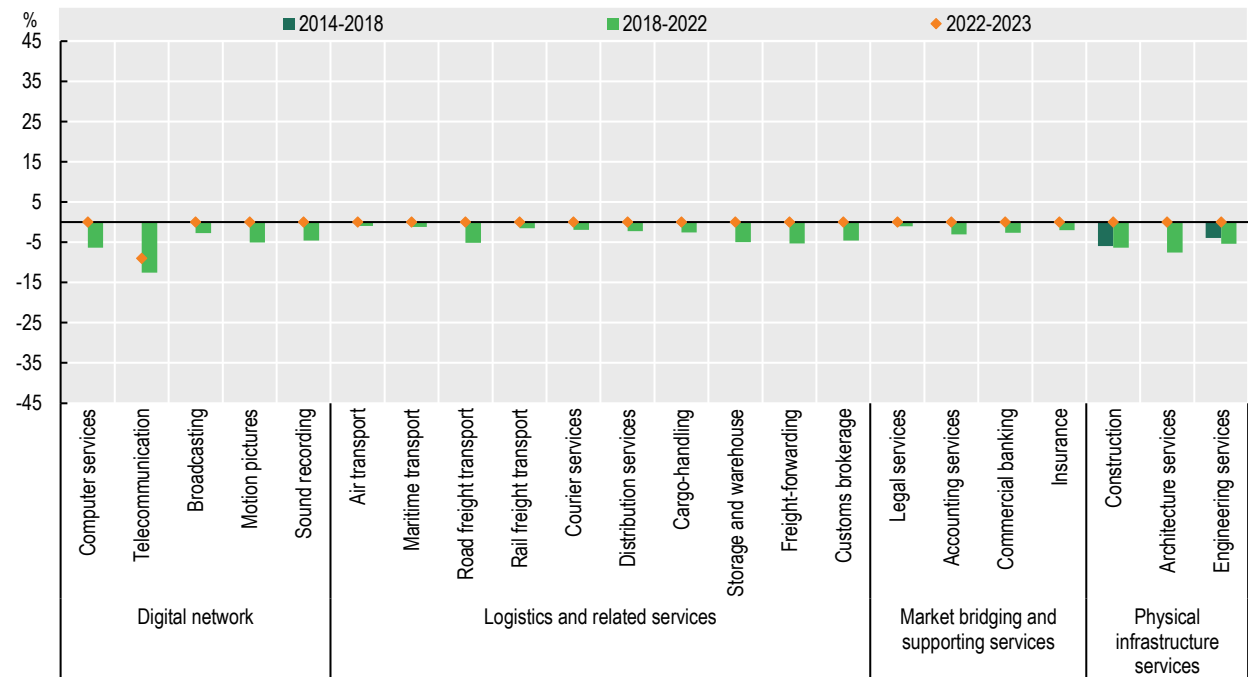
OECD (2023). STRI and TIVA databases.

Malaysia's STRI score is explained mainly by horizontally applicable regulation that affects all sectors of the economy. For example, Malaysia maintains residency requirements for the board of directors, limitations on the acquisition and use of land by foreigners, and limitations on cross-border transfer of personal data. In public procurement, local tenderers enjoy some preference. At the sector specific level, foreign equity restrictions apply in several sectors, such as legal services and broadcasting services.

The regulatory environment for services in Malaysia has been relatively stable in recent years, with signs of slight liberalisation across sectors, particularly in 2018-22 (Figure 2). The number of documents needed to obtain a business visa decreased from 10 to 7 in 2020, and further to 6 documents in 2022, easing the entry of business travellers. In 2023, STRIs in all sectors except telecommunication remained unchanged compared to 2022. The slight decrease in telecommunication is due to the introduction of competition-enhancing regulation, namely wholesale access price regulation for passive products (duct and manhole), effective on 1 March 2023.

