

# LEBIH HEBAT BERSAMA

*Greater Together: Two Economies, One EcoSystem*



"Johor Bahru skyline at night", by Lionel Lim, CC BY 2.0, Cropped from original

## **Johor-Singapore Special Economic Zone Proposal** Singapore Business Working Group

July 2024





"Johor Bahru-Singapore Causeway", by Sileong, CC0 1.0, Cropped from original

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# FOREWORD

Singapore and Malaysia have a long history of close economic ties, with Singapore consistently being one of the top foreign investors in Malaysia. The Johor-Singapore Special Economic Zone (JS-SEZ) represents an exciting new chapter in our economic collaboration, leveraging the strengths and resources of both countries to create a dynamic economic zone that will attract investments, foster trade, and generate employment opportunities.

The Singapore Business Federation (SBF), through the JS-SEZ Singapore Business Working Group (SBWG), has been actively engaged in understanding the perspectives and needs of the business community regarding the JS-SEZ. Through an in-depth business survey, interview sessions, and focus group discussions, we have gathered valuable insights that can shape the positive development of the JS-SEZ.

The findings from our research, which will be shared with the Singapore government ahead of the upcoming Singapore-Malaysia Leaders' Retreat, highlight both the challenges and opportunities presented by the JS-SEZ. While aligning policies, streamlining regulations, and fostering cross-border collaboration will require dedicated efforts from both governments and the private sector, we are confident that with our shared commitment and innovative spirit, we can overcome these obstacles and unlock the full potential of the JS-SEZ.

The JS-SEZ has the potential to drive economic growth, attract foreign investment, and create new opportunities for businesses across multiple sectors such as advanced manufacturing, logistics, and digital services. By focusing on areas like innovation hubs, talent development, and sustainability initiatives, the JS-SEZ can position itself as a leader in the region and a future-ready economic powerhouse.

As we look to the future, it is clear that businesses on both sides of the Causeway will need to focus on areas that can spur economic growth and competitiveness. The SBF has been encouraging our businesses to be future-ready by investing in internationalisation, digitalisation, human capital development, sustainability, and creating social impact. We extend this invitation to our Johorean friends as well, so that all enterprises in the JS-SEZ can collectively work towards a shared vision of a vibrant and future-ready economic zone.

The SBF pledges its full support and commitment to working with our Malaysian counterparts, the governments of Singapore and Malaysia, and the business community to make the JS-SEZ a resounding success. Together, we can create a future that benefits generations to come.

**Lim Ming Yan**  
Chairman SBF





# MESSAGE

As Chairman of the JS-SEZ SBWG and Internationalisation Action Committee at SBF, I am excited about the potential of the JS-SEZ to transform our regional economic landscape. The close proximity and historical ties between Singapore and Malaysia/Johor provide a solid foundation for the success of this SEZ. By focusing on long-term, sustainable growth strategies that go beyond immediate structural changes and econopolitical cycles, we can ensure a win-win scenario for all stakeholders, and lasting prosperity for both nations.

This JS-SEZ presents a unique opportunity for both Singapore and Johor to leverage our complementary strengths and resources to grow our businesses. By combining Singapore's advantages in areas such as technology and connectivity, with Malaysia's robust manufacturing capabilities and resources, we can create a synergistic partnership that propels both economies forward. This collaboration will undoubtedly open new avenues for innovation and expansion, allowing businesses from both nations to thrive together.

We must approach this opportunity with creativity and a willingness to challenge conventional business models. By encouraging both the authorities and enterprises in Singapore and Johor to explore novel approaches and push the boundaries of innovation, we can unlock the full potential of the JS-SEZ. This forward-thinking mindset will be crucial in addressing challenges such as Singapore's land scarcity while creating new growth opportunities.

Through our engagements with various businesses, trade associations and chambers, we've gathered valuable insights and novel suggestions that can help to shape this important initiative. Our discussions have highlighted key areas requiring attention, such as facilitating seamless movement of people and goods, harmonising regulatory frameworks, and creating an attractive business environment within the SEZ.

I wish to express my heartfelt appreciation to all SBWG participants and the wider Singapore business community for your invaluable contributions. Your insights have been crucial in shaping our recommendations. I'm also grateful for the unwavering support from the SBF leadership throughout this process.

On behalf of our business community, I would also like to show our appreciation to the political leaders on both sides of the Causeway, for their commitment to fostering closer economic ties between Singapore and Johor. Their determination and foresight will be instrumental in turning this vision into reality, creating a cross-border ecosystem conducive and sustainable for business growth. I have confidence that our recommendations will contribute to the strong foundation for the JS-SEZ's successful implementation.

Let us continue to collaborate across borders and industries with open minds and mutual trust to maximise the potential of this exciting initiative. Together, we can create a brighter, more prosperous future for businesses and communities in both Singapore and Johor.

**Teo Siong Seng**  
Chairman SBWG

# INTRODUCTION

The potential development of the JS-SEZ represents a forward-looking initiative for enhanced economic cooperation between Malaysia and Singapore<sup>1</sup>.

The announcement of the JS-SEZ has excited many businesses in Singapore as they see its potential to shape the future landscape of bilateral relations and economic development in the region. Based on the SBF survey of over 160 businesses<sup>2</sup> conducted from Mar to Jun 2024, 93% of respondents find Johor an attractive place for investments, and 50% already have operations in Johor.

