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HIGHLIGHTS

MAXIMIZING SUPPLY CHAIN OPPORTUNITIES

In recent years, companies have been increasingly outsourcing and offshoring production. This has resulted in supply chains stretched across the globe. In Malaysia, more than 5,000 MNCs from all over the world have chosen this country as their preferred investment destination. Among the spill over benefits include the development of human capital and job opportunities as well as growth of the local suppliers due to the skills and technology developed over the years.

The Malaysian economy continues to evolve and tap on the opportunities arising from global trade patterns and higher market integration. Under Malaysia's Third Industrial Master Plan (IMP3), we have been aggressively strengthening Malaysia's ecosystems for both domestic and foreign investors. By leveraging on new sources of competitive advantages through an integrated and holistic approach, we seek to promote the entire value chain of industry clusters. The strong development of supporting industries along the supply chain will enhance competitiveness and ensure sustainable growth in the economy.

Towards this end, the Malaysian Investment Development Authority (MIDA) continues to engage Malaysian companies and encourage them to

upgrade their services, capabilities and production quality to meet the requirements of high value-added and advanced technology industries towards becoming future global champions.



In December 2016, MIDA supported by MITI and agencies held a Supplier Conference on MNCs & SMEs Supply Chain Development & Opportunities which provided a platform for MNCs to share the successes of their programmes in supporting SMEs to venture into global markets and opportunities for SMEs to understand how they can explore global markets through MNCs.

HIGHLIGHTS

A total of 11 key stakeholders across a wide spectrum were invited as speakers and panelists, involving prominent industry players covering topics including Adoption of Smart Manufacturing in the E&E industry, Nurturing Local Suppliers in the Aerospace Industry and Promising Linkages between MNCs and SMEs in the Food Industry. A total of 400 people attended the seminar.

The Business Matching sessions organised in conjunction with the conference received overwhelming responses from the local vendors/SMEs. A total of 15 MNCs participated in the sessions. This resulted in 20 SMEs being identified as potential business partners to these MNCs.

On March 2017, another supply chain conference -- the Specialised Building Materials Supply Chain Conference 2017 was organised by MIDA in collaboration with CIDB. With the theme "Bridging Gaps, Building Opportunities", the conference aimed to provide a platform for business opportunities and facilitate the integration between local

manufacturers of building materials and mega construction/ other development projects in Malaysia.

Among the topics discussed were on the capabilities of local companies and professional services in facilitating the integration of local building materials manufacturers and the construction supply chain ecosystem. The guest panelists were from the Department of Standards, Malaysia Steel Works, Malaysian Iron and Steel Federation (MISIF), Gamuda Engineering, Building Materials Distributors Association of Malaysia (BMDAM) and the Institution of Engineers Malaysia (IEM).

MIDA will continue to work closely with MNCs and assist them in identifying new outsourcing partners and local suppliers. MNCs are encouraged to groom local vendors to comply with their outsourcing requirements. By doing so, MNCs will be able to localise some of their processes, products and components. This would eventually benefit the SMEs and lead to long term sustainable growth for Malaysia.

INDUSTRY

DELVING DEEPER INTO SURFACE ENGINEERING Critical Link to High Technology Industries Ecosystem

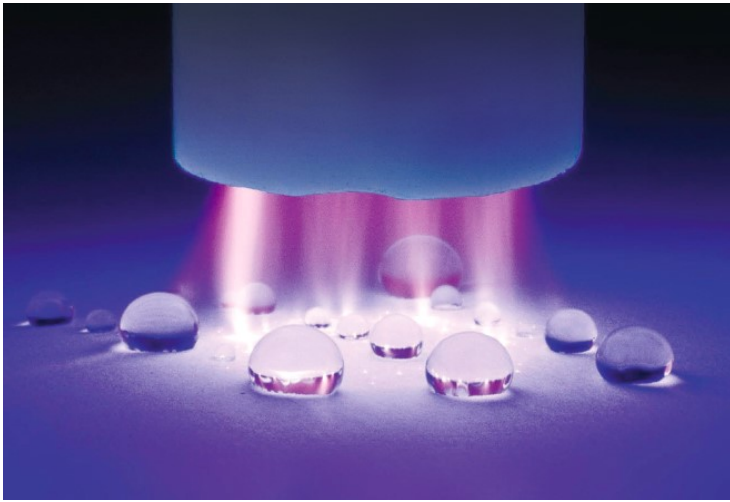
Many important industries such as the electrical & electronics, oil & gas, medical and aerospace are dependent on specific coatings for aesthetic as well as functional purposes. This type of secondary specialty process has a wide range of applications, thus making the surface engineering industry one of the critical technologies that underpins the competitiveness of industries in Malaysia.

