

# Malaysia – a thriving tech hub for local enterprises and MNCs

Over the last decade, Malaysia has seen substantial progress in its ambitions to be a thriving hub for businesses that want a facilitative base that allows for a broad reach into Southeast Asia. The country's business-friendly environment, agile and multilingual workforce, excellent infrastructure and conducive regulations are just some of the reasons multinational corporations (MNCs) and home-grown companies make Malaysia their regional base.

The recent signing of the Regional Comprehensive Economic Partnership (RCEP), the world's largest free trade agreement represents a significant milestone in the integration and revitalisation of 15 economies. The agreement enhances Malaysia's stand as an attractive investment and trading hub as companies can now leverage its bigger market access and integrated supply chain and explore venture opportunities, especially in the digital and technology space. The pursuit of international expansion and domestic consolidation will only accelerate the idea of smart collaborations between local and global companies, solidifying Greater KL as a dynamic hub.

Technology is fast shaping and supporting Malaysia's ambitions to become a digital economy and transform itself to adopt Industry Revolution 4.0 (IR4.0). These ambitions are well bolstered by the country's facilitative policies, roadmaps and frameworks, as well as supportive government initiatives and tax incentives.

Concerted efforts have been made by the government, together with its various trade and investment agencies such as InvestKL Corporation, to spur Malaysia's evolution trajectory to become a dynamic tech hub in the region. We see good traction in this space. This development is important as it is an essential source of jobs and growth for the country's economy.

Malaysia ranked 26th worldwide and was second among Asean countries, according to Bloomberg's 2019 Innovation Index, which analyses more than 200 countries on aspects such as research and development spending, manufacturing capability and concentration of high-tech public companies.

These are some of the reasons why corporate giants such as IBM, HP, Oracle, Samsung Electronics and Microsoft have been operating in Malaysia's capital Kuala Lumpur for years, capitalising on the reliable ecosystem of the IT sector.

At InvestKL, we regularly reach out to companies that have set up their operations in Greater Kuala Lumpur to get feedback on why they chose Malaysia as their base. This is to ensure that we continue to work progressively towards measures to be an attractive investment destination.

When UK interactive video game developer and publisher Double Eleven decided to expand its pres-



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ence, Malaysia was its first consideration outside of the UK. The company spent a good three years in discussions with government agencies, visiting schools and universities, meeting key industry players and tapping into their regional connections to get insights into Malaysia's business climate before setting up base in Greater Kuala Lumpur in early 2020.

Double Eleven's chief operating officer Mark South says it was able to witness first-hand the high levels of interest and ambition from the Malaysian people, an incredibly well-established ecosystem between government, businesses and educational institutions, as well as easy access to great talents. "All that made it really easy for us to make Malaysia our country of choice."

He also says the company was impressed with Malaysia's overall infrastructure, from the high-speed internet facilities to the ease of procuring high-end equipment and the overall language proficiency. While the country's game industry may be relatively young, the passion and drive that exists in the ecosystem were obvious to them, as the game industry goes mainstream with the support of educational institutions, the media and the government initiatives invested.

## Advancing with technology

Over the years, Malaysia has transitioned from being an agriculture-based economy to a manufacturing-based one to knowledge-based industries that are high tech, high value and high impact to create sustainable growth and become a high-income nation. The country's digital transformation agenda is a vital driver of the economy, focusing on IR4.0 and building a digital economy with next-generation digital industries that will reshape trade flows, ecosystems and value chains.

The country has prioritised digital-first initiatives such as the National Digital Infrastructure Plan (Jendela) to boost high-quality and affordable digital connectivity; the National e-Commerce Strategic Roadmap, which aims to future-proof businesses and expand market access to the global stage; and the Malaysia Smartcity Framework, which aims to leverage technological advancement and IT applications to make smart city living more practical and sustainable.

Malaysia's internet and mobile phone penetration rates are high at 91% in 2019. Efforts are underway to improve the country's digital connectivity, with plans to expand 4G coverage, boost fixed broadband speeds and transition to 5G.

This bodes well for property technology (proptech) companies such as iProperty.com.my, part of Australia-headquartered REA Group, which operates digital real estate sites, experiences and events worldwide. Ensuring stable data is essential to its core business while leveraging digital data helps

it to keep track of and provide in-depth insights on property listings

iProperty's general manager for Malaysia and general manager for marketing Wong Siew Lai shares that the challenging property landscape amid the Covid-19 pandemic has seen a shift in the way property transactions are conducted. She says digital data is driving the way consumers use digital platforms to buy and sell properties, giving them access to information that fuels decision-making in their property journey.

Wong also says the surge in fintech start-ups has allowed it to collaborate on digital tools such as a home loan eligibility indicator — LoanCare — which enables Malaysians to check their home loan eligibility at 17 banks across the country.

## Leveraging the growing digital trade

Malaysia's digital economy development opens up many opportunities in e-commerce and digital trade, enabling greater economic integration and robust innovation. Digital trade — which covers production, distribution, marketing and sale or delivery of goods and services supported by cross-border data flows — enables firms in the country to achieve cost efficiencies, enter new markets and generate deep insights with the help of data. It also enables the adoption of efficient business practices, reduces the cost of engaging in international trade and facilitates global supply chain management.

According to the Hinrich Foundation's report titled *The Data Revolution: How Malaysia Can Capture the Digital Trade Opportunity At Home and Abroad*, the development of digital trade in Malaysia is important for its ambitious agenda towards becoming a digital economy. The report says the economic value of digital trade-enabled benefits to the Malaysian economy is estimated to be worth RM24 billion (US\$5.6 billion), equivalent to 1.8% of its gross domestic product (GDP). If fully leveraged, it is estimated that the value to the domestic sectors could reach RM222 billion (US\$51.6 billion) by 2030.

Malaysia continues to invest in initiatives to bolster and support digital trade, being the first country in Southeast Asia to launch the Digital Free Trade Zone (DFTZ) in 2017. It aims to support seamless cross-border trade through digitalisation and facilitate access to companies looking to leverage e-commerce platforms to capitalise on opportunities in the global markets.

This commitment is seen in Budget 2021 where the government announced that RM1 billion would be set aside for digital transformation initiatives. As more Malaysian companies embrace digital transformation, the ecosystem and value chain cycle for tech-based companies will broaden and strengthen, playing its part in expediting digital transformation that will be the bedrock for advancing the country's digital ambitions. **E**