

Securing Future Growth through Quality Investments

Malaysia's Aspirations to Become a High-Income and Inclusive Economy Hinge on Quality Investment

Over the past half a century, sustained high economic growth has put Malaysia on the cusp of a high-income nation. Malaysia has successfully leapfrogged from being predominantly an agricultural-based economy to an open and industrialised economy with multiple sources of growth. Now, to successfully transition into a high-income nation, bold and targeted policies are required as few countries have successfully transitioned into a high-income nation within a few generations.¹

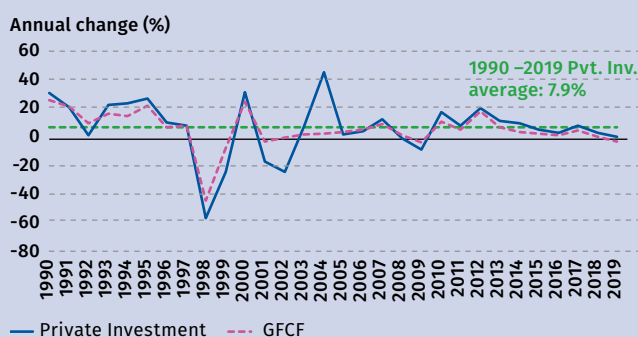
The country's economic transformation in the past was supported by effective policies that focused on export-orientation, liberalising trade and investment as well as economic diversification. The success of these policies was underpinned by strong investment from both foreign and domestic sources, which encouraged the development of new industrial clusters and generated significant job opportunities.

However, Malaysia's commendable rate of investment growth of the past has slowed markedly in recent years. This is compounded by a landscape of declining cross-border investment and increasing competition to attract foreign direct investments (FDI) globally. A persistent slowdown in investment growth poses a risk to Malaysia's future growth potential, with an adverse impact on technological progress and productivity growth. Without swift and effective reforms, the lack of quality investments will impede the transition towards a high-income, innovation-driven, and inclusive economy. This article examines the recent slowdown of investment in Malaysia, assesses the current state of investment needs and explores potential policy options to enhance the overall investment ecosystem. The end goal is to attract more quality investments that will help the nation transform into a high-value added and high-income nation.

A. Recent investment trends are not aligned with Malaysia's growth aspirations

Over the last decade, investment growth in Malaysia has generally been modest. While the recent moderation in public investment is attributable to the Government's fiscal consolidation efforts, the broad-based slowdown in private investment compared to its long-term average warrants attention. In 2019, private investment expanded by 1.5%, which is the lowest growth recorded since the Global Financial Crisis (GFC) (Chart 1).

Chart 1: Real Gross Fixed Capital Formation (GFCF) and Real Private Investment Growth



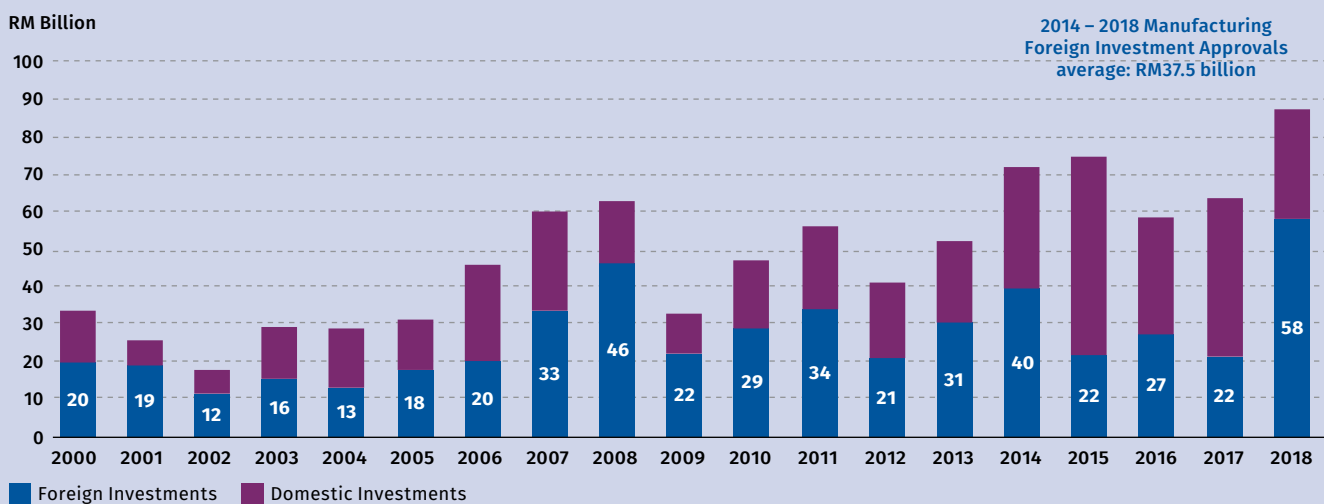
Source: Department of Statistics, Malaysia

¹ Over 1996 to 2014, less than 10% of economies (16 out of 182 countries) have reached high-income status (Source: Cherif R. and Hasanov F (2019). 'The Return of the Policy That Shall Not Be Named: Principles of Industrial Policy').

In particular, despite continued strong foreign direct investments (FDI) approvals (Chart 2), realised foreign investments has slowed substantially over the recent years (Chart 3). Compared to the strong average growth of 14.4% between 2011 and 2013, realised foreign investment growth has declined to an average of 1.2% between 2014 and 2018, resulting in a smaller share of foreign affiliates² investment to nominal private investment of 27% in 2018 (2011: 41%). This sharp moderation is due to slower growth mainly in the mining and manufacturing sectors. Chart 3 also highlights the relatively weak contribution of services investment by foreign affiliates. This is of concern as FDI in the services sector is widely acknowledged to bring a wider range of technological transfers than manufacturing FDI.³ While manufacturing FDI mainly transfers equipment and industrial processes, services FDI tends to transfer technical, management and marketing know-how, and organisational skills which create more high-skilled jobs for Malaysian graduates.

This trend is also evident in domestic investment⁴ growth in Malaysia, which has moderated from an average of 13.5% between 2011 and 2013 to 6.0% between 2014 and 2018. This can mainly be attributed to slower investment growth in the mining, agriculture and construction sectors.

