

In Spotlight Case Studies:
Malaysia

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International Management

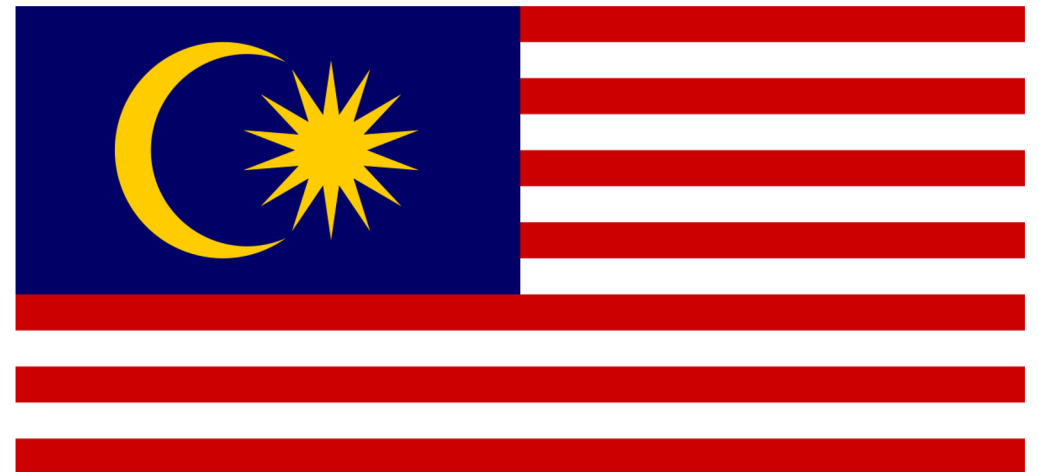
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Demographics

- Malaysia is located on South-East Asia
- It is located with the south China sea to the right and the Strait of Malacca to the West.
- It shares land and maritime borders with Brunei, Indonesia, Thailand, Philippines and Vietnam.
- Rich in natural resources: Tin, petroleum, timber, copper, iron ore, natural gas and bauxite.
- Upper-middle income country with a GDP of 337 billion in 2020.
- Service accounts for over half the GDP and manufacturing accounts for an additional 38 percent.
- China, Hong Kong, Japan, Taiwan, and Thailand are major import-exports trade partners.
- Exports: Integrated circuits, refined petroleum, natural gas, semiconductors, and palm oil.
- 40% of Jobs are linked to exports.
- Bilateral and multilateral Free trade agreements. Regional Comprehensive Economic Partnership. (RCEP) March 2022.



C.S. #1 What risks do multinational companies doing business in Malaysia such as Goldman Sachs face?

- **Regulatory and legal risk:** Malaysia has a very strict set of laws and regulations.
- **Political:** Political stability can impact companies. The Malaysian government is a federal parliament constitutional monarchy. Companies should monitor political developments and evaluate their impact on their operations.
- **Compliance Risk:** Local and international regulations.
- **Cultural and Social Risk:** Respecting local culture and social norms are key for any foreign business to succeed.
- **Corruption risks:** Companies need to monitor political developments and assess their impact on their operations.



POPULATION



The total population of Malaysia in 2023 was estimated at 33.4 million as compared to 32.7 million in 2022 with an annual population growth rate of 2.1 per cent. The increase in population growth rate was due to the higher number of Non-citizens which increased from 2.5 million (2022) to 3.0 million (2023). The Citizens population increased from 30.2 million in 2022 to 30.4 million in 2023 with a marginal growth of 0.7 per cent (2022: 0.6%).

Malaysia has 13 states, and 3 Federal Territories.

The most populated states are:

- Selangor 7.2M
- Johor 4.1M
- Sabah 3.6M
- Perak 2.5M
- Sarawak 2.5M

C.S. #2 What was the 1MBD Scandal?

The 1MBD A.K.A. 1Malaysia Development Berhad (limited) scandal was one of the largest financial scandals in the world.

