ECER

Poised for Transformation

Strategically located in the east coast of Peninsular Malaysia, ECER has the potential to become the main gateway for trade and industry within the Asia Pacific region, which commands a total population of about 2 billion people.

The ECER’s vision is to be a developed Region by 2020. The Region will be transformed into a major international and local tourism destination, an exporter of resource-based and manufactured products, a vibrant trading centre, and an infrastructure and logistics hub.

It also details measures to eradicate hardcore poverty and improve income and distribution in a sustainable manner for ECER.

ECER’s distinctive natural resources, culture and heritage will form the basis for transforming the economy into one that is dynamic and competitive in light of greater regional and global competition and economic liberalisation.

The East Coast Economic Region (ECER), covering the states of Kelantan, Terengganu, Pahang and the district of Mersing in Johor, is now poised to become a dynamic Region in South East Asia by offering various opportunities to manufacturers and investors.
With an area measuring more than 66,000 sq km, the ECER covers 51 percent of the land area of Peninsular Malaysia. The ECER’s population of about 3.9 million represents 14.5 percent of the total population of Malaysia. By 2020, this will grow to over 4.9 million people, with a total workforce of about 2 million. Geographically, the ECER is also the strategic gateway to the vast markets of the Asia Pacific, with a total population of 2 billion.

The envisaged development in the ECER will create up to 560,000 jobs by the year 2020. The target is to raise the average monthly household income from RM2,267 (2005) to RM5,227 (2020), and increase GDP per capita from RM5,860 (2005) to RM13,510 (2020).

The vision and mission that will guide the transformation of the ECER into a developed Region by 2020 is defined by three main characteristics – distinctive, dynamic and competitive.

The distinctiveness of the ECER is portrayed through its natural beauty, abundant resources, unique culture and heritage known throughout the world. To maintain this characteristic, a balanced and sustainable development is emphasised.

The dynamism of the ECER reflects the potential for the Region to grow and develop at a faster pace through innovation and a shift in economic orientation, structure, technology and mindset. The competitiveness of the ECER lies in its ability to attract local and foreign direct investments.

With the prevailing economic conditions, the need to maintain the momentum of development within the ECER is seen to be very urgent. The Malaysian Government has thus chosen to fast-track the setting up of the next phase of the ECER Master Plan – the Special Economic Zone (SEZ).
ECER SEZ

The Catalyst of Transformation

ECER Special Economic Zone

It comprises new townships, international tourism sites, 4 ports, 2 airports and a knowledge innovation zone. It is the most ideal stretch along the east coast for further urbanisation, given its established cities and towns.

The ECER SEZ acts as a catalyst for concentrated decentralisation of economic activities in line with the New Economic Model. It will accelerate growth with focused concentration, where manufacturing and commercial activities are promoted and conducted on preferential excise terms, supported by good infrastructure development as well as knowledge-based and capacity-building programmes.

ECER SEZ is the only zone of its kind in Malaysia, set to experience unprecedented growth and generate a ripple of development throughout the ECER through its significant multiplier effects. It is now one of the larger SEZs in Asia with 390,000 hectares comprising 25,000 hectares of SEZ Focus Nodes.

The ECER SEZ is a concentration of high-impact projects within an integrated development zone located at the nucleus of the ECER – the 25km by 140km strip that extends from Kertih, in Terengganu to Pekan, in Pahang.

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The population of the ECER SEZ will grow to 1.3 million, accompanied by the targeted creation of 220,000 new jobs, by 2020. Its economy will move from labour-intensive industries to high-technology, knowledge-based activities and the service sector.

Although the ECER SEZ forms only 6% of the landmass of the entire ECER, it will have a significant impact as it will create 50% of all jobs and 80% of the economic output of the ECER.

Value Adds of the ECER SEZ

The ECER SEZ is poised to become a strategic destination for investors given its position to access the vast markets of the Far East and the Asia Pacific, with a total population of 4 billion and a combined GDP of US$17 trillion. Investment within the ECER SEZ is estimated to total RM90 billion up to 2020.

