

# Malaysia special

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## Bright future lies ahead as trade, investments grow

**YB DATUK DARELL LEIKING**  
MINISTER OF INTERNATIONAL TRADE  
AND INDUSTRY OF MALAYSIA

Malaysia values its bilateral relationship with Japan that has grown from strength to strength. This year marks the 61st diplomatic anniversary between Malaysia and Japan, an important milestone that signifies the long-standing ties between our two nations.

The Look East Policy 2.0 (LEP 2.0) is an important initiative that paves the way for greater collaboration between the two countries. Both governments hailed the efforts and contributions made since the first Bilateral Coordinating Committee meeting in 2016 and successful discussions on the ongoing and future projects under the LEP 2.0 platform. The projects under the LEP 2.0 include the special preparatory program for Malaysian government scholarship students, the LEP 2.0 training program, science and technology research partnership and bilateral cooperation projects.

One of the notable projects under the LEP 2.0 would be Capacity Building on End of Life Vehicles under the collaboration between Malaysia Automotive Robotics and IoT (internet of things) Institute and the Japan International Cooperation Agency. Malaysia and Japan will continue cooperation in skills training of local talent in order to bridge the skills gap in the areas of automotive and automation.

Japan is one of Malaysia's largest trad-



ing partners. Last year, the total amount of bilateral trade between our two economies reached Malaysian ringgit 134.24 billion (\$33.28 billion) in 2018. In 2018, Japan was Malaysia's fourth-largest trading partner and Malaysia was Japan's 14th largest trading partner. Meanwhile, in the period from January to September, Malaysia and Japan recorded total trade of RM95.59 billion (\$23.12 billion).

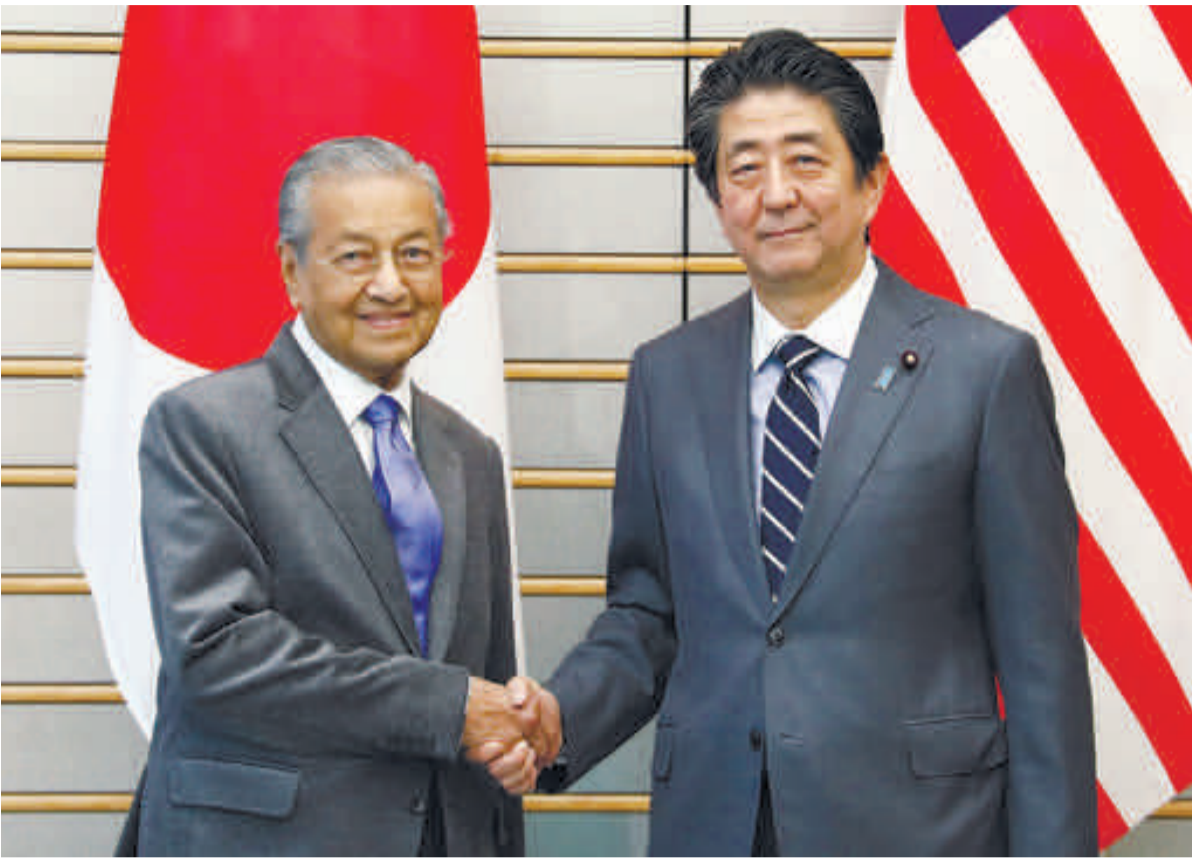
Further cooperation can be forged between Malaysia and Japan on greater levels in the future. The strategic location of Malaysia and the well-diversified economy resting on the back of solid economic fundamentals make it a very important hub for the whole of Southeast Asia. With the region's economy forecast to become the

world's fourth largest by 2030, Japanese firms are in a great position to benefit across a wide range of sectors within the region such as aerospace, medical devices, artificial intelligence, renewable energy, chemical and petrochemical, e-commerce, blockchain technology and the halal industry.

