

In this issue...

◆ **AEC and Malaysia**

◆ **Industrialised Building System (IBS) in Malaysia : An Update**

◆ **Tok Bali Port, a Complementary Supply Base for the Oil & Gas Offshore Sector**

HIGHLIGHTS

AEC AND MALAYSIA

Welcoming the ASEAN Economic Community (AEC), Malaysia together with its ASEAN members is gearing up towards achieving the goals of regional economic integration, following the 27th ASEAN Summit held recently in Kuala Lumpur. The AEC's objectives, among others are to promote a single market of more than 600 million people and production base, develop a highly competitive economic region that is fully integrated into the global economy. The integration is made possible as most of the tariffs within ASEAN have been removed, making the trading process easier.

In the Chair's Statement of the 27th ASEAN Summit, the AEC Blueprint 2025 was adopted as guidance for ASEAN Member States (AMS) to forge the future together. Main characteristics of AEC as outlined in 2025 Blueprint include (i) A Highly Integrated and Cohesive Economy; (ii) A Competitive, Innovative, and Dynamic ASEAN; (iii) Enhanced Connectivity and Sectoral Cooperation; (iv) A Resilient, Inclusive, People-Oriented, and People-Centred ASEAN; and (v) A Global ASEAN.

The Chairman noted the impressive stability of ASEAN's economic performance despite the volatile global economic environment brought about by challenges such as the impact of global oil prices, the depreciation of regional currencies against the US dollar and the slowing growth in China. ASEAN is confident that 4.4 percent growth can be achieved this year and 4.9 percent of growth is projected in the next year.

The establishment of the AEC has contributed significantly to reducing poverty rate, improving the overall well-being of the people of ASEAN, narrowing the development gap, strengthening economic development and expanding extra and intra ASEAN trade and investments. ASEAN's global trade reached a new record level of US\$2.53 trillion in 2014 as compared with US\$1.61 trillion in 2007. FDI inflows into the region have been steadily growing over the years, reaching US\$136.2 billion in 2014 which marks a rise of FDI flows for the third consecutive year.



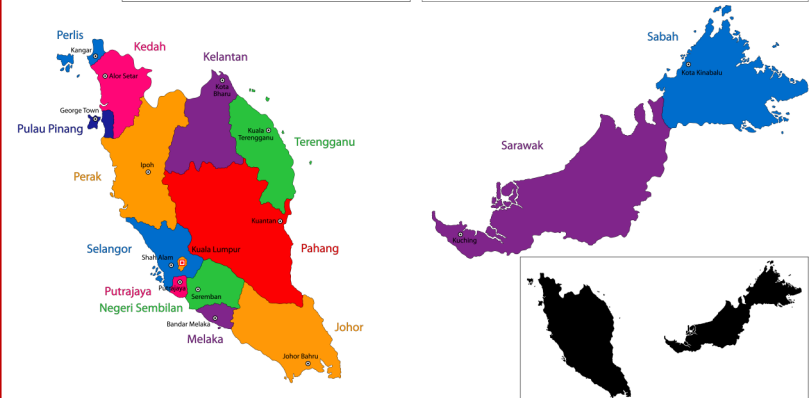
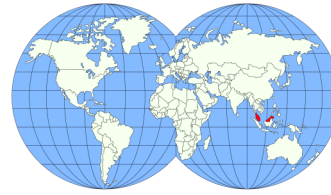
Intra-ASEAN trade and investments are gaining strong growth momentum. In 2014, intra-ASEAN trade reached US\$608.3 billion or 24.1 per cent of the total trade in the region. At US\$24.4 billion, intra-ASEAN investments accounted for 17.9 per cent of the total FDI inflows to the region, the second largest by source. ASEAN's trade and investments in 2015 is expected to maintain its momentum as in the past years. The combined GDP of the region reached US\$2.57 trillion in 2014, and average GDP per capita of US\$4,135, almost doubling the 2007 figures.

With these encouraging statistics, it comes as no surprise that ASEAN is now the seventh largest economy in the world with a combined GDP estimated at US\$2.4 trillion. Nevertheless, the intra-trade within the ASEAN community needs to be further strengthened. Challenges in the integration will need to be addressed, especially in ensuring that all ASEAN countries have excellent infrastructure.