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International, National & Regional

Positioning of the ECER SEZ

The ECER SEZ lies in a belt of development within ECER that banks on the international, national and regional growth conurbations to fuel its growth as the hinterland to East Asia.

While the focus is to promote international/regional trade linkages and investment, the emphasis is also on protecting and conserving environmentally sensitive areas.
Nationally the ECER SEZ is strategically positioned as a major growth conurbation for the east coast states. This conurbation identified as a National Regional Growth Conurbation (Level 2) in the National Physical Plan is expected to have a large population concentration of about 1 million by 2020.

The need for a national regional conurbation in the east coast is not only to generate the propulsive effects of agglomeration economies in the lagging region but also to serve as a magnet to complement other urban conurbations such as Kuala Lumpur, Penang and Johor Bahru in order to have a balanced regional development in the country.

The ECER SEZ is also strategically located at the convergence of two main growth corridors in the Peninsular i.e. the Central Corridor linking KL to Kuantan and East Coast Corridor stretching from Kota Bahru in the north to Johor Bahru in the south. Other sub-corridors that could have an impact on the ECER SEZ will include the Kuantan – Melaka Sub-Corridor.

The strengthening of these corridors will further serve to accentuate the development of the ECER SEZ.

The ECER SEZ is also well connected to the Kuala Lumpur Conurbation via the East Coast Expressway 1 (LPT1). The transport connectivity will be strengthened further with the completion of an Eastern Rail Link linking Kuala Lumpur to Kuantan.

The economic potential of the East Coast Corridor will also be greatly enhanced particularly for tourism development with the completion of the East Coast Expressway 4 (LPT4) and the possible third link to Singapore.

The ECER SEZ lies at the geographical centre of Southeast Asia, serving as a gateway to Indochina and the two most populated countries in the world: China and India (combined population of 3 billion people).

In addition, the ECER SEZ is also member of the Association of Southeast Asian Nations (ASEAN) and is entitled to privileges under the ASEAN Free Trade Area (AFTA) Agreement – an area with a combined population of more than 500 million people. Taken together, the factors above provide ready access for the SEZ into a larger “domestic market”, thus giving a bigger scale of production and bigger base to source for raw materials.

The ECER SEZ will be a key transport gateway for imports and exports for the ECER. The geographic proximity and interdependency of the Kertih Port, Kemaman Port, Kuantan Port and Tg. Agas is expected to generate 70 million tons of cargo throughputs in 2020, linking the ECER SEZ to one of the most important trade routes in the world. The ports will be the single gateway that serves the regional East Asian and Middle Eastern markets.

In addition, investors in ECER SEZ will enjoy a competitive way of doing business given the untapped opportunities such as abundance of natural resources which are critical for resource-based industries supported by development of infrastructure and vast hinterland areas compared to other important port regions in the world.
Within the ECER SEZ, there will be further initiatives taken to strengthen local economic corridors in Oil, Gas & Petrochemical, Manufacturing, Agro-based Industries, Tourism and Education Clusters through focused concentration of investments in selected nodes and clusters. Some of the key local corridors identified in the ECER Master Plan will include:

- Kertih – Cukai / Kemaman Cherating Corridor focuses on oil, gas & petrochemical
- Gambang – Kuantan – Geberg Corridor focuses on manufacturing
- Kuantan – Kuala Pahang – Pekan Corridor focuses on tourism

The ECER SEZ will be an integral part of the ECER which will serve as its economic hinterland. The ECER SEZ will act as the processing and marketing centre of regional agriculture produce, manufactured products and mineral resources from the ECER and serve as a regional platform for participating in the development opportunities within ECER.

**Regional Positioning**

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The ECER SEZ has been established to serve as a catalyst in speeding up industrial and economic activity within the ECER towards achieving the development objectives for the Region.