In enhancing Malaysia-Japan trade and economic collaboration, The Japanese Chamber of Trade & Industry, Malaysia has been playing an important role in continuously promoting economic relations between Malaysia and Japan, as well as over-seeing the Japanese companies in Malaysia.

In anticipation of the upcoming 2020 Tokyo Olympic and Paralympic Games, 5 million Muslim tourists are expected to visit Japan. Taking into consideration the high demand of halal products and services, Malaysia has introduced the Digital Trade Halal Value Chain Initiative through Public-Private Partnership. Malaysia hopes both countries can leverage the potential opportunities in the halal industry under the idea of "Malaysian standards, Japanese quality."

The current collaboration with the Japanese industry consortium is focusing on upgrading the knowledge of management of small and mid-sized enterprises (SMEs) on basic production techniques relating to "Industry 4.0," creating successful use cases, commercialization of smart technologies and undertaking business matching between Japanese suppliers and SMEs. Malaysia is committed to undertaking



**Malaysian Prime Minister Tun Dr. Mahathir Mohamad and Japanese Prime Minister Shinzo Abe shake hands during their meeting in Tokyo on May 31. Mahathir has adopted the Look East Policy modeled after Japan's economic growth since his first term as prime minister between 1981 and 2003.**  
CABINET PUBLIC RELATIONS OFFICE

digital transformation efforts, among others, through the National e-Commerce Strategic Roadmap policy, as well as through engagements at the international level. To capitalize on this, Japanese investors can apply for MSC (Multimedia Super Corridor) Malaysia status that provides eligible information and communication technology-related businesses, both local and foreign, with a wide range of incentives, including tax exemption, services, IP incentives, rights and privileges, to promote continuous growth. As of 2018, there were around 41 active Japanese MSC status companies in Malaysia with a total investment of RM732 million (\$173.73 million).

On top of this, Japanese investors should

explore collaborations with Malaysian companies that have access to the Domestic Investment Strategic Fund (DISF) of RM1 billion (approximately \$240 million). The DISF was established to accelerate the shift of Malaysian-owned companies in targeted industries to high value-added, high-tech, knowledge-intensive and innovation-based industries.

With the rapid development of e-commerce globally, it is timely that the e-commerce chapter is being negotiated in the Regional Comprehensive Economic Partnership. E-commerce has opened up tremendous opportunities for Malaysia and Japan to tap into, with 330 million internet users

in countries that make up the Association of Southeast Asian Nations (ASEAN). Additionally, ASEAN's digital economy is estimated to exceed \$240 billion by 2025.

The Ministry of International Trade and Industry of Malaysia will undertake the Trade and Investment Mission to Japan from Nov. 29 to Dec. 5. It aims to enhance bilateral economic and trade relations between Malaysia and Japan. It reflects Malaysia's commitment to provide pro-business, prudent and pragmatic trade policies that provides benefits to both countries. Additionally, this mission provides a great opportunity for both sides to explore further collaboration across many sectors.

## Active and ongoing exchanges further cement strong economic relationship

**HIROSHI KAJIYAMA**  
MINISTER OF ECONOMY, TRADE AND  
INDUSTRY OF JAPAN

Starting today, a delegation of Malaysian officials, including those from the Ministry of International Trade and Industry (MITI) and other government organizations, is visiting Japan for the Business Opportunities in Malaysia seminars scheduled to be held in Kobe, Nagoya and Tokyo. I hope that these seminars will lead to the further development of economic exchange between Japan and Malaysia.

Since the two countries established diplomatic ties in August 1957, we have deepened the relationship in all aspects of industrial and trade relations.

The government of Japan has been providing assistance in terms of human resource development and technology transfers in order to support Malaysia's Look East Policy, which was launched by Tun Dr. Mahathir Mohamad, during his first term as prime minister in 1981. Until now, many Malaysian people have visited Japan

to study or receive vocational training. After returning home, these Malaysian students and trainees have played an important role as a bridge between the two countries' economies, for example by working for Japanese companies doing business in Malaysia.

There is also active exchange between Japan and Malaysia in the private sector. Japanese companies with business operations in Malaysia, which started in the 1960s, mainly in the electrical and electronic product sectors, have diversified into various other industries. These include the automotive, retail trade and financial services sectors, against the backdrop of the country's stable political situation, the high level of English proficiency among Malaysian people and its well-developed basic infrastructure.

