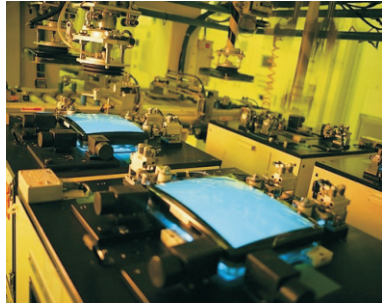


## MANUFACTURING

India and Malaysia need to be innovative in identifying key areas in the manufacturing sector for collaboration. Opportunities exist in technology-intensive industries where India enjoys cost advantages and skilled engineering and research personnel. The two countries can cooperate in emerging sectors such as pharmaceuticals, machinery and equipment, automotive components, renewable energy, aerospace, designer household goods, etc. Industries such as chemicals also offer opportunities, while cooperation in products such as metal goods and food can also be enhanced.

The major tax incentives for companies investing in the manufacturing sector are the Pioneer Status and the Investment Tax Allowance. Eligibility for Pioneer Status and Investment Tax Allowance is based on certain priorities, including the level of value-added, technology used and industrial linkages. Eligible



activities and products are termed as "promoted activities" or "promoted products". Incentives are also offered for high technology companies, location in certain regions, strategic projects, small and medium companies, and for certain sectors.

[www.mida.gov.my/en\\_v2/index.php?page=manufacturing-sector-2](http://www.mida.gov.my/en_v2/index.php?page=manufacturing-sector-2)

An outline of some sectors is mentioned below.

### AUTOMOTIVES

Malaysia provides a low-cost center for addressing the 500 million strong ASEAN vehicles and parts market. Government projects to set up car manufacturers Proton and Perodua have imparted design and engineering skills and helped build an infrastructure of ancillary industries. The vehicle industry has 28 manufacturing and assembly plants with a capacity of 963,300 passenger and commercial vehicles

and 1 million motorcycles per year, catering to the domestic market. Annual sales are over 500,000 vehicles.

In the auto parts industry, there are close to 700 manufacturers producing a range of components such as body panels, brake parts, engine parts, transmission and steering parts, and electrical and electronic parts. Quality and competitive prices have made Malaysia a preferred location for OEM production and companies such as Mercedes Benz, Mazda, Honda, Nissan, etc number among those with operations in the country.

In 2008, exports of components were RM2 billion. Imports have grown rapidly from RM 2.2 billion in 2004 to RM 4.6 billion in 2008.

The National Automotive Policy aims for integration of the sector with regional and global intra-industry trade. Focusing on niche areas, it will promote Malaysia as a regional automotive hub with higher exports of vehicles and parts. Collaboration with overseas enterprises for strategic tie-ups is to be promoted. The country is focusing now on R&D and design engineering. Group Lotus Inc, a subsidiary of Proton, is emerging as a leading automotive engineering consultancy with clients including major car companies, OEMs and Tier 1 suppliers.

Investments are encouraged in areas such as critical components, auto electronic components, fuel efficient engines and alternative fuel engines, modular manufacture/systems integration and R&D.

Import duties from non-ASEAN countries range from 0-10% for CKD vehicles and motorcycles and 30% for CBU vehicles and motorcycles. Excise duties are between 60-125% for vehicles and 20-50% for motorcycles.

Tax incentives for automobile and component manufacturers include pioneer status, investment tax allowance, and incentives for R&D, training, and exports.

For Indian companies, especially those in the southern states, Malaysia's aspiration to be a regional hub matches well with Indian competencies. The ASEAN market for vehicles and parts is expected to grow on the basis of higher incomes in countries such as Indonesia and Philippines. In 2008, sales of motor vehicles stood at 615,270 in Thailand, 603,774 in Indonesia, 124,449 in Philippines and 548,115 in Malaysia. Indian companies could explore Malaysia as a manufacturing hub to converge design and new product development in India with manufacturing competencies in Malaysia.

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## Contacts

Proton – [www.proton.com.my](http://www.proton.com.my)

Perodua Sales Sdn Bhd – [www.perodua.com.my](http://www.perodua.com.my)

Modenas – [www.modenas.com.my](http://www.modenas.com.my)

Malaysian Automotive Component Parts Manufacturers Association

Malaysian Automotive Association – [www.maa.org.my](http://www.maa.org.my)

## ELECTRONICS

Malaysia's strong electronics sector caters to a diverse range of components, consumer electronics and industrial electronics. The sector is the largest contributor to manufacturing output and employment with close to 1000 companies and almost 300,000 workers. Exports from the sector contribute over 40% to aggregate exports and meet standards in leading markets such as USA, Singapore, Japan, the Netherlands and Hong Kong. The biggest export item is semiconductor devices, of which Malaysia is a leading global exporter.

