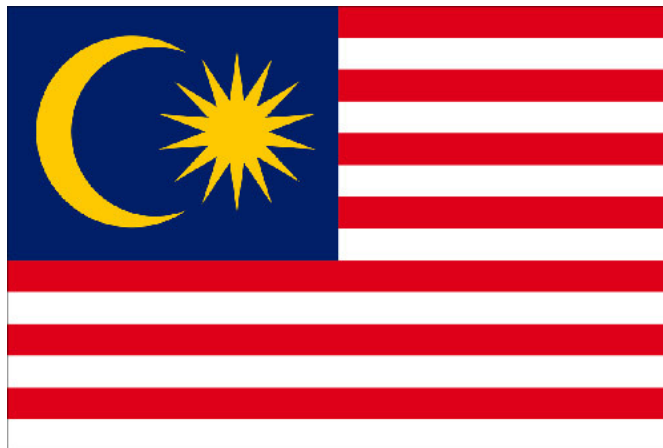


THE ASEAN BUSINESS OUTLOOK SURVEY 2011

MALAYSIA REPORT



Compiled by:

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INTRODUCTION

Research Background & Objectives

The American Chamber of Commerce in Singapore (AmCham Singapore), in cooperation with other AmChams in the ASEAN region, conducted a study among U.S. companies based in seven Southeast Asian countries: Cambodia, Indonesia, Malaysia Singapore, the Philippines, Thailand and Vietnam.

This study is now in its 10th year. The purpose of the study is to understand members' outlook on business growth in Southeast Asia and their perceptions about a series of local factors. The members surveyed were senior executives, working with a company held by or with an American majority interest. AmCham developed a survey design using a web-based instrument.

This report presents the feedback received from executives of U.S. companies in **Malaysia**.

Survey Methodology

Table 1.1

Survey Scope:	Senior Executives of U.S. Companies based in Malaysia
Sample Size:	A list of 127 AmCham members with e-mail contacts was provided by AmCham Malaysia. Response rate was about 16% (20) at the end of the data collection period.
Data Collection Method:	Web-based, self-administered survey. No enforcement on participation.
Data Collection Period:	May 18 to June 8, 2011

Note: percentages may not add up to 100 in graphs due to respondents selecting "I don't know" or "Not applicable."

Sample Profile

(See Appendix D)

- The majority of respondents (60%) are responsible for multiple countries, compared to 40% in 2010.
- The portion of respondents in the services sectors decreased substantially, from 60% in 2010 to 25% in 2011. Respondents in manufacturing increased from 35% in 2010 to 60% in 2011.
- The largest percentage of respondents (37%) has 2,000 employees or more in the region. However, when two response rates are combined, the result shows that 52% of respondents have a workforce of fewer than 500 employees in the region.
- The highest rate of respondents (37%) had a 2010 turnover in Malaysia within the range of \$1 million to less than \$50 million.
- 53% of the respondent population stated that their 2010 turnover in Malaysia was below 5% of their company's 2010 global turnover.
- 74% replied that their company's 2010 turnover in Malaysia was less than 50% of their companies' 2010 ASEAN turnover.
- Singapore holds the next largest turnover for the highest rate of respondents (35%).

BRIEF SUMMARY

BUSINESS OUTLOOK

World Economic Outlook:

- 40% predict a better or much better performing economy in 2011 than in 2010. 60% predicted a better or much better performing economy in 2010 than in 2009.

Current Business Climate:

- Respondents facing significant financing constraints remained at 15% in 2011, the same as in 2010.
- Respondents facing higher costs of borrowing increased from 30% in 2010 to 37% in 2011.

Importance of ASEAN Markets in Global Business:

- 60% of respondents stated that ASEAN markets have increased in importance to their companies in the past two years.
- 75% of respondents expect ASEAN importance to increase in the next two years.

Effectiveness of ASEAN:

- 67% of respondents use the ASEAN FTA and ASEAN-China
- 80% of respondents find ASEAN integration important to helping their companies do business in the region.

Business Direction and Movement in ASEAN:

- 70% of respondents' companies expanded in ASEAN in the past two years. 95% plan to expand in ASEAN in the next two years.
- The largest rate (40%) of respondents plan to expand in Malaysia.

Profit Outlook:

- 70% expect a profit increase in 2011.
- 80% expect a profit increase in 2012.

Workforce Expansion:

- The rate of respondents expecting a workforce increase in the coming year dropped from 55% in 2010 to 50% in 2011.
- 40% of respondents expect a workforce increase of 10% to 15%.

FACTORS IMPACTING BUSINESS IN MALAYSIA

Economic Conditions:

- 55% expect overall Malaysian economic growth to expand.
- 100% expect an increase in cost of living.
- 100% expect an increase in housing cost.
- 75% expect an increase in the interest rate.
- 75% expect the Malaysian ringgit to appreciate against the U.S. Dollar.

Figure 1: World Economic Outlook in 2011 in Comparison With 2010 Economy

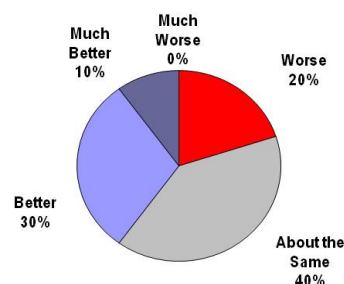


Figure 2: Growth of ASEAN Importance over Next Two Years

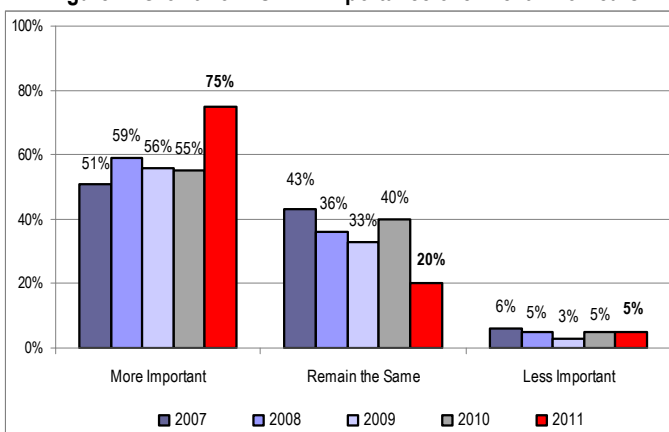


Figure 3: Profit Outlook 2011

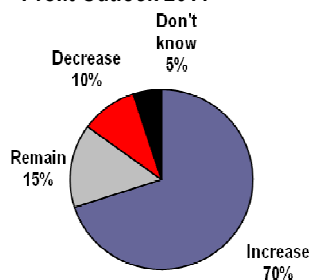
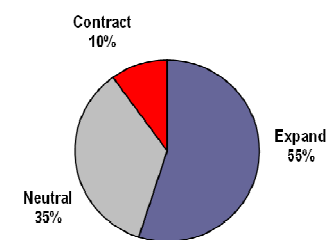


Figure 4: Expectations of Expansion of Malaysian Economic Growth



Major Strengths (% Satisfied)	Major Concerns (% Dissatisfied)
Infrastructure (70%)	Availability of trained personnel (45%)
Sentiment towards the U.S. (65%)	Laws and regulations (40%)
Availability of raw materials (65%)	Personal security (35%)
Availability of low cost labor (60%)	Corruption (35%)
Ease of moving your products through customs (60%)	

