Malaysia: Focused on the future as foreign investors eye rewards

Last year’s political earthquake is now just a memory as international investors embrace the myriad of opportunities in many sectors

Malaysia’s economic resilience continues to impress, with leading international financial institutions forecasting strong single-digit gross domestic product (GDP) growth for 2019 and foreign direct investment (FDI) maintaining its surge. Having recorded FDI of $19.34 billion in 2018, the country saw $11.95 billion flow in during the first half of 2019 alone.

Despite the backdrop of a challenging political environment, Malaysia remains a powerful magnet for FDI due to its diversified economy, increasing export sector and strong private consumption as a core pillar of economic growth. Observers expect the country of 32.5 million people to benefit from any escalation of the US-Sino trade war as Chinese manufacturers and businesses may look to relocate and take advantage of Malaysia’s reputation for manufacturing excellence.

Political, economic and social stability, a pro-business climate, enviable strategic location, and substantial natural and human resources, mean Malaysia is well positioned to take advantage of such changes to trade flows and growing international confidence in its new leadership that came to power in May 2018. “The 350 percent year-on-year increase in FDI to nearly $11.85 billion in January-September 2018 demonstrated the increase in confidence from investors in the new leadership of the country under Prime Minister Tun Dr Mahathir Bin Mohamad, the world’s oldest prime minister,” notes Finance Minister YB Lim Guan Eng.

This upbeat view was echoed by the International Monetary Fund, which in a late 2018 report noted: “The Malaysian economy has shown resilience in recent years and continues to perform well. Real GDP growth is moderating in line with expectations.

“Real GDP growth is projected at 4.5 to 5.0 percent in 2019, with domestic demand remaining the main driver of growth.” Such positive feedback is warmly received by YB Yeo Bee Yin, Minister of Energy, Science, Technology, Environment and Climate Change.

“The new government is more transparent and more accountable to the people of Malaysia and investors, she notes. “There is a lot more data for investors to access before they arrive; a lot more certainty. We have a stronger democracy that works now. We have a lot of reforms, but a lot stronger governance.”

Among the major names operating in some industries that fall under her ministry’s control are oil and gas goliath Petronas, and electricity giant Tenaga Nasional Berhad. Yeo Bee Yin is eager for international investors to tap into the openings in the energy sector.

“We plan to boost the rate of electricity generated by renewable energy from 2 percent to 20 percent,” Yeo Bee Yin adds: “Solar energy will play a significant role. Power sector reforms will bring more competition, more business opportunities for large and small players, and greater transparency. We have a good plastics manufacturing industry and want to transform ourselves from a heavy plastics user by focusing on cutting-edge technologies like bioplastics and zero single-use plastics.”

YB Yeo Bee Yin
Minister of Energy, Science, Technology, Environment and Climate Change

Green energy projects will help preserve Malaysia’s precious natural resources

www.country-reports.net
Natural resources and human talent shine

Malaysia’s well-established tourism industry is flourishing as visitors flock to the country for its natural beauty, cultural diversity, and rich history. Malaysia’s tropical beaches, rainforests, and mountainous regions attract millions of tourists, making it one of the world’s most popular destinations. The country’s strategic location at the crossroads of the South China Sea and the Indian Ocean, as well as its linguistic and cultural ties to Southeast Asia, Europe, and the Americas, make it a melting pot of cultures and experiences.

Empowering people and the economy

Power giant Tenaga Nasional Berhad (TNB) is the leading electricity provider in Malaysia. Boasting over nine million customers and riding an investment wave comprising a staggering $4.58 billion over a three-year period from 2018 to 2020, TNB is providing the power platform to energize the economy, as former president and CEO, Datuk Seri Ir. Azman Bin Mohd is eager to highlight.

“TNB began as a government-owned electricity utility ‘70 years ago,’ he states. “Our decades of experience mean we have enormous technical competence in the generation, transmission and distribution of electricity. We built Malaysia’s entire power industry, from laying cables to establishing a cable factory; switchgear production, transformer production—we have done everything. Today, we are in competition with independent power producers that have their roots in TNB. We are very open to this competition as we want the industry to grow.” TNB, through its grid division, has a monopoly on grid and transmission services. Under Datuk Seri Ir. Azman Bin Mohd, TNB has embarked on an ambitious project to unlock the potential of new energy sources such as wind and solar. The company recently signed a memorandum of understanding with the University of Malaya to explore the integration of renewable energy sources into the national grid.

