

Johor-Singapore Special Economic Zone (JS-SEZ)

J-S SEZ Set to Be A Game Changer

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17 Aug 2024



Agenda

1

JS-SEZ is A Game Changer for Malaysia, Johor and Singapore

2

Key Economic Indicators for Johor and Singapore

3

Identification of Sectors and Industries; Strategic Economic Collaboration

JS-SEZ is a game changer for Malaysia, Johor and Singapore

1 Second chance of economic take-off for Johor

- JS-SEZ to attract FDI and DDI; enhance cross-border flows of goods and people; and strengthen the business ecosystem.
- Positioning Johor as an alternative investment; re-catalyse economic growth in Johor.
- Draws inspiration from success stories like Shenzhen, a special economic zone in China.

2 Strong synergy with Singapore is vital

- Malaysia and Singapore are like a pair of Siamese twins - close economic ties, historical, cultural and interpersonal links.
- Strategic and (mutually) complementary synergy.
- In 2023, Singapore was Malaysia's second-largest trading partner, while Malaysia was Singapore's third-largest trading partner. Singapore maintained its status as the second-largest foreign investor in Iskandar Malaysia from 2006 to September 2022.

Aspirations

A



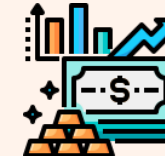
Boosting the ease of movement of people, goods and services

B



Enhancing business ecosystem, including ease of doing business




C



Attracting investments to the region

Snapshot of key economic indicators – Malaysia, Johor and Singapore

2023

	 Malaysia	 Johor	 Singapore
Nominal GDP market value	RM1.8 trn USD399.3 bn	Rank # 4 RM171.8 bn (9.4% of total) USD37.6 bn	S\$673.3 bn USD501.2 bn
GDP per capita	RM54,612 USD11,962	Rank # 9 RM41,902 USD9,178	S\$113,779 USD84,689
Population	33.4 million	Rank # 2 4.1 million (12.3% of total)	5.6 million
Labour force	16.4 million	2.1 million (12.7% of total)	3.9 million
Employed persons by skill category¹			
• Skilled	30.4%	26.6%	62.6%
• Semi-skilled	57.2%	61.6%	27.9%
• Low-skilled	12.4%	11.7%	9.5%
	<small>1. Employed persons for Singapore only for residents, skill category follows Malaysia's definition.</small>		
Exports of goods	RM1.4 trn USD312.3 bn	RM290.0 bn (11.6% of total) USD63.5 bn	S\$685.0 bn USD509.9 bn
Attracted Investment	RM329.5 bn USD72.2 bn	Approved Investment RM43.1 bn (13.1% of total) USD9.4 bn	S\$12.7 bn USD9.4 bn
• Primary	2.8%	-	
• Manufacturing	46.1%	33.9%	68.7%
• Services	51.1%	66.1%	31.3%

Notes: Conversion based on the exchange rate of RM4.5653/USD1 and SGD1.3435/USD1.