2. BUSINESS OUTLOOK

2.1 World Economic Outlook

Figure 2.1.1: Expectations for performance of world economy compared with 2010

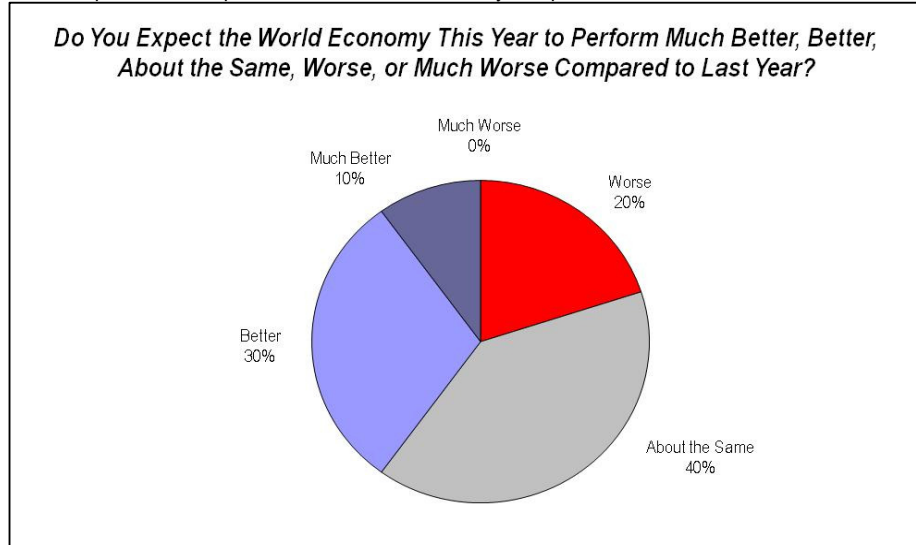
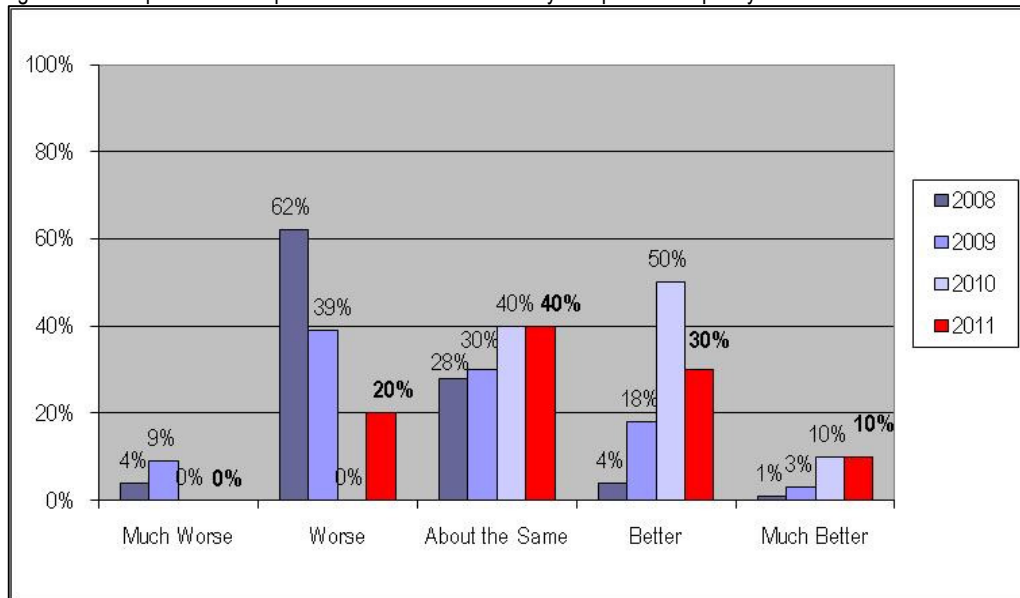


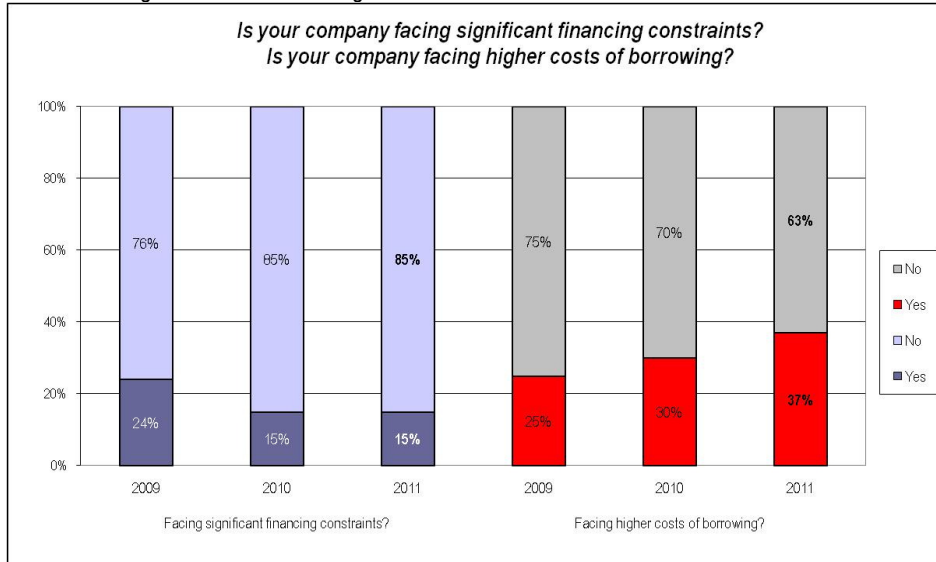
Figure 2.1.2: Expectations for performance of world economy compared with past years



- ◆ Economic outlook is positive in 2011, with 40% of respondents expecting a better or much better performance of the world economy this year than last year, 40% expecting the performance to remain the same, and none expecting a much worse performance of the world economy compared to last year.
- ◆ The outlook is less optimistic than in 2010, in which 60% of respondents expected a better or much better performance than the previous year, and none expected a worse performance, compared to 20% in 2011.

2.2 Business Climate

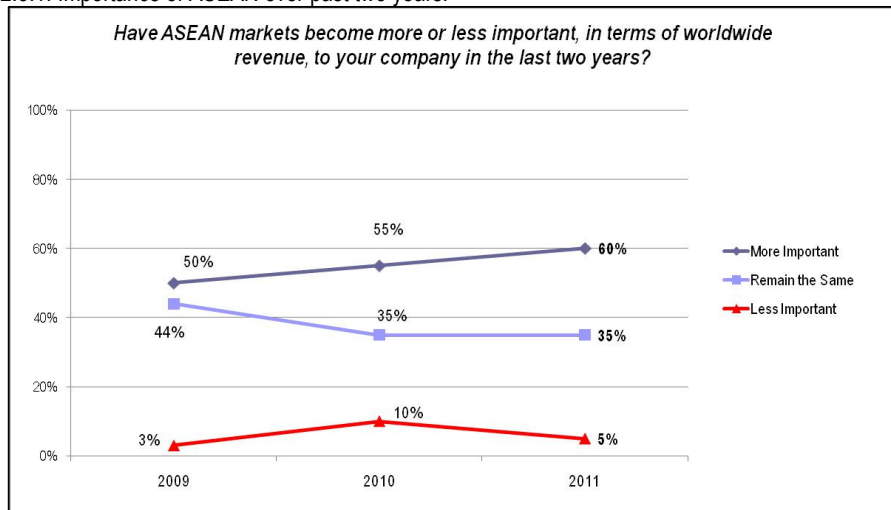
Figure 2.2: Financing and costs of borrowing



- ◆ The majority of companies do not face financing constraints (85%) or higher costs of borrowing (63%).
- ◆ In 2011, there was the same percentage of companies facing significant financing constraints (15%) as 2010. The percentage of companies facing higher costs of borrowing in 2011 increased from 2010, from 30% to 37%, continuing the upward trend from 2009.

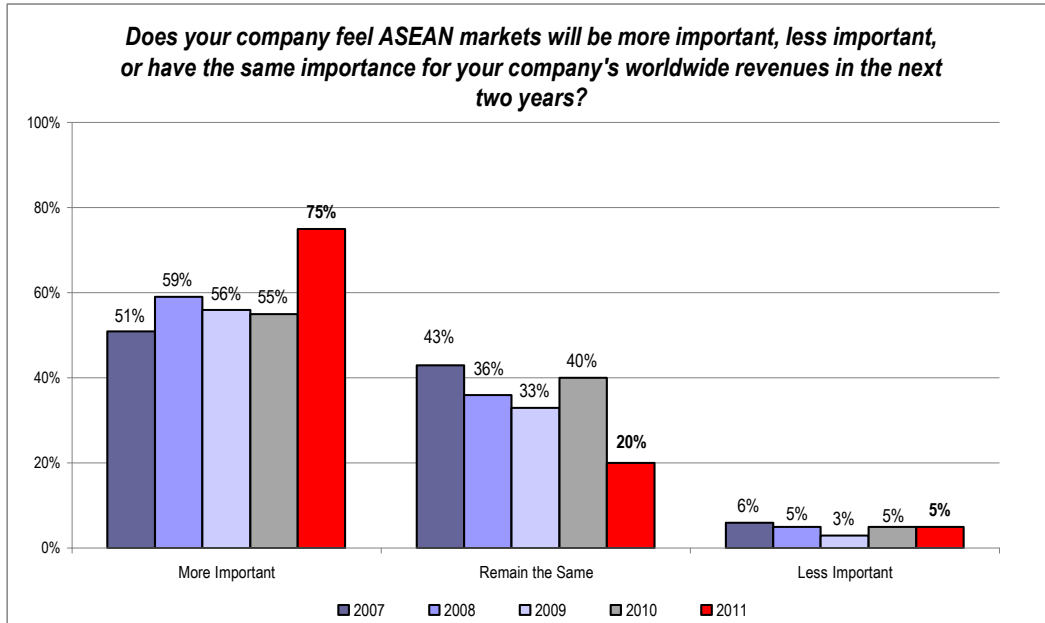
2.3 Importance of ASEAN Markets in Global Business

Figure 2.3.1: Importance of ASEAN over past two years.



- ◆ The majority of respondents (60%) stated that ASEAN markets have become more important to their company in the last two years in terms of worldwide revenue, an increase from last year's 55%.
- ◆ Only 5% of respondents believe that ASEAN markets have become less important in the last two years, a decrease from the 10% who believed so in 2010.

