

MIDA - Spearheading Nation's Investment Agenda

Turning a Setback Into a Comeback

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Director, Malaysia Investment Development Authority (MIDA) Paris

Wednesday 17 June 2020 | 11:00 a.m



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MIDA & ITS ROLE

Truly International

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Mitigating the COVID-19 Pandemic

COVID-19

Status in Malaysia:

As at 16 June 2020

Total Cases

8,505

90.9%

Discharge:

7,733

To reduce the economic impact of COVID-19 and to preserve the long term attractiveness of the country's economy, the Government has put in place a Stimulus Package valued at USD58 billion (RM260 billion) including USD25 billion (RM110 billion) to support businesses.

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Targeted Growth Areas

On Going Focus

3 + 2 Industries

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Electrical & Electronics



The Electrical & Electronics industry is the leading industry in Malaysia's manufacturing sector, contributing significantly to the country's exports and employment

Machinery & Equipment



The Machinery & Equipment industry is one of the key areas for growth and development, focusing on high value-added and high technology M&E



Chemical

The Chemical industry is one of the catalytic industries in the country with rapid growth due to the availability of oil and gas as a feedstock

Medical Devices



The Medical device industry spans an extremely wide range of industries from rubber and latex, plastics, machinery and engineering support and electronics

Aerospace



The Aerospace industry has been designated as a strategic sector with high growth potential in the country's industrialisation and technological development programs

Other Sectors



- Automotive
- Transport
- Textiles
- Pharmaceutical
- Metal
- Food processing
- Services

Subsectors:

- Electronic components
- Consumer electronics
- Industrial electronics
- Electrical products

Subsectors:

- Specialised M&E for specific industries
- General industrial M&E, parts and components
- Power generating M&E
- Machine tools

Subsectors:

- Petroleum products & petrochemicals
- Plastic products
- Rubber products
- Chemical & chemical products
- Oleochemicals

Subsectors:

- Consumables
- Surgical instruments, clinical device & implants
- Healthcare equipment

Subsectors:

- Engineering & design
- Aero-manufacturing
- System integration
- Maintenance, Repair and Operations (MRO)

Key Economic Growth Areas



KEGA 1:
Islamic Finance Hub 2.0



KEGA 2:
Digital Economy



KEGA 3:
Industrial Revolution 4.0



KEGA 4:
Content Industry



KEGA 5:
ASEAN Hub



KEGA 6:
Halal & Food Hub



KEGA 7:
Commodity Malaysia 2.0



KEGA 8:
Logistic, Transportation & Sustainable Mobility



KEGA 9:
Coastal & Maritime Economy



KEGA 10:
Centres of Excellence



KEGA 11:
Renewable Energy



KEGA 12:
Green Economy



KEGA 13:
Smart & High Value Agriculture



KEGA 14:
Advanced & Modern Services



KEGA 15:
Malaysia Truly Asia

Fortune 500 & Global Unicorn Companies

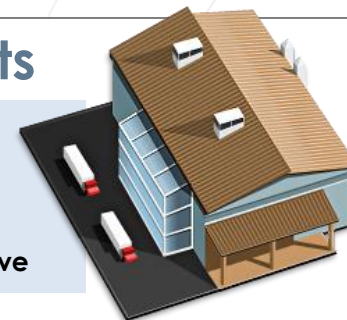
High Technology SMEs

Exp. from Japan and Germany
(Hidden Champions)

Targeting Quality Investments

- High Value Added
- Strong Linkages
- Skills-Intensive
- High Income Jobs
- Export Oriented

- High Technology
- Capital-Intensive
- R&D & Design
- GNI Impact
- Knowledge-Intensive



Major Industries

Malaysia Ranked
8th

Exports of High Technology
Products 2018

Manufacturing

contribute **84.7%**
of total exports products
Jan – April 2020

Malaysia Strategic Location

In between India and China and
as hub in ASEAN.