Source: DOSM; MIDA; SingStat

Snapshot of key economic indicators – Malaysia, Johor and Singapore

2024

2022

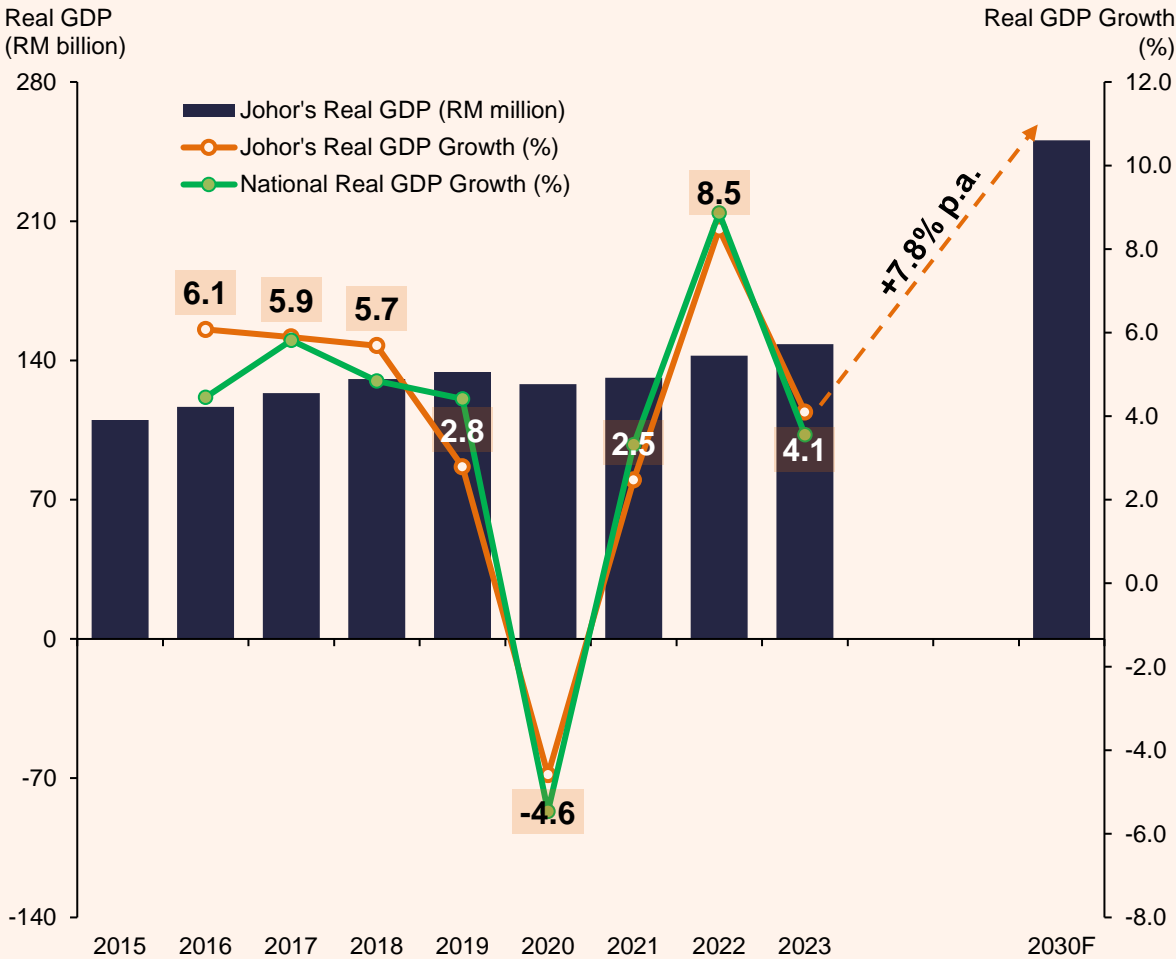
2024

	 Malaysia	 Johor	 Singapore
Corporate income tax rate	24% (Preferential tax rate for eligible SMEs at 15%-17% for first RM600,000 of chargeable income)		17%
Individual income tax rate	Up to 30%		Up to 24%
Median monthly wage	RM2,424 USD531	RM2,220 USD\$486	S\$5,070 (incl. employer CPF) USD\$3,774
Non-domestic electricity tariffs <i>- Excluding capacity charge and other charges.</i> <i>Malaysia: seen/kWh</i> <i>Singapore: cent/kWh</i>	Commercial: <ul style="list-style-type: none"> Low voltage: 43.5 for the first 200 kWh; 50.9 for the remaining Medium voltage: 36.5 (22.4 for off-peak) Industrial: <ul style="list-style-type: none"> Low voltage: 38.0 for the first 200 kWh; 44.1 for the remaining Medium voltage: 33.7 (or 35.5 (peak) and 21.9 (off-peak)) High voltage: 33.7 (peak) and 20.2 (off-peak) 		Example: SP Group (1 Oct 23) Low tension: 31.00
Prime office rental	Johor Bahru (per sq. m / month): Aug 2022 <ul style="list-style-type: none"> Building Age > 5 Years: RM25-RM38 Building Age < 5 Years: RM38-RM48 		S\$11.95 per sq. ft/month
Cost of industrial land / factory building	Johor: <ul style="list-style-type: none"> Industrial land selling price: RM25-RM90 per sq. ft Quit rent per annum by industry: RM1,600/ha (light); RM2,100/ha (medium); RM2,400/ha (heavy) Annual assessment rate: 0.33%-1.0% of property value Ready-built factory selling price: RM140-RM400 per sq. ft Ready-built factory rental: RM1.20-RM3.00 per sq. ft / month 		S\$1.87 per sq. ft / month

Notes: Conversion based on the exchange rate of RM4.5653/USD1 and SGD1.3435/USD1. Source: Malaysia: LHDN; DOSM; TNB; MIDA; Singapore: IRAS; SingStat; CBRE; SP Group

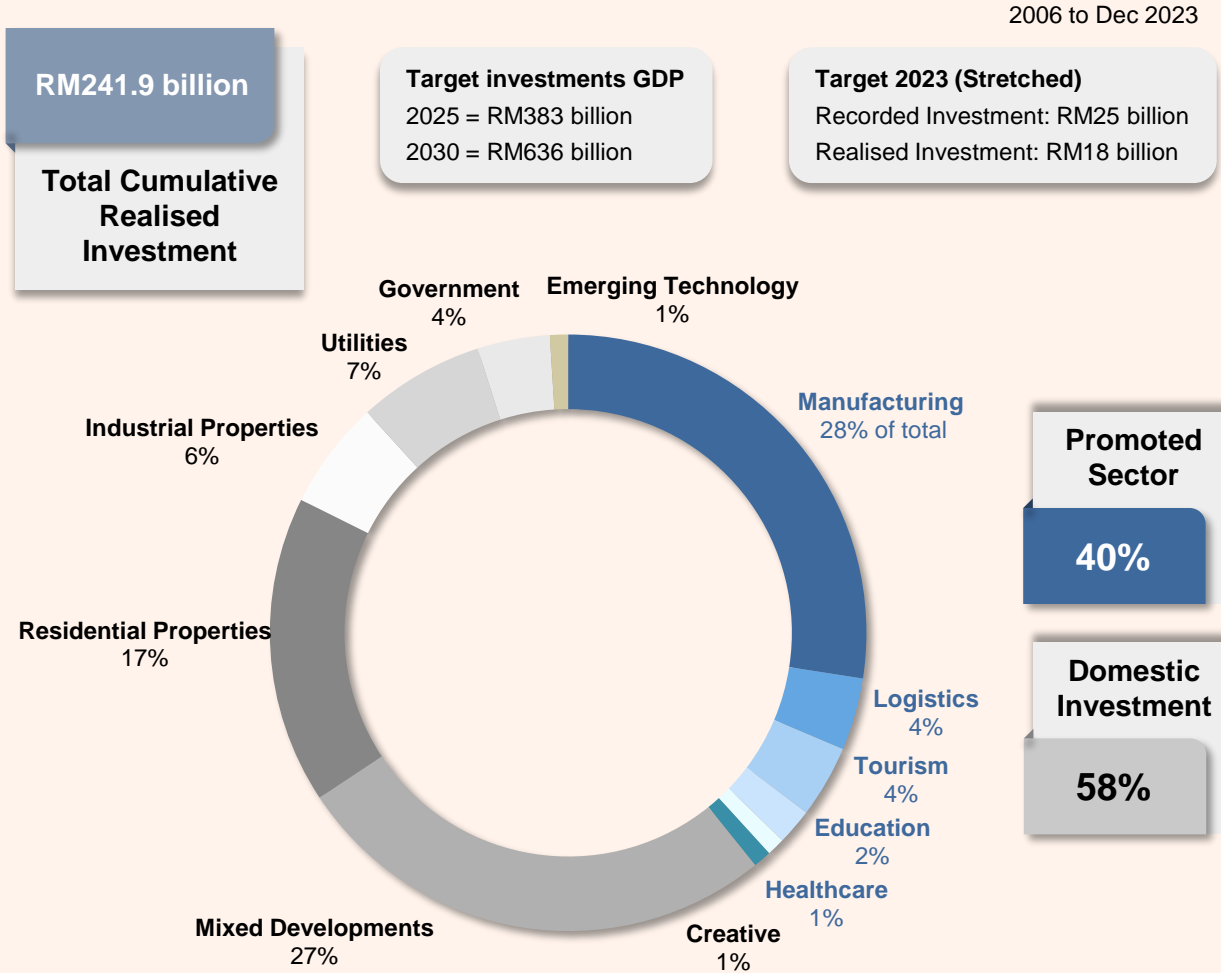
Johor's path to prosperity: Economic growth and future opportunities

Johor's Real GDP and Forecast



Source: DOSM; Maju Johor 2030; UOB Global Economics & Markets Research

Cumulative Realised Investment in Iskandar Malaysia (2006-2023)



Note: Promoted sectors are manufacturing, logistics, tourism, education, and healthcare.
Source: MIDA Q3 2023; Audited Corporate Announcements

Tide of investment flows

- “Maju Johor 2030 – Powering Johor into the New Economy”.
- The Invest Malaysia Facilitation Centre-Johor (IMFC-J) to attract new investors.
- Expect RM60 billion in additional investments at the Pengerang Integrated Petroleum Complex (PIPC) in Pengerang (2026 to 2031).
- Johor is rapidly emerging as Malaysia’s new data centre hub, attracting over 50 data centres (DC) in the past two years, and expected to draw in RM17 billion in new investment in 2024.
- Johor is the ninth largest DC market in APAC (source: Baxtel).
- Ranked as Malaysia’s fourth-largest investment destination in 2023 (RM43.1 billion or 13.1% of the total).

