

MIDA's action plans for domestic and international trade

Interview with MIDA's director-general

With the current global economic slowdown as the backdrop, the MIDA Media Conference convened on 10th February 2009 with a review of the Performance of the Manufacturing and Services Sectors for 2008 and the Malaysian economy to date. In his keynote address, Minister of Trade and Industry, YAB Tan Sri Muhyiddin Yassin remarked that the Conference "is an opportunity to reflect on developments in Malaysia", inter alia, foreign direct investments (FDIs), effects of the economic downturn and measures initiated by the Government to address problems arising therefrom. As the principal agency for the promotion of the manufacturing and services sectors, MIDA will be instrumental in implementing the Government's agenda in respect of these "measures", in a Q & A session with Director-General, Y. Bhg. Dato' Jalilah Baba, B&I is given an insight into the present situation and MIDA's action plans and efforts on both the domestic and international fronts.



MIDA's director-general Y. Bhg. Dato' Jalilah Baba.

B&I: Malaysia is a recognised and favoured location for FDIs inflow, albeit for selected industries, eg base metal products, E and E and petrochemicals. To date, how has the current global economic slowdown impacted on the inflow of FDIs into Malaysia and what are the industries affected?

MIDA: Despite the global economic slowdown in 2008, Malaysia still attracted substantial inflows of foreign direct investments, reflecting the country's continued competitiveness as a manufacturing and export base. A record level of 919 projects with investments totalling RM62.8 billion were approved for the whole of 2008, exceeding the annual approved investments target of RM 27.5 billion as set out in the Third Industrial Master Plan (IMP3) – clearly indicative of Malaysia's competitiveness and viability as a "favoured location" for investments.

This significant increase in investments for 2008 was due to the approvals of several capital-intensive projects, 12 of which being of value RM1 billion or more each, to make a sub-total of RM38.3 billion or 61 per cent of the total approved investments. Of the total investments approved in 2008, foreign direct investments (FDI) amounted to RM46.1 billion or 73.4 per cent, with inflows into the manufacturing sector being the highest recorded to-date. Further, these foreign investments cut across a broad spectrum of industries and services to include electronics, basic metal products, petrochemical and machinery and equipment, areas whereto the Government will continue to encourage participation.

Malaysia's "strong pull" factors that draw foreign investors to its shores include cost-competitiveness, a well-developed infrastructure, strong supporting industries and a literate and productive workforce, underpinned by strong and resilient banking and insurance sectors which, through prudent



MIDA's headquarters in Kuala Lumpur.

policies, have been able to weather the current economic and financial crisis.

The global economic slowdown, however, has affected the E&E (electrical and electronic) industry and a decline is also expected in the textile industry. The Government has taken a serious measure to address this issue, viz., for six months (February – July 2009), employers will be exempt from contributing to the Human Resource Development Fund (HRDF), which translates to savings in these affected industries of between RM30 million and RM40 million. Further, the performance of these industries will be monitored based on the monthly Industrial Production Index (IPI) and, after six

months, a review will be done on whether an extension is necessary. This pro-active initiative is taken to assist these industries which have been affected by the slow demand for their products due to the global economic slowdown.

B&I: As opposed to FDI inflow, are Malaysian entrepreneurs continuing to venture abroad, taking advantage of the various trade agreements that Malaysia has signed, regionally or globally, and what are the specific areas that they are investing in?

MIDA: Capable Malaysian companies are continuing to undertake business and investment ventures abroad, taking advantage of opportunities arising from the various regional and bilateral trade agreements that Malaysia has signed. These trade agreements provide benefits to Malaysian companies in the form of lower tariffs on finished and intermediate goods, better market access in the host country and to reap benefits on the liberalisation of economic sector.

There are also other factors motivating their overseas investment decisions, viz., to expand or capture new markets, tap new investment opportunities, gain access to supplies and acquire new technology.

