

Study of Malaysia's challenges in Asia international business environment

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***Abstract** – Malaysia is one of the developing countries in Asia region which has formed the vision to become high income country by the end of year 2020. It is known as Wawasan 2020 which was introduced by the former Prime Minister, Tun Dr. Mahathir bin Mohamad. To achieve this aim, Malaysia has to make sure the achievement in all aspects of national development which included the political stability, economic expansion, business & social-cultural well-being and technologies & knowledge challenges. There are less than 5 years to achieve this objective. However, Malaysia is recently facing various challenges in Asia international business environment which shirking the foreign investors' confidence on investment.*

Keywords: Asia International Business, High income country, National development

1.0 Introduction

Service sector is the Malaysia largest sector which has accounting for 25% of GDP and its electronic industry has grown rapidly by large intra-industry trading in electronic components where contributes 32.8% export in manufacturing sector by year 2013 (MIDA, 2015). However, according to Trading Economics (2015), Malaysia economy has grown 4.7% in September 2015 which is 0.2% lower than previous year in line with the market expectations. This growth rate is considered the weakest expansion since the second quarter of year 2013. The GDP annual growth rate of Malaysia was 4.77% in average from year 2000 to 2015 which reported by the Department of Statistic Malaysia.

Besides, referring to the last year growth rate which was 6%, Malaysia is expected to grow slower in year 2016 (4.7%). The country is also anticipated to grow slower in year 2017 which is 5% according to World Bank (Azlee, 2015). In terms of international trade and investments, the country exports had dropped 7.2% in October 2015 and imports had declined 20.8% in the same month. The trade balance also grew from USD 2.2 billion surplus in September to UDS 23 billion in October 2015 (Hill, 2015). It may due to several reasons which the depreciation of MYR has led to a critical factor. Anyway, the country's growth is still considered healthy in overall measurements of multi-dimension.

2.0 Literature Review

Critical reviews on Malaysia future challenges in Asia international business are mentioned in this section. Malaysia as one of the major international business players in global market has facing many challenges in current and upcoming years. Malaysia current Minister for International Trade and Industry, Dato' Sri Mustapa Mohamed had indicated that the country will heavy promotes on domestic and international investments in high value added activities for future by creating environment for innovation and reduce the regulatory barriers for global businesses. It can help to attract more international investments to boost the economic (Malaysia International Chamber of Commerce & Industry, 2013). However, when look into the future years (year 2016 onward), Malaysia seems facing many controversial issues in international trade and investments. It will weaker the country's position in global marketplace and the profit gained from international businesses is no longer guaranteed. Besides, many upcoming sensitive issues should be avoided. There are many factors

contributing to the challenges of international business will be discussed in the following parts.

2.1 Economic Challenges

In following year 2016 onward, Malaysia currency value has becoming a concern for international business. The depreciation of MYR which already reached the lowest against USD for past 14 years was keep weakening its value and becomes the burden for many international businesses especially imports. Bank Negara Malaysia (2012) mentioned the depreciation of 10% in local currency will lead to an average of 6% raised in import price and another 2% raised in consumer prices. Therefore, the imported raw materials are becoming more expensive which directly increase the operation costs. It will affect many local producers who are using overseas inputs in their production and sell abroad. In long term, it will bring huge impacts on global market and weaker the country's position in international business. It can be seen at the report from Moody's Investor Service (2015) saying that the weak Ringgit is a symptom of decreasing in export revenues and worsening foreign investors' confidence toward Malaysia bargaining power in global marketplace.

For foreign investors who take parts in automotive, airlines, power and telecommunications industries are the losers from the weakened Ringgit Malaysia. They have to invest more capitals to sustain the business profits. The mentioned industries have large volumes of sales in domestic market with imported intermediate materials suffered the hit from weakening MYR. As the result, Air Aisa X Berhad has recently reported the losses was widening to RM125.9 Million due to the depreciated of currency (Khoo, 2015). Besides, major Japanese car manufactures also announced the raise in car prices for Year 2016. Malaysia is facing challenge in future international business since its competitiveness has been threatened. It is directly weaker the domestic firms' abilities to sustain in global market.

Furthermore, the dropped in crude oil price is created a big challenge for Malaysia in its future international business market. Malaysia is a net exporter of crude oil which the country has experienced good profits for past decades. However, the continuously dropped in the oil price is uncertainty in future has keep reducing the country's competitiveness. Malaysia's international trade for crude oil has been reduced from RM19 billion in Year 2008 to RM6.5 billion in Year 2014. It results in lower oil export revenues causes negative net trade of RM1

billion (Business News, 2014). In future, the oil price may continuous drop and weaker the country incomes.

2.2 Political Challenges

According to Ranganathan and Reuters (2015), the political scandal linked to the country's Prime Minister has caused foreign investors pull up to 1 billion USD out of Malaysia in September 2015. They also mentioned a huge government bonds worth approximately RM11 billion are due in year 2015 which on average 45% owned by foreign investors. They are expected to pull their cash out instead of re-invest in Malaysia for following years. It has reduced the Malaysia competitiveness in international business. This serious scandal has affected the country future position in international business since foreign investors' confidence levels might be reduced. In eyes of international investors, Malaysia has been well-known with long term political stability compared to neighbourhoods such as Thailand and Indonesia. However, the recent politic crisis which has seriously damaged investors' confidence and this incident will not going to be solved in short period. Therefore, Malaysia in future international business will be affected which not only for foreign investors, but also affect local government-linked-enterprises that are going abroad.

