

Recollective

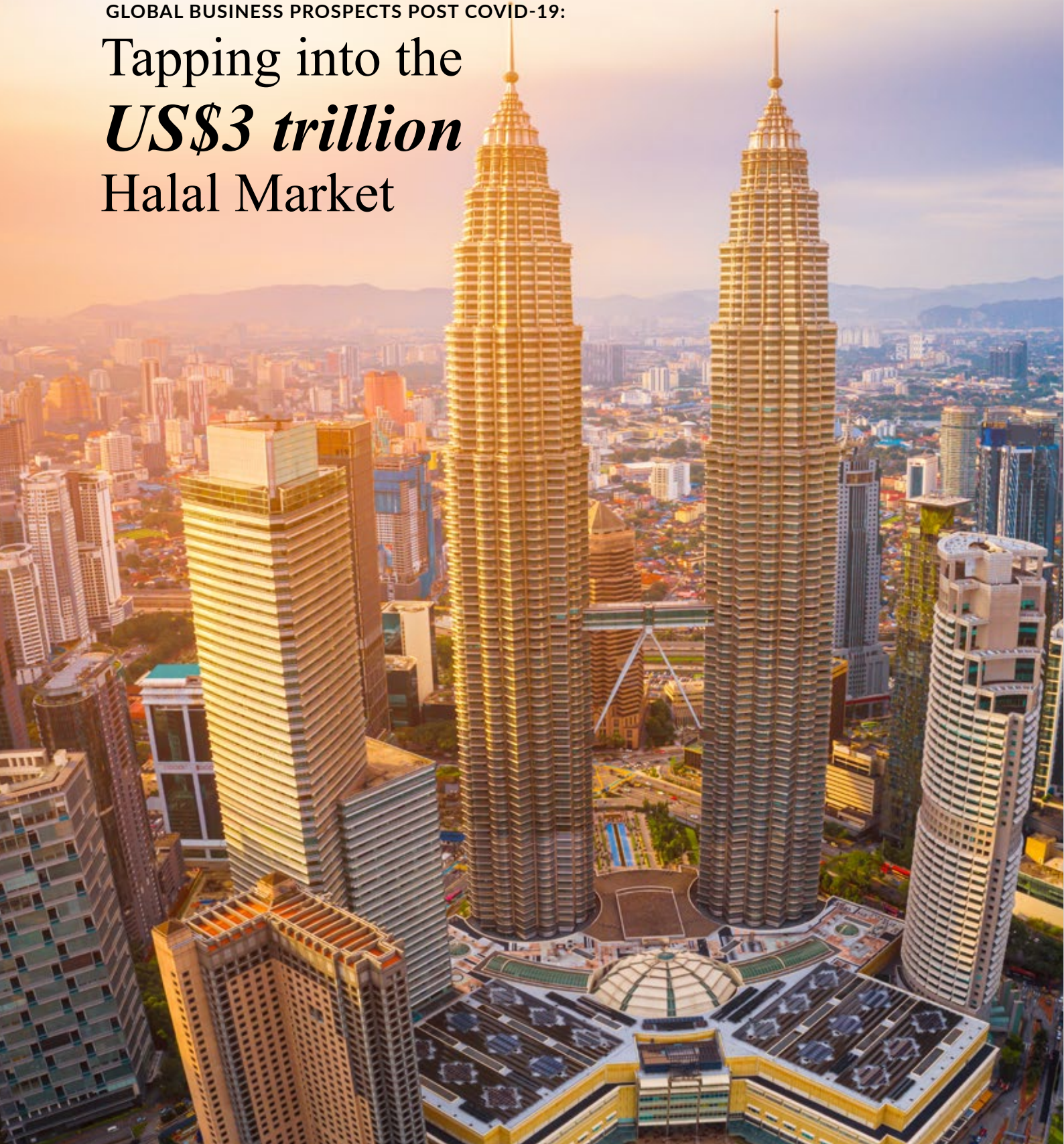
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MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY
OF MALAYSIA

GLOBAL BUSINESS PROSPECTS POST COVID-19:

Tapping into the *US\$3 trillion* Halal Market





Produced by the
Ministry of International
Trade and Industry
of Malaysia

Recollective

MITI's *Recollective Global Edition* highlights Malaysia's competitiveness as a trade and investment hub for the world. In this issue, the e-paper showcases Malaysia's strengths in halal, which is fast-emerging as a high-value industry.

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Malaysia delivers a one of a kind APEC 2020

Malaysia paves the way to tap into the US\$3 trillion halal market

Successful Japanese companies like Ajinomoto, Taisho Pharma and Southern Lion have one thing in common—they have factories in Malaysia manufacturing products that are halal-compliant.

“Japanese companies have been using Malaysia as an operation and manufacturing centre for halal products since the 1960s. Ajinomoto, for example, started its business operations in 1961 and obtained halal certification in 1965,” says Mr Hairol Ariffein Sahari, the CEO of Halal Development Corporation Berhad (HDC), a government-backed agency tasked with promoting Malaysia as a player in the global halal industry.

HDC is the custodian of Malaysia’s halal economy as it is also responsible for helping companies tap the halal market by setting up operations in the country’s 14 designated halal parks.

“Today, Malaysia’s halal parks are home to more than 60 multinational companies and 300 SMEs, among them companies like Kewpie, Rikevita and Yakult,” says Hairol.

In a move to spur foreign investments in the aftermath of the COVID-19 pandemic, the Malaysian government has unveiled a slew of incentives ranging from tax and import-export duty exemptions to capital assistance and fast-track approval of manufacturing licenses.

“We will be making a proposal to the Japanese government to consider Malaysia as one of the destinations for halal investments and to use Malaysia as a gateway to the ASEAN region with an estimated halal market size worth



US\$900 billion.”

Malaysia’s central location at the heart of Southeast Asia makes it an ideal halal hub for regional and international expansion. In terms of “ease of doing business,” Malaysia ranks in 12th position among 190 countries worldwide, according to the World Bank Doing Business 2020 report. Among the country’s selling points are world-class infrastructure, skilled and productive workforce, and easy access to halal-sourced ingredients.

