

# **POLICY DIALOGUE ON INDUSTRIAL DEVELOPMENT ETHIOPIA**

**Malaysian Investment Development Authority (MIDA)  
16 January 2013**

# Content Focus

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# **MALAYSIA'S ECONOMY**

# Malaysia – Strategic Gateway to Regional Markets

Malaysia is strategically located in the **very heart of Southeast Asia**.



# Malaysia's Key Economic Indicators

	2010	2011p	2012
<b>Real GDP (%) Growth</b>	<b>7.2</b>	<b>5.1</b>	<b>5.2 (Q3)</b>
<b>Inflation (%)</b>	<b>1.7</b>	<b>3.2</b>	<b>1.3</b>
<b>Per Capita Income (US\$)</b>	<b>8,140</b>	<b>9,508</b>	<b>10,134</b>
<b>Unemployment (%)</b>	<b>3.3</b>	<b>3.1</b>	<b>3.2</b>
<b>International Reserves (US\$ bil)</b>	<b>106.5</b>	<b>138.3</b>	<b>138.6*</b>
<b>Retained Imports Equivalent (months)</b>	<b>8.5</b>	<b>9.6</b>	<b>9.2*</b>

Source: Central Bank of Malaysia/Department of Statistics Malaysia/MATRADE

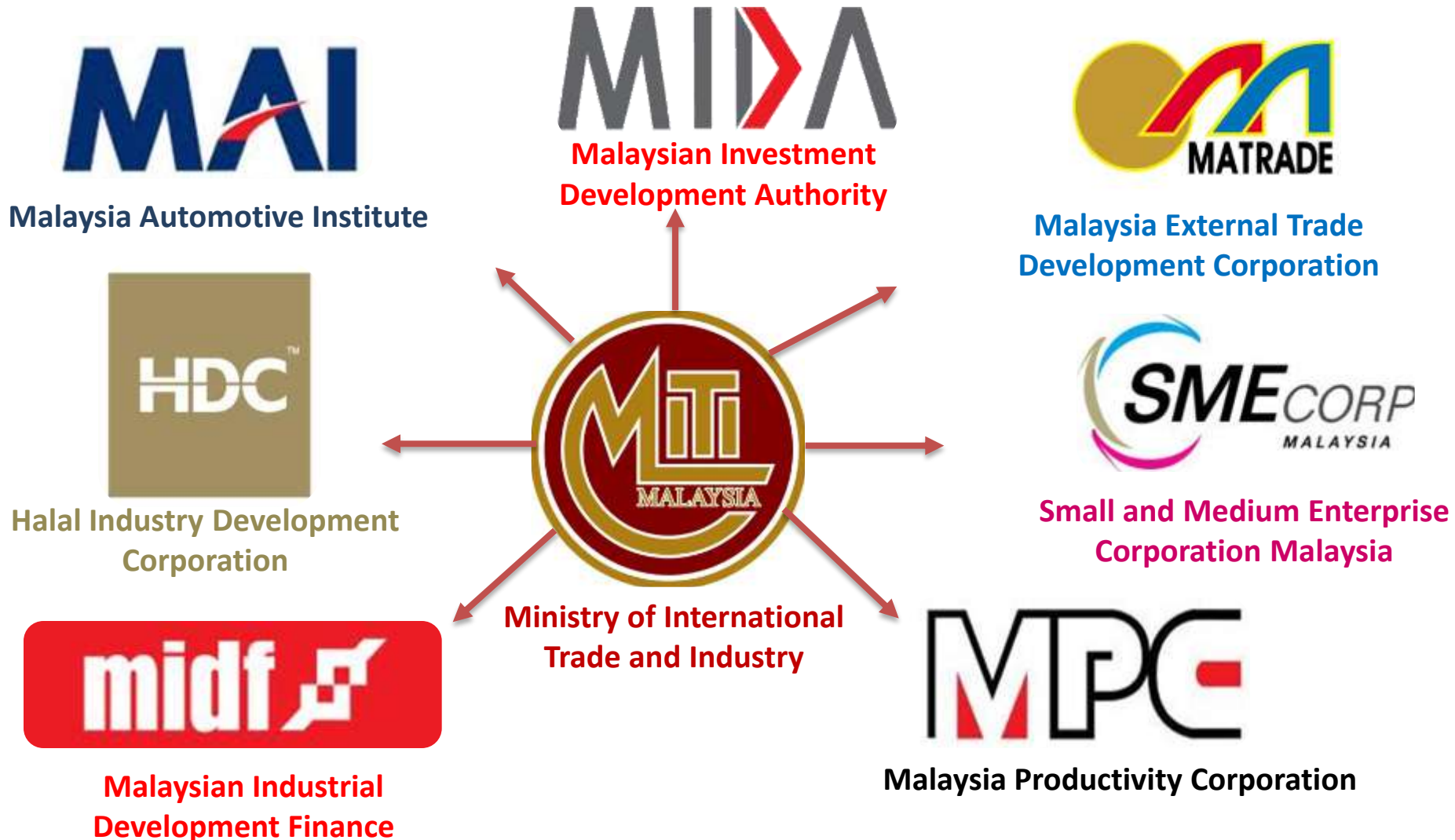
# GDP By Industrial Origin

Sector	GDP Contribution (%)				
	1970	1990	2000	2010	2011
Agriculture	33.6	19.3	8.8	7.3	7.3
Mining	7.2	9.8	6.7	7.0	6.3
Construction	3.8	3.4	3.4	3.3	3.2
Manufacturing	12.8	26.5	32.6	27.6	27.5
Services	42.6	42.1	53.0	57.7	58.6

Source : Economic Reports/Bank Negara Annual Report, Malaysia 2011/2012



# **FUNCTIONS OF MIDA**





**Malaysian Industrial Development Authority - Established in 1967 under Act of Parliament, 1965**

**The principal Malaysian Government agency responsible for the promotion of investments and coordination of industrial development in the country**

**First point of contact for investors who intend to set up projects in the manufacturing and services sectors in Malaysia**

**On 27 March 2004, the Government mandated MIDA to promote investments in the services sector**

**2011 : Restructuring and rebranding of MIDA - Malaysian Investment Development Authority**

**MIDA Board Members**



**Tan Sri Amirsham A. Aziz**  
Chairman



**Datuk Noharuddin Nordin**  
Chief Executive Officer

**MIDA ORGANISATION CHART**

**Total Staff Strength**  
**2012: 884**

**Approved Budget 2012:**  
**US\$52.9 million**



## Promotion

- Foreign Direct Investment