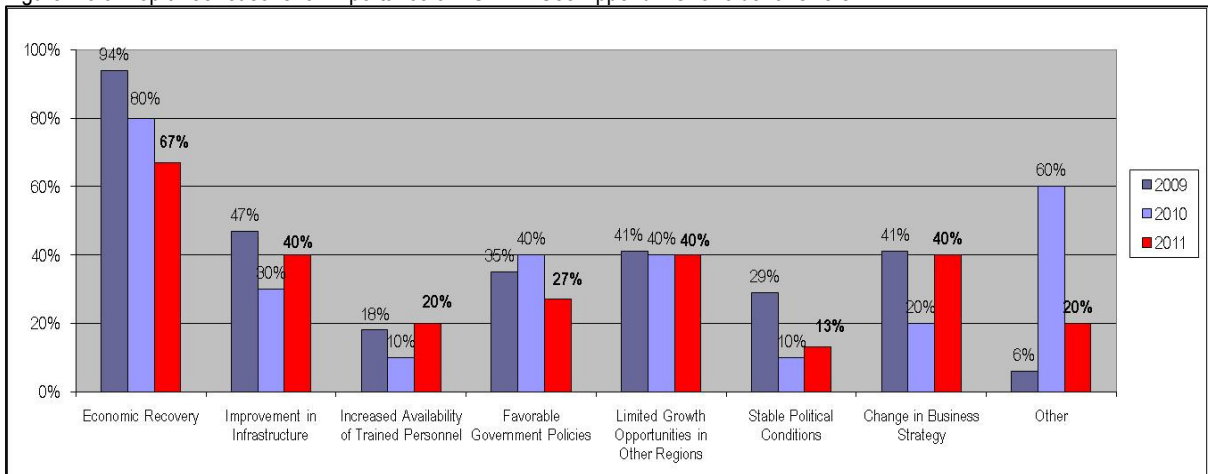
Figure 2.3.2: Importance of ASEAN over next two years



- ◆ Most respondents (75%) predict that ASEAN markets will be more important for their company's worldwide revenues in the next two years, an increase compared with the 55% who felt so in 2010.
- ◆ 5% of respondents believe that ASEAN markets will be less important in the next two years, consistent with data from the previous years.
- ◆ The percentage of respondents who predict that ASEAN importance will remain the same decreased from 40% in 2010 to 20% this year.

Top Three Reasons for Importance of ASEAN

Figure 2.3.3: Top three reasons for importance of ASEAN. See Appendix C for older answers



- ◆ "Economic recovery" continues to be a top reason for believing that ASEAN markets will be more important in the next two years at 67%, though this is a decrease from 2010's figure of 80%.
- ◆ "Improvement in infrastructure" experienced an increase from 30% in 2010 to 40% this year.

- ◆ “Favorable government policies” decreased as a top reason for the importance of ASEAN, from 40% to 27%.
- ◆ “Change in business strategy” doubled in popularity as a top reason for the importance of ASEAN, from 20% in 2010 to 40% in 2011.
- ◆ The “other” category, which called for open responses, includes “growing middle class” and “growth in specific sectors.”

What does your company view as the most significant barrier to conducting business within ASEAN?

These were open-ended responses; selected responses are listed.

“Excessive regulation and bureaucracy”

“Lack of skilled professional talent”

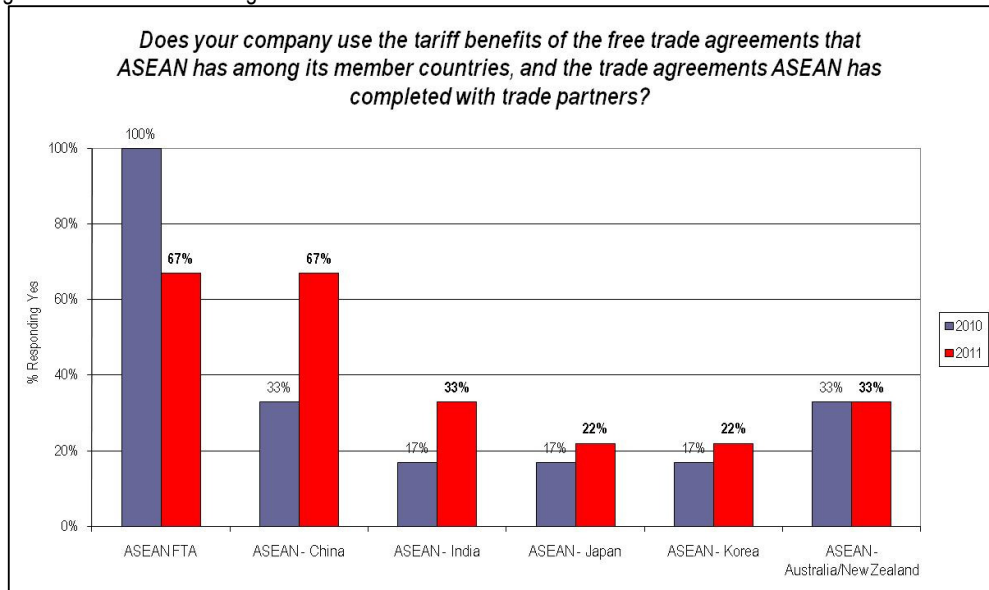
“Protection of intellectual property rights”

“Local players & associated unethical practices”

“Regulatory environment (continued changes and lack of enforcement)”

2.4 Effectiveness of ASEAN

Figure 2.4.1: ASEAN trade agreements



- ◆ The ASEAN FTA and the ASEAN-China FTA are the most used trade agreements, with 67% of respondents using their tariff benefits. The percentage of respondents using the ASEAN FTA decreased from 100% in 2010, while those using the ASEAN-China FTA increased from 33% in 2010.
- ◆ The percentage of respondents using the ASEAN- India FTA increased from 17% last year to 33% in 2011.
- ◆ The percentages using the ASEAN-Korea FTA and the ASEAN-Japan FTA increased from 17% in 2010 to 22% in 2011.

What hinders your business in using these trade agreements?

These were open-ended responses; selected responses are listed.

“Clarity and application”

“Delay in implementations”

“Lack of Malaysia-US FTA”

“Our location is just a manufacturing facility without sales and only benefits from the supply side perspective”

Importance of ASEAN Integration

Figure 2.4.2: Importance of ASEAN integration

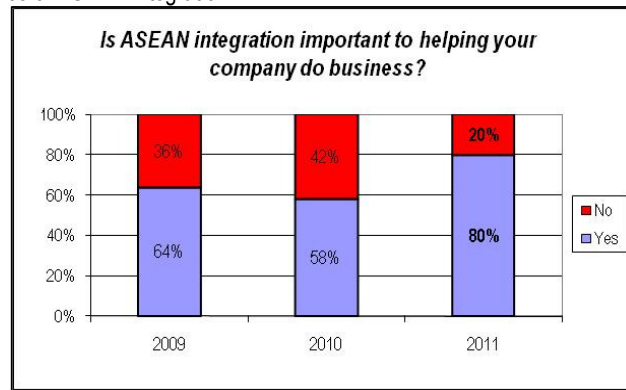
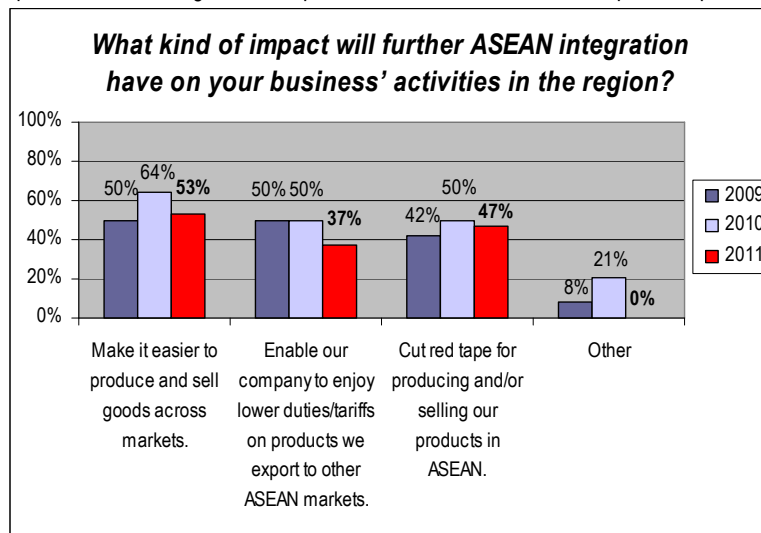


Figure 2.4.3: Impact of ASEAN integration. Respondents were asked to choose top two responses.



- ◆ ASEAN integration increased in importance to respondents in 2011. 80% of respondents believe it to be important to helping their companies do business, compared with 58% who believed this in 2010.
- ◆ The majority of respondents stated that the impact that further ASEAN integration will have on their business' activity is to “make it easier to produce and sell goods across markets” (53%). This is a decrease from the 64% of respondents who chose this response in 2010.

