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Malaysia's strategies for services exports

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Abstract

Malaysia's approach to promoting services exports has combined market-access mechanisms with fiscal and non-fiscal incentives, generating clear outcomes in high-value segments such as information and communications technology (ICT), data centres, professional services and manufacturing-related research and development (R&D) services. Case studies reveal that robust digital investments, large-scale commercial presence from global technology firms, and strengthened national standards infrastructure have significantly expanded Malaysia's footprint in global services trade.

Malaysia's overall strategy is characterized by a multi-pronged model that deploys financial incentives, buyer-seller connectivity programmes, sector branding, digitalization tools, and talent development to reduce entry barriers and enhance export readiness. Programmes such as the Market Development Grant (MDG), Services Export Fund (SEF), International Sourcing Programme (INSP), eBizMatch, Principal Hub incentive, and Digital Ecosystem Acceleration Scheme (DESAC) have provided Malaysian firms, particularly small and medium-sized enterprises (SMEs), with practical pathways to international markets.

Achievements include rising foreign direct investment (FDI) inflows in services sectors, enhanced SME participation in digital trade ecosystems, and expanding global visibility of Malaysian services providers. Significant obstacles, such as limited SME capabilities, early-stage digital infrastructure, and coordination gaps among agencies, have been progressively addressed through single-window facilitation models, digital customs platforms, and a mission-based policy orientation under the New Industrial Masterplan 2030.

Several best practices emerge from this assessment. Buyer-seller connectivity stands out as the most effective mechanism for generating confirmed export sales, while tiered, mission-aligned incentives provide strong foundations for high-value, technology-intensive services. Malaysia's emphasis on accreditation, standards compliance, and innovation commercialization further enhances credibility and market access for technical and R&D-based service providers. These features demonstrate a coherent strategy that has strengthened Malaysia's integration into global value chains, supported structural upgrading, and positioned the nation for continued expansion in knowledge-intensive services exports.

Key points

Main elements of Malaysia's promotion strategy:

- Gradual transition toward a services-led economy, with policies shifting from manufacturing to services as a key growth driver.
- Strong institutional framework led by the Ministry of Investment, Trade and Industry (MITI), the Malaysia External Trade Development Corporation (MATRADE), and the Malaysian Investment Development Authority (MIDA) with complementary roles in export promotion and investment facilitation.
- Multi-pronged approach combining incentives, buyer-seller connectivity, branding, digitalization and capability development.
- Targeted fiscal incentives (e.g., Market Development Grant, Services Export Fund, Principal Hub, Digital Ecosystem Acceleration Scheme) to lower entry barriers and attract high-value services.
- Strategic focus on knowledge-intensive sectors such as information and communications technology (ICT), digital, professional services, and research and development (R&D).
- Development of digital trade infrastructure (e.g., digital free trade zone) to improve logistics, customs and e-commerce participation.
- Emphasis on standards, accreditation and innovation commercialization to strengthen export credibility.

Main achievements and impacts:

- The services sector now dominates the economy, contributing over 50 per cent of gross domestic product and 60 per cent of employment.
- Services exports expanded significantly, reaching US\$ 54.3 billion in 2024 with greater diversification.
- Strong growth in services foreign direct investment, particularly in ICT and digital sectors.
- Malaysia has emerged as a regional hub for digital investments, including data centres and artificial intelligence (AI) infrastructure.

- Buyer-seller programmes (e.g., International Sourcing Programme, eBizMatch) have effectively generated export sales.
- Increased participation of small and medium-sized enterprises (SMEs) in international markets through grants and digital platforms.
- Improved trade facilitation efficiency, including faster customs processes via digital systems.

Challenges:

- Persistent productivity gaps between high-value and low-productivity services segments.
- Ongoing services trade deficit, especially in high-value areas like ICT and specialized business services.
- SME limitations in scalability, awareness and access to support, particularly outside urban centres.
- Skills shortages and mismatches in ICT, engineering, AI, and R&D-related services.
- Institutional coordination gaps and regulatory fragmentation.
- Uneven digital adoption amongst firms, limiting policy effectiveness.
- Vulnerability to external shocks, including reliance on travel-related services.

Good practices:

- Integrated policy approach combining incentives, grants, matchmaking and digital tools.
- Strong focus on buyer-seller connectivity with measurable export outcomes.
- Use of targeted and tiered fiscal incentives to attract high-value service activities.
- Promotion of SME participation in digital trade ecosystems.
- Strengthening of standards, accreditation and intellectual property systems to support services exports.
- Alignment with broader national strategies (e.g., New Industrial Master Plan 2030) for policy coherence.

Introduction

Over the past four decades, Malaysia's services sector has evolved from a supporting component of the economy into its principal driver of growth. Initially overshadowed by agriculture and manufacturing, services began gaining prominence in the late 1980s as the economy diversified and urbanization accelerated. Today, the sector not only generates the largest share of gross domestic product (GDP) but also plays a pivotal role in employment, innovation and international competitiveness.

This report analyses Malaysia's long-term transition toward a services-driven economy and evaluates the institutional strategies that have shaped the growth of its services exports.

Industry profile

From 1975 to 2024, Malaysia's economy experienced a marked structural transformation, shifting from an agriculture- and manufacturing-led model towards one dominated by services.

The most striking structural shift has been the expansion of the services sector, which became the largest contributor to GDP from the late 1980s onward. Services' share grew from around 43 per cent in 1987 to over 53 per cent by 2024, reflecting both the growth of traditional subsectors such as trade, transport and finance, and the emergence of high-value segments like ICT, professional services, logistics and tourism. This shift reflects Malaysia's move towards knowledge- and skills-based activities that rely on human capital, technology and effective regulation rather than resources.

The structural shifts depicted above carry significant implications. The rise of services positions the economy so that it may capitalize on global trends in digitalization, finance and advanced business services, but also demands greater investment in education, skills training and innovation systems. The smaller share of agriculture highlighted the need for productivity-led growth while maintaining its role in

food security and rural livelihoods. Manufacturing remains key to exports, but future gains depend on moving up the value chain and integrating with the growing services sector. Overall, Malaysia is shifting towards a more diversified, services-oriented economy focused on sustaining productivity across sectors.

The services sector is also a dominant source of employment. By 2023, services accounted for 62 per cent of total employment, with agriculture's and industry's shares representing 10 per cent and 28 per cent of aggregate employment respectively. This transition mirrors the country's broader economic structural shift, as value creation and job growth have progressively moved from primary and secondary industries, and increasingly towards services-based activities.

As incomes rise, demand for skills- and knowledge-based services grows, driving the shift towards a service economy (Buera and Kaboski, 2012). Malaysia reflects this trend, with expanding information, communication, professional, financial and tech-driven services. However, transformation remains uneven. Wholesale and retail trade still dominate with modest productivity, and low-value services like food and beverage remain steady. While ICT shows notable gains, its overall impact is limited, suggesting the move towards high-value services is progressing but not yet broad or rapid.

Trade performance

Malaysia's commercial services exports fluctuated from 2012 to 2024, contracting sharply in 2020 (US\$ 23.2 billion) due to COVID-19's impact on travel and transport, before rebounding to US\$ 54.3 billion in 2024. Travel services, once over 50 per cent of exports, fell to 13.4 per cent in 2020 before recovering to 39.2 per cent in 2024. Key contributors include transport, business and ICT services. The share of manufacturing services on inputs owned by others rose from 6.4 per cent in 2012 to 14.0 per cent in 2022 before easing to 8.9 per cent in 2024, highlighting Malaysia's role in global value chains.

Services imports showed a similar pattern, rising from US\$ 43.8 billion in 2012 to US\$ 56.9 billion in 2024, with a dip in 2020. Transport and travel consistently made up over half of total imports, reflecting reliance on logistics and outbound tourism. Other key imports include business, insurance and intellectual property services, while growing ICT imports highlight Malaysia's increasing dependence on digital services.

Foreign direct investment statistics show that net inflows into Malaysia have been highly uneven across sectors, with services emerging as the dominant recipient in recent years. Between 2014 and 2024, services FDI inflows increased sharply from US\$ 1.5 billion to US\$ 8.8 billion, overtaking manufacturing. Within services, information and communications saw the most significant jump, surging from only US\$ 26 million in 2014 to US\$ 5.9 billion in

2024, highlighting Malaysia's emergence as a regional hub for digital investments. Financial and insurance activities also attracted steady inflows, rising from US\$ 418 million in 2014 to US\$ 1.9 billion in 2024, reflecting Malaysia's developed financial infrastructure and regulatory environment (DOSM, 2024).

The stock of FDI in services stood at US\$ 117.4 billion in 2024, significantly surpassing manufacturing (US\$ 89.7 billion). This reflects sustained foreign investor confidence in Malaysia's services ecosystem, with financial services leading at US\$ 53.7 billion, followed by ICT at US\$ 18.0 billion. Other services, including professional, scientific and technical activities, also recorded rapid growth with a compound annual growth rate (CAGR) of 23.5 per cent between 2014 and 2024 (DOSM, 2024).

Guided growth: policy pathways in Malaysia's services transition

The services sector has evolved from a supportive role to the central pillar of Malaysia's economic growth, though this transformation unfolded gradually across several decades. In the 1970s and 1980s, Malaysia's policy focus was firmly anchored in industrialization. The New Economic Policy (1971–1990) promoted rapid industrial development, while the First and Second Industrial Master Plans (IMP1 1986–1995, IMP2 1996–2005) placed manufacturing at the heart of economic strategy. Within this framework, services were largely perceived as ancillary functions, namely facilitating trade, logistics and financial transactions to support industrial and export-oriented development, rather than being positioned as a key engine of growth.

The 1990s and early 2000s marked an important transition. With the introduction of Vision 2020, Malaysia articulated a long-term aspiration of becoming a developed nation, which necessitated the expansion of knowledge-intensive activities. The second IMP (1996–2005) was introduced

to transform Malaysia's manufacturing sector from one that was mostly labour-intensive into one that was knowledge-based and generated greater value added. This was a pivotal moment, as it acknowledged the role of ICT, financial services, education, healthcare and tourism as emerging drivers of economic dynamism. During this period, services were positioned as a complement to manufacturing, strengthening competitiveness and attracting investment, while gradually gaining attention as an area of increasing importance in national growth strategies.

A decisive policy pivot occurred in the 2010s, when services were explicitly recognized as Malaysia's primary growth engine. The 10th Malaysia Plan (10th MP) (2011–2015) was the first official policy document to state unequivocally that services would be the key driver of economic expansion, with an ambitious target representing 61 per cent of GDP by 2020. This shift was reinforced by the Economic Transformation Programme, launched in 2010, which identified 12

National Key Economic Areas, eight of which were services-oriented, including financial services, tourism, wholesale and retail trade, education, healthcare, business services, communications and services related to oil and gas (Economic Planning Unit, 2010).

The 12th Malaysia Plan (RMK-12) and the National Trade Blueprint (NTBp) play complementary roles in advancing Malaysia's services sector and promoting its export competitiveness. Both were designed with the lessons of recent global disruptions in mind, including the COVID-19 pandemic, US–China trade tensions, and supply chain fragmentation, emphasizing the need for a more resilient, diversified and high-value economy.