- Domestic Investment
- Business matching through E-Connect
- Manufacturing Services



## Evaluation

- Manufacturing licenses
- Tax incentives
- Expatriate posts
- Duty exemption
- OHQ, RDC, IPC and R&D status



## Planning

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



## Follow-up / Monitoring

- Assist companies in the implementation and operation of their projects
- Facilitate exchange & co-ordination among institutions engaged in or connected with industrial development
- Advisory Services



## Services (Initial Stage)

- Briefing with MIDA HQ
- Meetings with State Authorities
- Business matching with Malaysian companies
- Visit to companies/suppliers
- Visit to potential locations

## Evaluating & Granting Approval

- Manufacturing License
- Tax Incentives
- Expatriate Posts
- Import Duty Exemptions

## Project Implementation Stage

- Handhold and assist investor until project is implemented

## Based outside of MIDA

- Department of Occupational Safety and Health
- Ministry of Finance
- Ministry of Health
- Ministry of Tourism
- Ministry of Human Resource
- Ministry of Higher Education
- Multimedia Development Corp. (MDeC)
- Construction Industry Development Board of Malaysia (CIDB)

## Based In MIDA

- Immigration Department
- Royal Malaysian Customs
- Department of Environment
- Tenaga Nasional Berhad (Electricity)
- Telekom Malaysia Berhad (Telecom)
- Labour Department

# MIDA's Global Network



24 Overseas Centres





# **INDUSTRIAL DEVELOPMENT**

## Development Issues

- **Unemployment rose to more than 8%**
- **Dependency on export commodities i.e. rubber and tin**
- **Narrow economic base**



## Strategies

- **Promotion of Import Substitution Industries:-**
  - Food, beverages & tobacco industries
  - Printing & publishing industries
  - Building materials industries
  - Chemicals & plastic industries
  - Consumer products
- **Tax Incentives**
- **Provision of infrastructure (industrial estates, power and telecommunications facilities)**
- **Establishment of MIDA, 1967**