The development strategy will focus on the key economic drivers, while the key enabling projects will increase connectivity and provide the necessary linkages to the clusters. The ECER SEZ contains 4 major ports and 2 airports which will support its manufacturing and industrial activities. The main transportation and logistics initiatives include:

- The ECER SEZ Central Link which will unlock the development potential of interior land parcels in the SEZ and serve as the main traffic connector for the SEZ.
- The development of an expressway system:
  - East Coast Expressway 2 (LPT2): Kuantan – Kuala Terengganu
  - East Coast Expressway 4 (LPT4): Kuantan – Johor Bahru
- The regional rail link connecting the industrialised west coast and the ECER SEZ.
- The proposed Kuantan Sentral Multimodal Transit Hub.
The ECER SEZ will incorporate an integrated development approach which comprises commercial, residential, educational, industrial, service and knowledge components. It will have an orientation towards building up capacity for knowledge innovation that can be linked across each component.

A knowledge innovation-based economy is an enabler which takes the form of collaboration, cooperation, research and development, knowledge-sharing and commercialization of ideas between the private sector, Government and academia. While traditional factors of production, such as labour, capital, raw materials and entrepreneurship, remain important, a knowledge-based economy will provide the platform to sustain a rapid rate of economic growth projected for the ECER SEZ and enhance international competitiveness for the ECER.

### Essential Ingredients of the ECER SEZ

**Strategic Infrastructure & Modern Facilities**
- Key components to include deep-water harbour, airport and rail connectivity
- Focus on competitive industries that rely on local raw materials
- Establish modern infrastructure — integrated townships with tourism components
- State-of-the-art utilities — broadband, water supply, electricity, infrastructure
- Identify Strategic Nodes within the ECER SEZ with easy access to logistics facilities
- Support small / medium-sized enterprises (SMEs) and resident population

**Investment Focus**
- Improve investment climate and simplify procedures with continuous follow-up with investors
- Implement long-term planning to identify feasible investment opportunities
- Regionally comparable fiscal incentives to attract local and foreign investors
- Special incentives to encourage certain types of investments, particularly in the technological and knowledge sectors
- Encourage public-private partnerships for development
- Create positive interaction between investors – cluster and trade associations

**Enabling Initiatives**
- Expansion of activities on manufacturing, processing, commercial and professional services
- Leverage on local capabilities and available resources
- Provide training courses and incentives to develop human resources
- Give special attention to environmental protection

### Economic Pillars of the ECER SEZ

To be a Catalyst for Focused Growth in the East Coast Economic Region (Distinctive - Dynamic - Competitive)

**Supporting Manufacturing Activities, Agro-processing, Financial Services, Professional and Other Services and Related Services**

Supporting Institutions (Industrial Training, R&D, Government, Private and Social Institutions, Trade Associations, Communication and Coordination Systems)

- Well Developed Physical Infrastructure
- Strong Basic Education and Training
- Conducive Working and Living Environment
- Stable Political and Social Environment
High-value Manufacturing

Malaysia continues to be ranked among the top 20 trading nations in the world, offering a diversified range of products. It is clear that the manufacturing sector will continue to be enhanced in the SEZ. Indeed, the ECER SEZ covers Kerith, Cukai, Kuantan Port City, Kuantan, Gambang and Pekan where the major concentration of manufacturing and industrial activities is located in the ECER Master Plan.

Given the advantage that natural resources are already in place, the ECER SEZ will be a strategic location that grants investors the vast quantities of supply of raw materials as well as low transportation costs, which in the end allows them to become cost-competitive. The existing and new industrial developments in the SEZ will see manufacturers strengthening and enhancing their value chain to add value to existing raw materials using innovation to tailor products to meet the global market demand.

Agro-based Industry

The agricultural sector is still a major sector in the ECER that contributes a significant proportion in terms of GDP growth through productivity and development of new areas. The ECER SEZ will gear the agriculture industry towards a high-technology agro-based industry supported by existing and new initiatives in the ECER including large-scale farming, usage of high-yielding crops and improvements in collection, processing and delivery systems.

The development of the agro-based industry in the SEZ will invite a wider application of modern technology and improvements in supply chain management, gearing towards supplying the export markets with value-added products. This move will integrate and streamline the roles of intermediaries along the agro-value chain to present an optimised business model to ensure sustainable and smart partnerships for handling produce and deliver a high level of quality control.

