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HIGH LEVEL DIALOGUE  
ON ASEAN ITALY  
ECONOMIC RELATIONS

# HIGH LEVEL DIALOGUE ON ASEAN ITALY ECONOMIC RELATIONS

1° Digital Round Table  
July 2, 2020

## PRESENTATION BY AZMAN MAHMUD

Main Partner



Junior Partner



With the patronage of



With the support of



Strategic partner



*Malaysia is Open for Business:  
“Make Malaysia Your Global  
Supply Chain Hub”*

**Dato' Azman Mahmud**  
**CEO of MIDA**

*2<sup>nd</sup> July 2020*



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**MIDA & ITS ROLE**

# Truly International

- New York
- San Jose
- Chicago



- London
- Stockholm
- Munich
- Frankfurt
- Milan
- Paris



Dubai



Mumbai



- Beijing
- Guangzhou
- Shanghai
- Taipei



- Seoul
- Tokyo
- Osaka



Singapore



Sydney



20 overseas offices

12 state offices



MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY



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# 2

## Mitigating the COVID-19 Pandemic

# COVID-19

Status in Malaysia:

*As at 30 June 2020*

**Total Cases**

**8,639**

**96.7%**

**Discharge:**

**8,354**

To reduce the economic impact of COVID-19 and to preserve the long term attractiveness of the country's economy, the Government has put in place a Stimulus Package valued at USD58 billion (RM260 billion) including USD25 billion (RM110 billion) to support businesses.

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## Targeted Growth Areas

# On Going Focus

## 3 + 2 Industries

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<b>Electrical &amp; Electronics</b> 	<b>Machinery &amp; Equipment</b> 	<b>Chemical</b> 
<p>The Electrical &amp; Electronics industry is the leading industry in Malaysia's manufacturing sector, contributing significantly to the country's exports and employment</p>	<p>The Machinery &amp; Equipment industry is one of the key areas for growth and development, focusing on high value-added and high technology M&amp;E</p>	<p>The Chemical industry is one of the catalytic industries in the country with rapid growth due to the availability of oil and gas as a feedstock</p>
<p><b>Subsectors:</b></p> <ul style="list-style-type: none"> <li>• Electronic components</li> <li>• Consumer electronics</li> <li>• Industrial electronics</li> <li>• Electrical products</li> </ul>	<p><b>Subsectors:</b></p> <ul style="list-style-type: none"> <li>• Specialised M&amp;E for specific industries</li> <li>• General industrial M&amp;E, parts and components</li> <li>• Power generating M&amp;E</li> <li>• Machine tools</li> </ul>	<p><b>Subsectors:</b></p> <ul style="list-style-type: none"> <li>• Petroleum products &amp; petrochemicals</li> <li>• Plastic products</li> <li>• Rubber products</li> <li>• Chemical &amp; chemical products</li> <li>• Oleochemicals</li> </ul>

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<b>Medical Devices</b> 	<b>Aerospace</b> 	<b>Other Sectors</b> 
<p>The Medical device industry spans an extremely wide range of industries from rubber and latex, plastics, machinery and engineering support and electronics</p>	<p>The Aerospace industry has been designated as a strategic sector with high growth potential in the country's industrialisation and technological development programs</p>	<ul style="list-style-type: none"> <li>• Automotive</li> <li>• Transport</li> <li>• Textiles</li> <li>• Pharmaceutical</li> <li>• Metal</li> <li>• Food processing</li> <li>• Services</li> </ul>
<p><b>Subsectors:</b></p> <ul style="list-style-type: none"> <li>• Consumables</li> <li>• Surgical instruments, clinical device &amp; implants</li> <li>• Healthcare equipment</li> </ul>	<p><b>Subsectors:</b></p> <ul style="list-style-type: none"> <li>• Engineering &amp; design</li> <li>• Aero-manufacturing</li> <li>• System integration</li> <li>• Maintenance, Repair and Operations (MRO)</li> </ul>	

## Key Economic Growth Areas

 <b>KEGA 1:</b> Islamic Finance Hub 2.0	 <b>KEGA 2:</b> Digital Economy	 <b>KEGA 3:</b> Industrial Revolution 4.0	 <b>KEGA 4:</b> Content Industry	 <b>KEGA 5:</b> ASEAN Hub
 <b>KEGA 6:</b> Halal & Food Hub	 <b>KEGA 7:</b> Commodity Malaysia 2.0	 <b>KEGA 8:</b> Logistic, Transportation & Sustainable Mobility	 <b>KEGA 9:</b> Coastal & Maritime Economy	 <b>KEGA 10:</b> Centres of Excellence
 <b>KEGA 11:</b> Renewable Energy	 <b>KEGA 12:</b> Green Economy	 <b>KEGA 13:</b> Smart & High Value Agriculture	 <b>KEGA 14:</b> Advanced & Modern Services	 <b>KEGA 15:</b> Malaysia Truly Asia

