



社会经济研究中心
**SOCIO-ECONOMIC
RESEARCH CENTRE**

Malaysia-Japan Partnership – The Way Forward

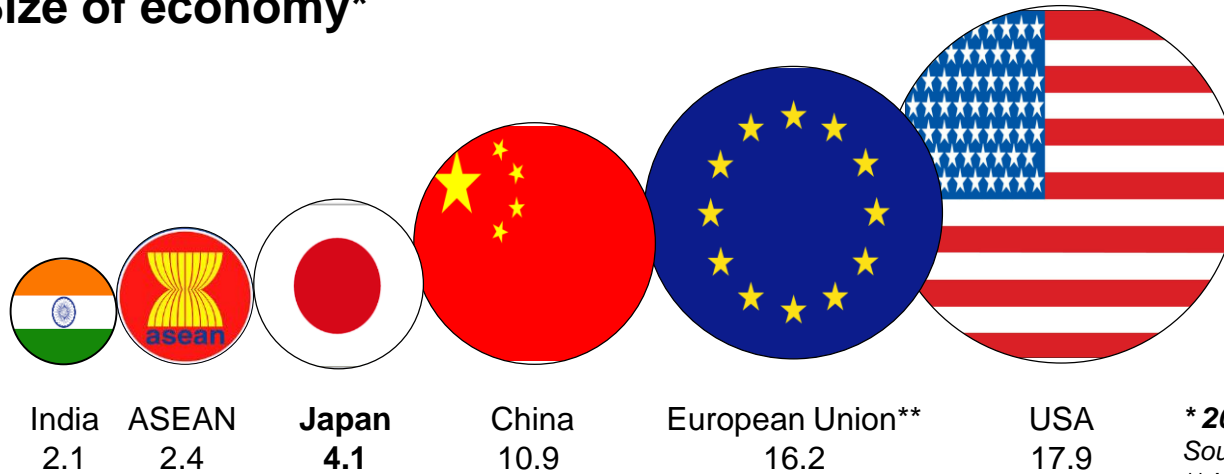


- **Asia's rise in the 21st century – Japan still relevant**
- **Japan-Malaysia relations – A Malaysian perspective**
- **Challenges and prospects heading toward stronger ties**
- **Conclusion**

- ❑ **Economic power shift from West to East.** Asia's regional growth accounted for about 2/3 of the global growth, with two of the world's three largest economies are now in Asia: **China and Japan.**
- ❑ Driven by two fundamental reasons: i) the **narrowing of technology gap**, which was pioneered by Japan, followed by Asia's Four Little Dragons, and later on by China and India; and ii) the **demographic dividend and weight of manpower**, with a population of more than 4.4 billion people (60% of the world population).
- ❑ Both China and Japan, these two Asian giants are intertwined and their **ability to manage good bilateral relationship is crucial for the stability of region.**
- ❑ **Japan**, Asia's second largest economy remains intent to **strengthen its trade, economic and investment ties with regional economies** amid China's rising power.
- ❑ Japan's combined factors of **geopolitical, economic and technical** should continue to justify its strategic 'pivot' to Southeast Asia.