## Development Issues

- **Unemployment still high**
- **Development of industries constrained by small domestic market**
- **Lack of domestic capital**
- **Export of manufactured products limited**
- **Export market outlets/expertise limited**
- **Lack of managerial expertise**
- **Lack of technology**
- **Uneven distribution of wealth**
- **Identification of race with economic functions**

## Strategies

- **Manufacturing considered as strategic sector for achievement of the New Economic Policy (NEP) objectives of poverty redressal and restructuring of society**
- **Efforts to promote industrial development intensified**
- **Emphasis on job creation**
- **Promotion of electronic and other labour-intensive industries**
- **Push for foreign direct investment**
  - **Attractive tax incentives under the Investment Incentives Act, 1968**
  - **Establishment of FTZs in 1972 and LMWs in 1974**
  - **Introduction of Industrial Coordination Act, 1975 (ICA) - 100% foreign equity ownership allowed for projects exporting 80% or more**

## Development Issues

- **Global recession (1985 – 1987)**
- **Increase in unemployment**
- **Narrow manufacturing base**
- **Lack of processing of local resources for export i.e. rubber, palm oil, timber, cocoa**
- **Deepening of industrial sector**

## Strategies

- **Widen and deepen industrial base**
  - Export and resource based industries
  - Development of selective heavy industries, e.g. motor vehicles, steel and cement
- **Introduction of Promotion of Investments Act, 1986**
- **Launching of First Industrial Master Plan, 1986-1995**

## Development Issues

- **Industrial transition in increasingly complex global trade and investment environment**
- **No longer competitive in labour intensive industries**
- **Labour shortages, both skilled and unskilled**
- **Low level of R&D activity**
- **Bottlenecks in support infrastructure**
- **Lack of industry linkages**
- **Lack of indigenous technology and marketing capability**

## Strategies

- **Promotion of:**
  - **High technology industries**
  - **Capital intensive industries**
  - **Skill intensive industries**
  - **Services based industries**
  - **R&D activities**
- **Accelerate the development of indigenous technology**
- **Development of supporting industries**