Moreover, given the expansion of demand for aircraft in Asia, there are also high expectations for cooperation in the aircraft industry. I am looking forward to further developing cooperation through the Malaysia-Japan Aircraft Industry Coopera-



tion Seminar, which the Japanese Ministry of Economy, Trade and Industry (METI) will hold jointly with Malaysia's MITI in Singapore next February, and the subsequent business mission after the seminar by Japanese companies visiting Malaysian companies.

In addition, following the government of Malaysia's announcement in October last

year of the "Industry4WRD" policy — that aims to improve productivity by introducing technologies related to the "Industry 4.0" initiative into local small and mid-sized enterprises (SMEs) — the two governments, and other relevant organizations, have worked together to develop a platform intended to improve the productivity of Malaysian SMEs. Through this platform, we will continue efforts to provide business-matching opportunities and develop successful cases of productivity improvement.

In Asia, new businesses taking advantage of digital technology are emerging. In Malaysia, new businesses are growing at a faster pace than in Japan, with, for example, car-dispatching services and health care apps becoming more and more popular. These businesses are expected to help address various social challenges, including income inequality and environmental problems associated with urbanization. At the Association of Southeast Asian Nations (ASEAN) Economic Minister-METI Consultation in September, we proposed the ASEAN-Japan "Fourth Industrial Revolu-

tion" Dialogue, which will examine ways of developing a business environment favorable for society-wide diffusion of digital businesses that contribute to the resolution of those social challenges.

In addition, to integrate the dynamism of those businesses into Japan's growth, METI is promoting the Asia DX project, which pursues the structural change of Japan by spurring digital innovation in cooperation with companies in Asia and other emerging regions. Going forward, we aim to further deepen cooperation between Japan and Malaysia by creating new businesses through deep collaboration.

To further strengthen our bilateral economic relationship, the Japan-Malaysia Economic Partnership Agreement was put into effect in 2006, followed by the Japan-ASEAN Comprehensive Economic Partnership in 2008. Since then, the bilateral economic relationship has grown and remained robust, with the annual value of trade between Japan and Malaysia increasing to ¥3.5 trillion and the balance of Japanese direct investments in Malaysia

growing to ¥1.8 trillion in 2018.

Additionally, to promote broader and closer regional cooperation and realize high-standard economic rules more widely, I hope that Malaysia will ratify the Comprehensive and Progressive Agreement for Trans-Pacific Partnership as soon as possible. As for the Regional Comprehensive Economic Partnership, Japan will continue to work closely with Malaysia so that the agreement can be signed by all 16 participating countries at an early date.

As Malaysia is scheduled to hold the Asia-Pacific Economic Cooperation chair next year, there is great promise to further grow our cooperative rapport and to deepen mutually beneficial economic relationships in the Asia-Pacific region.

Japan and Malaysia have cooperated in many ways through the years, while building a valuable relationship at both the bilateral and regional levels. This relationship is poised to evolve further and I will continue to do my utmost to ensure that Japan and Malaysia can grow together and contribute to the economic development of this region.

## Strong potential seen in further transformation

**NOBUHIKO SASAKI**  
CHAIRMAN AND CEO, JAPAN EXTERNAL  
TRADE ORGANIZATION

One and a half years have passed since the 14th general election in May last year, when Malaysia's first-ever change of administration was realized. Under the leadership of Prime Minister Tun Dr. Mahathir Mohamad, who has taken the helm of government for the second time, the new administration has conducted various activities with a particular focus on fiscal reconstruction and elimination of corruption. While government debt will not meet its target ratio to gross domestic product, it will decrease from 3.7 percent in 2018 to 3.4 percent in 2019. The government is also working to maximize transparency in administrative procedures. With the inflation rate reduced to around 1 to 2 percent, the Malaysian economy is steadily growing at an annual rate in the range of nearly 5 percent, supported by domestic consumption.

Foreign direct investment by Japanese companies reached approximately ¥2 trillion at the end of 2018, making Japan the second-largest investor in Malaysia after Singapore. Since the late 1980s, when Maha-



thir demonstrated his leadership as the fourth Malaysian prime minister, numerous Japanese-affiliated companies have entered the country, with nearly 1,400 operating today. They have been forging deep economic relations with Malaysia in such fields as electronics, automobiles, machinery, metals and chemicals.

Exchanges in tourism are also expanding. The number of Malaysian visitors to Japan in 2018 reached about 470,000, a three-fold increase from that of five years ago. People wishing to experience the same food and

cultural aspects as they did in Japan after returning home represent a growing demographic, and an increasing number of Japanese companies are attempting to seize this demand. As a result, Japanese business in Malaysia is thriving in service industries such as restaurants, wholesale, retail and logistics and distribution.