JAPAN REMAINS A MAJOR SOURCE OF FDI

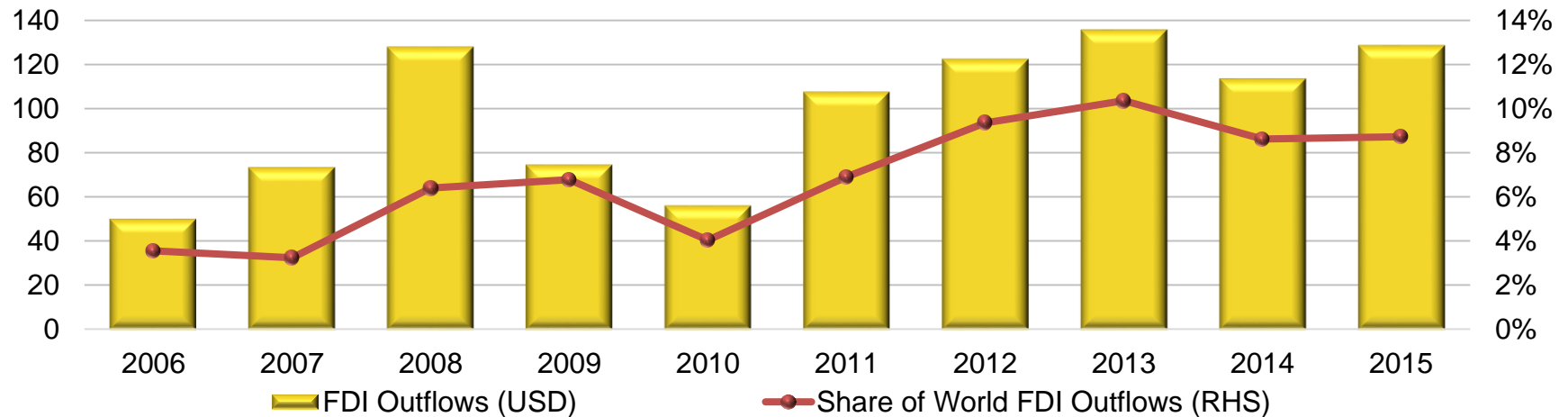
Size of economy*



* 2015 Nominal GDP in USD trillion
 Source: World Bank
 ** Includes UK

Japan's outward investment were higher since 2010

USD billion



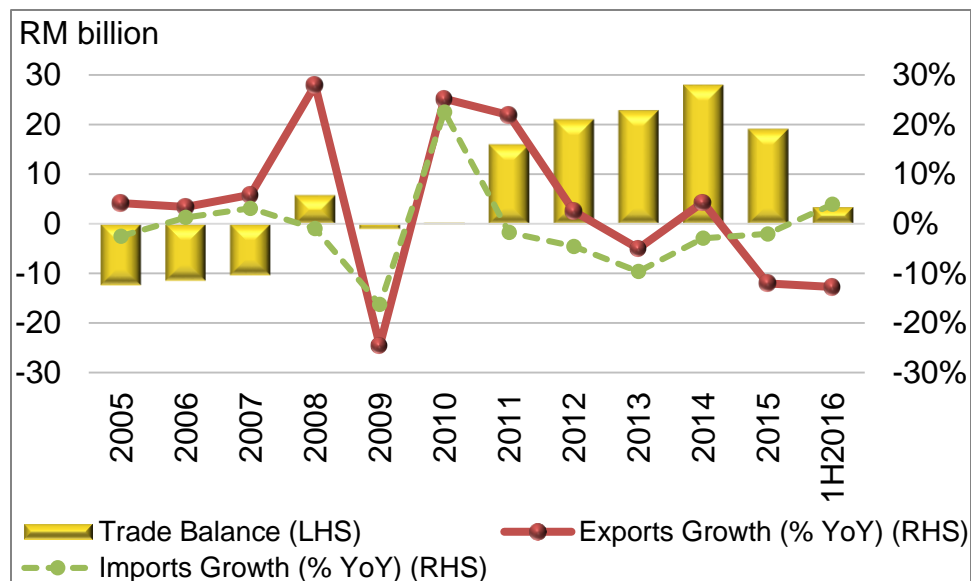
Source: World Investment Report

JAPAN-MALAYSIA'S STRONG BILATERAL TRADE LINKAGES

- ❑ **Cultivated positive and amicable partnership** - bilateral relationship remains stable; strong bilateral trade and investment linkages; enhanced mutual understanding and trust.
- ❑ In Jan-Sep 2016, Japan was Malaysia's **fourth largest trading partner** (8.2% of total trade) and **fourth export destination** (8.2% share of total exports) and also the third largest import source for Malaysia (8.2% of total imports).
- ❑ Main **exports items** from Malaysia to Japan were LNG, electrical, electronics, machinery and plywood.
- ❑ Malaysia's **imports items** from Japan are electrical and electronic products, machines, equipment, metal products, plastic products as well as spare parts and accessories for vehicles.

