

JOHOR SINGAPORE - SPECIAL ECONOMIC ZONE

LEBIH HEBAT BERSAMA

Greater Together:

Two Economies, One EcoSystem

JS-SEZ SBWG RECOMMENDATION REPORT

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1 | Johor & Singapore

More than 300,000 Malaysians travel across the Johor-Singapore Causeway every day, making it one of the busiest overland border crossings in the region. The upcoming Johor Singapore - Special Economic Zone (JS-SEZ) signifies a commitment to deepen cooperation, particularly in economic development and trade facilitation, aiming to harness synergies for mutual growth.

2022

Johor recorded RM70.6B (S\$20.3B) worth of investments across sectors

Singapore was Johor's 2nd largest foreign investor, contributing 70% of manufacturing FDI

Bilateral trade grew 18.9% YOY to S\$153B

Singapore was Malaysia's top source of FDI at 20.5% of the total

1 | JS-SEZ Singapore Business Working Group (SBWG)

11 Jan 2024

MOU between Malaysia and Singapore to work towards a "full fledged" agreement on the JS-SEZ

Commencement of activities to gather feedback from the businesses

Malaysia Singapore Leader's Retreat

The JS-SEZ SBWG comprises representatives from Singapore-based chambers of commerce on the SBF Council, to ensure key businesses groups are represented.

Formation of the JS-SEZ Singapore Business Working Group

Launch of the JS-SEZ SBWG recommendation report

FINDINGS & RECOMMENDATIONS

Availability of Labour

Movement of People

Movement of Goods

Investment Facilitation

2 | Availability of Labour

Singapore businesses with operations in Johor have indicated that the key challenge is the lack of technical and skilled labour.

- Skilled workers are commuting daily out of Johor for better employment opportunities and conditions
- Businesses face challenges obtaining suitable employment passes for the skilled workers they hope to bring in to support their business

What good looks like

To succeed in attracting investments across diverse industries, JS-SEZ must create a favourable environment for businesses to access skilled labour. By integrating Singapore's strengths in management, finance, and advanced R&D with Johor's technical execution capabilities, a unified labour ecosystem can optimize operations based on specific skill requirements and cost efficiencies.