Malaysia's overseas investments increased from RM22.2 billion in 2006 to RM42.5 billion in 2007 and to RM48.7 in 2008, reflecting increased interest and capability by Malaysian companies to establish, expand and diversify their operations abroad, largely in ASEAN, East Asia, South Asia, North Africa and the Middle East countries as well as certain developed Western countries. For the period 2004 – 2008, Malaysia's overseas investments were mainly in the following sectors:

Sector	Investment (2004 – 2008)
Manufacturing	RM52.7 billion
Financing, insurance, real estates, investment & business services	RM31.7 billion
Mining & quarrying	RM14.4 billion
Transport & communication	RM12.7 billion
Wholesale & retail trade and restaurants & hotels	RM6.96 billion

Source : Bank Negara Malaysia

B&I: MIDA will be "intensifying promotional activities through investment missions abroad to attract FDIs" in the year-end review of the manufacturing and services



sectors by the Hon, Minister. Which are the selected countries that have been earmarked in 2009 for these missions and why?

MIDA: Despite the intense global competition for FDI and the global financial crisis, MIDA will be intensifying promotional activities to ensure that Malaysia continues to sustain domestic and foreign investments in the manufacturing and services sectors. These activities include the organisation of trade and investment missions and Specific Project Missions (SPMs) to selected countries and regions.

For 2009, a total of 10 trade and investment missions will be organised to several countries and cities (see Table 1).

In addition to the above, we expect to dispatch 25 SPMs and Strike Force teams to canvass selected companies around the world to secure their investment plans. These countries have been targeted as they have traditionally been major investors in Malaysia's manufacturing sector.

In 2008 the major sources of foreign investments in the manufacturing sector were: Australia, USA, Japan and Germany (see Table 2).

As Malaysia is moving towards a knowledge-driven economy, the Government wants to attract higher value-

TRADE AND INVESTMENT MISSIONS

Europe – Frankfurt, Germany, Milan, Italy, London, UK
China – Beijing, Shanghai, Chengdu
Australia – Melbourne, Perth
USA – Salt Lake City, Utah; San Francisco, California; Los Angeles, California
Taiwan– Taipei, Taichung
Japan & South Korea – Kobe, Japan; Tokyo, Japan; Seoul, South Korea
India – New Delhi, Chennai
North & West Africa – Cairo, Egypt; Algeris, Algeria; Damascus, Syria
ASEAN Countries – Jakarta, Indonesia; Bangkok, Thailand

Table 1

added, high technology and knowledge-intensive projects from these capital and technology exporting countries. Among the new growth areas in Malaysia whereat the promotion and import of such projects and technology are targeted include: information and communications

Ranking Countries	Investment amount
1. Australia	US\$3.7 billion
2. USA	US\$2.4 billion
3. Japan	US\$1.6 billion
4. Germany	US\$1.3 billion

Table 2

technology; machinery and equipment; aerospace industry including aviation services; renewable energy; biotechnology; pharmaceuticals; medical devices; and advanced material.

B&I: Further, in the forthcoming investment missions that have been planned, will MIDA be adopting a specific strategy for each country and emphasize on a particular business or commodity or make a general appeal to all countries visited?

MIDA: It is imperative that a targeted approach be adopted in the face of intense global competition from both the developed and developing countries that are also aggressively attracting FDI. Within the region, Malaysia is competing for FDI with other countries in ASEAN, and in the Asian context, with China and India. Most of these new and emerging economies have liberalised their investment regimes which make their countries more attractive for foreign investments. Consequently, Malaysia has to keep abreast of these global trends and tactical requirements to lure companies to establish their operations here.

Malaysia, for the past few years, has been adopting a targeted approach in attracting FDI, particularly in new growth areas such as advanced electronics, LED, renewable/alternative energy, pharmaceuticals, optoelectronics, nanotechnology, photonics, machinery and equipment and engineering supporting industries. These industries are in line with Malaysia's development strategies stipulated in the Third Industrial Master Plan (IMP3) and previous plans.

The focused approach will be undertaken to attract foreign investment in sectors based on strength of specific countries in the selected industries and technologies. This is done through:

Targeted Investment and Trade Missions, viz., the organisation of business seminars and roundtable meetings with the view to disseminate and update potential investors on investment opportunities in the above-mentioned targeted sectors and latest developments thereof, as well as on the facilities available in Malaysia.

Specific Project Missions (SPMs) and Special Promotion Team (Strike Force) are dispatched to meet with identified companies overseas so as to discuss, in detail, their offshore investments plan and, in turn, to present what Malaysia has to offer. To date, specific SPMs (based on a particular country's strength in a given industry) have been carried out to the US, Germany, United Kingdom, France, Japan, South Korea, Taiwan and Hong Kong.