In the electrical products category, the industry produces a range of sophisticated electrical appliances including air-conditioners, refrigerators, washing machines, vacuum cleaners and other household gadgets for major brands such as Sony, Philips and Samsung. Wires and cables, switchgears, distribution transformers, electric motors, dry cells, automotive batteries, etc are also manufactured.

Electronics product manufacturing is also diverse, catering to electronic components, consumer electronics, and industrial electronics sub-sectors. Semiconductor devices such as integrated circuits, memories and microprocessors, opto-electronics, hybrids, and high-reliability military products are among the manufactured goods. A large range of components such as capacitors, relays, switches, transformers, and others are also in the manufacturing profile. Among consumer and industrial electronics, the products include color TV receivers, audio products, video CD players, digital transmission equipment, personal computers and accessories, public telephone exchanges, etc.

The industry is now moving up the value chain by using indigenous design and R&D capabilities. The aim is to build electronics and ICT clusters around the semiconductor sector with core activities in wafer fabrication, and high-end digital and ICT products. The Multimedia Super Corridor provides ideal facilities for computer hardware and software, R&D and support services.

Indian companies may source electronic products from Malaysia as they are competitive and of international standards. Among items of possible exports are switches, fuses, diodes and TV parts which are significant import items.

### **Contacts**

Malaysian Electrical and Electronics Industry Group (Federation of Malaysian Manufacturers) – [industry@fmm.org.my](mailto:industry@fmm.org.my)

Association of the Computer and Multimedia Industry Malaysia (PIKOM) - [www.picom.org.my](http://www.picom.org.my)

The Electrical and Electronic Association of Malaysia – [www.teeam.com](http://www.teeam.com)

Malaysian Electric Cable and Wires Association – [www.mcma.org.my](http://www.mcma.org.my)

The Malaysian American Electronics Industry Association (MAEIA)

The Malaysian National Computer Confederation - [www.mncc.com.my](http://www.mncc.com.my)

### **PLASTICS**

The plastics industry of Malaysia is a vibrant and progressive sector of the industrial scenario, comprising about 1300 manufacturers with a wide range of products for various uses. The sector produces auto components, electrical and electronic parts, telecommunications components, construction material, household goods, bottles, packaging materials, etc. Both primary and non-primary forms are part of the sector. About half the total industry output is exported with key markets including Singapore, Hong Kong, Japan, China, Thailand and UK.

The major part of Malaysia's plastics exports are in primary forms, which include polyethylene (PE), polypropylene (PP), polyacrylonitrile-co-butadiene-co-styrene (ABS), polysterene



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(PS), polyvinyl chloride (PVC), and polyethylene terephthalate (PET). The industry uses 1.4 million tonnes of plastic resins, about half of which are imported and rest produced locally.

Plastics in non-primary forms are major exports, including plates, sheets, films, coils, strips and pipes. It is a significant supplier of plastic bags, and other packaging material for Europe, Japan and Australia.

Malaysian companies also conduct contract manufacturing and supply of plastic parts and components for reputed multinational companies in Malaysia. Standards of ISO 9002 and ISO14001 are widespread, while pipe and wire and cable compounds meet stringent national and international pipe standards.

The Malaysian plastics industry is now configuring to meet the advanced and emerging demands arising from greater use of plastic products in automobiles, aerospace, and defense products. The stress is on value-added products that derive from high skills and technology infusion for world markets.

The Indian plastics industry is highly fragmented with most players in the small and medium enterprises sector. Exports have grown by 5% CAGR in 2001-02 to 2005-06 with a domestic consumption of 160 mt. Exports of performance plastics have grown by five times in the period. In 2007-08, total exports of plastics and products stood at \$3.6 billion with a growth of 21% over the previous year. Over half of products in plastics cater to the packaging industry, with agriculture and infrastructure being other consumers.

The plastics products sector in India offers good opportunities for cooperation with Malaysia. Malaysian companies could invest in the sector. Indian companies could tie up for addressing emerging demands and matching Indian engineering and design skills with Malaysian manufacturing competencies.