“As a government-backed agency, HDC makes it easier for foreign companies to navigate the sometimes complicated process in setting up operations in Malaysia as it has partnerships with Malaysia’s investment promotion agency,” says Hairol.

In response to the growing worldwide



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demand for halal products, Malaysia is actively promoting investment in sectors like pharmaceuticals, cosmetics and personal care, halal ingredients, livestock and meat products, and especially processed foods.

“For foreign investors, HDC is the first point of contact and a key reference centre for information and first-hand industry knowledge of the halal economy. We help create business opportunities by helping foreign investors obtain halal certification for their products and to tap into the halal market. Besides consultancy services and training, we also help companies with the promotion and branding of halal products.”

In 2007, HDC established a Halal Training Institute to educate and develop halal professionals in various fields. The institute collaborates with government agencies, universities and research centres to create educational modules that are relevant to industry needs. Since its inception, the institute has trained 60,000 personnel worldwide.

“We have offered our training programmes in Japan with the modules translated into Japanese. In future, trained and certified professionals will be able to assist companies around the world with halal compliance,” adds Hairol.

“During Malaysia’s COVID-19 lockdown, we have been active in opening up new channels of communication using social media so that companies can continue to communicate with us. We also took the opportunity to revise business plans to prepare for the post-COVID-19 economy.”

“We will be gearing up for more promotional activities on a global scale and expedite plans to start operations in Korea and Taiwan in the near future, in addition to Japan.”

“Our biggest project for the year is the setting up of an online integrated platform where we can share expert knowledge and connect industry players worldwide. With this platform, we can amalgamate every component of the halal ecosystem with service providers, logistic suppliers, banks, government agencies and halal park operators on board to provide facilitation. This connection will spur investment and trade, promote technology transfer and create more job opportunities,” says Hairol.



Halal hub in Malaysia growing strong in non-food categories

Malaysia has a distinctive edge in the halal segment. Already well-renowned for its halal food-related infrastructure, its non-food ecosystem is firmly being established with an eye to maintain its leadership position as a global halal hub. Malaysia also has a facilitative ecosystem of non-food categories, which is conducive for world's MNCs to do business with... or from Malaysia.

When we say 'halal', people will first think of food. The fact of the matter is, halal business encompasses much more than just food. It broadly includes Islamic finance, pharmaceuticals, cosmetics, health products, self-care products, medical devices, modest fashion, Islamic-themed media and recreation, as well as a whole range of service sector components.

According to the State of the Global Islamic Economy 2020/21 report published by DinarStandard in collaboration with Salaam Gateway, an estimated USD2.02 trillion was spent across the food, pharmaceutical, cosmetics, fashion, travel, and media and recreation sectors in 2019, reflecting a 3.2 percent year-on-year growth from 2018. Additionally, Islamic finance assets were estimated to have reached USD2.88 trillion in 2019.

With the rising awareness and spending on halal products globally, the demand for halal certification is seeing growth across the value chain, from source ingredients right up to finished goods.

As the global halal industry grows, Malaysia continues its trajectory as a global leader in the Islamic economy ecosystem. Malaysia has once again, for the eighth consecutive year, clinched the overall lead in the Global Islamic Economy Indicator (GIEI), taking the top spot in the Halal Food, Islamic Finance, Pharma and Cosmetics, and Muslim-friendly Travel sector rankings.

Malaysia is in a position of strength to cement its position as a benchmark leader in the halal segment as we have in place the necessary policy frameworks, government support and

infrastructure for the development of the halal industry. These encompass harmonising the halal certification process, promoting investment in halal activities, enhancing research and development (R&D), establishing halal parks and strengthening the institutional capacity of the organisations involved.

Government bodies particularly Ministry of International Trade and Industry (MITI), the Halal Development Corporation (HDC), Department of Islamic Development (JAKIM), and InvestKL Corporation (InvestKL) are just a few of the many essential cogs in the wheel that are vital towards growing the halal industry and promoting Malaysia as a global halal hub to international investors.

Malaysia was ranked the fifth Asian country to make the top 10 best countries in the world to invest in or do business for 2020, according to CEOWORLD Magazine. While Malaysia has a growing range of local and multinational corporations (MNC) specialising in the halal food segment and in Islamic finance, a slew of non-food players has also found a firm footing here due to Malaysia's clear and facilitative halal support and ecosystem.

Take the halal pharmaceuticals segment, for



instance. This sector is poised for growth, more so against a backdrop of COVID-19 where there is a renewed focus on improving health and immunity. The halal pharmaceuticals market globally is projected to reach USD174.59 billion by 2025 growing with a compound annual growth rate (CAGR) of 9.4 percent during the forecast period.

Malaysia has been at the forefront of the global halal pharmaceutical sector in the certification, manufacturing and distribution of the rapidly-growing international halal pharmaceutical market. In the GIEI ranking, Malaysia ranked number one in the category of Pharma and Cosmetics.

This progress is led by the country's certification body JAKIM which published the world's first halal pharmaceuticals standard according to ISO guidelines, the MS2424: 2012 Halal Pharmaceuticals General Guidelines, as well as a separate halal certification scheme for pharmaceutical products due to the specialised requirements of the industry. The halal certification for pharmaceutical products is an additional layer of assurance. Products must first conform to the Good Manufacturing Practices (GMP) requirement before fulfilling the halal certification, which increases its quality assurance benchmark.

Malaysia has many pharmaceutical companies producing halal pharmaceutical products that include Chemical Company of Malaysia Berhad (CCM), which received the world's first halal certification for prescriptive medicine, and Duopharma Biotech Berhad which has no less than 95 percent of its manufactured products halal-certified, among the many.

