BUSINESS AND INVESTMENT OPPORTUNITIES IN MALAYSIA AND ASEAN

11TH MAY 2017
Malaysia’s Economic Development Journey

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>GDP CONTRIBUTION (%)</th>
<th>1970</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td></td>
<td>33.6</td>
<td>8.9</td>
</tr>
<tr>
<td>Mining</td>
<td></td>
<td>7.2</td>
<td>9.0</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td>3.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td>12.8</td>
<td>23.0</td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td>42.6</td>
<td>53.5</td>
</tr>
</tbody>
</table>

Malaysia has successfully transformed from a predominantly agriculture-based economy in the 1970s, to a more diversified economic structure.

- **Services** the largest contributor to the Economy (53.5%)
- **Manufacturing** sector contributes 81% of total exports
- **MNCs** contribute 75% of total exports

Source: Department of Statistic Malaysia
**Investment Agenda**

- **High Income** – Target USD 15,000 to USD 20,000 per capita by 2020
- **Re-energise the private sector to drive growth**
- **Cluster - and - corridor based activities**
- **Enhance the sources of growth**
- **Create a competitive domestic economy**
- **Develop a quality workforce**

- **Total investment target** – USD444 billion (RM1.4 trillion)
- **Private sector led economy** – USD410 billion (92%)
- **73% Domestic Direct Investment (DDI)**
- **Increased services sector contribution to GDP (67% by 2020)**
- **High Income** – Target USD 15,000 to USD 20,000 per capita by 2020
- **Re-energise the private sector to drive growth**
- **Cluster - and - corridor based activities**
- **Enhance the sources of growth**
- **Create a competitive domestic economy**
- **Develop a quality workforce**

- **Real GDP growth between 5%-6% per annum**
- **Private investments growth of 9.4% or RM291 billion per annum**
- **Catalytic and Growth (3+2) Sub-Sectors (e&e, m&e, chemical + medical devices, aerospace)**

- **NKEAs – 11 industry sectors and Greater KL**
- **Total investment target – USD444 billion (RM1.4 trillion)**
- **Private sector led economy – USD410 billion (92%)**
- **73% Domestic Direct Investment (DDI)**

Increased services sector contribution to GDP (67% by 2020)

**Note**:
- **NEM**: New Economic Model
- **ETP**: Economic Transformation Programme
- **11MP**: 11th Malaysia Plan

Aerospace
- Machinery & Equipment
- Transport Equipment
- Advanced Materials
- Logistics
- Environmental Management

*Note:
- **NEM**: New Economic Model
- **ETP**: Economic Transformation Programme
- **11MP**: 11th Malaysia Plan
Who Are We?

The principal Malaysian Government agency responsible for the promotion of investments and coordination of industrial development and selected services sectors in the country.


Functions of MIDA

- Foreign Direct Investment
- Domestic Investment
- Manufacturing & Selected Services

- Assist companies in the implementation & operation of their projects
- Facilitate exchange & coordination among institutions engage in or connected with industrial development
- Advisory Services

- Manufacturing Licenses
- Tax Incentives
- Expatriate Posts
- Duty Exemption
- Principal Hub & selected services

- Planning for industrial development
- Recommend policies & strategies on industrial promotion and development
- Formulation of strategies, programmes and initiatives for international economic cooperation
MITI & Agencies

MIDA as a One Stop Centre

Based in MIDA

Immigration Department
Royal Malaysian Customs
Labour Department
Telekom Malaysia Berhad

Based outside MIDA

MATRADE
SME Bank
SMICorp
HDC
MPC
MDEC
Departement of Occupational Safety & Health (DOSH)
Ministry of Human Resources
Now, Malaysia’s investment environment consists of multiple national, regional and state investment promotion agencies.

- **Northern Corridor Investment Authority (NCIA)**
  - Financial Services
  - Petrochemical and Maritime
  - Healthcare
  - Tourism and Logistic Industry
  - Manufacturing & Services

- **East Coast Economic Region Development Council (ECERDC)**
  - Tourism
  - Oil & Gas
  - Manufacturing
  - Agriculture
  - Education

- **Sabah Economic Development Investment Authority (SEDIA)**
  - Agro-based Industry
  - Tourism
  - Logistics
  - Manufacturing

- **Regional Corridor Development Authority (RECODA)**
  - Resource Based Industry - Aluminum, Glass, Steel, Oil-based Industry, Palm Oil,
  - Fishing & Aquaculture, Livestock, Timber-based,
  - Marine
  - Energy
  - Tourism

- **Iskandar Region Development Authority (IRDA)**
  - Tourism
  - Manufacturing
  - Agriculture
  - Education