### **Contacts**

Malaysian Plastics Manufacturers Association – [www.mpma.org.my](http://www.mpma.org.my)

## CHEMICALS

With its rich resource base in petroleum and palm oil, Malaysia produces a diverse range of chemicals and chemical products, including oleochemicals. The country is a leading producer of high quality soap noodles. These use palm oil or palm-based fatty acids and glycerine. Global manufacturers of shampoos, conditioners, soaps, cosmetics, and baby products source their raw material from Malaysia. Petroleum products, including petrochemicals, are a major export sector as well. Paint and paint products as well as fertilisers and pesticides are also produced.

The key sectors of the Malaysian chemicals industry are: agricultural chemicals, cosmetics and toiletries, industrial gases, inorganic chemicals, oleochemicals, paints, and petrochemicals. A wide range of petrochemicals are produced in Malaysia, such as olefins, polyolefins, aromatics, ethylene oxides, glycols, oxo-alcohols, exthoxylates, acrylic acids, pthalic anhydride, acetic acid, styrene monomer, polystyrene ethylbenzene, vinyl chloride monomer and polyvinyl chloride.

The Indian chemicals industry, which accounts for 16 per cent of the country's manufacturing output and 3 per cent of GDP, is the world's 12th largest and Asia's 3rd largest in terms of volume. It accounts for 13-14% of total exports and 8-9% and is estimated to grow to US\$ 80-100 billion by 2010. Indian exports to Malaysia of chemicals have expanded four-fold in 2002 to 2008 and contribute a significant share to total exports.



As Malaysian companies are working towards meeting new standards set by export markets such as EU and Japan, investments in new product development and R&D are being expanded. Indian companies can forge partnerships with Malaysian companies in this field. Inorganic chemicals such as caustic soda and soda ash as well as organic chemicals such as acyclic alcohols and cyclic hydrocarbons can be explored in the mutual trade basket.

### Contacts

Chemical Industries Council of Malaysia – [www.cicm.org.my](http://www.cicm.org.my)  
Malaysian Paint Manufacturers Association  
Malaysian Oleochemical Manufacturers Group  
Malaysian Petrochemicals Association – [www.mpa.org.my](http://www.mpa.org.my)

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## BIOTECHNOLOGY AND PHARMACEUTICALS

Malaysia is actively promoting the biotechnology sector. The Malaysian Biotechnology Corporation was set up to support the sector to meet the aim of having 400 local companies and 8 foreign companies. An outlay of \$548 million over the 9th plan has been allotted for development of biotechnology in areas such as R&D, technology and infrastructure.

BioNexus is being set up as a hub for biotech industry and is expected to produce revenue of over \$1 trillion by 2015. Three centers of excellence for genomics and molecular biology, pharmaceuticals and nutraceuticals and agro-biotechnology are being set up.

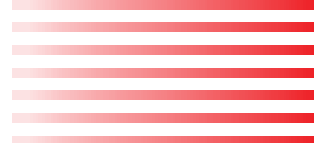
Agri-biotechnology will raise productivity in key agricultural crops of Malaysia such as palm oil, rice, and lumber. Biopharmaceuticals are being researched for various diseases to address the \$200 billion global market. Vaccines and bioinformatics are also on the priority list for promotional efforts. The industry as a whole is expected to expand to \$70 billion by 2020.



The country is actively courting companies with high credentials in the sectors. By April 2009, 101 companies with an investment of \$388 million had been registered in BioNexus.

The biotechnology industry in India grew by 20 per cent during 2007-08 to a size of US\$ 2.56 billion. The top contribution is from biopharmaceuticals at \$1.6 billion. Research services touched US\$ 500 million and bio-IT (bioinformatics) was US\$ 250 million. With the new biotech policy of the central government, the sector is poised to generate US\$ 13 billion-US\$ 16 billion by 2015.

In the pharmaceutical sector, Malaysia produces most of its requirements with imports standing at close to \$700 million in 2006 and consisting mainly of medicament mixtures. Drug manufacture in the country includes analgesics, antacids, diuretics, antibiotics and antihistamines. Traditional medicines are also popular in the form of dried or fermented herbs.



The Indian pharmaceutical industry is one of the world's largest and most developed, ranking 4th in volume terms and 13th in value terms. The country accounted for 8 per cent of global production and 2 per cent of world markets in pharmaceuticals in 2008.



The Indian pharmaceutical offshoring industry is slated to become a US\$ 2.5 billion opportunity by 2012, thanks to lower R&D costs and a high-talent pool in India. India exported drugs worth US\$ 4.15 billion in 2007-08.

The two countries have good scope for collaboration in biopharmaceuticals and vaccine development for the global market, leveraging the excellent infrastructure in Malaysia and the Indian knowledge base.