As Malaysia’s premier utility company, we’ve not just looked to nature to power the demands of a growing population; we’re harvesting ideas for a sustainable energy system. We’re not just calculating wind speeds or hours of sunshine, we’re counting the ways in which we can make a difference. It’s all part of our blueprint for a better world.

As we look to the future, we’re confident that TNB will continue to play a vital role in shaping Malaysia’s energy landscape. With a strong growth strategy, TNB is looking to foreign markets to continue its upward trajectory. "The Malaysian market is not big enough for the growth aspirations we have set. TNB is a world-class power company that believes in the right values of making better, brighter lives possible, the same values that are carried to any country where it invests. It is a company like no other as electricity and energy truly empowers people. When and whenever it is made available to everyone, a country can grow and flourish.”

Penang: Pearl of the Orient

Penang’s cultural diversity and rich history make it a popular destination for both locals and tourists. As Malaysia’s largest island, Penang is home to a vibrant mix of Chinese, Indian, and Malay cultures. The island’s multicultural heritage is reflected in its cuisine, festivals, and architecture, which are a testament to the island’s rich history.

According to YB Yeoh Soon Hing, Penang State Executive Councillor for Tourism Development, Arts, Culture and Heritage, Penang is a UNESCO World Heritage site, which adds to its appeal as a travel destination. The island’s beaches, temples, and historical sites attract millions of visitors every year. Penang is known for its street food, which has earned it the title of “Street Food Capital of Asia.”

YB Yeoh Soon Hing, Penang State Executive Councillor for Tourism Development, Arts, Culture and Heritage
TNB is one of the biggest electricity utilities in Asia. Can you provide some background to what is one of Malaysia’s oldest companies?

TNB began as a government-owned electricity utility 69 years ago. It was corporatized in 1990, before being privatized and listed on the Kuala Lumpur Stock Exchange. TNB’s decades of experience mean we have enormous technical competency in the generation, transmission and distribution of electricity.

We started from nothing and built Malaysia’s entire power industry, from laying the cable to even establishing a cable factory, switchgear production, transformer production—we did everything. I think of TNB as a grass-roots organization and, today, we are in competition with independent power producers (IPPs) that have their roots in TNB. We are very open to this. We don’t want to monopolize the sector—we want the industry to grow.

How does the electricity industry work in Malaysia and what is TNB’s current position within the sector?

The supply of electricity in Malaysia is well defined. TNB, through its grid division, has a monopoly on grid sites, transmission-line infrastructure and distribution networks. Since 2014, this business has been regulated professionally using a structured incentive-based system. Every three years, we discuss with the regulator how much return TNB should get, based on our assets and the investment we are making. We have just started our second fixed period and, after benchmarking rates of return for utilities across the world, we settled on 7.3 percent for the next three years. We are investing about $31.5 billion, so that is a quite reasonable return. Any efficiency that we can introduce is also an incentive for TNB and that efficiency benefits the regulator and our citizens as well.

Six years ago, we took a long, hard look at our strengths and evaluated our competitive advantage, and realized that TNB could be much more than it is today. That led us to ask: if there are no restrictions or impediments, what potential could it have? The answer, I think, is enormous. We have already unlocked potential in generation, transmission and distribution, and are now establishing subsidiaries. That is why our share price has more than doubled. I can’t make any promises but I intend to continue this trajectory. So, for the last few years the name of our game has been our Value Unlocking Program (VUP). VUP is a precursor to Reimaging TNB, which is our business strategy for us to achieve operational excellence and maintain our world-class standards.

What is your opinion about renewable energy in Malaysia?

I think the future is in renewable energy. There are no two ways around it. TNB is not in the fossil fuel business, it is in the energy business. So, if renewable energy is the future, we will invest in that and drop fossil fuels. If the government wants 20 percent or more of Malaysia’s energy to come from renewables, it will probably ask us to play the main role in starting it because we can handle it; we have the people to do it and we have the financial capacity. As yet, banks are not completely familiar with the renewable energy sector and a lot of today’s renewable energy startups find it difficult to get sufficient funding. We can demonstrate that it is viable business through our support. And if we can help the banks to have more confidence, then the sector can actually take off.

What does corporate social responsibility (CSR) mean for TNB?

