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HIGHLIGHTS

DISF SET TO RE-ENERGISE THE DOMESTIC INDUSTRY PLAYERS

Domestic investment has always been recognised for its pivotal role in sustaining the nation's investment climate and as a catalyst for the presence of foreign direct investment. In its continuous effort to strengthen and enhance the country's domestic investment, the Government announced the Domestic Direct Initiative in 2012.

This initiative among others, introduced the Domestic Investment Strategic Fund (DISF) which was allocated RM1 billion under the 10th Malaysian Plan. The fund that is managed by MIDA, acts as an incentive to develop priority sectors that have been identified to be the country's economic impetus. As a form of matching grant, it intends to accelerate the growth of Malaysia-owned companies towards being part of the global supply chain. The scheme encourages industry players to enhance and upgrade their technological capabilities, and leverage on outsourcing opportunities created by MNCs operating in Malaysia as well as to intensify technology acquisition.

Four years has passed since the announcement and the fund has certainly been a success. As at 31 August 2016, the fund has positively impacted more than 221 companies from various sectors with RM222.4 million disbursements. The grant has assisted domestic players in expanding into new markets and increasing production capacity which translates to higher productivity.

The new markets penetration amounted to 127 in 34 different countries across 5 continents. Labour productivity on the other hand increased by approximately 73.9% whilst capital productivity escalated by 106.3%. These stellar figures bear testament to the ability of the grant to support the modernisation or upgrade of machinery as well as to increase the skill level of labour.

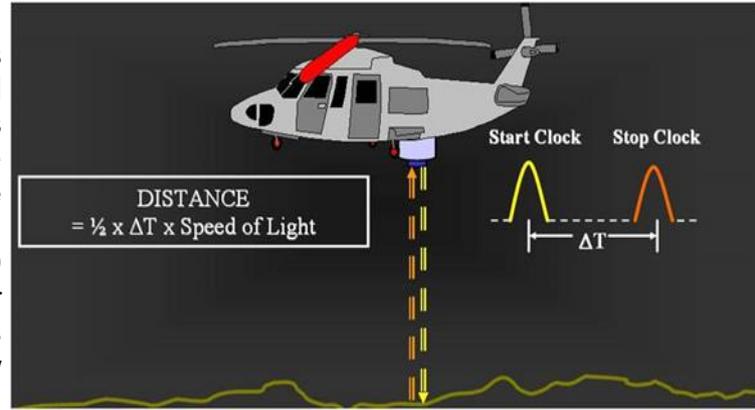
In terms of human capital, the fund spurred an increase of 21.6% in the creation of new jobs from 4,810 to 5,850. This has a spill-over effect in terms of more people getting a higher salary as companies are moving toward high technology and innovation-based industries.

Transfer of technology is important to encourage growth in domestic companies. To move up the value chain, companies need to ensure that its technological capabilities are industry ready and competitive on an international level. Based on a sampling of companies that were awarded this fund, a total of 40 collaborations were done with local universities and research institutions. In fact, 8 companies managed to utilise this fund for commercialisation of its R&D findings and have successfully registered their IPs in Malaysia.

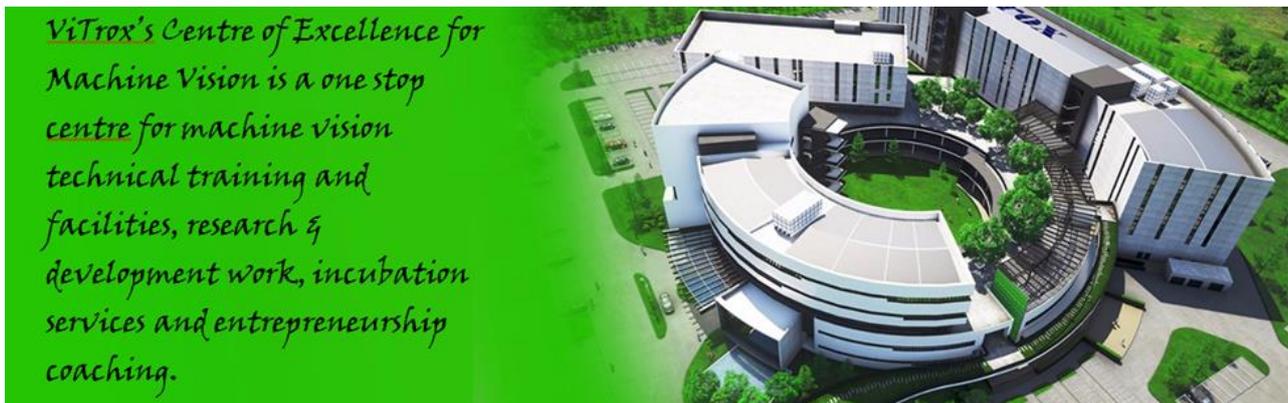
Examples of DISF recipients include Ground Data Solutions R&D, a 100% homegrown Malaysian company that is a pioneer in providing airborne Light Detection and Ranging (LiDAR) services in South East Asia.