The AEC establishment will open up opportunities for more regional cooperation and will improve the scale efficiencies, dynamism and competitiveness of ASEAN members. AEC will enable easier movement of goods, services, investments, capital and people. Ultimately, it will offer new ways of coordinating supply chains, or access to new markets for established products and enhance economic growth. With AEC, all ASEAN countries will be an important investment destination to foreign investors with access to a larger regional market and an increasing middle class population. The ASEAN Free Trade Agreement (AFTA) will be expanded to zero tariffs on almost all goods by 2015. ASEAN plans to remain engaged with the global economy through regional free trade agreements. Today, ASEAN has such agreements with China, Japan, Korea, India, Australia and New Zealand.

As a small country in ASEAN, Malaysia has much potential to tap into the larger ASEAN market and assume a crucial role as part of the supply chain in manufacturing and services. Malaysia's political stability and good infrastructure and connectivity will offer strong value propositions to foreign investors looking to set up base in ASEAN for the growing Asian market. Some areas of opportunities for Malaysia would be tourism, internalisation of healthcare, and professional services. These areas are expected to attract more investments for Malaysia. In terms of talent, the liberalisation in MRA4 (movement of natural persons) is confined to professionals. As Malaysia is the second highest GDP per capital ASEAN nation, it will attract more professionals from other ASEAN countries. This will help build the current talent pool and also grow our services sector further. More M&A transactions in Malaysia are also expected as foreign investors buy up Malaysian companies with good talent pools to help consolidate and manage their various operations across ASEAN.

Malaysia map



HIGHLIGHTS

Malaysian companies especially SMEs must inevitably prepare for more cross-border transactions, which involve the understanding of different legal and regulatory frameworks and access to financial markets, freight and forwarding, immigration and manpower requirements.

AEC is brimming with business opportunities and it would serve Malaysian companies well to expand and diversify their current base here. These companies should leverage on the available low-cost manufacturing bases and manpower resources in the region. To maintain their competitiveness, companies need to adequately prepare themselves in terms of capital, manpower, technology, business strategy and even their perspectives to leverage on the many opportunities available through the AEC.



INDUSTRY NEWS

INDUSTRIALISED BUILDING SYSTEM (IBS) IN MALAYSIA : AN UPDATE

IBS is a term coined by the industry and government in Malaysia to represent the adoption of construction industrialization and the use of prefabricated components in building construction. It is defined as a construction technique in which components are manufactured in a controlled environment, transported, positioned and assembled into a structure with minimal additional site works. This technique of construction is not new in Malaysia. It has been established since the 1960, more than 50 years ago when the Pekeliling Flats in Kuala Lumpur were first built. Similarly, iconic projects such as Dayabumi, Petronas Twin Tower, Putrajaya and Kuala Lumpur International Airport were built with IBS technology in collaboration with foreign companies.

The benefits of IBS as a modern method of construction are numerous and far reaching. Reduced construction time, cost effective, better site management and reduced wastage are but a few of these benefits that will ultimately provide better products for the customers. Despite its benefits, its history of 50 years in Malaysia as well as Government efforts such as the IBS roadmaps, the acceptance, adoption and deployment of IBS is still low and represents only about 15% to 24% of the overall construction projects in Malaysia. The reasons cited include negative perceptions, readiness, equipment cost, poor planning and regulations, and poor knowledge and awareness of IBS.

Realising this, the Government has made various efforts in bringing IBS to the drawing table of all professionals involved in the industry. An IBS Steering Committee was established in October 2003 to drive the first IBS Roadmap 2003-2010 and subsequently the second IBS Roadmap 2011-2015. Since then, these efforts have been boosted by the 9th Malaysia Plan, Construction Industry Master Plan (CIMP 2006–2015) with its IBS Strategic Thrusts, the National IBS Secretariat and IBS centre. Nevertheless, more needs to be done.

The fragmented and disconnected supply chain which includes resource management, continuity and timely delivery of construction components have been identified as major hindrance in the adoption of IBS in Malaysia. To address these issues, improvement in communication and integration among all relevant IBS players is necessary. The Construction Industry Development Board (CIDB), IBS Centre and Malaysian Investment Development Authority (MIDA) have assumed the role of enhancing the implementation of IBS using the ecosystem approach.