In 1981, Mahathir advocated what became known as the Look East Policy. Based on the premise that the secret to the success and development of Japan lay in its labor ethics and enthusiasm for learning and work, this policy called for Malaysia to incorporate these elements from Japan to develop its own economy and society and establish an industrial foundation for the country. Since his second inauguration, he has made clear his intention to revitalize this policy. As one example, he asked Japanese Prime Minister Shinzo Abe to establish branches of Japanese universities in Malaysia. In response, Tsukuba University is currently considering plans to do this in 2022.

Behind Mahathir's determination for people to acquire these labor ethics is an acknowledgement that human resources are critical to Malaysia's growth in the future. The Shared Prosperity Vision 2030, the mid- to long-term policy announced

by the government in October, identified the skill level of workers, a dependence on foreign labor and lack of promotion of technology as problems. The government committed to adding high-value to industries and the economy by reducing various existing disparities such as those in income and between regions and ethnic groups. Moreover, it clarified its policy to improve productivity by introducing "Industry 4.0" to small and mid-sized enterprises (SMEs) through "Industry4WRD," a road map released in October 2018.

Adding high value to industries will require promoting the knowledge of corporate executives and management, as well as strategic business administration. To introduce Industry 4.0 in particular, understanding the principles of craftsmanship is necessary. In May, the Japan External Trade Organization (JETRO) jointly launched a special platform — the Malaysia-Japan Collaboration on Smart Manufacturing (Industry 4.0) — with the Malaysian government, the Embassy of Japan and the Japanese Chamber of Trade and Industry, Malaysia. We have been cultivating industrial human resources for Malaysian SMEs by providing training by Japanese companies active in the country's manufacturing field. At



**Since the late 1980s numerous Japanese-affiliated companies have entered Malaysia, with nearly 1,400 operating today. In the Klang Valley, with Kuala Lumpur at its center, there are about 950 such companies, according to the Japan External Trade Organization.**  
GETTY IMAGES

the same time, we have been working to improve the productivity of SMEs that are evaluated as promising by the Malaysian government by introducing Japanese digital solutions.

Today, we believe that promotion of business between our countries in the innovation field, particularly in the digital industry, is important. Working with the Malaysia Digital Economy Corporation and the Malaysian Global Innovation and Creativity Centre, we are supporting open innovation matching between Malaysian startups and Japanese companies, while assisting Japanese startups in expanding business in Malaysia. We are eager to create business opportunities centered on fields where

Malaysia excels, such as blockchain, digital payment and health care.

For over 30 years, most Japanese companies in Malaysia, manufacturers in particular, have been practicing craftsmanship while creating innovation on a daily basis. In doing so, they have continued nurturing industrial workers and training local suppliers. Malaysia has vast supporting industries, particularly in the electric and electronics fields, which are known for their ability to respond to "small-lot and high-mix production" orders. JETRO will continue its activities aimed at evolving such strengths of Malaysia and expanding business between our two countries.

Thank you.

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## Kewpie sees results from its halal efforts

Kewpie is well known in Japan for its mayonnaise, salad dressings and sauces. But a decade ago, the company embarked on a new and rewarding overseas challenge: the market for halal foods in Malaysia.

Certifying foods as halal, the Arabic word meaning “permissible,” is necessary for winning customers in countries with large Muslim populations such as Malaysia. Foods with the coveted halal mark mean Muslims can enjoy them knowing their ingredients have been prepared in accordance with Islamic principles governing ritual and cleanliness as outlined in the Quran.

Kewpie Malaysia Sdn. Bhd. was established in June 2009 as a “100 percent halal company” aimed at manufacturing and selling halal products with a focus on the Malaysian market, said Tatsuo Kabesu, its local managing director, in an email interview with The Japan Times.

The company noticed the increasing number of Muslim consumers globally was a potentially huge opportunity. “So we began to build the factory in Malaysia as the starting point for the halal market,” Kabesu said.

But as a foreign enterprise embarking on a new venture, there were plenty of issues to overcome.

“As Kewpie is a Japanese company, we started our halal business from zero and that was the biggest challenge (it faced),” said Kabesu, a 30-year veteran of Kewpie Group in Japan, China and Malaysia with core professional expertise in sales.

The most important task was ensuring that Kewpie closely followed the requirements of Malaysia’s halal regulator, the Department of Islamic Development Malaysia, for ingredient selection, product-manufacturing procedures, storage and other issues, he said.

But Kabesu added that Kewpie made



Tatsuo Kabesu, managing director of Kewpie Malaysia Sdn. Bhd.

additional efforts, such as hiring employees with specialization in halal and organizing meetings of its internal halal committee to ensure it always had the most up-to-date knowledge and followed correct procedures.

Being a Japanese company means Kewpie has had to work hard to overcome a lack of understanding that it is meeting important local standards.