HIGHLIGHTS

The DISF grant was used to modernise and upgrade its facilities and equipment to enhance its R&D activities in both the LiDAR system and application of the LiDAR data. With this enhancement, the company is poised to be the regional leader in airborne LiDAR mapping and the only Malaysian company who builds, owns and operates a LiDAR system. The company's R&D activities contribute to 14 high income jobs for Malaysians. It has also attracted international clients from Canada, France, Indonesia, Papua New Guinea and USA.



ViTrox, another homegrown M&E company serving the E&E industry, has also benefited from the DISF grant. Since its humble beginning in 2000, ViTrox gave the highest priority in design & development activities to better serve their clients particularly the MNCs of IC device manufacturers in Penang. The establishment of ViTrox's Centre of Excellence (COE) is partially supported by the Government via DISF. This centre focuses on R&D and training particularly for companies to gain access to vision technology for their products as well as a training platform for technopreneurs, professionals, researchers and institutions of higher learning on vision machine technology.



Acknowledging the positive impact of DISF, the fund has been invigorated under the 11th Malaysian Plan with an additional allocation of RM1 billion. This reflects the Government's commitment to increase the quality of domestic investments. Enhancing the strengths of our local players in both the manufacturing and services sectors is crucial in maintaining Malaysia's competitiveness. Therefore, there is much focus now on accelerating the shift of domestic companies to carry out high value-added, high technology, knowledge-intensive and innovation-based activities. This will in turn result in high incomes and highly trained employees.

INDUSTRY

DEVELOPING MALAYSIA AS AN ENERGY EFFICIENT VEHICLES (EEV) HUB

The automotive industry is moving towards reducing the environmental impact of energy consumption and mitigating the effects of global warming. Therefore, increasing the fuel economy is one of the most cost-effective methods to improve energy efficiency and reduce carbon emissions in the transport sector. This would eventually enable energy independence by reducing oil imports.

In the National Automotive Policy (NAP 2014) that was introduced two years ago, one of the goals is to develop Malaysia as a manufacturing hub for Energy Efficient Vehicles (EEV) through strategic investments and adaptation of high technology for domestic market and to penetrate regional and global markets by 2020.

Based on global practice, EEV is defined as vehicles that meet a set of specifications in terms of carbon emission level (CO₂/km) and fuel consumption (L/km). EEV includes fuel-efficient internal combustion engine (ICE) vehicles, hybrid, electric vehicles (EV) and alternative fuelled vehicles using fuel such as Compressed Natural Gas (CNG), Liquefied Petroleum Gas (LPG), Biodiesel, Ethanol, Hydrogen and Fuel Cell.

The EEV technical specification for fuel consumption is determined based on international benchmarking across developed countries including Europe, US, China, Japan, South Korea and Taiwan, and with the consultation of the domestic automotive industry. The established EEV specification is set to ensure investments into Malaysia will be strategic in nature with high uptake of technology. It is also with the principle that boosting mobility should not contradict the imperative to protect the environment.

With demand for EEVs on the rise, it is more certain now that EEVs are vehicles of the future. The sales of EEV last year increased by 62% to 200,260 units from 122,897 units in 2014. This accounted for 32.6% of the total industry volume for passenger vehicles. Since the introduction of NAP 2014, Malaysia has seen the emergence of significant projects by domestic and international companies in the EEV segment. The companies, namely Proton, Perodua, BMW, Mercedes Benz, Volvo and Nissan have introduced models that have received EEV status.