Some of the foreign-owned companies with a manufacturing presence in the country include Biocon Sdn. Bhd. (India), Oncogen Pharma (Malaysia) Sdn. Bhd., Y.S.P. Industries (M) Sdn Bhd (Taiwan), Sterling Drug (M) Sdn Bhd (the manufacturing arm of GlaxoSmithKline from the UK), Ranbaxy (M) Sdn Bhd (India), Xepa- Soul Pattinson (M) Sdn Bhd (Singapore) and SM Pharmaceutical Sdn Bhd (India). Malaysia has been steadfast in encouraging private investments as well as more public-private collaborations in the pharmaceutical sector, providing incentives to increase investments and collaborations

with multinational pharmaceutical corporations.

As more global pharmaceutical companies look to tap the potential in halal demand, established global players are looking at collaborations that make entering the halal pharmaceutical and medical devices sector more viable. Swedish medical technology company Bactiguard acquired Malaysian medical device firm Vigilenz Medical Devices and Vigilenz Medical Supplies, which has several products that have been halal-certified by JAKIM.

In the halal cosmetics segment, demand has been on the rise with more companies getting halal-certified and product ranges expanding. However, this segment is more focused on Asia at the moment. The halal cosmetics market spend is slated to rebound at a five-year CAGR of 2.9 percent to reach USD76 billion by 2024, following a projected dip in 2020 spend by 2.5 percent due to the COVID-19 pandemic.

The pandemic impacted traditional brick-and-mortar sales channels, but online channel usage increased. Malaysia's internet and mobile phone penetration rates which are high at 91 percent in 2019, have been a boon to the many halal-cosmetic firms operating out of Malaysia. The digital and online ecosystem will be strengthened as the government undertakes efforts to improve the country's digital connectivity, with plans to expand 4G coverage, boost fixed broadband speeds and transition to 5G.

The manufacturing of halal cosmetics is an innovation in the skincare and cosmetics industry which relies on new technologies in the areas of R&D, formulation, and production, and covers all aspects of manufacturing, from the sourcing of materials to production, transport, cargo management, warehousing, and retail.

The anticipated expansion of halal markets has led to the development of more sophisticated logistics services in Malaysia where specialised logistics hubs and warehousing services are being developed for halal products. Malaysia's Nippon Express, a subsidiary of Japan's Nippon Express, completed the Shah Alam logistics centre designed to meet halal logistic needs including storage and delivery needs for halal pharmaceutical and other products.

Malaysia Aviation Group's subsidiary, MAB Kargo, launched its halal logistics service after receiving the MS2400-Halal Certification from JAKIM. Its services are tailored to meet

the needs of the halal industry which requires reliable, safe and secure air cargo handling and offers hygienic and secure movement, storage and handling of both food and non-food material.

All shared here are just a glimpse into the potential Malaysia's halal ecosystem has to offer in the non-food category. Malaysia's reputable halal certification recognised at the global level, its facilitative end-to-end business ecosystem, and the country's ambition to strengthen its leadership position as a global halal hub make it an ideal choice for MNCs and local businesses to capitalise on this advantage.

Foreign companies in the non-food category wishing to invest in Malaysia and explore the halal industry may contact InvestKL via www.investkl.gov.my

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Malaysia calls for world businesses to source for halal products and services from Malaysia, through MIHAS



INSP In Conjunction with MIHAS 2019

World economies are realising the big potential halal has as a business proposition. As the interest in halal grew, many businesses (from both Muslim majority and non-Muslim majority countries) are tapping into the vast opportunities of the halal sector. Beyond being an interest, halal is synonymous with high-quality too, due to the stringent processes and standards that are also SDG-friendly, which manufacturers or sellers need to adhere to. This is the case from the moment the material is gathered to the day the products or services reached the consumers.

As a world leader in halal, Malaysia has the ingredients to

support the growth of this high-value sector by facilitating the trade of halal products and services around the world. Malaysia's trade promotion agency – Malaysia External Trade Development Corporation (MATRADE) – also an agency under the Ministry of International Trade & Industry spearheads the efforts in internationalising halal products and services by Malaysian Small and Medium Enterprises (SMEs). This is done through various export missions that see thousands of world businesses matched with

highly-capable Malaysian SMEs in this sector.

As part of the Internationalisation Committee under the Malaysia's Halal Industry Development Council, MATRADE looks to work with industry players including buying houses, Industry Associations or Business Chambers from all around the world in realising various collaborations between the Malaysian counterparts and the global stakeholders. Through MATRADE's 46 global trade offices, MATRADE has, for more than two decades, been matching global buyers or sellers with likeminded partners from Malaysia.

In creating a platform to convene global and Malaysian halal industry players together, MATRADE organises the world's largest halal trade event, the Malaysia International Halal Showcase (MIHAS). The trade show which has reached its 16th edition in 2019, was postponed in 2020 due to the COVID-19 pandemic. Over the years, MIHAS has been known as 'the' avenue for halal manufacturers, suppliers and distributors from all over the world to gather, meet, network and trade with one another.

Through MIHAS, there are a lot of opportunities for top world's halal brands to showcase their offerings while at the same time be exposed to the latest and most innovative halal products and services.

Since its inception, MIHAS has featured more than 8,000 exhibitors from over 40 countries and visited by close to 400,000 trade visitors. Sales worth over RM17 billion have been generated from the show. Through MATRADE's extensive trade offices in major cities around the world, foreign buyers were matched with Malaysian SMEs through MIHAS' signature business matching programme called the International Sourcing Programme (INSP).

For more than a decade, the INSP has attracted the participation of over 4,000 foreign buyers from more than 50 countries. The programme has benefitted around 7,400 Malaysian companies through the arrangement of more than 54,000 individual business meetings by MATRADE.

The 17th edition of MIHAS is scheduled to take place from 9 to 12 September 2021 with a theme "Empowering Halal, Tomorrow, Together". The upcoming edition of the show will serve as a timely opportunity for the industry players to empower themselves in accelerating the future growth through partnership, co-operation and collaboration. MIHAS

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will act as a catalyst for halal businesses to cultivate resiliency, creativity and adaptability to succeed in the current economic climate where businesses operate in the 'new normal'.