Given the expressed interests of both governments to engage the business community in shaping the JS-SEZ, SBF established the JS-SEZ SBWG in Feb 2024 to gather insights, feedback, and suggestions to enhance the SEZ development and achieve win-win outcomes for businesses on both sides of the Causeway.

The feedback and recommendations in this paper were developed in consultation with various businesses, trade associations and chambers within and beyond the SBWG over a period of 4 months, through focus group discussions, dialogues, and the aforementioned survey.

Then-PM Lee Hsien Loong said at the 10<sup>th</sup> Singapore-Malaysia Leaders' Retreat in Oct 2023 that Singapore hopes that the proposed JS-SEZ will facilitate smoother cross-border movement and enhance the investor ecosystems in Singapore and Johor. In line with these objectives, the feedback we have collected pointed to three key success factors that are important to how we develop the SEZ. These could help to boost investor confidence by overcoming scepticism stemming from:

**Long-standing bilateral issues** (e.g., in the socio-political domain) that have hindered deeper cross-border economic integration in the past.

**Previous initiatives** like Iskandar Malaysia and broader economic policies that did not realise their full potential due to the strategies adopted for investment structuring and implementation, which adversely affected investment climate and investor confidence.

**Persistent difficulties** in navigating challenges (e.g., lack of infrastructure, complex government processes for permits) faced by companies already within the Johor region, and companies hoping to enter.



# 3 KEY SUCCESS FACTORS

## 1 Drawing on complementary economic strengths

The SEZ should leverage the respective strengths and resources of the Singapore and Johor economies. Johor recorded RM43.7 billion worth of investments in 2023 from Singapore, an increase from RM13.5 billion in 2022, mainly in the manufacturing sector<sup>3</sup>. We should build on this foundation by developing an SEZ that can now provide a larger integrated economic space to not only retain existing investments but attract new ones from the region and globally. The two economies can leverage Johor's more competitive operating costs and availability of land and resources, while drawing on Singapore's strengths in connectivity, branding, talent, and headquarters functions. At the Johor state assembly on 12 May 2024, Menteri Besar (MB) of Johor, YAB Dato' Onn Hafiz bin Ghazi listed various sectors that the SEZ will focus on, including manufacturing, logistics, and digital industries.

We propose targeting these sectors based on the following framework as they will require different approaches based on their maturity.

**Existing and Complementary Industries.** These are industries that already have a presence in Singapore and Johor. The JS-SEZ can enhance complementarity and integration between the two locations – facilitating closer linkages within these industries' supply chains, leveraging Singapore's strengths in high-value activities like R&D, design, and financing, while tapping into Johor's advantages in manufacturing, assembly, and logistics. These sectors include Manufacturing, Logistics, Tourism and Food.

**Existing Industries for Enhanced Competitiveness.** These are industries present in Singapore for which Singaporean firms may have limited presence in Johor. The JS-SEZ can help enhance the overall competitiveness of Singaporean firms in these sectors by providing access to resources in Johor, while creating job opportunities for the local talent pool. These include Education, Healthcare, Finance and business services, and Energy.

**New and Emerging Competitive Industries.** The JS-SEZ also presents an opportunity to attract new industries that can leverage the combined strengths of Singapore and Johor to establish a competitive regional or global presence. As global supply chains diversify from concentrated risks, the JS-SEZ can position itself as an attractive destination for these industries, offering a conducive ecosystem, access to markets, and a skilled workforce. These include Advanced Manufacturing, and Digital economy.

Beyond the sectors proposed by Malaysia, both sides should also target emerging industries that leverage cross-border resource circularity. This includes recycling of resources such as plastics, which would create opportunities for more downstream high-tech investments from global investors using recycled resources to manufacture green products. This has the additional benefit of promoting recycling, resource sustainability, and helps reduce the carbon emissions for both sides. Together, these projects can create many new job opportunities.



## 2 "Two Economies, One EcoSystem"

The Hong Kong-Shenzhen SEZ, which operates on the basis of "One country, two systems" would be referenced multiple times across this paper as an example of effective collaboration between two distinct regions. Their capacity to achieve seamless interoperability across the two systems has been a key factor in their success. To replicate this gold standard as two separate countries, steadfast commitment from both the Singapore and Malaysia governments will be crucial to ensure the success of the JS-SEZ. Locking this in via a "Two Economies, One EcoSystem" model, both governments need to

work hand in hand to co-develop frameworks, structures and processes to meet JS-SEZ objectives. It would be essential to develop these plans with both the Johor and Federal governments to ensure alignment and harmonise working relationships across different stakeholders. It will be important to have a designated governing body of the SEZ that has the authority and autonomy in decision-making to ensure that governance can be more tailored to the specific circumstances and concerns of businesses within the SEZ.

## 3 Embracing experimentation and agility

As the JS-SEZ navigates uncharted waters of closer economic integration, it must embrace a flexible approach that prioritises learning and improvement. We can create a policy/regulatory sandbox to experiment with policies that could be extended to the whole SEZ. Regular meetings and implementation plan reviews as the SEZ develops will be crucial to ensure the initiative remains aligned with stakeholder needs and continues to deliver maximum value.