Perodua, notably, became Malaysia's first EEV producer with the introduction of the Axia model in 2014. They have been working closely with local parts and component manufacturers with the aim of moving up the value chain to become an important regional player in the EEV segment. As such, Perodua has developed more than 100 local vendors to participate in its supply chain. In fact, four local Perodua vendors have been appointed to be part of Daihatsu's global supply chain. Perodua's successful teamwork with local players has contributed to the birth of its second EEV model, the Bezza which was launched by the Minister of International Trade and Industry in July this year.

In spite of the increasing interest in the EEV market, the road to position Malaysia as the regional hub for the environmental friendly vehicles lies in our capability in enhancing the vehicle design and development. Among the initiatives is to leverage on the country's existing facilities and infrastructure in universities including experts and specialists, ready hardware and software applications. The use of digital engineering is also encouraged among the domestic industry players to improve product and process development capabilities. This would result in a more accurate and effective methodology in automotive design.

Companies are also encouraged to enhance the quality of existing human development programmes at the technician and operator levels. The development of specific skilled labour such as those in automated production system will enable the domestic automotive industry to increase the levels of automation and mechanisation. This will greatly reduce dependency on lower-skilled foreign workers and consequently produce more local skilled workers, capable of earning higher income.

To ensure a sustainable automotive industry, the Malaysian Investment Development Authority (MIDA) works with various stakeholders in the automotive industry to ensure that the industry is competitive, domestically and globally. MIDA provides incentives in the form of pioneer status or investment tax allowance for companies that wish to invest in the EEV projects with the aim to make Malaysia the regional EEV hub by the year 2020.

INSTEP: TRANSFORMING THE LANDSCAPE OF OIL & GAS TECHNICAL LEARNING AND CERTIFICATION

In progressing towards an advanced nation, highly skilled manpower is a vital asset. Efforts are being undertaken to enhance the quality of human capital. Under the 11th Malaysia Plan, more students are now encouraged to pursue technical and vocational education and training (TVET) as 60 per cent of the 1.5 million jobs targeted to be created by 2020 will require TVET-related skills. TVET graduates currently comprise only 25 per cent of the workforce. This is targeted to increase to 35 per cent, at par with academic and professional graduates.

There are approximately 1,000 public and private institutions offering TVET programmes in the country. The current focus is to churn out more TVET graduates that are aligned with industry demands.



INSTEP's Integrated Upstream Downstream Training Plant

A fine example of an institute which is aligned with this focus is the Institut Teknologi Petroleum PETRONAS (INSTEP), a state-of-the-art technical training institute owned by PETRONAS Technical Training Sdn. Bhd. (PTTSB).

Established in 1981, INSTEP was set up with the aim of accelerating human capital development to support the growth of PETRONAS as well as Malaysia's oil and gas industry. Simultaneously, the training institute also serves international clients from more than 15 countries as part of its aspiration to be "A Leading Partner of Choice in Oil and Gas Technical Learning and Certification".

In line with the government's aspiration to have more TVET graduates in the workforce, INSTEP is supporting this initiative through its ongoing Bridging and Professional Development Programmes. To date, INSTEP has trained more than 12,000 technicians and engineers under the Bridging Programmes and over 100,000 technicians and engineers under the Professional Development Programmes.

One of its strengths lies in the customisation of learning programmes according to clients' needs. Its flagship programme, Petroleum Technology Programme-1 (PTP-1), has international accreditations from the Business and Technology Education Council (BTEC) and the Offshore Petroleum Industry Training Organisation (OPITO), making INSTEP graduates globally marketable. The instructors are also BTEC certified assessors and verifiers.

With the launch of the integrated Upstream Downstream Training Plant (UDTP) on 27 March 2014, INSTEP's learning experience and module offerings were transformed – making a phenomenal shift in learning. Unlike a commercial plant, the UDTP, first of its kind in the world, simulates real plant scenarios to enhance the competency of learners through hands-on training and experiential learning for safe, efficient and responsible exploitation of hydrocarbon resources.