In addition, recognising the importance of e-commerce in boosting cross border trade, world businesses may also source for Malaysian high-quality halal products via global e-marketplaces such as DagangHalal.com, eRomman and Halal Street UK, among others.

For more info, go to www.mihasc.com.my





Malaysia's Evolving Halal Industry Offers Possible Solution To Global Business Post COVID-19

Malaysia and its fast evolving halal industry is now in a better position to offer the world a possible solution for today's rapidly changing business landscape, one that is both good and wholesome, and embodies every inherent universal value known to mankind.



Countries referencing Malaysia
as a main source

150

Professionals trained
under HDC

250,000

Foreign certified recognitions

84

Global Muslim population

1.8b

Total investments
for halal parks*

RM13.89b

Jobs created for
Malaysians

350,000

*source: <http://mrem.bernama.com/viewsm.php?idm=37026>

The devastation wrecked by the COVID-19 pandemic is both apparent and widespread. The subsequent global disruptions to aggregate supply and demand has resulted in a contraction of the world GDP by almost 5 per cent in 2020, according to IMF estimates, concluding that the longer this pandemic continues, the more damaging it is to global growth and trade.

Truthfully, globalisation has also brought its fair share of challenges that need to be addressed by everyone. More intense competition amongst nations has resulted in geopolitical shifts and consequential trade tensions. The massive disruption of the global economy due to trade tensions that impacted the supply chains that connect to most, if not all economies, is still very much a threat.

Enter halal and its inherent universal values. From sustainability to restoring the health of people and the planet, care for animals and the environment, fair trade, ethical consumerism, halal is the perfect answer to how the world can manage the direct consequences of the COVID-19 crisis, and come out better and stronger.

The solution has actually been established successfully 1,400 years ago, when Islam was reintroduced to the world. The central concern of development in an Islamic economic system is human welfare. Hence, the core principles of the Islamic economy are actually universal values, which promote inclusion, equity, property rights and ethics.

Such is the natural connection between Islamic principles and the United Nations' Sustainable Development Goals 2030 or SDG 2030, which is in line with the very basic objective of Islamic jurisprudence or Syariah which emphasises on the wellbeing of the people, first and foremost.

This is further reflected in the Islamic ruling that producing halal food is Fardhu Kifayah, a legal obligation that must be discharged by the Muslim community as a whole. It is actually incumbent on every capable Muslim halal producer to ensure that there is enough halal and *tayyib* food for the entire society.

Prime Minister of Malaysia, the Right Honourable Tan Sri Dato' Haji Muhyiddin bin Mohd Yassin in his speech read by the Honourable Dato' Sri Mustapha Mohamed, Minister at the Prime Minister's Office, at the 12th World Halal

“To date, Malaysia is one of the main sources of reference for over 150 countries in various areas within halal industry development and governance. Malaysia has also been recognised by 84 foreign halal certifiers in 46 countries around the world.”

Conference said, “As a Muslim nation with an advanced halal industry, Malaysia is open to work with all countries to further enhance and grow the global halal sector, especially in the areas of Islamic finance, logistics and services.”

To date, Malaysia is one of the main sources of reference for over 150 countries in various areas within halal industry development and governance. Malaysia has also been recognised by 84 foreign halal certifiers in 46 countries around the world.

In terms of infrastructure, Malaysia is moving up the value chain to become a high-technology, knowledge-based and capital-intensive powerhouse, incorporating design as well as research and development activities. From halal product traceability to Islamic finance facilities, Malaysia is able to provide end-to-end halal services for any type of producers or manufacturers.

Malaysia is also home to one of the world's first halal parks - communities of halal-oriented businesses built on common property, where they are provided infrastructure, services support and tax incentives.

In terms of carrying the role as a Global Centre of Excellence for Halal Professionals and Halal Training, Halal Development



An example of Malaysia's Halal Park

Corporation (HDC) alone has trained more than 60,000 individuals since 2007, both locally and abroad, with more than 250,000 trained collectively with other parties. A wide variety of research institutes have also been established, which have played a leading role in advocating for contemporary halal issues.

"That said, I believe that the local halal industry still has a huge potential for growth. The Halal Industry Development Council (HIDC) established by the government has an important role to drive and oversee the entire Halal Malaysia ecosystem with the aim of making Malaysia a global halal hub," Tan Sri Muhyiddin added in his speech.

The plan is to position Malaysia as a primary destination for smart manufacturing globally and attract more high-tech investments. According to the Prime Minister, his government is committed to further strengthen the country's infrastructure and reinforce halal's contribution to the country's economy, which currently accounts for 7.8% of the country's GDP, and created over 350,000 new jobs for its citizens.

Another area which Malaysia is well-positioned to benefit and be actively part of, is the ASEAN internet economy - estimated to reach USD300 billion by 2025. The setting up of Halal Integrated Platform (HIP) is inline with this prospect, which will connect members to key stakeholders, including state governments and agencies, certification bodies, industry players, practitioners, scholars and consumers - all

under a single halal digital community platform.

He further made the timely call to all neighbouring countries within the 11 ASEAN member countries and the 21 APEC member economies, to work together and help produce its own halal food and be less dependent on imports.

"I would also like to reaffirm Malaysia's willingness to work with other nations especially within ASEAN, on increasing our self-sufficiency in halal food. This call should also go beyond halal food to include halal pharmaceuticals, halal medical devices and even halal ingredients," he said.

"I would like to call on all World economies to collaborate with Malaysia to make halal products more readily available, affordable and sustainable for the 1.8 billion global Muslim population," added the Prime Minister.

"I have no doubt that together, we can fully leverage this opportunity and help to lay the foundation for greater growth and progress within the halal economy," he concluded.

Malaysia recorded a total of RM109.8 billion worth of investments in the economy for the first nine months of 2020.