MIDA is focusing on upstream activities undertaken by IBS manufacturers to produce materials, parts and components and its integrated processes in the supply chain. Many successful IBS contractors have in-house manufacturing and design capabilities. They also invest or invent systems and thus, are independent of existing manufacturers. They usually seek to partner with foreign IBS counterparts to upgrade themselves by acquiring new technologies. These are the kinds of collaboration MIDA is interested to promote.

In line with the Government's aspirations, MIDA together with CIDB recently organised dialogues and briefings to enhance the implementation of IBS in Malaysia. The issues and concerns raised have been addressed and included in the drafting of proposals to incentivise the adoption of IBS technology.

The Ministry of Public Works and CIDB have jointly proposed measures to accelerate the implementation of IBS. This led to the approval of 8 initiatives by the Cabinet in September 2015 to increase the adoption of IBS in Malaysia. Among them include a mandatory requirement for private construction projects worth RM50 million and above to achieve a minimum of 50 IBS score and the elimination of import duty for heavy machinery and equipment for IBS projects. On 10 September 2015, CIDB launched the Construction Industry Transformation Plan 2016-2020 (CITP) with the aim to propel the industry forward and meet market demands. The transformation of the construction sector will be underpinned by four main strategies which include enhancing knowledge content, driving productivity, fostering sustainable practices and increasing global competitiveness. In the 2016 Budget, RM500 million will be allocated for IBS Promotion Fund that will be provided by the SME Bank.

To date, 201 manufacturers of IBS have registered with CIDB in Malaysia. Major IBS manufacturers are located in urban areas, major cities/state that have good infrastructure or highways such as Selangor, Negeri Sembilan, Johor and Perak. The major IBS manufacturers in Malaysia include MDC Precast Industries, Industry Concrete Products (IJM), SPC Industries (Kimlun), CMS Concrete Products (Cahaya Mata Sarawak). These manufacturers are certified by CIDB under the IBS Manufacturer and Product Registration Programme to ensure standard of quality, competent and readiness of supply chain to support the Government & private sectors' projects. The certified manufacturers are entitled for several benefits including being listed in the Certified IBS Manufacturer List and invitations to CIDB promotional activities. CIDB is presently adopting MS: 1064: Modular Coordination as Guideline for Building Design, 2001 to determine the standard of IBS components and CIS 18: 2010: Manual for IBS Content Scoring System, 2010 to measure the content of IBS components used in the projects.



MIDA grants fiscal incentives for companies manufacturing IBS components. The main incentives under the Promotion of Investment Act (PIA) 1986 are Pioneer Status (PS), i.e. income tax exemption of 70 per cent of statutory income for 5 years or Investment Tax Allowance (ITA) of 60 per cent of qualifying capital expenditure incurred within a period of 5 years. The IBS components listed in the General List of PIA 1986 are 'panels, boards, tiles, blocks or similar articles of nature and synthetic fibre agglomerated with cement, plaster or other mineral binding substance'. Under the Inland Revenue Board (IRB), IBS manufacturers that incur expenses on the purchase of moulds used in the production of IBS components are eligible for Accelerated Capital Expenditure for period of three years.

At present, IBS construction is gaining traction as a mainstream method in the industry and the implementation has moved from prefabrication towards mechanisation, automation and robotic applications. The outlook for IBS implementation in Malaysia is bright but much work is still needed from the Government to convince the contractors, manufacturers and suppliers to adopt IBS construction. MIDA in collaboration with CIDB is developing this industry. This is done by identifying and filling the ecosystem gap of the building and construction industry and attracting potential key global players worldwide to set up their facility with advanced technology in Malaysia.

TOK BALI PORT, A COMPLEMENTARY SUPPLY BASE FOR THE OIL & GAS OFFSHORE SECTOR

Malaysia still poses as an attractive investment destination for Oil & Gas and Services Equipment (OGSE) providers to establish their businesses despite the challenging economic environment. The country's strategic location to energy-hungry nations such as China and Japan as well as its good foundation of cost-competitive service companies and talent are some of its substantive attributes. This year saw a major achievement in Malaysia's OGSE sector, with the development of the Tok Bali Supply Base in Kelantan.

Tok Bali, once a humble fishing port in Pasir Puteh, Kelantan, showed much potential to be transformed into an important supply base for offshore support activities. Today, Tok Bali is one of the only three supply bases licensed by Petronas, apart from the supply bases in Kemaman and Labuan. It is poised to become a one-stop centre for the Petronas Production Sharing Contractors (PSCs) and service companies in the East Coast region.