Chart 2: Manufacturing Sector Investment Approval, by Origin



Note: Total foreign investment approvals in the manufacturing sector in 2018 was at a record high (RM58 billion), underpinned by the high approvals particularly in the petroleum products, E&E, basic metal products, and paper, printing and publishing which amounted to RM43 billion (75% of total foreign investments approved).

Source: Malaysian Investment Development Authority (MIDA)

The slower growth of investment in Malaysia can be attributed to cyclical factors emanating from both external and domestic developments:

- Challenging global macroeconomic backdrop**

The recent slowdown in capital expenditure is not unique to Malaysia. In the post-GFC period, the global economy has been subjected to several headwinds including weak growth performance, trade and geopolitical tensions, sharp decline in energy prices, volatile capital flows and bouts of policy uncertainty in major economies. Given these circumstances, the trend in global FDI has seen lacklustre growth since 2008. According to UNCTAD, the average net FDI growth globally dropped from 8% (2000-2007) to only 1% in the recent decade.⁵ In Malaysia, net FDI declined by an average of 11% a year between 2016 and 2019 (Chart 4).

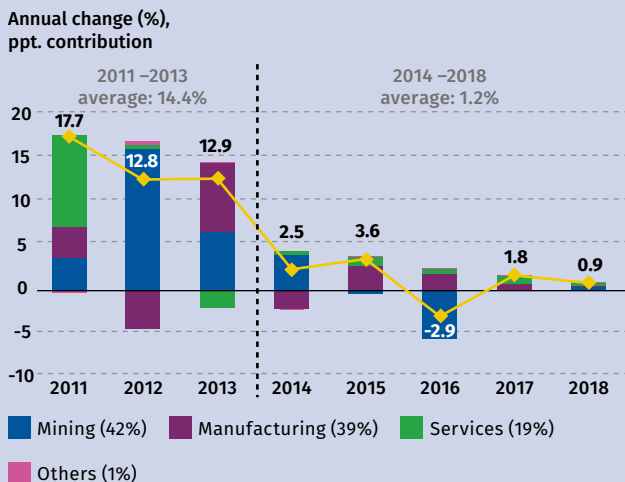
² Foreign affiliates refer to companies operating in Malaysia that are controlled by foreign investors (the holding of equity interest is more than 50 per cent) (Source: Department of Statistics, Malaysia).

³ Doytch N (2016). 'The Worldwide Shift of FDI to Services- How does it Impact Asia? New Evidence from Seventeen Asian Economies'.

⁴ Domestic investment is estimated by deducting GFCF by Foreign Affiliates from total Nominal GFCF.

⁵ World Investment Report (2019).

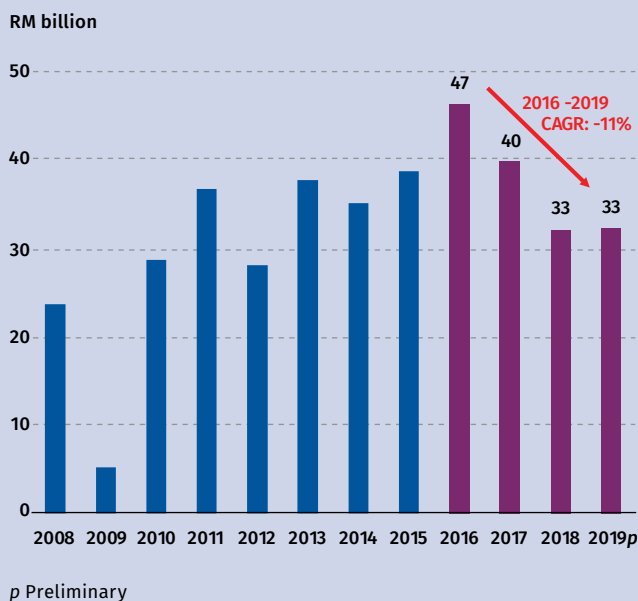
Chart 3: Nominal Gross Fixed Capital Formation (GFCF) by Foreign Affiliates



Notes:
¹ Numbers in brackets refer to share of the sector to total foreign affiliates' investment in 2018.
² Others refer to the Agriculture and Construction sectors. Shares do not add up due to rounding.

Source: Department of Statistics, Malaysia

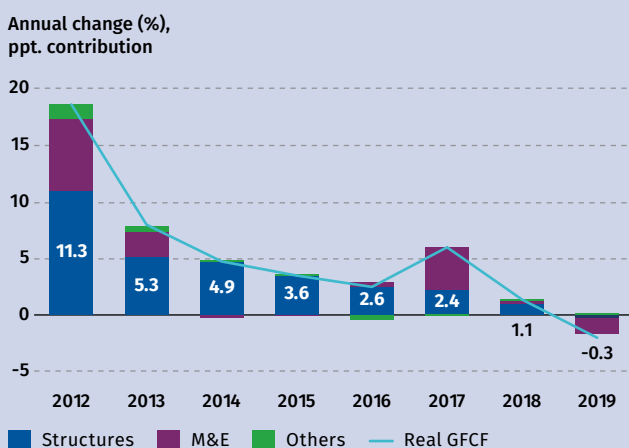
Chart 4: Malaysia Net FDI



Source: Department of Statistics, Malaysia and Bank Negara Malaysia

The weakening external demand coupled with greater uncertainty over trade tensions in the last two years has affected business sentiments and investment decisions, particularly for export-oriented firms. This is evident in business surveys where firms have cited faltering orders affecting their capacity expansion intentions. This had a pronounced effect on total capital expenditure, as export-oriented firms account for over 50% of total private investment expenditure.⁶

Chart 5: Real Gross Fixed Capital Formation (GFCF) Growth, Contribution by Type of Asset



Note: Numbers refer to percentage point (ppt) contribution to growth from structures investment

Source: Department of Statistics, Malaysia

⁶ Export-oriented firms refer to sectors with indirect/direct exports that amount to over 50% of total output based on Department of Statistics, Malaysia's Input Output Table, 2015. Share refers to the share of investment of export-oriented firms in 2018.

