

# Malaysia: In a league of its own

## WHAT DO MNCs LOOK FOR IN AN ASEAN BASE OF OPERATIONS?

The impact of Covid-19 and geopolitics highlighted the fragility of today's complex, just-in-time supply chains. Last year, global trade declined by 9.2%. Now, multinational corporations are looking to de-risk their supply chains, decentralise their manufacturing and diversify their operations. This has prompted many MNCs to establish manufacturing and production bases across ASEAN.

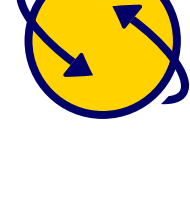
**And in ASEAN, one country stands out: Malaysia.**

## MALAYSIA: ASEAN'S HUB

# 16 FTAs

Malaysia is a market-oriented economy with **16 Free Trade Agreements**. This reduces or eliminates tariffs and creates a frictionless flow of goods and services to a potential market of **4.0 billion people**

# US\$ 107 BILLION



In 2020, **FDI flows to ASEAN reached US\$107 billion**, and the region registered over US\$70 billion in new greenfield investment projects, the largest volume among developing regions<sup>1</sup>

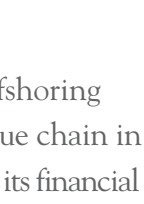
# #5



### WORLD'S MOST ATTRACTIVE EMERGING MARKET

Malaysia is the fifth most attractive emerging market in the world, according to Bloomberg, with a projected **GDP growth of 6.8% in 2021**<sup>2</sup>

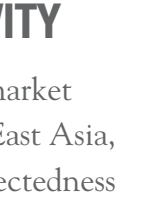
# 3rd



### IN GLOBAL OFFSHORING

Malaysia ranked third as a global offshoring destination in the global services value chain in 2019, out of 50 countries, improving in its financial attractiveness and business environment scores<sup>3</sup>

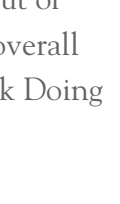
# 2nd



### IN TRADE AND CONNECTIVITY

Malaysia is the world's second best market in trade and connectivity in South-East Asia, according to the DHL Global Connectedness Index 2019<sup>4</sup>

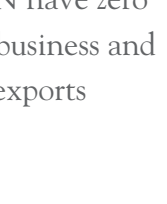
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### INVESTOR PROTECTION

Ranked second protecting investors out of 190 economies worldwide, and 12th overall on Doing Business in The World Bank Doing Business 2020 Report<sup>5</sup>

# 0



### TARIFFS

Almost 99% of products in ASEAN have zero tariffs. Reducing the cost of doing business and encouraging regional imports and exports

## MALAYSIA'S HIGH-GROWTH AND CATALYTIC INDUSTRIES

### Electrical and Electronics



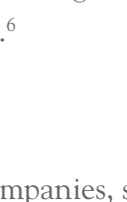
### Life Sciences and Medical Technology



### Aerospace



### Chemicals



### Machinery and Equipment



### ELECTRICAL AND ELECTRONICS (E&E)

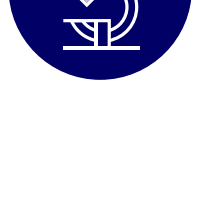
The E&E industry consistently provides robust economic opportunities.

**~6% growth**

The semiconductor market is expected to grow at a compound annual growth rate (CAGR) of ~6% from 2018 to 2027.<sup>6</sup>

**6 out of 10**

Of the world's 10 largest solar PV companies, six operate in Malaysia, including First Solar, SunPower, LONGi and JA Solar.



### CHEMICALS

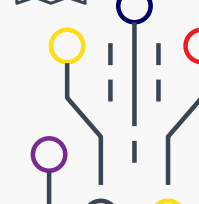
Malaysia is home to an extensive chemicals and advanced materials network of companies.

**> 185 companies**

There are over 185 companies producing a wide range of rubber products for the automotive, electrical and electronics, machinery and equipment and construction industries.

**> 100 companies**

There are more than 100 companies in operation in the agricultural chemicals sector.



### MACHINERY AND EQUIPMENT (M&E)

Malaysia's M&E industry is one of the strongest in the ASEAN region.

**10.1% per annum**

The industry is forecast to grow at 10.1% p.a. from 2018 to 2027.<sup>7</sup>



### LIFE SCIENCES AND MEDICAL TECHNOLOGY

Malaysia is committed to providing vital solutions in the life sciences and medical technology industries.

**> 200 manufacturers**

Malaysia is home to over 200 medical device manufacturers. More than 30 medical devices MNCs have made Malaysia their offshore location for their manufacturing operations.<sup>8</sup>



### AEROSPACE

Made up of over 230 companies, Malaysia's aerospace industry is one of the fastest-growing industries in the country.

**5% on average**

Malaysia's aerospace industry has been growing at an average of 5% over the past 10 years.