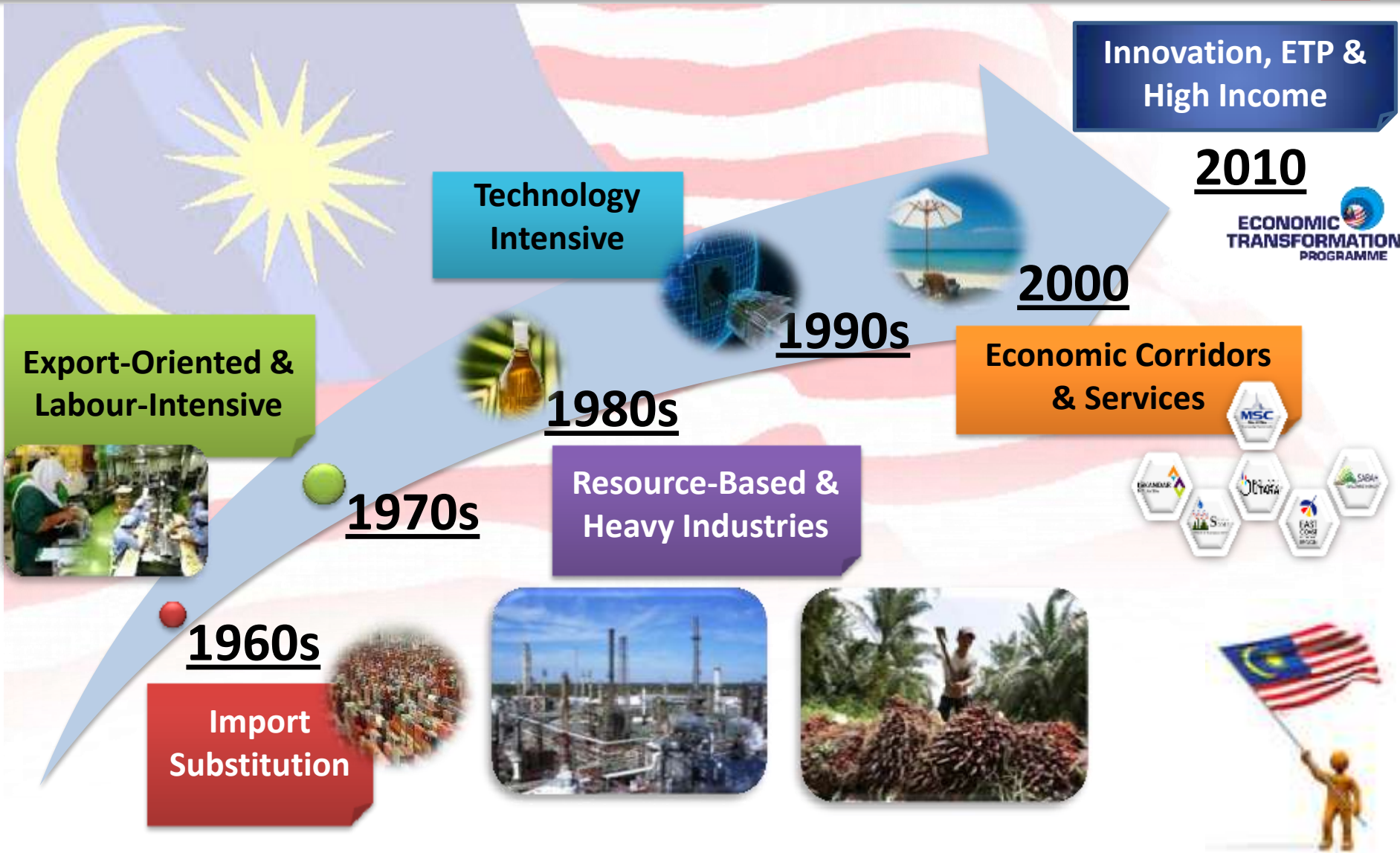
- **Launching of Second Industrial Master Plan (IMP2), 1996-2005**
  - **Manufacturing Plus Plus Orientation**
  - **Cluster Based Industrial Development**
- **Liberalisation of equity policy (100% foreign equity ownership allowed irrespective of the level of exports)**
- **Human resource development**
- **Development of SMIs - Establishment of Small and Medium Enterprise Corporation Malaysia (SME Corp. Malaysia)**
- **Establishment of technology parks**



## Strategies

- **Third Industrial Master Plan, 2006-2020**
- **Promotion of Services Sector**
- **Economic Corridors**
- **Economic Transformation Programme (ETP)**
- **National Key Economic Areas (NKEAs)**