Approved Investment	Accumulative	Value			CAGR
		By State	2019-2023	2019	
Malaysia	1,285.4	211.4	329.5	83.7	11.7% per annum
Selangor	231.3 (18.0% of total)	47.8 (22.6%)	55.3 (16.8%)	12.4 (14.8%)	3.7%
Pulau Pinang	221.4 (17.2%)	33.7 (15.9%)	71.9 (21.8%)	3.3 (3.9%)	20.9%
Johor	162.2 (12.6%)	24.4 (11.5%)	43.1 (13.1%)	4.1 (4.9%)	15.3%
Kuala Lumpur	159.8 (12.4%)	21.6 (10.2%)	58.3 (17.7%)	21.5 (25.6%)	28.2%
Kedah	129.9 (10.1%)	14.7 (7.0%)	28.7 (8.7%)	31.3 (37.4%)	18.2%

Total Approved Manufacturing Investment: Top 3 Industries in Johor

Johor	54.4	11.5	14.6	N/A	6.3%
Chemicals and chemical products	10.3 (18.9% of total)	1.6 (14.1%)	1.6 (11.0%)	N/A	0.1%
Electrical and electronic products	10.1 (18.6%)	1.3 (11.6%)	4.6 (31.3%)	N/A	36.1%
Machinery and equipment	4.4 (8.0%)	0.4 (3.3%)	2.5 (16.9%)	N/A	59.2%

Source: Malaysian Investment Development Authority (MIDA); DOSM

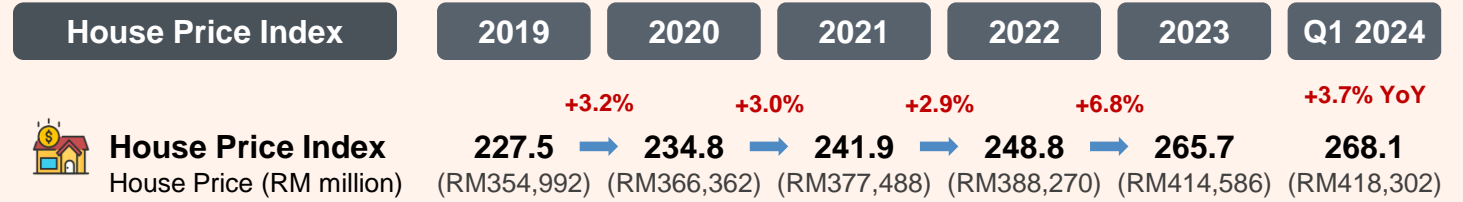
Note: Ranking is based on accumulative approved investment from 2019 to 2023. Parenthesis indicates the percentage share.

Snapshot of property sector in Johor

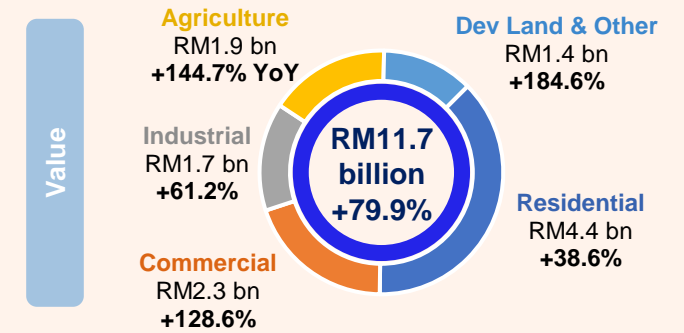
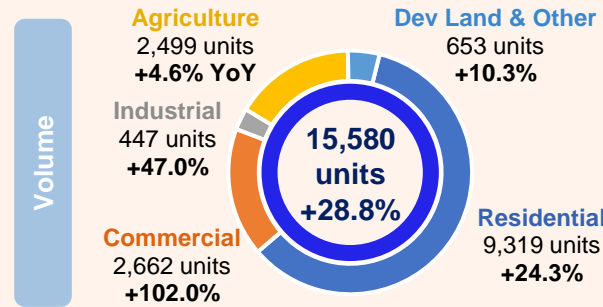
- Johor real estate showing signs of steady growth.
- Iskandar Puteri stands out with the highest proportion of foreign demand, predominantly from Singaporean nationals and permanent residents (PR).
- Positive transformation to various initiatives led by the Johor state government, including the development of the RTS Link, the establishment of Forest City as a Special Financial Zone (SFZ), and the proposed Johor-Singapore Special Economic Zone (SEZ).

According to iProperty, a significant year-on-year (YoY) median asking price growth of 20% for service residences in Johor Bahru. The smaller unit in particular recorded robust price growths – with the 501-750 sq ft category recording 27%, 751 – 1,000 sq ft recording 18% and 1,001 – 1,250 sq ft recording 15%.

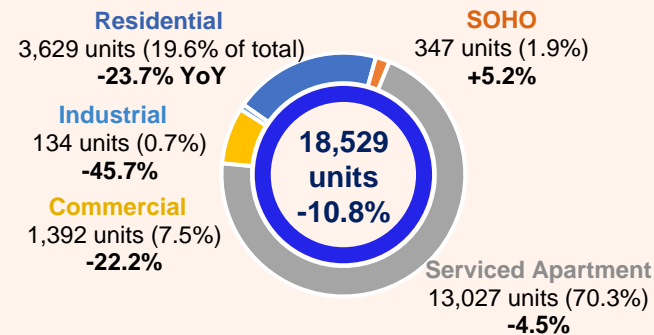
Property Status in Johor



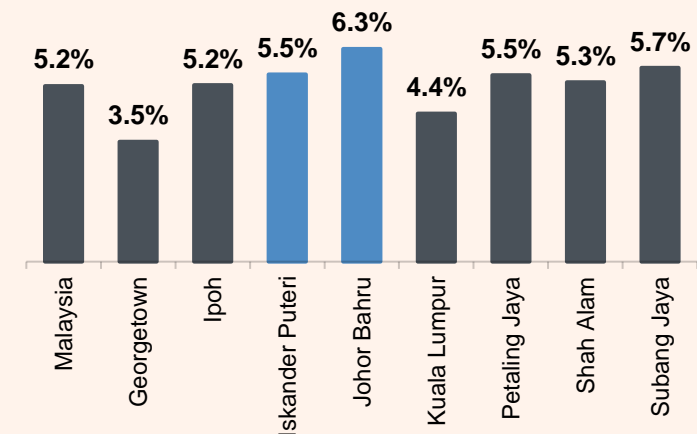
Property Transaction by Sub-Sector (Q1 2024; YoY)