## MALAYSIA'S DIGITAL ECONOMY

Malaysia's Digital Economy Blueprint, part of the MyDIGITAL initiative, has some key KPIs:



**30% uplift** in productivity by 2030

Digital economy to contribute **22.6% to Malaysia's GDP**

Attract **RM70 billion (US\$16.87 billion)** investment into digitalisation<sup>9</sup>

Bring **2 unicorns** to Malaysia

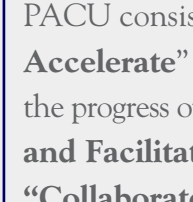
## MALAYSIA: FUTURE-READY, TODAY



# 5.0

### MALAYSIA 5.0

The Malaysia Digital Economy Corporation (MDEC) and Ministry of Communications and Multimedia introduced the "Malaysia 5.0" plan to develop the country's information and technology industries.



# PACU

### PROJECT ACCELERATION AND COORDINATION UNIT (PACU@MIDA)

PACU helps facilitate foreign and domestic investors with their approved projects through a digitalised system that ensures a streamlined process right up to implementation.

**4-step process**

PACU consists of a 4-step process: "Assist and Accelerate" the application process, "Monitor" the progress of project implementation, "Identify and Facilitate" issues and challenges, and "Collaborate" with agencies and stakeholders.

**0 fees**

There will be no charges for PACU services.<sup>12</sup>

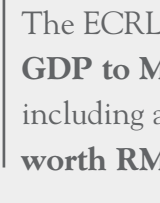
**RM65.9 billion**

As of December 2020, MIDA has RM65.9 billion worth of potential investments being actively evaluated. These projects, once approved, are expected to be implemented within the year 2021 to 2022.<sup>13</sup>



### INDUSTRY4WRD

The Industry4WRD: National Policy on Industry 4.0 was launched in 2018 to drive digital transformation of the manufacturing and related services sectors.



# ECRL

### EAST COAST RAIL LINK

The East Coast Rail Link (ECRL) is a strategic infrastructure rail network and is the biggest economic and trade project between China and Malaysia.

**2.7% GDP**

The ECRL is projected to contribute **2.7% GDP to Malaysia's economic growth**, including an expected generation of **jobs worth RM17.6 billion** during construction.<sup>15</sup>

**38.5% of the population**

Connecting states along the eastern and western coasts of Peninsula Malaysia, the rail network will **link up 38.5% of Malaysia's population**.

**10 years**

Industry4WRD outlines Malaysia's vision for the manufacturing sector in the next decade.

**Tax deduction: Up to RM27,000**

The Industry4WRD Readiness Assessment (RA) enables companies to get assessed for Industry 4.0, with **tax deduction** on RA fees of up to RM27,000 (**US\$6,535**).<sup>14</sup>

1 UNCTAD, Investment Trends Monitor, January 2021: [https://unctad.org/system/files/official-document/diaeiainf2021d1\\_en.pdf](https://unctad.org/system/files/official-document/diaeiainf2021d1_en.pdf)  
2 Bloomberg, China Lags as Thailand, Russia Rank Top Emerging Markets Recovery Pickings: <https://www.bloomberg.com/graphics/2020-emerging-markets-recovery-rankings/>  
3 Kearney, Digital resonance: the new factor influencing location attractiveness: The 2019 Kearney Global Services Location Index: <https://www.co.kearney.com/digital-transformation/gsl/2019-full-report>  
4 MIDA, Malaysia ranks 2nd in Southeast Asia for trade connectivity, 2019: <https://www.mida.gov.my/mida-news/malaysia-ranks-2nd-in-southeast-asia-for-trade-connectivity/>  
5 World Bank Group, Doing Business 2020, Malaysia: <https://www.doingbusiness.org/content/dam/doingBusiness/country/m/malaysia/MYS.pdf>  
6 MIDA, Electrical and Electronics, 2021: <https://www.mida.gov.my/industries/manufacturing/electrical-electronics/>  
7 MIDA, Malaysia's Machinery & Equipment and Engineering Supporting Industries, 2020: [https://www.mida.gov.my/wp-content/uploads/2020/07/20200707115544\\_ME2020.pdf](https://www.mida.gov.my/wp-content/uploads/2020/07/20200707115544_ME2020.pdf)  
8 MIDA, Medical Devices, 2021: <https://www.mida.gov.my/industries/manufacturing/life-sciences-medical-technology/medical-technology-medical-devices/>  
9 RM70 billion (US\$16.87 billion) converted at a rate of 1 MYR = 0.242053 USD; 1 USD = 4.13133 MYR, 6 April 2021  
10 OpenGov Asia, Malaysia 5.0: Reinventing Malaysia's digital economy, 2020: <https://opengovasia.com/malaysia-5-0-reinventing-malaysia-digital-economy/>  
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13 MIDA, Malaysia Records RM164 Billion of Total Approved Investments In 2020 Amid Global Pandemic, 2021: <https://www.mida.gov.my/media-release/malaysia-records-rm164-billion-of-total-approved-investments-in-2020-amid-global-pandemic/>  
14 RM27,000 (US\$6,535) converted at a rate of 1 MYR = 0.242053 USD; 1 USD = 4.13133 MYR, 6 April 2021  
15 Railway Technology, East Coast Rail Link (ECRL) Project, Malaysia, 2020: <https://www.railway-technology.com/projects/east-coast-rail-link-ecrl-project/>