# Malaysia's Economic Development Journey



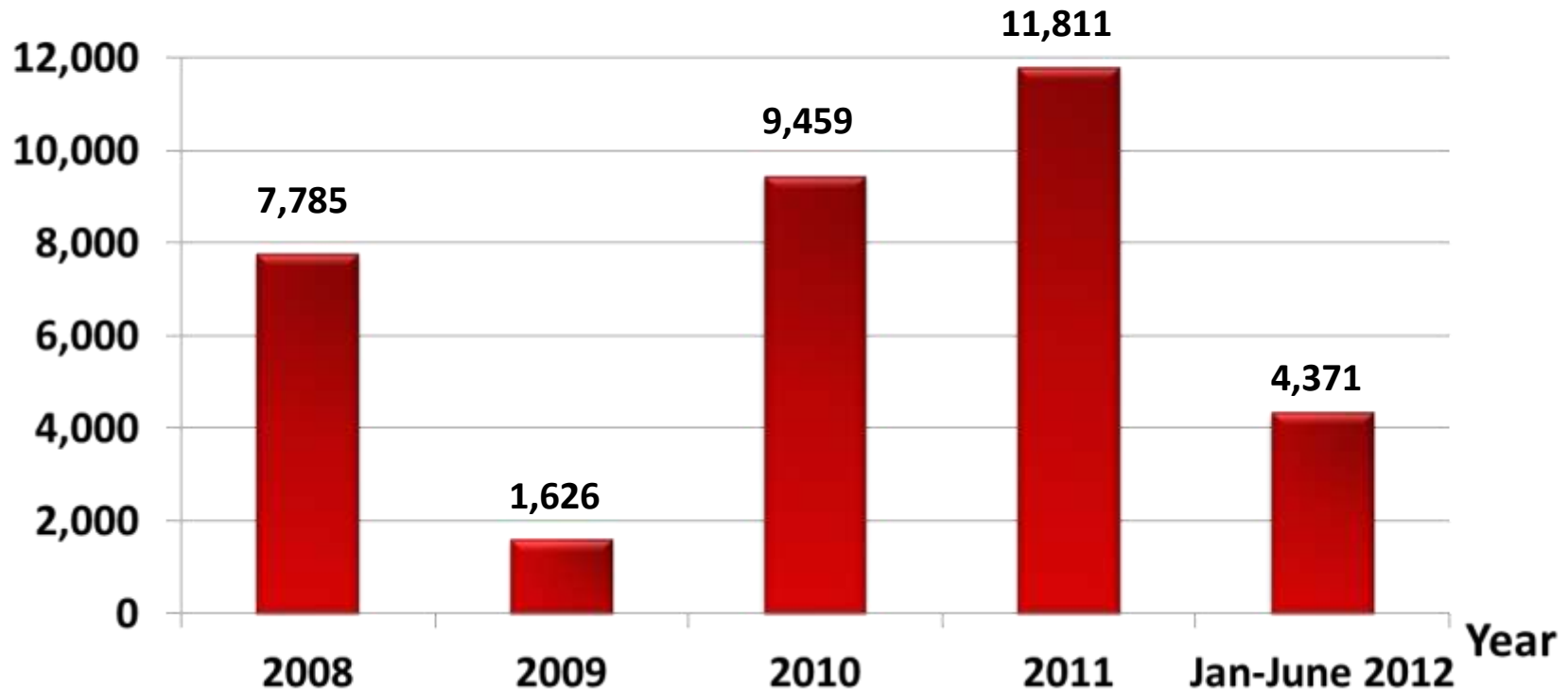


# **INVESTMENT PERFORMANCE**

# Malaysia Continues to Attract High Levels of Global FDI Inflows for the Period Jan-June 2012

## Balance of Payment (BOP)

Investments  
(US\$ million)