Such (thought) experimentations have already commenced via our engagements with businesses. For instance, Johor MB, has proposed establishing the JS-SEZ in the Iskandar Malaysia region and Pengerang. Based on feedback from SBWG/Singaporean businesses, it

would be ideal to create the largest possible inclusive economic space with maximum flexibility. Designating the whole of Johor may however be impractical. Considerations should therefore also be given to an 'entity-based'/virtual SEZ model for broader business coverage, to include entities outside designated geographic areas. This hybrid model offers co-location benefits for Singaporean businesses in physical SEZ areas (e.g., economy of scale for infrastructure, logistics), while allowing participation from entities elsewhere through the virtual component. By adopting an experimentation mindset, the JS-SEZ can test and refine this hybrid model, gathering valuable data and feedback to inform its long-term strategy.

Based on the feedback from businesses, and considering the above key success factors, we have developed recommendations in the four focus areas: **(a) availability of labour, (b) movement of people, (c) movement of goods, and (d) Investment facilitation.**



# AVAILABILITY OF LABOUR

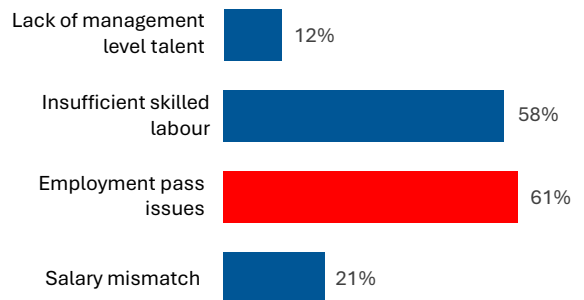
Singapore's workforce is highly skilled, with relatively higher university education rates and low unemployment. Wages are competitive, especially in the finance and tech sectors. Johor's workforce presents a diverse range of educational backgrounds and skillsets. The employment landscape also differs from that of Singapore, with variations in wage structures and employment rates. A significant number of Johor residents commute daily out of Johor for employment opportunities. This workforce mobility pattern has led to discussions about talent retention, and development strategies in the region.

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

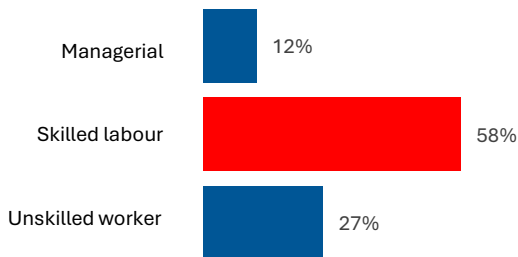
Nearly 60% of businesses face challenges in sourcing technical and skilled workers, with around 27% experiencing shortages in blue collar/general workers. Many Johoreans are already working in Singapore due to more competitive salary structure. Malaysians from other states, should they wish to work outside of their home state, would typically choose to work in either Singapore or Kuala Lumpur due to similar reasons.

Likewise, it had been difficult to attract Singaporeans/Singapore-based talents to work across the border. Apart from remuneration as a key consideration, the lack of infrastructure and amenities (e.g., international schools) were cited as inhibitors. Foreign worker quotas imposed by the government had also exacerbated the manpower crunch in Johor.

Our survey data shows that about 60% of businesses attributed the current manpower crunch to employment pass issues, and 58% cited it was due to an issue of skill-gaps in the Malaysian labour force. Salary mismatch was less of a problem, with just 21% of the respondents indicating that it was a factor.



**Factors contributing to manpower crunch**



**Challenges in hiring specific types of manpower**



## What good looks like

For JS-SEZ to succeed in attracting the three categories of industries (see p6), it is essential to foster a conducive environment for businesses to access the necessary human resources. The presence of a skilled labour force would not only support existing industries but also attract new investments, particularly from high-tech companies looking to establish a strong foothold in the region.

We need a labour ecosystem that leverages the strengths of both economies. There should be a continuum of labour to support various industries with competitive wages reflective of the skills and operating conditions of the two economies, but within a single, integrated ecosystem. Singapore would provide a talent base strong in management, finance and advanced R&D capabilities, whilst Johor would complement with those strong in technical skills for execution and operations. This arrangement would allow companies to optimise their operations by allocating different aspects of their business across the zone based on skill requirements and cost considerations. The seamless movement of workers across Singapore and the SEZ would be facilitated by harmonised manpower regulations, while the build-up of the talent base would be supported by mutual investments into each other's workforce development, and joint talent acquisitions. These would enable businesses to access a diverse talent pool, and create a highly flexible and competitive labour market that benefits both economies.



## Recommendations

### ① **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**

- Implement a clear, streamlined and fast-tracked process for businesses to obtain appropriate work permits/visas for their workers, or business representatives within the SEZ., e.g., a SEZ visa like in Hong Kong-Shenzhen<sup>4</sup> that gives business travellers with no visa to enter China the ability to stay within Shenzhen for 3-5 days by entering from Hong Kong.
- Develop a set of rules specific to the SEZ on foreign workers, e.g., allow companies within the SEZ to obtain suitable foreign worker permits for operating in the SEZ, and allow approved foreign workers to live outside the SEZ and commute daily.

#### **Workplace and labour market factors**

- Develop harmonised statutory benefits for employees, including foreign workers (e.g., leave system, medical benefits) benchmarked against regimes in either Singapore or Malaysia that were more favourable for employees.
- As above, standardise employment, and occupational health and safety standards at workplaces, and at worker accommodations, where applicable, across Singapore and the SEZ.





## Recommendations

② **Mutual Investment in Workforce Development.** Invest in each other's workforce to enhance manpower capabilities and bridge skill gaps.