We believe that CSR or being a good corporate citizen is critical not only in Malaysia but in any country that we invest in. There are so many ways to do this. Sometimes we are given specific projects but we are also committed to starting and maintaining our own sustainable and renewable energy projects like environmental conservation: we maintain wildlife, even insects, and fish sanctuaries in the areas where we operate, for example.

“TNB is not in the fossil fuel business, it is in the energy business. So, if renewable energy is the future, we will invest in that.”

Datuk Seri Ir. Azman Bin Mohd

Former President and CEO, Tenaga Nasional Berhad

We also believe in education. Our mission is to power nations and economies but our brand customer promise to people is “Better, brighter.” To make people’s lives better and brighter through the energy that we provide. We do this by powering industries, economies and nations, but on the individual, human side, we make people’s lives better and brighter. We are convinced that education is one of the keys to developing nations, powering countries and to making lives better and brighter. Many Malaysian company leaders, like myself, come from humble and low-income families. Because the government was able to give us an education, including free scholarships, we wiped out the poverty level of our families in just one generation.

TNB’s foundation, the Tenaga National Foundation, offers educational scholarships and has given about $240 million to underprivileged families so far. We are proud to be able to do this and by doing so bring people out of poverty. TNB is a world-class power company that believes in the right values and it will carry those same values to any country that it invests in.

Datuk Seri Ir. Azman Bin Mohd

Former President and CEO, Tenaga Nasional Berhad

“TNB is a world-class power company that believes in the right values and it will carry those same values to any country that it invests in.”

Datuk Seri Ir. Azman Bin Mohd

Former President and CEO, Tenaga Nasional Berhad

www.country-reports.net
A tropical paradise in Borneo is the perfect place for ecotourism

Why is Sabah state, which occupies the northern part of the island of Borneo, the ideal destination for ecotourists and how is tourism performing?

*Why come to Sabah?* Because it offers the whole package! We are known for our sunny days, sea, beaches, corals, hot springs, forests, the local food and Mount Kinabalu, a UNESCO World Heritage site and Malaysia's highest mountain. Tourists love what we offer and that everywhere is close: it’s 90 minutes from our capital, Kota Kinabalu, to Mount Kinabalu and the beaches are half an hour from the city. Then, we have wildlife in Sandakan, which is a 30-minute flight from Kota Kinabalu. The animals live free in their natural habitat, and you can see orangutans, proboscis monkeys and birds. If I were a tourist, that’s the place I would visit first. On the east coast in Tawau we have the world’s tallest tropical tree that stands about 294 feet tall. We also have butterflies, botanical gardens and so on—Sabah’s rich biodiversity is among our greatest assets. Tourists appreciate this biodiversity would have a marvelous time here and we provide a wide range of products to suit them.

Tourist arrivals grew by 5.3 percent to 3.9 million in 2018, with revenue increasing from $1.9 billion in 2017 to $2.02 billion in 2018. Sabah is already a well-known brand among Chinese tourists and China alone represents 44 percent of our tourist numbers, the rest are mainly from South Korea, Europe and the U.S.

What opportunities are available for potential investors in tourism?

The state of Sabah has plenty of potential for tourism developments. In Mount Kinabalu, many people have turned their homes into homestays for tourists. We are helping them to learn how to participate in the sector because there is no other way we can make more rooms available in the short term.

“Sabah is the best place for tourism and for investors due to the potential we have and the growth we are experiencing.”

YB Datuk Christina Liew, Deputy Chief Minister and Minister of Tourism, Culture and Environment of Sabah, the state for ecotourists

Discover and experience the hidden gem of Asia

Penang receives an estimated 1.8 million tourists a year. Why is it popular?

We have seen a shift in Penang’s economy with the service sector having overtaken manufacturing as the top contributor to gross domestic product. The boom in tourism can become an engine of growth for Penang and we are working to diversify our tourism products as the state holds a lot of potential. I believe my four portfolios—tourism development, culture, heritage and arts—are made up of Penang’s core, and we want to package that so that tourists can see the things that make Penang unique.

For example, Penang is famous as the state of year-round cultural festivals. This showcase of cultural events is attributed to the rich ethnic origins of our communities that make Penang a truly immersive melting-pot experience for locals and tourists. Inspired by this, we have started a Penang Celebrates series of events that started with “Penang Celebrates: Christmas with Jazz”, which got a great following response. Our promotional theme for next year will be “Experience Penang 2020”, which will highlight the many experiences Penang can offer, and our natural and cultural assets. We also have various modern facilities and entertainment offerings, including Escape, Malaysia’s leading theme park for adventure seekers, and the Topi-Komatan, an entertainment tower with various attractions for all ages.