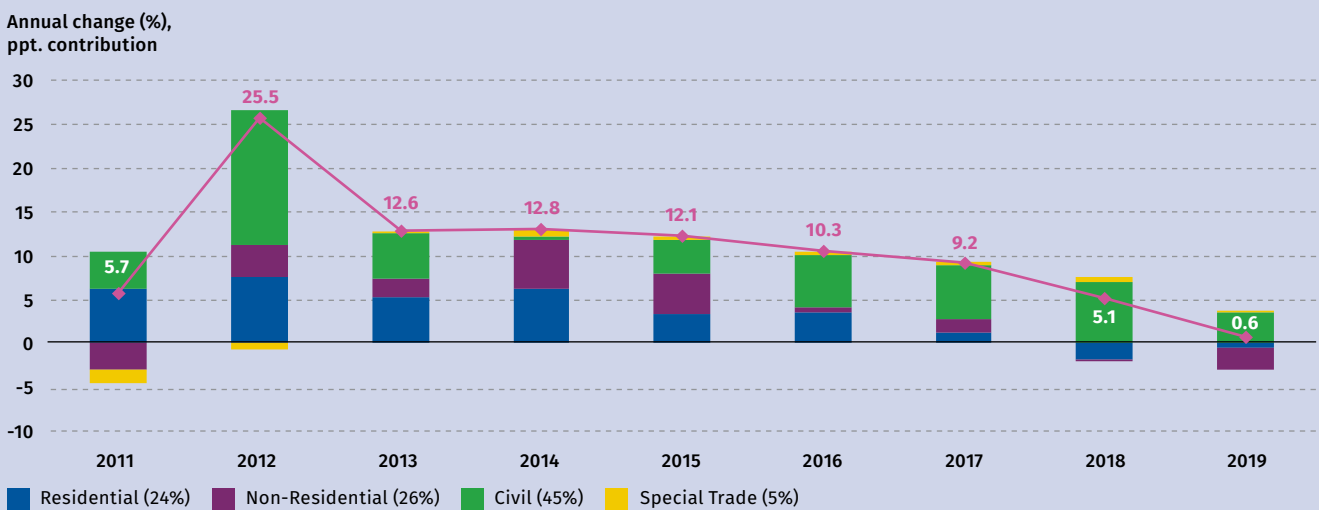
• Oversupply in the domestic property market

An idiosyncratic issue that has affected private investment growth in Malaysia is the slowdown in residential and commercial property construction. Chart 5 illustrates the significant decline in the contribution from structures investment since the peak in 2012. This decline has partly been driven by the slower work done in the residential and non-residential segments (Chart 6), which make up about 50% of total construction work done. The slowdown in both residential and non-residential construction was due to the oversupply situation and persistent imbalances in these markets.⁷

• Sharp fall in oil prices

The sharp decline in oil prices since late-2014 led to a significant contraction of investment in the mining sector. Since 2015, capital expenditure by firms in the oil and gas sector has contracted for four consecutive years, resulting in a fall of the share of the mining sector to private investment from 15% in 2015 to 10% in 2018.

Chart 6: Total Construction Work Done



Note: Number in brackets refer to share of segment to total work done in 2019

Source: Department of Statistics, Malaysia

B. Encouraging higher capital spending in productive assets to elevate Malaysia’s economic development

Capital Stock

While cyclical factors explained the recent slowdown in private investment, of concern is the overall low level of capital stock and quality of investment in Malaysia. Capital stock per capita⁸ is an essential factor in improving labour productivity. Workers are able to produce a higher level of output with greater access to more sophisticated and efficient infrastructure and machinery. Higher capital stock in new technology also permits greater specialisation and improvement in skills of the labour force, effectively raising the quality of human capital and the capacity of the economy to grow in the long run.

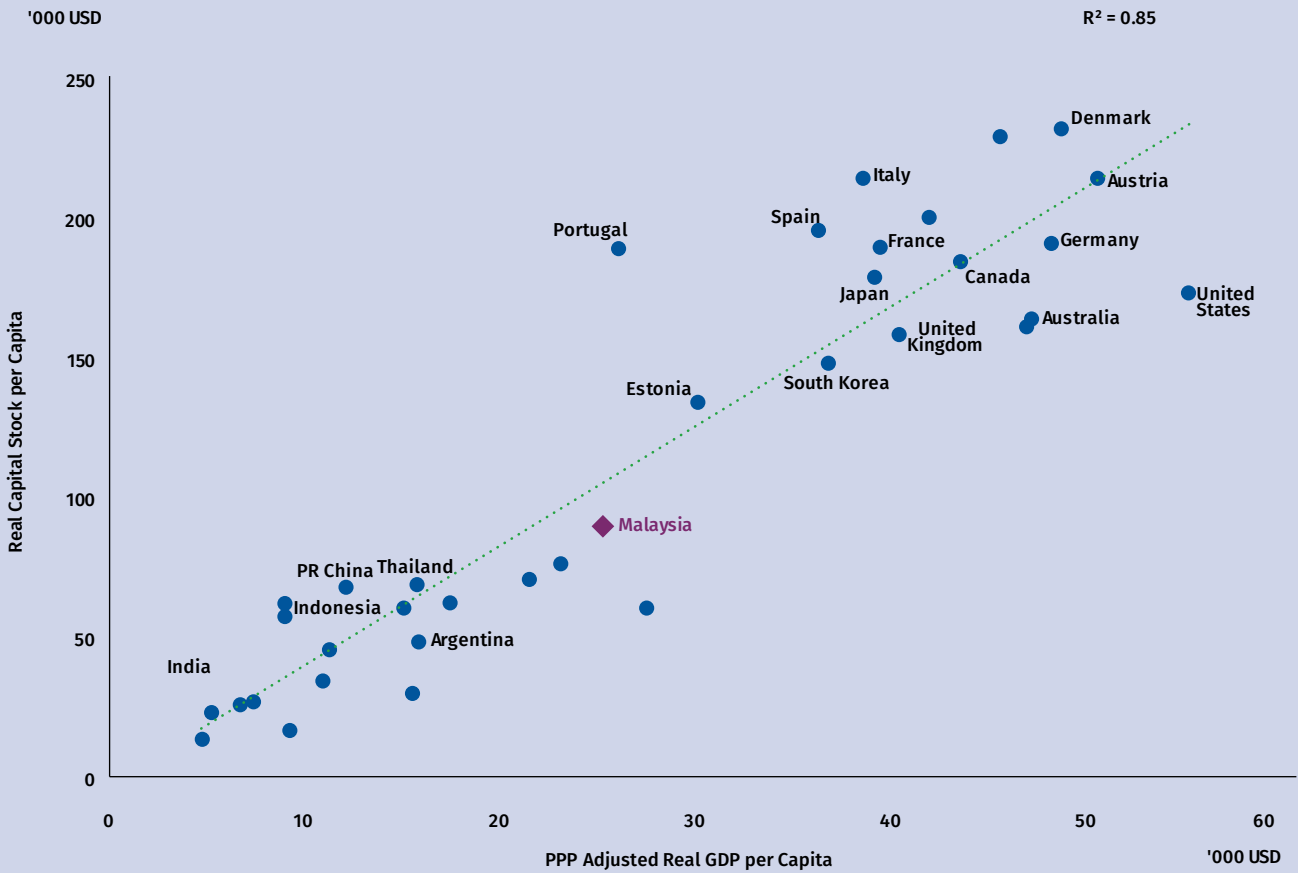
In general, countries with higher capital stock per capita tend to have higher income (Chart 7a). Malaysia’s overall capital stock is slightly lower than the average of countries at a similar stage of development. In addition, the capital stock per capita of countries that achieved high-income status over the last two decades was markedly higher than that of Malaysia when these countries were at Malaysia’s current stage of development⁹ (Chart 7b).