“Hence, people might not recognize Kewpie Malaysia is a halal-certified food company,” he said. “Our product and brand awareness are still not so high, yet we always make our best efforts to spread halal awareness among Muslim consumers in Malaysia.”

Kewpie does that in various ways, including participation in halal food exhibitions, offering product samples to attract customers and disseminating marketing materials to inform them that its products are certified halal. Kewpie also provides cards and books with recipes for using its halal products.

A key part of the company’s corporate social responsibility (CSR) program is a sandwich-making class for elementary school children ages 7 to 12 that aims to teach healthy eating. Another example of



Kewpie Malaysia Sdn. Bhd. production line workers pose with the company’s Mayonnaise Japanese Style at a factory in Melaka state, Malaysia. The halal mayonnaise is made from fresh egg yolks, vegetable oil and vinegar and is one of Kewpie’s most popular products. KEWPIE MALAYSIA



A 2019 poster showing Kewpie Malaysia Sdn. Bhd.’s halal mayonnaise and dressing KEWPIE MALAYSIA

the firm’s CSR activities is an offer of salad buffets at companies and factories with large numbers of Muslim employees.

Kabesu said that Kewpie’s most popular halal products are Roasted Sesame Dressing and Mayonnaise Japanese Style. Both items have also proven popular in many other markets.

“Malaysian food culture is modernizing rapidly,” Kabesu said, adding that Kewpie is doing its part to help the market develop and expand.

And while halal certification is an absolute necessity when marketing to Muslims, it has also proven an asset in attracting a wider array of consumers in Malaysia with its diverse ethnic groups.

“Non-Muslims also accept halal products because halal-certified products mean ‘clean’ and ‘safe,’” Kabesu said, adding that obtaining the imprimatur means passing strict testing. Thus, appealing to non-Muslim consumers via the halal mark is a “good business opportunity.”

Kewpie’s experience in Malaysia has also been helpful in expanding into other markets with large Muslim populations as the country’s halal certification is well accepted elsewhere, he commented. He added that knowledge Kewpie has gained in sales and marketing in Malaysia has been applicable in other Islamic countries, such as in food sampling and establishing good relationships with distributors and retailers.

“It gives us the potential opportunity to enter into such markets and reach out to more Muslim consumers globally,” Kabesu said.

In fact, Kewpie is also exporting to Singapore and has recently started shipping halal products to other Muslim countries, according to Kabesu.

All in all, Kewpie’s experience in Malaysia has been invaluable and Kabesu said it is “trying hard” to be the top food brand there.

“We have learned what the halal business is and are still learning,” he said. “Our products and brand awareness are steadily increasing. Creating a new food culture is difficult but exciting.”

## Malaysia hub is music to Roland’s ears

Japanese electronic musical instrument maker Roland Corp. has found Malaysia to be a great fit as a market for its products, regional headquarters for Southeast Asia and a global production and distribution base.

Roland established its manufacturing facility there in 2014, according to Jun-ichi Miki, CEO of the company headquartered in Hamamatsu, Shizuoka Prefecture.

“We started with 50 employees and we now have more than 800 employees working in the Malaysian plant,” Miki said in an email interview with The Japan Times. “We have expanded rapidly over the last four years of operations and the company is still growing. In the future, we plan to manufacture up to 60 percent of our all products in Malaysia.”

Serving as CEO since 2013, Miki is a company veteran with 42 years of experience, 35 of which have seen him intimately involved in the development of a wide array of electronic musical instruments.

He credited help from the Malaysian Investment Development Authority (MIDA), close relationships with local suppliers and a location with advantages in logistics and production as key factors giving Roland a boost.

“We had great cooperation and support from the Malaysian government through its agency MIDA when we were first setting up the Malaysia plant,” Miki said. “The Malaysian government was very pleased that an electronic musical instruments company was coming to Malaysia for the first time. MIDA was very quick and responsive to our requests. MIDA has played an important role for us. It has guided us with advice on the correct path for the smooth set up of our operation.”

Miki also cites easy access to electronic and mechanical component makers and a well-maintained infrastructure as



Jun-ichi Miki, CEO of Roland Corp.

advantages for Japanese companies. This is particularly true for firms working in the technology and knowledge-based sectors.

This standard helped Roland become the first company to produce electronic musical instruments in the country, meaning procuring necessary parts was among factors that had to be overcome, according to Miki.

“In particular, changing the parts design for the unique needs of musical instruments has taken a lot of effort,” he said. “We have overcome these challenges by taking a course of continued communication with parts manufacturers.”

Malaysia’s talented workforce, meanwhile, has been another key ingredient.

“Highly educated people with a good knowledge of the English language leads to a shorter learning curve and faster development of skills,” Miki said. “Since the level of basic knowledge is high, our people can flexibly respond to various unexpected issues. There is no doubt that their continuous efforts have contributed greatly to our growth.”