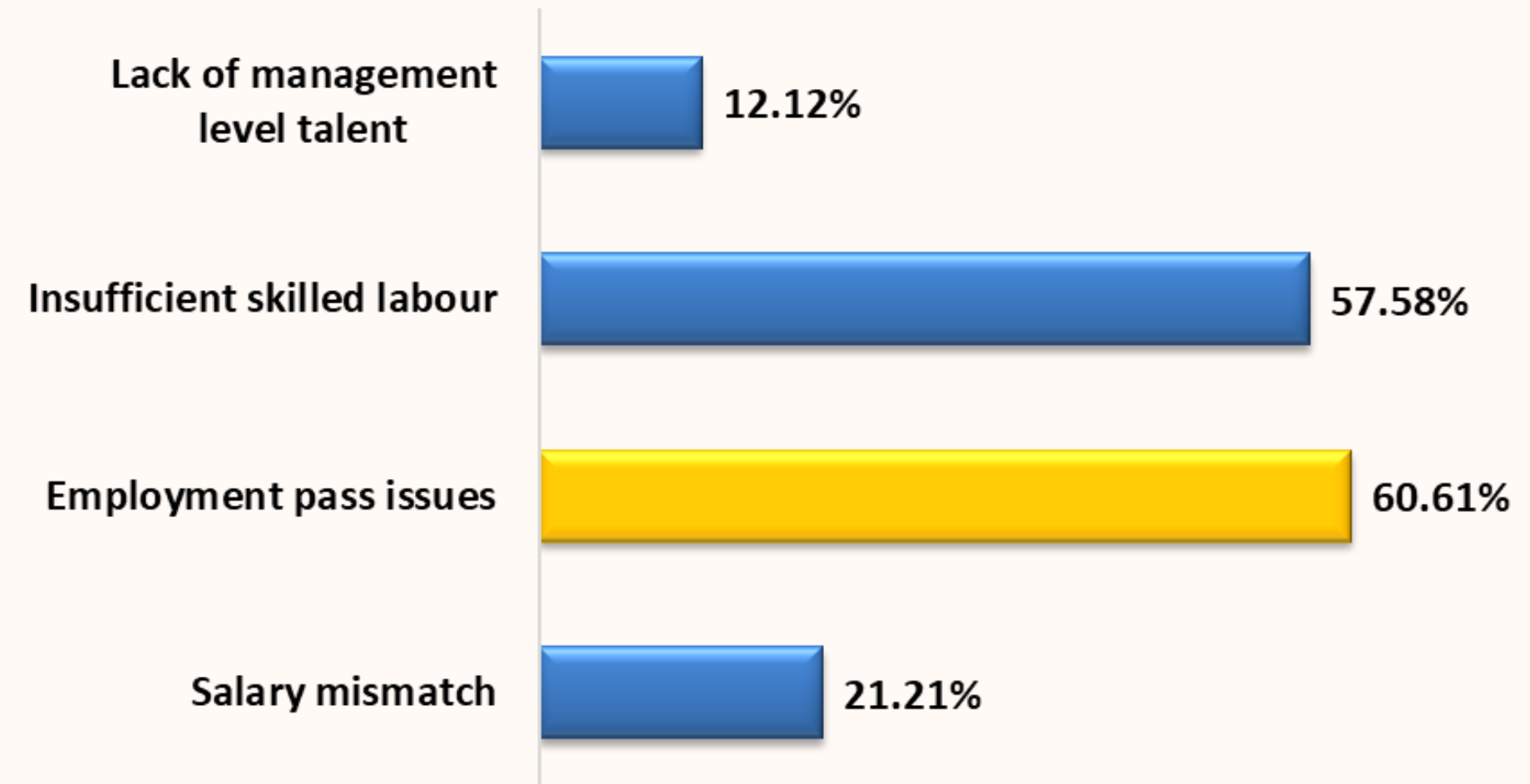


Figure 1. SBF Survey - factors contributing to manpower crunch

2

Availability of Labour

Recommendations

Harmonised Workforce Regulations

Develop a foreign worker policy framework applicable within the SEZ to streamline talent mobility, and the following needs, ensuring that the SEZ will attract employees to work there

- *Work Permits/Visas tailored for SEZ requirements*
- *Workplace and Labour market Factors (e.g., statutory benefits, workplace safety and health)*

Mutual Investment in Workforce Development

Invest in each other's workforce to enhance manpower capabilities and bridge skill gaps

- *Collaboratively invest in job-skill alignment for targeted growth sectors and emerging technologies within the SEZ*
- *Establish a talent development and recognition framework to incentivize workers to undergo certified training programs.*

Talent Acquisition Programme

Establish talent acquisition programs to attract skilled workers from the other states in Malaysia, and/or foreign talent from other countries

- *Collaboratively develop and execute cross-border talent acquisition initiatives featuring competitive remuneration packages.*
- *Position the SEZ as a regional talent hub through coordinated marketing campaigns. Organize frequent job fairs and recruitment events in Singapore, Malaysia, and neighboring regions to attract skilled workers to the SEZ*

2 | Movement of People

Based on our survey, businesses stress the importance of addressing connectivity issues not only between Johor and Singapore but also with Kuala Lumpur.

Recent initiatives to promote seamless movement of people such as the passport-free clearance system and the upcoming Johor Bahru-Singapore RTS Link Project are welcomed by the business community.

What good looks like

Border crossings still have a lot of opportunities for improvement through ways like a digital ID system integrated with biometric verification, or dedicated lanes and automated clearance for registered travellers.

A transport integration model using a variety of transport types and/or better infrastructure, together with extended operating hours, will help to ease congestion.

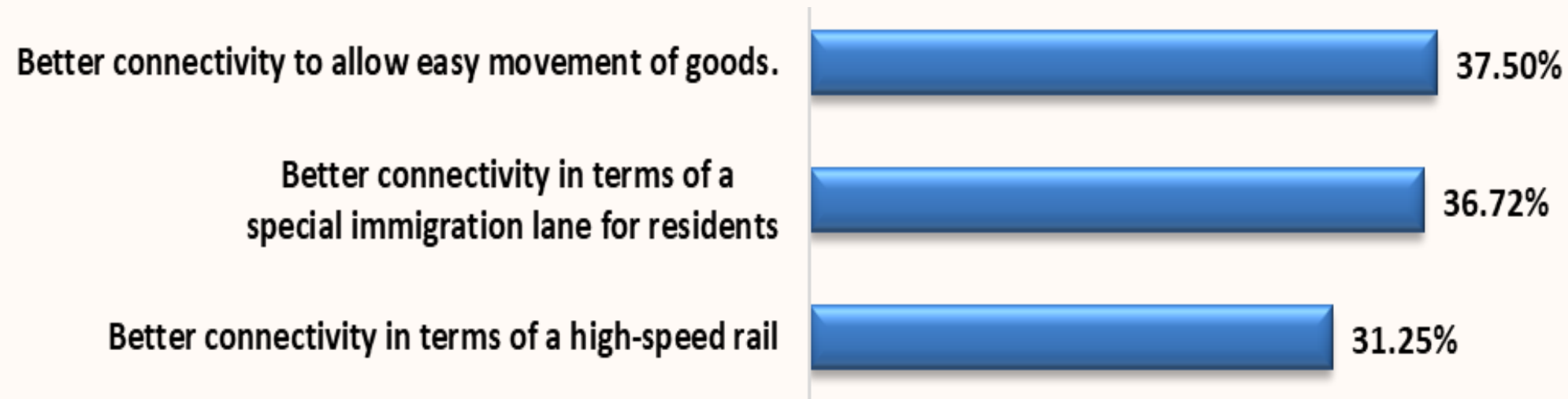


Figure 3. SBF Survey - Anticipated Features in JS-SEZ (Connectivity)

2

Movement of People

Recommendations

Enhanced Border Crossing Hubs

Develop integrated transport hubs with automated clearance using biometrics for frictionless mobility.