⁷ Bank Negara Malaysia (2017). ‘Imbalances in the Property Market’.

⁸ Capital stock per capita is estimated as the total capital stock divided by the population size of a country. It is a proxy of the relative capital intensity of countries, which is a measure of the ratio of capital to workers employed (Source: Lim, D (1979). ‘On the Measurement of Capital Intensity’).

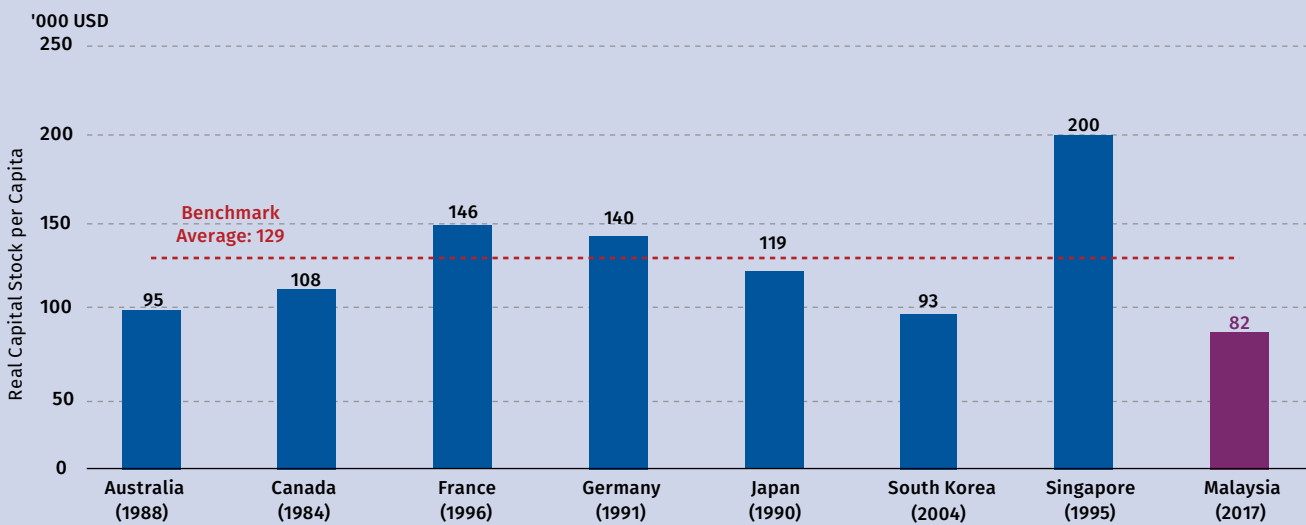
⁹ Holding state of development constant refers to the first year in which PPP adjusted Real GDP per capita is above USD26,000. This figure is chosen as a control so that benchmark economies can be directly compared to Malaysia’s PPP Adjusted GDP per capita of USD26,001 in 2017.

Chart 7a: Scatterplot of Real Gross Domestic Product per Capita and Real Capital Stock per Capita



Source: Bank Negara Malaysia estimates using data from Penn World Tables 9.1

Chart 7b: Level of Real Capital Stock per Capita Controlling for Real GDP per Capita

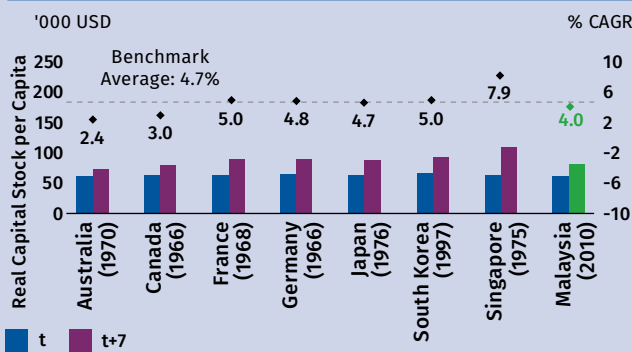


Note: For benchmark economies, the year was chosen such that their PPP adjusted real GDP per capita is similar to that of Malaysia in 2017 (~USD26,000)

Source: Bank Negara Malaysia estimates using data from Penn World Tables 9.1

Furthermore, the growth of capital stock per capita at Malaysia's current stage of development has been slower than that of benchmark economies¹⁰. In the past, the benchmark economies generally accumulated capital at a faster rate compared to Malaysia (Chart 8a). The compounded annual growth rate (CAGR) of capital stock per capita in the benchmark economies was on average 4.7% compared to Malaysia's 4.0% over the last nine years. It is worth noting that for some countries such as Japan and South Korea, these figures also include periods of economic recessions¹¹. Although investment growth in Japan and South Korea moderated during these periods, the share of investment to GDP remained significantly higher than that of Malaysia (Chart 8b). In Malaysia, the share of investment to GDP fell sharply during the AFC from its peak of 49% in 1997 to 25% in 2000, and never recovered to above 30%. The decline is mainly attributable to the sharp decline in private investment, from 36% to 13% of GDP in the same period.

