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HIGHLIGHTS

MALAYSIA: EMBRACING CHANGE

There are three constants in life... change, choice and principles - *Stephen Covey*



Change is inevitable and it was a leaping change for Malaysia, when a new government was elected replacing a 60 year old ruling party. While the world lauded Malaysia for her democracy and the peaceful transition of power, many, particularly investors were skeptical with the new government's policy directions. However, the newly elected Honourable Prime Minister Tun Mahathir Bin Mohamad has given his assurance that Malaysia continues to adopt business friendly policies and will not curtail freedom of businesses. It was emphasised that the Government is keen to have a seamless businesses environment where both domestic and foreign investors are welcomed to invest in Malaysia.

The Government through its Buku Harapan manifesto (*Book of Hope*) pledged to invigorate the country's economy emphasising on research and development (R&D), spur a sharing economy and strengthen the protection of intellectual property to allow increased innovation. Malaysia's participation in the regional

HIGHLIGHTS

The aim is not to simply attract any investment, but to have a productive and innovation led investment. The manifesto indicates the new Government's efforts to improve economy enablers such as education, technical/ vocational trainings and innovation while encouraging commercialisation of intellectual property.

These efforts are structured strategies to facilitate the induction of technology which will moot companies into adopting the latest technology and automation. Ultimately, this approach is expected to indirectly reduce the cost of doing business in Malaysia and increase Malaysia's comparative advantages.

In the context of reducing the cost of doing business, the *Book of Hope* also contained the Government's pledge to review the country's taxation in a holistic manner making it competitive compared to peer countries in the ASEAN region. Malaysia's corporate tax rate is currently 24% compared to Singapore; 17%, Thailand; 20% and Indonesia; 25%. In addition, The Malaysia Productivity Corporation's (MPC) authority will be reinforced to ensure far-reaching Good Regulatory Practices and reduction of unnecessary regulatory burden to increase the country's productivity.



The manifesto also emphasised the importance of the Small and Medium Enterprises (SMEs) which contributes at least 40% to the country's GDP providing jobs to almost 65% Malaysians. The aim is to elevate SMEs onto the global value chain thus enabling them to compete in the ASEAN market. It is through this added boost that will also create opportunities for SMEs to integrate into the Industry 4.0 ecosystem.

Sustainable development continues to be an important agenda. Environmental laws and policies will be reviewed to align with International Best Practices and environmental protection standards. The Government will continue to support the United Nation's Sustainable Development Goals by prioritising carbon emission reduction by 40% in year 2020. Emphasis will be given to green and renewable technology which has high potential for growth particularly since the Government targets to increase generation of renewable energy from the current 2% to 20% by year 2025.

At a glance, businesses owners and potential investors can anticipate more positive changes and growth in Malaysia. It is after all a Government of the people, by the people and for the people.

INDUSTRY NEWS

RE-ENERGISING MALAYSIA'S MANUFACTURING INDUSTRY

Malaysia continues to attract investments from top global companies and has established a well-developed ecosystem particularly in many industry clusters. Their continued presence has encouraged the development of home grown champions supporting the related industries. The rapid advancement of technology in the resource and non-resource based manufacturing industry have fuelled the continuous need of human capital upskilling and thriving toward high income jobs. This also acts as enablers for growth of other industries. To sustain Malaysia's position as the preferred location for investments, it is crucial for the Government to continue providing the necessary support particularly in the research, development and innovation (RDI) infrastructure and facilitation.

Presently, there are on-going collaborations between the private sector and public research institutes/ universities. However, as most companies prefer to undertake in-house RDI, there is still much room for more strategic industry-academia collaborations that not only leads to commercialisation of new products but also the increase of more Malaysian companies moving up the technology value chain.

A more viable solution that is applied by some countries is to establish a Manufacturing Innovation Centre (MIC) as the platform to bridge the gap in developing new innovative products and contribute to the transfer of technology to local companies. The MIC concept is a proven success model that has been established in many developed countries such as Germany, Belgium, Korea, USA, Taiwan and China to inculcate innovation and development of new products. For example, China has recently invested aggressively in MIC as the technology powerhouse to boost 10 new growth areas such as medical technology, aerospace and robotics with the target of achieving 40 MIC's by year 2025.