Launched on 27 September 2021, RMK-12 reinforced Malaysia's commitment to strengthening the services sector as a key driver of economic resilience and growth. The plan prioritizes the enhancement of logistics and digital infrastructure, which is essential for improving efficiency in both domestic and international trade. RMK-12 also focuses on empowering micro, small, and medium enterprises (MSMEs) by promoting digitalization, equipping them with skills to meet international standards, and providing a unified portal to improve access to financing. High-value services, particularly those in the digital economy, are highlighted as central to diversifying the economic base and reducing reliance on traditional manufacturing sectors.

Less than a month later, the NTBp 2021–2025 was introduced to complement RMK-12 by offering a trade-focused strategy that leverages services to boost Malaysia's export performance. Although the Blueprint explicitly confines its scope to merchandise and excludes services, the NTBp highlights the strategic role of bundling services with high-value products as a means to enhance export sophistication and elevate Malaysia's position within the global value chain. It also advocates for diversification of export offerings, including both goods and services, to reduce dependence on traditional sectors and mitigate exposure to global economic shocks. Additionally, the Blueprint seeks to enhance the export

ecosystem by streamlining procedures, expanding market access, and supporting exporters in navigating international trade challenges.

In a strategic response to a rapidly shifting global economic landscape, Malaysia launched the New Industrial Masterplan 2030 (NIMP 2030) in September 2023. Unlike its predecessors, NIMP 2030 adopts a mission-based approach structured around four interlinked missions: i) Advance Economic Complexity, ii) Tech Up for a Digitally Vibrant Nation, iii) Push for Net Zero, and iv) Safeguard Economic Security and Inclusivity. While primarily aimed at revitalizing industry, the plan identifies three key services sectors as critical enablers of Malaysia's industrial transformation: digital and information and communications technology, global and professional services, and manufacturing-related services (Ministry of Investment, Trade and Industry (MITI), 2023).

The NIMP 2030 promotes trade in services as a complementary pillar to industrial upgrading, focusing on sectors that support high-value manufacturing and export growth. By fostering digital transformation, sustainability and regional services operations, NIMP 2030 seeks to strengthen Malaysia's integration into global value chains and diversify its exports beyond goods.

The services sector is projected to remain Malaysia's growth anchor under the latest 13th Malaysia Plan (RMK-13) 2026–2030. Themed "Reshaping Development", the plan outlines a comprehensive policy framework aimed at advancing the Madani Economic Vision – a development principle (aspiration) with strong emphasis on inclusive growth, high-growth high-value industries, and the digital and artificial intelligence (AI)-driven economy. RMK-13 targets average annual real GDP growth of 4.5 per cent to 5.5 per cent during the 2026–2030 period, with the services sector expected to expand at an average annual rate of 5.2 per cent, indicating its role as a central pillar of Malaysia's economic transformation. A gross export growth rate of 5.8 per cent per annum is also targeted for 2026–2030, with the value of services exports projected to reach MYR 464 billion by 2030.

Institutional framework and export promotion strategies

The development of Malaysia's services trade is anchored within a broad institutional framework that combines policy direction, regulatory oversight and promotional mechanisms. At the centre are government ministries and specialized agencies that shape national strategies, negotiate trade commitments, and facilitate market access for domestic firms. This framework not only ensures compliance with Malaysia's international obligations under the Association of Southeast Asian Nations (ASEAN) and the World Trade Organization (WTO) but also provides the necessary support for services industries to expand globally. Among the key pillars are the Ministry of Investment, Trade and Industry (MITI), which plays a central role in formulating trade policies, negotiating international agreements, and charting the overall strategic direction of the services sector.

Supporting MITI are specialized agencies such as the Malaysia External Trade Development Corporation (MATRADE), which focuses on export promotion, and the Malaysian Investment Development Authority (MIDA), which facilitates investment flows into services. Together, each play distinct yet complementary roles in regulating, promoting and facilitating the growth of services trade.¹

Malaysia External Trade Development Corporation

MATRADE is the national trade promotion agency under the MITI. Established in 1993, its mandate is to promote Malaysia's export growth by helping local firms expand into international markets. While it traditionally focused on goods, MATRADE has increasingly emphasised services trade, supporting sectors such as ICT, professional services, education, healthcare and logistics. The mandate of MATRADE is as follows:

Export promotion and market access

MATRADE organizes trade promotion programmes, trade fairs and business matching missions that include service providers in sectors such as professional services, ICT, healthcare, education and tourism. This includes participation in international trade fairs (ITFs), export acceleration missions (EAMs), international sourcing programmes, and trade and investment missions (TIMs).

Branding and positioning of Malaysian services

Through campaigns like the Malaysia Services Exhibition and participation in international Expos, MATRADE works to brand Malaysian services as competitive, reliable and high-value. This branding is critical in sectors such as education (attracting international students), healthcare (medical tourism) and ICT solutions.

Market intelligence and advisory support

MATRADE provides Malaysian companies with information on overseas demand, regulatory requirements and potential partnerships. The agency also delivers market insights and intelligence covering local and international conditions, tariffs, regulations and trade statistics, while offering direct support, advice and consultations to both exporters and foreign buyers throughout the export process. In the services sector, this includes guidance on navigating licensing, standards and professional recognition issues in foreign markets.

Support for SMEs and digitalization

MATRADE plays a key role in strengthening the capabilities of Malaysian companies, particularly SMEs, to compete in international markets through training, mentorship, skills development,

networking and international exposure. Given that many services exporters are SMEs, MATRADE supports them through targeted capacity-building programmes, the adoption of digital tools and participation in e-commerce platforms. In addition, it facilitates SME access to initiatives such as the digital free trade zone (DFTZ), thereby enabling them to benefit from the expansion of global digital trade flows.

a) MATRADE and services trade promotion

Table 1 (Annex 1) shows MATRADE's key programmes and their documented outcomes. The table highlights the impact of these programmes in terms of market access, export sales generated and diversification of sectors and destinations in advancing both goods and services trade. We have grouped them into four major pillars: (1) financial support and sectoral prioritization, (2) market access and buyer-seller connectivity, (3) branding and strategic market penetration, and (4) digitalization and firm capability development. Accordingly, these four pillars may also be interpreted as key good practices that define MATRADE's trade promotion model. They encapsulate the mechanisms through which its programmes translate into concrete outcomes such as expanded market access, stronger buyer engagement, enhanced branding, and improved firm capabilities.²

i) Financial support and targeted sectoral assistance

A cornerstone of MATRADE's strategy is its financial facilitation framework, which lowers export entry barriers for Malaysian firms. The Market Development Grant (MDG), introduced in 2002, provides subsidies for trade fair participation, market research and export promotion activities. Between 2008 and 2022, the programme expanded significantly from US\$ 3.5 million disbursed to 897 SMEs in 2008, to generating over US\$ 0.5 billion in export sales (ROI 1:222 [return on investment]) involving 2,614 SMEs in 2022. The MDG has supported more than 20,000 SMEs overall, enabling them to access global markets and maintain a

presence at major international events. In the services sector, where initial visibility costs are high, MDG has been instrumental in helping engineers, ICT specialists and consultants compete internationally.

Complementing MDG, the Services Export Fund (SEF) focuses specifically on services industries that rely on tenders, project-based contracts and feasibility studies. SEF has facilitated over US\$ 1.7 billion in services exports between 2015 and 2021, helping Malaysian engineering, healthcare, education and ICT firms secure contracts in regions such as the Middle East, ASEAN and Africa. By offsetting tender preparations, feasibility studies and negotiation costs, SEF enables Malaysian service providers to compete on a level playing field with global players. These financial instruments exemplify MATRADE's targeted, sector-sensitive design that recognizes the unique needs of services exporters.

ii) Market access through buyer-seller connectivity

MATRADE's market access platforms play a critical role in overcoming one of the most persistent challenges in services trade: establishing credible buyer-seller linkages. The INSP, introduced in 2003, directly connects Malaysian exporters with pre-qualified foreign buyers. It has consistently demonstrated impact; for instance, in 2024, the INSP generated US\$ 560 million in sourcing value, with the INSP Malaysia International Halal Showcase (MIHAS) alone reaching US\$ 77 million in confirmed sales. These structured, high-quality meetings reduce search costs and provide SMEs with immediate access to global networks that would otherwise take years to build.

Digital tools further expand this matchmaking infrastructure. eBizMatch, launched in 2020 during the COVID-19 pandemic, sustained trade continuity by facilitating more than 7,000 virtual meetings between Malaysian exporters and international buyers. ICT, healthcare and education services providers in particular benefited from virtual engagement mechanisms that bypassed

mobility restrictions. In addition, the permanent Malaysia Export Exhibition Centre (MEEC), established in 2016, offers inbound buyers a physical venue to explore Malaysian products and services, attracting over 30,000 visitors since its opening. Collectively, these initiatives illustrate MATRADE's multi-pronged strategy to reduce transaction costs, improve export readiness, and expand market reach.

iii) Branding, visibility and strategic market penetration

Branding and visibility remain indispensable for services exports, where reputation and credibility strongly influence market entry. MATRADE's flagship branding platform, the Malaysia Services Exhibition (MSE), first introduced in 2007, showcases Malaysian services capabilities to international audiences. MSE 2009 in Dubai alone generated US\$ 1.9 billion in potential projects, while subsequent editions in Abu Dhabi, Surabaya, Astana and Yangon facilitated high-value negotiations and franchise deals. Although these outcomes are more qualitative and harder to measure than direct sales, they significantly enhance Malaysia's visibility as a competitive services provider in global markets.

To complement these large-scale exhibitions, MATRADE undertakes specialized marketing missions (SMMs) and EAMs that target niche and emerging markets. These missions delivered US\$ 36.4 million in sales between 2009 and 2021 and facilitated over US\$ 667 million worth of projects. Malaysian firms in aerospace, halal services, ICT and engineering have used these missions as "fast-track" platforms to enter markets in Central Asia, East Africa and the Middle East. This combination of broad branding efforts and specialized missions demonstrates MATRADE's dual strategy of building national visibility while securing concrete export opportunities.

iv) Digital transformation and firm capability development

MATRADE has also embraced digital transformation as a long-term investment in exporter resilience and competitiveness. The eTRADE programme, launched in 2015 and

expanded under eTRADE 2.0 in 2021, supports SMEs in adopting cross-border e-commerce platforms. By 2019, over 2,500 firms had joined the programme, benefiting from training, onboarding and digital marketing grants. Service providers in education, creative content and professional consulting gained significant advantages by being able to serve clients globally without needing a physical presence.

Beyond digitalization, MATRADE strengthens firm capabilities through the Mid-Tier Companies Development Programme (MTCDP), introduced in 2015. MTCDP provides strategic mentoring, advisory services and tailored global expansion pathways for mid-tier firms. In 2021 alone, 275 companies participated in the programme, representing a 22.5 per cent increase from the previous year. By focusing on upgrading, rather than only on financial support, MTCDP builds long-term competitiveness and helps Malaysian firms transition from domestic champions to credible international players.

b) Assessing the pillars (MATRADE)

Although each pillar contributes meaningfully to Malaysia's export ecosystem, especially for services and SMEs, the market-access pillar generates the most consistent, measurable and high-value outcomes. A key strength of this pillar lies in its ability to translate promotion directly into confirmed export sales, rather than potential leads or indirect long-term impacts. MATRADE's flagship INSP has repeatedly demonstrated this effectiveness. Recent data illustrate this clearly: in 2025, INSP events generated MYR 62.76 million (US\$ 14 million) in confirmed export sales, underscoring their capacity to produce tangible trade gains.³

This distinguishes the INSP from many grant-based schemes, where the link between financial support and actual export performance may be less direct. The programme's targeted matching of pre-qualified foreign buyers with Malaysian exporters (particularly SMEs) reduces the search, marketing and trust-building costs that usually constrain internationalization. As a result, firms without established global networks can secure contracts they would otherwise struggle to access.