- **Johor State Investment Centre**
  - Biotechnology Corporation

- **Negeri Sembilan Investment Centre**
  - Kedah Investment Centre

- **Pahang State Development Corporation**
  - InvestPerak

- **Penang State Development Corporation**
  - InvestMalaka

- **Selangor State Development Corporation**
  - InvestPenang

- **Sarawak Economic Development Corp**
  - InvestSelangor Berhad

- **Penang**
  - SME Corp
  - MDEC

- **Johor**
  - Biotech Corp
  - JSIC

- **Kedah**
  - KTC

- **Pahang**
  - Pahang State Development Corporation

- **Selangor**
  - InvestPenang
MALAYSIA’S MAJOR TRADING PARTNERS IN 2016

- **USA**: €25.0 billion, 8.8% share
- **China**: €44.8 billion, 15.7% share
- **ASEAN**: €78.0 billion, 27.4% share
- **EU**: €28.9 billion, 10.1% share
- **Japan**: €24.9 billion, 8.7% share
- **Australia**: €8.9 billion, 3.1% share

*Exchange Rate: EUR1: RM4.58 (2016)*

*Source: MATRADE*
In 2016, Malaysia was ranked as the 57th import source for Spain.

In 2016, Malaysia’s total trade with Spain decreased by 15.3% amounting to €1,13 billion.
In 2016, Malaysia’s exports to Spain amounted to €521 million. A decline of 11.4% compared to the previous year.
MALAYSIA’S EXPORT TO SPAIN

Top 5 exports to Spain in 2016 were:

- Animal or Vegetable Fats, Oils, Etc & Waxes; €128
- Rubber and Articles Thereof; €80
- Miscellaneous Chemical Products; €76
- Electric Machinery Etc; Sound Equip; TV Equip; Pts.; €43
- Nuclear Reactors, Boilers, Machinery Ect; Parts; €48
- Others; €146
MALAYSIA’S IMPORTS FROM SPAIN

In 2016, Malaysia’s imports from Spain amounted to €609 million. A decline of 18.35% compared to the previous year.

Malaysia’s Imports from Spain in 2016

Euro million

482 746 609

2014 2015 2016
MALAYSIA’S IMPORTS FROM SPAIN

Top 5 imports from Spain in 2016 were:

- **Aircraft, Spacecraft and Parts of Thereof; €124**
- **Iron & Steel; €135**
- **Nuclear Reactors, Boilers, Machinery Etc; Parts; €62**
- **Electric Machinery Etc; Sound Equip; TV Equip; Pts.; €28**
- **Pharmaceutical Products; €42**

Other imports comprised the remaining share.
INVESTMENT
APPROVED PROJECTS BY MAJOR FOREIGN COUNTRIES IN MANUFACTURING SECTOR (1980-2016)

USD Billion

- EU: 33.4
- Japan: 33.2
- USA: 28.5
- Singapore: 17.6
- Taiwan: 12.2
- Rep. Korea: 8.9
- Australia: 7.1
- China: 6.1
- Hong Kong: 5.1
- India: 2.6
Spain is the 5th Largest Investor from EU with 12 projects (1.3 Billion)
APPROVED INVESTMENTS IN MANUFACTURING SECTOR BY SPANISH AS AT 2016

1980 – 2016
• No. of Project : 12
• Employment : 1,800
• Investment : US$ 1.3 billion

INDUSTRY SECTORS
• Basic Metal Products
• Chemical & Chemical Products
• Food Manufacturing
• Petroleum Products (Incl. Petrochemicals)
• Plastic Products
• Electronics & Electrical Products
### REGIONAL ESTABLISHMENT APPROVED FROM SPAIN 2006 – 2016

<table>
<thead>
<tr>
<th>TYPE OF STATUS</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representative Office</td>
<td>8</td>
</tr>
<tr>
<td>Regional Office</td>
<td>19</td>
</tr>
<tr>
<td>Regional Distribution Center</td>
<td>1</td>
</tr>
<tr>
<td>Operational Headquarters</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29 projects (US$ 4.2 million)</strong></td>
</tr>
</tbody>
</table>
PROMINENT SPANISH COMPANIES

ACERINOX  
Indra  
MOLECOR  
FICOSA  
GMV INNOVATING SOLUTIONS  

ORMAZABAL  
Matachana  
ROCA  
IDIADA  
SALTO inspired access  
EXPAL  

MELIA HOTELS & RESORTS  
BEFESA  
Scytl  
VICINAYmarine  
REPSOL  
TECNICAS REUNIDAS  

SPANISH PASSION  
Navantia  
RosRoca  
AV  
CIO

- www.mida.gov.my - INVEST IN MALAYSIA > YOUR PROFIT CENTRE IN ASIA
INVESTMENT OPPORTUNITIES IN MALAYSIA
Promoted Activities

Investment Opportunities in the Services Sector

- Education & training
- Regional Establishments
- Environmental Management
- ICT Services
- Offshore & Outsourcing Activities
- Healthcare
- Logistics
- Tourism including Medical Tourism

45 Sub Sectors
liberalised since 2009

Investment Opportunities in the Manufacturing Sector

Resourced-based industries

- Oil & Gas, Food & Agro based and Value-added products from natural halal resources.