Funding for various activities as well as incentives such as tax exemption is available for companies established under the BioNexus scheme.

[www.mida.gov.my/en\\_v2/index.php?page=biotechnology-industry](http://www.mida.gov.my/en_v2/index.php?page=biotechnology-industry)

### **Contacts**

Malaysian Biotech Corporation - [www.biotechcorp.com.my](http://www.biotechcorp.com.my)

Malaysian Biotechnology Information Centre – [www.bic.org.my](http://www.bic.org.my)

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## SERVICES

Malaysia's services sector contributed over half of its GDP in 2008. The country has initiated a concrete strategy to raise this level to 70% by 2020 through liberalisation of the sector. This is expected to attract FDI and boost competitiveness of the sector.

Investments flowing into the sector are going into financial services, energy, telecommunications, housing, ICT and other support services. Sub-sectors of high growth included utilities, wholesale and retail trade, accommodation and restaurants.

Government policy aims to target certain sectors to begin with, including healthcare, ICT, transport, business services and tourism. In new measures announced during 2009, 27 sub-sectors were liberalised. The government has also launched a RM 100 million capacity development fund to raise the efficacy of liberalised policies.

Malaysia's exports of services in 2007 stood at \$28.2 billion while its imports had reached \$27.8 billion, making it the 30th largest exporter and importer of services in the world, an impressive achievement given its development level. Exports expanded by 30% in 2007.

[www.mida.gov.my/en\\_v2/index.php?page=liberalisation-of-the-services-sector](http://www.mida.gov.my/en_v2/index.php?page=liberalisation-of-the-services-sector)

## HIGHER EDUCATION

Malaysia is aiming to become a regional hub for higher education with a target of 100,000 international students by 2010. Already, about 62,000 students from overseas are studying in the country. Low costs and high standards are expected to attract more students, and Malaysia is encouraging overseas education providers to set up campuses in the country.



An EduCity is being set up in Nusajaya, part of Iskandar Malaysia, to house overseas institutions. The development region of Iskandar is planned as a centre for high-tech businesses in emerging knowledge sectors, which will require high level of human proficiencies. EduCity will be fully ready by 2018 with a capacity of 12,000 students. Similarly, Kuala Lumpur Education City is proposed near the capital city's airport.

At the same time, Malaysians are also travelling overseas for higher education. India was a preferred destination for Malaysian students soon after its independence, and it is estimated that about 30,000 Malaysians were enrolled at Indian higher education institutions at the peak. Since then, the number has come down considerably. However, India enjoys high brand image among Malaysians as an educational hub. With its low-cost advantage, India has the potential to attract many more students, especially given the high number of Indian-origin population.

Several Indian educational institutions are operating in Malaysia. Melaka Manipal Medical College has been set up as a twinning arrangement with the Manipal Academy of Higher Education as the Indian partner. Vinayaka Mission's Research Foundation, a Deemed University in Salem in Tamil Nadu, has established twinning arrangements with Penang International Dental College (PIDC) in 2005. The Vinakaya Missions has recently announced greater investments in establishing educational institutions in Johor Bharu.

Two schools affiliated to the CBSE of India are also running with good success in Malaysia. The scope for more schools is increasing with the rising number of Indian expatriates working in the country, and their spread into cities such as Penang and Johor Bharu.

Malaysians are keen to travel to India for higher education in professional and degree courses. Indian companies may consider education seminars to alleviate the information deficit and attract more students.

Indian institutions could institute twinning arrangements for undergraduate courses, with part of the study program in India and part in Malaysia. Distance learning programs and specialised courses could also be offered online. Partnerships with local universities are possible for certain programs and curricula. Skill development for sectors such as tourism and hospitality, healthcare, and IT can be carried out as well.

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Several incentives are offered to encourage training, skill development and higher education in Malaysia. Technical or vocational training institutions are eligible for an Investment Tax Allowance of 100% for ten years. This facility is available also to Private Higher Education Institutions (PHEIs) in the field of science for specified sectors. Certain deductions are also offered for recruitment of overseas workers, training facilities, etc.