Current trends in surface engineering technologies involve moving from aesthetic purposes to surface modification needed in high-technology industries. The focus is on establishing modern surface finishing facilities with the state-of-the-art equipment and technology for high precision surface treatment as well as coating for the electrical & electronics, oil

The surface engineering industry refers to a range of technologies designed to modify the surface properties of metallic and non-metallic components for aesthetic purposes or functional, specific and unique surface properties.

& gas, medical and aerospace industries.

Latest technologies in surface engineering include physical & chemical vapor deposition and



sputtering. These technologies enable both conductive and insulating materials to be coated with any type of substrates such as metals, ceramics, and heat-sensitive plastics. These services are applicable to hard disk manufacturing, computer and video displays, flat display panels, thin and hard coating of cutting tools and anti-reflective/anti-glare coatings for automotive and glass industries.

In the aerospace industry, such specialty secondary processes are governed by the National Aerospace and Defense Contractors Accreditation Program (NADCAP). The NADCAP program is administered by the Performance Review Institute (PRI), based in the United States. Through PRI, NADCAP provides independent certification of manufacturing processes for the industry.

NADCAP is an industry-managed approach to conformity assessment that brings together technical experts from both the industry and



government to establish requirements for accreditation of suppliers and define operational program specifications. This results in a

standardised approach to quality assurance throughout the aerospace industry and a reduction in redundant auditing by the OEMs such as Boeing and Airbus to their subcontractors. In Malaysia, while we already have companies that are able to offer NADCAP certified coating and specialty secondary processes, there is still much room for growth.

Under the 11th Malaysia Plan, the manufacturing sector plays a pivotal role in the continuation of our economic progression to become a high income nation. Under the strategic thrust of re-engineering economic growth for greater prosperity, a few game changers have been identified such as moving towards complex and diverse products, enhancing productivity through automation, as well as stimulating innovation-led growth. A strong surface engineering sub-sector will serve as an enabler to these game changers. MIDA, as the principal investment promotion agency, works closely with key stakeholders and private sectors to further promote the surface engineering sub-sector.

Since 2014, MIDA has approved 3 projects with investments worth RM59.2 million to undertake specialty secondary processes or coating for the aerospace industry. This is in line with the Government's aspiration to be an aerospace hub in South East Asia by 2030 as outlined in the National Aerospace Blueprint (2015 - 2030). The aerospace industry has also been identified as a high growth area in the manufacturing sector under the 11th Malaysia Plan.

With the continuous development and innovation in the private sector as well as concerted efforts by the Government, the surface engineering sub-sector is set to become one of the more promising sub-sectors in the manufacturing sector and is expected to spearhead the growth of Malaysia for many years to come.

POSITIONING MALAYSIA IN THE GLOBAL E-COMMERCE LANDSCAPE

E-commerce is the fastest growing sector of the global trade landscape and has become an integral component of the world's largest economies. Today, E-commerce remains relatively underdeveloped in Malaysia, contributing only 5.9% (RM68.3 billion) to the nation's GDP when compared to countries with much higher GDP contribution such as the US (35%), China (21%) and Taiwan (14%).

Nevertheless, investors are becoming more conscious of the vast potential of E-commerce in Malaysia. The country has a high internet penetration and is located in the heart of ASEAN, linking businesses to over 620 million consumers in the region. Furthermore, the Malaysian Government has implemented various initiatives to develop Malaysia's technology and logistics infrastructure, which forms the backbone of the E-commerce ecosystem.