Overhang Units by Sub-Sector (Q1 2024; YoY)



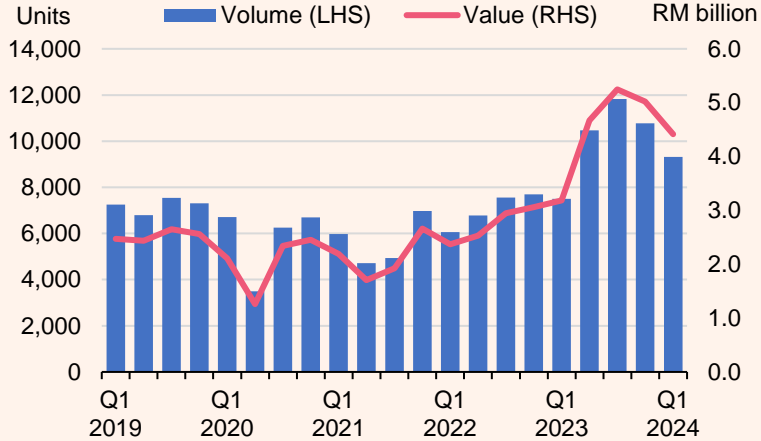
Rental Yield (Q1 2024)



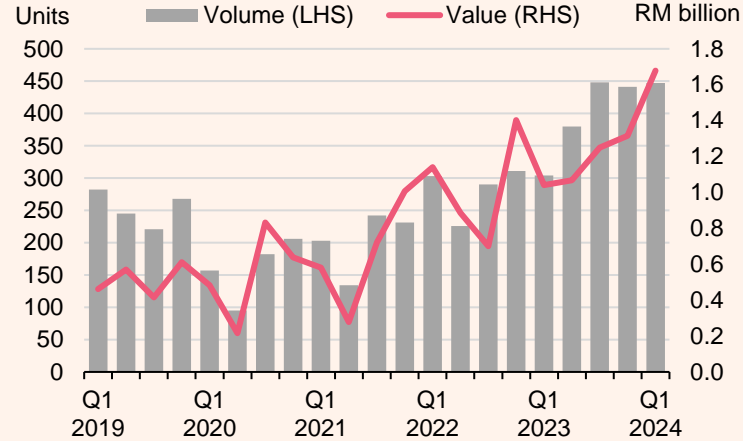
Source: National Property Information Centre (NAPIC); Global Property Guide

Property trend in Johor

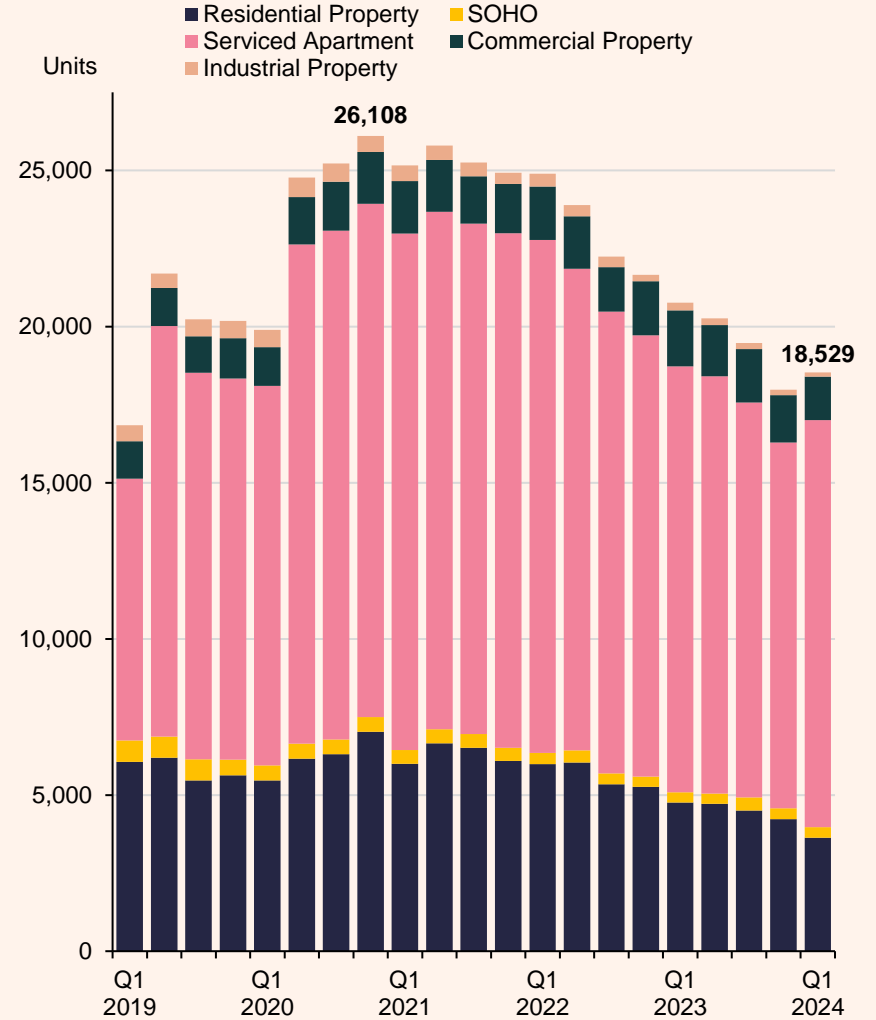
Property Transaction: Residential



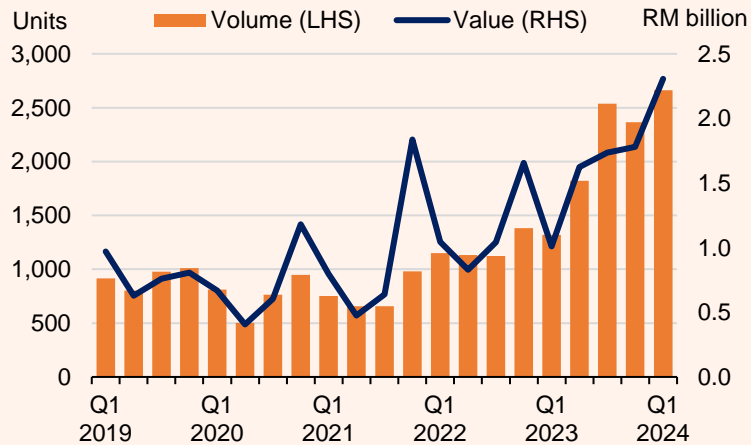
Property Transaction: Industrial



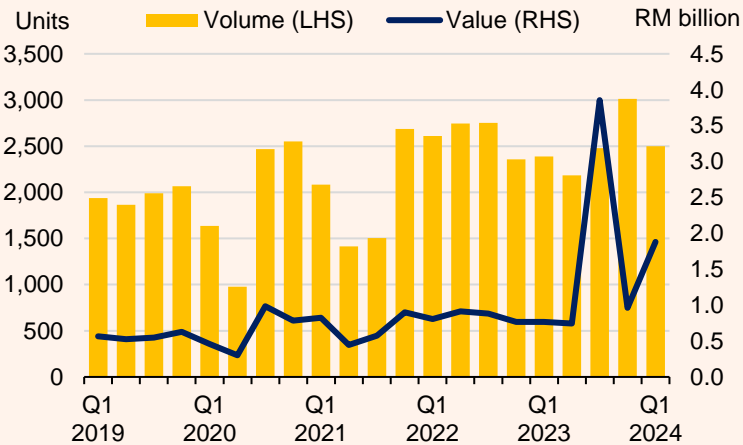
Overhang Units by Sub-Sector



Property Transaction: Commercial



Property Transaction: Agriculture



Source: National Property Information Centre (NAPIC)

What do countries use SEZ as a policy tool for boosting growth and investment

China's meteoric rise has captivated global attention. Central to this success are the numerous Special Economic Zones (SEZs) and industrial clusters that have emerged since its economic reforms. --- **The World Bank**



SEZ covers **variants of the traditional commercial zones with several specific characteristics:**

- #1** Geographically delimited area, usually physically secured.
- #2** A single management or administration.
- #3** Offer benefits based on physical location within the zone.
- #4** A separate customs area (duty-free benefits) and streamlined procedures.



Potential benefits derived from SEZs

Direct Benefits

- ✓ Foreign exchange earnings
- ✓ Foreign direct investment
- ✓ Government revenue
- ✓ Export growth

Indirect Benefits

- ✓ Skills upgrading
- ✓ Testing field for wider economic reform
- ✓ Technology transfer
- ✓ Demonstration effect
- ✓ Exports diversification
- ✓ Enhancing trade efficiency of domestic firms

Source: World Bank

Replicate China's Shenzhen SEZ success

Shenzhen Special Economic Zone & Hong Kong

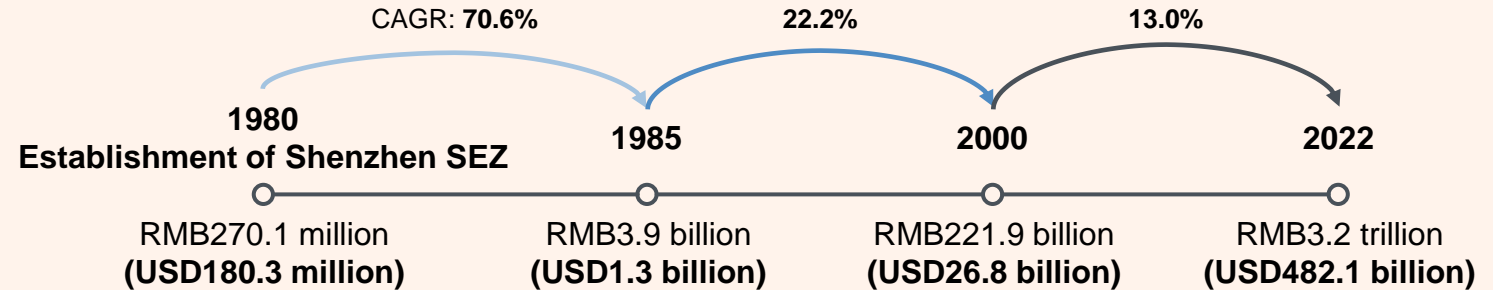
Shenzhen SEZ has served as China's "window to the world" and "an experimentation field" since the nation's opening up.



Source: World Bank; Shenzhen Statistics Bureau



Shenzhen's GDP Contribution



Note: Exchange rate is based on the World Bank's official exchange rate (LCU per US\$, period average)

As **Johor and Shenzhen shared many similarities**, it's vital to analyse Shenzhen's key success factors and lessons to apply to the JS-SEZ.

Strong Leadership Commitment

- High-Level Reform and Pragmatic Leadership
- Favourable Policies and Institutional Independence
- Governmental Support and Active Participation
- Defined Goals, Standards, and Competitive Environment

Building Conducive Ecosystem

- Foreign Investment and Global Networks
- Technological Advancement and Economic Integration
- Culture of Innovation
- Strategic Location Benefits

JS-SEZ's strategic global positioning

1



Heart of Asia

Strategically located in the heart of Asia giving access to a market of over 5.6 billion people

2



Sizable Land

Johor's land area is 19,166 sq km, 26 times larger than Singapore

3



Large Population

Home to 4 million people.

4



Flight Time

Every financial capital in Asia is within 8-12 hours flight, including cities in China and India

5



Government Support

Strong and sustainable government's support

6



Professional Workforce

An abundance of professionals and skilled workforce

7



Attractiveness

Home to big corporations and international brands

8



Infrastructure

Good connectivity and infrastructure, including an international airport, railway, highways, and international seaports