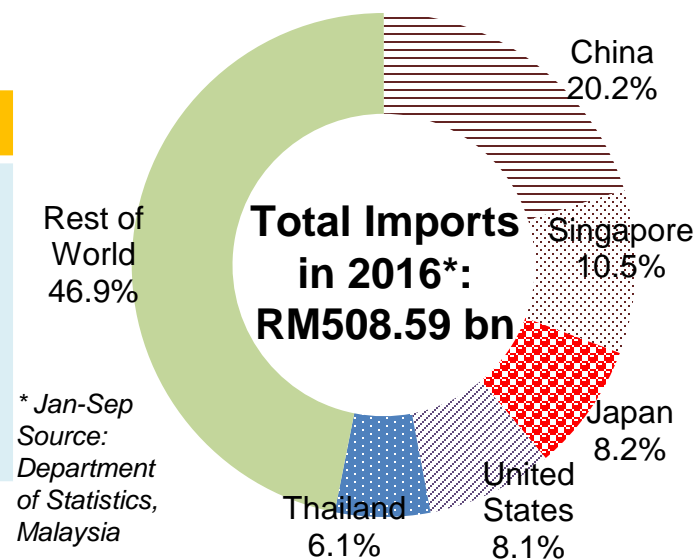
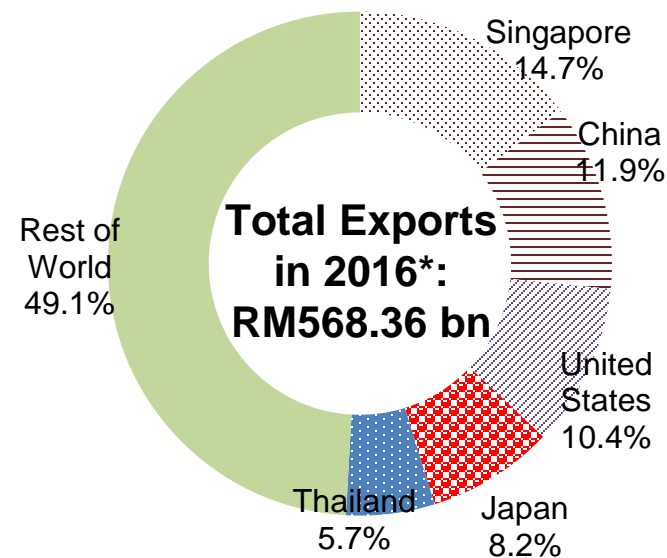
JAPAN-MALAYSIA'S BILATERAL TRADE TRENDS

Malaysia enjoys trade surplus with Japan since 2011



Source: Bank Negara Malaysia

Major exports	Major imports
<ul style="list-style-type: none"> ▪ Liquefied Natural Gas ▪ Electrical and Electronics ▪ Machinery ▪ Plywood 	<ul style="list-style-type: none"> ▪ Electrical and electronics ▪ Motor vehicle and parts ▪ Metal ▪ Plastic products



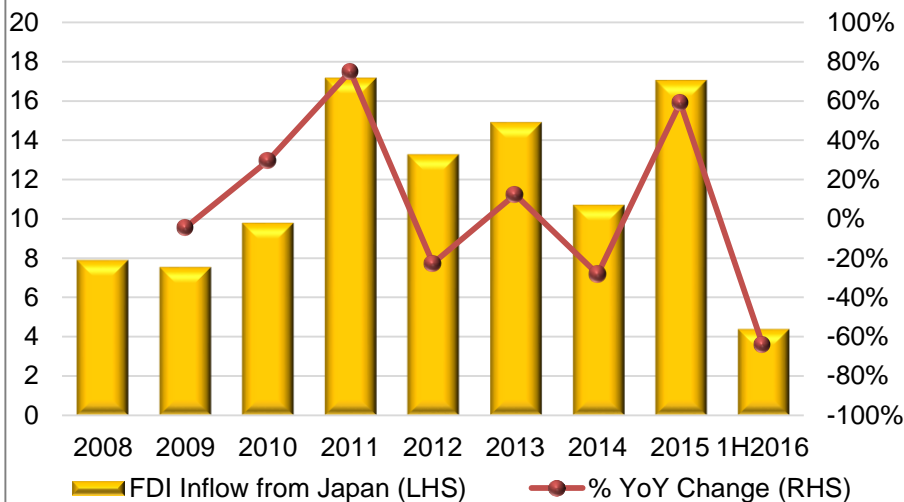
* Jan-Sep
Source: Department of Statistics, Malaysia

