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JS-SEZ to be finalised in September



INVESTMENT

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KUALA LUMPUR: With the Johor-Singapore Special Economic Zone (JS-SEZ) agreement to be finalised between the Malaysian and Singapore governments in September, the area is targeting to attract venture capital (VC) and private equity (PE)-driven industries.

That is what Economy Minister Rafizi Ramli revealed at the JS-SEZ investment forum here yesterday, and he is confident that details of the agreement could be featured at the Budget 2025 speech once the particulars are ironed out and approved by authorities of both countries.

Notably, he said the value proposition of the JS-SEZ has to be significantly private sector-driven, as investment decisions are mostly carried by VC and PE partners who are backing companies that will potentially set up shop at the SEZ.

"These kinds of companies that we want to encourage to come and build the ecosystem in JS-SEZ are precisely the high-technology and high-value industries that we are lacking, and they are almost entirely interconnected with VC and PE backers," he added.

As such, Rafizi emphasised the importance of remapping processes to keep abreast with how such businesses operate and the ecosystem in which they can thrive, making sure that the movement of people as well as goods and services are increasingly easy.

He said that Malaysian authorities and financial institutions would have to recalibrate their understanding of how investments are made in today's fast-paced world, stressing that speed, flexibility and exit are

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Rafizi Ramli

major considerations for investors.

He said: "The last few months have been fruitful for both the federal and state governments as we have been talking directly to prospective investors for the JS-SEZ, and all these points will be taken into account as we progress with the agreement."

Using his recent trip to China as an example, Rafizi said he has staged talks with about 100 companies, with 30% of these being PE or VC-funded, while commenting that PEs and VCs have been financing the growth of Chinese industries over the last two decades.

He explained that Chinese investors are viewing Asean as a large market which could be beneficial with better investor integration, while Western investors see Asean as an important gateway to the Far East.

At the same time, with the signing deadline of the JS-SEZ agreement beckoning, he said the Malaysian side has communicated its final framework for the economic zone to Singapore, including details such as incentives, and is awaiting the city-state's response.

On the Malaysian end, he mentioned that it is now down to various ministries such as the Finance Ministry and the International Trade and Industry Ministry as well as the state of Johor to put together a specific

package for JS-SEZ. "The specifics of the incentives, fiscal and otherwise, as well as tax breaks will most probably be included in the Budget (2025) speech, as the timing is right," said Rafizi.

Responding to a question about specific targets, Rafizi said with the momentum heading towards operationalising the JS-SEZ, it may be more meaningful to focus on conversions and report "numbers" in terms of new investments for the region, rather than to keep talking about its potential.

"We would be able to share more of such numbers down the line, but as of now, we need to iron out the details of the agreement, sign it and work hard to get investors in," he added.

The closed-door forum session yesterday saw Rafizi and Johor Menteri Besar Datuk Onn Hafiz Ghazi engaging with stakeholders comprising potential investors, chambers and banks who have shared their opinions on the special economic zone.

Onn Hafiz remarked that the cooperative feedback from these stakeholders is crucial to ensure the JS-SEZ materialises successfully, and benefits not just investors but also the Malaysian and Singaporean public, as well as Asean in general.

On the other hand, both Rafizi and Onn Hafiz declined to reveal the final geo-

graphic scope of the JS-SEZ, although they did confirm that details are being finalised, with the latter reassuring investors that issues important for ease of doing business are being addressed.

For context, the JS-SEZ will be located in Malaysia's Iskandar region, and could cover an area of over 3,000 sq kms, approximately four times the size of Singapore.

The JS-SEZ rides on the strong growth of Johor and significant investments in the region by Singapore, with Johor notably recording RM43bil worth of investments in 2023 alone. Of that, RM21.5bil in foreign direct investment (FDI) into the state came from Singapore, China and South Korea.

The neighbouring countries signed a memorandum of understanding (MoU) on Jan 11 this year to work on developing the SEZ to strengthen economic connectivity between Johor and Singapore, targeting sectors related to electronics, financial services, business-related services and healthcare.

The MoU also established a joint committee co-led by Malaysia's Economy Ministry and Singapore's Trade and Industry Ministry with an aim of having a definitive SEZ agreement towards the end of this year.

This joint committee from both countries is currently in discussions focusing on various areas of economic sectors, such as ease of doing business, ease of movement of people and goods, talent development and the overall governance mechanism for this collaboration to ensure its sustainability.

In response to the MoU, the Invest Malaysia Facilitation Centre Johor was formed and has started its interim operation with the Iskandar Regional Development Authority currently being entrusted to spearhead and manage the centre.