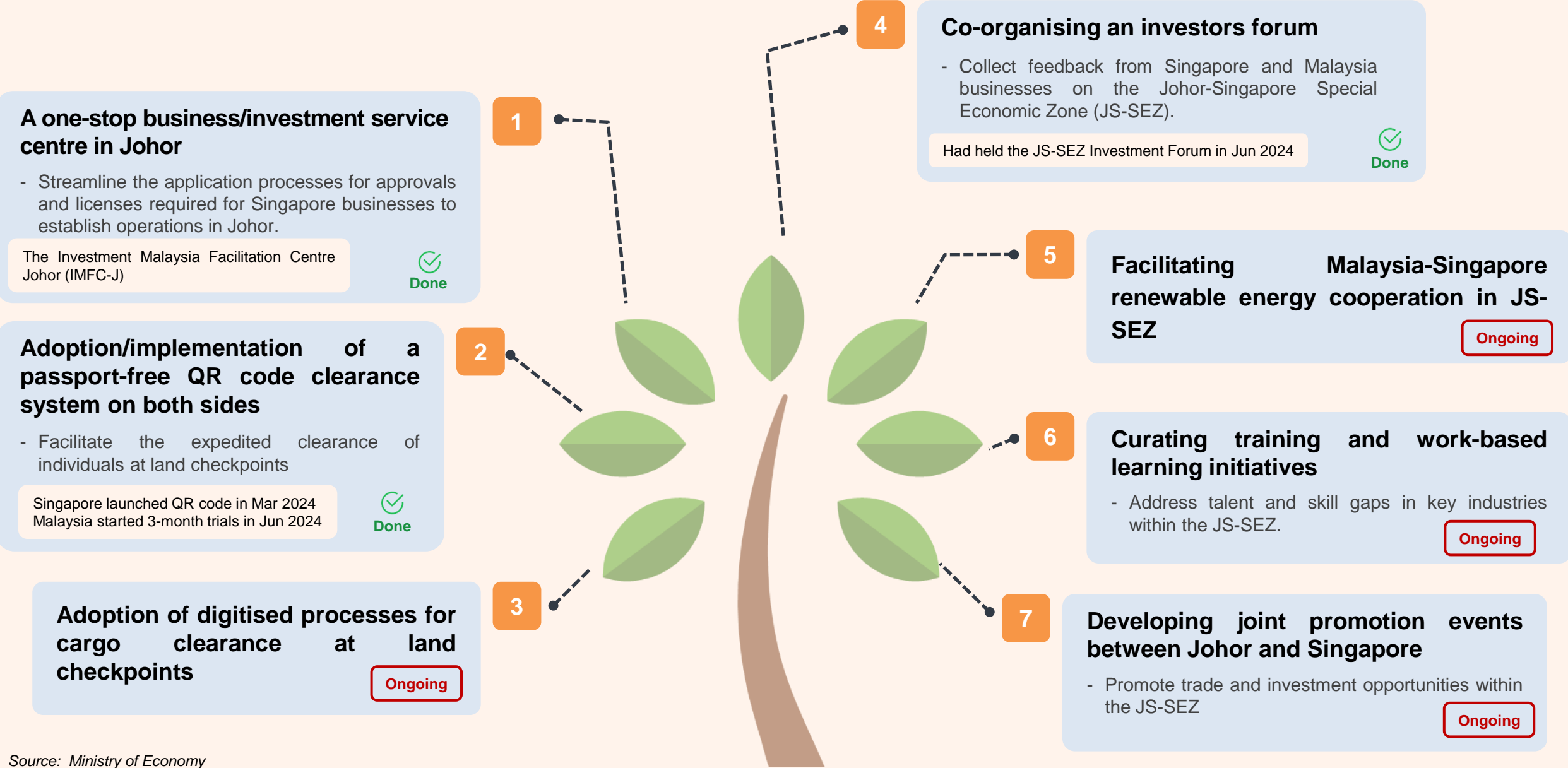
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Eco-Development

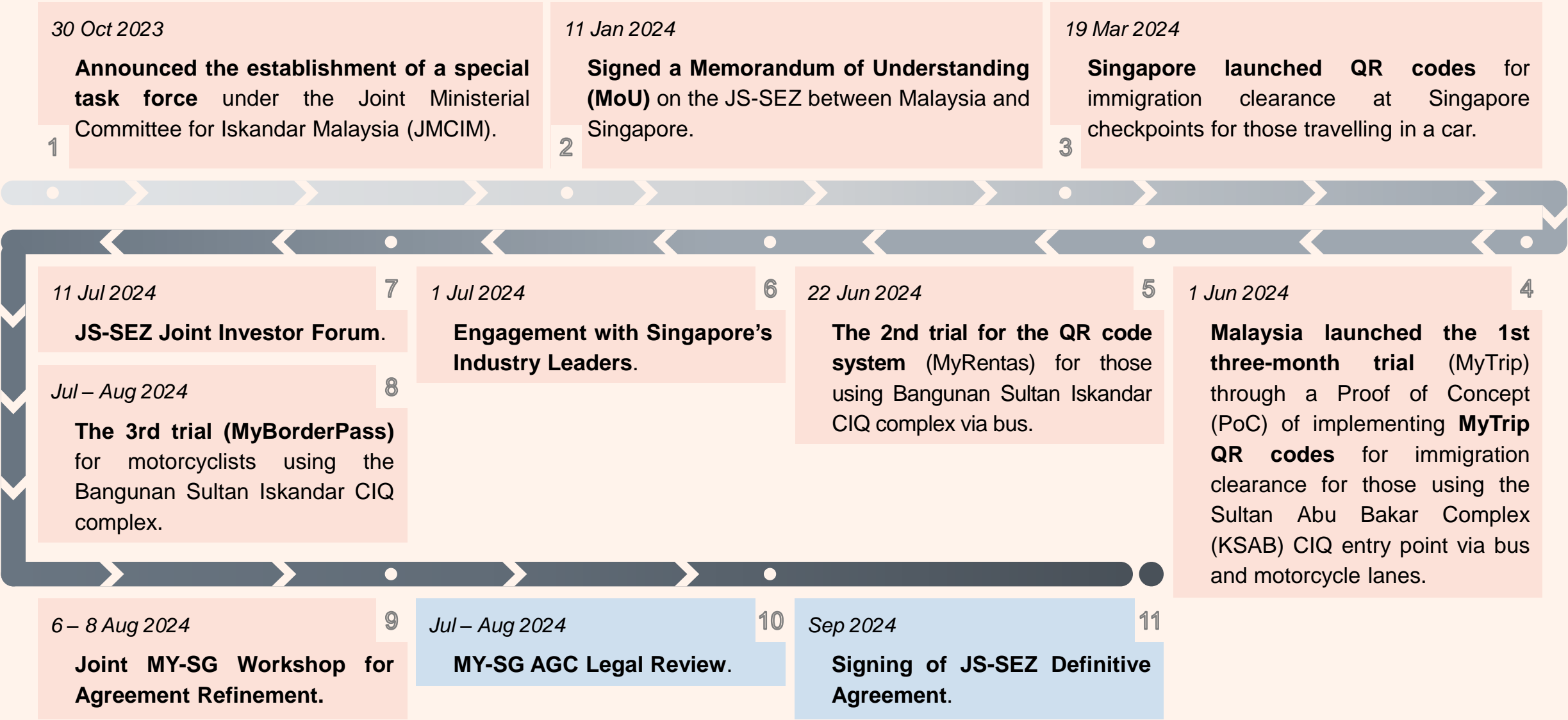
Meticulously planned region with a balanced eco-development plan and conducive living environment

Seven initiatives outlined in JS-SEZ MoU signed on 11 Jan 2024



Source: Ministry of Economy

J-S SEZ Timeline: What has been done, and What's next?