The capital, George Town, is truly an authentic city, with multicultural trades, heritage, traditions, unique architecture and a historic center that is a UNESCO World Heritage site. Penang has also made a name for its vibrant street-art scene that has lead to the state government’s initiative for an innovatively designed Penang Arts District, which will house the largest collection of galleries, museums, creative boutiques, art schools and workshops in Malaysia.

What markets are you targeting specifically?

I would say the U.S. and Canada are the main markets we are looking at. Cruise tourism is another important segment for us. To accommodate rising numbers, our Swettenham Pier Cruise Terminal will be expanded soon to accommodate more vessels, including mega-sized cruise ships. Our pier has an edge compared to others as it is located right in town, so passengers are able to reach the heart of George Town upon disembarking and explore the city center on foot. We want to position the terminal as a home port for cruise vessels in the region and it could be a catalyst for growth in the local economy.

In addition, we aim to position Penang as the preferred location for meetings, incentives, conferences and exhibitions activities. Another big push is the Penang SPICE Convention Centre which was completed 70 percent of work for 2019 and 30 percent in 2020.

How are you increasing Penang’s connectivity?

A new direct route from Qatar Airlines connects Penang with Doha and the Middle East, and we are also now easily connected to Europe, Africa and North America. As well as new international direct flights, there has been an increase in the number of flights to places we were already connected to. In November 2018, there were 283 international direct flights a week to Penang International Airport, a 21.9 percent rise on the previous year, and international passenger arrivals in 2018 showed a 15 percent increase. To cater for this growth, we have an airport expansion in the pipeline.

Are there opportunities for international investors in Penang’s tourism sector?

We believe in working with players in the tourism industry and the private sector in order to create more high-end tourism products ranging from hotels, services, shopping and dining—to deliver an all-inclusive experience. As a government office, we are looking forward to working with more international players to create goods and services in Penang that spur tourism development.

The current trend we are noticing is an increasing amount of travelers seeking experiences over possessions and that defines Penang’s hospitality—unforgettable experiences and a personal touch. Every segment of the industry plays a role in delivering this experience. We hope to draw investors, including international hotel chains, to work with us to promote Penang’s unique appeal and charm. In addition, there are advantages to investing here, like political stability, a business-friendly government, and our airport and seaport infrastructure.
International acclaim for a leading hospital’s medical tourism services

Lau Beng Long, managing director of Sunway Group Healthcare Services, a company at the cutting edge of private healthcare

Sunway Group Healthcare Services is an internationally accredited and award-winning leading tertiary hospital that provides a comprehensive range of medical services. What differentiates you and how are you contributing to Malaysia’s growing reputation for medical tourism?

We are a technology-driven hospital and involved in high-technology-dependent and specialized disciplines, like oncology, neurosciences, and orthopedic and cardiovascular treatments. Two-thirds of our specialists are trained abroad in countries like the U.S., Canada, and Australia. They bring back all the best practices and have been exposed to the latest digital technologies, including virtual and robotic systems, and artificial intelligence. That is why we make sure we have the best available technology on the market. We invest in proven systems that are approved by the U.S. Food and Drug Administration. Our clinicians also have all the necessary infrastructure in place for them—the hospital has a top-notch set up, regarding space and rooms. Additionally, it’s not just our medical technology that is better but all of our technology, including office-automating, information and electronic medical record systems. Next is the high-quality skill set of all our support and hospitality staff, so doctors and patients feel safe practicing and getting their treatment here.

In summary, our standard of care is excellent and, of course, the cost of treatment in Malaysia is much lower than other parts of the region. It’s a third of that in Singapore and, based on some surveys, it can range from a fifth to a tenth of costs in the U.S. This makes Malaysia especially interesting for elective medical treatments like plastic and gynecic surgery.

“The in summary, our standard of care is excellent and, of course, the cost of treatment in Malaysia is much lower than other parts of the region.”

Lau Beng Long, Managing Director, Sunway Group Healthcare Services

Sunway has recently started a $98 million development project at its hospital in Penang. What is your current investment strategy?