Oil, Gas & Petrochemical

The oil, gas & petrochemical industry is one of the leading industries in the ECER with significant hydrocarbon reserves located in Terengganu offshore and contributing significantly to the Region’s GDP. Although major facilities that cover the upstream and downstream activities are already in operation, there are vast opportunities to expand the downstream and manufacturing sectors to add more value to the existing output.

Based on the readily available feedstock from Kerith and Gebeng, the ECER SEZ presents an opportunity for investors and small and medium-sized industries (SMEs) to locate their manufacturing activities in a location with adequate support facilities and easy access to raw materials and support services.

Tourism/Real Estate

Tourism has long been an important economic driver in the ECER because of its natural assets including sandy beaches, lush rainforests and coral-ringed islands. The Region’s pristine environment presents an opportunity for investors to establish large-scale integrated resorts and other property development initiatives. For the ECER SEZ, the tourism and real estate initiative aims to transform the area into a vibrant urban centre of the east coast equipped with modern comforts, while maintaining its age-old charm and cultural identity.

The urbanisation taking place within the areas of the ECER SEZ will be supported by prime real estate developments including shopping malls, hotels and conference centres, local handicraft markets, and commercial and residential developments.

Knowledge, Education and ICT

The knowledge, education and ICT sector is a key component that can be linked to all the economic pillars of the ECER SEZ. By improving the quality of education and expanding the learning opportunities and facilities, the ECER SEZ will generate a pool of specialised skills and knowledge workers which will be able to serve the manpower needs of existing and future industries.

As the ECER SEZ economy prepares to move up the value-chain, so will the role of the knowledge and education institutions via their research and development inputs and specialised collaborations with other industries with the aim of improving product and services delivery.

In terms of information communication and technology development, the ECER SEZ aims to bridge the digital divide that will initiate development of the ECER’s human capital to confidently participate in a knowledge-based economy.

Logistics

The logistics industry is supported by the development of new free zones and specialised industrial parks within the ECER SEZ. By the year 2020, the ECER SEZ is envisaged to have a strong manufacturing foundation to be the industrialised centre of the ECER. To realise this goal, industrial parks will be developed to open up opportunities to investors who are keen to set up their manufacturing base in the SEZ.

In addition, the incremental upgrades of major logistics infrastructure, including the development of Kuantan Port City (KPC), will transform the ECER SEZ into a manufacturing and commercial services hub, as well as a regional distribution and international procurement centre. Apart from established export destinations such as Japan, South Korea, China and India, KPC will become a major hub for transhipment activities supported by good transport and logistics linkages to East Asia and the world.

Enablers

To stimulate the growth of the key drivers, the enablers for such growth must be strengthened. This refers to the basic foundation of the ECER SEZ economy namely the physical and institutional infrastructures, basic social facilities such as health as well as the Government’s assistance, policies and incentives. In addition, supporting industries providing critical inputs to the key drivers and enablers must also be strengthened.

Other smaller and scattered activities taken together are also important in driving the growth of the ECER SEZ. There are also the “non-basic” economic activities, the growth of which is largely induced by the growth of the key sectors through the increase in demand for inputs and/or increase in income and consumption.
The integrated development of Kuantan Port City (KPC) and Kuantan Port-Free Zone will elevate the ECER SEZ to become an integrated industrial and logistics hub for the petrochemical, palm oil, automotive and container markets, as well as a major industrial and manufacturing zone serving the entire Asia Pacific region. KPC will also be the site for a Palm Oil Industry Cluster (POIC), one of its manufacturing components specialising in the downstream palm oil industry.

It is a massive project, covering an area of approximately 12,667 hectares and projected to attract investments up to RM42 billion by 2020 and RM123 billion by 2040. When fully completed, Kuantan Port’s total throughput is estimated to increase from over 9.4 million tonnes in 2008 to approximately 30 million tonnes in 2020. Its GDP contribution to the local economy is estimated at RM9.3 billion by 2020, creating a total of 44,700 jobs.
Malaysia’s first fully-integrated plastics park, the Kertih Polymer Park (KPP) is nestled within the Kertih-Cukai-Gebeng petrochemical hub covering a total of 140 hectares of land area. Set up to promote further downstream investments in plastics and polymer industries, KPP taps into the potential synergies from integration with the Kertih Integrated Petrochemical Complex (KIPC).