For Malaysia, it has more than 60 government research institutes whereby over 40 of them are designated for manufacturing. Despite these numbers, the country has yet to produce a successful case, comparable or as effective as global MICs. There is much the country can learn from others to re-energise the manufacturing sector in accordance with the current Global Business trends.

MIDA recognises that it is more crucial now than ever for companies to reassess and realign their business strategies to adapt to the current challenges of doing business. Intensifying innovation through strategic collaborations in R&D activities is one of the key components that would enable businesses to remain competitive and sustainable. The agency continues to step up efforts to drive stronger R&D linkages between the industry, and tertiary & research institutions.

Towards this end, acts as a conduit by working with entities such as the Industrial Technology Research Institute (ITRI), Taiwan to bring together the industry and academia to create fresh and exciting collaborations. On 7 May, MIDA signed and exchanged a Memorandum of Understanding (MoU) with ITRI, an organisation which has played a vital role in transforming Taiwan's industries from labour-intensive into innovation-driven.

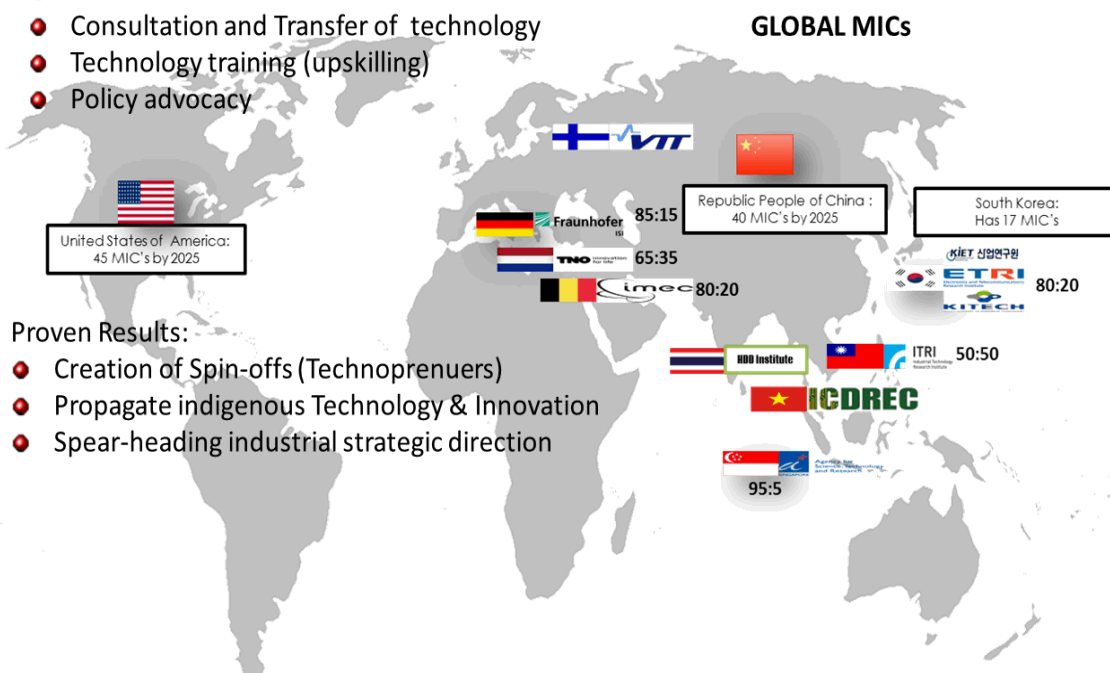
Malaysian industries stand to benefit from ITRI's expertise and network with other research and technology institutes in Taiwan through collaborations in new technologies and applications such as artificial intelligence, big data analytics, machine learning, vision and sensing technology and others. In the long run, this contributes to the country's shift towards having more Industry 4.0, higher value-added & industry-driven research activities.