Source: Invest Johor; SERC's compilation

Key developments in Johor and J-S SEZ: Unlocking investment potential

Completion Date:
(Estimated)

Q3 2024

Q3 2024

Q4 2024

Q4 2024

Q4 2024

J-S SEZ



QR Code Clearance

The trial QR code systems, such as MyTrip and MyRentas, dramatically reduce bus checkpoint clearance times by over 75%.



Duty Free in Pulau Satu, Forest City

The fifth duty-free island along with Labuan, Langkawi, Tioman and Pangkor.



IMFC – Johor

First outside of Kuala Lumpur and with participation from state government agencies.



Forest City SFZ

Regional financial hub complementing Singapore.



Talent Development Council

Dedicated body on talent development programmes in JS-SEZ, serving as a bridge between industry and academia.

2025

2026

2026

Johor Development



Gemas–Johor Bahru Electrified Double Track

A 192-kilometre electrified train service project covering four major districts in Johor — Segamat, Kluang, Kulai and Johor Bahru.



Autonomous Rapid Transit (ART) System

Expected to have 32 stations with a total distance of more than 50km in Johor Bahru.



RTS Link

Complemented by local public transportation network in Johor Bahru and various locations, with a capacity of 10,000 pax/hour.



Kuala Lumpur–Singapore High-Speed Rail

Proposal of 350 km line with 90 minutes of travel time from Kuala Lumpur to Singapore.



Major development that attracts most investors

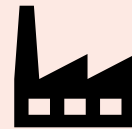
Source: Invest Johor; SERC's compilation

Identification of sectors and industries

Iskandar Malaysia and Pengerang focus points, spreading five local councils – Johor Bahru, Iskandar Puteri, Pasir Gudang, Kulai and Kota Tinggi.



- **16 economic sectors:** Electrical products and electronics, medical, aviation, specialty chemicals, logistics, health, education, financial and business services, energy, digital economy, tourism, food, agricultural technology, creative industries, manufacturing and the halal industry.
- Two main elements – **high technology and green.**



Manufacturing



Financial Services



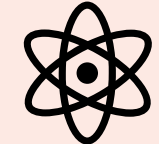
Logistics



Education



Healthcare



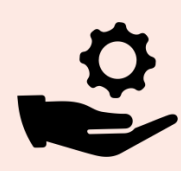
Energy



Tourism



Digital and Data centre



Business Services

Most industrial parks in Johor are located within the Iskandar Malaysia region

- 1 Alam Jaya Industrial Park
- 2 Bandar Penawar Industrial Park
- 3 Batu Pahat Industrial Area
- 4 Cemertang Industrial Area, Johor Bahru
- 5 Desa Cemerlang Industrial Area
- 6 Eco Business Park I
- 7 Eco Business Park II
- 8 Eco Business Park III
- 9 Frontier Industrial Park
- 10 Gemilang Industrial Area, Johor Bahru
- 11 Harvestgreen @ Sime Darby Business Park
- 12 I-Parc @ Tanjung Pelepas
- 13 I-Park @ Indahpura
- 14 I-Park @ Senai Airport City
- 15 I-Park @ SILC Iskandar Puteri
- 16 Indahpura Industrial Park
- 17 Iskandar Halal Park
- 18 Johor Technology Park
- 19 Johor Port Free Zone
- 20 Kempas Industrial Area
- 21 Kluang Industrial Park
- 22 Kota Tinggi Industrial Park
- 23 Kulai Industrial Park
- 24 Kulai Iskandar Data Exchange
- 25 Masai Industrial Area, Pasir Gudang
- 26 MEDINI
- 27 Mersing Industrial Park
- 28 Muar Furniture Park
- 29 Nusa Cemerlang Industrial Park
- 30 Nusajaya Tech Park
- 31 Palm Oil Industrial Cluster (POIC), Tanjung Langsat
- 32 Pasir Gudang Industrial Area
- 33 Pekan Nenas Industrial Park
- 34 Pengerang Intergrated Petroleum Complex (PIPC)
 - a) Pengerang Industrial Park (PIP)
 - b) Pengerang Maritime Industrial Park (PMIP)
 - c) Pengerang Eco Industrial Park (PEIP)

- 35 Pontian Industrial Area
- 36 Port of Tanjung Pelepas Free Zone
- 37 Segamat Industrial Area II
- 38 Segamat Inland Port Industrial Park
- 39 Senai Airport City Industrial Area
- 40 Senai Airport Free Zone Industrial Area
- 41 Senai Industrial Estate 1,2,3 and 4
- 42 Setia Business Park I
- 43 Setia Business Park II
- 44 Sime Darby Business Park, Bandar Universiti Pagoh
- 45 Sime Darby Industrial Park, Pasir Gudang
- 46 Simpang Renggam Industrial Park
- 47 Southern Industrial And Logistics Clusters (SILC)
- 48 Sri Gading Industrial Area
- 49 Tangkak Industrial Area, Tangkak
- 50 Tanjung Bin Petrochemical Maritime Industry Center
- 51 Tanjung Langsat Industrial Complex
- 52 Tanjung Langsat Port Area
- 53 Tanjung Plai Maritime Industrial Park
- 54 Tebrau Industrial Area
- 55 Wawasan Industrial Area, Batu Pahat



Source: MIDA

The footprints of foreign investments in Iskandar Malaysia



Source: IRDA

How does Singapore's businesses feel about the JS-SEZ?

They are highly anticipated!

A

93% of respondents

find Johor an attractive place for investment.

B

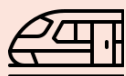
50% of them

already have operations in Johor.



Movement of People

36% expressed wishes for the JS-SEZ to improve connectivity in terms of a special immigration lane for people.



30% for a better connectivity in terms of a high-speed rail

Some concerns need to be addressed!



Availability of Labour

Survey results from polling Singaporean businesses who have operations in Johor have also revealed gaps in the current manpower landscape in Johor.