Industries manufacturing intermediate goods

- Machinery & equipment, components & parts and Moulds & dies

High technology, capital intensive & knowledge driven industries

- Alternative Energy Sources, Biotechnology, Advanced Materials, Advanced Electronics, Optics and Photonics, Petrochemicals, Pharmaceuticals, Medical Devices, ICT & Aerospace
Eleventh Malaysia Plan (2016-2020) (manufacturing)

Three (3) catalytic subsectors namely Chemical, E&E and M&E industries; and two (2) subsectors of high potential growth namely Aerospace and Medical Devices have been identified in the 11th MP to drive the growth of the manufacturing sector.
INDUSTRY 4.0: OPPORTUNITIES IN MALAYSIA

Use of Additive Manufacturing in a connected manufacturing environment for:

- Automotive,
- Aerospace,
- Electronic Consumer Products &
- Medical/Dental Devices

Expanding scope of services in Manufacturing to include:

- Industrial Data Services
- Cloud Based services
- Industrial Mobility
- Cyber Security Services

Investments in E&E Sector: Machine to Machine (M2M) Sensors

- A trend of using combined sensors in M2M applications is emerging in the manufacturing industry
- Opportunities to increase investments in sensor technology companies

Towards inclusive growth and sustainable development, to move the economy up the value chain as well as rebranding Malaysia’s image as the centre for advanced technology and global activities
MALAYSIA AS A PRINCIPAL HUB LOCATION

- Strong base to ASEAN market
- Well-known business services centre
- Government Reforms - Strengthened pro-business environment

- HUMAN RESOURCE
- TRADING
- DECISION MAKING
- FINANCE
- MANAGEMENT

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Regional Operations & Principal Hub

A locally incorporated company Uses Malaysia as a base for conducting its regional or / and global business and operations to manage, control and support its key functions.

ELIGIBILITY CRITERIA :-

• Local incorporation under the Companies Act 1965
• Paid-up capital : > RM2.5 Million

Key Functions

- Management of risk
- Strategic Business Activities
- Trading
- Finance
- Management & Human Resource
- Decision Making

Approval As At 30 June 2016 for Principal Hub

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>6</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>8</td>
</tr>
<tr>
<td>GRAND TOTAL:</td>
<td>14</td>
</tr>
</tbody>
</table>
Principal Hub Incentive Scheme

3-TIERED CORPORATE TAXATION RATE

<table>
<thead>
<tr>
<th>3-Tier Incentive</th>
<th>Tier 3</th>
<th>Tier 2</th>
<th>Tier 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blocks (years)</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>+5</td>
<td>+5</td>
<td>+5</td>
</tr>
<tr>
<td>• Tax rate</td>
<td>10%</td>
<td>5%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Click for Further Explanation

Based on level of:

- High Value Jobs Created
- Business Spending
- Number of Countries Served
PROMINENT FOREIGN GLOBAL ESTABLISHMENT OPERATING FROM MALAYSIA FOR ASIA

Source: MIDA / MDeC / INVESTKL

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Ecosystem Approach

Promote the entire value chain of industry clusters

Strengthen & complete the ecosystem
# RENEWABLE ENERGY (RE)

## RE Targets: 11th Malaysia Plan (2016 – 2020)

<table>
<thead>
<tr>
<th>RE Projects Based on Sources</th>
<th>2014</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar</td>
<td>66%</td>
<td>9%</td>
</tr>
<tr>
<td>Biomass</td>
<td>23%</td>
<td>38%</td>
</tr>
<tr>
<td>Biogas</td>
<td>5%</td>
<td>12%</td>
</tr>
<tr>
<td>Mini-hydro</td>
<td>6%</td>
<td>24%</td>
</tr>
<tr>
<td>Solid wastes</td>
<td>0</td>
<td>17%</td>
</tr>
</tbody>
</table>
OIL & GAS ECOSYSTEM

UPSTREAM
- Exploration
- Development
- Production
- Decommissioning
  - Well Services: Well intervention & stimulation
  - Decommissioning (study)

MIDSTREAM
- Transportation
- Storage
  - Integrated independent tank
  - Oil-storage tank
  - Blending
  - Mixing

DOWNSTREAM
- Processing
- Cracker
- Petrochemical Product & Derivative

Geological services
Seismic survey
Remote monitoring

Drilling, Health, Safety and Environment (HSE) Management Services, Testing/Inspection