GLOBAL MICs : ROLE & DELIVERABLES



MIC's key roles:

- Demand-driven R&D&I
- Consultation and Transfer of technology
- Technology training (upskilling)
- Policy advocacy



Proven Results:

- Creation of Spin-offs (Technopreneurs)
- Propagate indigenous Technology & Innovation
- Spear-heading industrial strategic direction

EXPANDING OPPORTUNITIES FOR THE SERVICES SECTOR



Many global companies have made Malaysia their hub, catering to their operations in the region and beyond. This is in line with the rising trend of MNCs offshoring trading activities to complement the evolving global business models of today. These global supply chains are supported by well-functioning transport, logistics, finance, communications and other business and professional services. Evidently, the services sector is a new source of dynamic advantage to ensure the sustainable growth of production and trade.

The services sector in Malaysia accounted for 54.5% of the country's Gross Domestic Product (GDP) in

2017. While the services sector is a thriving hive of activity in Malaysia, the country is a net importer of services rendered by foreign services providers, whereby money is being paid by residents for utilising services provided by non-residents. This has resulted in a services trade deficit. According to the Department of Statistics Malaysia (DOSM), the export of services amounted to RM157.8 billion and the import of services amounted to RM180.9 billion. Higher imports have led to trade deficits of RM23.1 billion in services in 2017.

As Malaysia shifts towards high value manufacturing, there is an increased need for the services sector to become more knowledge-intensive and productivity-driven. Rapid developments in technologies also translate to the emergence of new services, whereby most of them are crucial for companies to adopt towards maintaining their competitiveness. It is important to not only train and up-skill talents and improve infrastructure, but also to enhance the downstream and upstream inter-linkages through more value added services.

Transformation of the services sector is on-going with an emphasis on shifting towards high-value strategic activities, as laid out by the 11th Malaysia Plan. This includes enhancing the standards of service of our local suppliers to bring them on par with the best in the world. The internationalisation of services will be the catalyst in developing this sector as it increases competitiveness, secures new markets, and enhances investment opportunities. The anticipated outcome is to attract higher investment, boost services exports and create more high income jobs towards Malaysia becoming a developed economy.

As the principal government agency for investment promotion for the manufacturing and services sectors in Malaysia, MIDA assumes an important role in assisting companies, facilitating the implementation of projects and spearheading economic development. In this regard, various initiatives are undertaken by MIDA to accelerate the growth and participation of local service companies. These include:

Encouraging the utilisation of local services which will create linkages and spillover effects to local business communities through supply chain programmes, dialogue sessions with investors and business matching sessions, and

Enhancing the Domestic Investment Strategic Fund (DISF) to enable more local service providers to improve their capabilities and undertake modernisation.

In addition, companies operating in Malaysia can look forward to an upcoming portal by MIDA which serves as a platform for local service providers to showcase their services. This services sourcing solution, known as the 'i-Services' portal, connects businesses to a number of services that can be used to enhance their operations. The portal is expected to be implemented in the second half of 2018.



MIDA-ITRI Taiwan MoU, Driving Malaysia Towards Industry 4.0



The Malaysian Investment Development Authority (MIDA) partnered with the Industrial Technology Research Institute (ITRI), Taiwan through a Memorandum of Understanding (MoU) to encourage, facilitate and promote economic cooperation in the areas of trade, investments and Small & Medium Enterprise (SME) development, particularly in Smart Manufacturing & Industry 4.0, Internet-of-Things and Circular Economy.

Dato' Azman Mahmud, Chief Executive Officer of MIDA and Dr. Chang Pei Zen, Executive Vice President of ITRI witnessed the signing and exchange of the MoU between senior representatives

of both organisations. This affirms the commitment of MIDA and ITRI to facilitate joint projects such as applied research activities, training programs, and attachment programs; exchange technical information and expertise in the research and development of industrial technology; assist technical upgrading of scientists and engineers; as well as to encourage more collaboration between industry and research institutes.

The MOU signing with ITRI Taiwan, which was held on 7 May, adds to MIDA's on-going initiative to drive the country's R&D activities and Industry 4.0 agenda.


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Largest Ever SEMICON Southeast Asia Showcases Smart Technologies

SEMICON Southeast Asia, the region's premier gathering of the global electronics manufacturing supply chain, opened its 22-24 May exposition for the first time in Kuala Lumpur, showcasing IoT, smart manufacturing, autonomous driving, virtual reality (VR), and other smart technologies. Themed "Think Smart Make Smart," SEMICON Southeast Asia 2018 brought together industry experts from around the world for critical insights into the semiconductor ecosystem, new business opportunities and collaboration.