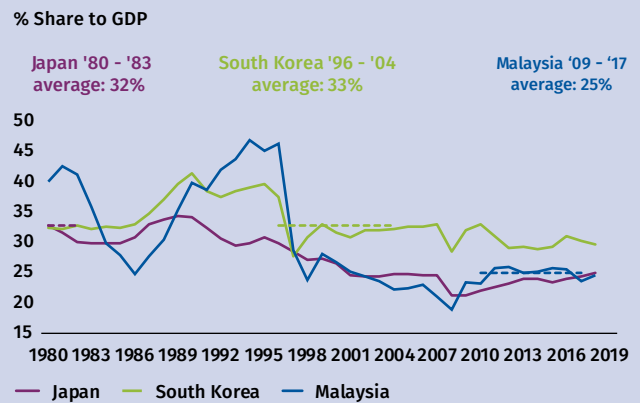
Chart 8a: Real Capital Stock per Capita Level and Growth Rates



Note: Markers refer to 7-year compounded annualised growth rates (CAGR, RHS) of the real capital stock per capita in respective economies. For benchmark economies, the initial year was chosen such that their base real capital stock per capita level is similar to that of Malaysia in 2010 (~USD62,000)

Source: Bank Negara Malaysia estimates using data from Penn World Tables 9.1

Chart 8b: Share of GFCF to GDP



Note: *Average GFCF share to GDP calculated for Japan is between 1980 to 1983 as detailed comparable GFCF data is only available from 1980

Source: Bank Negara Malaysia estimates using data from International Monetary Fund (IMF)

Investment in Machinery and Equipment

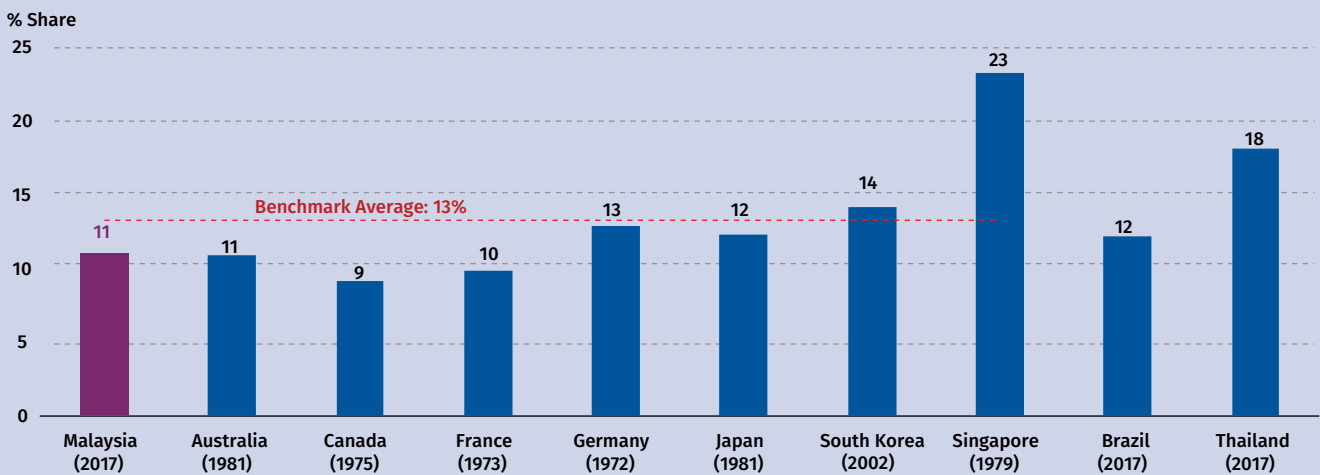
In terms of type of investment¹², generally, as countries become more developed, investment tends to shift from infrastructure-heavy capital to advanced machinery and equipment. For Malaysia, the average share of capital stock in machinery and equipment (M&E) is lower than that of the benchmark economies (Chart 9). Even when compared to other emerging markets such as Thailand and Brazil, Malaysia's lower share of M&E is apparent, despite these countries having a lower overall capital stock per capita. One of the factors that explains Malaysia's lower share of M&E is the availability of cheap foreign labour¹³, which has resulted in firms employing more labour instead of investing in new technology to expand production.

Ownership

In terms of ownership, capital stock in Malaysia is still largely concentrated in the public sector (Chart 10). In developed countries, the private sector owns a significantly larger portion of capital stock, with an average ratio of private to public capital of over three times. This underscores the importance of the private sector as the main engine of investment growth for developed countries. Successful private sector firms drive growth, create jobs and pay taxes that finance public sector services and investment. Private companies also generate positive spillovers through increased demand for domestic goods and services through sourcing of local raw materials and utilisation of financial and telecommunications services.

¹⁰ Benchmark against selected countries that have successfully transitioned into high-income economies, namely Australia, Canada, France, Germany, Japan, South Korea and Singapore. Between 1960 and 2013, only 29 countries have successfully transitioned into high-income economies (Source: Filipe J., Kumar U. and Galope R (2014). 'Middle Income Transitions: Trap or Myth?').
¹¹ These refer to the Recession of the 1980s for Japan and the Asian Financial Crisis (1998) for South Korea.
¹² In national accounting, there are three main asset classes of investments which are structures (e.g. buildings, factories and residential), machinery and equipment (M&E) (e.g. machinery for manufacturing and transport equipment) and other assets (e.g. livestock and research and development).
¹³ Bank Negara Malaysia (2018). 'Are Malaysian Workers Paid Fairly?: An Assessment on Productivity and Equity'.