The efficiency of buyer-seller connectivity programmes also enhances their comparative advantage. Unlike initiatives that rely on financial disbursements, the INSP and its digital counterpart, eBizMatch, generate value by facilitating relationships. These connections can compound over time, leading to repeat orders, multi-year contracts, and regional expansion. During the COVID-19 pandemic, eBizMatch helped sustain Malaysia's export engagement by hosting over 7,000 virtual meetings, providing continuity at a time when physical trade channels collapsed. This resilience demonstrates the pillar's adaptability and the long-term benefits of market facilitation beyond one-off matching sessions.

Compared with the other pillars, the superiority of market access is further reinforced. Financial support schemes like the MDG and SEF undoubtedly play a foundational role by reducing initial barriers to export entry. For instance, the SEF delivered an impressive return in 2022, generating MYR 197 million (US\$ 43.7 million) in potential exports from MYR 1.465 million (US\$ 325,000) in grants. Yet, despite their necessity, these programmes yield mixed results in converting subsidies into contracted export value, and their reach is constrained by grant ceilings and eligibility conditions.

Branding and strategic market penetration initiatives, such as the MSE, have also generated substantial interest and potential projects, for example, MSE Dubai 2009 reported US\$ 1.9 billion in potential deals. In 2014, the MSE was expanded into nine separate programmes held across various international and domestic locations, generating over US\$ 1 billion in total negotiated projects and sales.

As MATRADE diversified these successful initiatives, the original concept of a single mega-exhibition became less prominent as the main vehicle for services promotion. Instead, MATRADE's strategy to internationalize Malaysia's services sector increasingly relied on targeted platforms such as EAMs, INSPs and stronger financial facilitation instruments including the SEF and the Large Corporation–SME Partnership Programme. However, such outcomes tend to

be qualitative, with weaker direct attribution to confirmed export flows. Meanwhile, digitalization and capability development programmes such as eTRADE and MTCDP support long-term competitiveness, but their impact on immediate export sales is diffused and indirect.

Considering these comparisons, the buyer-seller connectivity pillar stands out not only for its measurable successes but also for its enduring strategic value. It equips Malaysian firms, especially SMEs and service providers, with the networks and market intelligence necessary to compete internationally. Moreover, it aligns closely with the realities of services trade, where credibility, relationship-building and customized matching matter more than price competition alone. When foreign buyers meet Malaysian firms through INSP or eBizMatch, the process reduces uncertainty on both sides, lowering transaction costs and accelerating deal-making.

Malaysian Investment Development Authority

MIDA is the country's principal government agency under the MITI. With services now contributing more than half of Malaysia's GDP and increasingly integrated into global value chains, MIDA has expanded its role to cover the promotion and facilitation of investments in services industries, alongside its traditional manufacturing focus. This includes both FDI and domestic direct investment, making MIDA a central institution in shaping the competitiveness of Malaysia's services economy.

MIDA ensures that investment promotion in the services sector aligns with national strategies such as the 12th Malaysia Plan (2021–2025) and the National Investment Aspirations,⁴ supporting digitalization, sustainability and high-value job creation. As Malaysia's main investment promotion agency, MIDA serves as a one-stop centre for foreign and local investors, promoting key sectors such as logistics, ICT, education, healthcare, tourism, oil and gas support, and green technology. It facilitates quality investments through advisory services and incentives while helping domestic firms expand abroad. MIDA

also drives liberalization in line with ASEAN and WTO commitments to enhance competitiveness, technology transfer and best practices. Additionally, it strengthens the services ecosystem through infrastructure, talent and regulatory improvements to build globally competitive domestic services providers.

a) MIDA and services trade promotion

MIDA categorizes its support into fiscal and non-fiscal incentives, as well as cluster- and sector-specific facilitation programmes. Fiscal incentives, such as tax exemptions and investment allowances, are designed to encourage investments in high-value and knowledge-intensive services sectors, including global business services (GBS), ICT, aerospace, logistics, and halal-related services. Non-fiscal incentives focus on ecosystem facilitation, talent development and industry-academia collaboration to strengthen Malaysia's service capabilities and ensure spillover benefits for the domestic economy.

Table 2 (Annex 1) summarizes the key MIDA instruments that promote services trade. We have also grouped them under four strategic pillars: (1) fiscal incentives, (2) capability-building grants, (3) non-fiscal facilitation, and (4) digital and talent-development initiatives, highlighting MIDA's good practices and effectiveness in promoting trade in services.

i) Fiscal incentives

Fiscal incentives remain the cornerstone of Malaysia's services and investment strategy. Key instruments include Pioneer Status (PS), Investment Tax Allowance (ITA), the Principal Hub (PH) incentive, Green Investment Tax Allowance, and the Automation Capital Allowance (ACA). PS, in place since the 1980s, offers 70 to 100 per cent tax exemption on statutory income for up to five years, and has expanded from manufacturing to services such as GBS, ICT, logistics, aerospace and halal industries. By reducing operating costs, PS allows firms to establish regional service hubs capable of coordinating cross-border operations.

The PH incentive, launched in 2015 and updated to PH 3.0, offers concessionary corporate tax rates of 0–5 per cent for up to 10 years for multinational corporations that centralize regional or global operations in Malaysia. The scheme includes conditions related to network coverage, regional sales thresholds and talent development, ensuring that beneficiary firms anchor high-value, export-oriented functions such as treasury, procurement, shared services and management. These functions inherently generate services exports and embed Malaysia in regional services supply chains.

Other fiscal measures complement these core incentives. ITA offsets qualifying capital expenditure against statutory income, facilitating the development of R&D labs, data centres and logistics hubs which are critical infrastructure for modern services delivery.

Of all the incentives, the PH scheme directly influences the location and scale of export-oriented service operations, thus making this pillar the most effective in generating immediate and high-value services exports.

ii) Capability-building grants

Complementing fiscal incentives, Malaysia employs grant-based mechanisms to strengthen domestic services providers and support high-impact projects. The High Impact Fund co-funds catalytic projects in sectors such as aerospace engineering and electronics design, while the Domestic Investment Strategic Fund (DISF) introduced in 2012, provides matching grants for SMEs in ICT, aerospace, halal and logistics services to upgrade their capabilities through R&D, licensing and standards compliance.

These grants address capability gaps that tax incentives alone cannot fill, enabling firms to meet international standards, enhance technological capacity and develop innovation-driven services. Particularly for SMEs, grants can reduce risk and incentivize engagement in international markets. While their impact is more selective and medium-term compared to fiscal incentives, grants are critical for nurturing export-ready domestic firms and fostering sectoral competitiveness.

iii) Non-fiscal facilitation and regulatory ease

Non-fiscal facilitation measures reduce regulatory friction and enhance investor confidence, a critical enabler of services exports. Key initiatives include the One-Stop Centre (OSC) for Business Travellers, the Strategic Investor Pass (SIP), and the Invest Malaysia Facilitation Centre. OSC, introduced during the COVID-19 pandemic, ensured continuity of cross-border services by expediting essential business travel, supporting Mode 4 services exports. SIP and related long-stay visas facilitate the inflow and retention of skilled professionals and investors, promoting knowledge transfer and operational continuity.

Evidence from Organisation for Economic Co-operation and Development and WTO studies highlights that regulatory transparency and ease of doing business are often more decisive than fiscal incentives for services FDI. By reducing administrative and mobility barriers, MIDA's facilitation measures amplify the effectiveness of fiscal and grant-based incentives.

iv) Digital and talent-development initiatives

The fourth pillar addresses long-term competitiveness through digital platforms and human capital development. Digital tools such as the InvestMalaysia Portal and MYSite Selection Portal streamline investment approvals, improve transparency and reduce transaction costs. These platforms ensure investors can rapidly identify suitable sites, submit applications, and obtain approvals – essential in sectors where time-sensitive service delivery matters.

Talent-focused programmes, including the Skills and Technical Enhancement Programme (STEP) and the Special Taskforce-Talent Facilitation (STF-TF), provide targeted training and recruitment support for high-value sectors such as aerospace, ICT, cybersecurity and industrial automation. MIDA's STEP programme trained circa 2,000 graduates in technical/industrial skills (2022–23) in 24 focus areas, while its STF-TF initiative (launched March 2023) engaged 17 ministries/training institutions and facilitated recruitment of 190+ engineers/technicians in target industries.⁵

b) Assessing the pillars

Each of the four pillars promotes different components of services trade. Fiscal incentives attract export-oriented multinationals, capability-building grants upgrade domestic firms, non-fiscal facilitation reduces regulatory friction and digital-talent programmes strengthen long-term competitiveness. However, fiscal incentives emerge as the most effective pillar because they generate the most immediate and measurable expansion of cross-border service activities. In particular, the PH (PH 3.0) scheme offers concessionary tax rates of 0 per cent to 5 per cent for up to 10 years, directly incentivizing global firms to base regional headquarters, shared services, treasury functions, logistics management and digital operations in Malaysia, functions that inherently produce services exports.

Talent-related measures come a close second, as skills are often the binding constraint in high-value services sectors. Capital expenditure incentives such as ITA and ACA are also highly effective, particularly for digital, logistics, and R&D services, where infrastructure readiness is key. Grant-based mechanisms offer strong catalytic effects when deployed selectively, especially in sectors like aerospace and halal certification, but their impact depends heavily on governance and targeting. Facilitation tools and digital portals tend to have high cost-effectiveness, improving conversion rates by simplifying procedures, though they are inherently enabling rather than transformational.

Green incentives are increasingly relevant but their full impact will depend on global demand for green services and the development of local capabilities. Facilitation tools such as the OSC and digital platforms, which expedite approvals for business travellers strengthen Malaysia's broader services ecosystem. However, their effects are primarily enabling in nature and tend to materialize gradually or over an extended time horizon. By contrast, fiscal incentives directly shape company location decisions and immediately expand Malaysia's participation in regional and global services value chains, making them the strongest driver of services-export growth.