The PETRONAS Petroleum Industry Complex (PPIC) is a fully-integrated petroleum industrial hub. Here, the established Kertih Integrated Petrochemical Complex (KIPC) focuses on the ethylene-based product streams, whilst the Gebeng Integrated Petrochemical Complex (GIPC) focuses on the propylene-based product streams. With the availability of polymer resins at these two facilities, there is a strong potential to develop downstream applications and nurture the growth of the plastics and polymer industry and the development of SMEs.

The Kemaman Heavy Industrial Park is a dedicated heavy industrial park that adopts a plug-and-play development model whereby the requisite support facilities and common services are in place, allowing businesses to immediately start operations.

The manufacturing activities at the Kemaman Heavy Industrial Park which require movement of raw materials, component parts, machinery and equipment related directly to the manufacturing processes will benefit from the synergy of the nearby Kemaman Port which has the comprehensive facilities of a free zone and able to cater for heavy-industry freight services.

The park includes a deep-sea boat building and repair industry which offers an opportunity for investors to leverage on the Region’s pool of indigenous skills and the expansion of the market expected with heightened activity in the trade, logistics, fisheries and the oil, gas & petrochemical industries.

Kuala Pahang, or specifically Pantai Air Leleh, lies within the Eastern Mainland Tourism Corridor. Being adjacent to Pekan, the historical royal town, the initiatives include the enhancement of sections of this historic town and kampung areas as well as for the riverfront. Development will also include low-key commercial and Homestay/ Kampung Stay programmes.

Kuala Pahang Tourism Zone

The coastal tourism development of Pantai Air Leleh would include an integrated resort, 4 and 5-Star hotels and coastal parks. Since it is located close to Universiti Malaysia Pahang (UMP), developments would also include residential accommodation for staff and students of UMP together with commercial areas.
The Tg. Agas Maritime Industrial Park in Pekan will be developed as a maritime hub. The industrial park, covering 4,098 acres, will be a modern one-stop service centre and offshore base.

Among the facilities to be set up in the Park are a shipyard, fabrication yard, dredger yard, bulk terminal, petroleum terminal and warehouses, factories and commercial and residential development.

It will create over 30,000 jobs in 10 years. The first 5,000 jobs are expected to be generated within the first 3 years, by 2011.

Situated 47km from Kuantan, Cherating’s fine sandy beach and crystal clear water makes it one of the most popular tourism destinations in ECER.

With budget hotels, chalets and 5-Star resorts established within the area, including local handicraft shops and seafood restaurants, Cherating offers more than just a relaxing spot to unwind. Under ECER, it has been earmarked as one of the Region’s major mainland coastal tourism and heritage destinations.
Within the ECER SEZ, the Gambang Halal Park is another significant ECER manufacturing project. As a part of value-added industry development, Gambang Halal Park will see the emergence of food and non-food industries produced in accordance with the Syariah principles. The Halal Park will also house incubation centres for small and micro-food enterprises.

The Pekan Automotive Park (PAP) development will position the Pekan area as an automotive manufacturing and assembly as well as R&D hub. Strategically located close to the Kuantan Port, the PAP provides a cost-competitive advantage to vehicle and component manufacturers / assemblers looking for an automotive supply and distribution base for the ASEAN and the Asia Pacific regions.

PAP’s key characteristics include:

- A self-contained park to cater for automotive manufacturing and assembly activities with supporting facilities, residential and recreational amenities, plug-and-play concept offering infrastructure ready with ready-built factories for R&D activities and assembly plants.
- A one-stop centre providing value-added services for speedy processing in all aspects of business and operations set-up. Innovative and flexible financial incentives for companies deciding to locate their operations at the PAP.

PAP is estimated to generate over RM4 billion in investments throughout its 4 stages of development, with a total of 10,580 jobs expected to be created.
The ECER. **A Unique Investment Destination**

The ECER states in particular hold a special place in the hearts of visitors from far and near, who never fail to be charmed by the Region’s pristine beaches, a long coastline on the South China Sea, lush greenery, resort islands and a 100 million year old rainforest.