Source: DOSM

# Approved Investments in the Economy for Jan-June 2012 Has Reached More than Half (43.5%) of Total Investments in 2011

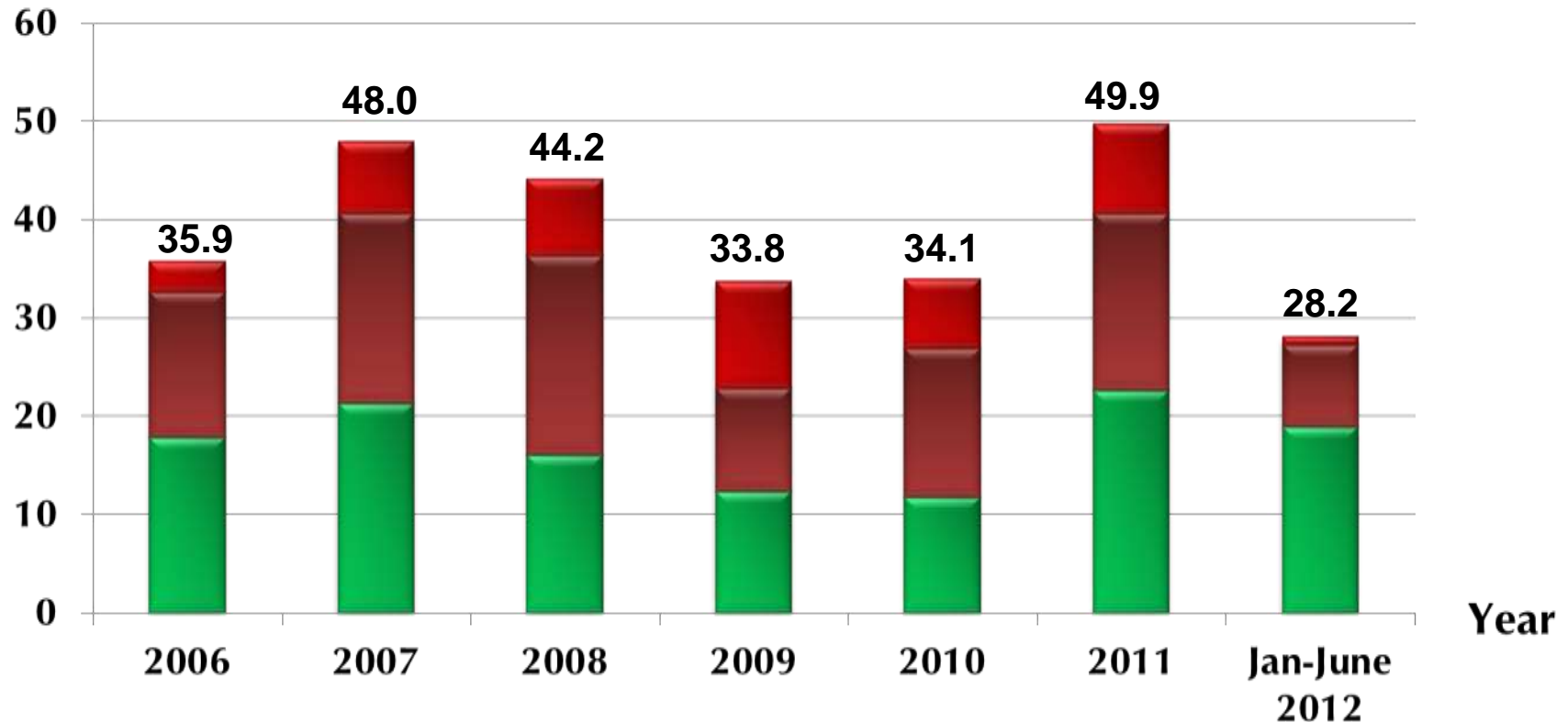
## Approved Investments

Investments  
(US\$ billion)

■ Primary

■ Manufacturing

■ Services



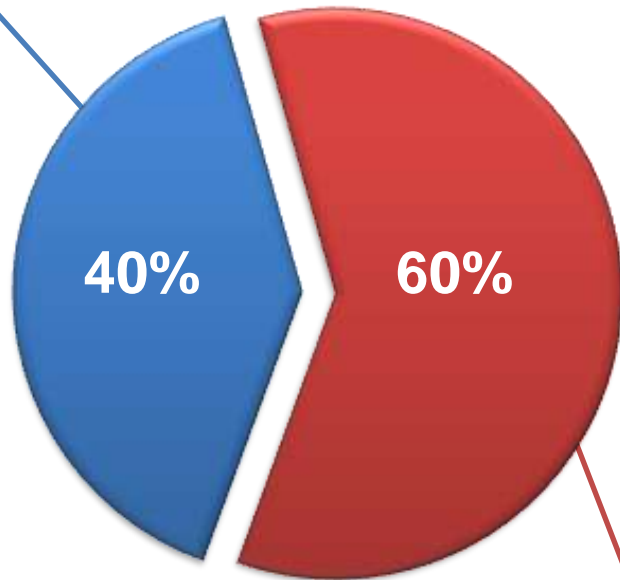
# Approved Investments in the Economy By Foreign and Domestic Investments

## Manufacturing Sector

Sector

Domestic Investments  
(US\$42.7 billion)

2006 – June 2012

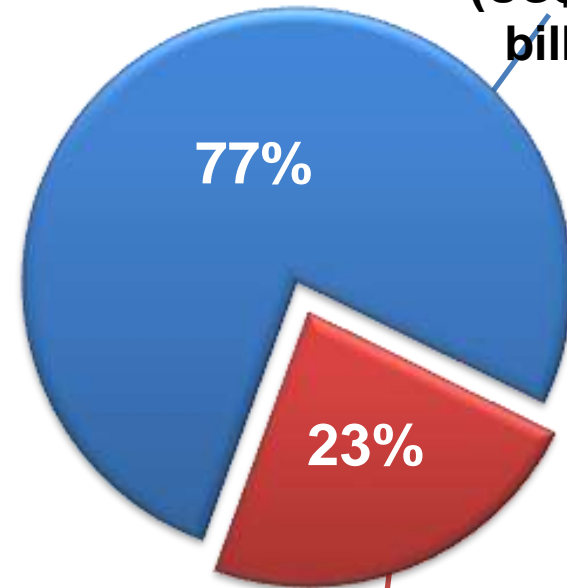


Foreign Investments  
(US\$63.8 billion)

## Services and Primary Sector

Sector

Domestic Investments  
(US\$128.5 billion)