Business Opportunities in Malaysia
AUTOMOTIVE ECOSYSTEM

NAP 2014: Investment opportunities for Energy Efficient Vehicle (EEV)
MEGA PROJECTS IN MALAYSIA

Melaka Gateway
- 1366 Acre
- GDV- RM56B

Opportunities
• Property Development
• Green Technology
• Shipbuilding
• Shared Services

Tun Razak Exchange
- 70 Acre
- GDV- RM26B

Opportunities
• Malaysian Financial Hub
• Islamic Finance

Source: CIDB
**Major Incentives**

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

- **Investment Tax Allowance**
  60% or 100% on qualifying capital expenditure for 5 years

- **Reinvestment Allowance**
  60% on qualifying capital expenditure for 15 consecutive years

- **Import Duty Exemption**
  For raw materials / components and machinery and equipment

**Investment Policies**

- **OWNERSHIP**
  Manufacturing & selected services sectors can be wholly foreign-owned

- **EXPATRIATE POSTS**
  Liberal policy, based on merit of each case

- **CAPITAL**
  Freedom to repatriate Capital, Interest, Dividends and Profits – No Restrictions

**Other Incentives**

- Less Developed Area
- Industrial Area Management
- Automation Capital Allowance Expenditure
- Principal Hub
- Independent Con firmity Assessment Bodies (ICAB)

[https://incentives.mida.gov.my/Incentives/Modules/Public/IncentiveList.aspx](https://incentives.mida.gov.my/Incentives/Modules/Public/IncentiveList.aspx)
MALAYSIA AS A HUB FOR ASEAN

7th Largest economy (4th by 2050)

- Population 625 million (2015)
- Youth 60%

- GDP €2.87 trillion
  GDP Growth: 4.6% (2015)
  5.1% (2016)
  Per capita €4,626 (2014)

- Total FDI €140.8 billion (2015)
  Intra ASEAN €27.3 billion (17.9%)

- Total Exports €1.4 trillion
  Intra ASEAN 25.5%

- Tourist Arrivals 105 million (2014)
  Intra ASEAN 48 million

ASEAN Dialogue Partners:
- Australia
- Canada
- China
- India
- Japan
- Korea
- New Zealand
- EU
- Russia
- USA
SOME ASEAN INFRASTRUCTURE SPENDING

Electricity
Generation, Transmission, Distribution (€33.9 billion)

Transport
Road, Rail, Ports, Airports (€49.1 billion)

Water and Sanitation
(€7 billion)

Telecommunication
(€8.2 billion)

€98.2b per year through to 2025
FREE TRADE AGREEMENT
Malaysia’s Free Trade Agreements (FTAs)

REGIONAL / BILATERAL FTAs
- China
- Japan
- Korea
- India
- Australia
- New Zealand
- Chile
- Turkey
- Pakistan

Potential market of 2.7 billion population
Tariff reduction and elimination mostly by 2016

ON-GOING FTA NEGOTIATIONS
- RCEP
- EU

• Constitutes 60% of Malaysia’s global trade via preferential treatment
• Once concluded, will increase the share of Malaysia’s global trade via preferential treatment to 80%
• Potential market of additional 1.8 billion population
Malaysia's Global Ranking
Malaysia ranked among Asia Pacific’s top 10 foreign direct investment (FDI) hotspots, according to a study by US-based global information company IHS Inc.

**Dominant position in Islamic Finance Development Indicator (ICD- Thomson Reuters)**

- **1st**

**Global offshoring destination (A.T. Kearney Global Services Location Index™ 2016)**

- **3rd**

**Protecting investors (World Bank Doing Business 2016 Report)**

- **4th**

**Most attractive investment destination (Baseline Profitability Index (BPI) 2015)**

- **6th**

**Area**: 329,847 km²

**31 million population**

**14 states**

**CAPITAL**: Kuala Lumpur

**Most competitive economy in overall performance (IMD's World Competitiveness Yearbook 2016)**

- **19th**

**Bloomberg Innovation Index 2017 (Manufacturing Value Added)**

- **12th**

**Most competitive nation in the world (WEF's Global Competitiveness Report 2016-2017)**

- **25th**

**In ease of doing business (World Bank Doing Business 2017 Report)**

- **23rd**
Why Malaysia?

STRATEGIC LOCATION

Home to Tropical Paradise
We Embrace Multiculturalism
An Unsurpassed Lifestyle

English speaking language

Political and Economic Stability
Liberal Investment Policies
Pro-business Government

Well Developed Infrastructure/Connectivity
Harmonious Industrial Relations
Excellent Facilities - Convention and Conferences

Attractive Incentive
Young, Trainable and Educated Labour Force
Banking System

Quality of Life
IP Protection
Good Track Record

An Unsurpassed Lifestyle
We Embrace Multiculturalism
An Unsurpassed Lifestyle
THANK YOU
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