Customised Advertising Campaigns. MIDA is seeking more specialised industry magazines and business journals to publicise Malaysia, with emphasis on the targeted sectors. To ensure more concentrated efforts, MIDA will assume a major role in pooling the combined resources of other relevant agencies, certain key Malaysian corporations and organisations involved in the Corridors' development in Malaysia to put together advertising supplements which are sufficiently large to create an impact.

Online Business Matching Service, connecting businesses through Enterprise Connect (E-Connect). This web-based facility will help to connect local companies in the targeted sectors with international business counterparts and/or partners and vice versa.

MIDA will also undertake other efforts to complement the focused approach which include:

Increase awareness and counter negative perception of Malaysia amongst some capital-exporting countries and brand Malaysia as a country for high technology, capital intensive, high value-added and knowledge-based investments.

Promote Malaysia as a centre for "Regional Establishments" of Operational Headquarters, International Procurement Centre, Regional Distribution Centre, Representative and/or Regional Office.

Continue to provide competitive fiscal and non-fiscal incentives to promote quality investments into targeted sectors. The Government has established a Cabinet Committee on Investment to consider projects from investors which are high impact in nature and which require special Government consideration.

B&I: In the same year-end review by the Hon. Minister, one of the proposed measures to address the prevalent economic downturn is to "increase domestic investments and update investors on opportunities in these sectors" and MIDA will be the principal Government agency involved. Are there any particular industry or industries that MIDA will focus on? If so, why?

MIDA: As a front-line agency, MIDA disseminates relevant



information on procedures, guidelines, requirements and opportunities related to the setting-up of manufacturing and its related services projects in Malaysia through various facilities such as MIDA Business Information Centre (BIC), Customer Services Centre (CSC), Visitors Service Centre (VSC) set-up at Kuala Lumpur International Airport (KLIA), domestic and specific industry seminars conducted by MIDA as well as online business matching services provided via the Enterprise Connect (E-Connect) facility.

The Government is encouraging investment from domestic sources as well and has identified potential growth areas such as:

Biotechnology, agricultural, renewable energy, medical devices, machinery and equipment, petrochemicals, pharmaceuticals, telecommunication and food processing activities, in the manufacturing sector; and

Financial and banking services, tourism, integrated logistic services, ICT services, education and training, healthcare, distributive trade, infrastructure and business professional services, in the services sector.

Specific growth areas that may be taking off in 2009 would be halal food processing activities, tourism and biotechnology and other key services (such as logistics, medical tourism, education and training, ICT services and business professional services), which sectors have potential for further development, seeing as the basic infrastructure that is already in place. For example, in the healthcare services, Malaysia is globally acknowledged as a leader in terms of facilities, standard of delivery, quality assurance, highly-trained and skilled personnel, state-of-the-art and modern equipment and regulatory environment.

The prudent approach would be to look at our existing resources and capabilities and focus on strengthening the

industry sectors that would serve to further sustain the economy.

B&I: On a different issue, what is the latest on the GCC-ASEAN Economic Centre which opened in July 2008 and headquartered at MIDA, ie has the global economic downturn slowed development or progress of the Centre?

MIDA: The GCC-ASEAN Economic Centre (GAEC) which officially opened on 21 August 2008, is headquartered in MIDA. Besides offering an avenue for Malaysian and ASEAN corporate sectors to expand their operations in the Middle East, the Centre also serves as a conduit for businessmen from the Gulf Cooperation Council (GCC) to tap the vast market in the ASEAN region.

Despite the fact that the worldwide economic downturn has taken effect on Asian economies, the GAEC is now well positioned to develop although, to date, we have yet to see any project materialise. This notwithstanding, the Centre is currently working on potential investments and Merger & Acquisitions (M&A) activities by groups from GCC into Malaysia and ASEAN countries in the following areas: Islamic Banking; Telecommunications; Real Estate; Farming/Plantation; and Energy.

Since the Centre will be the sole and official regional office for the Federation of GCC Chambers (FGCCC), it receives official support and endorsement from the GCC. The establishment and development of the Centre will create more opportunities to companies from both regions which include widening of market prospects and better networking. The result of the current promotional effort is expected to be seen at the end of the year. ■