JAPAN INVESTORS STILL FAVOUR MALAYSIA

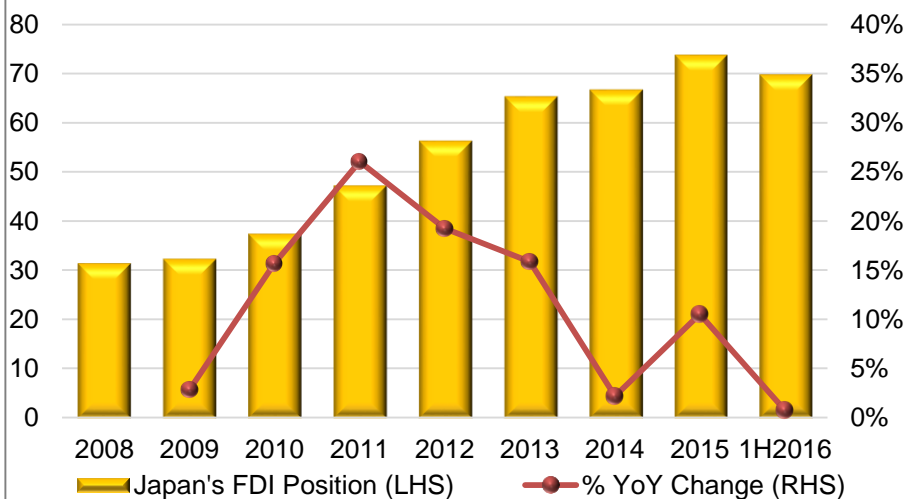
- ❑ Investment ties between Japan and Malaysia remained strong.
- ❑ Malaysia remains an attractive investment spot for Japan, with political stability, linguistic capability, pro-Japanese sentiment and substantial infrastructure being the top key criteria.
- ❑ Japan's outstanding stock of FDI in Malaysia reached RM69.8 billion or 13.7% of total as at end-June 2016 (RM31.5 billion or 12.4% of total at end-2008). It was ranked second after Singapore.
- ❑ Based on the approved foreign investment in manufacturing projects in 1H2016, Japan is Malaysia's fifth largest foreign investor.
- ❑ There are about 1,400 Japanese companies operating in Malaysia. About 53.0% in manufacturing sector, mainly are participated in manufacturing electrical and electronic products.
- ❑ Japanese investment has shifted in focus from the manufacturing sector to non-manufacturing-based, including Islamic financing, the halal industry, green technology, retail and property, hospitality, and logistics.

JAPAN'S INVESTMENT TRENDS IN MALAYSIA

Japan's Gross FDI inflows (RM billion)



Japan's FDI position in Malaysia (RM billion)



Source: Bank Negara Malaysia

Approved Japan's manufacturing projects

Year	Projects Approved	Foreign Investment (RM million)
2006	81	4,411.6 (1)
2007	60	6,522.7 (1)
2008	63	5,594.9 (3)
2009	54	7,041.4 (1)
2010	61	4,029.4 (2)
2011	77	10,101.8 (1)
2012	62	2,792.9 (1)
2013	55	3,591.9 (4)
2014	55	10,869.9 (1)
2015	60	4,009.3 (2)
1H2016	27	915.7 (5)

Source: Malaysia Investment Development Authority (MIDA)
 Figure in parenthesis denotes ranking based on foreign investment

WHY JAPANESE SHOULD STAY INVESTING IN MALAYSIA?

- ❑ Malaysia-Japan economic relationship is strong and mutually advantageous amid the rise of China.
- ❑ Japan remains Malaysia's strategic partner in enhancing our quest towards a high-income nation based on innovation, creative and digital economy.
- ❑ Located at the heart of ASEAN, Malaysia offers a gateway to the huge ASEAN market.
- ❑ Sustained domestic demand and resilient macroeconomic fundamentals should continue to support our economic growth.
- ❑ The government remains committed to maintain a conducive business environment to support both domestic and foreign investors.
- ❑ Malaysia's Economic Transformation Program (ETP) offers major opportunities across a wide range of sectors such as education, oil and gas, infrastructure, healthcare, information, communications technology, retail, financial and professional services and defense and security.
- ❑ The two economies are highly integrated via trade in goods and services.