The Malaysian Investment Development Authority (MIDA) is among the main Government agencies responsible for the development of Malaysia's E-commerce sector, particularly in the E-fulfillment segment. MIDA is a member of the National E-commerce Council (NeCC) which implements the National E-commerce Strategic Roadmap (NESR). NESR focuses on building good infrastructure, improving governance framework and empowering key players across the E-commerce supply chain, which include the E-merchants, E-payment service providers and E-fulfillment service providers.

Within this, MIDA has been appointed as the leader in transforming Malaysia into an E-fulfillment Hub. MIDA is focusing on developing the capability and efficiency of logistics service providers in operating E-fulfillment facilities to cater to the diverse needs of the online shopping market. Logistics companies are being encouraged to invest in ICT systems, such as Warehouse Management Systems (WMS) and Smart Logistics. This would enable them to undertake complex activities such as managing

large orders and inventories, coordinating and tracking real-time delivery and processing returned items.

To date, several key logistics companies have undertaken E-fulfillment projects in Malaysia. This includes YCH Logistics, which has partnered with E-commerce giant, Zalora to develop a Regional Hub in Malaysia. YCH will undertake warehousing and order fulfillment, shipping logistics and delivery of goods to Zalora's customers in eight markets across South East Asia. YCH's E-fulfillment Hub is 470,000 square feet in size, has multi-tier racking and racking systems for efficient storage, pick and pack operations, and adopts automation and intelligent systems for accurate merging and sorting activities.

Pos Malaysia is another major player in the E-fulfillment business. Leveraging on its strength as Malaysia's leading courier company, Pos Malaysia has strategically positioned itself to provide end-to-end logistics solutions, beginning from E-fulfillment until the last mile delivery. The company's digital business model also enables customers to track deliveries via mobile phone, directly communicate



The launch of Zalora's Regional E-Fulfillment Hub on 22 March 2017 was attended by YB Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry.

with the delivery man and change the delivery time, location or payment options. These unique value-add services provide exceptional satisfaction to the company's customers.

Other logistics companies facilitated by MIDA in their venture into the E-fulfillment sector in Malaysia include big players such as GDEX, Century Logistics, Tiong Nam and Sing Kung Logistics.

Apart from providing support to the logistics service providers, MIDA also works on attracting investments from global E-merchants, such as Zalora, Alibaba and Lazada into Malaysia. These companies act as catalysts in Malaysia's E-commerce sector as they create the demand for support facilities including online payment platforms and E-fulfillment infrastructure.

The Malaysian Government does not only focus on the participation of global E-merchants but also seeks to empower small and medium enterprises (SMEs) in the E-commerce industry. Towards this goal, the Malaysian Government has launched the world's first Digital Free Trade Zone (DFTZ) outside of China in collaboration with the Chinese E-commerce giant, Alibaba Group founder, Jack Ma.

The DFTZ project will ease access to cross-border infrastructure, remove complex trade regulations and processes, and foster knowledge-sharing among the small and medium E-commerce players.

The DFTZ project will comprise an Electronic World Trade Platform (EWTP), which will enable SMEs and individuals to undertake free trade globally. The DFTZ will be backed by a 20-acre E-fulfillment Hub in KLIA aerotropolis, which will centralise customs clearance, warehousing and fulfillment services for small E-commerce traders. This project will be further supported by the KL Internet City Service Hub in Bandar Malaysia, which will house E-commerce entrepreneurs, incubators and venture capitalists to allow networking and knowledge-sharing.

By facilitating SMEs to be part of the global trade, the DFTZ is expected to double the SME export growth rate by 2025. The DFTZ will manage goods worth US\$65 billion and will create at least 60,000 direct and indirect jobs.