- *Establish integrated transport hubs at border checkpoints*
- *Implement an advanced auto-gate system utilizing QR codes and digital IDs*
- *Create dedicated lanes at checkpoints specifically for SEZ travellers*

Efficient Multi-Modal Connectivity

Invest in more road networks and transport technologies to enhance regional connectivity.

- *Revive the Singapore-Kuala Lumpur High Speed Rail (HSR) project*
- *Improve last mile connectivity*

2 | Movement of Goods

Movement of Goods between Singapore and Johor faces significant challenges due to traffic congestion at land border crossings. This increases transportation costs and supply chain inefficiencies.

Compounding these issues are disparities in import tax regimes, GST relief thresholds, and the need for separate Vehicle Entry Permits (VEPs) when entering Johor, which add complexity and costs for businesses.

Surveyed stakeholders emphasize the need for SEZ initiatives to address logistical challenges, clarify tax rules, and expedite cargo clearance to improve efficiency in cross-border trade.

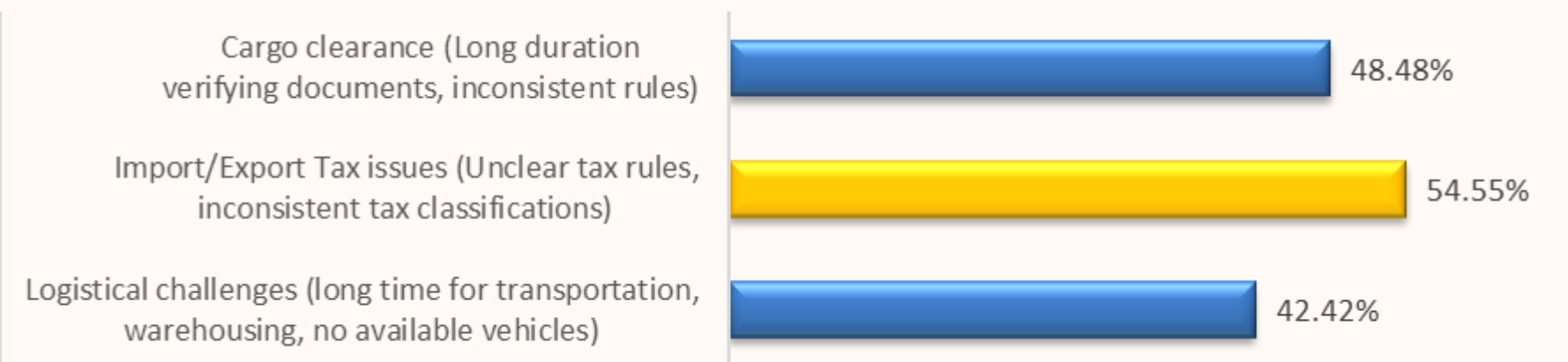


Figure 4. SBF Survey - Challenges in cross-border movement of goods

2 | Movement of Goods

What good looks like

Streamlined customs and border clearance procedures

- Efficient customs practices with electronic cargo clearance platforms and a unified customs window, reducing paperwork and expediting goods processing

Harmonised tax and tariff policies

- Align tax policies and duty-free incentives, simplifying cross-border trade. Both cities to coordinate import/export duties, with tariff exemptions for many traded goods

Integrated logistics and transportation infrastructure

- Facilitate rapid goods transport, enhance connectivity to handle extensive cargo volumes, exemplifying world-class logistics integration

Digitalisation and e-commerce enablement

- Leverage 5G and IoT investments to optimize trade ecosystems

2

Movement of Goods

Recommendations

Streamline Customs and Border Clearance Procedures

- Implement tech-driven solutions for border management to minimize delays and paperwork
- Explore QR code-based clearance systems enhanced by biometric identification

Harmonise Tax and Tariff Policies

- Eliminate tariff barriers
- Simplify tax structures, and intermediary product taxation
- Establish a single-window tax clearance system and common external tariff for third-country goods entering SEZ

Develop Integrated Transport Networks and Logistics Infrastructure

- Invest in transport infrastructure
- Utilize Singapore's connectivity
- Develop inland container depots (ICDs), cold chain facilities, and high-tech warehousing

Enhance Digitalisation and E-commerce Enablement

- Digitize and unify processes across the supply chain.
- Offer incentives for digital infrastructure adoption and collaborate to pilot smart logistics technology in the SEZ

2 | Investment Facilitation

The investment landscape between Singapore and Johor in the SEZ has room for improvement to unlock its full potential. Currently, investors navigate a fragmented process involving multiple agencies for approvals and licenses, which can be complex and time-consuming. Businesses report challenges in obtaining permits, managing hidden costs, and dealing with inadequate infrastructure.