OUR ENHANCED PARTNERSHIP FOR A NEW FRONTIER

- ❑ The second wave of the **Look East Policy** (LEP 2) focuses areas of collaboration with Japan include **cutting-edge technologies, new innovations and high-tech skills development**.
- ❑ Cooperation on infrastructure development based on the concept of "quality infrastructure", including **high-efficiency coal fired power plant, water, information and communication technology (ICT)**.
- ❑ New areas such as **Islamic Finance, Halal industries, green technology, renewable technology and waste disposal**.
- ❑ **High-end services in the manufacturing sector**, including in research and development, design and development, software development, IP and industrial automation.

PROSPECTS AND POLICY OPTIONS TO DEEPEN OUR TIES

- ❑ **Strategic G to G relations.** Both countries must remain committed to accord high priority to their long-standing ties, taking it to a higher platform.
- ❑ **Maintaining peace and security.** Amid sporadic spats in Sino-Japanese relations, Japan's firm cooperation of peace and stability is crucial.
- ❑ **Hungry for higher returns.** Malaysia's future growth potential is the key factor to entice Japanese firms to expand business in our local market.
- ❑ **Enhanced liberalization and market openness.** Promote liberalization of trade and investment through bilateral and multilateral economic partnership and regional economic integration including Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP).
- ❑ **Enhanced cooperation in ICT.** More exchange of technological and knowledge-sharing as well as cooperation in health, science, technology and innovation, and information and communication.
- ❑ **Strategic gateway to ASEAN.** Aggressively getting Japanese companies to use Malaysia as the strategic gateway to SEA under the ASEAN Economic Community (AEC).

WHAT M'SIAN CHINESE BUSINESSES CAN OFFER?

- ❑ **Enhanced strategic business alliances.** Forge greater collaboration and business networking between Japanese firms and local Malaysian firms not only to explore commercial tie-up in both countries but also in ASEAN markets.
- ❑ **Chamber-to-chamber links.** Regular dialogues and close consultations between ACCCIM and The Japanese Chamber of Trade & Industry, Malaysia (JACTIM) to enhance business-to-business links as well as exchange of views regarding business environment in Malaysia. ACCCIM, the highest body for the Chinese business community is willing to work beyond the current stage and jointly build a stronger business relations.
- ❑ **Build trust and mutual respect** is crucial to make Japanese investors feel at ease to continue investing here. Amid the rise of China's economic influence in the region, we should view Japan as a complimentary and strategic investor in Malaysia given their respective strength and roles play.
- ❑ The **good rapport with China** can facilitate Japanese businesses and investors in Malaysia. Through the connectivity of Malaysian government-to-government and business-to-business with China, it creates opportunities for Japanese investors to collaborate with China counterparts to widen their businesses and investments in Malaysia.

CONCLUSION

- ❑ **Japan remained a significant partner for Malaysia.** This long-lasting relationship was further improved via Malaysia's Look East Policy (LEP) in 1982 and further enhanced via LEP2 in 2015.
- ❑ **Malaysia's strategic location acts as a gateway to connect ASEAN countries and other major economies** via various trade deals and initiatives such as Regional Comprehensive Economic Cooperation (RCEP), ASEAN Economic Community (AEC), Belt and Road (B&R), as well as the good relationship with Middle-East.
- ❑ **Business-friendly policies and strong ties** between government, business community and Japan makes Malaysia attractive for Japanese investors.
- ❑ As a way forward, both government and business community should further enhance the business relationship to go beyond the current stage, exploring potential new areas, such as new innovations and high-tech skills development, quality infrastructure, and high-end services for the manufacturing sector.





社会经济研究中心
SOCIO-ECONOMIC
RESEARCH CENTRE

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THANK YOU

**Address : 6th Floor, Wisma Chinese Chamber,
258, Jalan Ampang, 50450 Kuala Lumpur, Malaysia.**

Tel : 603 - 4260 3116 / 3119

Fax : 603 - 4260 3118

Email : serc@accimserc.com

Website : <http://www.accimserc.com>