E&E industry

The highest approved investments worth of USD6.3 billion (RM25.7 billion) or 31% of total approved investment in 2019



Machinery & Equipment industry

Malaysia's M&E industry is among the largest and strongest in ASEAN dominated by SMEs to support the supply chain in Malaysia



Medical Devices

More than 30 medical devices MNCs producing higher value added medical devices in Malaysia



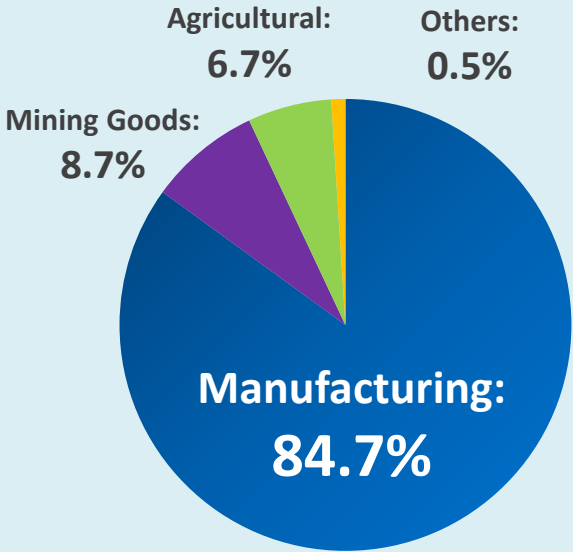
Aerospace industry

Strong MRO support and more than 230 local and global companies call Malaysia as their home.

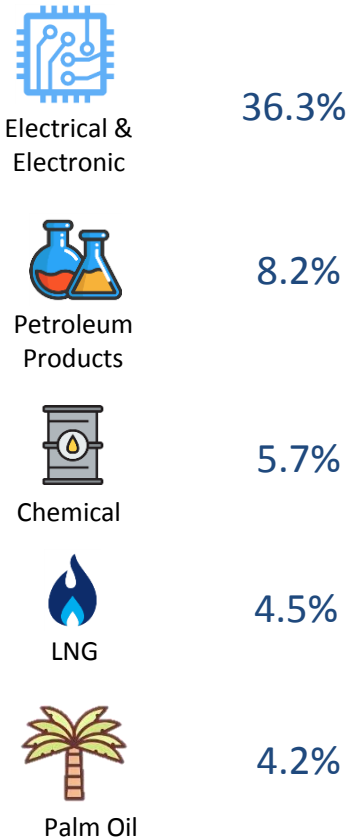
Malaysia's Manufacturing Sectors Contribute more than 80% to export

Jan – April 2020

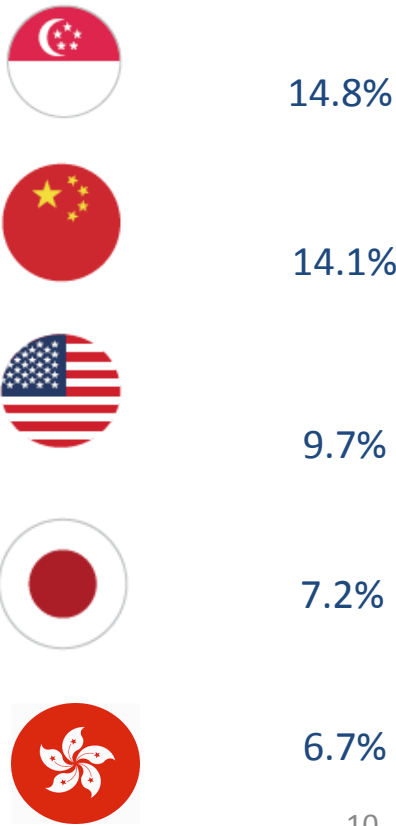
Total Exports:
RM303.6 billion



Major Exports Products:



Major Exports Countries:

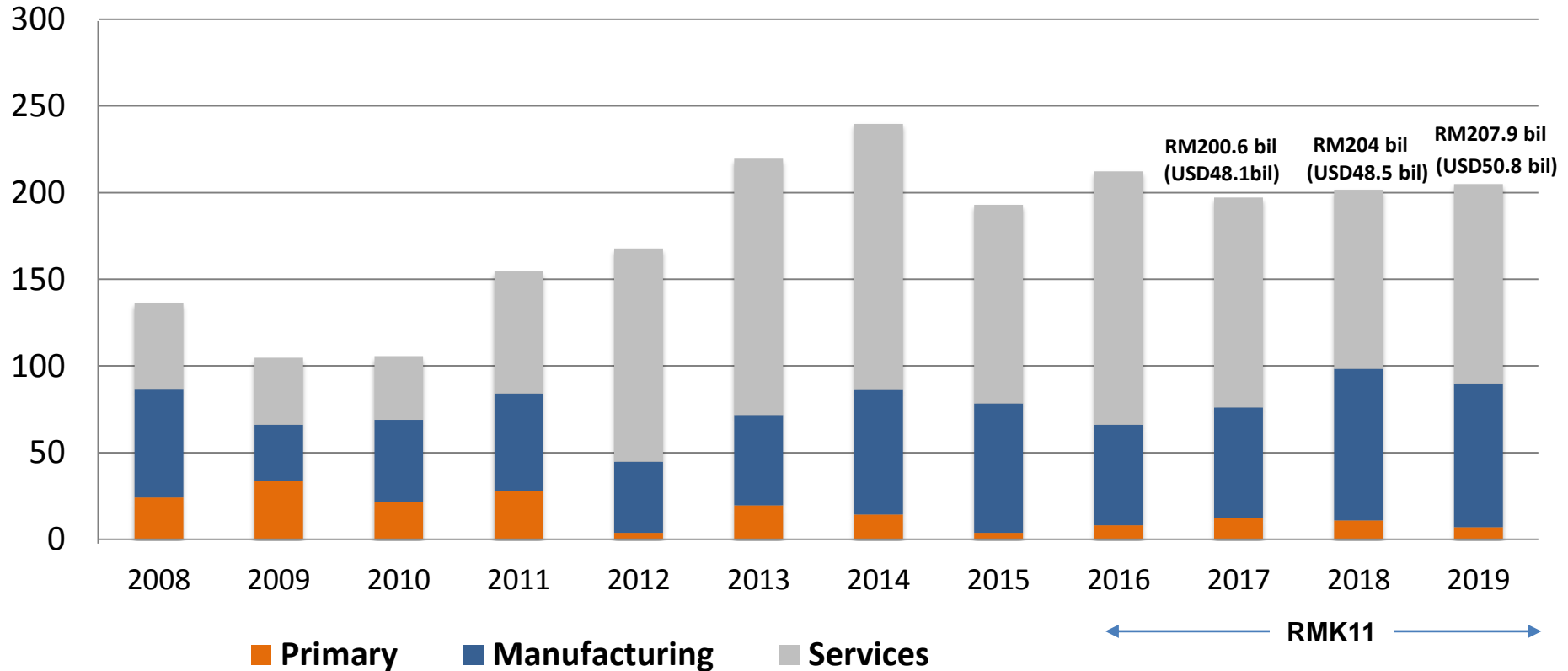


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Our Investment Performance

Trend of Approved Investments in the Economy (2008 – 2019)