SERVICES

The UDTP is supported by six academies; Exploration & Production, Electrical, Mechanical & Inspection, Instrumentation, Process & Analytical and Health Safety & Environment. These academies provide practical workshops. Among the advanced equipment available is the 120-metre Pigging Test Loop, which allows for intelligent pigging operations and simulation of stuck Pipeline Inspection Gauge (PIG) scenarios. Another is the Liquid Metering Training Skid, which enables different types of measurements for importation and exportation of liquids. There is also a Drilling Academy with a land rig and a drilling simulator which enhances INSTEP's capability as an integrated oil and gas training centre.



Field activities at live Training Plant



Pigging Test Loop cleaning process



Rotating equipment overhauling task



Liquid Metering Training Skid (LMTS) familiarisation

INSTEP is proud to have won the Human Resource Minister Award 2014 as the Best Training Provider in Malaysia. They have also won four international awards, namely OPITO Employers Award 2015 which reflects its commitment to a safe and competent workforce, Pearson Centre of Excellence 2015, BTEC Outstanding Centre of Excellence 2015 and recently the Global Getenergy 2016 Award as the Education and Training Provider of the Year. In May 2016, INSTEP also gained international standing as the IECEx 12th Recognised Training Provider Award, ensuring its undisputable position as Malaysia's leading oil and gas training provider.

Talent availability is one of the key components in the investment ecosystem approach adopted by MIDA to ensure a leap in quality investment activities in all economic sectors. As such, MIDA welcomes and supports the establishment of institutions such as INSTEP in Malaysia.

Companies that establish TVET/ science courses or existing companies providing TVET/ science courses that undertake additional investments to upgrade their training equipment or expand their training capacities are eligible to apply for an investment tax allowance (ITA) of 100 per cent on the qualifying capital expenditure incurred within a period of ten (10) years.

Since the introduction of the ITA, MIDA has approved 40 projects in aviation, oil and gas, automotive, hospitality and other TVET training, amounting to investments worth RM3.92 billion. Domestic investment has contributed towards 86 per cent of this total approved investment.

For more information, please refer to [MIDA's Education & Industrial Training Guidebook](#) that is also available for download on the MIDA website (www.mida.gov.my).

Industry Leaders Converge at Malaysia's Maiden Global Graphene Conference

Graphene Malaysia 2016, organised on 8 & 9 November 2016 was the first international conference on graphene held in the country as well as in the Asia Pacific region. It provided a platform for participants to interact, exchange ideas, network and form commercial collaborations with graphene leaders and specialists from the world over including the US, the UK, South Korea, China, Taiwan, Sweden and Italy.



In his keynote address, YB Dato' Sri Mustapa Mohamed said "The national investment promotion agency under MITI, MIDA supports the National Graphene Action Plan 2020 and is engaged in providing the guidance and support to NanoMalaysia, especially in facilitating companies to look into the business potential of graphene. To date, 50 companies have been working closely with MIDA and NanoMalaysia to explore the applications of graphene as a product enhancer in their respective sectors."

His speech was read by YB Datuk Chua Tee Yong, Deputy Minister of MITI who represented the Minister during the opening ceremony. Also present during the ceremony were YB Datuk Seri Panglima Madius Tangau (Minister of Science, Technology and Innovation), YBhg. Emeritus Professor Dato' Ir. Dr. Mohamad Zawawi Ismail (Chairman of NanoMalaysia), YBrs. Dr. Rezal Khairi Ahmad (CEO of NanoMalaysia) and YBhg. Datuk N. Rajendran (Deputy CEO of MIDA).

The conference, launched under the aegis of the National Graphene Action Plan 2020, aims at exploring the material's downstream economic potential in five priority focus areas - lithium-ion battery anodes and ultracapacitors, rubber additives, nanofluids (drilling fluids and lubricants), conductive inks, and plastic additives. Collectively these applications have the potential to contribute additional gross national income of more than RM20 billion and to help create 9,000 new jobs for these industries in Malaysia by 2020.