Understanding Malaysia's appeal as a hub for high value manufacturing and global operations

Since the late 1990s, recognising the need to develop the high technology sectors to sustain economic growth and improve the competitiveness of the Malaysian economy, Malaysia has strategically scouted and attracted high value-added projects locally worldwide.

Being located in the Asia Pacific rim and the centre of many ASEAN countries, Malaysia has the privilege to remain an attractive investment destination, particularly with the favourable investment environment, including the availability of excellent infrastructure, telecommunication services, financial and banking services, supporting industries as well as a big pool of talents with skills and trainable workforce. This revealed when Malaysia maintained its strong position globally, ranking the second-highest in Southeast Asia and twelve (12th) out of 169 countries for trade connectivity in the DHL Global Connectedness Index (GCI) report in 2019.

A recent joint study by KPMG and The Manufacturing Institute in the US entitled "Cost of Manufacturing Operations around the Globe" ranked Malaysia fourth among 17 economies in an assessment comparing the economy's competitiveness as a manufacturing hub, which is ahead of countries in Asia such as China, Japan, Vietnam and India. This study evaluated a total of 23 cost factors that impact the cost of operations (Cost of Doing Business or CoDB) of a business conducting manufacturing operations in

the United States relative to 16 other countries that are leading manufacturing exporters to the US.

Malaysia's Success to House High-End Projects

While the COVID-19 outbreak has affected every country globally, Malaysia continues to be a competitive investment location for investors, attracting healthy levels of investments. Malaysia recorded a total of RM109.8 billion worth of investments in the economy (manufacturing, services and primary sectors) for the first nine months of 2020. These investments involved 2,935 projects and will create 64,701 job opportunities for Malaysians.

Of the total investments approved, foreign direct investments (FDI) accounted for almost 40 per cent (RM42.6 billion), while domestic direct investments (DDI) made up the rest of RM67.2 billion. China (RM17.0 billion), Singapore (RM8.0 billion), the USA (RM2.8 billion), Switzerland (RM2.8 billion) and the Netherlands (RM2.4 billion) were the top five sources of approved FDI for the manufacturing, services and primary sectors during the period.

The manufacturing sector attracted the largest portion of approved investments for this period, contributing more than half (59.5 per cent) or RM65.3 billion, followed by the services sector with investments of 39.0 per cent or RM42.8 billion, and the primary sector with approved investments of 1.5 per cent or RM1.7 billion. Noteworthy is that FDI in the manufacturing sector saw an increase of 3.2 per cent to RM39.4 billion compared to the corresponding period in 2019.

Most notably, Malaysia has the ability to meet the stringent demands of highly regulated industries, showcasing the country's robust and diverse array of supply chains. It is reflected by the high-end FDI projects that Malaysia has secured in 2020. While the list of companies leveraging Malaysia as their operations base to do business in the region and beyond is long, some reputable giants that have been approved in 2020 include:

Smith and Nephew from United Kingdom (UK) to produce high tech pharmaceutical products including knee and hip implants.

Bruker, a Swiss company, establishing its first facility in Asia to manufacture high-tech products, namely optical and stylus profilometers, tribometers, X-ray diffraction tools, X-ray fluorescence instrumentation, optical emissions spectrometers, and combustion gas analysers.

LAM Research, a US global supplier of innovative wafer fabrication equipment and services to the semiconductor industry expanded its global footprint by establishing its advanced technology production facility in Malaysia.

LEM, a leading global Switzerland based company in electrical measurement for industrial and automotive applications, is investing in a new production plant in Malaysia.

Dexcom, a US company and leader in continuous glucose monitoring system, chose Malaysia as a manufacturing site.

Ultra Clean Holdings, a US-based company in developing and supplying ultra-high purity cleaning and analytical services primarily for the semiconductor industry.

Bosch, an existing German company is setting up a manufacturing facility park in Penang for testing of semiconductor components and sensors.

B.Braun, an existing German company,

expanding its global test centre for medical devices due to strong talent capability in Malaysia.

Eppendorf, a leading German life science company, establishing an integrated centre for shared services hub, covering functions such as IT, HR as well as Finance and Controlling, for the Group's operations in the Asia Pacific, Middle East and Africa.

MusicTribe, a US-based multinational leader for professional audio products and musical instruments, has chosen Malaysia to set up an Industry 4.0-driven, fully robotised manufacturing facility; as well as to establish its Principal Hub activities.

Porsche from Germany announced its flagship new first-of-its-kind Porche Centre in Malaysia. The centre is the largest 3S Porsche Centre within a single facility in the Asia Pacific.

Western Digital, a leading digital storage equipment manufacturer, has decided to invest an additional RM2.3 billion to upgrade its facilities and boost its production capacity in Malaysia. This raises Western Digital's total investment in Malaysia to almost RM18 billion.

Currently, an agency under the Ministry of International Trade & Industry (MITI) - the Malaysian Investment Development Authority (MIDA) - is negotiating with a number of world-renowned companies from various sectors such as automotive,

chemical, and advanced electronics to make Malaysia as high-value manufacturing and Global Supply Chain Hub as well as Services and Regional Operations hub.

MIDA has identified 23 high-profile foreign investment projects in the manufacturing and services sectors, with a combined potential investment value of RM75.4 billion, that are targeted to be secured by Malaysia in 2021.

Driving Investments through New Investment Incentives

Game-Changing Initiatives

The Malaysian Government has adopted a selective and targeted approach in attracting these investments, both FDI and DDI through the ecosystem approach. This innovative approach prioritises the development of the value chain in targeted sectors, offering long term and sustainable growth prospects for investors to remain and grow in Malaysia.

Malaysia continues to attract quality investments with greater specialisation in the 3 + 2 catalytic sectors highlighted under the 11th Malaysia Plan, namely electrical and electronics, chemical, machinery and equipment, aerospace and medical devices, the 12 NKEAs, as well as other potential new growth areas in line with the country's Economic Transformation Programme.