## Fortune 500 & Global Unicorn Companies

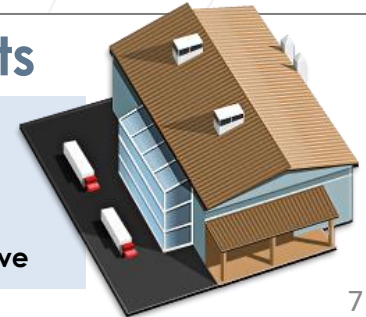
### High Technology SMEs

Exp. from Japan and Germany (Hidden Champions)

## Targeting Quality Investments

- High Value Added
- Strong Linkages
- Skills-Intensive
- High Income Jobs
- Export Oriented

- High Technology
- Capital-Intensive
- R&D & Design
- GNI Impact
- Knowledge-Intensive





# Major Industries

Malaysia Ranked  
**8th**

Exports of High Technology  
Products 2018

## Manufacturing

contribute **84.7%**  
of total exports products

*Jan – April 2020*

## Malaysia Strategic Location

In between India and China and  
as hub in ASEAN.



### E&E industry

The highest approved investments worth of USD6.3 billion (RM25.7 billion) or 31% of total approved investment in 2019



### Machinery & Equipment industry

Malaysia's M&E industry is among the largest and strongest in ASEAN dominated by SMEs to support the supply chain in Malaysia



### Medical Devices

More than 30 medical devices MNCs producing higher value added medical devices in Malaysia



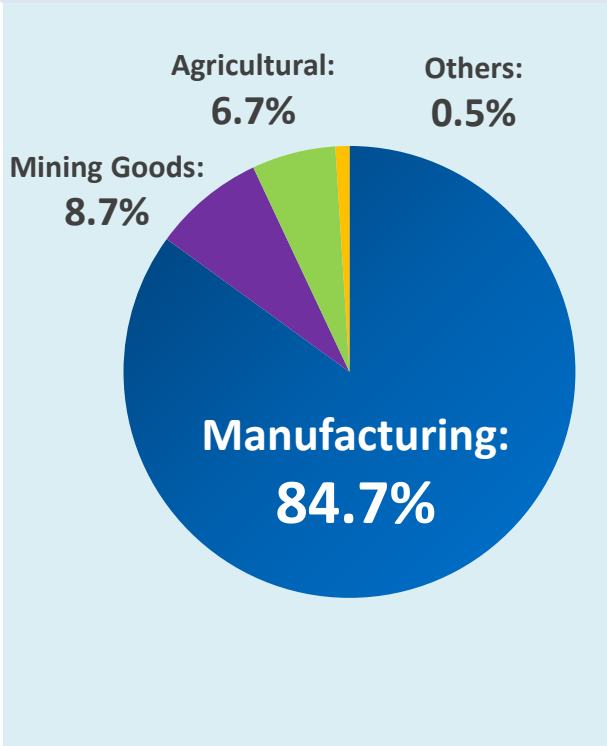
### Aerospace industry

Strong MRO support and more than 230 local and global companies call Malaysia as their home.

