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Live, play, work – the formula for manufacturing hub Penang

by [Joakim Persson](#), Managing Editor ScandAsia • February 5, 2018 • [0 Comments](#)

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When flying in over **Penang** and after landing at its airport it becomes clear that this island has a lot of industries. When driving towards **George Town**, passing by the industrial zones covering large area it also gets very visible what kind of industries – names like Broadcom, Bosch and Western Digital appear along the road. For those not familiar with Penang it is well known as an Electrical and Electronics hub, playing a big part in that Malaysia is now the world's seventh largest E&E exporter. Names like Broadcom, Bosch and Western Digital appear along the road.

But Penang is equally known for its history going back many centuries (even more so after George Town obtained **Unesco heritage site** status soon ten years ago) and that has formed the unique foundation for today's Penang. The island became a western trading outpost in the late 1700s but even earlier it was a centre for trade.

Invest In Penang, the **Penang State Government's** investment promotion agency, situated in Bayan Lepas industrial zone points out this history. "The British, when moving further east from India, found it to be a very good place for doing business and trade because of the Asean countries and China doing a lot of trading here," **Dato' Seri Lee Kah Choon**, Special Investment Advisor to the **Chief Minister of Penang** and Invest In Penang Director, tells ScandAsia.

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"The British came and brought in the Indians, started off with plantations and then discovered tin and the Chinese workers came down and started mining."

The positioning of the island state promoted today is similar, and, as described by the Director, ideal for European companies as a gateway to Asia: "Whether you like it or not, China is the biggest market in Asia. And they find that by moving some of their operations to the ASEAN market and closer to Chinese, they can benefit from a lot of cost advantages. But to move directly into China is a cultural shock and very difficult. Some who went directly previously had a bad experience, whereas here, because of our history, the system and the thinking are strongly internationalised. Our legislation and the way things are done in Malaysia are very much aligned with the western world, so much so that they come here to do production and export to China – which we have a free trade agreement with."

"Penang is advantageous, because we are close to China, India and are very close to Indonesia – the fourth most populous country in the world. So it's a very good position to be in," he adds.



Dato' Seri Lee Kah Choon, Invest In Penang

"The British's former Straits colony also left behind good English education and a big pool of human talent. The Japanese and Americans found this pool to be valuable for their manufacturing and started up here."

Penang slowly went into manufacturing for import substitution, to grow into the dominant world player it is today. In numbers this translates into its manufacturing pillar contributing towards 45 per cent of GDP of Penang state – which achieved GDP growth of 5.6% in 2016, outperforming the national GDP of 4.2%. Also, Penang is a major contributor to Malaysia's economy, having registered 45% of the total investments to Malaysia.

"Over time the pool of talent could sustain development and today, based on the E&E, we have developed other production as well; mainly solar, LED and medical devices," continues Dato' Seri Lee Kah Choon.

"We have a pool of experienced engineers who have been working with multinationals all these years and have picked up a lot of experience throughout their careers."



One trend is that manufacturers have decided to move into consolidation of their services with backroom services. Tapping into this Penang will open a high-end **Global Business Services (GBS)** complex by 2020.

"If every factory that the multinationals operate around the world have the various departments such as procurement and HR, they are duplicating. So they decided to consolidate all those services."

For instance, Intel and Dell now have GBS operations in Penang. GBS that started only five years ago already employs 10 000 people, which is just beginning, according Invest In Penang. Also non-manufacturing are on board this, such as **Citigroup** and **AirAsia**.



Penang Chief Minister Lim Guan Eng with Erik Thomaus, Managing Director of SIBS AB

In 2016 Penang recorded the second largest investments in Malaysia for GBS or '**Principal Hub**' with an investment value of RM4.1 billion, after Kuala Lumpur.

Manufacturing of Industrialized Building System (IBS) is another niche where **Malaysian Industrial Development Authority's (MIDA)** targets to attract 100 such companies to the country by 2020. Interestingly, there is a large new Swedish company investment of RM 100 million into this, in **Penang Science Park**.

Scandinavian IBS (SIBS) is establishing a facility to manufacture pre-casted apartment units for the Swedish and European market.

The other main pillar is the service sector, within which one finds a sizable chunk of logistics thanks to air freight, all the cargo transports to and from the island and businesses like Broadcom making Penang their logistical hub.

This pillar also includes the other main reason for visiting Penang, namely for culture/heritage and holiday stays and to a growing extent for medical tourism. And George Town and Penang has made its significant mark in history also for international travel and the emergence of hospitality, much thanks to the legendary Sarkies brothers behind the equally world-renowned The Eastern & Oriental Hotel and sister property Raffles Hotel. At the dawn of tourism to the far east E&O opened its doors in 1885 to welcome the international elite (including famous actors and writers today adoring the hotel's walls), setting the benchmark for upscale travel and being at the centre as the island's number one social gathering place ever since. To quote the Invest In Penang Director again: "Penang was the Pearl of the Orient for tourism!"

Today, tourism is one of the major revenue sources, second only to manufacturing. More recently tourism got a big injection in 2008 when **George Town** was by UNESCO as **Heritage Site**. "This has helped the tourism in Penang by bringing in a total amount of 7.3 million tourist based on hotel sources and has enabled Penang to attract enthusiastic travellers around the world by giving them a new option of destination to visit," a

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Office space occupancy is another key indicator – where Penang has the highest occupancy in Malaysia. The demand for office space, especially **MSC** status buildings (for ICT and ICT-facilitated businesses that develop or use multimedia technologies to produce and enhance their products and services in Malaysia), is increasing in Penang as it continues to attract more investments and business expansion.



The legendary Sarkis brothers

The objectives for Invest In Penang are to sustain and rejuvenate Penang's economy by enhancing and continuously injecting business activities in the State through the promotion of foreign and local investments including the spawning of viable new growth centres.

As a one-stop agency they, absolutely free or charge, assist those who want to set up production or a business in the state. The agency provides comprehensive information on Penang's investment opportunities and

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“Penang is a state without natural resources. But what we have is human resources, so we want to reach out to the international investment community to share with them the vision about the plans to make Penang one of the most liveable cities in the world. We want to make Penang a Live, Work and Play destination for people. People are very important; we want to attract the best to come and live and work in Penang. The government side prepares the environment for business to flourish, for people to live a comfortable life – that is our vision,” is Dato’ Seri Lee Kah Choon’s take on how Penang wants to be attractive.



Brand new downtown George Town heritage zone seafront residential homes

He points to that the environment and surroundings are conducive for living; people can find a good job and work for big companies who in turn can find the right talent. Play is about the wealth of recreational opportunities and access to quality medical services and education in the form of international schools.

“In terms of liveability Penang is one of the best in Asia as well as in the world,” he points out. “There are many things we still need to do but are happy to be here we are today.”



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