Recently, Malaysia introduced competitive investment incentives to boost FDI further. Among the major initiatives are Relocation Incentives - a full tax exemption up to 15 years on high capital investments for foreign firms relocating or undertaking new investments in Malaysia. Other incentives include the introduction of the Global Trading Centre with a preferential income tax rate of 10% for 5 years, Special Incentive for Manufacturing of Pharmaceutical Products related to COVID-19 Vaccine with



“The Relocation Incentive is a full tax exemption up to 15 years on high capital investments for foreign firms relocating or undertaking new investments in Malaysia.”

a preferential income tax rate of 0% to 10% for 10 years, and Special Incentive Package valued RM 1 billion for High-Value investments.

These initiatives are considered game-changer to attract FDI and boost the country's economy during this challenging time.

Attracting FDIs in the New Normal

Adapt and Create New Opportunities

Given the on-going international border closures and strict governmental standard operating procedures (SOPs) in place worldwide to contain the spread of COVID-19, MITI through MIDA continues to be responsive in undertaking innovative and aggressive investment promotion activities to entice FDI through MIDA's network established footprint of 20 overseas and 12 regional offices.

Among the digital investment promotion programmes organised include virtual webinars at local and international platforms; and engagement sessions with major stakeholders, namely international chambers, banks, and financial institutions.

MIDA's industry engagements organised:

- MIDA and EUROCHAM organised a webinar entitled 'How Malaysia is Coping with COVID-19 and the Mitigation Measures: MIDA's Role to Sustain Quality Investment Post COVID-19' on 14 May 2020; attracting over 200 participants. EU investors were assured of Malaysia's competitiveness as a strategic investment location in Asia.
- Co-organising a webinar session with The European Union Chamber of Commerce in China (Shanghai Chapter) on 16 June 2020; highlighting Malaysia's diversified economic structure, which contributes to the country's competitiveness as well as one of the top global manufacturing nations amid the COVID-19 pandemic.
- MIDA with Italy-ASEAN Association and The European House-Ambrosetti organised a webinar on 2 July 2020 titled 'Post COVID-19 and Towards Reviving the Economy between Italy and ASEAN', attracting 400 participants from Italy and ASEAN. The digital event was among the four high-level digital roundtables held to keep the momentum of the upcoming 4th High-Level Dialogue on ASEAN-Italy Economic Relations, scheduled in 2021.
- Ministerial-level participation at the hybrid virtual seminar: 'Malaysia-China Business Forum: New Normal. New Opportunities' on 18 November 2020 in collaboration with the China Chamber of Commerce for Import & Export of Machinery and Electronic Product (CCCME), and China Construction Bank (CCB). The event was attended by 75 China companies on-site and 2,600 online viewers.

Additionally, in efforts to modernise government delivery system and increase the ease of doing business for investors, the Malaysian Government has been intensifying its efforts to re-engineer its business processes to raise the organisation's efficiency's various functions. Among the major initiatives that have been implemented in 2020 include:

*The establishment of a dedicated unit, aptly named **PACU** or the Project Acceleration and Coordination Unit to provide end-to-end facilitation for all projects approved to enable the timely implementation of investments in the country.*

*New online module, **e-Manufacturing License (e-ML)** enables companies to obtain approvals for their manufacturing projects within two (2) working days.*

***JPC** online application module to enhance on custom duty exemption applications.*

***e-Incentive** modules that cover incentive applications for promoted activities and products listed on the General, Small-scale Companies and High Technology Lists under the Promotion of Investment Act 1986.*

Welcoming Investors During Global Pandemic Crisis

Keeping Malaysia Safe

To ensure Malaysia remains steady on the path of economic recovery and growth by enabling executive and essential personnel to travel to, and continue their work in

“Malaysia is well placed as the 5th emerging-market standout based on a Bloomberg study on 17 developing markets in December 2020.”

Moving Forward

Seizing the Opportunities

Malaysia is committed to accelerating the inflows of quality FDI despite the challenging economic climate. The latest international ranking by KPMG has cemented Malaysia's position as a competitive investment location for investors. Malaysia is also well placed as the 5th emerging-market standout based on a Bloomberg study on 17 developing markets in December 2020. Malaysia look forward to welcoming more high-value investments in technology and innovation to position the nation as the preferred supply chain hub in Asia.

Potential investors from around the world keen to capitalise on the opportunities in the ASEAN region and beyond may reach out to MIDA when planning to make Malaysia their preferred investment destination.

For further information on investment opportunities in Malaysia, please visit www.mida.gov.my and start connecting with MIDA.

Malaysia during the global pandemic, a One-Stop-Centre (OSC) has been established at MIDA. A Business Traveller Centre (BTC) at Kuala Lumpur International Airport (KLIA) is also expected to be set up soon to facilitate and enable business travellers' movement to do their business/work in Malaysia.

MIDA manages the OSC with representatives from the Immigration Department, Ministry of Health (MOH) and MITI to ensure business travellers' legitimacy and health status before they enter into Malaysia. The OSC handles applications for both short-term stay (less than 14 days) and long-term stay. As of 29 December 2020, the OSC Committee has approved 3,866 applications.

These are critical moves by the Malaysian Government to continue to attract FDI during the pandemic.