RM billion



Prominent Foreign Companies in Malaysia

European Companies



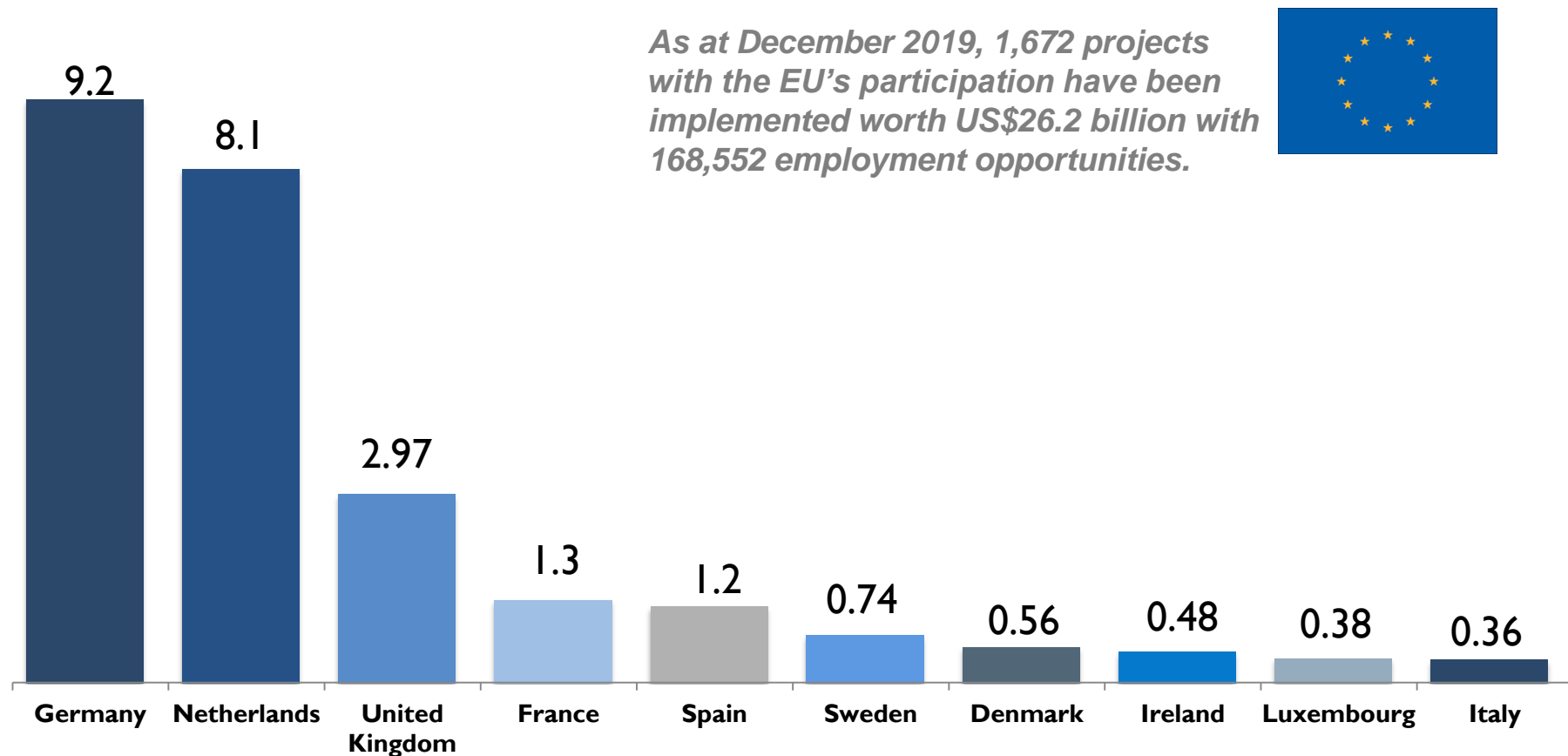
Regional/Global Operations



Investments Implemented by EU Countries (Manufacturing)

as at 2019

USD' Bil.



Prominent Spanish Companies in Malaysia



Approved Regional Establishment with Spanish Participation as at 2019

Regional Establishment	No	Total Employment	Estimated Investment (RM Mil)	Estimated Investment (USD Mil)
RDC	1	17	3.4	0.83
OHQ	1	51	44.7	10.93
RE/RO	39	90	36.64	9.69



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Moving Forward – Malaysia Value Proposition

Strong Economic Fundamentals

	2013	2014	2015	2016	2017	2018	2019
Real GDP Growth (%)	4.7	6.0	5.0	4.2	5.8	4.7	4.3
Inflation (%)	2.1	3.2	2.1	2.1	3.8	1.0	1.2
GDP (USD bil.)	313.2	326.9	272.1	246.9	296.2	297.1	311.1
Per Capita Income (USD)	10,265	10,426	9,291	9,096	9,813	10,564	10,809
Unemployment (%)	3.2	2.9	3.3	3.4	3.4	3.4	3.4
International Reserves (USD bil.)	134.9	115.9	95.3	94.5	102	101.4	104.3



WORLD BANK GROUP

Malaysia a diversified economic structure and a sound track record of macroeconomic management. While the challenges ahead are unprecedented, Malaysia is well placed to weather the storm.



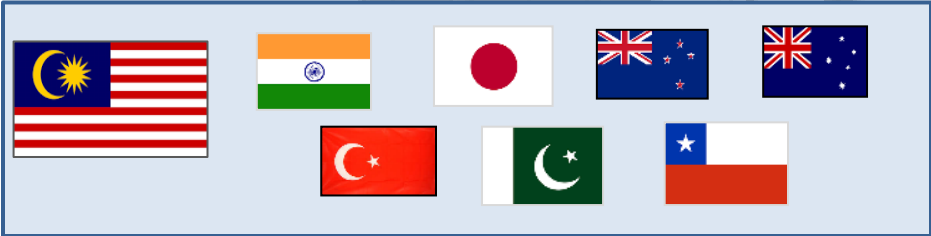
Malaysia's real gross domestic product (GDP) to grow at a rate of 9% next year 2021 among ASEAN-5

Malaysia	9%
Indonesia	8.2%
Thailand	6.1%
Philippines	7.6%
Vietnam	7%

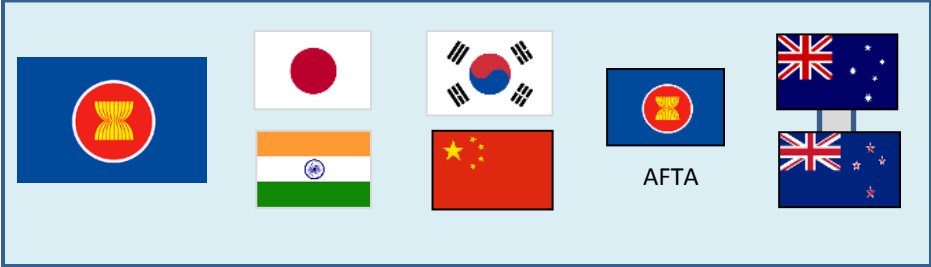
Market Access offered by Malaysia

Total: 13 FTA Agreements:

7: Bilateral FTAs



6: Regional FTAs



MARKET
3.9 Billion Population

More than 90% of products are at 0% Import Duty under these FTA's Agreement

Malaysia is an Ideal Global Supply Chain Hub

Since the 1990s, Malaysia has adopted a more selective and targeted approach in attracting investments.

Malaysia has its advantage with its strong E&E base, established local engineering supporting cluster and talented workforce.

- ❑ Targeting high value added companies (E&E, Automotive, machinery and equipment, chemicals, and medical)
- ❑ Promoting Non equity mode of Investment (NEM) – contract manufacturing, outsourcing
- ❑ Joint Venture Partnership

Strong and reliable local suppliers and MNCs' supply chain network



New alternative
base for Asia



Malaysia as Global / Regional Operation Hub



Malaysia as Hub or Regional Establishment

Undertaking more strategic functions such as supply chain management, business planning, R&D and engineering in Malaysia

Procurement Hubs



B | BRAUN

OSRAM

Regional Distribution/ Operational Hubs



DECATHLON

SAINT-GOBAIN



DHL GLOBAL CONNECTEDNESS INDEX



Malaysia has maintained its strong position globally, ranking second highest in Southeast Asia and 12th out of 169 countries for trade connectivity, says the DHL Global Connectedness Index (GCI) report



Airports:

- 7 International Airports in Malaysia
- *KLIA (capacity of handling 40 million passengers and more than 1.2 million tonnes of cargo per year)*