2.5 Business Direction and Movement in ASEAN

Figure 2.5.1: Past ASEAN expansion

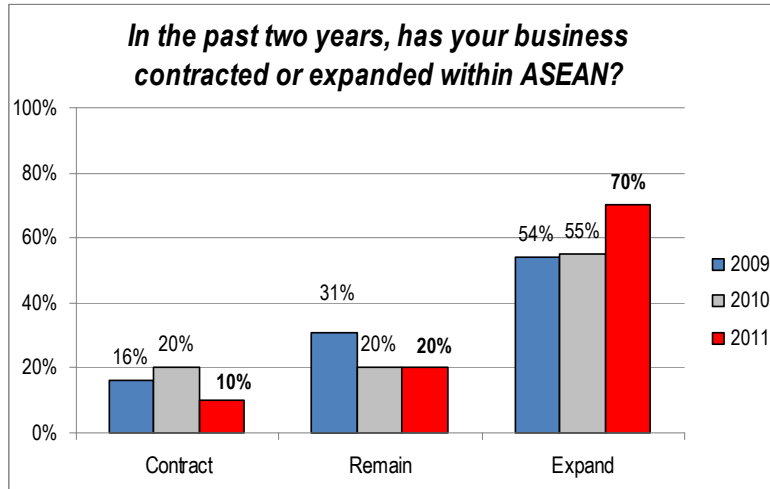
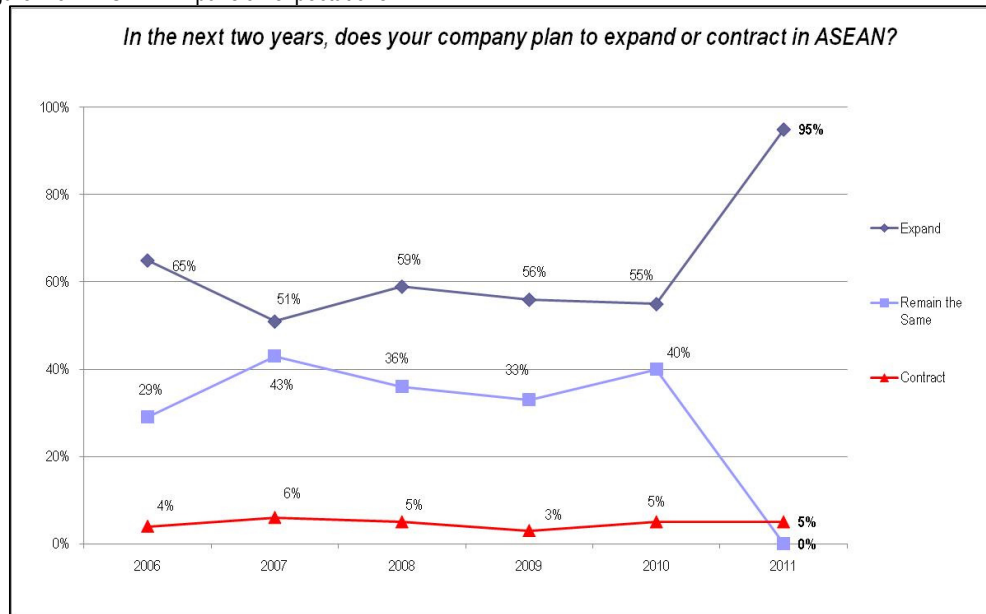


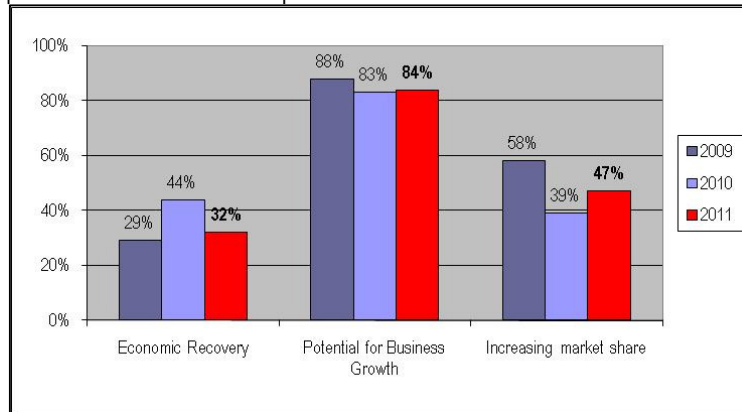
Figure 2.5.2: ASEAN Expansion expectations



- ◆ During the past two years, 70% of respondents expanded or significantly expanded their business in ASEAN, an increase from 55% in 2010.
- ◆ Nearly all respondents (95%) plan to expand in ASEAN over the next two years, the highest recorded rate. This is a significant increase from the 55% who chose this response in 2010.
- ◆ 5% of respondents stated that their companies will contract in ASEAN over the next two years, a figure consistent with past years.

Top Three Reasons for ASEAN Expansion

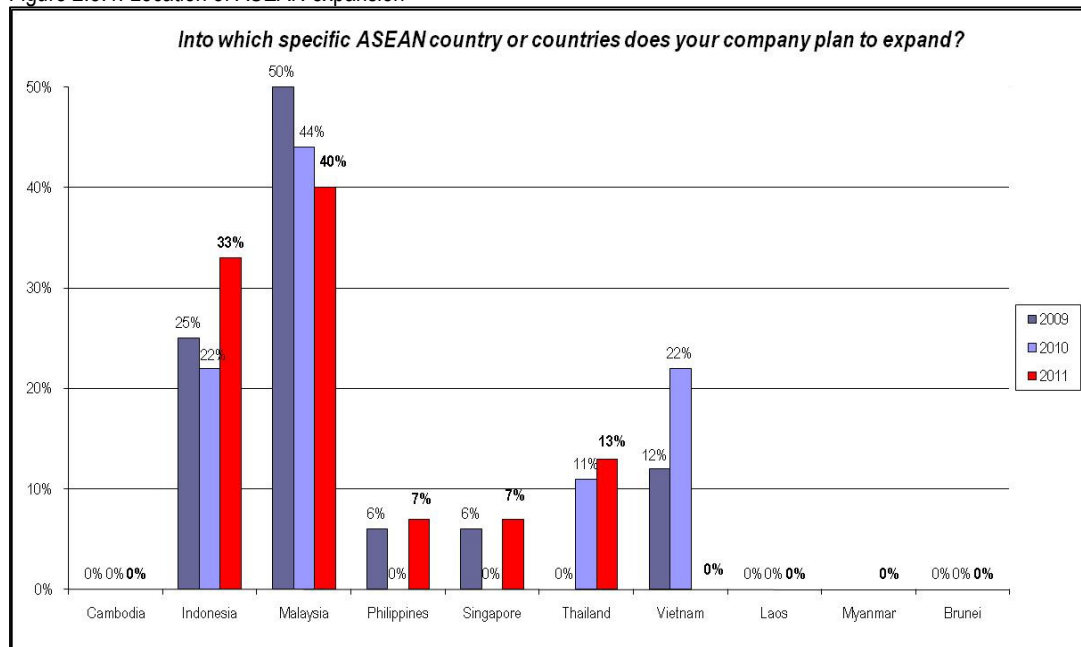
Figure 2.5.3: Top three reasons for ASEAN expansion



- ◆ “Potential for business growth” remains the top reason for ASEAN expansion, with most respondents (84%) citing it as one of their top reasons in 2011, comparable with the 83% in 2010.
- ◆ “Increasing market share” rose as a top reason for ASEAN expansion in 2011 to 39% from 47% in 2010.
- ◆ “Economic recovery” decreased as a reason for ASEAN expansion, from 44% of respondents in 2010 citing it as a top reason to 32% in 2011.
- ◆ In 2011, “diversification of customer base” tied “economic recovery” as a top reason for ASEAN expansion at 32%. See Appendix B for more reasons for ASEAN expansion.

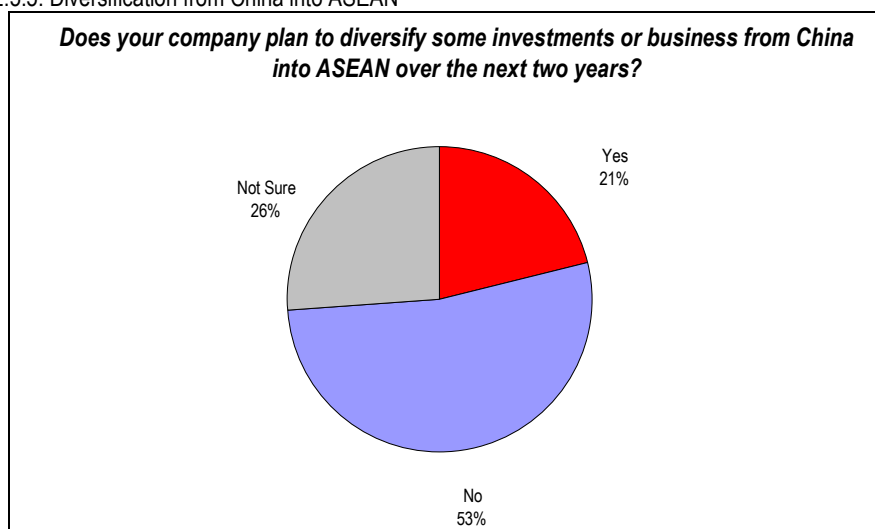
Location of ASEAN Expansion

Figure 2.5.4: Location of ASEAN expansion



- ◆ Malaysia is the most popular site for expansion at 40% for 2011, a slight decrease from the 44% last year.
- ◆ Indonesia is the second most popular site for ASEAN expansion at 33%, a large increase from the 22% of respondents who chose it in 2010.
- ◆ The Philippines and Singapore both increased to 7% this year from 0% last year.
- ◆ Vietnam decreased significantly in 2011, from being one of the top three sites for ASEAN expansion at 22% last year to 0% in 2011.
- ◆ See Appendix E for reasons behind choice.