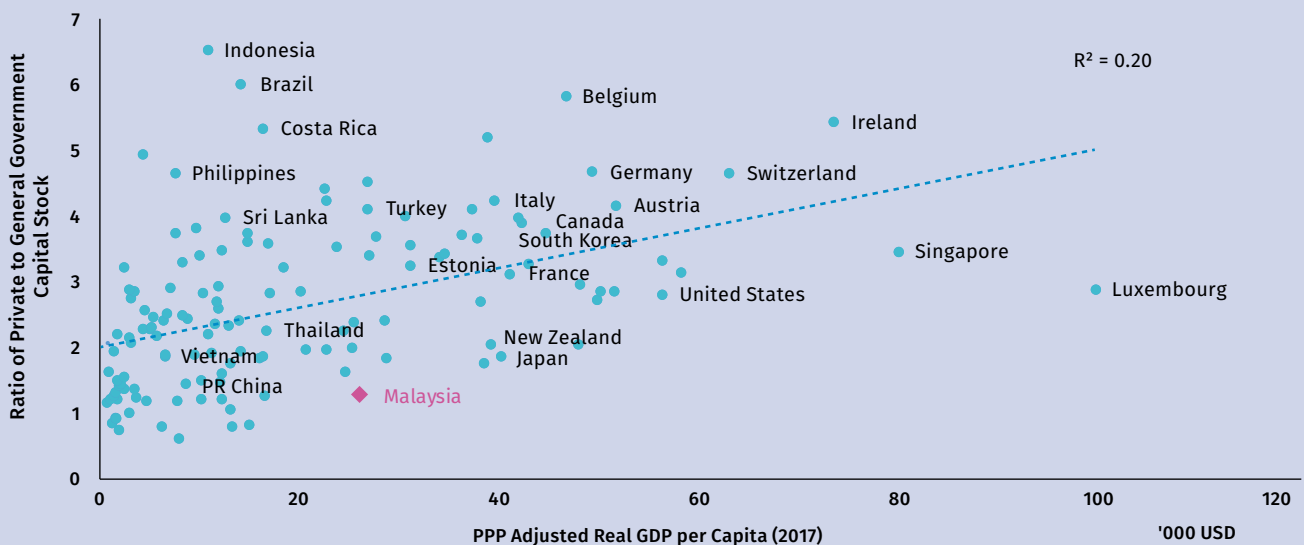
Chart 9: Share of M&E Capital Stock to Total Capital Stock



Note: For benchmark economies, the year chosen was such that their base real capital stock per capita level is similar to that of Malaysia in 2017 (~USD80,000). For Brazil and Thailand, the most recent share of M&E capital stock is used because capital stock per capita in these countries have yet to exceed USD80,000
M&E in Penn World Tables refers to computers, communication equipment and other machinery but excludes transport equipment

Source: Bank Negara Malaysia estimates using data from Penn World Tables 9.1

Chart 10: Ratio of Private to General Government Real Capital Stock to Real GDP per Capita



Source: Bank Negara Malaysia estimates using data from Penn World Tables 9.1 and the International Monetary Fund (IMF)

Quality of Investments

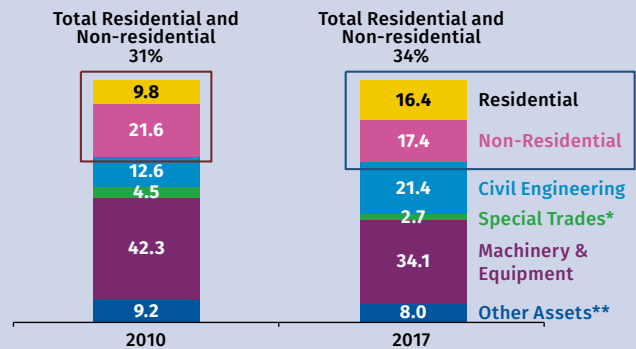
Importantly, there are evidences that the quality of investments in Malaysia has diminished over the last decade. Firstly, investment in Malaysia tends to exhibit lower innovation creation and slower development of forward and backward linkages relative to regional peers.¹⁴ This remains a concern as higher innovation and greater linkages are crucial in ensuring that investments generate wider spillovers to the economy. Secondly, economic complexity gains in Malaysia have been slower than most regional economies¹⁵ where investments have been focused in sectors that are substantially more diversified and complex. Economic complexity is important as studies have documented how higher economic complexity has a positive effect on growth and levels of income. Thirdly, the insufficient number of high-skilled jobs created to absorb graduates

¹⁴ Bank Negara Malaysia (2017). 'Rethinking Investment Incentives'.

¹⁵ Bank Negara Malaysia (2018). 'Complexity and Growth: Malaysia's Position and Policy Implications'.

entering the labour force¹⁶ could also be attributed to weaker investment into high-value areas. In this regard, investments have not been successful in leveraging on the labour force in Malaysia to produce high-value-added goods and services. Fourth, the higher share of investments concentrated in broad property suggests that investment in Malaysia has not transitioned towards more productive assets (e.g. research and development, ICT equipment and computer software), which are crucial in improving labour productivity. The share of broad property to total investment has increased between 2010 and 2017, attributed primarily to the rising share of residential investment (Chart 11).

Chart 11: Share of Property to Total Nominal Investment



* Special trades include works such as painting, carpentry, electrical and plumbing
 ** Other assets include mineral exploration, R&D, etc.

Note: Share of residential, non-residential, civil and special trades to total structures investment estimated using shares from total construction work done

Source: Bank Negara Malaysia estimates using data from Department of Statistics, Malaysia

C. Current challenges necessitate reforms to strengthen Malaysia’s investment ecosystem¹⁷

Selected Initiatives in Other Countries to Improve Overall Investment Ecosystem

In order to attract more investments in the increasingly competitive global environment, various countries have undertaken efforts to reform their investment ecosystem. These range from short-term policies to benefit from current geopolitical tensions to longer-term measures to ensure sustained investment growth. The examples highlight the different approaches adopted, tailored to different circumstances, but with a similar aim of maximising investments.






Establishment of Lead National FDI Promotion Agency (2009)



InvestIndia, a dedicated agency to lead the country’s national investment promotion for FDI. Key characteristics include:

- Flat organisational structure with recruitment of high-calibre management and 90% of staff have private-sector experience

¹⁶ Bank Negara Malaysia (2018). ‘Are Malaysian Workers Paid Fairly?: An Assessment of Productivity and Equity’.

¹⁷ Some of the proposed areas of reform are drawn from the ongoing research collaboration between the World Bank and Bank Negara Malaysia on ‘Investment Policies and Reform in Incentives Framework’.