#1 Challenges in hiring specific types of manpower

Managerial 27%

Skilled labour 58%

Unskilled labour 12%

#2 Factors contributing to manpower crunch

1 Employment pass issues 61%

2 Insufficient skilled labour 58%

3 Salary mismatch 21%

Lack of management level talent 12%



Movement of Goods

#1 Import/export tax issues (unclear rules, tax classifications) 55%

#2 Cargo clearance issues (inconsistencies in regulations, long waiting time) 48%

#3 Logistics problems (long waiting time, warehousing challenges) 42%

Source: Singapore Business Federation

Potential solutions to enhance the attractiveness of J-S SEZ

Corporate Income Tax

Pain Points: Lack of specific tax incentives.

Example: Exemption of corporate taxation and lower tax rate for trading and non-trading companies in JS-SEZ.

Investment Tax Allowance

Pain Points: Not comprehensive and attractive enough to attract investment.

Example: Provide Investment Tax Allowance (ITA); Increase RPGT tax rate and threshold, especially for the JS-SEZ.

Duties and Excise

Pain Points: Lack of distinctive advantages for trade and exports.

Example: Enhance the ASEAN Trade in Goods Agreement (ATIGA); Perform a comprehensive study to address issues and concerns on the Country of Origin.

Non-Fiscal Incentives

Pain Points: No dedicated non-fiscal incentives to attract start-up and anchor companies.

Example: Lower current personal tax rates for local and foreign professionals in JS-SEZ; Provide grants and subsidies for talent, development and relocation for companies.

Talent Development

Pain Points: Current talent development programs are fragmented.

Example: Establish a Talent Development Council to oversee talent programs in the JS-SEZ; Enhance current talent development programs in the JS-SEZ.

Talent Attraction

Pain Points: No specific programs for JS-SEZ and ongoing talent attraction programs are not attractive enough.

Example: Develop attractive schemes such as housing, cars and medical benefits; Enhance current talent attraction programs specifically for the JS-SEZ.

Talent Retention

Pain Points: High employee turnover rate and lack of comprehensive framework for enhancing quality of life.

Example: Creation of framework to enhance the quality of life in the JS-SEZ; Development of new talent retention program for JS-SEZ.

Source: Invest Johor

Areas of collaboration in the JS-SEZ

4 Areas

1 Strategic Economic Collaborations

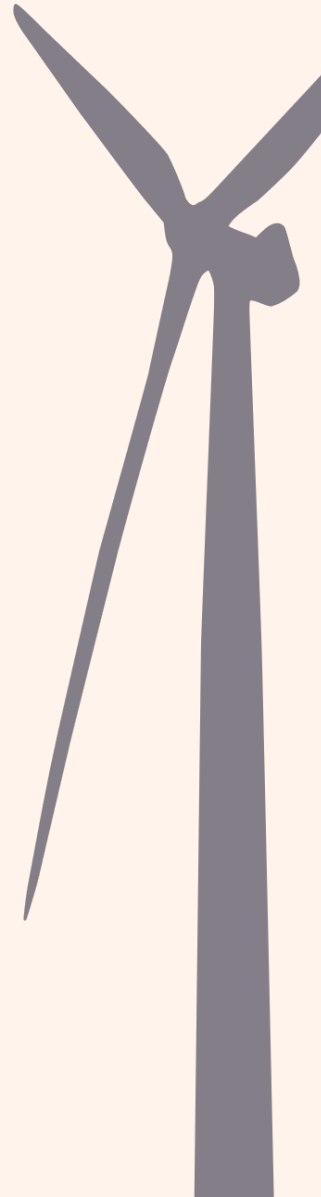
- Manufacturing (E&E, petrochemicals, oleochemicals, food and agro-processing)
- Renewable Energy
- Tourism
- Smart City Development
- Financial and Business Services

2 Boosting Connectivity

- Physical Connectivity
- Digital Connectivity

3 Talent Management and Joint Research

4 Building Effective Industry Engagement





Strategic Economic Collaborations

1. Manufacturing – E&E



New Industrial Master Plan (NIMP) 2030

- Create global integrated circuit (IC) design champions + attract global leaders to establish wafer fabrication in Malaysia.



Strong Fundamentals in Semiconductor

- Synergetic efforts in attracting the top-tier industry giant (e.g. TSMC).

2. Renewable Energy



National Energy Transition Roadmap

- Large solar scale (LSS) program in Malaysia restricts foreign ownership to no more than 49%. A special exemption on foreign ownership restrictions.
- Both counties can explore opportunities for collaboration in floating solar panel farms.
- Cross-border electricity trading generated from renewable energy sources, carbon capture, and carbon capture, utilisation and storage (CCUS) hub.

3. Tourism



Geographical Advantages

- Seamlessly integrate comprehensive tourism packages – e.g. bundle package to visit the key attractions in both countries.
- Co-organise sports and entertainment events.
- Explore the mutual recognition of digital identity.

4. Smart City Development



Iskandar Malaysia

- Leveraging advanced technologies for a sustainable and connected urban future – 6 dimensions of smart city framework.

5. Financial and Business Services



Special Financial Incentives

- Established a special financial zone in Forest City in Aug 2023 – a special tax rate of 15% for skilled labour + special tax incentives for businesses and immigration facilitation.
- Malaysia ranked 3rd best global services location + rising interests among global giants in setting up data centre.



Boosting Connectivity

1. Physical Connectivity



Johor Bahru-Singapore Rapid Transit System (RTS)

- It is expected to pull in 35% of the 350,000 people who travel across the Johor-Singapore Causeway daily.



Transportation

- Ferry connections, 3rd bridge, and Kuala Lumpur-Singapore High-Speed Rail

2. Digital Connectivity



National Digital ID (NDID) + Singapore Personal Access (Singpass)

- Mutual recognition of digital identity helps to expedite immigration clearance and enhance efficiency in various applications.
- It can be explored to have a border-free approach for both nations, akin to the Schengen Agreement in Europe.



Talent Management and Joint Research



Strategic Education Hub

- Implement educational exchange programs at primary and secondary schools to broaden students' skills.
- Joint research between higher learning institutions in both countries – especially in the food and agro-processing industry.
- Potential collaboration includes artificial intelligence (AI) – Iskandar Malaysia can tap into Singapore's NUS AI Lab.



Building Effective Industry Engagement



Collaboration from Top to Bottom

- The industry representation in the Taskforce/Committee is vital to provide feedback and suggestions.
- A two-way communication flow is needed between the business community and implementing agencies of two countries.

THANK YOU

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