# Malaysia's Manufacturing Sectors Contribute more than 80% to export

Jan – April 2020

**Total Exports:  
RM303.6 billion**



## Major Exports Products:



Electrical & Electronic

36.3%



Petroleum Products

8.2%



Chemical

5.7%



LNG

4.5%



Palm Oil

4.2%

## Major Exports Countries:



14.8%



14.1%



9.7%



7.2%



6.7%

Source: MATRADE

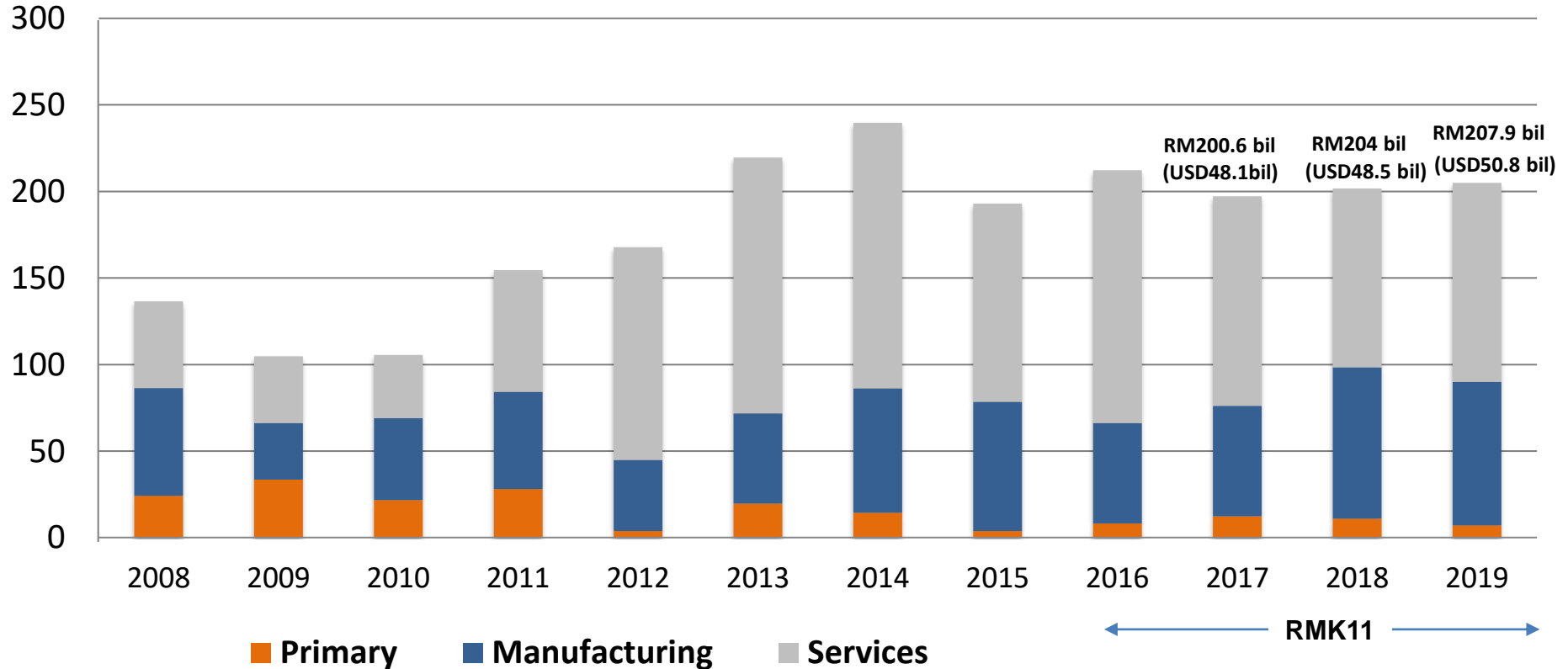
**4**

**Our Investment Performance**

# Trend of Approved Investments in the Economy

(2008 – 2019)

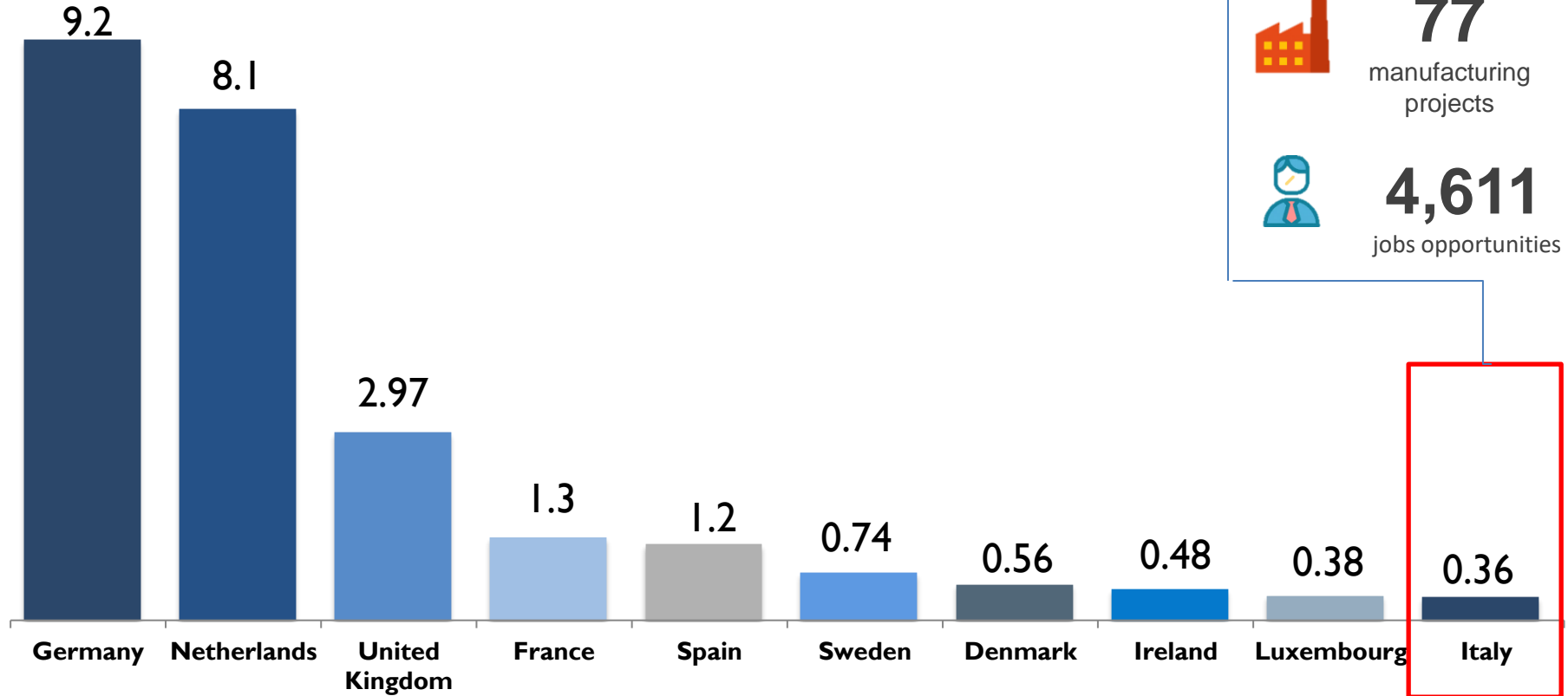
RM billion



# Investments Implemented by EU Countries (Manufacturing)

as at 2019

USD' Billion



# Prominent Foreign Companies in Malaysia

## European Companies



## Regional/Global Operations



# ITALIAN FOOTPRINT IN MALAYSIA



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## Moving Forward – Malaysia Value Proposition



# Strong Economic Fundamentals

	2013	2014	2015	2016	2017	2018	2019
Real GDP Growth (%)	4.7	6.0	5.0	4.2	5.8	4.7	4.3
Inflation (%)	2.1	3.2	2.1	2.1	3.8	1.0	1.2
GDP (USD bil.)	313.2	326.9	272.1	246.9	296.2	297.1	311.1
Per Capita Income (USD)	10,265	10,426	9,291	9,096	9,813	10,564	10,809
Unemployment (%)	3.2	2.9	3.3	3.4	3.4	3.4	3.4
International Reserves (USD bil.)	134.9	115.9	95.3	94.5	102	101.4	104.3



WORLD BANK GROUP

Malaysia a diversified economic structure and a sound track record of macroeconomic management. While the challenges ahead are unprecedented, Malaysia is well placed to weather the storm.



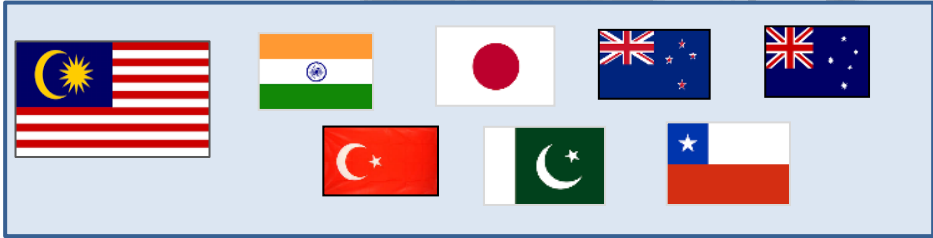
Malaysia's real gross domestic product (GDP) to grow at a rate of 9% next year 2021 among ASEAN-5

Malaysia	9%
Indonesia	8.2%
Thailand	6.1%
Philippines	7.6%
Vietnam	7%

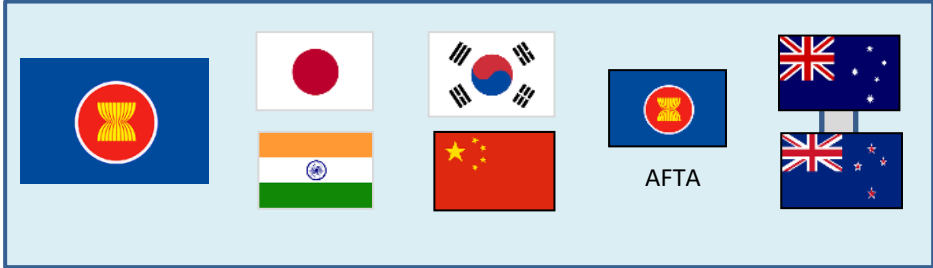
# Market Access offered by Malaysia

Total: 13 FTA Agreements:

## 7: Bilateral FTAs



## 6: Regional FTAs



**MARKET**  
**3.9 Billion Population**

**More than 90% of products are at 0% Import Duty under these FTA's Agreement**

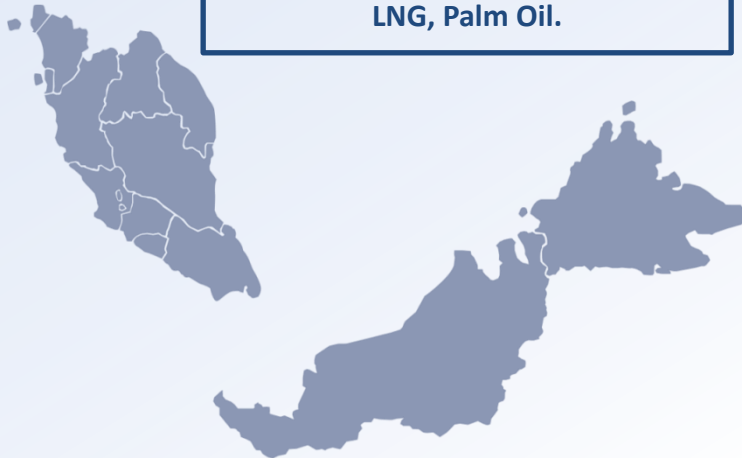
# Malaysia as High Tech Hub

Since the 1990s, Malaysia has adopted a more selective and targeted approach in attracting investments.

Malaysia has its advantage with its strong E&E base, established local engineering supporting cluster and talented workforce.



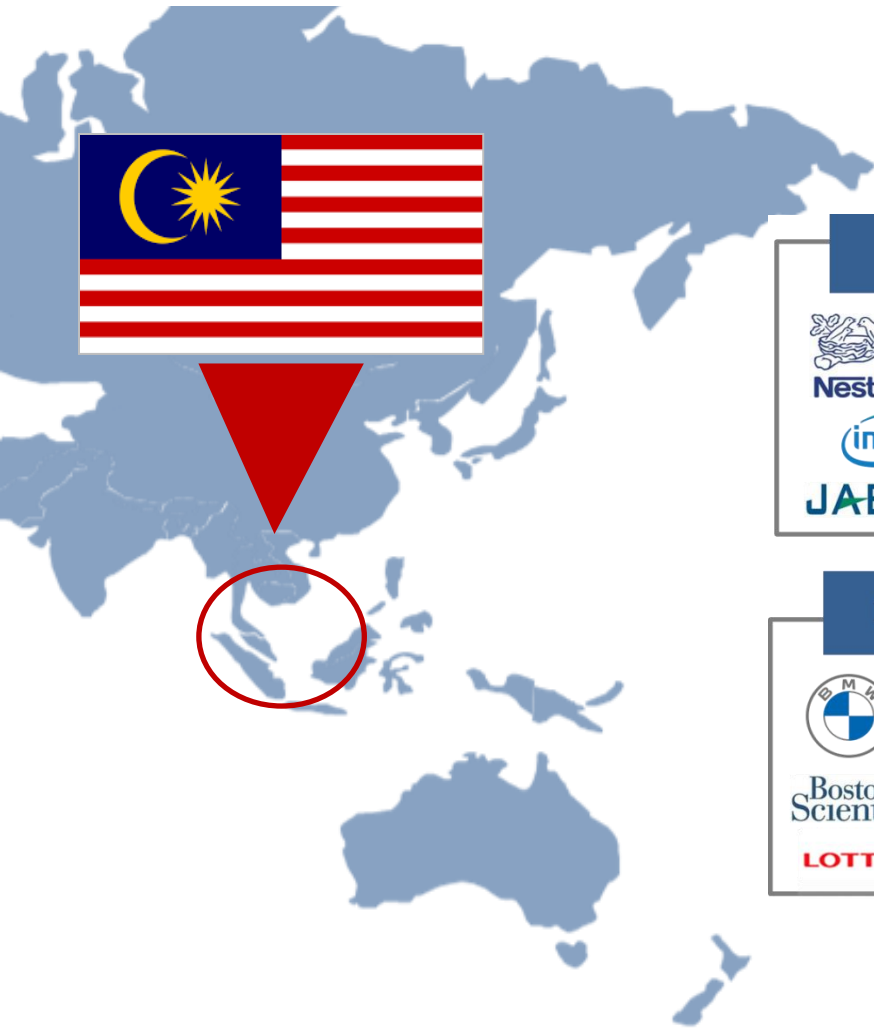
Top major exports from Malaysia:  
E&E, Petroleum Products, Chemical,  
LNG, Palm Oil.



- ❑ Targeting high value added companies (E&E, Automotive, machinery and equipment, chemicals, and medical)
- ❑ Promoting M&A - collaboration with local MNCs
- ❑ Promoting Non equity mode of Investment (NEM) – contract manufacturing, outsourcing

Strong and reliable local suppliers and MNCs' supply chain network

# Malaysia as Regional/Global Hub



## Procurement Hubs



## Regional Distribution Hubs



## Regional/Global Operations Hubs



# DHL GLOBAL CONNECTEDNESS INDEX



In partnership with



NYU



STERN

STEVEN A. ALTMAN AND PHILLIP BASTIAN

## DHL GLOBAL CONNECTEDNESS INDEX

Malaysia has maintained its strong position globally, ranking second highest in Southeast Asia and 12th out of 169 countries for trade connectivity, says the DHL Global Connectedness Index (GCI) report



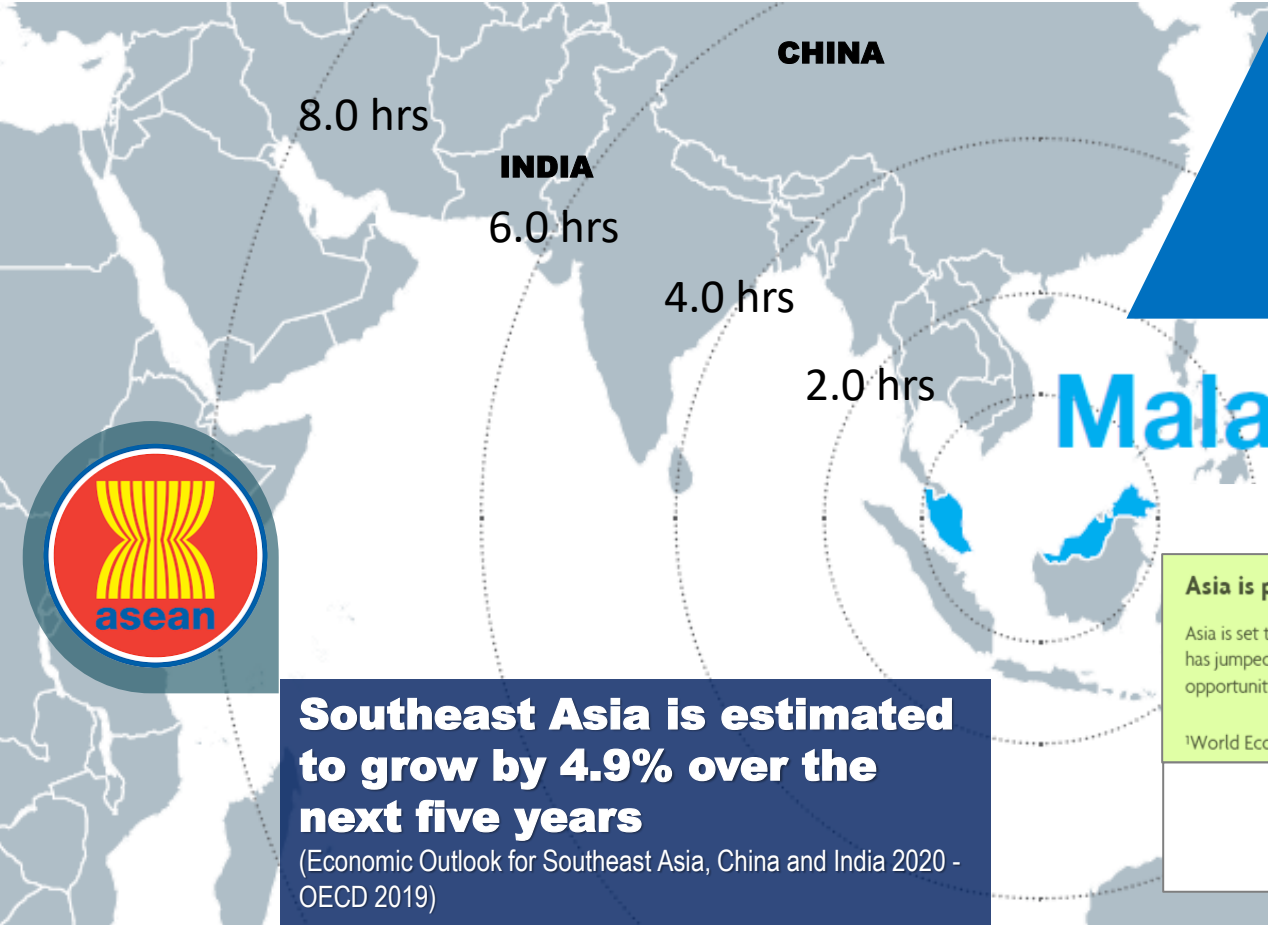
### Airports:

- 7 International Airports in Malaysia
- *KLIA (capacity of handling 40 million passengers and more than 1.2 million tonnes of cargo per year)*

### Ports:

- *Port Klang (10 million TEUs) – 2nd busiest ports in Southeast Asia*
- *Port of Tanjung Pelepas (7 million TEUs) - 3rd busiest ports in Southeast Asia*

# Strategic Location



**SOUTH EAST ASIA IS THE FASTEST GROWING ECONOMIC REGION IN THE WORLD**  
 (GDP growth of 5.3% over the last 20 years)

**Southeast Asia is estimated to grow by 4.9% over the next five years**  
 (Economic Outlook for Southeast Asia, China and India 2020 - OECD 2019)

**Asia powering the global**

**Asia is projected to contribute 48% of global GDP by 2023**

Asia is set to remain the world's biggest contributor to global GDP. The region's GDP has jumped from US\$27 trillion in 2007 to US\$55 trillion in 2017<sup>1</sup>. Fuelled by the rising opportunities, Asia is expected to shape the global economy in the 21<sup>st</sup> century.

<sup>1</sup>World Economic Outlook (October 2018), International Monetary Fund

**By 2030, the region is expected to contribute 60% of global growth**  
 World Economic Forum

# Business Friendly Investment Policies



## Equity Ownership

Foreigners are allowed to hold 100% equity ownership in the manufacturing and selected services sectors



## Repatriation of Income

Freedom to repatriate capital, interest, dividends and profits. No restrictions



## Employment of Expatriates

- **Key posts** (*posts that are permanently filled by foreigners*)
- **Term posts** (*posts that are filled by foreigners for a period of 1-5 years*)

## Intellectual Property (IP) Protection

Malaysia's IP laws are in conformance with international standards

- Member of the World Intellectual Property Protection Organisation (WIPO)
- Signatory of the Paris Convention and Berne Convention which govern IP rights
- Signatory of the Agreement on Trade-Related Aspects of IP Rights (TRIPS) under the WTO



## Investment Guarantee Agreements (IGAs)

Malaysia has signed IGAs with more than 60 countries



# Advanced Ecosystem

A case in Point - Semiconductor



Semiconductor Industry is Key to the Future of Electric Vehicles



**FOREIGN**

**LOCAL**

**Talent**

**Enablers**



# Strong Engineering Supporting Industry



## MOULD & DIE

- 446 companies
- Precision specifications by international semiconductor industry requirements
- End-user industry: Automotive, E&E



## METAL CASTING

- 95 foundries
- Mass production high-pressure and low-pressure die casting
- End-user industry: Automotive, Telecommunication



## MACHINING

- 325 companies
- Precision up to 1 $\mu$  and size up to 2 mtr
- End-user industry: Semiconductor, E&E, Aerospace, Oil & Gas



## METAL STAMPING

- 148 companies
- Precision tolerances less than 1 $\mu$ , presses capacity up to 600 tons
- End-user industry: E&E, Automotive



## SURFACE ENGINEERING

- 125 companies
- 85% are foreign owned/JV
- Electroplating, Phosphating, Anodizing
- End-user industry: Semiconductor, E&E, Automotive



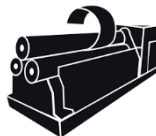
## HEAT TREATMENT

- 17 companies
- Carburizing, nitriding, vacuum handling, quenching, annealing, normalizing, tempering
- End-user industry: Automotive, Shipyard, Cement, Aluminium Extrusion



## FORGING

- 8 companies
- Mostly small parts (less than 10MT)
- Open, drop, press, roll and cold forging
- End-user industry: Automotive, E&E



## METAL FABRICATION

- 800 companies
- Simple household items to steel structure for skyscrapers and offshore oil drilling platform

# Competitive Investment 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

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Report Card

# International Standing

**1st**

## World's Best countries to invest

*CEOWORLD Magazine 2019*  
*Ranked number 1 among 67 countries*

**CEOWORLD Magazine**

## Most attractive emerging market in Asia

*Bloomberg 2018*

**Bloomberg**

**2nd**

## Ease of doing business within ASEAN

*World Bank Doing Business 2020 Report*

## Protecting investors

*World Bank Doing Business 2020 Report*



**3rd**

## Global offshoring destination

*A. T. Kearney Global Services Location Index™ 2016*

**ATKearney**

**5th**

## Most attractive emerging market in the World

*Bloomberg 2018*

**Bloomberg**

**8th**

## High Tech Manufacturing Exports

*World Bank 2018*



**12th**

## Ease of doing business

*World Bank Doing Business 2020 Report*



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## Business Cases

# Business Case: STMICROELECTRONICS



Established in 1974, ST Muar hosts back-end manufacturing and test.

- Back-end manufacturing and test
- 10 production lines
- 37,395 m2 production area



4,371 Employees

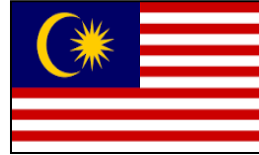


Located in Johor

**Activity:**  
*Assembly and testing for advanced packaged integrated circuit*

- One of the largest investor in Malaysia
- Equipped with Automated Robotic Manufacturing
- Supported by more than 300 local vendors
- Work and collaborate with local Universities

# Business Case: EDA Industries



EDA Industries opened plant in October 2019 with a strategic reasons:

- To offer support and services to MNCs in Malaysia;
- Competitive cost of doing business and organised logistic able to reduce the production costs;
- Availability of local talent to create Engineering and Design Team in Malaysia.

Experienced engineering company, focused on the production of **Burn-In and Test Equipment** for the **semiconductor industry**.

In Asia, there are mass production of electronic components for the Semiconductor Market.



# Business Case: FASSI



The Fassi Group is a global leader in manufacturing and distribution of loader cranes

In 2017, Fassi Asia Pacific, a manufacturing subsidiary of the Fassi Group, was established in Nilai. Their aim is to integrate global projects into local markets, also known as Glocalization

Their mission is to manufacture and distribute a new line of products for the international markets, with particular focus on ASEAN, China, Russia and Middle East

## Why Malaysia?

Favorable location



Business-friendly environment

Well developed machinery sector



Support from local Institutions





# Business Case: Leonardo



REVENUE  
**RM240 mil**

INVESTMENT  
**RM50 mil**

EMPLOYMENT  
**70**

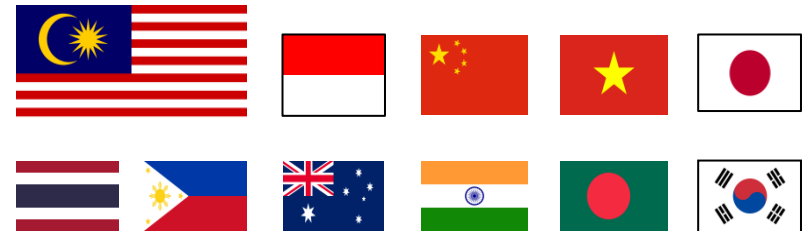
FACILITIES  
**65,000 sqft**

FLIGHT HOURS  
**30,000 annually**

## Company Background

Leonardo Malaysia Sdn. Bhd (formerly known as Agusta Westland Malaysia) is a fully owned subsidiary of LEONARDO S.p.A. Leonardo Malaysia is Leonardo Helicopters Division Regional Hub to undertake activities of MRO, Logistics, Training and Sales & Engineering Services for both civil and military customers in Asia Pacific Region serving a fleet of about 200 helicopters.

## Customers Based



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## **Bold Measures**



## Malaysia's Short-Term Economic Recovery Plan: Pelan Jana Semula Ekonomi Negara (PENJANA)



### Incentives to Encourage Foreign Manufacturing Companies to relocate to Malaysia

#### New Company:

- ❑ 0% tax rate for 10 years for new investment in manufacturing sectors with capital investment between **RM300 - RM500 million**
- ❑ 0% tax rate for 15 years for new investment in manufacturing sectors with capital investment above **RM500 million**

#### Existing Company:

- ❑ 100% Investment Tax Allowance for 5 years for existing company in Malaysia relocating overseas facilities into Malaysia with capital investment above **RM300 million**



### Project Acceleration and Coordination Unit (PACU)



### Automatic Approval of Manufacturing License



### Additional Reinvestment Allowance

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## Conclusion – Key Messages



# KEY MESSAGES



**Malaysia has more than just a strategic location which offers:**

1. Economic stability
2. Liberal investment policies
3. A pro-business Government
4. Facilitation of investments through MIDA, second to none
5. Malaysia is located in ASEAN a very dynamic and fast growing region
6. Well developed infrastructure/connectivity
7. High quality Malaysian products and services
8. Young, trainable and educated labour force
9. IP protection
10. 50 years-Strong industry base



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**Grazie**

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