The supply base is well-equipped to provide bunkering services for fuel and portable water, mechanical handling equipment, bonded warehousing and port services to oil and gas companies. Essentially, clients seeking warehouse space, open yards and offices can find their needs met at Tok Bali Supply Base. The development of the supply base entered its second phase in August 2015, with an additional investment of RM200 million over the next 3 years from Matrix Reservoir Sdn. Bhd. which owns the base's operator, TB Supply Base Sdn. Bhd. In November 2015, Ahmad Zaki Resources Berhad bought a 51% equity stake in Matrix Reservoir Sdn. Bhd.

The Malaysian Investment Development Authority (MIDA) has established a Task Force to facilitate and monitor the development of Tok Bali Supply Base in early December 2014. Since then, the Task Force has organised a series of meetings with PETRONAS, Ministry of Finance, Royal Customs Department and other related agencies to assist the company in expediting approvals. The on-going facilitation efforts have come to fruition as the company has finally obtained all the necessary approvals in January 2015.

MIDA continues to actively promote Tok Bali Supply Base as a strategic oil and gas logistics hub through the agency's various briefing sessions and seminars for potential oil and gas investors, both domestic and foreign. Currently, over 100 oil and gas service companies have expressed their interest in locating their operations in Tok Bali Supply Base.

The Tok Bali Supply Base, which is in close proximity to the Malaysia-Thailand Joint Development Area (MTJDA), North Malay Basin (NMB) and Commercial Arrangement Area between Malaysia and Vietnam provides significant fuel savings and vessel run time for the PSCs operating in those locations. Therefore, using the Tok Bali Supply Base facility is an important cost-cutting measure for PSCs, especially in the global downturn of the oil and gas industry.

The Tok Bali Supply Base project is expected to create multiple spill-over effects to Kelantan, among which are the creation of new jobs and the spurring of economic activities in the state.

On a macro scale, Tok Bali Supply Base's role in enhancing infrastructure and connectivity for oil and gas service providers is in line with Malaysia's aspiration of becoming the number one oil & gas services and equipment hub in the Asia Pacific region.



Trade and Investment Mission to South Korea and Japan Generates RM2.66 billion of Potential Investments

The trade and investment mission to Seoul, Osaka and Tokyo, successfully captured RM2.66 billion worth of potential investments, which are mainly in chemicals and chemical products, electrical and electronics, steel related products, food and plastics. Investors from both countries are also showing interest in other sectors that include food and halal industry, private hospitals, healthcare and nursing homes, medical devices, oil and gas, pharmaceuticals, regional establishments, services as well as transport and aircraft components.



The mission, organised by MIDA from 23 – 27 November 2015 included Malaysian delegates from the private and government sectors. Major events held during the mission were business seminars on "Business Opportunities in Malaysia", which were attended by more than 1,000 participants from targeted companies and major corporations in Seoul, Osaka and Tokyo. The mission also witnessed the signing of a Memorandum of Understanding (MOU) between MIDA and Kyushu Economy International (KEI), a Japanese trade and economic organisation to further reinforce the strong bilateral relationship of both countries and drive quality investments.

MIDA Participates in Bloomberg ASEAN Business Summit 2015

Bloomberg organised its ASEAN Business Summit in Bangkok, Thailand on 3 – 4 December 2015. MIDA was represented by Datuk Phang Ah Tong, as a panellist in the session themed “Tearing Down the Barriers to International Trade & Investment”. Other panellists were Matthew Hobbs (Vice President, Government Relations and Public Policy of General Motors International), Steven Victorin (Managing Director & Head, APAC Corporate Banking, BAML) and Thura Ko Ko, Managing Director (YGA Capital Ltd.).



During the session, Datuk Phang shared with the delegates on the ASEAN Pathfinder, an initiative led by Malaysia to resolve non-tariff barriers (NTB) and other operational issues which are hindering the realisation of ASEAN’s full potential. Datuk Phang also said that the ASEAN Economic Community, Regional Comprehensive Economic Partnership (RCEP) and Trans-Pacific Partnership (TPP) are incentives for companies to set up their operations in the region as these provide platform for companies to expand their access to other lucrative markets. The event, which was attended by more than 400 participants, provided a platform to predict ASEAN’s future trajectory and identify the emerging opportunities within the region.