Being a partner to SEMI for SEMICON Southeast Asia 2018 for the 4th year in a row, the CEO of the Malaysian Investment Development Authority



(MIDA), Dato' Azman Mahmud said, "Through platforms like SEMICON, we seek to continuously foster a resilient and robust E&E manufacturing supply chain in Southeast Asia. We want to become a regional hub for design and development, high value products and activities, and ultimately, the leading location of choice for FDI and growth of local industry."

SEMICON Southeast Asia 2018 featured three themed pavilions, four global pavilions, and inspiring keynote presentations and a host of technology forums to address key issues in the electronics manufacturing supply chain.


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Highlights of May 2018



MIDA Sydney & Australia Malaysia Business Council (AMBC) New South Wales jointly organised the Breakfast Briefing on Principal Hub Incentive Scheme and Networking Session on 4 May.



MIDA organised a Focus Group Discussion on Environmental Scan: Human Capital Issues Within the Pharmaceutical Manufacturing Sector held at its HQ on May 16.

EVENTS



BFM 89.9 published a short video on 22 May which highlighted the developments of the aerospace industry, featuring UMW Holdings as an example. Watch it [HERE](#).



MIDA Sydney together with the Australia Malaysia Business Council (AMBC) Victoria organised a briefing on the Principal Hub Incentive Scheme and a networking session on 15 May 2018 in Melbourne.

Pn.AzianYusof, Senior Executive Director of MIDA gave an opening address at a seminar on 'Start Right With Digitalisation' held at MIDA HQ on 15 May. The event was organised in collaboration with Hitachi Sunway and attracted 150 participants.





MIDA Sydney and the Chinese Chambers of Commerce Victoria Inc. jointly organised a briefing on investment opportunities in Malaysia as well as a networking session on May 16.

Trajan Scientific & Medical Pty Ltd (Trajan) met MIDA Sydney to update on their operation in Penang held on May 16.

Trajan expanded its global manufacturing footprint with the opening of a facility in Penang, Malaysia.

With the company's additional capabilities for precision glass products, its Malaysian entity complements operations in Australia and the USA where Trajan manufactures their key product lines for the analytical industry.



MALAYSIAN RANKING

Malaysia Up Two Spots On Competitiveness Rankings

ECONOMY NEWS

March exports hit record RM84.5b

Moody's ups growth forecast to 5.4pc

Economic prospects still strong, according to Bank Negara

Malaysia is business friendly and welcomes FDI — Dr Mahathir

Malaysia still a magnet for China firms

Malaysia GDP slows to 5.4% in first quarter

MARC: Government's 'AAA' rating stays

Malaysia to be competitive in the long run

Guan Eng: Malaysian economy remains strong

Positive employment growth seen for Malaysia, says Kelly Services

INDUSTRY NEWS

CJ, Arkema investing RM1.2b more

Malaysia key market for Airbus

PetChem sets aside RM4.3b capex

BMW aims for wider footprint

F&N to spend 'significantly more' on capex in next 18 months

Sime Darby Motors aims to produce 50,000 vehicles in Kulim by 2020

Tan Chong to invest RM500m in Bagan Datuk automotive hub

Petronas, Saudi Aramco launch corporate identity of JVs in Pengerang

Continental plans RM32.7m plant upgrade

MMS draws up new plan to double annual revenue by 2023

NTPM to spend RM50mil on expansion

Hengyuan to allocate RM700mil capex

Vitrox expects 2018 to be another growth year

DBE Gurney plans to have new core business

Wah Seong aims big in pipe-coating industry

Mi Equipment plans to raise RM190.89 million via IPO

Netherlands offers trade opportunities for Malaysian timber manufacturers

D&Y Textile plans to invest RM600,000 in third phase

SERVICES NEWS

Century Logistics allocates RM180m to expand courier services

UM in top 30 of emerging economies

TNB plans RM18.8bil expansion over three years

Cypark to raise up to RM64m via private placement

Siemens, TNB team up to transform industry digitalization

From Industrial 4.0 to Finance 4.0

CROSS BORDER NEWS

Kingsley plans Asian expansion after HK debut

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.

MIDA, your first point of contact for investments in Malaysia.



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