Contributed by **DATUK STEWART LABROOY**

A new game-changer in the making

Could North Kedah's SEZ transform into Malaysia's next major data centre and industrial hub?

The North Kedah Special Economic Zone (SEZ) in Bukit Kayu Hitam, Malaysia, represents a transformative opportunity for the country to establish itself as a leading hub for data centres and industrial growth in Southeast Asia. Strategically located at the Malaysia-Thailand border, Bukit Kayu Hitam serves as a vital gateway between the two nations, facilitating trade, tourism and transportation. Despite its modest size, the town boasts robust infrastructure, including the North-South Expressway, the Asean Power Grid (APG) and the Trans Asean Gas Pipeline (TAGP). These assets combined with its proximity to undersea cable landing stations in Southern Thailand, position Bukit Kayu Hitam as a viable location for Malaysia's second data centre hub, complementing the nation's ambitions to lead the digital economy in Asean.

While Johor continues to play a pivotal role in Malaysia's digital economy, the need for a second data centre hub in Peninsular Malaysia is becoming increasingly evident. Here's why:

1. Geographical diversification and risk mitigation: Concentrating data centre development in a single region, such as Johor, poses risks related to natural disasters, geopolitical tensions and infrastructure failures. Establishing a second hub in the north would provide geographical diversification, ensuring business continuity and resilience in the event of disruptions.

2. Balanced regional development: A second data centre hub in the northern states would promote balanced economic growth across Peninsular Malaysia. It would create job opportunities, attract investments and stimulate the development of supporting industries in regions that have traditionally trailed behind Johor and the Klang Valley in terms of economic activity.

3. Proximity to emerging markets: Northern Peninsular Malaysia is strategically located near emerging markets in Thailand and other Asean neighbours, making it an ideal gateway for cross-border data flows and digital services. This proximity could attract multinational corporations looking to serve these markets while leveraging Malaysia's competitive advantages.

4. Availability of resources: The northern states offer ample land and water, lower costs and access to renewable energy sources such as solar and hydropower from dams in Perak and Kedah making the SEZ an attractive alternative for data centre development, particularly for companies prioritising sustainability.

5. Enhanced connectivity: The northern states are well-connected by road, rail and air, with Penang serving as a major logistics and transportation hub. Growing investments in high-speed internet infrastructure and undersea cables will further enhance the region's

appeal as a data centre hub.

The transformation of North Kedah SEZ

With the recent surge in demand for data centres, the 4,000 acre SEZ has undergone a transformation under the management of Master Developer, Northern Gateway Sdn Bhd. Rebranded as Delapan SEZ, it has emerged as a viable location not only for data centres but also for logistics and manufacturing industries.

To capitalise on this opportunity, Malaysia must adopt a comprehensive strategy that lays down the following suggested roadmap for success:

1. Develop a world-class infrastructure
A robust physical and digital infrastructure is essential for the success of the SEZ as a data centre hub. Key priorities include:
• **Reliable power supply:** Data centres are energy-intensive, requiring uninterrupted power. The SEZ should integrate all power sources, including renewable energy options, to ensure sustainability and resilience. Authorities must urgently invest in a major power source for the SEZ, similar to the Mega Power Management Unit (PMU) in Sedenak, Johor.
• **High-speed connectivity:** The establishment of an Internet Exchange by DE-CIX Malaysia is a positive step toward ensuring high-speed connectivity through the concentration of landing submarine cables in Satun and Songkhla, Thailand.

2. Leverage its strategic location
The SEZ's should position itself as a gateway to Asean, serving as a strategic hub for companies looking to access a combined population of over 680 million and a burgeoning digital economy.

3. Offer competitive incentives
To attract global data centre operators, the Malaysian government should fine-tune its incentives, including:
• **Tax breaks and subsidies:** Introduce special corporate tax rates, flagship development incentives and preferential tax rates for knowledge workers, like those offered in the Johor-Singapore SEZ.
• **Streamlined regulatory approvals:** Establish a one-stop centre to expedite licensing, permits and approvals, ensuring a hassle-free experience for investors.

4. Promote sustainability
Sustainability is a growing priority for data centre operators. The government should position the SEZ as a green hub by encouraging Renewable Energy Adoption by offering incentives for data centres to use solar power and hydrogen-powered cogeneration plants and mandating compliance with international green building certifications, such as LEED or Green-RE.

In addition, encouraging waste reduction, recycling and energy-efficient cooling technologies within the SEZ together with the provision of world-class Worker Accommodation ensures the best environmental, social and governance (ESG) practices.

5. Build a skilled workforce
A skilled workforce is critical to the SEZ's success. The government should collaborate with institutions like Universiti Utara Malaysia (UUM) and technical and vocational education and training (TVET) centres to produce a skilled workforce. Additionally, attracting global talent by simplifying visa processes for foreign experts is essential.

6. Market the SEZ globally
Effective marketing is essential to position the SEZ as a premier data centre destination. We need to launch International Campaigns that promote the SEZ at global tech conferences, trade shows and investor forums to attract investors and use social media, webinars and virtual tours to reach a global audience and provide real-time updates on the SEZ's development.

Johor's rise as a data centre hub underscores Malaysia's potential to become a regional leader in the digital economy. However, addressing the challenges of land scarcity, energy sustainability, infrastructure and competition is crucial to sustaining this growth. The establishment of a second data centre hub in the North Kedah Special Economic Zone offers a strategic opportunity to diversify the country's digital infrastructure, solidifying its position as a preferred destination for data centre investments while ensuring inclusive and sustainable growth across the nation. The time to act is now—Malaysia's window of opportunity is not as wide as we think.

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