Ports:

- *Port Klang (10 million TEUs) – 2nd busiest ports in Southeast Asia*
- *Port of Tanjung Pelepas (7 million TEUs) - 3rd busiest ports in Southeast Asia*

Strategic Location

**SOUTH EAST ASIA
IS THE FASTEST
GROWING ECONOMIC
REGION IN THE WORLD**
(GDP growth of 5.3%
over the last 20 years)



**Southeast Asia is estimated
to grow by 4.9% over the
next five years**

(Economic Outlook for Southeast Asia, China and India 2020 -
OECD 2019)

CHINA

8.0 hrs

INDIA

6.0 hrs

4.0 hrs

2.0 hrs

Malaysia

Asia powering the global economy

Asia is projected to contribute 48% of global GDP by 2023

Asia is set to remain the world's biggest contributor to global GDP. The region's GDP has jumped from US\$27 trillion in 2007 to US\$55 trillion in 2017¹. Fuelled by the rising opportunities, Asia is expected to shape the global economy in the 21st century.

¹World Economic Outlook (October 2018), International Monetary Fund

**By 2030, the region is expected to
contribute 60% of global growth**

World Economic Forum

Business Friendly Investment Policies



Equity Ownership

Foreigners are allowed to hold 100% equity ownership in the manufacturing and selected services sectors



Repatriation of Income

Freedom to repatriate capital, interest, dividends and profits.
No restrictions



Employment of Expatriates

- **Key posts** (*posts that are permanently filled by foreigners*)
- **Term posts** (*posts that are filled by foreigners for a period of 1-5 years*)

Intellectual Property (IP) Protection

Malaysia's IP laws are in conformance with international standards

- Member of the World Intellectual Property Protection Organisation (WIPO)
- Signatory of the Paris Convention and Berne Convention which govern IP rights
- Signatory of the Agreement on Trade-Related Aspects of IP Rights (TRIPS) under the WTO



Investment Guarantee Agreements (IGAs)

Malaysia has signed IGAs with more than 60 countries



Talented Human Capital



Malaysia ranks
#22 in World
Talent Ranking
IMD World Talent
Ranking 2019

Annual
Graduates:
130,000

Year 2019

Accountancy	8,200
Aerospace	550
Civil Engineering	3,300
Electrical Engineering	6,400
Mechanical Engineering	5,800
Chemical Engineering	2,800
Other Engineering	2,200

Local Universities in Malaysia



International Universities in Malaysia



Advanced Ecosystem

A case in Point - Semiconductor



Semiconductor Industry
is Key to the Future of
Electric Vehicles

R&D /
IC DESIGN

WAFER
FABRICATION

ASSEMBLY

TEST

EMS

FOREIGN



Microsemi

PHISON
Knows What You Need



UST Global®

OSRAM
Opto Semiconductors



ON Semiconductor



LOCAL



MIMOS
National R&D Centre in ICT



Talent



Enablers



Strong Engineering Supporting Industry



MOULD & DIE

- 446 companies
- Precision specifications by international semiconductor industry requirements
- End-user industry: Automotive, E&E



METAL CASTING

- 95 foundries
- Mass production high-pressure and low-pressure die casting
- End-user industry: Automotive, Telecommunication



MACHINING

- 325 companies
- Precision up to 1 μ and size up to 2 mtr
- End-user industry: Semiconductor, E&E, Aerospace, Oil & Gas



METAL STAMPING

- 148 companies
- Precision tolerances less than 1 μ , presses capacity up to 600 tons
- End-user industry: E&E, Automotive



SURFACE ENGINEERING

- 125 companies
- 85% are foreign owned/JV
- Electroplating, Phosphating, Anodizing
- End-user industry: Semiconductor, E&E, Automotive



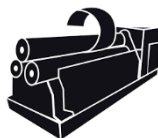
HEAT TREATMENT

- 17 companies
- Carburizing, nitriding, vacuum handling, quenching, annealing, normalizing, tempering
- End-user industry: Automotive, Shipyard, Cement, Aluminium Extrusion