- Collaboratively map and invest in jobs-skills that match key growth sectors and emerging technologies we want to prioritise for the SEZ, e.g., investing in joint vocational training institutes and curricula.
- Establish a talent development and recognition framework under which both Singaporean and Malaysian authorities would pool resources and provide incentives for workers to undertake certified training. Both sides can also mutually recognise professional qualifications and certifications to enable freer talent movement, offer scholarships and grants for local and foreign students pursuing SEZ-relevant disciplines, and encourage internships, apprenticeships, and mentorships within SEZ companies to build practical experience.

③ **Talent Acquisition Programs.** Establish talent acquisition programs to attract skilled workers from the other states in Malaysia, and/or foreign talent from other countries.

- Jointly design and implement cross-border talent acquisition programs with competitive remuneration packages.
- Promote the SEZ as a regional talent hub through joint marketing efforts. Conduct regular job fairs and recruitment drives in both Singapore and Malaysia, and the region to attract skilled workers to the SEZ.



# MOVEMENT OF PEOPLE

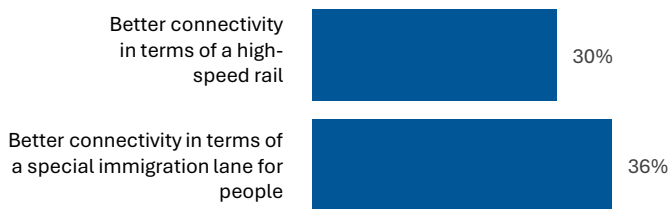
The Johor-Singapore land crossings at the Causeway and Second Link are among the world's busiest, handling over 300,000 travellers and 145,000 vehicles daily<sup>5</sup>. Peak volumes have exceeded 500,000 crossings in a single day<sup>6</sup>. Commuters use private cars, motorcycles, trains, buses, and taxis. Amidst congestions that occur often, they face long delays in jams that can stretch for hours, highlighting the intense cross-border movement between the two nations and the need to improve infrastructure to facilitate smoother travel.

Based on the survey and other interviews/focus group discussions conducted by SBF, businesses have expressed wishes for the JS-SEZ to not only address the connectivity issues highlighted above (36% of respondents) but also between the SEZ and Kuala Lumpur. For example:

30% of businesses expressed hopes for the Singapore-Kuala Lumpur Highspeed rail project to be revived.

Representatives from local enterprises also expressed hope that smoothed connectivity can support them to draw in talents from across Malaysia, not only from within Johor.

The business community welcomed current efforts by both governments to ease the intense human traffic flow across this vital link between the two regions. This includes the implementation of a "passport-free clearance system" between Johor and Singapore which has started for some travellers since Mar 2024. This system is expected to streamline the immigration and customs processes, allowing individuals to move more seamlessly across the border. In addition to the passport-free clearance system, the Johor Bahru-Singapore Rapid Transit System (RTS) Link Project coming online in 2026 is also seen as a crucial component in enhancing the movement of people within the JS-SEZ.



## Anticipated features in JS-SEZ, specific to connectivity





## What good looks like

There are further opportunities to streamline and digitise today's border-crossing processes. Drawing on the Hong Kong-Shenzhen model<sup>7</sup>, implementing a digital identification system integrated with biometric verification would enable frictionless and secure border crossings for workers and businesses operating within the SEZ. Having dedicated lanes or checkpoints with automated clearance for registered travellers would be another learning point from Hong Kong-Shenzhen.

The Hong Kong-Shenzhen transport integration model also showcases efficient cross-boundary connectivity through high-speed rail, metro extensions, and road links. Improved transport infrastructure, such as the Northern Link Spur Line and new checkpoints, facilitates seamless commutes. Extended operating hours at border checkpoints and multi-modal transport hubs enhance the travel experience. The model also highlights the importance of coordinating transport management models and exploring new initiatives like through-access for private cars and aviation/maritime links.



## Recommendations

① **Enhanced Border Crossing Hubs.** Develop integrated transport hubs with automated clearance using biometrics for frictionless mobility.

- Develop consolidated transport hubs at border checkpoints with convenient connections to various transport modes like rail, buses, and private vehicles, so as to allow faster and larger movements of people across the borders.
- Develop passport-less, QR/digital identification auto-gate clearance systems and lanes.
- Develop dedicated lanes at our checkpoints for SEZ travellers.

② **Efficient Multi-Modal Connectivity.** Invest in high-speed rail, metro, more road networks and transport technologies to enhance regional connectivity.

- Revive the Singapore-Kuala Lumpur High-Speed Rail (HSR) project discussions between the Malaysian and Singaporean governments, riding on renewed interests within Malaysia to develop the HSR with their launch of a fresh request for information from private bidders in Jan 2024.
- Enhance last mile connectivity from major transportation hubs to flagship zones and residential areas in the SEZ.





# MOVEMENT OF GOODS

The movement of goods between Singapore and Johor currently faces significant challenges due to traffic congestion resulting in significant delays for trucks transporting goods across the land border crossings. For instance, on 1 September 2022, the tailback of vehicles from Malaysia at the Causeway began at 9 am and only subsided at 11.30 pm<sup>8</sup>. Long queues and delays result in higher transportation costs and inefficiencies.