<p style="text-align: center;">Turkey</p> 	<p>New Investment Ecosystem Framework (2006)</p> <p>Various changes to overall investment institutional framework, including:</p> <ul style="list-style-type: none"> • Introduced Investment Support and Promotion Agency of Turkey (ISPAT), a dedicated foreign investment promotion agency with no regulatory or incentives functions • Enhanced business support for FDI establishment and after care services • Implements sector-specific promotion action plans <p>Technology-Focused Industry Move Programme (2019)</p> <p>A new programme to encourage advanced technology production in the domestic market. The incentives include:</p> <ul style="list-style-type: none"> • Tax exemptions for corporations providing logistics services for production companies • Investment incentives for advanced technology production in certain prioritised products
<p style="text-align: center;">Thailand</p> 	<p>Thailand Plus (2019)</p> <p>Encourages foreign investors to relocate to Thailand amid the US-PR China trade war. The measures include:</p> <ul style="list-style-type: none"> • Extension of corporate income tax exemption period for selected investments above a certain amount • Special tax deductions for investments in human development, specifically in science, technology, engineering and mathematics (STEM) fields • 50% corporate income tax reduction for firms that invest at least THB 1bn by the end of 2021 <p>5G Commercialisation (2020)</p> <p>Government has begun 5G licence spectrum allocation to ensure swift roll out of latest technology that will improve the efficiency of businesses</p>
<p style="text-align: center;">Sri Lanka</p> 	<p>Enhancement to Boost the Investment Climate (2017)</p> <p>Key changes to Board of Investment (BOI) processes and the introduction of a new Inland Revenue Act to streamline administration of incentives. Key changes include:</p> <ul style="list-style-type: none"> • Shift from complicated tax system to a fair and transparent tax policy • Introduced targeted investment promotion by the BOI
<p style="text-align: center;">Indonesia</p> 	<p>New Negative Investment List (2016)</p> <p>Revised Investment List to provide more opportunities for foreign investors and increase regional competitiveness. Amendments include:</p> <ul style="list-style-type: none"> • Increased or full foreign ownership for certain industries • Streamlining investment processes by removing certain bureaucratic steps that require unnecessary approvals or recommendations from ministries • Reduce the complexity of the investment framework

<p>Vietnam</p> 	<p>Amendment and Supplement to the Law on Investment (2016)</p> <p>Amendments on the Law on Investment was made to create an improved investment climate and reduce investment framework complexity. Key amendments include:</p> <ul style="list-style-type: none"> • Removing certain procedures of land, construction and environment in order to create a more favourable investment climate
<p>South Korea</p> 	<p>Foreign Investment Promotion Act (FIPA) 1999 (2017)</p> <p>Revised FIPA to promote foreign investors entering South Korea by providing investment incentives, which include:</p> <ul style="list-style-type: none"> • Reduction in corporate and income taxes • Cash grants available for land and lease expenses • Government leases land to foreign companies at a reasonable rate

Source: Newsflows, World Bank, UNESCAP, UNCTAD and national authorities

A holistic review of the current investment ecosystem is critical to ensure that the current slowdown does not persist. Given the multidimensional nature of the investment ecosystem, the policy approach to reinvigorating private investment, both domestic and foreign, needs to be comprehensive. Legal, regulatory, procedural and institutional barriers in all phases of the investment life cycle need to be addressed to establish a competitive investment ecosystem that is favourable for attracting, facilitating and retaining investment. In this regard, the Government's Budget 2020 announcement to review the investment incentives policy, as well as the strategies in the upcoming 12th Malaysia Plan and the new Industrial Masterplan are timely and positive efforts towards improving the investment ecosystem in line with Malaysia's developmental aspirations.

This article outlines three key areas of reform to improve the overall investment ecosystem in Malaysia.

1. **Establish overall investment policy goals in line with national developmental objectives**

Investment policy relates to the national strategy, institutions, laws, regulations and practices that directly enable investment and enhance the returns from investment. In turn, investment policies directly influence the decisions of investors, whether small or large, domestic or foreign. Investment policy begins with establishing a clear vision and strategic direction for the economy at the national level.

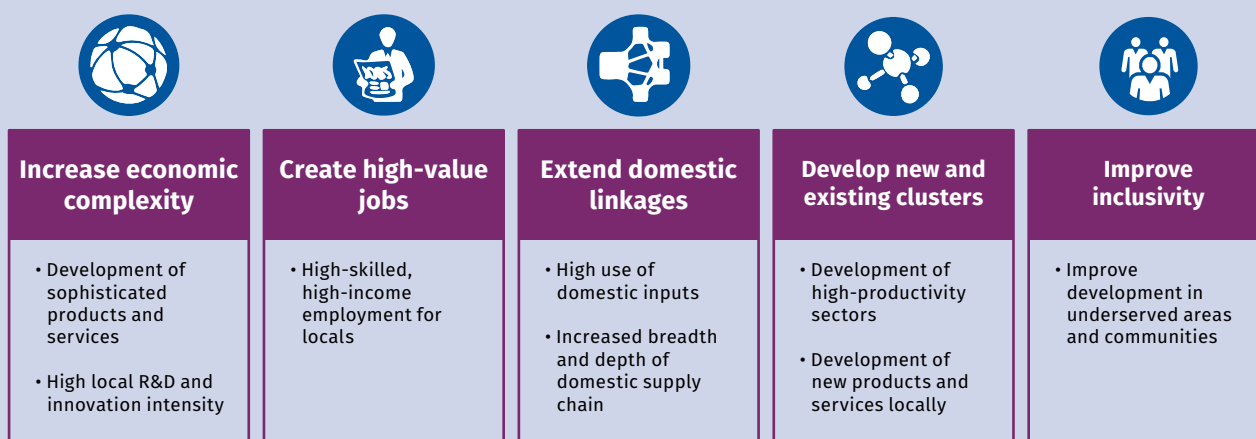
On this front, the "National Investment Aspirations" (NIAs), outlines the key criteria for quality investments necessary for Malaysia (Diagram 1). These five NIAs would ensure that prospective investments in Malaysia are focused on increasing economic complexity, creating high-value jobs, extending domestic linkages, developing new and existing clusters, and improving economic inclusivity. Anchoring new investments to these objectives would push growth into technologically-sophisticated sectors and strengthen forward and backward linkages, which would greatly accelerate development. Further, clearly outlining greater innovation as an objective would encourage firms to emphasise innovation and technology at every stage of the development process.