FORGING

- 8 companies
- Mostly small parts (less than 10MT)
- Open, drop, press, roll and cold forging
- End-user industry: Automotive, E&E



METAL FABRICATION

- 800 companies
- Simple household items to steel structure for skyscrapers and offshore oil drilling platform

Competitive Investment Incentives

A. Relocation Incentives

- **0% tax rate for 10 years** for new investment in manufacturing sectors with capital investment between **RM300 - RM500 million**
- **0% tax rate for 15 years** for new investment in manufacturing sectors with capital investment **above RM500 million**

B. Major Incentives

Pioneer Status

Income tax exemption ranging from 70% or 100% for a period of 5 or 10 years

(PS)

Investment Tax Allowance

60% or 100% on qualifying capital expenditure incurred within 5 years

(ITA)

Reinvestment Allowance

60% on qualifying capital expenditure incurred for 15 consecutive years

(RA)

Customised Packaged Investment incentives



Domestic Investment Strategic Fund (DISF)/ High Impact Fund (HIF)

C. Special Incentives for Industry 4.0

- Industry4WRD Readiness Assessment
- Industry4WRD Intervention Fund
- Industry Digitalisation Transformation Fund (IDTF)
- Business Loan Guarantee Scheme
- Incentives for Vendor Development Programme
- Automation Capital Allowances (Automation CA)
- Digital Transformation Acceleration Programme (DTAP)
- Domestic Investment Strategic Fund (DISF)/ High Impact Fund (HIF)
- Smart Automation Grant
- Special Incentives for Electrical & Electronics Industry

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Report Card

International Standing

1st

World's Best countries to invest

CEOWORLD Magazine 2019
Ranked number 1 among 67 countries

CEOWORLD Magazine

Most attractive emerging market in Asia

Bloomberg 2018

Bloomberg

2nd

Ease of doing business within ASEAN

World Bank Doing Business 2020 Report

Protecting investors

World Bank Doing Business 2020 Report



3rd

Global offshoring destination

A.T. Kearney Global Services Location Index™ 2016

ATKearney

5th

Most attractive emerging market in the World

Bloomberg 2018

Bloomberg

8th

High Tech Manufacturing Exports

World Bank 2018



12th

Ease of doing business

World Bank Doing Business 2020 Report



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Business Cases

Business Case: **B | BRAUN**

SHARING EXPERTISE

700+ Active Suppliers
RM414 million (USD 96 Mil)

Logistics



RM59 mil

Packaging Materials



RM57 mil

Resins & Chemicals



RM22 mil

Components

RM14 mil



B. Braun continuously embrace the abundant business opportunities in Malaysia on talent and skills.

In addition, a strong presence of established supporting industries conforming to world-class standards that support the medical devices industry in the country.

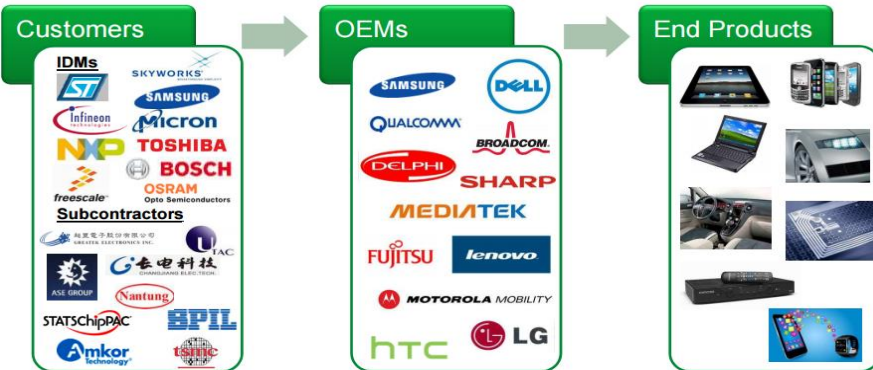
Business Case: BE Semiconductor Industries N.V.