In terms of market, Miki said pianos and drums account for the biggest share of Roland’s sales in Malaysia, with the former showing a dramatic doubling in growth in

the past two years in comparison with 2016.

“The low-priced piano introduced in the series matched the available range of Malaysian households,” he said. “Roland’s brand and high-quality image have spread thanks to our marketing activities. The recognition of the benefits of a digital piano continues to increase.”

Roland is also pleased that its products are accepted by both musical enthusiasts and professionals in Malaysia, a country known for its diversity.

“We are making great efforts to strengthen musician relations, increasing our fans in Malaysia, and as a result of these efforts, some of the hit products are born from there,” he said.

Touching on broader geopolitical issues, Miki said that as Roland has a global distribution center in Malaysia, it has not seen any significant impact from the trade war between the United States and China, though he added there are concerns regarding products made in China.

Additionally, the company has yet to see any benefits from the 11-nation Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, of which both Japan and Malaysia are members, Miki said.

“But surely it will exert a powerful impact for our business in the future,” he said.

Miki cited “securing stable human resources and ensuring reliable suppliers” as the biggest future challenges in continuing to operate in Malaysia amid ongoing changes in the global economy.

And asked what advice he would offer Japanese and other foreign companies on succeeding in Malaysia, he stressed the importance of working with MIDA.

“In addition, it is better to have a flexible HR system when dealing with employee wages and welfare as job-hopping is very active in Malaysia,” he said.



The HP704 Digital Piano has an advanced keyboard, tutorial features, Bluetooth connectivity and a four-speaker audio system. ROLAND CORP.



The award-winning V-Drums TD-17KVX provides an authentic, acoustic drum-like experience. ROLAND CORP.

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## ‘Much to gain’ for Japanese businesses

The Malaysia Investment Development Authority (MIDA) is Malaysia's principal investment promotion agency and was established in 1967.

MIDA is a one-stop agency for approval and implementation of foreign direct investment projects and helps investors not only in the initial stage of planning, but also through the implementation and post-investment stages of projects.

Dato' Azman Mahmud, MIDA's CEO, discussed the investment environment in the Southeast Asian country and what MIDA is doing to help in an email interview with The Japan Times. Responses have been edited for length.

**What is the current situation surrounding Japanese investment in Malaysia?**

Malaysia and Japan share a mutually beneficial bilateral trade relationship. Japanese companies have long found Malaysia to be a prime location for their activities as Malaysia is a cost-competitive hub for investments in this region. Since the 1980s, Japan has been among the country's top source of foreign direct investments.

This momentum continued in the first half of 2019, with the approval of an additional 12 manufacturing projects amounting to 2.1 billion Malaysian ringgit (\$514.8 million).

These investments are from various industries such as electrical and electronics (E&E) products, chemicals and chemical products, nonmetallic mineral products, transport equipment and basic metal products.

Malaysia welcomes more investments from Japan, particularly in new growth areas involving advanced technologies and research and development activities.

**What are Malaysia's advantages?**

Located in the heart of Southeast Asia, Malaysia is at the center of one of the fastest-growing economic regions in the world.

Malaysia's strategic location and infrastructure, including ports, airports, highways, logistics and telecommunications offer a



Dato' Azman Mahmud, CEO of the Malaysia Investment Development Authority

competitive advantage by lowering the cost of doing business.

Japanese investors have much to gain in terms of capturing growth opportunities and immediate market access by establishing their operations in Malaysia. This includes the extensive network of free trade agreements (FTAs) that Malaysia has signed and implemented over the years. The 14 bilateral and regional FTAs Malaysia has with countries such as India, New Zealand, Chile, Australia and Turkey, create a potential market size of 3.9 billion individuals for Japanese investors in Malaysia.

Moreover, Malaysia's established local supply chains that are well-integrated into the global value chain are an undeniable competitive advantage.

Our young and easily trainable talent pool is well-versed in English, creating an ideal business environment for foreign investors.

**What are the most attractive investment sectors in Malaysia now?**

In line with the government's initiatives to attract quality investments, MIDA is focused on attracting high technology and high value-added projects within the "3+2 industries," namely, three catalytic subsectors (chemical, E&E, and machinery and equipment — M&E — industries) and two

subsectors of high potential growth as well as aerospace and medical devices.

MIDA also continues to target investments in services sectors, R&D, logistics, green technology, business and professional services, education, health, hotels and tourism.

Some areas that Japanese investors can tap into include digital economy, sectors related to "Industry 4.0," renewable energy, green economy and content industry.

**Is Malaysia adapting to changes in technology such as robotics and artificial intelligence, and how is that affecting investment opportunities?**

With the launch of the National Policy on Industry 4.0, known as Industry4WRD, by Malaysian Prime Minister Tun Dr. Mahathir Mohamad on Oct. 31 last year, Malaysia looks to transform the local business landscape by not only improving productivity, but also increasing efficiency while reducing costs.