The 1MBD Scandal involved the **embezzlement** and **misappropriation** of funds that were meant for the economic development of Malaysia via development projects, foreign investments and lucrative partnerships.

Billions of dollars were instead used for

- Personal use (lavish shopping sprees, luxury expenses)
- Luxury real estate purchases
- Financing Election Campaigns
- Bribes
- Payments towards personal debts and faulty business deals
- And more

The scandal occurred between 2009 and 2012 but was uncovered in 2015 by leaked documents detailing the misuse of the funds.

Several individuals were linked to the scandal including Malaysia's own Prime Minister (who was chairman of the fund), Goldman Sachs (the investment Bank), Jho Low (a Malaysian Financier and businessman), several Government officials plus more..

A portrait of former Prime Minister Najib Razak, wearing glasses and a suit, is shown in a circular frame on the right side of the slide. The background of the slide features a large '1MBD' logo and the text 'ent Berhad' and 'malaysia news and views.th'.

Former Prime Minister
Najib Razak

C.S. #3 How can a company like Goldman Sachs monitor its global operations for compliance with the Foreign Corrupt Practices Act?

A company like Goldman Sachs can monitor its global operations for compliance with the Foreign Corrupt Practices Act (FCPA) by implementing a comprehensive and robust compliance program.

Establish a Strong Compliance Culture:

- Make sure that senior leadership, including the board of directors and top executives, actively supports and promotes compliance.

Implement Clear Policies and Procedures:

- Develop and communicate clear policies and procedures that outline the company's commitment to anti-corruption and compliance with the FCPA.

Training and Education:

- Provide employees regular training and educational programs, especially those in high-risk positions or locations.



Risk Assessment:

- Focus resources and attention on high-risk areas.

Third-Party Due Diligence:

- Implement a robust due diligence process for third parties, including agents, consultants, distributors, and joint venture partners.

Monitoring and Auditing:

- Establish a system for ongoing monitoring of transactions and activities to detect any unusual or suspicious behavior.

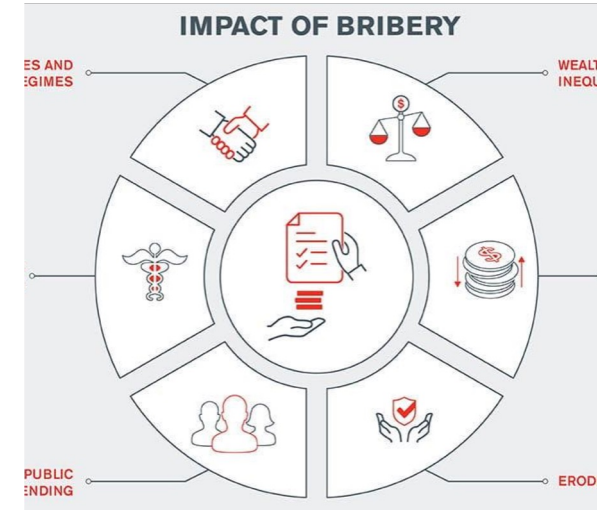
Reporting Mechanisms:

Investigations and Remediation:

- Promptly investigate any reports or suspicions of FCPA violations.
- Take appropriate corrective actions and remediate any issues discovered during investigations.

Document and Record-keeping:

- Ensure that records are retained in accordance with regulatory requirements.



Country Resources

Natural:

- Oil
- Rubber

Agricultural:

- Tropical Fruits

Human Resources:

- Tourism

Technology & Innovation:

- Research and Development



C.S. #4 What lessons can other companies learn from Goldman's experience in Malaysia?

- **Employee background:** it's important for companies to acknowledge which kind of tasks that employee can be trusted with and see any possible past incidents they were involved with.
- **Supervising the transactions:** help maintain order and good practice to prevent any misconducts from happening
- **Regulations:** enforcing employees the policy standards to perform ethical decisions in your business
- **Investigate:** catalog any missing information/product of the company's inventory/assets
- **Communication:** knowing every situation to prevent any future issues and having a third party to help resolve any conflicts



Thank You