Besi

- HQ in Duiven, the Netherlands
- **Global manufacturing** operations in **seven countries** with **2,000 employees**.
- Worldwide **leading assembly equipment supplier** with #1 and #2 ranking in key products and dominating 28.5% of global market share
- Broad portfolio: **die attach, packaging and plating**. **Future strategic diversification in substrate and wafer level packaging**
- Revenue: **€ 592.8 million**

Products



Die Attach Acquisitions



Semiconductor Back-end Process by Besi

	Die Attach	Wire Bond	Packaging		Plating	
	Die Sort	Die Bond	Wire Bond	Molding	Trim & Form	Singulation
Leadframe Assembly	Besi	Besi		Besi	Besi	Besi
Wire Bonded Substrate Assembly	Besi	Besi		Besi		Besi
Flip Chip Substrate Assembly	Besi	Besi		Besi		Besi
Wafer Level Packaging	Besi	Besi		Besi		Besi

Collaboration with local vendors
337 Malaysian

Annual R&D
Expenditure
1.1% of total sales

8



Bold Measures



Malaysia's Short-Term Economic Recovery Plan:



**Incentives to
Encourage Foreign
Manufacturing
Companies to
relocate to
Malaysia**



2 Days
**Automatic Approval
of Manufacturing
License**



**Project
Acceleration
and
Coordination
Unit (PACU)**

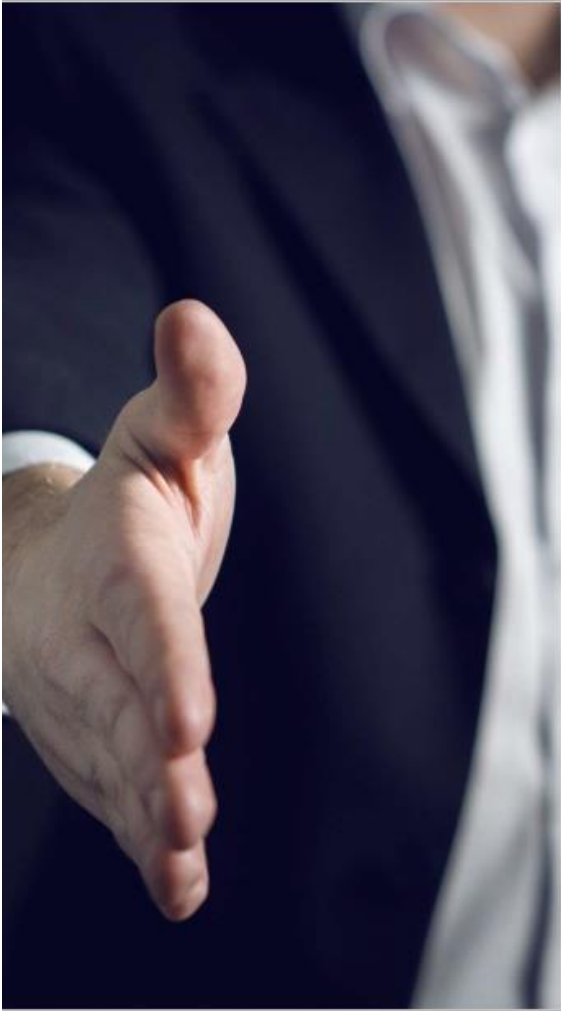


**Enhancement of
Domestic
Investment Strategic
Fund**

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Conclusion – Key Messages

Key Messages:



Malaysia has more than just a strategic location and gateway to ASEAN. The country also offers:

1. Economic stability
2. Liberal investment policies
3. A pro-business Government
4. Facilitation of investments through MIDA, second to none
5. Malaysia is located in ASEAN a very dynamic and fast growing region
6. Well developed infrastructure/connectivity
7. High quality Malaysian products and services
8. Young, trainable and educated labour force
9. IP protection
10. 50 years-Strong industry base



Thank You



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