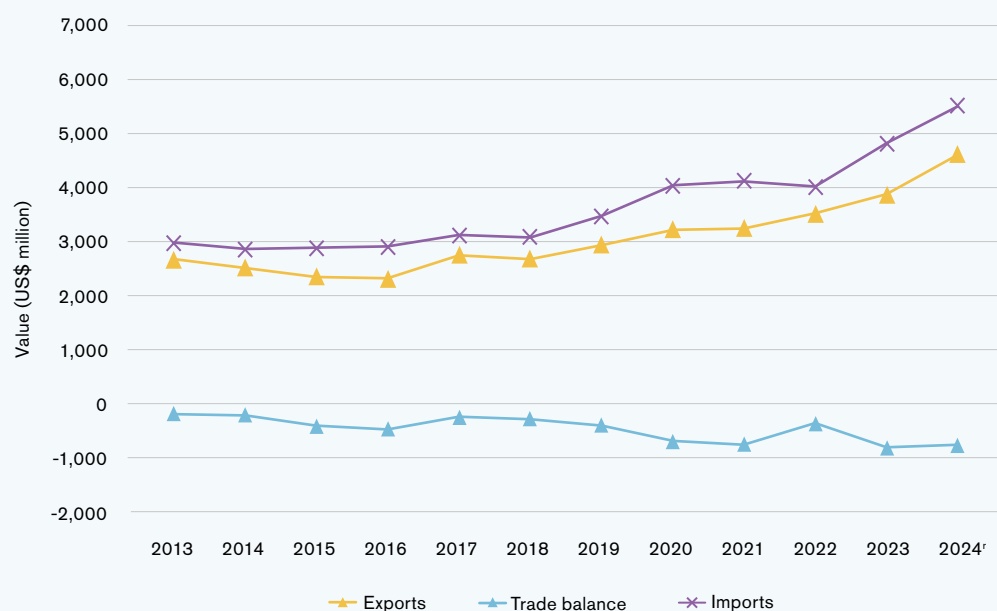
Case studies: information and communications technology and digital services

The digital and ICT industry has become one of the most dynamic sectors driving Malaysia's economic transformation. Over the past two decades, ICT has grown from a supporting sector into a core enabler of national competitiveness. In 2023, ICT and e-commerce combined contributed US\$ 95 billion to the economy, equivalent to 23.5 per cent of GDP, while providing employment for more than 1.2 million people or nearly 8 per cent of the total workforce.⁶

Under the New Industrial Master Plan 2030 (NIMP 2030), the digital and ICT industry in Malaysia is defined by two principal components: i) Malaysia digital status industry clusters and ii) ICT-related services.

As illustrated in Figure 7.1, Malaysia's ICT services trade has grown steadily over the past decade but has remained in deficit. Exports rose from US\$ 2.7 billion in 2013 to an estimated US\$ 4.8 billion in 2024, while imports increased faster, from US\$ 3.1 billion to US\$ 5.7 billion, reflecting continued reliance on foreign providers of cloud services, enterprise software and cybersecurity solutions. A key turning point occurred in 2020, when the pandemic accelerated digitalization, causing both exports and imports to surge, with imports rising more sharply due to dependence on multinational ICT firms.

Figure 7.1: Malaysia's trade in ICT services (US\$ million), 2013–2024



Source: Statistics of International Trade in Services, Department of Statistics Malaysia (DOSM). Converted to US\$.
^{*} revised by DOSM.

Malaysia's data centre sector in focus

Malaysia has actively positioned its data centre sector as a key component of its digital economy strategy, aiming to attract foreign investment and strengthen the country's role in the regional ICT ecosystem. Data centres provide cloud computing, data storage and digital infrastructure services.

According to the research firm DC Byte, data centre capacity in the Southeast Asia Five markets, namely Indonesia, Malaysia, the Philippines, Thailand and Viet Nam, expanded at a CAGR of 70 per cent between 2018 and 2023. Within this regional surge, Malaysia has emerged as a leading destination, attracting MYR 99 billion (US\$ 21.7 billion) in announced data centre investments over the past two years, with a further MYR 149 billion (US\$ 33.1 billion) in the pipeline according to the Malaysia Digital Economy Corporation (MDEC).⁷

Recent impacts of trade promotion efforts

- Amazon Web Services launched its first Asia Pacific (Malaysia) Region in August 2024, backed by a MYR 29.2 billion (US\$ 6.2 billion) investment to 2038, with its initial data centre in Cyberjaya. This shows Malaysia's rising appeal to global tech firms and its success in promoting ICT-related services trade via commercial presence.⁸
- ByteDance (owner of social media platform TikTok) plans to invest MYR 10 billion (US\$ 2.13 billion) to establish an artificial intelligence (AI) hub in Malaysia, alongside an additional MYR 1.5 billion (US\$ 333 million) for data centre expansion in Johor. These investments supported Malaysia's target of raising the digital economy's share to 22.6 per cent of GDP by 2025.⁹
- Huawei has advanced sustainable data centre solutions in the region, launching three efficiency-focused facility innovations in May 2023 that enhance green data centre development in Malaysia and Asia-Pacific.¹⁰
- Microsoft announced a US\$ 2.2 billion, four-year investment to expand cloud and AI infrastructure – its largest in Malaysia. This

includes new hyperscale data centres (with the Malaysia West region launched in Q2 2025), a national AI Centre of Excellence, strengthened cybersecurity and AI skilling for up to 300,000 people.¹¹

- Google committed US\$ 2 billion (MYR 9.4 billion) to build its first Malaysian data centre and Google cloud region in Selangor. Expected impacts include the creation of 26,500 jobs, a MYR 15 billion (US\$ 3.33 billion) contribution to GDP by 2030, and strong support for Malaysia's first National Cloud Policy through advanced AI and cloud service capabilities.¹²

a) Promotion of data centre investment and Mode 3 trade: An assessment

Table 3 (Annex 1) shows that the Malaysian government has implemented a range of initiatives and incentives to strengthen its digital economy and attract foreign investment in data centres, thereby promoting services trade through commercial presence (Mode 3). The trade promotion strategies are listed as follows:

i) Targeted and tiered financial incentives

The DESAC scheme specifically targets investment in digital infrastructure, including data centres, subsea cables and ICT facilities. It offers tiered incentives such as investment tax allowances of 60–100 per cent on qualifying capital expenditure and preferential tax rates ranging from 0–15 per cent on statutory income. Importantly, the scheme also encourages environmentally sustainable infrastructure. The DESAC scheme illustrates how tiered incentives can attract both new and expanding investments. By providing substantial financial support for both new and expanding data centre projects, DESAC reduces capital barriers and promotes large-scale foreign investment, enhancing Malaysia's capacity to host global digital services and cloud operations.

The design of DESAC has been particularly effective. These generous tax incentives help defray the very large upfront cost of building data centres. Moreover, the scheme strongly favours sustainability: the MITI has published Sustainable Data Centre Guidelines that set metrics for power usage effectiveness, water usage effectiveness,

and even carbon usage, which are tied to eligibility for DESAC incentives.¹³ These well-targeted, performance-based incentives are clearly paying off. According to the MIDA and InvestKL, data centre investments approved under DESAC since 2021 amount to MYR 113.8 billion (US\$ 24.1 billion), with 90% coming from foreign investors.¹⁴ The scheme has also supported job creation: the 25 DESAC-enabled projects are estimated to generate 1,429 jobs, many of them specialized roles like data scientists, big data analysts and AI engineers.¹⁵

ii) Integration of service and infrastructure support

Malaysia Digital (MD) Status, which replaced the older MSC (Multimedia Super Corridor) Malaysia Status, focuses on supporting digital services companies. Unlike DESAC, which primarily drives initial investment size and entry, MD Status supports ongoing operations and scaling, making it effective for Mode 3 digital services trade. It provides a comprehensive package of incentives, including income tax exemptions through PS, investment tax allowances ranging from 30 to 100 per cent on qualifying capital expenditure, import duty exemptions for ICT equipment, and greater flexibility in hiring foreign knowledge workers. For data centres, this framework lowers operational costs, enables access to specialized talent, and facilitates investment by global cloud and hyperscale operators.

According to MDEC, MD-era digital investments in Q2 2025, particularly within the Data Centre and Cloud vertical,¹⁶ amounted to MYR 30.95 billion (US\$ 6.9 billion) and are expected to create 1,440 knowledge-based jobs. Notably, data centre firms alone committed MYR 13.45 billion (US\$ 2.9 billion), indicating continued investor confidence in Malaysia's digital infrastructure and regional connectivity.

iii) Centralized investment facilitation and single-window approach

The Digital Investment Office (DIO), operated under MDEC, acts as a centralized coordination and promotion hub for digital investments. By providing guidance, facilitating approvals, and promoting investment opportunities to both

domestic and foreign companies, DIO reduces administrative and regulatory barriers for data centre operators. This single-window approach – through which investors can access multiple regulatory approvals and government services through a single coordinating platform rather than engaging multiple agencies separately – simplifies the establishment of foreign commercial presence, making Malaysia a more attractive destination for global technology firms.

The DIO plays an important enabling role, although the causal evidence has not been empirically examined. Since the DIO does not provide fiscal incentives or infrastructure commitments, its influence is indirect. Nevertheless, past evidence suggests that tax incentives (i.e., DESAC) most likely work most effectively when paired with regulatory facilitation (i.e., DIO). However, they must also be paired with reliable, competitively priced power, water, land and skilled labour.

iv) Promotion of advanced technologies and operational efficiency

The ACA further complements these initiatives by incentivizing the adoption of advanced automation and digital technologies. Data centres, which rely heavily on automated systems for energy management, cooling and server optimization, benefit directly from ACA's 200 per cent allowance on qualifying capital expenditure (up to MYR 10 million (US\$ 2.22 million) per year between 2023 and 2027). This encourages operators to implement advanced technologies that improve efficiency and competitiveness, reinforcing Malaysia's attractiveness for foreign investment in high-tech services.

While these benefits are useful for cost efficiency and upgrading the technological sophistication of data-centre operations, no available public evidence suggests that ACA is a key policy instrument in supporting hyperscale projects. MIDA documents describe ACA as cross-sectoral, meaning it competes with incentives from other sectors and is not tailored specifically to the unique constraints of data centres. As such, ACA supports incremental improvements rather than driving investment entry decisions.

Digital free trade zone

Malaysia's DFTZ serves as a strategic platform for advancing services trade by integrating logistics, e-commerce and digital services into a seamless ecosystem that facilitates cross-border commercial activity. Established to position Malaysia as a regional e-commerce hub, the DFTZ enhances services trade by streamlining customs procedures, accelerating digital fulfilment, and promoting end-to-end logistics and supply-chain solutions, which are critical components of modern services exports.