The Industry4WRD initiative is driven by encouraging a robust, innovative climate, focusing on collaboration and technology transfers in high value-added areas. Malaysia is focused on transforming our industrial landscape in line with the country's digitization agenda.

Japan has a proven track record and economic success in the technological sphere. We welcome strategic collaboration between both countries to spur the growth of Malaysia's industrial landscape in the era of the "Fourth Industrial Revolution."

**What kinds of dispute resolution mechanisms are in place when investors have complaints or legal issues?**

MIDA's Post-Investment and Infrastructure Support Division (PostInvest) strives to provide proactive support services to the manufacturing and services sectors.

Facilitation programs undertaken by the PostInvest team include Biz Clinic, a one-on-one session for investors to securely and effectively air their grievances and discuss

the challenges they face.

Furthermore, the Asian International Arbitration Centre is also a proven world-class institutional support as a neutral and independent venue for the conduct of domestic and international arbitration and other alternative dispute resolution proceedings within the region.

**Has MIDA seen any movement of Japanese or other foreign investment out of China and into Malaysia as a result of the U.S.-China trade war?**

Malaysia's strategic location within the region, world-class infrastructure and multi-lingual talent pool enables us to benefit from potential trade diversion from China.

MIDA continues to promote investments from all countries that meet our national investment agenda through relocation of targeted Chinese investments and foreign investments in China, as well as facilitate the redeployment of investment and production to Malaysia by major companies, who have existing operations, both in affected countries and Malaysia.

To date, MIDA has received 78 applications from companies that are interested in expanding or relocating operations in Malaysia due to the U.S.-China trade war. These companies are mostly from Japan, Singapore, the U.S., China, Canada, Hong Kong and Taiwan.

**What are some of the areas MIDA sees as the most promising over the next five to 10 years?**

Malaysia is currently moving toward strategic diversification to increase competitiveness, by focusing on complex, knowledge-intensive and high-end products and services.

The country's flourishing industrial landscape offers exciting avenues for investment in sectors such as advanced electronics, front-end semiconductors, M&E; advanced materials; petrochemicals; pharmaceuticals; medical devices and e-commerce.



The Thaipusam festival at the Batu Caves in Selangor, Malaysia

TOURISM MALAYSIA

## From sight to taste, diverse wonders await discovery

Rich in cultural and natural beauty, Malaysia is a wonderland begging to be explored.

Next year, the country will celebrate its sightseeing gems under the banner of "Visit Malaysia 2020," a special campaign inviting visitors to experience captivating events across the country.

As part of the campaign, cultural celebrations and festivals will take place in various locations almost every month. The events range from international indigenous arts festivals and world music festivals to time-honored celebrations such as Regatta Lepa — a traditional water festival renowned for colorful *lepa* boats — and the Hindu festival Thaipusam, where throngs of devotees gather at the Batu Caves to express their devotion in mesmerizing ways. The variety of events is the perfect opportunity for visitors to experience Malaysia's multifaceted cultural riches.

Reflecting Malaysia's cultural diversity is its troves of culinary treasures. Signature dishes include curry *laksa*, a noodle dish based in coconut curry soup and packed with tofu, fish cake, shrimp and other rich ingredients, as well as the street snack *satay* — skewered barbecue served with peanut sauce. A fusion of flavors from across Southeast Asia, Malaysian cuisine will delight foodies throughout their stay.

Along their journey, travelers should make it a point to visit some of Malaysia's many architectural wonders. One of the

country's most famous architectural gems is the Blue Mosque in Selangor. Characterized by its stunning blue and silver dome, it is the largest mosque in Malaysia, featuring a distinct design that merges Malay and modernist styles. Other notable sights include the Cheong Fatt Tze Mansion, a historical home-turned-hotel in Georgetown, the capital city of Penang, and Kellie's Castle in Batu Gajah, Perak state, an unfinished castle with a beautiful exterior and a number of secret tunnels.

Malaysia is brimming with nature. Whether it's observing diverse wildlife, enjoying pleasant treks through nature parks or scuba diving among island marine biodiversity, Malaysia has something for all nature lovers. The Penang National Park is home to more than 1,000 species of flora, a diverse array of mammals — including flying lemurs, sea otters, dolphins and monkeys — and exquisite birds such as white-bellied sea eagles and stork-billed kingfishers. In addition, adventurers can participate in river cruises and treks through the rainforest of Taman Negara and stay overnight in huts from where they can observe wildlife in their natural habitat.

These examples of Malaysia's cultural and natural wonders just scratch the surface of what the country has to offer. With "Visit Malaysia 2020" just around the corner, this is an excellent time to discover all the country has to offer.

## Resource-rich Sabah seeks investors

Situated in eastern Malaysia, the state of Sabah is rich in biodiversity. Additionally, its agriculture, forestry and petroleum industries have laid a firm economic foundation for new business development.