Figure 2. Evolution of STRI indices by sector in Malaysia

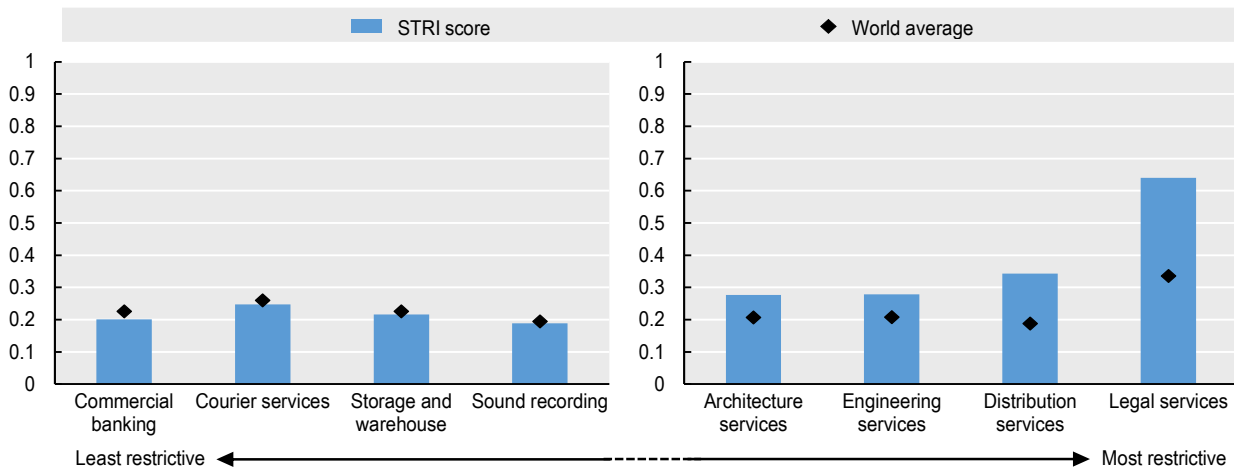
Services Trade Restrictiveness Index, percentage change over the period 2014-2018, 2018-2022 and 2022-2023



OECD (2023). STRI database.

Figure 3 ranks Malaysia’s sectors relative to the respective sector’s world average. Commercial banking, courier services, logistics storage and warehousing, and sound recording are the sectors with the relatively lowest score. Conversely, architecture services, engineering services, distribution, and legal services are the sectors with the relatively highest score.

Figure 3. Sectoral breakdown - The least and most restricted sectors in Malaysia compared to world average