MIDA CEO Talks About the Current Investment Landscape in Malaysia on The Breakfast Grille, BFM 89.9



Dato’ Azman Mahmud, CEO of MIDA was interviewed by Ibrahim Sani on The Breakfast Grille, BFM 89.9 on 8 December 2015. The 20-minute conversation mainly revolved on Malaysia’s investment landscape. Among the issues discussed include MIDA’s role in attracting investments, Domestic Investment Strategic Fund (DISF) and the importance of innovation and research & development for sustainable investment.



MIDA and Rohm Wako Discuss Impact of Investments to Local Community on Kelantan FM

Encik Mohd. Zulkafli Ismail, Executive Director, Manufacturing Development (Non-Resources) of MIDA together with Encik Hasdi Nordin, Senior General Manager (Production) of Rohm Wako Electronics (M) Sdn. Bhd. were featured in a live radio interview on Kelantan FM on 22 December 2015. During the session, MIDA and Rohm Wako discussed the impact of the company's investments in Malaysia, covering its contributions in the areas of job opportunities, human capital enhancement initiatives, development of local vendors as well as corporate social responsibility activities.



MIDA Seminar Highlights Investment Opportunities in Sabah

More than 200 participants attended the "Seminar on Investment Opportunities in Sabah", organised by MIDA in collaboration with the Department of Industrial Development & Research (DIDR) at the Magellan Sutera Hotel, Kota Kinabalu. The seminar, held on 9 December 2015 was graced by YB Datuk Seri Panglima Raymond Tan Shu Kiah, Deputy Chief Minister cum Minister of Industrial Development Sabah and Datuk Phang Ah Tong, Deputy CEO of MIDA.

According to Datuk Phang, "Malaysia continues to be a preferred investment destination despite the challenging global economic environment. Sabah has been one of the recipients of these investments as the state offers tremendous potential to wealth creation in the resource-based economy thanks to its rich biodiversity and natural resources".



"As at December 2014, 731 manufacturing projects have been implemented in Sabah, with total investments of RM17.9 billion. More than 85% of these projects are in resource based industries such as petroleum products including petrochemicals, food manufacturing, paper, printing & publishing, wood & wood products, chemical & chemical products and non-metallic mineral products," he added.

[READ MORE](#)

MIDA IN THE NEWS

US\$402m business opportunities between Malaysia, Korea

MIDA : Apply for DISF grants

MALAYSIA RANKING

Malaysia ranks among top 30 in Global Shipping

ECONOMY NEWS

PwC : Malaysia to gain from TPPA

S&P : Malaysia's rating unchanged

World Bank expects 4.5pc GDP growth for Malaysia

INDUSTRY NEWS

SDP Global invests US\$100m in Johor plant

Tek Seng diversification into solar panel making a success

MAMEE eyes big gulp of region's beverage manufacturing mart

Condom maker expands capacity

Sabah, Sarawak poised to become regional biomass downstream processing hub GCCP to expand operations

MBC, Star Alloy tie up develop Biocity in Malacca

FGV in pact to produce biodegradable plastics

Hiap Teck to grow downstream business

Top Glove net profit soars

Eng Kah boosts output

SCGM plans expansion

SERVICES NEWS

Ramco Systems to shift focus to Malaysia

GreenTech is founding partner of GBN

With IoT, retailing now is entire new supply chain game

Japanese content provider makes KL its regional hub

Global shift towards services sector

Bio-Xcell finalising new investment

TM to invest RM2.3bil

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.



Malaysian Investment Development Authority

MIDA Sentral

No.5, Jalan Stesen Sentral 5

Kuala Lumpur Sentral

50470 Kuala Lumpur

Tel: 603 2267 3633 / 2263 2555 / 2263 2549

Fax: 603 2274 7970

E-mail: investmalaysia@mida.gov.my

Website: www.mida.gov.my

Tell us what you think about our newsletter . Your feedback will help us improve our services to you.

Give feedback

This email was automatically generated for you, please do not reply. You're receiving this newsletter because you've been registered with MIDA website at www.mida.gov.my. Please add info@mida.gov.my to your address book so that our emails get to your inbox.