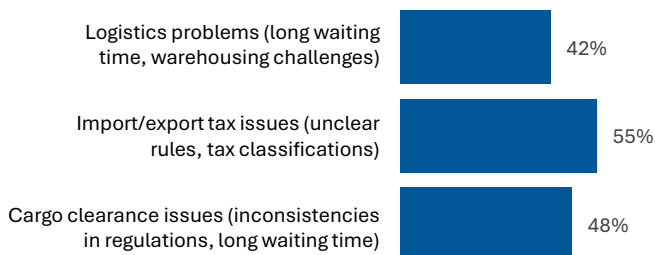
Apart from physical constraints, we also face unique challenges in import/export due to differences in import tax regimes and customs procedures between the two countries. Discrepancies in GST relief thresholds and the need to register for separate Vehicle Entry Permits (VEPs) when driving into Johor add complexity and business costs. The lack of seamless customs clearance processes and the current mandatory physical inspections further impede the smooth flow of cargo.

Our survey indicates the following:

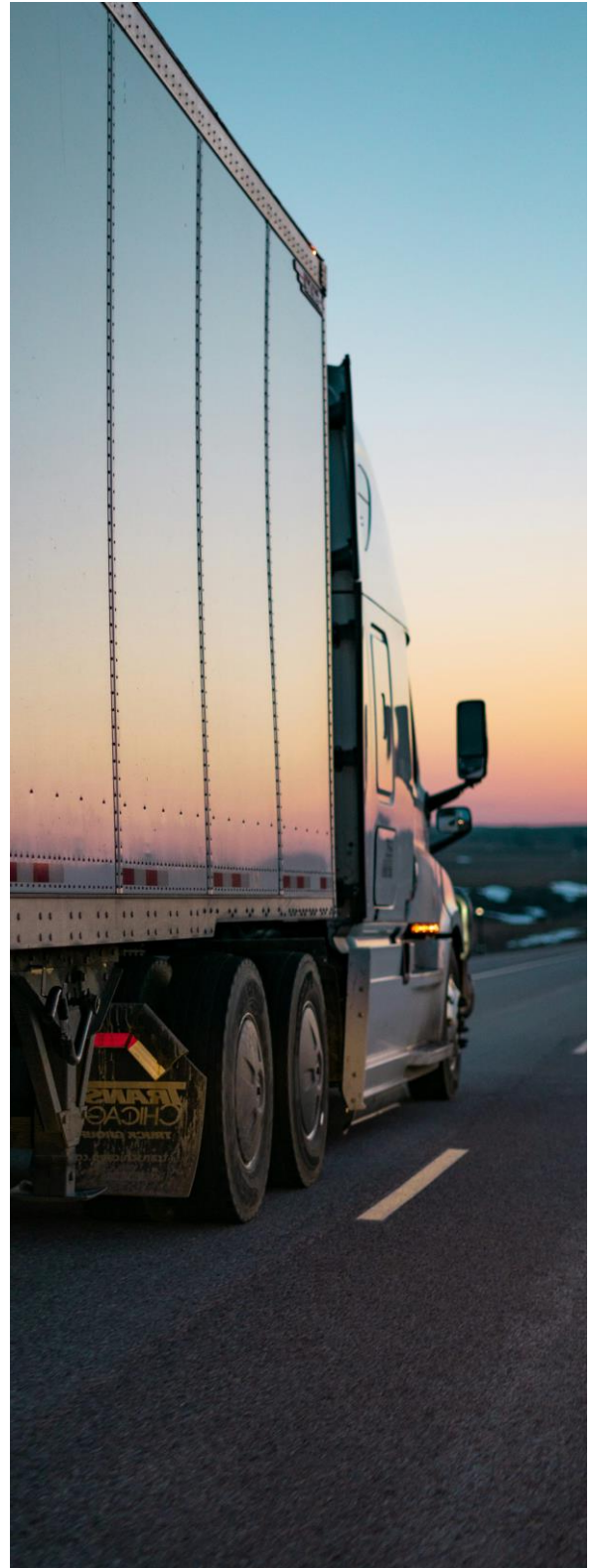
42% of respondents expressed hopes for logistics issues (transportation and warehousing) to be resolved as part of the SEZ initiative.

55% of Singaporean businesses surveyed cited difficulties in handling tax issues (e.g., unclear tax rules, inconsistent tax classification).

48% of respondents indicated that more expedient cargo clearance would be crucial to enabling the efficient flow of goods.



## Challenges in cross-border movement of goods





## What good looks like

The Hong Kong-Shenzhen model had been consistently cited as a prime example of how movement of goods between the two economies can be facilitated in the JS-SEZ. This section highlights key unique and innovative learning points from Hong Kong-Shenzhen.

### **Streamlined customs and border clearance procedures**

Hong Kong has implemented a series of electronic cargo clearance platforms which allows for paperless, electronic submission of trade documents, reducing clearance times. Shenzhen has the Shenzhen Customs Single Window, a one-stop platform for customs clearance, inspection, and release of goods, streamlining the entire process. In addition, since 2023, both sides set up a new logistics park in Dongguan that can deal with security screening, palletisation, and processing of export cargo from China. The cargo will then be shipped seamlessly to a new airside intermodal cargo pier at Hong Kong International Airport for direct air transshipment to overseas destinations.

### **Integrated logistics and transportation infrastructure**

Related to the new logistics park is a series of integrated logistics and transportation infrastructure that facilitates cross-border movement of goods. This includes (a) the high-speed rail link between Hong Kong and Shenzhen, part of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, which enables the rapid movement of goods between the two cities, (b) the Hong Kong-Zhuhai-Macau Bridge, a 55-kilometer sea crossing that has significantly improved connectivity and logistics integration in the region, and (c) world-class logistics hubs like the Yantian Container Terminals in Shenzhen, which handle millions of TEUs annually.

### **Digitalisation and e-commerce enablement**

Beyond the electronic cargo clearance, Hong Kong has also made significant investments to develop cutting-edge digital solutions for cross-border e-commerce and logistics centred on their Logistics and Supply Chain MultiTech R&D Centre. Shenzhen, on the other hand, is home to major e-commerce giants like Tencent and JD.com, which have established integrated digital platforms and fulfilment centres to support cross-border trade. Both cities have invested heavily in 5G infrastructure, IoT, and other digital technologies to enhance the efficiency of their logistics and trade ecosystems.

### **Harmonised tax and tariff policies**

Hong Kong and Shenzhen have also established the Guangdong-Hong Kong-Macau Greater Bay Area (GBA), which features aligned tax policies, including a common corporate tax rate of 16.5%. The Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (QCZ) also offers duty-free treatment for goods imported from Hong Kong, facilitating cross-border trade. The two cities have coordinated their policies on import/export duties, with many goods traded between them exempt from tariffs.



## Recommendations

① **Streamline Customs and Border Clearance Procedures.** Implement innovative, tech-based border management solutions to reduce delays and custom formalities.

- Explore streamlining customs control facilities and goods inspection systems (e.g., green lanes) to reduce duplicative efforts on both sides.
- Implement the proposed QR code-based clearance system and enhance it possibly by using biometric identification to facilitate the seamless movement of goods (apart from people) as well as the payment of toll and duties.

② **Harmonise Tax and Tariff Policies.** Eliminate tariff barriers and enabling the free flow of goods to promote greater cross-border trade and investment activities.

- Review the tax and tariff structures between Singapore and Malaysia to ensure they remain relevant and competitive for the SEZ, while safeguarding national interests. This includes simplified tax regimes within the SEZ especially for intermediary products that may have to cross borders multiple times before the finished products are completed.
- Implement a single-window for tax clearance to streamline procedures and reduce compliance costs for businesses. The alignment should also be extended to cover a common external tariff for goods entering the JS-SEZ from third countries, and a joint customs valuation system to determine the customs value of goods based on a common set of principles to ensure a level playing field and prevent trade deflection.
- Review how goods produced in SEZ can be recognised as produced in Singapore to benefit from Singapore's FTAs (according to Rules of Origin requirements)<sup>9</sup>.



## Recommendations

**③ Develop Integrated Transport Networks and Logistics Infrastructure.** Invest in transport and logistics infrastructure to facilitate movement of goods to establish the JS-SEZ as a seamless, well-connected logistics hub that can effectively serve as a gateway for trade and investment in the region.

### Transport Networks

- Invest in the development of world-class logistics hubs and multimodal transportation links including but also beyond land transport, e.g., barges, and ferries for crossing the straits. It would be ideal to have a dedicated freight rail network connecting key industrial zones and logistics hubs within the JS-SEZ to reduce road congestion and improve efficiency.
- Tap on Singapore's extensive connectivity to level up the entire JS-SEZ as a regional distribution centre.

### Logistics Infrastructure

- Apply the aforementioned streamlined customs clearance processes (see p17) at the main logistics hub itself and implement a single-window platform for logistics service providers to streamline the clearance process and access information, submit documents, and track shipments.
- Develop a network of inland container depots, dry ports, and cold chain logistics infrastructure within the JS-SEZ to facilitate the transportation of goods, especially perishable ones (e.g., food items, pharmaceuticals), and reduce congestion at seaports.
- Establish high-tech, automated warehousing facilities that leverage Johor's land availability. It would be beneficial to set them up as bonded warehouses. This would provide greater control over the operations and storage of goods within these facilities.

**④ Enhance Digitalisation and E-commerce Enablement.** Invest in digital platforms, to transform the JS-SEZ into a digitally-enabled, e-commerce-friendly trade and investment environment.

- Establish platforms to support cross-border trade and logistics by digitising all processes (e.g., a single digital window for businesses to access information, submit documents, and track shipments across the entire supply chain).
- Provide training and capacity building programmes, and offer incentives and support for companies investing in digital infrastructure and solutions within the JS-SEZ. This includes tax breaks and subsidised access to digital platforms to help businesses, especially SMEs, adopt digital technologies and e-commerce solutions.
- Collaborate with leading technology companies and start-ups to pilot innovative digital solutions and smart logistics applications such as comprehensive digital infrastructure that incorporate 5G and IoT capabilities, and blockchain technology.

# INVESTMENT FACILITATION

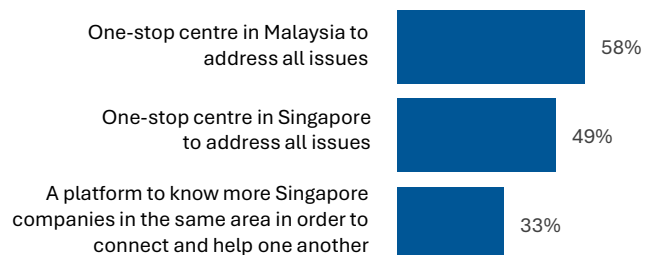
between Singapore and Johor presents opportunities for further enhancement before we can fully realise the potential of the SEZ. For example, the process for investments remains fragmented, requiring engagement with multiple federal and state agencies for approvals and licenses.

From the feedback collected, businesses have also reported encountering obstacles in obtaining the necessary permits and licenses to establish their local operations. The application procedures which can be a time-consuming and complex process. Additionally, the lack of transparency, and hidden costs surrounding the setting up of facilities has been a concern for investors. Furthermore, the insufficient availability of ready public infrastructure, such as well-developed roads and high-speed cross-border fibre optic links, had been identified as a hindrance to seamless business operations.

Our survey findings indicate the following:

58% of firms expressed a desire for a one-stop service centre in Malaysia (compared to 49% for it to be sited in Singapore) to market the zone and facilitate investor engagement, underscoring the importance of a unified and collaborative approach. The ambit of such an agency could also include a wide range of investor support services, including assistance with business registration, work permits, and other administrative requirements.

33% of respondents on the other hand wish for Singaporean firms to band together for self-help and support, and possibly “hunt as a pack” when operating in Johor.



## Potential solutions to address challenges





## What good looks like

Adopting a similar approach to the previous section, we reference several best practices from other similar cross-border arrangements/special economic zones around the world that could be applied to enhance investment facilitation in the JS-SEZ.

### **Streamlining investment approvals and incentives**

Deliberate efforts to cut red tapes have been observed in places like Shenzhen and Hong Kong with the establishment of one-stop investment facilitation centres and digitised investment approval procedures to significantly reduce bureaucracy and processing times for investors. This approach not only enhances efficiency but also sends a strong signal to the business community about the zone's commitment to facilitating investments. Another successful model is the Jebel Ali Free Zone (JAFZ) in Dubai, United Arab Emirates, which is widely recognised for its attractive tax and incentive regime, offering straightforward 100% foreign ownership, 0% corporate tax, on top of duty-free imports and exports. This has made it a highly appealing destination for foreign investors, particularly in sectors like logistics, manufacturing, and trading.

### **Comprehensive investment facilitation services**

One notable case where such services had contributed to economic success was the Suzhou Industrial Park (SIP). At the SIP, investors are provided with a wide range of support services, including assistance with business registration, work permits, and other administrative requirements, through a one-stop investor service centre.

Robust legal and regulatory processes are another key factor contributing to the success of special economic zones. The Katowice Special Economic Zone in Poland<sup>10</sup>, for example, has established a clear legal framework, with continually revised laws to specifically promote new investments. By modelling these practices, the JS-SEZ can enhance its investment facilitation capabilities and position itself as a premier destination for foreign direct investment in the region.

### **Integrated investment promotion**

We refer to similar efforts in the GBA in China. This regional collaboration has allowed the participating cities to present a unified and compelling value proposition to potential investors, leveraging the complementary strengths of each location.

## Recommendations

① **Implement Streamlined Investment Approval Processes.** To create an efficient and investor-friendly environment, the JS-SEZ should leverage digital technologies and streamline approval procedures.

- Build on the Invest Malaysia Facilitation Centre (IMFC) to be set up this year, or even tap on work done by the existing Iskandar Regional Development Authority to establish a one-stop investment facilitation centre that leverages digital technologies to streamline the investment approval process.
- Introduce a "fast-track" investment approval channel for strategic or high-impact projects to facilitate priority investments and attract the most valuable foreign direct investment.
- Implement a digital one-stop application system that allows investors to submit all necessary documents electronically, track the status of their applications, and receive approvals through a secure online platform. For example, we should streamline the application process for the Malaysia Digital (MD) status, which can help facilitate the importation of equipment for digital businesses.

② **Offer Attractive Tax and Incentive Regimes.** To create a more compelling and competitive environment for investors, driving economic growth and development in the region.

- Establish tax structures specifically for the JS-SEZ, offering competitive incentives such as tax subsidies/holidays, duty-free import privileges, no double taxation, and other financial benefits for companies establishing presence in both economies, especially those from the prioritised industries<sup>11</sup>.
- Establish a special investment fund to provide financial support, co-investment opportunities, and other targeted incentives to further strengthen the zone's ability to attract and retain high-quality investments. This regime should apply for both the physical and virtual SEZ scenarios.



## Recommendations

**③ Develop Robust Legal and Regulatory Frameworks.** To provide certainty and confidence for investors, the JS-SEZ should ensure a clear, transparent, and business-friendly legal and regulatory environment for investments.

- Make clear provisions within the legal framework to address key investor issues such as privileges, exemptions, guarantees granted to investors within and beyond the domains of labour, immigration, customs, and intellectual property<sup>12</sup>. There should also be clear and transparent guidelines for investment approval criteria, timelines, and requirements, ensuring that the process is fair and predictable for all investors.
- Establish a dedicated dispute resolution mechanism to which key stakeholders, including those from the private sector, should also contribute to in maintaining oversight. This ensures transparency and fairness in decision-making by the joint JS-SEZ authority.

**④ Provide Comprehensive Business Facilitation Services.** To streamline the investor journey, expanding on what the one-stop service centre can offer in terms of tailored support.

- Beyond investment facilitation, set up the service centre to be a single point of contact for all support services pertaining to business set-up, talent, and supply chain<sup>13</sup>. The centre should also provide business concierge services and facilitate the relocation of talents and their families into the SEZ<sup>14</sup>.
- Invest in upgrading infrastructure and amenities to improve workplace and liveability conditions on aspects like residential environment<sup>15</sup>, resource security (water, food, energy), telecommunications expediency, and sustainability<sup>16</sup>.