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MIDA Strengthens Cooperation with JETRO



The bilateral relations between Malaysia and Japan reached another significant milestone on 16 November 2016 as MIDA and the Japan External Trade Organisation (JETRO) signed a memorandum of cooperation (MoC) in Tokyo, Japan. Signing on behalf of MIDA and JETRO respectively were Dato' Azman Mahmud, CEO of MIDA and Mr Hiroyuki Ishige, Chairman and CEO of JETRO with the presence of the Prime Minister of Malaysia, Dato' Sri Najib Razak and the Prime Minister of Japan, His Excellency Shinzo Abe.

MIDA has had a close relationship with JETRO over the years, leveraging on each other's experiences and excellent track record. The

MoC was as a step to formalise the existing cooperation in the promotion of economic exchanges. "Today's collaboration is a positive model of how government agencies from both countries can work together to promote business-to-business relations between Japan and Malaysia. This strategic partnership is vital in assisting investors in making their investment decisions," said Dato' Azman.

The MoC will further enhance Japan's position as the top source of foreign direct investments in Malaysia's manufacturing sector since 1980. As at August 2016, a total of 3,398 manufacturing projects with Japanese interest have been approved, involving total investments of USD33.1 billion. Majority of them were in the electronics and electrical products, chemical and chemical products, non-metallic mineral products, petroleum products, basic metal products and transport equipment. Notable Japanese companies that have made Malaysia their manufacturing base include Panasonic, Nippon Electric Glass, Toray, Fuji, Sony, Rohm-Wako and Honda.

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Solar PV, Hybrid Systems and Mini-Hydro – German Electricity & Technology Solutions for Rural Areas

“Malaysia has been a strong supporter of Malaysia-German platforms for partnership-based dialogues such as today’s event. Among the European Union, Germany is our largest investor. As at August 2016, we have approved a total of 562 manufacturing projects with German participation with investments worth RM41.02 billion. German companies not only continue to invest in Malaysia, but more importantly, invest in quality projects, incorporating the latest technology and in high value added activities,” said Datuk N. Rajendran, Deputy CEO of MIDA in his keynote address during the Renewable Energy Symposium held on 29 November 2016 at Renaissance Hotel, Kuala Lumpur.

Datuk Rajendran further elaborated that, “Malaysia is proud to host notable German companies such as Infineon, Osram, SGL Carbon, Continental, BASF, Elektrisola, B. Braun, Robert Bosch, Siemens, X-Fab, Heraeus, Jowat, Schmidt + Clemens, SEW Eurodrive and Mühlbauer which have chosen to establish their base in Malaysia. The presence of German investors is also evident in the services sector in Malaysia. Among some renowned companies that have set up their global operations hub or regional establishments in Malaysia include B.Braun, Arvato, BMW, Lufthansa and Eppendorf.”



With the theme “Decentralised Power Generation – Hybrid-Solutions and Isolated Applications with a Focus on Solar PV and Mini-Hydro”, the event aimed at presenting German technology solutions and expertise to all stakeholders in renewable energy related fields in Malaysia, particularly those engaged in and/or looking into decentralised and off-grid power generation through renewable energy.

Also present at the opening ceremony of the symposium were H.E. Holger Michael, Ambassador of the Federal Republic of Germany and Mr. Daniel Bernbeck, Executive Director of the Malaysian-German Chamber of Commerce and Industry.

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SMES to Benefit from Collaboration from More than 25 MNCs

“To date, more than 8,000 companies which include MNCs from over 40 countries have made Malaysia their offshore location for manufacturing and related services operation. MNCs such as Intel, Nestle and Spirit Aerosystems have contributed much to the development of our economy. We believe there is more room for collaborations between MNCs and our SMEs to take place. SMEs make up about 97% of the total establishments in the country. Thus, it is imperative for us to develop resilient and sustainable SMEs towards achieving inclusive and balanced growth,” said YB Dato’ Sri Mustapa Mohamed, Minister of International Trade & Industry in his keynote address during the MNCs & SMEs Supply Chain Development and Opportunities Conference held on 15 December 2016 at MITI Tower.