FTAs Currently In Force

Thus far, Malaysia has signed 16 FTAs and implemented 14 (7 Bilateral FTAs and 7 Regional FTAs)

<i>Bilateral FTAs</i>		<i>Date of Entry into Force (EIF)</i>
1	Malaysia-Japan Economic Partnership Agreement (MJEPA)	13 July 2006
2	Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA)	1 January 2008
3	Malaysia-New Zealand Free Trade Agreement (MNZFTA)	1 August 2010
4	Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA)	1 July 2011
5	Malaysia-Chile Free Trade Agreement (MCFTA)	25 February 2012
6	Malaysia-Australia Free Trade Agreement (MAFTA)	1 January 2013
7	Malaysia-Turkey Free Trade Agreement (MTFTA)	1 August 2015

<i>Regional FTAs</i>		<i>Date of Entry into Force (EIF)</i>
1	ASEAN Free Trade Area (AFTA)	1993
2	ASEAN-China Free Trade Agreement (ACFTA)	1 July 2003
3	ASEAN-Korea Free Trade Agreement (AKFTA)	1 July 2006
4	ASEAN-Japan Comprehensive Economic Partnership (AJCEP)	1 February 2009
5	ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)	1 January 2010
6	ASEAN-India Free Trade Agreement (AIFTA)	1 January 2010
7	ASEAN-Hong Kong Free Trade Agreement (AHKFTA)	13 October 2019



*“In terms of trade with Malaysia’s free trade agreements (FTAs) partners for the first eleven months of 2020, **Malaysia’s total trade value stood at RM1.068 trillion**, with exports valued at RM602 billion while imports totaled RM466.47 billion. FTA partner countries contributed 66.5% of Malaysia’s total exports in the same period.”*

FTAs Currently Negotiated

Malaysia is currently undertaking four FTA negotiations namely:

Malaysia-European Free Trade Area Economic Partnership Agreement (MEEPA)

FTAs Signed but Pending

Ratification and Entry into Force

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) - signed on 8 March 2018

Regional Comprehensive Economic Partnership (RCEP) - signed on 15 Nov 2020

Why world businesses should come to Malaysia

As a nation known for its business-friendly policies, there are many reasons why global businesses should invest in Malaysia.

Watch: 10 Reasons Why You Should Invest in Malaysia





*Watch: Global Companies Investing
In Malaysia During The Pandemic*



Malaysia delivers a one of a kind APEC 2020

APEC 2020 brought together all APEC Leaders to share a commitment to rebuilding the region's economy post pandemic.

It was meant to be Malaysia's opportunity to showcase the nation to the world. Hosting the APEC 2020 was going to be a milestone event for the nation as the spotlight will have been on Malaysia with the convergence of the leaders of the all the top economies of the world for this important regional meeting. Kuala Lumpur and the other Malaysian cities, particularly Putrajaya and Langkawi, were lined up to host APEC delegates and their entourage. These hubs were all set to have bumper spikes in hotel occupancy, patronage of restaurants as well as shopping malls, and an overall influx of tourists.

Then the COVID-19 pandemic struck, and the entire world went into a lockdown from March 2020. Global travel restrictions were immediately enforced, with seemingly no immediate treatment solution to quell the virus. As a result, the entire agenda of hosting the regional meeting was at risk.

Yet, the business of APEC had to be discussed, as there were critical socio-economic policies and plans that needed to be tabled and agreed upon that would have an impact on the lives of a substantial percentage of the global population.

Setting an efficient virtual summit meeting platform.

The organising secretariat led by the Malaysian Ministry of International Trade and Industry, embarked on a major drive to shift the whole summit from its original physical format, to one that was conducted virtually. Thanks to the resolute efforts by this dedicated team, the priority areas of APEC were deliberated, with various meeting goals achieved. A lot of these had to do also with investment into the best of infrastructure facilitated by the global internet connectivity, as well as a capable technical team to manage the digital

“A key part of the success was the strategic collaboration with all 21 participating governments to ensure the facilitation of a well aligned implementation of the series of meetings.”

platform. Key to the success was also the strategic collaboration with the governments of all the 21 participating economies to ensure the facilitation of a well-aligned implementation of the series of meetings.

From the get-go, some seventy (70) meetings were staged virtually by the hosts. This is following on from the eighty-five (85) meetings that were held physically before the pandemic shut down world travel. Seven (7) Ministerial meetings also served to consolidate the findings and recommendations from all the plenary meetings to bridge the way forward for the leaders of all 21 economies to validate the onward plan for the region. The sectoral meetings led to the issuance of eight consensus Ministerial Statements on Trade, Health, Finance, Small and Medium Enterprises (SMEs), Women and Food Security.

Separately, a dynamic trade engagement platform has also been implemented to



Malaysian Prime Minister the Right Honourable Tan Sri Dato' Haji Muhyiddin bin Mohd Yassin speaking at APEC 2020

facilitate a virtual showcase of products and services amongst member nations. The MyAPEC2020 Virtual Exhibition is a four-month long trade exposition that kicked off on 1 September and remains live until 31 December 2020. One of the unique features of this virtual exhibition is the business matching and business pitching engagement sessions – all done virtually. Indeed, this is a first for APEC.

Visionary APEC leadership

The pinnacle of APEC 2020 was the APEC Economic Leaders meeting held on 20 November, chaired by Malaysian Prime Minister the Right Honourable Tan Sri Dato' Haji Muhyiddin bin Mohd Yassin. Joining the leaders of all 21 APEC nations was Kristalina Georgieva, the Managing Director of the International Monetary Fund (IMF). She was able to share invaluable insights on the current global outlook.

Arising from this summit, and for the first time since 2017, the APEC Leaders were able to formulate and announce a consensual statement, which will be known as the **Kuala Lumpur Declaration 2020**.

Furthermore, the leaders have also jointly agreed on the way forward for the region, with the **APEC Putrajaya Vision 2040**, which is an important milestone that cannot be understated, for its huge implications on the vision forward for the APEC member nations. It is a planned next step following on from the Bogor Goals that was declared 26 years ago in Bogor, Indonesia and which had a 2020 target. The APEC Putrajaya Vision 2040 has been crafted to take the next steps forward from the success of the Bogor Goals, by considering the various trends, evolutions, and transformations within the global marketplace. It has, as its overarching goal, to strive for an open, dynamic, resilient, and peaceful Asia-Pacific community by 2040. The pathway to achieve this is to prioritise the prosperity of its people and ensure a sustainable future for the next generations.

The APEC Putrajaya Vision 2040 is the

pivotal document that will be the source of reference and foundation for APEC and will define its work in the next phase of regional economic integration for the next two decades.