**⑤ Enhance Interoperability of Financial Systems between Malaysia and Singapore.** To streamline the financial infrastructure and enhance the conduct of business activities.

- Build on current initiatives to further harmonise digital payment systems<sup>17</sup>, facilitate cross-border fund transfers, and ensure the interoperability of banking and financial services between Malaysia and Singapore.
- Develop a shared digital identity framework between the two countries to facilitate secure and seamless onboarding of individuals and businesses for financial services, reducing friction and costs associated with customer due diligence and know-your-customer (KYC) processes.



# CONCLUSION

The JS-SEZ can potentially be a “game changer” for both Malaysia’s and Singapore’s economic growth. It can unlock the creation of economic value on both sides of the causeway. Singapore-based businesses want the JS-SEZ to become a reality. The three success factors and over 30 recommendations across the 4 focus areas in availability of talent, movement of people, movement of goods and investment facilitation represent their collective views on what would be needed for it to succeed.

Achieving this will require a new spirit of collaboration between both governments, backed by clear policy and strong execution based on the principles of a “Two Economies, One Ecosystem” framework that builds upon the complementary strengths of both economies so that we can be “Greater Together”.



# ACKNOWLEDGEMENTS

## SBWG member organisations

American Chamber of Commerce in Singapore

Association of Small & Medium Enterprises

Chinese Enterprise Association

European Chamber of Commerce (Singapore)

Japanese Chamber of Commerce & Industry

Singapore Chinese Chamber of Commerce & Industry

Singapore Indian Chamber of Commerce and Industry

Singapore International Chamber of Commerce

Singapore Malay Chamber of Commerce and Industry

Singapore Manufacturing Federation



# REFERENCES

- 1 Singapore and Malaysia signed a [Memorandum of Understanding \(MOU\)](#) on the Johor-Singapore Special Economic Zone (JS-SEZ) on 11 Jan 2024 to strengthen economic connectivity between Singapore and Johor. Both sides are working on the agreement with a view to provide an update at the 11<sup>th</sup> Singapore-Malaysia Leaders' Retreat later this year.
- 2 There were representatives from various industries participating in the survey, with many from the manufacturing and services sectors.
- 3 The Johor Economic, Tourism and Cultural Office Singapore (JETCO) organised a dialogue session with the Johor MB on 16 Apr 2024 to discuss and solicit feedback on the JS-SEZ and Special Financial Zone. SBF and other Singapore business organisations (e.g., firms, and other Trade Associations and Chambers, including some of those which SBWG members come from) attended the event. Malaysian authorities presented some of these data from the Malaysia Investment Development Authority (MIDA) at the dialogue session.
- 4 This refers to the [single-entry visa](#) valid only for the Shenzhen Special Economic Zone for travellers from Hong Kong.
- 5 More than 300,000 Malaysians travel across the [Johor-Singapore Causeway](#) every day. Officials estimate that about 145,000 vehicles pass through Johor Bahru's CIQ complex daily.
- 6 510,000 travellers used the Singapore-Malaysia [land checkpoints](#) in a single day.
- 7 The Malaysians had also been actively learning from the Hong Kong-Shenzhen model. MB of Johor mentioned on different occasions the state government's trip to Shenzhen in Mar 2024, where the [Johor delegation](#) met with 40 potential Chinese investors and also Meng Fanli, the Communist Party of China secretary of Shenzhen.
- 8 [Congestion](#) occur at land checkpoints during long weekends, holidays.
- 9 In the U.S.-Singapore Free Trade Agreement (FTA), for instance, the "[Integrated Sourcing Initiative](#)" (ISI) allows products produced in the Indonesian islands of Bintan and Batam to be treated as if they were of Singaporean origin for benefits under the agreement.

# REFERENCES

- 11 Such initiatives should take into account the pillars under the Domestic tax base erosion and profit shifting (BEPS) to prevent multinational enterprises exploiting gaps and mismatches between our different tax systems.
- 12 One new area to pay attention to is data governance. The JS-SEZ should establish clear protocols for cross-border data flows to foster a secure and compliant digital economy within the JS-SEZ.
- 13 The ideal set of services at the centre includes assistance with business registration, work permits, consultancy on tax residency, tax implications, and other administrative requirements. The centre should consider the training requirements for the Singapore/Malaysian staff for such a centre to ensure that the service delivery is up to international standards that Singaporean/global businesses are more accustomed to.
- 14 This recommendation refers to possibly include assistance with housing, schooling, healthcare, and other essential services to enhance liveability.
- 15 Government on both sides could explore possibility of engaging with the private sector to identify investment opportunities and incentives for developing residential, healthcare, and educational infrastructure within the JS-SEZ. This should be done cautiously in stages however to deter property speculation which could drive up land costs.
- 16 Deloitte recommended to the Malaysian government for the SEZ to consider expediting approval processes for green building projects and sustainable development initiatives. This was presented at the engagement with MB of Johor in Apr 2024.
- 17 MAS and Bank Negara Malaysia (BNM) have [jointly launched](#) a real-time payment systems linkage between Singapore's PayNow and Malaysia's DuitNow. MAS and BNM have also signed a letter of intent to establish a local currency settlement framework that will complement the payment linkages.