We are part of a conglomerate, the Sunway Group, whose core business is property development and construction—so we have a plenty of land. Our Sunway has recently started a $98 million development project at its hospital in Penang. Our Sunway is a region where there is a monopoly in electricity transmission and distribution, and a liberalized energy generation sector. In September 2019, the government approved a plan to reform the power industry that is going to bring in more competition, more business opportunities for big and small players, more transparency in our power sector and, hopefully, we can also build new industries. I am very excited about it. In addition, the new government’s manifestos has the goal of increasing renewable energy from 2 percent to 20 percent of our energy generation mix. We are ramping out nuclear and are looking at other renewable energy sources.

What is the state of Malaysia’s healthcare system and what role does the private sector play in it?

About 4-5 percent of GDP is allocated to health and roughly 45 percent of expenditure comes from the private sector. We have an excellent primary-care network but there has been a slowdown in public-sector development of hospitals. The private sector has been growing quickly, not just at the primary level but also with regard to hospitals. Going forward, I foresee the private sector playing a more important role, partly because the government is putting an emphasis on public-private partnerships to outsource some services. The reason we are recognized as one of the best hospitals for U.S. tourists has a lot to do with the role of the Ministry of Health in facilitating private healthcare. The Malaysian investment climate is very business friendly and the government is doing its best to keep improving.

How is Sunway investing in research and development (R&D)?

We are focused on R&D but if we tried to develop things on our own it would take a long time. Therefore, we have set up international collaborations. One example of this is with the Royal Papworth Hospital, England’s largest heart and lung hospital. Last year, we signed a 10-year collaboration with them in which they will help us to look at gaps in our services and facilities so that we can upgrade and improve them.

There is a lot of restructuring taking place under your ministry. What are your main focuses for the energy industry?

Malaysia is a country where there is a monopoly in electricity transmission and distribution, and a liberalized energy generation sector. In September 2019, the government approved a plan to reform the power industry that is going to bring in more competition, more business opportunities for big and small players, more transparency in our power sector and, hopefully, we can also build new industries. I am very excited about it. In addition, the new government’s manifestos has the goal of increasing renewable energy from 2 percent to 20 percent of our energy generation mix. We are ramping out nuclear and are looking at other renewable energy sources.

Which renewable sources will you focus on and what is the government’s strategy for attracting external investment to these and other industries?

I think solar energy will play a significant role but I am not ruling out other technologies as well—as long as you come to me, as an investor, with a competitive price. If you are too strict on technologies, you are not going to be able to adapt to a future where a lot of disruptive technologies will emerge. To me, it is simple, whether is it for the energy sector, science, technology or even the environment—there are four things I look into: the equation is technologies, talent, the capital market and the macro environment.

“In September 2019, the government approved a plan to reform the power industry that is going to bring in more competition.”

YB Yeo Bee Yin, Minister of Energy, Science, Technology, Environment and Climate Change

transforming the macro environment to attract international investors

Malaysia’s strategic advantages. For example, Malaysians are talented, many speak English and the country is in a very strategic location, with 60 percent of world trade passing through it. We have a democracy that works now and the government will make further reforms, so that you will see even stronger governance and democracy. There is optimism among Malaysians that our future will be better and that Malaysia can be a good destination for investors.

Your government has banned the use of plastic drinking straws from this year and introduced a roadmap towards zero single-use plastics by 2030. Why is this important to you?

We want to transform Malaysia from a heavy user of plastics—at the moment we are the eighth-biggest ocean polluter. Our policy will take our plastics manufacturing industry into the future with bio-plastics, zero single-use plastics, and strategies for reusing, reducing and recycling plastic. I am very excited about that and think it’s going to provide a solution not only for us but for the world. A lot of people are talking about food, energy and water, but not so many are talking about waste and humankind faces a huge waste problem.

How else is the new government improving Malaysia’s investment climate?

I think you will see a government that is more transparent and accountable to the people of Malaysia and investors. There will be a lot more data available for investors to access before they enter the market and there will be a lot more certainty. As a minister, I have always told my staff that I may go, the government may go, but the thing we want to build in the next five years is an institution that will last. This government will establish a better institution that protects investors in every industry and helps them to do business more easily.

I hope that we can make international investors more aware of some of Malaysia’s strategic advantages. For example, Malaysians are talented, many speak English and the country is in a very strategic location, with 60 percent of world trade passing through it. We have a democracy that works now and the government will make further reforms, so that you will see even stronger governance and democracy. There is optimism among Malaysians that our future will be better and that Malaysia can be a good destination for investors.

www.country-reports.net