One important aspect in operationalising the NIAs is that investment incentives policy should shift away from predominantly targeting specific sectors, towards encouraging high-value activities (e.g. advanced Research and Development (R&D)). This would ensure incentives remain relevant even as business models evolve, given for example, the proliferation of cutting edge digital investments that transverse sectors.

At a broader level, the overall national economic development policy needs to include the role of the Government in facilitating private sector investment aligned to the NIAs. The role of the Government has to expand beyond the traditional role of providing infrastructure, developing human capital and creating a business-friendly environment. A critical aspect is to have policies that encourage investment in more sophisticated and complex products, as well as facilitating firms, especially domestic firms, to continuously innovate and develop homegrown technology. This would include appropriate incentives targeted at nudging technology and innovation adoption by domestic firms, and an export-oriented strategy to expose firms to global competition. A recent IMF working paper¹⁸ advocates for policies to support domestic firms to produce more sophisticated products and create their own technology.

To ensure investment policy remains relevant and effective, it is important to periodically evaluate and review the strategic investment policy. This process needs to be complemented with consultations with the private sector, in order to incorporate their feedback on pragmatic ways to improve the overall investment climate.

Diagram 1: National Investment Aspirations



Source: World Bank and Bank Negara Malaysia

2. Streamlining investment promotion and elevating investor services to facilitate the realisation of investment

Within the overarching objectives, the key enablers in ensuring continued investment attraction and realisation are investment promotion and investor services. Effective investment promotion and investor services reinforce a coherent investment ecosystem. Due to the large scope of investor services involved, the institutional framework governing them will be inherently complex. The success of this system hinges on a strategic division of mandates to avoid confusion among investors and a well-structured, well-coordinated institutional framework.

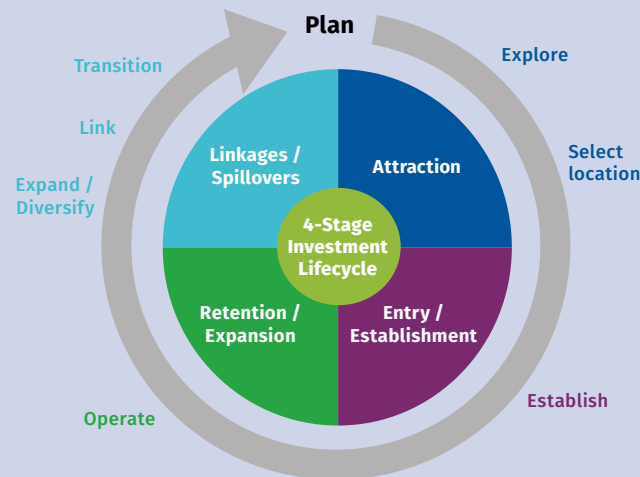
Diagram 2 outlines the broad type of services that the Investment Promotion Agencies (IPAs) provide to investors – and that investors typically expect – at different stages of the investor journey. In the initial stage, the services include investor attraction strategies and support for investors in navigating the practical and legal steps the investor must complete to undertake the investment. In the post establishment stage, this comprises an effective mechanism to address issues faced by investors. Taken together, these services will greatly improve the overall investor experience and facilitate firms to grow, expand and diversify further.

In this regard, three possible enhancements to the existing investment ecosystem that the Government could consider are first, a single agency to be tasked to lead FDI promotion to improve the efficacy and efficiency of FDI attraction. This agency will act as the single point of contact for new investors until establishment. Thereafter, investors will be seamlessly handed over via a lead referral system to region-

¹⁸ Cherif R. and Hasanov F. (2019). 'The Return of the Policy That Shall Not Be Named: Principles of Industrial Policy'.

specific IPAs. Second, the regional and state IPAs could play a bigger role in providing facilitation services and addressing key issues faced by the investor at the post-establishment stage. Importantly, proactive engagements with existing investors and firms by the regional and state IPAs are critical to encourage the retention of investment and developing greater domestic linkages with the local economy. Third, at the national level, there should be a platform that would ensure coherent coordination between the lead FDI promotion agency and other state and regional IPAs, thus ensuring investors are handled diligently at every stage of the journey. This arrangement should facilitate the implementation of investments by reducing bureaucracy at both the Federal and State level.

Diagram 2: Investment Lifecycle



Source: World Bank

3. **Clear, transparent and predictable tax incentives administration**

Investment tax incentives are an important tool in encouraging new and existing businesses to invest. While incentives should be effective and targeted, they should also be efficient and transparent to allow investors to make informed decisions on investing. The recent centralisation of incentives approvals under the National Committee on Investments (NCI) is a positive step towards streamlining and strengthening the incentives administration framework.

For standard cost-based incentives, an automatic approval system can be introduced with transparent criteria and self-assessed outcomes reported during the annual tax return. However, in attracting high-quality and strategic investments, customised incentives remain a key attraction for strategic investors. For this, it will be beneficial for Malaysia to define these strategic investors such as those with investments that exhibit unique merits allowing Malaysia to acquire new skills, talent and establish leadership in emerging technology. In complementing the incentives and administration, it is also important to improve the ability to monitor investor compliance and the desired outcomes. It will facilitate a systematic feedback of data for continuous evaluation of the effectiveness and relevance of incentives.

Conclusion: Review of existing investment policies required amid rapidly-evolving environment

Attracting the right kind of investments remains the key enabler in transforming the Malaysian economy. In summary, this article presents three key policy reforms, all of which have the potential to improve the quality of investments in the country and achieve its long-term objectives. Firstly, investment policies should be focused on clearly-defined developmental goals, which are encapsulated by the five National Investment Aspirations. Secondly, a cohesive and well-coordinated institutional framework to attract investment, which enhances the provision of investor services and ensures smooth facilitation of quality investments is essential. Finally, enhancing the administration of investment tax incentives would ensure better transparency to investors, expedite incentive approvals and allow for better monitoring of investment outcomes. These reforms would strategically position Malaysia towards becoming a high-income, inclusive and future-ready economy.

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