Figure 2.5.5: Diversification from China into ASEAN



- ◆ 21% of respondents plan to diversify some investments and business from China into ASEAN over the next two years.
- ◆ Slightly over half (53%) do not.

2.6 Profit Outlook

Compared to last year, do you expect your profits in ASEAN in the current and coming years to increase, decrease, or remain the same?

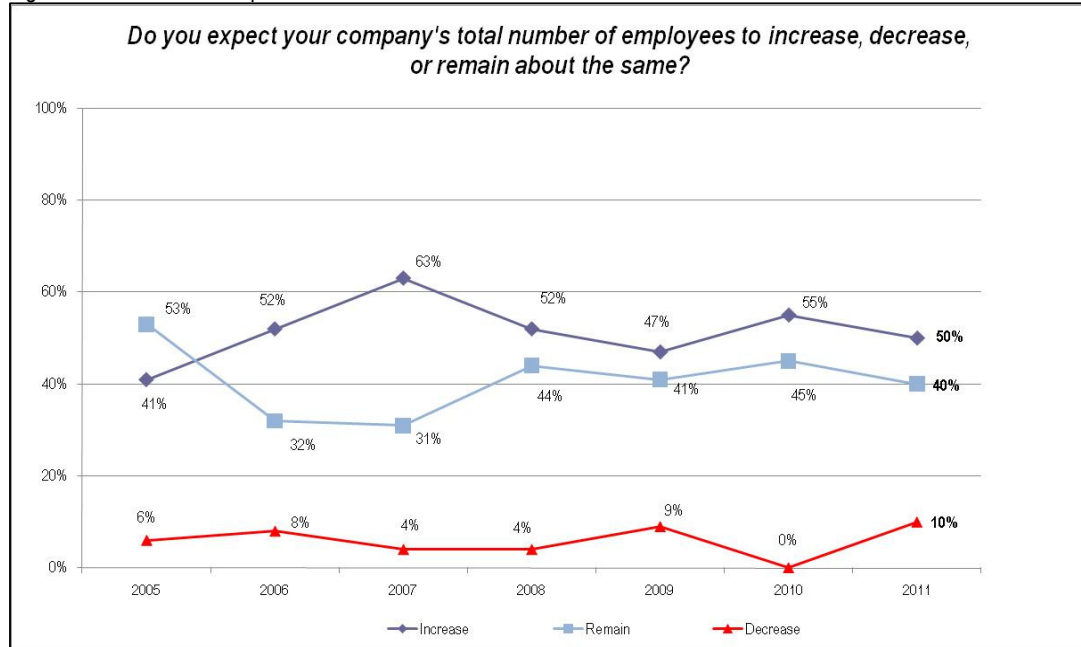
Figure 2.6: ASEAN profit outlook

Year of Survey		2006	2007	2008	2009	2010	2011	
Profit Expectation	Current Year	Increase	75%	69%	58%	31%	60%	70%
		Remain	17%	29%	31%	41%	40%	15%
		Decrease	8%	2%	11%	14%	0%	10%
	Coming Year	Increase	75%	84%	75%	50%	80%	80%
		Remain	10%	12%	21%	20%	20%	15%
		Decrease	10%	4%	4%	3%	0%	0%

- ◆ Profit outlook remains positive, with most respondents (70%) expecting profits to increase for the current year, and 80% expecting profits to increase in the coming year.
- ◆ 10% of respondents expect a decrease in ASEAN profits in 2011, an increase from the 0% who expected it last year.
- ◆ None of the respondents predict a decrease in ASEAN profits for 2012.

2.7 Workforce Expansion

Figure 2.7.1: Workforce expansion



By what percentage will the number of employees increase?

Table 2.7.1: Percentage of employee increase

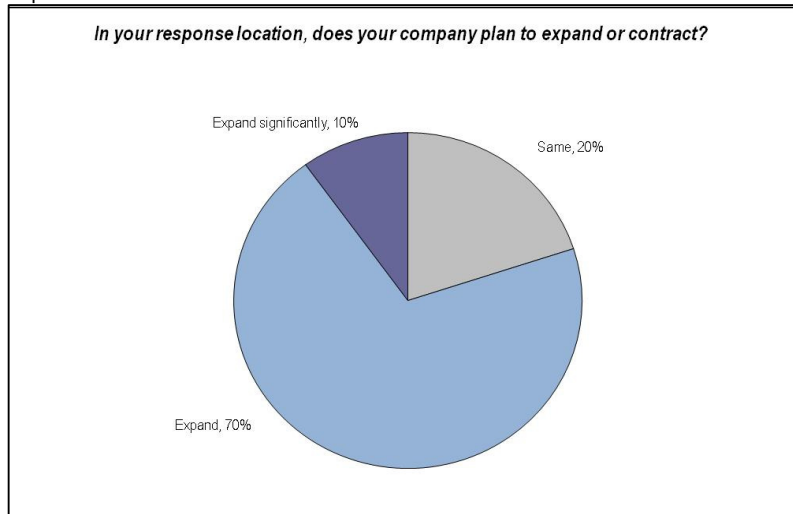
Year of Survey	2004	2005	2006	2007	2008	2009	2010	2011	
Workplace Expansion	0 to less than 5%	37%	29%	56%	68%	55%	36%	10%	
	5 to less than 10%							30%	
	10 to less than 15%	37%	38%	32%	22%	21%	25%	54%	
	15 to less than 20%								10%
	20 to less than 50%	20%	19%	8%	7%	10%	13%	9%	0%
	>50%	7%	14%	4%	3%	13%	6%	0%	10%

For the first time in 2011, 0-10% was further split into 0-5% and 5-10%, and 10-20% was split into 10-15% and 15-20%

- ◆ Half of the respondents (50%) expect the number of employees to increase, a slight decrease from those who expected it last year (55%). Out of these respondents, 30% expect an increase of 5 to 10%, and 40% expect an increase of 10% to 15%.
- ◆ The percentage of respondents who expect the number of employees to decrease increased to 10% in 2011 from 0% in 2010.
- ◆ Out of the respondents who expect the number of employees to decrease (10%), half expect a decrease of 0% to 5%, and half expect a decrease of 15% to 20%.

Future Expansion

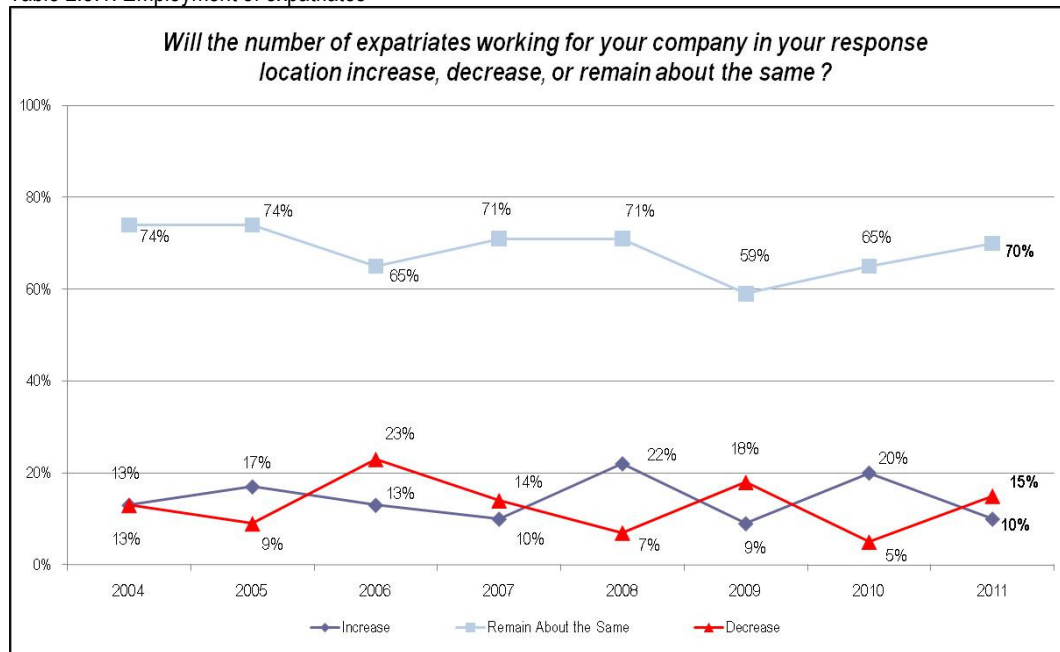
Figure 2.7.2: Expansion or contraction



- ◆ Most (80%) companies plan to expand or expand significantly in Malaysia.
- ◆ When asked their top three reasons for expansion, respondents most often choose “potential for business growth” (69%), “increasing market share” (44%), and “economic recovery” (31%).