[www.mida.gov.my/en\\_v2/index.php?page=training](http://www.mida.gov.my/en_v2/index.php?page=training)

### **Contacts**

Department of Private Education, Ministry of Education –  
[www.moe.gov.my](http://www.moe.gov.my)

Malaysian Association of Private Colleges - [www.mapcu.com.my](http://www.mapcu.com.my)

National Association of Private Educational Institutions

### **TOURISM**

Malaysia is a popular tourist destination for its unique rainforests, beautiful beaches, excellent diving sites, high-class resorts, golf courses, and culture. Diverse cultures imbibing Muslim, Chinese and Indian characteristics attract tourists from each of these large travel populations. Its competitive costs and proximity to key markets in South East Asia, China, India and West Asia as well as English language make tourists feel comfortable. It also offers a range of cuisines to suit different palates, including halal food for Muslims.

The Tourism Ministry has actively promoted the ‘Malaysia, Truly Asia’ brand and runs an ongoing Visit Malaysia program. It also aims to promote the country as a meetings, incentives, conferences and exhibitions (MICE) destination for international businesses. In 2008, there were 22 million arrivals, spending \$14.8 billion from a mere \$2 billion in 1999. Tourism is now the second-highest foreign-exchange earner after manufacturing.

The aim is to have 24.6 million visitors in 2010. However, this would be challenging as the global economic crisis led to downturn in tourist arrivals.

Indian visitors to Malaysia numbered 550,738 in 2008, up over 30% from the previous year and the fifth largest source for the country. Tour operators have succeeded in positioning Malaysia as one of lowest cost overseas destinations for Indian travellers, which now number some 8-10 million. Consequently, it is becoming increasingly popular for newly-affluent Indians. A recent visit to India by Malaysian Tourism Minister set a target of a million Indian tourists annually in the next few years.

Addressing the needs of Indian tourists offers great opportunities for Indian hospitality providers, restaurants, entertainment and media, etc. The sector of restaurants is the largest employer of Indian workers. Malaysian tour operators offer three and four day packages which include a limited circuit of Kuala Lumpur, Genting Highlands, and Langkawi. The circuit could be expanded and tour options covering islands, Sabah and Sarawak could be developed. These would require tourist infrastructure and ancillary facilities in these areas, subject to local regulations for their conservation.

Similarly, India could target Malaysians for tourism to India. India's exotic sights and variety of handicrafts and textiles are very appealing to Malaysians. Shopping tours offered as a package to handicraft and handloom centers would be well-received. Religious tourism for Malaysia's Muslim, Buddhist and Hindu populations could be developed. A special section could be the Indian-origin population in Malaysia under the Know India program or Trace Your Roots program of India's Ministry of Overseas Indian Affairs.

Incentives offered for tourist facilities include Pioneer Status or alternatively Investment Tax Allowance, and deductions for overseas promotion, trade fairs, and tour operators.

[www.mida.gov.my/en\\_v2/index.php?page=tourism-industry](http://www.mida.gov.my/en_v2/index.php?page=tourism-industry)

## ICT

Malaysia's IT sector is being promoted as a strategic industry for the future. The Multimedia Super Corridor is a vehicle for this. Since 2006, six new MSC cybercenters have been established. MSC status companies have gone up from 1421 in 2005 to 2236 in 2008, employing over 50,000 people. With projected rapid growth of the Asia Pacific ICT sector to an expected \$120 billion by 2011, Malaysia is projecting itself as a regional hub for the industry.

The country ranked 3rd in the ATKearney Global Services Location Index behind China and India. Due to its excellent infrastructure, attractive ecosystem and

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multilingual workforce, Malaysia can be a destination for IT services and support, contact centers and back-office support. The presence of 130 shared services and outsourcing (SSO) centres in MSC Malaysia, including global giants such as IBM, Intel, etc. and of about 250 call centers attest to the growing reputation that the country is building for itself. MSC Malaysia focuses on smart card technology, smart schools, telehealth, e-government, e-business, creative multimedia and SSO.

Financial incentives offered to MSC companies include Accelerated Capital Allowance (ACA) that provides an initial allowance of 20% and an annual allowance of 40% for expenditure incurred in acquiring computers and information technology assets, including software; duty exemption on import of multimedia equipment, foreign ownership rights, etc.

A large number of Indian IT companies have flocked to MSC for the tax incentives and excellent infrastructure as well as the low cost operating environment. Satyam Computers had designated its facility in Malaysia as its largest outside India before being taken over to become Mahindra Satyam.

The MSC infrastructure would be especially advantageous for smaller Indian software companies that want to expand within the region.

### **Contacts**

[www.mida.gov.my/en\\_v2/index.php?page=information-and-communication-technology](http://www.mida.gov.my/en_v2/index.php?page=information-and-communication-technology)

[www.mscomalaysia.my](http://www.mscomalaysia.my)