- **58% of Surveyed firms** express a strong need for a unified one-stop service centre in Malaysia to streamline processes like business registration and administrative requirements.
- **33% of respondents** suggest collaboration among Singaporean firms to enhance operational efficiency in Johor.

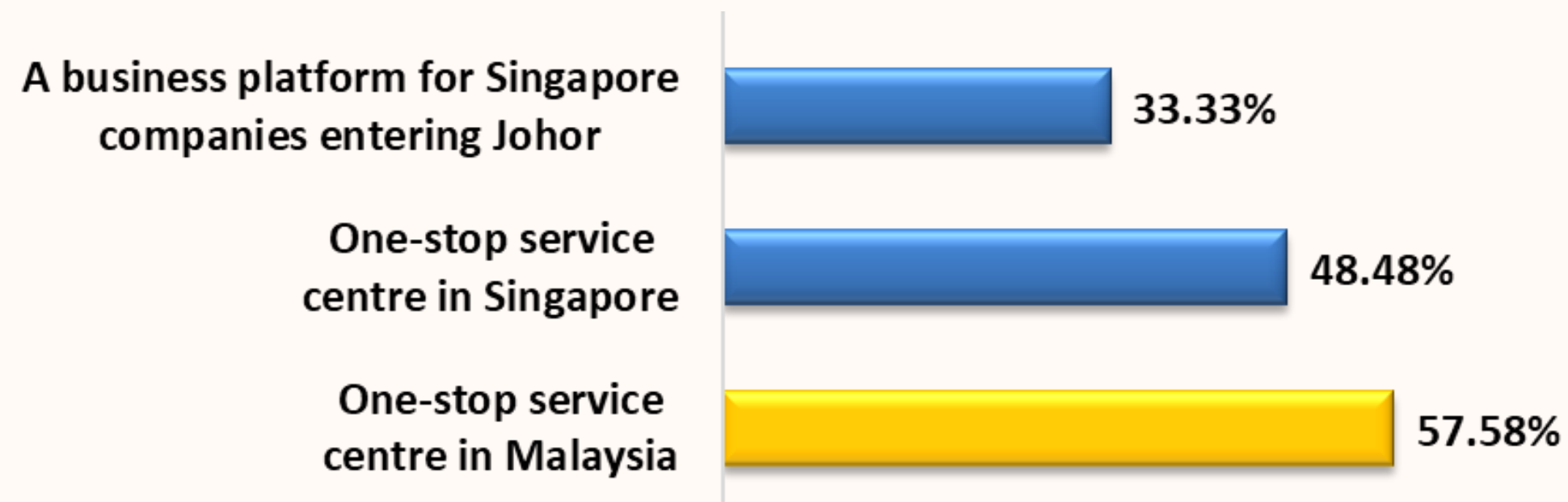


Figure 5. SBF Survey - Potential Solutions to solve Challenges

What good looks like

To boost investment in the JS-SEZ, we can adopt streamlined approval processes and incentives from successful models like Shenzhen, Hong Kong, and Jebel Ali Free Zone in Dubai. Comprehensive investor services and integrated promotion strategies, as seen in Suzhou Industrial Park and the Greater Bay Area in China, will also enhance its appeal to foreign investors.

2

Investment Facilitation

Recommendations

Streamlined Investment Approval Processes:

Implement digital technologies and a one-stop centre to streamline approvals and fast-track strategic projects

Attractive Tax and Incentive Regimes:

Introduce tailored tax incentives and establish a special investment fund to attract investments in prioritized sectors within the JS-SEZ

Robust Legal and Regulatory Frameworks:

Ensure transparency and investor confidence with clear guidelines and a dedicated dispute resolution mechanism for SEZ activities

Comprehensive Business Facilitation Services:

Expand the one-stop service centre to support business setup, talent acquisition, and infrastructure improvements for enhanced liveability and sustainability

Enhanced Financial System Interoperability:

Harmonize digital payment systems, enable seamless cross-border fund transfers, and develop a shared digital identity framework to reduce costs and streamline business operations between Malaysia and Singapore.

3 KEY SUCCESS FACTORS

1

**Draw on
complementary
economic
strengths**

2

**"Two Economies,
One EcoSystem"**

3

**Embracing
experimentation
and agility**