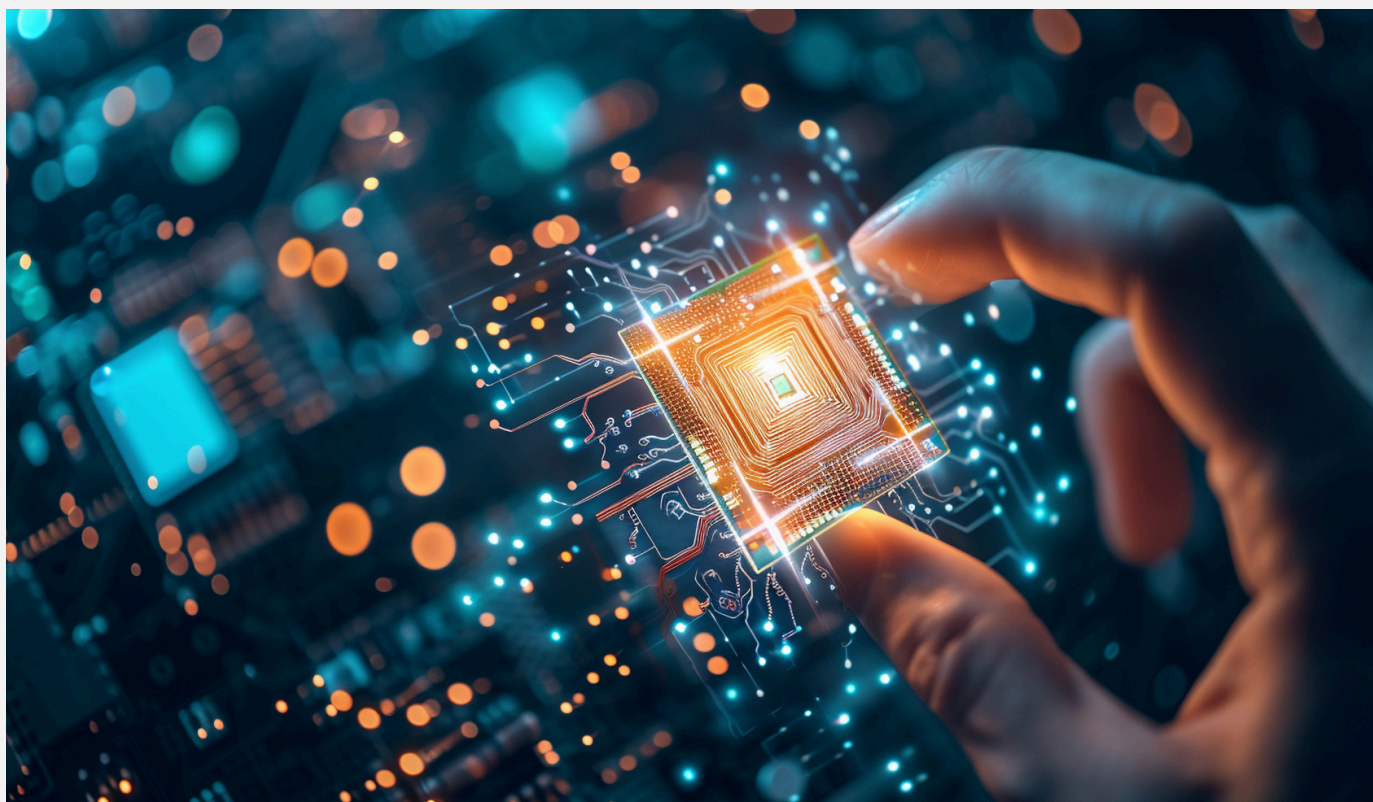


MALAYSIA DOUBLES DOWN ON CHIPS – THE NATIONAL SEMICONDUCTOR STRATEGY

6 June 2024



The Prime Minister of Malaysia, Dato' Seri Anwar Ibrahim in his keynote address at the SEMICON Southeast Asia 2024 on 28 May 2024 announced Malaysia's National Semiconductor Strategy ('NSS') and shared the salient features of the strategy.

The NSS will comprise three phases as follows:

- **Phase 1 - Building on Foundations**

This phase involves leveraging on industry's existing capacity and capabilities in the semiconductor industry to support the modernisation of outsourced semiconductor assembly and test (OSAT) services, with moves towards advanced packaging, growing existing fabs in Malaysia and pursuing foreign direct investment (FDI) to expand capacity in trailing edge chips, particularly power chips as well as develop local chip design champions.

- **Phase 2 - Moving to the Frontier**

In this phase, the country will pursue cutting edge logic and memory chips design, fabrication and testing and look to integrate the purchasers of these chips and integrate local design champions into the ecosystem of these advanced fab companies.