2.8 Employment of Expatriates

Table 2.8.1: Employment of expatriates



What are the TOP THREE reasons the number of expatriates working for your company will INCREASE?

Table 2.8.1: Reasons for increased employment of expatriates

Year of Survey	2009	2010	2011
Policy decision by Head Office	0%	25%	50%
Lack of skilled manpower in the local market	67%	50%	100%
Business expansion	100%	100%	100%
Improved security conditions for expatriates	33%	0%	0%
Other	33%	25%	50%

- ◆ A smaller percentage of respondents stated that their company will increase the number of expatriate employees in 2011 (10%) than in 2010 (20%).
- ◆ The number of respondents who stated that their company will decrease the number of expatriate employees rose in 2011 to 15% from 5%.
- ◆ Most respondents (70%) believe that the number of expatriate employees will remain the same in their company.
- ◆ The top reasons for expecting an increase in the number of expatriate employee are “business expansion” and “lack of skilled manpower in the local market,” with 100% of respondents citing these in their three top reasons.
- ◆ The top reasons for expecting a decrease in the number of expatriates are “availability of skilled manpower in the local market” (100%) and “localization of expatriates” (67%). Respondents were asked to choose their top three reasons.

Table 2.8.2: Expatriate satisfaction

Year of Survey	2009	2010	2011
<i>Does your company regularly receive requests from employees based in other locations to work in your response location?</i>			
Yes	45%	39%	40%
No	55%	61%	60%
<i>Are your expatriate employees generally satisfied with their assignments in your response location?</i>			
Yes	97%	93%	83%
No	3%	7%	17%
<i>Do your expatriate employees attempt to extend their time in your response location?</i>			
Yes	81%	69%	56%
No	19%	31%	44%

- ◆ Overall expatriate employee satisfaction remains high at 83%, though this is a steady decrease from the 2010 figure of 93% and the 2009 figure of 97%.
- ◆ There is a consistent decrease in the percentage of respondents who have expatriate employees attempt to extend their time in Malaysia, from 81% in 2009 to 69% in 2010 to 56% in 2011.
- ◆ 40% of the respondents stated that their company regularly receives requests from employees based in other locations to work in Thailand, consistent with past the past two years.

3. FACTORS IMPACTING BUSINESS IN MALAYSIA

Respondents were asked to rate their satisfaction with a series of local factors that could affect their business. The percentage of respondents who are satisfied or extremely satisfied with a given factor can be used to identify factors of strength. Conversely, the percentage of respondents dissatisfied or extremely dissatisfied with a particular factor can be used to identify areas held as concerns.

3.1 Local Business Environment Factors

Major Strengths

(Responded “Satisfied” or “Extremely Satisfied” at a considerable rate in the 2011 survey)

Table 3.1.1: Time Comparison of satisfaction with major strengths

Factors	2004	2005	2006	2007	2008	2009	2010	2011
Infrastructure	77%	66%	72%	78%	57%	82%	70%	70%
Availability of raw materials								65%
Availability of low cost labor								60%
Ease of moving your products through customs								60%
Sentiment towards the U.S.				55%	60%	66%	53%	65%

(See Appendix, Table A -1 for responses on all listed factors). *Empty boxes indicate areas that were neither strengths nor concerns for the year indicated.

- ◆ Malaysia gained a number of major strengths in 2011: “availability of raw materials” (65%), “availability of low cost labor” (60%), and “ease of moving your products through customs” (60%).
- ◆ The high satisfaction rate with “infrastructure” (70%) has remained consistent with the past years.
- ◆ “Sentiment towards the U.S.” has increased in satisfaction levels, from 53% in 2010 to 65% this year.

Major Concerns

(Responded “Dissatisfied” or “Extremely Dissatisfied” at a considerable rate)

Table 3.1.2: Time Comparison of satisfaction with major concerns

Factors	2004	2005	2006	2007	2008	2009	2010	2011
Availability of trained personnel								45%
Laws and regulations								40%
Personal security							40%	35%
Corruption	34%	44%	45%	51%	59%	51%	63%	35%

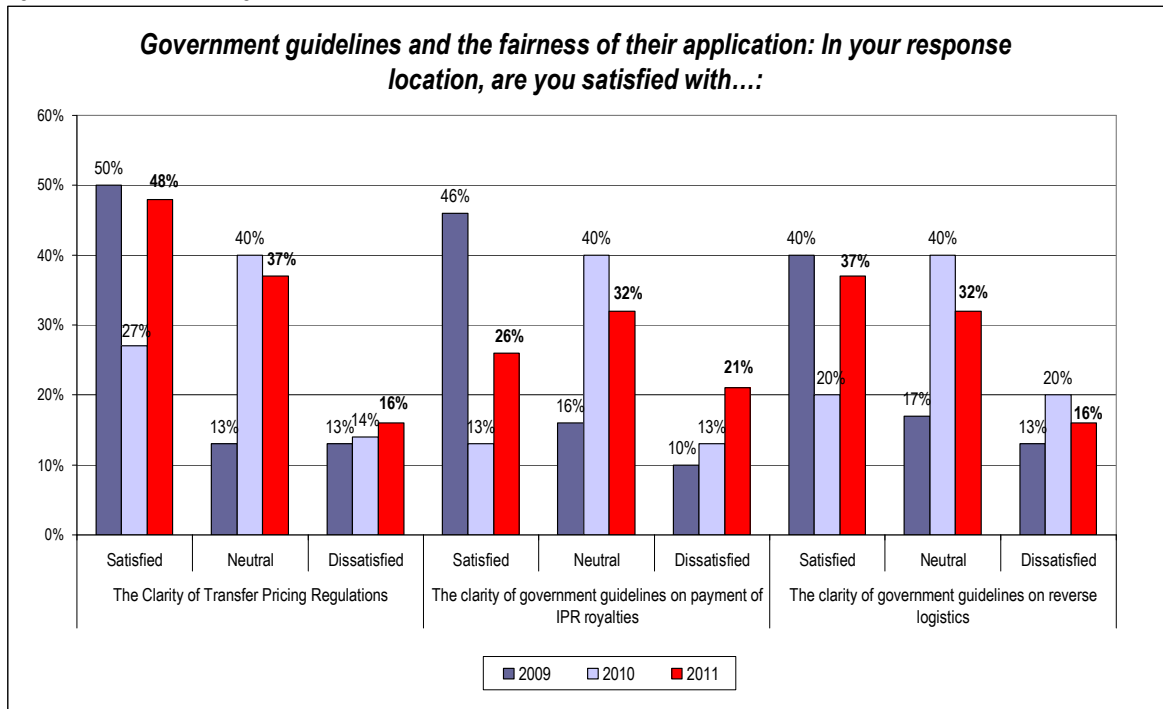
(See Appendix, Table A-1 for responses on all listed factors). *Empty boxes indicate areas that are neither strengths nor concerns.

- ◆ Malaysia gained two new major concerns in 2011, and had 2 previous areas of concern drop below 40%.
- ◆ “Availability of trained personnel” (45%) and “laws and regulations” (40%) both receive considerable rates of dissatisfaction in 2011 but were not reported as major concerns in 2010.
- ◆ In 2010, “corruption” was listed as the leading concern at 63% dissatisfaction. In 2011, this figure decreased significantly to 35%, the lowest percentage since 2004.
- ◆ “Personal security” also decreased as a major concern, from 40% in 2010 to 35% this year.

3.2 Other Local Business Factors

Government Guidelines and the Fairness of their Application

Figure 3.2.1: Government guidelines



- ◆ Overall, more respondents in 2011 choose “satisfied” and “neutral” than “dissatisfied” regarding government guidelines and the fairness of their application.
- ◆ There is much greater satisfaction with “the clarity of transfer pricing regulations” in 2011, with the percentage of respondents that responded “satisfied” increasing from 27% to 48%.
- ◆ Respondents who are satisfied with “the clarity of government guidelines on payment of IPR royalties” doubled from 13% in 2010 to 26% in 2011. However, the number that selected “dissatisfied” also increased from 13% to 21%.
- ◆ Regarding “the clarity of government guidelines on reverse logistics,” the percentage of respondents selecting “satisfied” significantly increased from 20% in 2010 to 37% in 2011, while those choosing “dissatisfied” decreased from 20% to 16%.