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

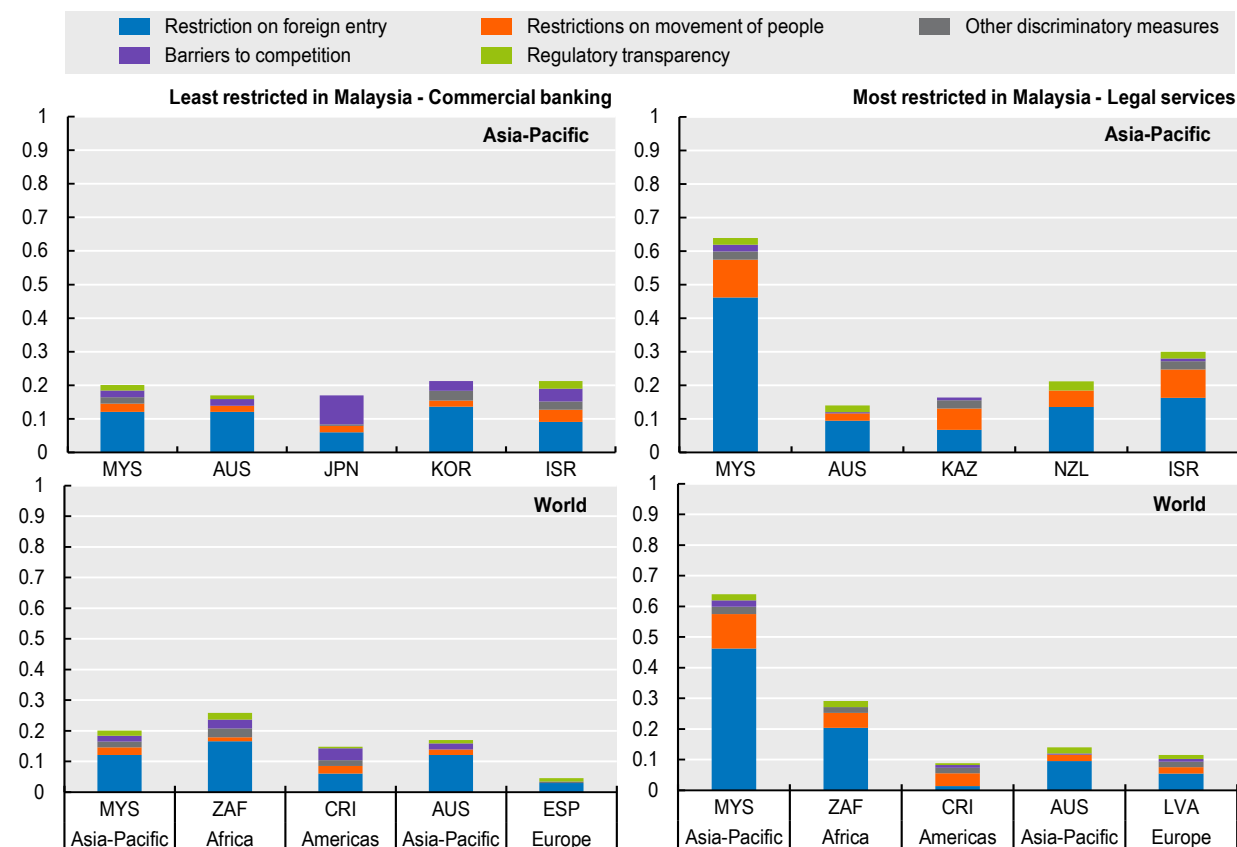
i.e. $(STRI_{country, sector} - STRI_{world average, sector}) / STRI_{world average, sector}$

Source: OECD (2023). STRI database.

Commercial banking is the least restricted services sector in Malaysia compared to the average sectoral STRI across all countries. The composition of the indices indicates that barriers related to foreign entry and competition are lower in this sector than in other economies in Asia-Pacific.

Legal services is the most restricted services sector in Malaysia. Restrictions on foreign entry are significant compared to best performers in Asia-Pacific and world's best practice. Foreigners are not allowed to establish law firms or representative offices in Malaysia to practice domestic law, and foreign professionals need to requalify locally to be able to practice Malaysian law (Figure 4).

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



Source: OECD (2023). STRI database.

Recent policy changes

Effective on 1 March 2023, the Commission Determination on the Mandatory Standard on Access Pricing (Determination No. 1 of 2023) introduced competition-enhancing regulation in the telecommunication sector, namely wholesale access price regulation for passive products (duct and manhole).

In August 2022, the Government Procurement Method was published. It increased the threshold value for procurement with tender from above RM200,000 to above RM500,000.

The implementation of eVisas has been gradually extended to different countries over time, and in November 2021, it was extended to all countries.

More information

- » Access all country notes, sector notes, and interactive STRI tools at <http://oe.cd/stri>
- » Read more about [Services Trade Policies and the Global Economy](#)
- » More information about measuring the regulatory environment for services trade in the APEC region: <https://apecservicesindex.org/>
- » More information about measuring the regulatory environment for services trade in the ASEAN region: oe.cd/aseanSTRI
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org

ⁱNote: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nation 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 2023. The STRI regulatory database covers the 38 OECD Members, Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russia, Singapore, South Africa, Thailand and Viet Nam. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.