Foreign Investments  
(US\$39 billion)

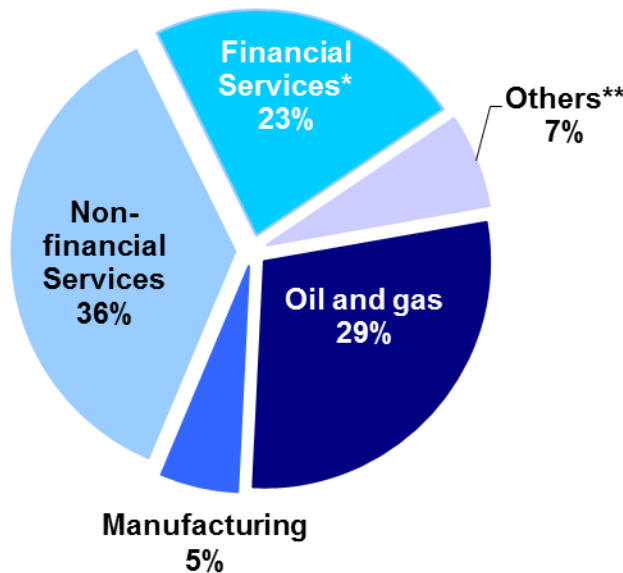
# Direct Investments Abroad (DIA)

Broadly consistent trend over the

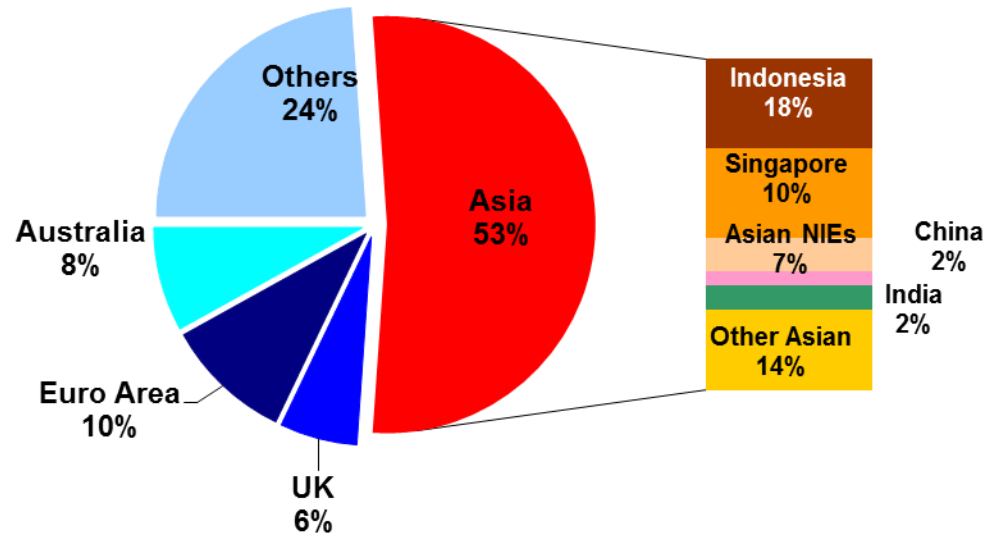
years  
A large share of investment abroad is in the services sector...

...and more than half invested within Asia

Cumulative net DIA flows by sector  
2005-1Q 2012: RM256.5 billion



Cumulative net DIA flows by country  
2005-1Q 2012: RM256.5 billion



Asian NIEs refer to Korea, Taiwan and Hong Kong

\* Exclude investments by holding companies  
 \*\*Consist of agriculture and construction sectors  
 Source: DOSM

Source: DOSM

# Direct Investments Abroad (DIA)

DIA undertaken by a wide range of Malaysian companies

## Oil and Gas

**Petronas**  
**Sapuracrest Petroleum**  
**Scomi Group**  
**Dialog Group**

## Financial Services

**Maybank**  
**CIMB**  
**Khazanah**  
**EPF**  
**Public Bank**

## Non-financial Services

**Genting**  
**Maxis**  
**YTL Power**  
**Telekom**  
**MISC Tanker Holdings**  
**Evergreen Jade**

## Agriculture

**PBB Group**  
**IOI Corporation**  
**KL Kepong Plantation**  
**Kulim (Malaysia)**

## Manufacturing

**KNM Process Systems**  
**Petronas Lubricants Int'l**  
**Malaysian Refining Company**  
**Unisem (M)**  
**O.Y.L Manufacturing**