Government Institutions

- ◆ Most respondents are satisfied or neutral towards local government institutions.
- ◆ “Taxation/revenue” is rated the highest at 60% satisfaction.
- ◆ Customs received the highest dissatisfaction rate, although at a mere 15%. See appendix Table A-2 for more details on attitudes towards local government institutions.

3.3 Economic Conditions

Over this year, 2011, what do you think will happen in your response location regarding...?

Table 3.3: Expectations about local factors

	Total Appreciate/ increase	Appreciate/ increase Significantly	Appreciate/ increase	Neutral	Depreciate/ decrease	Depreciate /decrease Significantly	Total Depreciate/ Decrease
Local currency vs. US dollar	75%	5%	70%	5%	20%	0%	20%
Housing Cost	100%	20%	80%	0%	0%	0%	0%
Living Cost	100%	20%	80%	0%	0%	0%	0%
Interest Rate	75%	5%	70%	20%	0%	0%	0%
Overall economic growth	55%	0%	55%	35%	10%	0%	10%

- ◆ Outlook among respondents is positive overall, with the majority (55%) believing that there will be an expansion in economic growth in Malaysia, and only 10% predicting that economic growth will decline.
- ◆ All respondents predict an increase in the living cost and housing cost.
- ◆ Most respondents (75%) believe that the interest rate will increase and the local currency will appreciate.

*The U.S. Taxation, International Schools, and Corporate Social Responsibility sections were optional questions on the 2010 and 2011 surveys, and thus have a smaller sample size. Of the 20 respondents that took the 2011 survey, 11 answered the optional questions (55%). Results may have been affected by this change.

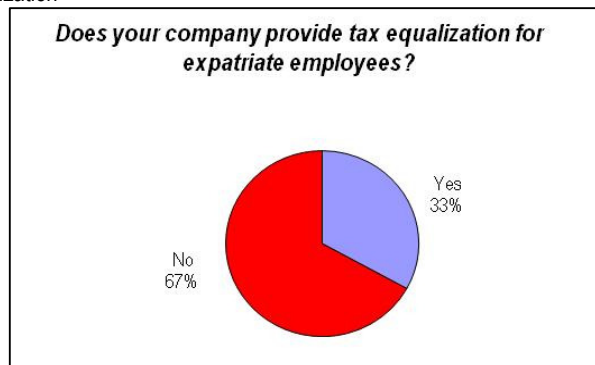
3.4 Taxation

Table 3.4: U.S taxation

Year of Survey	2009	2010	2011
Have you experienced a significant increase in the amount you must pay toward U.S. income tax on your foreign earned income since the recent legislative changes in 2006?			
Yes	24%	29%	27%
No	77%	71%	73%

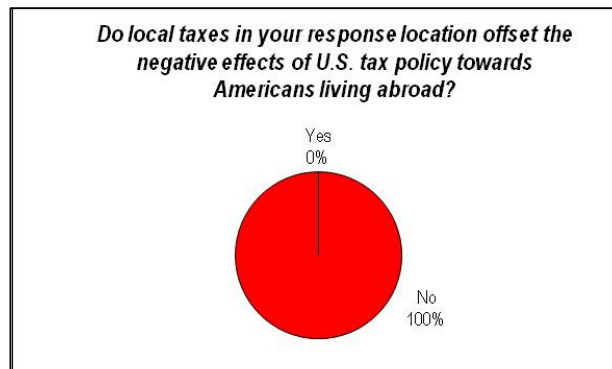
- ◆ 27% of respondents cited that they have experienced a significant increase in the amount they must pay toward U.S. income tax on their foreign earned income. This figure is largely consistent with 2009 and 2010 data.

Figure 3.4.1: Tax equalization



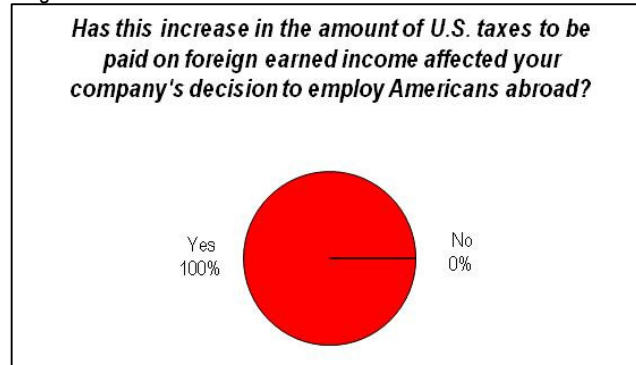
- ◆ A majority of the respondents' companies (67%) do not provide tax equalization for their expatriate employees.

3.4.2: Local taxes



- ◆ All respondents cited that local taxes in Malaysia do not offset the negative effects of U.S. tax policy towards Americans living abroad.

Figure 3.4.3: Tax on foreign earned income



- ◆ All respondents believe that this increase in the amount of U.S. taxes on foreign earned income affected their companies' decision to employ Americans abroad.

3.5 International Schools

Table 3.5: International schools

Year of survey	2009	2010	2011
Will the ability to find adequate space at international educational institutions in your response location be a significant problem in the next 1-3 years?			
Yes	24%	57%	45%
No	77%	43%	55%
Do you feel that the government of your response location is actively pursuing solutions to correct the space constraint at international educational institutions?			
Yes	50%	67%	20%
No	50%	33%	80%
Will the lack of adequate space at international educational institutions at your response location affect your company's decision to hire more local employees over foreign employees?			
Yes	43%	67%	20%
No	57%	33%	80%

- ◆ There are significant changes in respondents' views on international schools from 2010 to 2011, indicating that school space is less problematic for U.S. companies.
- ◆ The ability to find adequate space at international educational institutions is not a significant problem for the majority of respondents this year (55%), compared with 43% in 2010.
- ◆ There was a significant decrease in the percentage of respondents who feel that the Malaysian government is actively pursuing solutions to correct a space constraint, down to 20% in 2011 from 67% in 2010.
- ◆ Most respondents (80%) do not think the lack of adequate space at international educational institutions in Malaysia will affect their company's decision to hire more local employees over foreign employees.

3.6 Corporate Social Responsibility

Table 3.6: Corporate Social Responsibility

Year of Survey	2009	2010	2011
Is your company involved in CSR efforts?			
Yes	88%	86%	100%
No	12%	14%	0%
Do you expect your company's CSR efforts to increase or decrease in 2011 compared with 2010?			
Increase	50%	100%	91%
Remain the Same	41%	0%	9%
Decrease	15%	0%	0%
How frequent are your company's CSR efforts?			
Ongoing	32%	50%	64%
Monthly	7%	0%	0%
Multiple times per year	43%	50%	45%
Yearly	18%	0%	0%
What form does your company's CSR efforts take? (check all that apply)			
Fundraising	43%	83%	45%
Employee volunteering	64%	100%	91%
Cash donations	75%	83%	82%

- ◆ All respondents stated that their company is involved in CSR efforts. This is an increase from the 86% who chose this response in 2010. Most (91%) expect their company's CSR efforts to increase in 2011 and none expect a decrease in efforts.
- ◆ 64% of respondents stated that the frequency of their company's CSR efforts is ongoing, the most popular response. "Multiple times per year" is the second most popular response at 45%. In 2010, these two responses were split evenly.
- ◆ "Employee volunteering" is the most popular form of CSR effort (91%), followed by "cash donations" at 82%. Fundraising decreased as a form of CSR effort, from 83% the previous year to 45% this year.

4. Conclusion

Outlook

The largest portion of respondents (40%) in Malaysia has a neutral attitude towards the performance of the global economy, stating that it will be about the same in 2011 compared with 2010. This represents a levelling in expectations from last year, in which the majority predicted a better or much better performance compared to the previous year. There is also a slowdown in workforce expansion. This year, fewer respondents stated that they expect an increase in the workforce, while more responded that they expect a decrease, compared with 2010. However, 80% still predict that their business will expand in Malaysia.

ASEAN

Respondents report that ASEAN has increased in importance to their business during the last two years, and most believe it will continue to increase in importance in the next two years. The growth in importance of ASEAN markets is caused by the economic recovery as well as improvements in infrastructure, the limited growth opportunities in other regions, and changes in business strategy. 80% of respondents state that ASEAN integration is important to their company, compared to 58% who said so in 2010. However, the percentage of businesses using the ASEAN free trade agreement decreased this year, and there are concerns about the weak regulatory environment and unethical practices that act as barriers to businesses in ASEAN. Nonetheless, nearly all respondents predict an expansion of their company within ASEAN during the next two years, mostly because of the potential for business growth. The largest portion of the expansion will take place in Malaysia, followed by Indonesia.