Moving forward, the Malaysian Government foresees an increasing trend of companies adopting digital business models. This shift is welcomed and MIDA will continue to facilitate these companies in



Pos Malaysia's regional warehouse facility

MIDA Inks MOU with SEGi University to Grow Industry-Ready Talent Pool

“Being the first point of contact for investors, MIDA has been an active conduit between the industry and academia, bridging the gaps in building the talents of the country. Numerous engagements have not only enabled us to better serve the talent needs of the industries, but more importantly such engagements have contributed in enhancing the employability of our undergraduates,” said Dato’ Azman Mahmud at the Memorandum of Understanding (MoU) Signing Ceremony between SEGi University with Corporate and Government Agencies held on 6 April 2017 at the university’s premise in Petaling Jaya.

The exchange ceremony of SEGi University – MIDA MoU was witnessed by YB Dato’ Seri Haji Idris Jusoh, Minister of Higher Education, YBhg. Dato’ Azman Mahmud, Chief Executive Officer of MIDA and YBhg. Datuk Azahari Mohamed Kamil, Executive Director/ Group President of SEGi.

“I am pleased that MIDA and SEGi University will be collaborating on various talent development initiatives under this MoU. As the central investment promotion agency of the country, MIDA holds pertinent information on the future human resource needs of the nation. In the long run, I am optimistic that SEGi will be able to churn out industry-ready talent pool to support the industrial growth and economic development of Malaysia,” added the MIDA CEO.



MIDA Brings 11 Malaysian Tech Startups to Showcase their Technologies at SEMICON SEA 2017

During the opening ceremony of SEMICON Southeast Asia (SEA) 2017, YB Dato’ Sri Mustapa Mohamed, Minister of International Trade and Industry said, “I am very excited to share that MIDA has been engaging with many local technology startups for SEMICON this year. We successfully brought in 11 companies to showcase their capabilities and technologies at the Futura-X @ World of IoT segment. These companies will also be participating in the Tech Start-up pitching sessions. Joining this event are 5 local venture capitalist and crowd-funding partners that were identified by MIDA. With this platform, we look forward to the rise of more homegrown brands in the creation of innovative and futuristic products and technologies.” Also present at the was opening ceremony was Dato’ Azman Mahmud, CEO of MIDA.

MIDA has been working closely with SEMI (Semiconductor Equipment and Material International) in organising this international conference for the past 3 years. Held from 25 – 27 April 2017 at the SPICE Arena in Penang, the event attracted more than 7,500 visitors for all over the world. With 305 companies from 13 countries featuring their latest technologies, SEMICON SEA provided companies in Malaysia a valuable platform to find partners to collaborate with and explore new business opportunities.

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Talent Development, Key to Malaysia's Venture into Industry 4.0

“Malaysia has a strong manufacturing base. However, to stay competitive, our companies have no choice but to embrace intelligent production and include more Industry 4.0 elements into their operations. While we emphasise on the need to adopt new technologies and processes, the success of any industry relies heavily on human capital. We want to ensure that our workers have the necessary skills and competencies to advance the country's economic transformation agenda” said YB Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry (MITI) at the officiating ceremony of the Penang Skills Development Centre's (PSDC) Precision Machining & Industry 4.0 Centre of Excellence and Dialogue on 25 April 2017.

“I would like to commend PSDC for taking up the challenge in preparing industries to adopt new technologies through the provision of proper training and shared services to the industry. In recognising PSDC's role and contribution, MITI through MIDA is proud to support the expansion through awarding a matching grant of RM4.85 million for PSDC to purchase new equipment for their workshop upgrade. We believe that this investment is both fundamental and crucial specifically to support the growth of the E&E, medical devices and aerospace ecosystems,” added YB Dato' Sri Mustapa.

YB Dato' Seri Mustapa highlighted that the Government provides many incentives to encourage the transformation of the manufacturing sector. Companies in Malaysia are urged to be more responsive, more innovative and adapt to new ways of doing things. The participation and support of stakeholders such as PSDC and the industry players is crucial towards achieving the goal.