The distinctive positioning of the ECER is unmatched for its uniqueness, so eloquently expressed in its culture and heritage, that blends a variety of influences from the Region’s history of convergence between the East and the West.

Against such a unique backdrop, it is no surprise that many investors and business people have made the ECER their second home under an innovative scheme by the Government to encourage foreign citizens to settle in the country.

The cost of living in the ECER is still one of the most competitive in Asia, a surprising fact given that so much of this spectacular Region is a tourist’s dream destination. The ECER is well-connected with modern road, rail, air, and sea transportation systems.

All in all, the ECER is an especially attractive Region to invest, live and work in.
Incentives for the ECER

Investors may look forward to an attractive package of incentives, exclusive to the Region, with the aim of transforming the ECER into a cost-competitive and vibrant business hub. The incentives introduced for investors positions the ECER as one of Malaysia’s most attractive investment destinations.

Each of the ECER’s five clusters of economic development has its own package of incentives, including location-based incentives, specifically tailored to the Region’s needs. Investors will enjoy these Special ECER Incentive Packages in addition to the existing incentive packages offered by Malaysian Industrial Development Authority (MIDA).

Fiscal incentives include Income Tax Exemption of up to 10 years, Investment Tax Allowance (ITA) amounting to 100 per cent of the qualifying capital expenditure for up to 10 years, Stamp Duty, Import Duty and Excise Tax Exemption. Customised incentives are also given to companies on a case-to-case basis.

In the ECER SEZ, a special package of fiscal and non-fiscal incentives will be made available in the SEZ Focus Nodes, covering investments in manufacturing, petrochemicals, agro-based processing, tourism, knowledge, education and ICT. These attractive incentives specifically for SEZ Focus Nodes are formulated to spur the investment in what will become a cost-competitive and vibrant investment destination for the investors.

Four Free Zones will be created in the ECER SEZ to promote and concentrate linkages amongst industry clusters which will have significant impact on the economy. The SEZ Free Zone entails Kemaman Port-Free Zone, Kuantan Port City-Free Zone, Kuantan Airport-Free Zone and Tanjung Agas-Free Zone.

In addition, a set of non-fiscal incentives will also be available to encourage investors participation in the ECER SEZ. Prospects to bring in unlimited number of expatriate knowledge workers for key management posts will support the objective of the ECER SEZ in developing and training a skilled workforce among the local population. To encourage the relocation of companies in the SEZ Focus Nodes to spur economic development, competitive utilities tariffs and several other attractive non-fiscal incentives are waiting to be enjoyed. Special non-fiscal incentives are also available to encourage companies to invest in the knowledge-intensive activities.

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Investment Promotion

As part of the ECERDC’s promotion efforts, regular investment and trade missions to key investment markets worldwide have been and will continue to be initiated, as well as participation in specific trade shows, conferences and seminars related to ECER’s primary economic clusters.

In addition, ECERDC has planned marketing missions both locally and overseas to get more investors interested and on board. The acceleration of various ECER projects will see more financial commitments from investors, which in turn, will create more jobs, enhance income opportunities and business prospects for the local population.

The One-Stop Centre for Investors

To accelerate the growth and development of the ECER, a special vehicle has been established through the East Coast Economic Region Development Council (ECERDC).

The ECERDC plays a leading role in promoting and stimulating economic and social development as well as private sector investment in the Region. The Council acts as the one-stop centre to fast-track investment applications and approvals.

It provides counselling, advisory services and processes tax incentives and non-tax incentives for projects. To meet the varying needs of investors, the ECERDC also customises incentives on merit basis to be recommended for approval by the Ministry of Finance (MoF).
If you are an investor planning to establish or expand your business opportunities in the East Coast Economic Region (ECER) we will provide you with professional assistance. We will be the first point-of-contact for all your investment inquiries.

Companies planning to start or expand operations in the ECER can obtain information and assistance from the East Coast Economic Region Development Council. We will help you harness the ECER's competitive edge and capabilities to achieve your business objectives.

East Coast Economic Region Development Council (ECERDC)

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