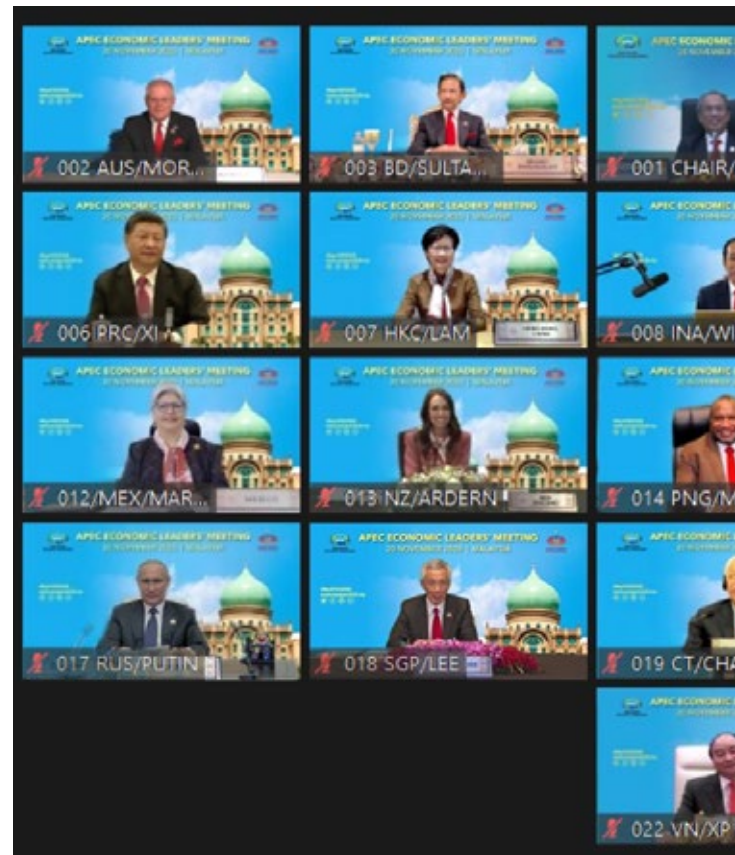
The pivoting factors that serve as the pillar for APEC's vision statement includes, the rapid growth of digitalisation, as well as the growing stress upon the planet and the need for greater practice of sustainability. This is reflected by the three key priority areas that are the focus of the forward-thinking strategy. These are:

(1) Boosting Trade & Investment: APEC will further advance the economic integration in the region, in a manner that is market-driven, including through the work on the Free Trade Area of the Asia-Pacific (FTAAP) agenda which will contribute to high quality and comprehensive regional undertakings.

(2) Digital Economy & Technology: A reliable, interoperable, open, accessible, and secure ICT environment leads to a more interconnected and inclusive region. APEC will drive members to share best practices to harness the opportunities of the digital economy and foster an enabling environment, acknowledging the importance of cooperation on facilitating the flow of data and strengthening consumer and business trust in digital transactions.

(3) Focus on a Sustainable Future: APEC is committed to strengthening economic and technical cooperation toward sustainable development that will address all environmental challenges, including climate change, extreme weather, and natural disasters. Key to this will be an emphasis on the development and availability of renewable energy sources, as well as the sustainable management of the region's natural resources – amidst a scenario of a fast-growing population.

The consensual alignment to commit to the APEC Putrajaya Vision 2040 resonates well with the aspiration and strategic vision of the regional economic organisation. The direction for this was already in the design of APEC 2020 with its aptly



titled theme. "Optimising Human Potential Towards a Resilient Future of Shared Prosperity: Pivot. Prioritise. Progress".

The Kuala Lumpur Declaration to focus on COVID-19 effect

Another major achievement of APEC 2020 was that the leaders of the economies were able to agree on a common meeting-specific declaration. This was elusive for the 2018 and 2019 APEC meetings. The Kuala Lumpur Declaration 2020 recognises the strengthened resolve of member economies to address immediate regional problems from a collaborative partnership basis, leading towards the next APEC, to be hosted by New Zealand in 2021.

The leaders have resolved to prioritize a free, open, fair, non-discriminatory, transparent



and predictable trade and investment environment to drive economic recovery, and reaffirmed support for the on-going work at the World Trade Organisation, including through necessary reforms aimed at improving its functioning.

The economies have agreed to be aligned on structural reforms which presents an enabling environment, that is market-driven and supported by innovation. These structural reforms will be a key driver to kick start the process of working towards the APEC Putrajaya Vision 2040 benchmarks. An emphasis to equip its people with the necessary knowledge, skills and training for a highly digitalised work environment is an important focus in this structural reform agenda.

Underlying the narrative of the Kuala Lumpur Declaration 2020 is the way forward for APEC economies to effectively address the immediate impact of the COVID-19 pandemic. This crisis has weighed in heavily on the region. With the 21 APEC member nations being home to 2.9 billion and representing around 60 per cent of global GDP that

contributes some 50 per cent of world trade, the impact of the pandemic indeed has had significant proportions.

APEC estimates that regional growth is expected to decline by 2.7 per cent this year, compared to the 3.6 per cent growth in 2019, making it the most significant drop since the near-zero growth rate recorded in 2009 during the global financial crisis. This reduction in growth translates to an estimated output loss of USD 2.1 trillion due to the economic fallout from the pandemic. This is compounded by an additional 23 million people becoming unemployed in 2020.

The Declaration records the single minded focus of the region's economic leaders to turn around this deficit, and the roadmap for this is also on record and will be reviewed progressively by the sectoral leads, as the countries drive toward the rebuilding of their economy. Besides the focus on economic recovery, the Declaration also records the commitment of members to ensure a streamline approach to arriving at an efficient and judicious methodology to ensure that the COVID-19 vaccine, once ready, is distributed across the region swiftly and safely.

The region will take some time to fully recover from the impact of the pandemic. However, whilst the critical trigger factors for this problem are being contained, the path is now looking brighter for a more prosperous future ahead for the Asia Pacific region. One that is achievable and sustainable for its generations to come.



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY