



Investment, Industrial Collaboration And Legal Certainty: Positioning For The Next Industrial Wave

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The global investment landscape is undergoing a profound shift. For decades, countries competed primarily on low labour costs, tax incentives and manufacturing capacity. Today, investors are increasingly prioritising policy stability, skilled talent, innovation ecosystems and strategic partnerships capable of supporting long-term growth.

Across Southeast Asia, competition for high-value investment is intensifying. Economies that succeed in the next industrial cycle will not necessarily be those offering the cheapest production base, but those capable of developing technology, intellectual property and advanced industrial capability.

This presents both an opportunity and a challenge for emerging industrial economies. Traditional manufacturing strengths remain important, but they are no longer enough on their own. The focus must now shift from attracting more investment to attracting better investment projects that generate research and development, deepen technological expertise and create high-skilled employment.

Industries such as semiconductors, electric vehicles, battery systems, AI-enabled manufacturing and green technology are increasingly driven by ecosystem quality rather than short-term financial incentives. Investors evaluate not only costs, but also regulatory predictability, digital infrastructure, supply-chain resilience and access to engineering talent.

Why Legal Certainty Matters

In this environment, legal and regulatory certainty has become a strategic economic advantage. Investors understand the need for regulation. What creates hesitation is inconsistency: overlapping

requirements, prolonged approvals, shifting policies and administrative unpredictability. Large industrial projects often involve investment horizons extending well beyond a decade. Where regulatory frameworks are unclear or frequently changing, perceived risk rises sharply.

Countries that can provide stable and transparent policy environments will increasingly distinguish themselves from regional competitors. Faster approvals, digitalised regulatory systems and stronger coordination between government agencies can materially improve investor confidence. Predictability lowers execution risk, accelerates capital deployment and improves overall investment quality.

Legal certainty should therefore no longer be viewed simply as a governance issue. It is a core competitiveness issue.

The Expanding Role Of Strategic Advisers

This is especially important as industrial projects become more sophisticated and cross-border in nature. Modern investments frequently involve complex supply chains, intellectual property arrangements, technology licensing, localisation requirements and strategic joint ventures. As a result, legal and advisory institutions are playing a far larger role in industrial development than in previous decades.

Law firms and professional advisers increasingly act as strategic intermediaries between investors, regulators, financial institutions and industrial partners. Their role extends beyond documentation and compliance. Effective advisers help investors navigate regulatory frameworks, structure partnerships, manage execution risk and coordinate across multiple stakeholders.

In sectors such as advanced manufacturing, semiconductors and energy transition infrastructure, commercially sophisticated legal support forms part of the broader ecosystem international investors evaluate when making long-term capital allocation decisions. Strong advisory infrastructure contributes directly to national competitiveness because it improves execution certainty.

Building The Talent Base

Yet investment and regulatory reform alone will not determine long-term success. Industrial transformation ultimately depends on talent. High-value industries remain only where countries can consistently supply skilled engineers, technicians, researchers and industrial managers. Talent development must therefore sit at the centre of economic policy.

Technical and vocational education requires far closer alignment with commercial demand. Emerging industries increasingly require specialised expertise in robotics, automation, battery engineering, semiconductor manufacturing and advanced software integration. Educational institutions and private industry need deeper collaboration to ensure training reflects real industrial requirements.

Apprenticeship and dual-training programmes should also be expanded to provide students with direct industrial exposure. Countries that successfully industrialise tend to integrate education and industry closely, allowing students to transition into the workforce with practical technical experience rather than purely academic qualifications.

Incentive structures should evolve accordingly. Rather than relying heavily on broad-based tax incentives, policymakers should increasingly reward measurable outcomes such as patent generation, engineering employment, localisation achievements and innovation performance. This ensures industrial growth translates into durable national capability rather than short-term capital inflows.

Strategic Partnerships And Technology Transfer

Strategic international partnerships will also play an increasingly important role in industrial upgrading. Global industrial leaders possess advanced expertise in areas such as electric vehicles, battery technology and integrated supply chains. Collaboration with such players can accelerate technological development and industrial capability-building. But partnerships must be structured carefully.

Without sufficient safeguards, joint ventures risk becoming low-value assembly operations with limited long-term benefits for domestic industry. The objective should not merely be local manufacturing, but the development of local technological and engineering capability.

Effective partnerships therefore require structured technology transfer mechanisms, shared research functions, supplier development programmes and meaningful participation by local professionals in technical and operational roles. Technology transfer occurs only when domestic engineers and managers are integrated into core processes and decision-making structures.

Secondment programmes, joint R&D initiatives and leadership development frameworks can strengthen knowledge transfer significantly. Well-structured agreements should also incorporate localisation targets, training obligations and long-term succession planning to ensure capability is gradually embedded within the domestic industrial base.

Strengthening Domestic Industrial Capability

Localisation itself must be approached pragmatically. Highly sophisticated industries cannot become fully localised overnight. However, excessive dependence on imported components and foreign expertise creates long-term vulnerabilities.

A phased localisation strategy is therefore essential. Early stages may focus on assembly operations and supplier onboarding, followed by gradual expansion into component manufacturing, engineering participation and eventually research and development capability. This allows domestic firms and workers to build expertise progressively while maintaining industrial competitiveness.

Strong local SMEs remain critical to this process. They provide industrial depth, supply-chain resilience and greater local value retention. Policies encouraging supplier development, export capability-building and technical certification can strengthen the broader industrial ecosystem while helping domestic companies integrate into global supply chains.

Shaping The Next Industrial Wave

The broader lesson is clear: the next phase of industrial growth will not be defined solely by the ability to attract foreign capital. It will depend on building resilient ecosystems that combine policy certainty, technological capability, skilled talent and strategic collaboration.

Countries that can align these elements successfully will be better positioned to compete in an increasingly complex global economy. Those that rely solely on traditional incentives may continue attracting investment in the short term, but risk falling behind in higher-value industrial activity over the longer term.

The next industrial wave will reward economies capable of generating innovation, developing advanced skills and building trusted institutional frameworks. Success will depend not simply on participation in global supply chains, but on moving higher within them.

With the right combination of regulatory predictability, talent development and strategic international collaboration, emerging industrial economies have an opportunity not merely to participate in this transition, but to shape it.

This alert is adapted from the presentation delivered by RDS Partner, S. Saravana Kumar, at the roundtable discussion chaired by the Deputy Prime Minister in conjunction with the Malaysia-China Forum on EV, Battery and New Energy Talent Development and Innovation (MCEF 2026) held on 12 May 2026.

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