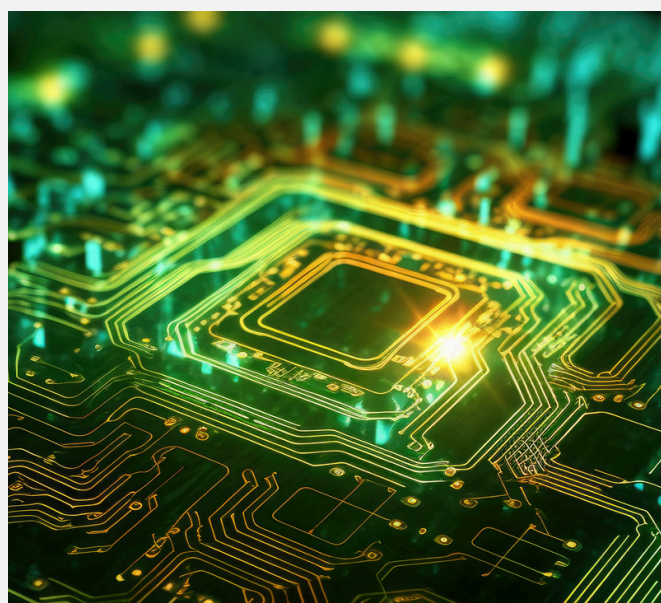
- **Phase 3 Innovating at the Frontier**

The third phase continues doubling down by supporting the development of world-class Malaysian semiconductor design, advanced packaging and manufacturing equipment firms, while at the same time attracting the buyers of advanced chips and other such cutting edge companies to pursue advanced manufacturing in Malaysia.

To keep on track, the Prime Minister also announced five headline targets for the NSS:

1. **Investments:** To court at least RM500 billion worth of investments in Phase 1, with domestic direct investment (DDI) focusing on integrated circuit (IC) design, advanced packaging and manufacturing equipment, and FDI focusing on wafer fabs and manufacturing equipment.
2. **Company Growth:** By Phase 2, to establish at least 10 Malaysian companies in design and advanced packaging with revenues between RM1 billion to RM 4.7 billion (USD210 million to USD 1 billion), and at least 100 semiconductor-related companies with revenues close to RM1 billion (USD210 million), creating higher wages for Malaysian workers.
3. **Research & Development Hub:** Develop Malaysia as a global R&D Hub for semiconductors, featuring world-class universities, corporate R&D, and centres of excellence, blending the very best of Malaysian and international talent.
4. **Training:** Train and upskill 60,000 high-skilled Malaysian engineers.
5. **Fiscal Support:** The Government will allocate at least RM25 billion (USD5.3 billion) in fiscal support to operationalise the NSS with targeted incentives, details of which are to be announced by the Ministry of Investment, Trade and Industry (MITI).

The Prime Minister also added that the implementation of the NSS will be spearheaded by MITI, and that the NSS will be a 'living document' evolving with the needs but remaining steadfast in the aspiration to make Malaysia a major global player in accessible technology for all, powered by the country's semiconductor industry.



Comments

The launch of the NSS is a timely initiative to ensure that Malaysia is not left behind in the race to design and produce high-end semiconductors for the rapidly advancing artificial intelligence (AI) technology and the burgeoning demand for such services.

It is also a strategy that leverages on one of Malaysia's existing strengths as the country has more than five decades experience in the semiconductor industry¹ and accounts for 13% of the global market for chips packaging, assembly and testing services².

¹ Paragraph 8 of the Speech by Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz, Minister of Investment, Trade and Industry, Malaysia at the launch of SEMICON Southeast Asia 2024. The Minister's speech can be accessed [here](#).

² Timely push for chip sector; StarBiz; 29 May 2024.

While the NSS is a step in the right direction for Malaysia to move up the value chain in investments in manufacturing and services in the technology sector, a senior executive of the local subsidiary of a multinational corporation cautioned that the lack of engineering talent within the country is an immediate hurdle that must be overcome³ in order for the targets of the NSS to be achieved.

As the saying goes, "The devil is in the details." As it appears that the NSS strategy paper is not presently available to the public, stakeholders in the semiconductor industry are no doubt eagerly awaiting the unveiling of further details, such as timeframes, initiatives and incentives, that form part of the NSS.

Nevertheless, from the broad framework announced by the Prime Minister at SEMICON Southeast Asia 2024, it is clear that the Malaysian Government has doubled down on its bet on the semiconductor industry. It has promised to throw RM25.0 billion into the pot. Will investors be convinced by the NSS to do the same?

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Note: The outline of the NSS in this article is based on the Prime Minister's keynote address at the SEMICON Southeast Asia 2024 which can be accessed [here](#). The NSS document has yet to be uploaded on the website of the Ministry of Investment, Trade and Industry as of 5 June 2024.

³ *Ibid.*



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