## Construction

**Mudajaya**  
**UEM Construction**  
**Gamuda**  
**WCT Engineering**  
**IJM Corporation**





# **INVESTMENT OPPORTUNITIES**

# Investment Opportunities in the Manufacturing Sector

## Electronics & Electrical

- High-technology based products using wireless and convergence technology
- Mobile application
- Solar wafer / cells / modules
- Semiconductors

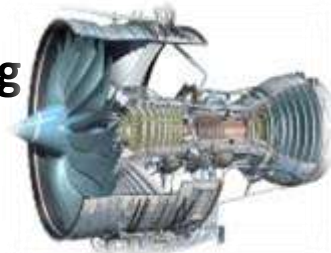
## Petrochemical

- Alpha-olefins & fatty alcohols, propylene oxide & caprolactam
- Renewable & biodegradable materials



## Aerospace

- Maintenance, Repair and Overhaul (MRO)
- Aerospace Manufacturing



## Machinery & Equipment

- Automated equipment for semiconductor, solar, medical & automotive industries
- Process machinery for food & beverages and oil & gas
- Packaging machinery



## Services

- Regional Establishments
- Shared services outsourcing
- Data Centre
- Healthcare
- Logistics
- Tourism
- Education
- Environmental Management





**INVESTMENT  
POLICIES AND  
INCENTIVES**

**100%**

# Foreign Equity Manufacturing



**44 Services  
Sub-Sectors liberalised**





## 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

## Incentives

## Reinvestment Allowance

60% on qualifying capital expenditure for 15 consecutive years

## Import Duty & Sales Tax Exemption

For raw materials/components and Machinery and Equipment



# INDUSTRIAL PARKS

**Policy formulation on establishment of specialised technology parks for certain promoted industries (e.g. Kulim and Senai Hi-Tech Park)**

**Funding for upgrading of existing industrial parks**

**Promotion of industrial parks - To identify and encourage specific potential investors to invest**





# **INVESTMENT PROMOTION**

# Malaysia adopts a targeted approach in attracting FDI

*MIDA undertakes various promotional programmes and activities to promote and attract foreign investments into the manufacturing and services sectors.*



Trade and Investment Missions



Roundtable Meetings and Mini Seminars



Specific Project Missions



International Seminars/Forums/Dialogues with foreign chambers, Industry Leaders Programme



Advertisement and Advertorials



International Exhibitions

# The Government promotes domestic investments and nurture Malaysian companies to become global players

Various initiatives have been undertaken by MIDA to further spur the domestic investments



Domestic Investment Seminars



Specific Industry Seminars



Roundtable Meetings



Visits and Dialogues



Familiarisation Programmes



Local Exhibitions



# **IMPLEMENTATION OF PROJECTS**

MIDA has a dedicated Industry Support Division to undertake the following handholding activities:



Handhold and assist investors in obtaining all necessary approvals for projects within the stipulated time frame.



One-stop agency at the state levels



Coordinate activities of MIDA state offices



# **MALAYSIA'S RANKING**

# Malaysia's Ranking in the World

*Malaysia Remain an Attractive Investment Location*

World Bank  
*Doing Business 2013 Report*

**Malaysia ranked 12th most business-friendly country**

**Malaysia is ranked ahead of other highly regarded economies such as Sweden (13th), Taiwan (16th), Germany (20th), Japan (24th) and Switzerland (28th)**

**Malaysia is first in terms of ease of getting credit**

**Malaysia is fourth in the world for protecting investors**

**Malaysia ranked among the top 10 economic reformers in the APEC region**

# Malaysia's Ranking in the World

World Economic Forum

*Global Competitiveness Report 2012-2013*

Malaysia was ranked at 25<sup>th</sup> position among 144 countries surveyed

Malaysia is in the top 20 per cent of the most competitive countries globally

Malaysia has been upgraded to the transition towards innovation-driven stage from efficiency-driven

Malaysia maintained its 2nd position in ASEAN after Singapore and 8th in Asia Pacific ahead of other ASEAN, China and India



***Thank You***  
***for your kind attention***