Besides, the country's foreign exchange reserves have dropped to the lowest since year 2008 which many analysts believe it is part of the political side effect (Bloomberg Business, 2015). As a result for long term effect from political risk towards international business, there are many huge foreign investments opportunities have withdrawn such as cold LPG storage facility which consists of billion dollars investments (Jenny, 2015). All the political incidents have ended up with reducing Malaysia's competitiveness in future international trade and investments.

Furthermore, the lack of unified government planning will also hinder the international business. The poor collaboration between local and federal governments is the concerns for international investments since the uncertainty will trigger the confidence from global market (Menon & Ng, 2013). Besides, corruption is another serious political challenge can affect the international business which Malaysia is currently ranked 37 over 150 countries (World Audit Corruption, 2015). If the ranking is dropped in future, it can reduce the international investors' confidence level. Corruption is viewed as important criteria in the considerations of

choosing foreign direct investment. Malaysia needs to improve the bribery and other corruption practices. Meanwhile, enhance the transparency to strengthen its international business in future.

2.3 Technologies & Knowledge Challenges

Technologies and innovation are critical challenges for Malaysia in future international trade and investment. Globalization has made the countries connected which shaped the global market. To strengthen the country's position in international market, the uses of technologies is important to build the competitive advantages. It also can attract more foreign investment when the country has strong technology. Malaysia is still lack of technology and innovation which many enterprises are unable to adopt the latest technology and poor in research & development (Hashim, 2012). Besides, poor market knowledge especially the use of information communication & technology is another barrier for Malaysia to target international market effectively.

When look into Malaysia current technological situation, the development is mainly targets on large cities such as Kuala Lumpur whereby other areas are not being emphasized. Multimedia Super Corridor (MSC) still not up to the standard even though has been introduced for more than 20 years. Internet speed is another indication of technology development which can attract foreign investments. However, Malaysia is ranked behind Sri Lanka and Thailand in average internet speed which considered one of the lowest speeds in the world (Malay Mail Online, 2015). In future, it is very hard to attract the foreign investments since the world is heading to digital generation.

Furthermore, infrastructure is another challenge for international business. Many investors will consider this issue before the start up in new location. Malaysia needs to improve its infrastructure to compete with other Asia countries in order to attract more international business. Foreign investors may unwilling to set up the operations or remove the foreign direct investments due to poor and inadequate of public transportation. Analysis had shown that the total cost spent on traffic in Kuala Lumpur was estimated at 1.1% to 2.2% of GDP in Year 2014 (World Bank Group, 2015).

The current infrastructure investments had increased from RM6 billion in Year 2005 to RM16 billion in Year 2013 and expected to further grow by 9% to Year 2025 (Wong, 2014). Human capital and knowledge also play important role in improving future international business. Labour who has better skill, knowledge and other abilities will enhance the business opportunities to expand the operations to global marketplace. In long term, Malaysia is facing the challenge of strong human capital development to provide better workforce for international business.

2.4 Business & Social-Cultural Challenges

Business & social-cultural is vital challenge for Malaysia to expand in international business. Global marketplace is consists of more than several thousands of cities where different location has its distinctive culture. In future, international business will cover more industries which link more diverse geographical areas together. Therefore, differences in business & social-cultural must be addressed by both host and home country to avoid the conflict. Malaysia is one of the members of ASEAN which having trading relationship with another 9 countries. According to Malaysia External Trade Development Corporation, MATRADE (2015) the total exports from January to October Year 2015 was RM664.02 billion to countries mainly from ASEAN, China, European Union and United States of America, etc. In future, Malaysia is expected to have more trading partners around the world.

China is Malaysia's largest trading partner for many years since Year 2008 and further establishes the long term relationship after construct the Malaysian-China Kuantan Industrial Park. Both countries had set the objectives to increase the trade to USD 160 billion in Year 2017 ("Malaysia to boost economic," 2014). Therefore, in future, these two nations will have many trading and expected to face more challenges in international business. By understanding the differences in culture, conflicts can be reduced. For example, China is very particular in "Guan Xi" which is stands for building relationship with business partners.

Furthermore, Malaysia is facing the challenges of social-cultural issues when conducting international business with different nations. This issue generally can be categorized based on Hofstede's four cultural dimensions which are power distance, individualism, uncertainty avoidance and masculinity (Hill, 2013). Analysis had shown that Malaysia is very different in these four dimensions compared to European Union and United States of America. Malaysia always scores high in power distance and masculinity whereby western business partners are

low in these dimensions. Therefore, it creates the challenges for Malaysia in future international trade and investment since they are having closer trading relationship in coming years. Besides, social-cultural plays important role in international business because it involves sensitive issues such as religious, norms and customs. Malaysia need to pay attention on it to avoid any conflict in global market.

3.0 Conclusion

Malaysia's economy is facing dropped recently. However, the country is still considered healthy and strong. The vision to become high income country by Year 2020 is uncertainty due to many internal and external factors. International business always plays vital parts in determining the country's economy such as export and import. The country's position in international market also affects its competitiveness in global trading and investment. Therefore, it is important to build strong relationships with trading partners to increase the country's GDP. Malaysia has done well in this area by working with many countries to shape the healthy international business. It has involved in some trading alliances such as ASEAN, etc. There are many future challenges for Malaysia in international business. When the world is getting globalize, distance between trading partners are closer and many considerations need to be taken care. Malaysia future challenges in international business in generally can be categorized into political, economic, business & social-cultural and technology challenges. Each of the categories has huge impacts on international business which will affect the country's competitiveness in global market position.

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