The inaugural conference that brought together more than 400 participants, was a collaborative effort by MITI and its nine agencies with MIDA as the lead organiser of the event. It featured three plenary sessions focusing on the Electrical & Electronics, Aerospace, and Food & Beverages industries, all of which have an established presence of a strong supporting ecosystem in Malaysia. Business meetings with 25 MNCs were also arranged. The meetings provided immense opportunities for deeper commercial collaboration between large and small companies across the board. Among participating anchor companies include Intel, Jabil, Nestle, Infineon Celestica, Shimadzu and Nippon Electric Glass.

“We continue to welcome such MNCs which not only continue to invest in Malaysia, but more importantly, invest in quality projects, incorporating the latest technology and in high value added activities. These companies also provides forward-and-backward linkages, transfer of new technologies and local sourcing – creating quality jobs and developing the overall supply chain,” ended the Minister.

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MALAYSIA RANKINGS

Building confidence in doing business in Malaysia

ECONOMY NEWS

Malaysia's exports to pick up to 2.3% in 2017

S&P Affirms Malaysia's 'A-/A-2' Foreign Currency, 'A/A-1' Local Currency Ratings

Malaysia's 4.3pc quarterly growth fastest this year

Malaysia an important gateway and investment hub to international players

Companies must innovate, face technological challenges, says Johari

Malaysia remains good destination for global investors

TVET Education Among Factors Attracting Foreign Investors

Japanese Companies Continue To Reinvest In Malaysia

MIER think-tank has maintained its 4.2 per cent growth outlook for Malaysia this year

Malaysia records investments of RM150.8bil for first nine months

Mustapa : MNCs attracted by Malaysia's strong SME base

Malaysia's private investment to maintain a faster pace of 4.6 per cent

World Bank: Raising productivity key to Malaysia's economic growth

INDUSTRY NEWS

Wendy's Malaysia to invest RM6 million to open another six outlets

Manufacturers gain from growth of medical device, aerospace and test equipment industries

Mustapa: Malaysia-China RM144 bil deal involves three components

Brazil's BRF to make Malaysia its Asean halal hub

Advancing the Aerospace Manufacturing Sector in Malaysia

Optics Balzers now producing in Malaysia

Top Glove to expand R&D to improve product quality

Jotun Paints invests RM15mil in new factory in Nilai

Mondelez to expand belVita production in Malaysia

Chinese tyre maker to invest RM894mil in PKFZ factory

MHE-Demag opens \$10m manufacturing plant in Malaysia

Tanjung Offshore pursues business expansion in aerospace

Malaysia to leverage new tech innovations for rubber industry growth

SERVICES NEWS

Chembio Agrees to Acquire Malaysia-based RVR Diagnostics and Establish Operations in Southeast Asia

Local firms to benefit from ECRL

Higher Education Ministry maintains aim of producing 60,000 PhD holders by 2023

Bio-tech firm opens Asia-Pacific hub

'Malaysian firms ready to compete'

Southeast Asia's largest outlet mall, Mitsui Outlet Park KLIA Sepang, is about to get even bigger

IDC bullish on Malaysia's digital economy potential

Motorola Solutions Penang Engineers The Future Of "Borderless" Innovation

MAHB sets 2017 passenger traffic growth target at 5%

MIDA Strengthens Cooperation with JETRO

RUAG Aviation opens region's first aviation component repair centre in Malaysia

Japan's Bookoff opens first Southeast Asian store in Malaysia

Oracle to set up its Digital Sales Hub in Malaysia

IGEM 2016 generates record RM2.2 bil in business leads, RM1.2bil from MIDA's engagements

Ericsson and Universiti Teknologi Malaysia establish Innovation Center for 5G in Malaysia

ABOUT MIDA

The Malaysian Investment Development Authority (MIDA) is the Government's principal promotion agency under the Ministry of International Trade and Industry (MITI) to oversee and drive investments into the manufacturing and services sectors in Malaysia. Starting operations in 1967, MIDA is the first point of contact for investors that want to take advantage of Malaysia's vibrant economy, world-class infrastructure and business-friendly environment to set up their profit centre in Asia. For more information, visit www.mida.gov.my or e-mail us at investmalaysia@mida.gov.my.



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