Location Specific

In 2011, Malaysia improved in a number of conditions, such as the availability of raw materials and low cost labor. However, costs are expected to rise in Malaysia. All respondents predict an increase in the housing cost as well as living cost, and three quarters expect an increase in the interest rate. Two recurring strengths are the sentiments towards the U.S. and the local infrastructure. New concerns have appeared, including the lack of availability of trained personnel and problems with laws and regulation. Corruption, a long-standing issue, has greatly improved, with only 35% dissatisfaction this year compared to a high of 63% in 2010. The majority of respondents are satisfied or neutral towards government guidelines and the fairness of their application, and with local government institutions.

APPENDICES

(A) Local Factors Impacting Business

How Satisfied Are You With These Local Factors?

Table A: Satisfaction with factors

	Total Satisfied	<i>Extremely Satisfied</i>	<i>Satisfied</i>	Neutral	<i>Dissatisfied</i>	<i>Extremely Dissatisfied</i>	Total Dissatisfied
Infrastructure	70%	0%	70%	20%	10%	0%	10%
Availability of raw materials	65%	5%	60%	15%	15%	0%	15%
Availability of low cost labor	60%	10%	50%	25%	15%	0%	15%
Availability of trained personnel	45%	15%	30%	10%	30%	15%	45%
Office lease costs	45%	5%	40%	10%	20%	0%	20%
Housing costs	35%	5%	30%	40%	20%	0%	20%
Laws & regulations	50%	0%	50%	10%	30%	10%	40%
Corruption	30%	0%	30%	25%	20%	15%	35%
Local protectionism	25%	0%	25%	30%	15%	15%	30%
Tax structure	45%	20%	25%	35%	15%	5%	20%
Personal security	40%	5%	35%	25%	30%	5%	35%
Stable government and political system	50%	5%	45%	20%	10%	15%	25%
New business incentives by government	35%	10%	25%	35%	20%	10%	30%
Sentiment towards the U.S.	65%	10%	55%	15%	10%	5%	15%
Free movement of goods within the region	45%	0%	45%	40%	10%	0%	10%
Ease of moving products through customs	60%	0%	60%	30%	5%	0%	5%

How Satisfied are You with Local Government Institutions?

Table A-2: Satisfaction with local government institutions

	Total Satisfied	<i>Extremely Satisfied</i>	<i>Satisfied</i>	Neutral	<i>Dissatisfied</i>	<i>Extremely Dissatisfied</i>	Total Dissatisfied
Agency to promote/develop investment	55%	10%	45%	20%	0%	10%	10%
Customs	55%	0%	55%	25%	15%	0%	15%
Immigration	50%	5%	45%	25%	5%	5%	10%
Taxation/Revenue	60%	0%	60%	30%	5%	5%	10%
Central Bank	45%	0%	45%	35%	0%	5%	5%
Ministry of Finance	45%	0%	45%	35%	5%	5%	10%

(B) Reasons for Business Expansion in ASEAN over the Next Two Years

Table B: Top 3 Reasons for ASEAN Expansion

Year of Survey	2007	2008	2009	2010	2011
Reasons for Expansion					
Economic recovery	74%	60%	29%	44%	32%
Potential for business growth	74%	60%	88%	83%	84%
Increasing market share	70%	64%	58%	39%	47%
Reasonable production cost	21%	36%	25%	17%	26%
Diversity of customer base	33%	38%	21%	22%	32%
Lack of growth in current market/countries	19%	23%	17%	6%	21%
Availability of trained personnel/efficient manpower	21%	30%	21%	28%	21%
Availability of raw materials				0%	5%
High level of personal security				0%	0%
Low level of corruption				0%	0%
Adequate laws and regulations to protect business				17%	0%
Adequate laws and regulations to encourage foreign investment				11%	11%
Stable government and political system				11%	11%
Low level of local protectionism				0%	0%
Weak competition in market/countries				6%	5%
Other				17%	5%

Empty boxes indicate that no comparative data is available for those years.

(C) Importance of ASEAN Markets over the Next Two Years

Table C: Top Reasons for ASEAN Importance over Next Two Years

Year of Survey	2007	2008	2009	2010	2011
Reason					
Economic recovery	88%	49%	94%	80%	67%
Limited growth opportunities in other regions	36%	68%	35%	40%	40%
Improvement in infrastructure	52%	65%	47%	30%	40%
Increased availability of trained personnel	32%	30%	18%	10%	20%
Favorable government policies	32%	14%	35%	40%	27%
Stable political conditions	16%	22%	29%	10%	13%
Change in business strategy		24%	41%	20%	40%
Other				60%	20%

Empty boxes indicate that no comparative data is available for those years.

(D) Sample Profile

Table D: Workforce and Turnover

Year of Survey		2004	2005	2006	2007	2008	2009	2010	2011
Scope of responsibility	One country	57%	49%	65%	61%	51%	42%	60%	40%
	Multiple countries	43%	51%	35%	39%	49%	58%	40%	60%
Size of Current Workforce in Region	Below 50 employees	44%	31%	28%	39%	41%	26%	26%	21%
	50 to <500 employees	23%	37%	38%	31%	32%	36%	21%	32%
	500 to <1000 employees	12%	10%	13%	12%	9%	7%	5%	5%
	1000 to <1500 employees	9%	10%	9%	2%	2%	3%	5%	5%
	1500 to <2000 employees	2%	0%	2%	2%	4%	3%	0%	0%
	2000 employees or above	11%	12%	11%	14%	12%	26%	37%	37%
Company's Past Year Turnover in Malaysia (USD)	Below \$1 million	20%	8%	16%	13%	20%	3%	16%	5%
	\$1 to <\$50 million	45%	56%	40%	48%	35%	33%	42%	37%
	\$50 to <\$100 million	15%	14%	13%	13%	19%	7%	5%	11%
	\$100 to <\$500 million	11%	14%	16%	15%	15%	27%	16%	21%
	\$500 to <\$1 billion	4%	2%	7%	4%	6%	10%	0%	5%
	\$1 billion or above	5%	6%	4%	4%	6%	10%	11%	21%
Past Year's Turnover As Percentage of Company's Global Turnover	Below 5%						61%	65%	53%
	5 to <25% (Before 2006: 5 to <20%)						14%	12%	21%
	25 to <50% (Before 2006: 20- <50%)						18%	18%	5%
	50 to <75% (Before 2006: 50% or above)						0%	6%	16%
	75 to <100%						7%	0%	0%
	100%						0%	0%	5%

		2009	2010	2011
Past Year's Turnover as Percentage of Company's Total ASEAN Turnover	Below 5%	15%	24%	16%
	5 to less than 25%	37%	29%	47%
	25 to less than 50%	26%	29%	11%
	50 to less than 75%	11%	6%	11%
	75 to less than 100%	4%	12%	11%
	100%	7%	0%	5%
ASEAN Country That Holds the Next Largest Turnover for Company	Vietnam	8%	6%	5%
	Cambodia	0%	0%	0%
	Indonesia	15%	19%	10%
	Laos			0%
	Malaysia	12%	19%	15%
	Thailand	31%	12%	10%
	Philippines	8%	12%	25%
	Singapore	27%	31%	35%

Table D-2: Primary Responsibility

Primary Activity		2009	2010	2011
Services	Accounting	0%	0%	0%
	Architecture and Engineering Services	3%	0%	0%
	Banking	0%	0%	0%
	Consulting	3%	20%	5%
	Education	0%	0%	0%
	Healthcare	6%	5%	5%
	HR Services	0%	5%	0%
	Insurance brokers	3%	0%	0%
	Legal	3%	0%	0%
	Marketing & Communications Services	3%	15%	5%
	Other Financial Services	0%	5%	0%
	Software, IT, Telecommunications Services	0%	5%	0%
	Transportation & Logistics	9%	0%	0%
	Wholesale & Retail	0%	0%	0%
	Business Process Outsourcing/ Shares Services		0%	5%
	Other	6%	5%	5%
	Total Services		36%	60%
Manufacturing	Consumer Goods	16%	10%	10%
	Electronics	25%	15%	25%
	Food & Food Products	0%	0%	5%
	Oil & Petrochemical	6%	10%	10%
	Pharmaceuticals/Medical	0%	0%	5%
	Machinery & Equipment	0%	0%	0%
	Other	16%	0%	5%
	Total Manufacturing		63%	35%
Other		4%	5%	15%

E) Reasons behind the choice of ASEAN country for business expansion

Table E: ASEAN Expansion

Year of Survey	2009	2010	2011
Reasonable production costs	24%	22%	27%
Availability of raw materials	12%	11%	20%
Availability of trained personnel/efficient manpower	41%	44%	27%
Increasing market share	53%	33%	67%
Diversification of customer base	18%	11%	40%
High level of personal security	0%	0%	0%
Low level of corruption	0%	0%	7%
Adequate laws and regulations to protect business	24%	33%	20%
Adequate laws and regulations to encourage foreign investment	29%	11%	13%
Stable government and political system	35%	33%	20%
Low level of local protectionism	12%	0%	0%
Weak competition in the market/country	12%	11%	7%
Other	6%	11%	0%