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MIDA CEO Launches Outsourcing Malaysia Southern Office in Iskandar Malaysia



“MIDA, a permanent member of the GBS Iskandar Steering Committee, welcomes the presence of Outsourcing Malaysia (OM) towards our common goal of building a world-class business environment in Malaysia. Being one of the drivers to position Malaysia as a global hub for high-value outsourcing, OM adds to our on-going efforts in creating high-value and knowledge-based jobs for Malaysia. Its presence will further catalyse the growth of Iskandar Puteri as a thriving business services hub in the region,” said Dato' Azman Mahmud, CEO of MIDA at the official opening of OM's Southern Office on 26 April 2017. Also present at the ceremony were Mr. Cheah Kok Hoong, OM Chairman and Mr. Zulfiqar Zainuddin, Managing Director of i2M Ventures that operates GBS Iskandar.

GBS Iskandar is a specialised programme to facilitate businesses to locate GBS Operations in Iskandar Puteri, Iskandar Malaysia. To date, nine companies have established outsourcing centres and back office operations in the area which includes Frost & Sullivan, Courts Asia, Vistra, Imagineering Institute, Nityo Infotech, Odinsoft, Brandt International, VTC and DayThree.

Dato' Azman further added that shared services activities are definitely one of MIDA's focus areas. “Companies that incorporate shared services activities in Malaysia as part of their qualifying services are eligible for the Principal Hub (PH) scheme. As at December 2016, MIDA has approved a total of 19 PH companies, representing various industries ranging from E&E, F&B, Oil and Gas as well as consumer products. The migration has led to the creation of high value job opportunities, which will enhance the quality of Malaysia's talent pool through exposures on international best practices and standards.”

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ECONOMY NEWS

31 Projects worth US\$36B signed

Mega trade deals agreed

World Bank forecasts modest growth for Malaysia

Survey: Business sector confidence up in Q1

Johor mission to Shanghai a success

Tax incentives provided to encourage digital growth

Manufacturing and services sectors to continue supporting the economic growth, labour market, says AmBank Research

Malaysia to see 20% digital economy contribution to GDP sooner

EU-MCCI CEO hails Malaysia's strengths

Malaysia 7th largest E&E exporter, says Mustapa

ICAEW sees slight pickup in economic growth in 2017

INDUSTRY NEWS

CCM set to conquer halal mart

Elsoft expands business via new segments and products

PIE Industrial back on growth path

Chin Hin buys MI Polymer for RM35m

SEMI reports 2016 global semiconductor materials sales of \$44.3 billion

More focus on shipbuilding

Lotte plans to list Malaysian petrochemical unit in Q3

Evergreen Fibreboard diversifies

VSolar, UTM to set up solar power plant

JCORP, MIDA in robotics venture with China firm

Lotte Chemical to expand Johor ops

BTM plans RM435m waste-to-energy plant with foreign firms

PetChem board approves US\$442m investment in Pengerang new plant

Wound-care mart's healthy growth

Malaysia most active M&A country in Southeast Asia in 1Q - report

Boost for Sarawak methanol plant

Go Auto, Great Wall investing RM2b to upgrade Gurun plant

Spritzer sees double-digit growth in sales this year

Biggest sugar factory 45% completed

Fonterra upgrades plant

SERVICES NEWS

DFTZ boost for Malaysia's digital economy

Paramount ventures into hotel development

The revolution is here to stay

Digitalising the local energy sector

DNeX switches to expansion mode

Malaysia top among upper-middle-income countries at 28th spot

Siemens offers RM 471.9mil software grant

Westports: RM800m for facility expansion

ABOUT MIDA

The Malaysian Investment Development Authority (MIDA) is the Government's principal promotion agency under the Ministry of International Trade and Industry (MITI) to oversee and drive investments into the manufacturing and services sectors in Malaysia. Starting operations in 1967, MIDA is the first point of contact for investors that want to take advantage of Malaysia's vibrant economy, world-class infrastructure and business-friendly environment to set up their profit centre in Asia. For more information, visit www.mida.gov.my or e-mail us at investmalaysia@mida.gov.my.

MIDA, your first point of contact for investments in Malaysia.



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