The integration of fulfilment infrastructure, automated customs processes and access to international marketplaces, enhances Malaysia's ability to attract Mode 3 investments in digital and logistics services while expanding Mode 1 digital exports. The DFTZ operates through three key components, namely (i) the e-fulfilment hub, (ii) the e-services platform, and (iii) marketplace connectivity, each designed to strengthen the country's competitiveness in digital trade and services exports.

i) The e-fulfilment hub: physical logistics and services export infrastructure

The e-fulfilment hub at KLIA Aeropolis, located at Kuala Lumpur international airport, serves as the physical backbone of the DFTZ, integrating warehousing, sorting, last-mile delivery and cross-border fulfilment in one ecosystem. KLIA Aeropolis is an integrated airport city and logistics hub designed to support e-commerce, air cargo, and trade facilitation activities by clustering aviation, logistics, and digital services within a single strategic zone. Major logistics players such as Pos Malaysia, Cainiao, and other third-party logistics providers establish facilities or lease warehouse space, paying rent or operational fees as anchor service providers. SMEs do not invest in infrastructure; instead, they simply use the hub's services and pay for storage, packaging, fulfilment and shipping as needed. This model gives firms of all sizes access to high-quality logistics without capital investment. By enabling Malaysian operators to process and ship goods for international markets, the hub effectively exports logistics and fulfilment services and

strengthens Malaysia's role as a regional gateway for e-commerce.

ii) The e-services platform: digital customs and trade facilitation

The e-services platform is the digital engine of the DFTZ, integrating customs clearance, trade documentation, e-payments and cross-border tracking. By digitizing these processes, it reduces bottlenecks and speeds up clearance for e-commerce shipments. Firms participate by registering on the platform and paying service-based fees for customs processing and electronic declarations. The platform promotes services trade by enabling more efficient digital logistics, customs brokerage and compliance services, supporting Mode 1 cross-border digital delivery. For SMEs, it lowers the cost and complexity of exporting, making international market entry easier and more predictable.

iii) Marketplace connectivity: linking Malaysian firms to global digital platforms

An integral component of DFTZ is its role in linking Malaysian sellers and services providers to global e-marketplaces such as Alibaba, Lazada, JD Worldwide and other international platforms. This connectivity is supported through Malaysia's collaboration with Alibaba's Electronic World Trade Platform, which provides SMEs with preferential access to digital marketplaces, cloud services, digital marketing tools and e-payment solutions. Companies do not pay rent or invest in physical infrastructure to use this component. Instead, they pay standard marketplace fees, including listing charges, commissions, digital advertising costs and logistics fees. Marketplace connectivity allows Malaysian firms to export not only goods but also digital services such as online branding, marketing, cloud computing usage and digital content creation, thereby broadening the country's services export base.

b) DFTZ performance, challenges and effectiveness: An assessment

A comprehensive assessment of Malaysia's digital free trade zone is inherently challenging, as official and systematic performance data are limited, fragmented and infrequently updated.

Despite these data limitations, available evidence suggests that the DFTZ made material strides in SME participation, though with uneven results. Approximately 2,651 SMEs were onboarded under the DFTZ SME Onboarding Programme, generating MYR 52.1 million (US\$ 11.6 million) in total sales, of which MYR 18.1 million (US\$ 4 million) were exports. These figures demonstrate genuine engagement and early commercial outcomes for some SMEs.

However, Chin, Foo and Falahat (2025) argue that many SMEs remain sceptical about the benefits of DFTZ, citing high digital adoption costs, lack of digital skills and unfamiliarity with e-commerce cost structures. Nearly 40 per cent of surveyed SMEs in their study expressed doubts about whether DFTZ's value proposition matched their capabilities. This reveals a structural challenge: while the programme successfully increases SME enrolment, the depth of participation and the ability to scale exports remain limited for many firms.

On the logistics and customs side, the DFTZ's physical and digital infrastructure has delivered clearer performance gains. The e-fulfilment hub at KLIA Aeropolis and the associated e-services platform have significantly reduced cross-border clearance times. MITI's fact sheet¹⁷ notes possible improvements in customs processing efficiency, with cargo clearance times reduced from around six hours to roughly three hours. These enhancements demonstrate that the DFTZ has a goal of streamlining logistics operations and reducing trade friction. Nonetheless, operational bottlenecks persist.

However, some sources have reported that coordination among government agencies remains weak, as regulatory bodies continue to operate in silos.¹⁸ This limits the effectiveness of the digital customs ecosystem and slows progress toward a seamless, fully integrated trade facilitation model. Additionally, ASEAN-wide issues such as variations in customs harmonization may create frictions that the DFTZ alone cannot overcome.¹⁹

In terms of trade and investment ambitions, the DFTZ was launched with high expectations. Government statements forecast that the DFTZ would facilitate US\$ 65 billion in cross-border goods and create 60,000 jobs by 2025.²⁰ The

prime minister later projected that SME exports under the DFTZ could reach US\$ 38 billion.²¹ While these targets helped position Malaysia as a regional digital trade hub, there is no publicly available data confirming whether these goals are being met.

Moreover, the heavy involvement of Alibaba through the Electronic World Trade Platform has generated both opportunities and concerns. On the one hand, Alibaba's participation accelerated ecosystem development and provided Malaysian SMEs with access to global marketplaces, cloud services and digital marketing tools. On the other hand, concerns have been raised about Malaysia's over-reliance on a single foreign platform, floating questions about data sovereignty, bargaining power and long-term strategic autonomy.²²

A further issue relates to digital talent and institutional readiness. Research indicates that many SMEs struggle with digital marketing, data analytics and cross-border compliance which includes capabilities that are essential to compete on global e-marketplaces. SMEs often lack the skills to leverage DFTZ tools effectively, leading to inconsistent utilization even among firms that are nominally "onboarded." This talent and capability gap poses a significant barrier to fully realizing the DFTZ's intended benefits. Institutional and infrastructural challenges also persist, with some observers arguing that the ecosystem may favour larger logistics players and global platforms over smaller domestic competitors.

Overall, the evidence suggests that what has worked is the DFTZ's ability to streamline customs processes, attract major logistics and e-commerce players, and create a structured pathway for SMEs to participate in global trade. The physical and digital infrastructure, particularly the e-fulfilment hub and e-services platform have delivered measurable efficiency improvements. What has not worked as expected includes limited SME capacity to use the system effectively, weak inter-agency coordination, over-dependence on Alibaba and the lack of transparent, consistent official data to benchmark progress. These shortcomings highlight the need for Malaysia to strengthen institutional governance, diversify platform partnerships and invest deeply in SME digital capabilities to turn initial gains into sustainable, broad-based growth.

Manufacturing-related services: research and development services

Manufacturing-related services encompass a broad range of support functions and specialized activities that are crucial for the operation, enhancement and value chain progression of the manufacturing sector (MIDA, 2020). Within the NIMP framework, it is important to distinguish R&D services as a tradable subsector from general R&D activities undertaken internally by firms.

First, in the context of manufacturing-related services, "R&D services" refer to contract, outsourced, or externally provided research, product design, testing, prototyping, engineering development and scientific consultancy supplied to third-party clients, including cross-border purchasers. These services are commercially transacted, often delivered digitally or through project-based engagements and constitute an identifiable segment of Malaysia's services exports. The policy objective here is to promote the domestic supply and export of R&D services i.e., build/finance/market/contract R&D firms, testing labs, design houses and research institutes such as the Standard and Industrial Research Institute of Malaysia (SIRIM) or the Malaysian Institute of Microelectronic Systems (MIMOS), so they sell R&D services to foreign clients or affiliates. This is one services export promotion strategy.

A separate but complementary definition involves promoting the uptake of R&D within locally established firms to strengthen product sophistication, technology adoption and productivity. These measures, such as tax incentives, matching grants, and industry-academia collaborations, primarily expand in-house R&D and do not directly generate R&D services for export. The policy objective here on the other hand, is to promote firms to do more R&D domestically for their own use i.e., tax credits, grants, or cluster programmes that make local manufacturers perform in-house R&D to upgrade products/processes. This increases domestic innovation but does not necessarily create tradable R&D services.

Although the NIMP addresses both, the following analysis deliberately limits its scope to the first definition. We examine R&D services as a tradable industry, focusing on instruments that strengthen the commercial supply, internationalization, and cross-border delivery of R&D, testing, design and engineering services.

c) Manufacturing-related services (R&D industry): trade promotion and its assessment

As discussed in Section C, Malaysia deploys a set of economy-wide incentives such as Pioneer Status, ITA, R&D double deductions and MATRADE's SEF or MDG facility that also benefit firms supplying R&D services. While these instruments are not exclusive to R&D services providers, they nonetheless reduce the cost of supplying contract R&D and enhance firms' ability to compete internationally. Against this backdrop, the discussion now shifts to the complementary policies that more directly shape the depth, quality and export readiness of the R&D services ecosystem.

i) Trade fairs and exhibitions

Malaysia hosts a number of high-profile trade fairs and innovation Expos that are highly relevant to R&D services providers, especially those seeking to commercialize or export research-based solutions. Local companies may utilize the various funds such as the MDG to get partial reimbursement of exhibition or trade-fair costs. Also, MATRADE maintains the Trade Promotion Management System, a database of promotional events where companies can apply to participate in export-oriented trade fairs and other trade-promotion activities.

Three key technology and innovation events will be discussed here: Malaysia Technology Expo (MTE), National Innovation and Commercialisation Expo (NICE) and Invention, Innovation and Technology Exhibition (ITEX). MTE and ITEX are more business and industry-oriented events focused on bringing innovations to market and fostering professional partnerships, while NICE has traditionally been a more public-facing event designed to inspire creativity and scientific interest in the general population.

One of the most prominent is the MTE, which is organized annually and functions as a major “innovation marketplace.” The innovation marketplace at MTE allows researchers, inventors, startups and established firms to present new prototypes, research findings and scalable technologies to potential investors, industry partners and commercial buyers. The Expo is backed by key government agencies such as the Ministry of Science, Technology and Innovation (MOSTI). During MTE 2025, more than 526 innovations were exhibited, including from abroad, signalling strong potential for cross-border collaboration in R&D and innovation.²³

A particularly important development is the MyTechMart portal, which was launched by MOSTI in conjunction with MTE. The portal serves as a data-sharing and matchmaking platform designed to bridge inventors, researchers and investors. It also assists companies to turn research ideas into marketable services or products.²⁴ This is highly relevant for R&D service firms because it can help them find commercial partners, licensing opportunities, or clients for contract R&D.

Another key event is the NICE, organized by MOSTI.²⁵ NICE 2025, for example, includes FundConnect, a dedicated platform to showcase research and foster collaborations between academia, industry and government. The Expo also has thematic tracks tailored to deep tech, AI, biotech, healthtech and “Going Global” with the latter explicitly aiming to help Malaysian innovators break into international markets. NICE therefore helps to push R&D outputs into commercial and export-oriented pathways.

Additionally, ITEX²⁶ is another long-standing platform in Kuala Lumpur. In its 36th edition (2025), ITEX highlighted inventions, technologies and research-ready outputs with the aim of connecting innovators to investors, manufacturers and potential global partners. Because many of the entries are invention-based or research-derived, R&D services providers including labs, research institutions and tech startups, can use ITEX to validate their work, seek commercial partners, or license their technologies.

Government-backed innovation fairs such as NICE, MTE and ITEX enhance credibility, provide structured matchmaking, showcase public R&D priorities and signal political commitment, helping small R&D firms and startups connect with investors and industrial partners. However, participation costs are not always fully covered, conversion of leads into contracts can be uneven, administrative requirements may be burdensome and Expos alone do not guarantee long-term support or ecosystem development without complementary grants, tech-transfer services, or follow-on assistance.

ii) *Standards, testing and certification (quality and credibility)*

Quality assurance and accreditation are critical for tradable R&D services, especially testing, calibrating and engineering consultancy. The Malaysian government’s national organization for standards, quality and industrial research and technology development, SIRIM, and SIRIM QAS International, which is Malaysia’s leading testing, inspection and certification body, provide national testing, ISO certification and ISO/IEC 17025 laboratory accreditation; this allows Malaysian services providers to meet procurement specifications and international buyer expectations.

Accreditation and certification by SIRIM (and Standards Malaysia) therefore function as a practical export enabler by reducing buyer risk and improving market access. SIRIM’s accreditation and testing services (ISO/IEC 17025 labs, ISO certifications) materially lower the non-tariff barriers foreign buyers place on technical service providers: labs and testing houses that carry recognized national accreditation can more easily compete for contracts from overseas buyers and multinationals.

Despite the critical role of SIRIM and Standards Malaysia, smaller R&D services firms may face high costs and capacity constraints to obtain and maintain ISO or ISO/IEC 17025 accreditation. Navigating complex certification procedures can be resource-intensive and delays in accreditation may slow participation in international contracts. Additionally, while

accreditation improves credibility, it does not guarantee market acceptance, especially in highly competitive global markets. This is common in many developing economies.

iii) Intellectual property (IP) support and technology-transfer intermediaries

Public IP support (MyIPO services, IP clinics and advisory programmes), university technology transfer offices and research organizations (SIRIM, MIMOS, Malaysian Technology Development Corporation – MTDC) play a direct role in turning research into licensable IP or services offerings. These intermediaries help firms prepare patent applications, draft licensing deals, and turn prototypes into commercially viable services that can be sold overseas. MOSTI's national science, technology and innovation (STI) policy similarly emphasises IP commercialization as part of the research-to-market pipeline.

While their primary mandate is to turn research outputs into licensable IP or market-ready services offerings, this commercialization infrastructure strengthens the upstream conditions that make internationalization possible. By helping firms prepare patent applications, structure

licensing agreements and convert prototypes into exportable service solutions, these intermediaries raise the quality, credibility and protectability of Malaysian services innovations. MOSTI's national STI policy, which emphasises IP commercialization within the research-to-market pathway, reinforces this foundation. While these mechanisms do not directly promote services exports in the same way as export-oriented agencies, they reduce commercial and legal risks, improve the market readiness of local firms and expand the pool of knowledge-intensive services that can be positioned for overseas markets.

Although public IP and technology-transfer support enhanced market readiness, firms often encounter complex, time-consuming processes for patent filings, licensing and commercialization. Smaller startups may lack the expertise or resources to fully leverage these services. Furthermore, IP commercialization alone does not directly translate to export opportunities, meaning that without complementary marketing, matchmaking, or export promotion, the benefits of IP support may not be fully realized in international markets.²⁷

Conclusions and recommendations

Over the past four decades, Malaysia has steadily repositioned its services sector from a supporting role into the main engine of economic growth. The country's trade promotion strategies, institutional frameworks and targeted incentives illustrate several best practices that have guided this transformation. The MITI has pursued a balanced approach, combining sectoral diversification with depth in selected high-value niches such as ICT, professional services and the halal economy. Agencies such as MATRADE and MIDA have complemented this by providing export promotion, market intelligence, investment facilitation and targeted support for SMEs.

Notable initiatives include the MDG, the SEF and the DFTZ, all of which have lowered barriers to entry for Malaysian firms into international markets. At the same time, Malaysia has leveraged regional agreements and mutual recognition arrangements (MRAs) to expand professional mobility, while embracing digitalization as both a governance tool and a driver of competitiveness.

However, despite these achievements, several structural and policy challenges continue to constrain the full potential of Malaysia's services trade. These challenges highlight the need for renewed attention to competitiveness, inclusivity and resilience as Malaysia seeks to consolidate its role in global services networks.

Issues and challenges

Malaysia's progress in developing its services industry has been significant, yet promoting trade in services remains constrained by a range of structural and policy challenges. A key issue lies in the uneven distribution of productivity across subsectors. While digital services, financial services and professional services have shown strong gains in output and value added, large portions of the sector, particularly wholesale and retail trade, food and accommodation, and traditional logistics, continue to expand based on volume rather than efficiency.

This divergence creates a dual-track services economy: one part moving towards knowledge-intensive activities and another reliant on low productivity and limited upgrading. The dominance of low-productivity and domestically oriented segments limits the economy's capacity to generate a broad base of tradable services, while potentially diverting resources away from scaling up more knowledge-intensive, export-capable activities. If left unaddressed, this structural imbalance may temper Malaysia's transition towards higher-value service exports and, by extension, its broader high-income aspirations.

Another challenge concerns the persistent services trade deficit, especially in transport, insurance, intellectual property and specialized business services. While a deficit by itself is not a concern per se, it indicates various challenges in domestic capacity, particularly in advanced knowledge-based and technology-driven services. For example, Malaysia's reliance on imported ICT solutions, software and IP-related services suggests that domestic firms have yet to fully capture value from the digital economy. Similarly, while Malaysia has built strength in travel services and selected ICT exports, it remains dependent on foreign providers for higher-end business consultancy, R&D services and global digital platforms. This reliance reduces the competitiveness of local firms and limits the scope of positive spillovers from services trade.

The capacity of domestic firms, especially MSMEs, to penetrate foreign markets is also

constrained. SMEs often face high entry costs for internationalization, including participation in trade fairs, meeting international standards and navigating complex licensing requirements. Despite the availability of grants such as the MDG and the SEF, many firms find ceilings rather low relative to the cost of competing in global service markets. Furthermore, awareness and access to these programmes remain uneven, particularly outside major urban centres. This limits the ability of smaller firms to scale up, diversify and participate meaningfully in services exports.

Institutional and regulatory barriers further complicate the promotion of services trade. Regulatory fragmentation across different agencies leads to overlapping mandates and sometimes inconsistent standards. While the MITI, MATRADE, MIDA and MDEC each play important roles, coordination gaps can dilute policy effectiveness. For professional services, MRAs within ASEAN have helped, but implementation remains partial, with many professions still lacking recognition frameworks. The absence of streamlined recognition not only restricts cross-border labour mobility but also curtails the expansion of professional service exports.

Human capital constraints represent another pressing challenge. Services trade, particularly in ICT and manufacturing-related services, is heavily skills-intensive, requiring expertise in data analytics, AI, cybersecurity, engineering design and conformity assessment. However, domestic supply of specialized skills has not kept pace with demand. Skills mismatches and limited industry-academia linkages contribute to gaps in talent readiness. This challenge is exacerbated by global competition for high-level expertise, which can draw Malaysian talent abroad while making it difficult to attract and retain foreign specialists. Without addressing these skills bottlenecks, Malaysia risks losing competitiveness in precisely the sectors it has prioritized for growth.

The DFTZ in Malaysia has made notable strides in facilitating SME participation in e-commerce and cross-border trade, but several challenges and limitations constrain its full potential. A primary barrier is the limited digital transformation among many SMEs, who often lack the infrastructure,

skills and experience to compete effectively on global platforms. Approximately 40 per cent of SMEs remain hesitant to fully engage with the DFTZ due to insufficient understanding, operational capacity, or familiarity with international customer relations (Chin, Foo and Falahat, 2023).

Structural constraints also exist: the DFTZ favours goods-centric, export-oriented SMEs, marginalizing service-oriented firms, while reliance on centralized e-fulfilment hubs and third-party logistics can impose additional costs and operational complexities.²⁸ Other challenges relate to competitive pressures and strategic dependencies. Malaysian SMEs face intensified competition from international suppliers, potentially eroding market share and profitability (Tham, 2018), while the DFTZ's reliance on foreign e-commerce giants such as Alibaba raises concerns regarding digital sovereignty and national security.²⁹

Finally, external uncertainties also weigh on Malaysia's services trade prospects. Global disruptions such as the COVID-19 pandemic, geopolitical tensions, and supply chain fragmentation (Kam, 2024) have highlighted the vulnerability of travel- and transport-dependent services. At the same time, new digital economy agreements, shifting data governance regimes, and heightened competition from regional peers such as the Philippines, Singapore and Viet Nam add to the challenge. Malaysia's ability to adapt quickly to evolving global standards in digital trade, data protection and sustainability-linked services will determine whether it can sustain growth in an increasingly contested global services landscape.

Policy suggestions

To strengthen Malaysia's position in global services trade, policy measures may address both structural weaknesses and external competitiveness.

First, productivity upgrading across services could be prioritized through the systematic integration of digitalization, innovation and advanced technologies. While initiatives such as the DFTZ, MD Status, and the ACA have laid a

strong foundation, further expansion is needed to extend benefits beyond flagship firms to smaller services providers. Policies should encourage end-to-end digital adoption in logistics, retail, healthcare and other services, while fostering indigenous innovation in software, cloud services and AI applications. Embedding technology adoption incentives with requirements for skills training, standards compliance and accreditation will help ensure that productivity gains translate into sustainable competitiveness. A combination of grants and mentoring has been empirically shown to be effective in sectors such as digital creative content (Kam and Jasni Zain, 2025).

Second, enhancing the skills base should become a central pillar of services trade strategy. Human capital remains an important enabler of Malaysia's services export ambitions, particularly in ICT, engineering and R&D-related activities. Efforts should focus on strengthening Technical and Vocational Education and Training (TVET) and higher education pathways aligned with industry needs, supported by targeted partnerships with firms and research institutes. Complementary measures, such as expanding industry-linked TVET programmes and selectively pursuing MRAs within ASEAN to support professional mobility, can help Malaysian talent participate effectively in regional and global markets. While not a direct export instrument, these initiatives contribute to the broader ecosystem necessary to scale high-value, tradable services.

Third, support mechanisms for SMEs and mid-tier firms should be scaled up, integrated and simplified. Programmes such as MATRADE's MDG and SEF have demonstrated value, but ceilings and eligibility criteria should be recalibrated to better support high-growth digital and knowledge-intensive firms. Buyer-seller connectivity programmes, including INSP and eBizMatch, should be expanded, particularly for SMEs without established international networks, to facilitate credible, long-term relationships with foreign buyers. Beyond financial support, structured mentorship, market intelligence and digital readiness programmes are critical to overcoming barriers to entry, and these

programmes should be extended outside of major urban hubs to ensure inclusive participation in services exports. A consolidated services export portal integrating information from MATRADE, MDEC and MIDA can streamline access to grants, tenders and market opportunities.

Fourth, Malaysia should pursue greater coherence and coordination among its institutions. MITI's strategic thrusts are supported by multiple agencies such as MATRADE, MIDA, MDEC, the Malaysia Automotive Robotics & IoT Institute, and the Halal Development Corporation – each with distinct mandates. While public-private engagement occurs through consultation platforms, industry dialogues and programme-level feedback mechanisms, coordination remains uneven, particularly across subsectors. Establishing a high-level services trade council under MITI could streamline policies, strengthen structured engagement with the private sector, reduce duplication and ensure consistent monitoring of export outcomes. Such a mechanism would also enable faster responses to global shifts, including changes in digital trade regulations, environmental standards, and evolving market demand.

Assessments of programmes, effectiveness and cost-benefit analysis should be conducted for all trade promotion activities to ensure that public resources are allocated efficiently, interventions are targeted towards the most impactful sectors and outcomes are measurable in terms of actual export performance.

Fifth, Malaysia must leverage regional and global trade and investment platforms more strategically. Agreements such as the ASEAN frameworks, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, and the Regional Comprehensive Economic Partnership should be used not only for market access but also to upgrade domestic standards in digital governance, intellectual property and professional services. Malaysia could take a leadership role in shaping regional rules on digital trade and data flows, positioning itself as a trusted hub for cross-border digital services. Deepening engagement in digital economy agreements with partners such as Singapore, Australia and the Republic of Korea would further strengthen Malaysia's ability to capture emerging opportunities in data-driven trade and platform services.

Finally, policies should emphasize resilience and diversification in services exports. Heavy reliance on travel and transport exposes Malaysia to global shocks, as seen during the COVID-19 pandemic. Future growth should be anchored in ICT, professional services, R&D, conformity assessment and sustainable tourism. Linking services trade promotion to the New Industrial Masterplan 2030 missions, economic complexity, digital transformation and net zero objectives will ensure that services exports contribute to long-term structural upgrading. By aligning trade promotion with innovation, sustainability and digital capabilities, Malaysia can expand its global services footprint while strengthening its position within regional and global value chains.

Annex 1

Table 1: Selected MATRADE programmes and impact on Malaysia's services export development

1. Market Development Grant (MDG)	
Year introduced	2002
Description/ objective	- Financial assistance for SMEs to promote exports abroad, covering costs of international trade fairs, missions, market research and branding. - Applications submitted to MATRADE, with grant ceilings per company. - Eligible activities include participation in ITFs, TIMs, SMMs, and the printing of promotional materials.
Industry coverage	All sectors (manufacturing and services).
Documented outcomes	Assisted over 20,000 SMEs; sustained participation in major trade fairs; created long-term SME exposure globally. Between 2008 and 2022: 2008: US\$ 3.5 million disbursed to 897 SMEs. 2009: US\$ 5.0 million disbursed to 1,272 SMEs. 2010: 1,400 SMEs benefited; grant revised to Market Development Grant–Market Service Provider (MDG-MSP) (services focus grant). 2011: Supported ~70% of MATRADE SMEs; disbursement by sector. 2016: 1,910 SMEs/associations; US\$ 7.75 million disbursed; Selangor 42.7% highest. 2017: 1,567 beneficiaries; US\$ 6.1 million; US\$ 153.7 million sales (ROI 1:25); strong uptake in electrical and electronic (E&E), information and communications technology (ICT), merger and acquisitions (M&E), food and beverage (F&B). 2019: 1,673 SMEs; US\$ 6.1 million; 215% export sales growth. Top sectors: food, furniture, beverages. 2021: Grant ceiling raised to US\$ 111,000 <i>Program Strategik Memperkasa Rakyat dan Ekonomi</i> (PEMERKASA) –economic stimulus plan; extra incentives for export costs, certification, IP fees. 2022: US\$ 500 million sales (ROI 1:222); 2,614 SMEs, US\$ 4.3 million disbursed; Selangor 43% highest; scope expanded to virtual trade events.
Remarks/analysis	Cornerstone programme; helps firms overcome initial cost barriers. However, limited grant ceiling can be restrictive for fast-growing firms.
2. Services Export Fund (SEF)	
Year introduced	2002
Description/ objective	- Designed specifically to support Malaysian services firms in bidding for overseas projects, feasibility studies, tender preparation and post-project negotiations. - Support includes cost-sharing and outreach sessions.
Industry coverage	Services: construction, engineering, ICT, healthcare, education, oil and gas support services.

Table 1: Selected MATRADE programmes and impact on Malaysia's services export development (cont)

Documented outcomes	- Facilitated US\$ 1.7 billion in services exports (2015–2021); helped Malaysian firms secure contracts in Middle East, ASEAN, Africa. - Benefited 189 MSPs and generated MYR 7.6 billion (US\$ 1.7 billion) in exports (as of 2021).³⁰ Between 2008 and 2022: 603 service providers approved for grants; projects in China, India, Kingdom of Saudi Arabia. 409 service providers assisted. 19 outreach programmes conducted. 81 companies assisted; US\$ 21.5 million sales by SMEs, US\$ 422 million project value by large corporations; 2,715 participants from 14 outreach programmes and 9 info booths. 81 companies benefited; US\$ 724 million in export sales (with MDG support). - US\$ 45.3 million exports generated; new markets: Guinea, Kazakhstan, Kyrgyzstan, Maldives, Poland, Somalia and Tanzania; 58 organizations assisted with US\$ 493,000 of grants via 79 outreach sessions; projects in Indonesia (water treatment) and Thailand (waste-to-energy). 382 outreach sessions conducted to promote SEF.
Remarks/analysis	Highly targeted; plays a critical role in helping Malaysian service providers compete against established international players.
3. International Sourcing Programme (INSP)	
Year introduced	2003
Description/objective	- Business matching platform held alongside international trade events where MATRADE brings in pre-qualified foreign buyers to meet Malaysian companies. - Implemented in hybrid/virtual formats through MATRADE's global offices, with pre-arranged meetings, networking and visits to MEEC.
Industry coverage	Multi-industry, but strong uptake in food, E&E and services (ICT, healthcare, logistics).
Documented outcomes	- Generated US\$ 560 million sourcing value in 2024 alone (MATRADE Public Relations, 2024). - INSP MIHAS 2024 recorded US\$ 77.1 million in sales; 150+ meetings in INSP franchise 2024.³¹ Between 2017 and 2022: - Generated US\$ 189.2 million in export sales. - For E&E 2021, 22 business matching sessions were arranged. For ASEAN and Oceania, 54 virtual business matching sessions were arranged between 9 Malaysian companies and 53 importers from Uganda, focusing on machine and equipment, professional services, and oil and gas sectors. East Africa INSP arranged 11 business matching sessions. - For Malaysian International Furniture Festival 2022, 20 business matching sessions were organized involving 15 Malaysian companies and 4 importers, generating sales. For the International Greentech & Eco Products Exhibition and Conference Malaysia, 26 matches were made for 11 companies with 14 buyers. Virtual INSP for Europe generated US\$ 11.6 million in sales through 12 matches.
Remarks/analysis	Effective for SMEs that may not have overseas networks; provides direct access to serious buyers.
4. Malaysia Services Exhibition (MSE)	
Year introduced	2007
Description/objective	- Large-scale services exhibition to promote Malaysian services brands abroad (notably in the Middle East, South Asia). Involves booths, presentations and networking with foreign partners. - Involves the participation of Malaysian service providers, government organizations and agencies.

Table 1: Selected MATRADE programmes and impact on Malaysia's services export development (cont)

Industry coverage	Services: construction, ICT, healthcare, education.
Documented outcomes	- Expanded awareness of Malaysian service capabilities in Gulf Cooperation Council (GCC) and South Asia; contributed to services export diversification. Between 2008 and 2014: 168 companies and agencies joined; 3,656 visitors; insights into West Asia market needs. 3,521 visitors; 51 potential projects worth US\$ 1.88 billion. - Potential projects valued at US\$ 2.8 billion; 8 service sectors showcased. - Benefited 1,154 Malaysian companies; wide exposure and project opportunities. - US\$ 735 million sales generated across 9 programmes.
Remarks/analysis	An effective branding platform, though it requires significant investment to organize; impact often more qualitative (visibility, credibility).
5. Specialized Marketing Missions (SMMs)/Export Acceleration Missions (EAMs)	
Year introduced	~2010
Description/objective	- Targeted missions for SMEs to explore niche opportunities in specific markets (e.g., halal, ICT, engineering services). - Includes meetings with foreign buyers, project pitching and site visits to connect Malaysian companies with sector-specific demand.
Industry coverage	Sector-specific services and products. Notable successes in ICT, games-related products and services, aerospace, oil and gas, halal products and professional services.
Documented outcomes	- Enabled Malaysian firms to establish presence in new/emerging markets (ASEAN, GCC, Africa). Between 2009 and 2021: - US\$ 36.4 million in sales generated. - US\$ 35.3 million in negotiated sales. - Secured >US\$ 667 million in projects. - Contributed to sector export growth (multiple years reported). - Mission outcomes: US\$ 13.1 million (Cambodia), US\$ 12.9 million (China), US\$ 35 million (Palembang and Jakarta), US\$ 5.9 million (Dubai), US\$ 244,000 (London). - Sales range: US\$ 12.3 million–US\$ 120 million across missions/programmes. - Reported sales: US\$ 27.6 million (Hanover), US\$ 30 million (Chiba), US\$ 32.6 million (UAE). - High ICT services demand noted in East Asia. - Promoted Malaysian aerospace capabilities globally. 59 business matching sessions (Hungary, Ukraine); demand in palm oil, food and beverages, medical devices. 70+ business matching and pitching sessions; highlighted Malaysian expertise and quality products.
Remarks/analysis	Acts as a "fast-track" market entry tool; complements MDG and SEF.
6. Malaysia Export Exhibition Centre (MEEC)	
Year introduced	2016
Description/objective	Permanent showroom at MATRADE HQ featuring Malaysian products and services for foreign buyers visiting Malaysia.
Industry coverage	Cross-sectors.
Documented outcomes	- Recorded approximately 30,000 local and foreign visitors since launch; became a key platform for continuous business-to-business exposure. 500+ exhibitors; ~6,000 visitors annually (pre-pandemic).³²
Remarks/analysis	Useful for inbound missions; however, limited mainly to buyers visiting Malaysia.

Table 1: Selected MATRADE programmes and impact on Malaysia's services export development (cont)

7. Mid-Tier Companies Development Programme (MTCDP)	
Year introduced	2015
Description/objective	- Coaching, advisory and market linkages to help mid-tier firms scale globally. Jointly implemented with private consultants. - Implemented in waves and comprises two main components: development of new mid-tier companies (MTCs) and "Ramp-Up" programmes for existing MTCs.
Industry coverage	Mid-tier firms across manufacturing and services (engineering, ICT, logistics).
Documented outcomes	- Generated US\$ 3.95 billion export revenue in 2021 (MATRADE AR 2022). 275 companies developed in 2021 (+22.5% y/y).³³ Between 2009 and 2021: 21 companies participated in Wave 4; 173 companies assisted since Wave 1. - Wave 2 assisted 57 MTCs; generated US\$ 14.8 million in export value. 21 companies in Wave 4 reported US\$ 20.8 million in sales. - Graduation ceremony held for 63 companies.
Remarks/analysis	A "game-changer" programme. Goes beyond funding into mentorship and growth strategy.
8. eTRADE Programme (1.0 and 2.0)	
Year introduced	2015 (2.0 in 2021)
Description/objective	- Supports SMEs in adopting cross-border e-commerce platforms; includes digital marketing, training and onboarding support. - Also includes collaborations with major platforms i.e., Alibaba, Amazon, etc.
Industry coverage	Multi-industry, including services like education, creative content and professional services.
Documented outcomes	- By 2017, 1,354 companies were approved, with 106 outreach programmes involving 6,112 companies and generating US\$ 14.7 million in sales. By 2019, 2,585 companies were approved. 109 outreach activities were organized, including customer meeting sessions, information counters at ITFs, briefings at seminars and workshop sessions. - In 2022, 585 SMEs received assistance through eTRADE 2.0, with 438 SMEs benefiting from the Onboarding Scheme and 147 SMEs from the Digital Marketing and Training Scheme.
Remarks/analysis	Accelerates SME digitalization; important during COVID-19 to maintain export flows.
9. eBizMatch (virtual business matching)	
Year introduced	2020
Description/objective	Introduced during COVID-19 to provide continuity via online meetings between exporters and global buyers.
Industry coverage	Cross-sector (goods + services).
Documented outcomes	- Facilitated 7,000+ virtual meetings (2020–21), sustaining trade when physical events halted. - Jan–Jul 2020: 576 matchings; US\$ 102.4 million potential sales.³⁴
Remarks/analysis	Proven resilience-building measure; remains useful for cost-effective matching in smaller markets.

Source: All data compiled and synthesized by the author based on available information from *MATRADE Annual Reports* (2008 to 2022), supplemented by complementary sources. Specialized or state-specific programmes (e.g., Bumiputera, Women and Youth Exporters Development Programme (BWYEDP), X-SEED's GlobPreneur) are outside the scope, as this analysis focuses on nationwide initiatives. Their importance is, however, duly acknowledged. All figures converted using 1 US\$ = 4.5 MYR.

Table 2: Selected key MIDA programmes in promoting services and trade

Incentive/ programme (name)	Services sectors covered	Description and benefits	Link to services trade
Fiscal incentives			
Pioneer Status (PS)	GBS, logistics, aerospace, ICT, halal services.	Provides 70–100% income tax exemption on statutory income for up to five years (extendable). Encourages new investment in promoted services activities.	Enables firms to establish regional outsourcing hubs and expand logistics/ aerospace services exports.
Investment Tax Allowance (ITA)	ICT services, regional establishments, logistics, R&D centres.	Offers 60–100% allowance on qualifying capital expenditure for 5–10 years, offset against 70% of statutory income.	Facilitates investment in high-value services facilities (data centres, R&D labs, logistics hubs) with cross-border spillovers.
Principal Hub Incentive (incl. Principal Hub 2.0 and 3.0)	Regional headquarters, treasury management, R&D, procurement, shared services.	- Ensures that locally incorporated company uses Malaysia as a base for conducting its regional and global businesses and operations. Provides a reduced corporate tax rate (0–10%) for up to 10 years for multinational corporations (MNCs) centralizing regional/global operations in Malaysia. - Conditions: 30:70 sales threshold (PH 1.0); serve a minimum number of network companies (PH 2.0); talent development.	Positions Malaysia as a regional management, finance and innovation hub, directly exporting services functions.
Green Investment Tax Allowance (GITA) and Green Income Tax Exemption (GITE)	Energy-related, green sector, waste management, green logistics.	GITA: 100% allowance on qualifying green investments, offset against 70% of income. GITE: 70–100% income tax exemption for five years for providers of green services.	Boosts Malaysia's role in cross-border green technology consulting, auditing and logistics solutions.
Global Trading Centre/Global Services Hub Incentives	Services sector.	- Corporate tax: 5–10% for up to 10 years on services/trading income. - Individual tax: 15% for eligible non-citizen C-suite roles (≥US\$ 7,700/month)	Attracting multinational companies to base regional operations in Malaysia, boosting cross-border services and investments.
Automation Capital Allowance (ACA) ~ 2020 (for services)	Logistics, ICT, professional services. MIDA as approving body.	Provides up to 200% capital allowance on the first US\$ 2.2 million of qualifying automation expenditure for eligible manufacturing and services companies.	Supports services providers in adopting digitalization/ automation, boosting efficiency in export services.
Domestic Investment Strategic Fund (DISF)	Services SMEs in ICT, logistics, aerospace, halal	Matching grants (often 1:1) to support R&D, licensing, training and international standards compliance.	Enables services SMEs to integrate into global value chains and scale exports.
High Impact Fund (HIF)	R&D, high-tech service activities (i.e. E&E, M&E, aerospace, etc).	Co-funds catalytic projects with ecosystem spillovers, often in tens of millions of MYR depending on project size. Designed to foster economic and employment growth by attracting quality private investments.	Strengthens Malaysia's position in technology-intensive tradable services.

Table 2: Selected key MIDA programmes in promoting services and trade (cont.)

Incentive/ programme (name)	Services sectors covered	Description and benefits	Link to services trade
Non-fiscal incentives and grants			
- One-Stop Centre (OSC) for business travellers - Strategic Investor Pass (SIP)	ICT, finance, R&D, professional services.	- Streamlined approvals for expatriate posts; some incentives (e.g., Principal Hub) allow multiple expatriates without strict localization ratios. - Allows eligible investors to stay in Malaysia for a minimum of five years.	Attracts foreign expertise and facilitates knowledge transfer, enabling tradable services upgrading.
Investment portals: - InvestMalaysia portal - MYSite selection portal - Invest Malaysia Facilitation Centre (IMFC)	All sectors. (MYSite selection portal is in collaboration with the Federation of Malaysian Manufacturing).	- A single gateway portal launched in March 2021 by the Malaysian Investment Development Authority to streamline and digitalize various investment application processes. - Digital platform designed to enhance and streamline the investment process in Malaysia, particularly for local players and potential investors in industrial parks. - Serves as a one-stop centre for investment-related matters.	Collectively, they boost foreign participation, enhance ease of doing business and expand Malaysia's services exports.
Skills and Technical Enhancement Programme (STEP) and Special Taskforce-Talent Facilitation (STF-TF)	All sectors. (Collaboration with Federation of Malaysian Skills Development Centres).	- Provides practical training to students, addressing the gap between industry needs and graduate skills. - Targets unemployed graduates. - Fosters stronger industry-academia collaboration.	Builds a skilled workforce to sustain competitiveness and talent for high-value manufacturing and services.

Source: Extracted from MIDA Investment Performance Reports (multiple years).

Table 3: Trade promotion initiatives for data centres

Programme/initiative	Description	Key incentives/benefits	Impact
Digital Ecosystem Acceleration (DESAC) Scheme	Incentive programme targeting digital infrastructure projects such as data centres, subsea cables and ICT facilities.	Tier 1: Investment Tax Allowance (ITA) 100% on qualifying capital expenditure for 5–10 years or Special Tax Rate 0–10% on statutory income. Tier 2: ITA 60% on qualifying capital expenditure or Special Tax Rate 15%. Supports green and sustainable infrastructure.	Attracts large-scale infrastructure investment; encourages new and expanded data centre projects that enable Mode 3 trade in digital services.
Malaysia Digital (MD) status	Replaces Multimedia Super Corridor Status; designed to foster digital services companies.	Income tax exemptions (Pioneer Status). Investment Tax Allowance (30–100% on qualifying CapEx). Import duty exemptions on ICT equipment. Flexible employment of foreign knowledge workers.	Encourages both local and foreign digital services providers, including cloud and data centre operators, to establish commercial presence in Malaysia, supporting Mode 3 services trade.

Table 3: Trade promotion initiatives for data centres (cont.)

Programme/initiative	Description	Key incentives/benefits	Impact
Digital Investment Office (DIO)	Central government office under MDEC to coordinate and promote digital investment.	Provides guidance, facilitation and investment promotion for foreign and domestic digital companies.	Helps attract foreign data centre operators by offering a single point of contact for approvals, investment facilitation and policy guidance; reduces administrative barriers for Mode 3 commercial presence.
Automation Capital Allowance (ACA)	Incentive to promote adoption of advanced automation and digital technologies.	200% allowance on qualifying capital expenditure up to MYR 10 million (US\$ 2.2 million) per year (2023–2027).	Supports data centres by offering a tax incentive for investing in automation and Industry 4.0 technologies, which are essential for data centre operations.

Source: Compiled by the author from MIDA and MATRADE annual reports and websites.

Endnotes

- 1 While this discussion focuses primarily on MATRADE and MIDA as Malaysia's key trade and investment promotion agencies, it is important to acknowledge the complementary roles of other government bodies that contribute indirectly to export promotion. For instance, the Malaysia Digital Economy Corporation (MDEC) supports digital ecosystem development and skills training that facilitate ICT services trade. Although such agencies may not be directly involved in export promotion, their initiatives create enabling conditions and opportunities for international trade, thereby reinforcing Malaysia's broader trade and investment objectives.
- 2 All data compiled and synthesized by the author based on available information from MATRADE Annual Reports (2008–2022), supplemented by complementary sources. Specialized or state-specific programmes, e.g., Bumiputera, Women and Youth Exporters Development Programme (BWYEDP) and X-SEED's GlobPreneur are outside the scope, as this analysis focuses on nationwide initiatives. Their importance is, however, duly acknowledged. All figures converted using 1 US\$ = 4.5 MYR.
- 3 <https://www.businesstoday.com.my/2025/10/06/malysias-smes-seal-rm62-76-million-in-export-sales-at-insp-2025>.
- 4 Malaysia's National Investment Aspirations (NIA) serves as the national policy framework guiding Malaysia's investment strategy towards attracting quality, high-value investments, supporting industrial upgrading, technology transfer, talent development, supply chain resilience, and sustainable and inclusive growth, while improving coordination among key investment-related agencies.
- 5 <https://www.businesstoday.com.my/2022/12/29/mida-enabling-business-investment-to-see-malaysian-companies-flourish-into-2023-and-beyond/>.
- 6 <https://www.mida.gov.my/mida-news/ict-e-commerce-generated-rm427-7b-in-2023-contributing-23-5-to-malysias-gdp/> (accessed 29 August 2025).
- 7 The Edge, "The rise and rise of the Malaysian data centre hub," <https://theedgemalaysia.com/node/736787> (accessed 30 August 2025).
- 8 <https://aws.amazon.com/blogs/aws/now-open-aws-asia-pacific-malaysia-region/> (accessed 30 August 2025).
- 9 <https://www.reuters.com/technology/bytedance-plans-21-bln-investment-malaysia-ai-minister-says-2024-06-07/> (accessed 30 August 2025).
- 10 <https://digitalpower.huawei.com/en/news/data-center-facility/361> (accessed 30 August 2025).
- 11 <https://news.microsoft.com/apac/2024/05/02/microsoft-announces-us2-2-billion-investment-to-fuel-malysias-cloud-and-ai-transformation/> (accessed 30 August 2025).
- 12 <https://www.googlecloudpresscorner.com/2024-05-30-Advancing-Malaysia-Together-Google-Announces-US-2-Billion-Investment-in-Malaysia,-Including-First-Google-Data-Center-and-Google-Cloud-Region> (accessed 30 August 2025).
- 13 <https://www.rajahtannasia.com/wp-content/uploads/2024/12/MITI-Publishes-Guidelines-for-Sustainable-Development-of-Data-Centre-English.pdf> (accessed 15 November 2025).

- 14 <https://www.investkl.gov.my/insights/content-library/relevant-news/malaysia-attracts-usd-241-billion-in-data-centre-investments-since-2021> (accessed 15 November 2025).
- 15 <https://www.businesstoday.com.my/2025/11/05/malaysia-records-143-data-centre-projects-since-2021-valued-at-rm144-billion/> (accessed 15 November 2025).
- 16 "Data centre and cloud vertical" denotes a category of digital investments covering (i) data centres which are physical facilities housing servers and related infrastructure for data storage and processing, and (ii) cloud computing services, which deliver computing resources, software and analytics over the internet without the need for on-premises hardware, forming a core backbone of digital and AI-driven economic activity.
- 17 https://www.miti.gov.my/miti/resources/Media%20Release/Fact_Sheet_DFTZ_at_Malaysia_Digital_Economy_2018_SME_Fact_Sheet.pdf.
- 18 <https://www.digitalnewsasia.com/digital-economy/digital-free-trade-zone-must-stay-true-its-raison-d%C3%AAtre>.
- 19 <https://asean.org/wp-content/uploads/2022/04/E-commerce-Connectivity-in-ASEAN.pdf>.
- 20 https://www.miti.gov.my/miti/resources/Media%20Release/Fact_Sheet_DFTZ_at_Malaysia_Digital_Economy_2018_SME_Fact_Sheet.pdf.
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- 34 <https://tmef.com.my/sme-news-details.php?id=5487&page=855> (accessed 22 August 2025).

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