To encourage further development and transform Sabah into a flourishing investment hub, the Sabah Development Corridor (SDC) is offering attractive incentive packages for businesses across various industries.

Established in 2008, the SDC is a joint initiative by the Malaysian federal government and Sabah state government to enhance residents' quality of life through economic growth and sustainable resource management. In order to fulfill its objectives, which include tripling Sabah's gross domestic product per capita by 2025 and generating more than 900,000 new jobs, the initiative is offering tax incentive packages to support businesses in various sectors.

The initiative's endeavors have already borne fruit, with overall poverty in the state reduced from 23 percent in 2004 to 2.9 percent in 2016. If the initiative continues to meet its targets, Sabah will emerge as a leading economic region; in this vein, its state capital, Kota Kinabalu, would also transform into one of Asia's most livable cities and a hub for global talent.

Sabah's rich natural resources have long served as the state's economic foundation. As of 2016, the agriculture sector accounted for 19.1 percent of Sabah's GDP, with major exports including rubber, copra and palm oil. The oil and gas sector also plays a significant role in the state's economy, with mining and quarrying accounting for 29.6 percent of GDP.

These economic foundations make the region an attractive destination for new enterprises. In addition to Sabah's fertile agricultural land, abundant marine resources and forests offer great potential in timber and wood-based industries.

Another key Sabah resource, palm oil — which accounts for a significant portion of



The state of Sabah is a popular ecotourism destination on the island of Borneo in eastern Malaysia. SABAH ECONOMIC DEVELOPMENT AND INVESTMENT AUTHORITY

Malaysia's palm oil production — has garnered interest as a potential biomass source. It is yet another rich economic resource capable of unlocking the region's potential as a trade and investment hub.

Tax incentive packages offered by the SDC focus on seven economic clusters central to Sabah's economy. They include full tax exemptions on statutory income, as well as investment tax allowances of 100 percent on qualifying capital expenditure for 10 years depending on the industry and location.

The incentives are available for businesses across a wide range of industries, including tourism and arts education in Kinabalu Gold Coast Enclave; livestock production in Keningau; oil and gas in the western district of Sipitang; palm oil in the eastern district of Lahad Datu, which is surrounded by stretches of cocoa and palm oil plantations; private higher education institutions and training centers in Sandakan, the second-largest town in Sabah after Kota Kinabalu; aquaculture, cosmetics and pharmaceutical products in the eastern waterfront town of Semporna; and biotechnology, halal food

production and other industries in the western township of Kimanis.

In recent years, tourism has become an increasingly important part of Sabah's economy. This is because Sabah is brimming with natural beauty — something that has made the state a popular ecotourism destination.

Lush forest reserves home to a diverse array of plant and animal species form half of Sabah's total landmass; the Kinabalu National Park, a UNESCO World Heritage site, is home to more than 4,500 species of flora and fauna, as well as hundreds of bird and mammal species. Travelers can see orangutans climbing through trees at the Sepilok Orangutan Rehabilitation Centre in east Sabah and at the Lok Kawi Wildlife Park, located not too far from Kota Kinabalu.

Sabah is also lauded as one of the world's best scuba diving destinations. Situated at the heart of the Coral Triangle — an epicenter for marine biodiversity — Sabah offers divers the opportunity to experience beautiful reefs and observe impressive marine life such as hammerhead sharks, whale sharks and manta rays.

Sabah's natural beauty, rich resources and firm economic foundation afford the state the potential to grow into a thriving hub for business and nature. With many attractive tax incentives for new businesses, there has never been a better time to invest in this resource-rich region.





A joint initiative of the Federal Government of Malaysia and the State of Sabah to transform Sabah's economy

"It would be to start the economic recovery right position in Sabah because the situation here has grown as much. Sabah and Sarawak together can realize economic recovery activities which can bring down the cost. Industries can come back, because in the near future Sabah will be a governmental province, so disposable production will begin anytime soon."

Kuching City, November 15, 2018.  
Tun Dr. Mahathir Mohamad  
Prime Minister of Malaysia

### A place of Business, Culture and Nature



Sabah Development Corridor promotes sustainable economic growth by unlocking its diversified resources. Discover the secrets of Sabah, a place of business, culture and nature. Contact SEDA to invest in Malaysia's Sabah Development Corridor at [info@sedia.com.my](mailto:info@sedia.com.my)



#### WHY INVEST IN SABAH ?

**Biodiversity as Eco-Attractions**

With more than 2,000 flora species; Mount Kinabalu, Southeast Asia's tallest peak; and pristine national parks and conservation areas as well as access to the world-renowned Coral Triangle which includes Sipadan Island.

**Agriculture and Natural Resources**

Fertile agriculture land, marine resources and forests offer great potential in resource-based manufacturing activities such as the timber and wood industry and agro-based as well as biotechnology activities.

**Strategic Location**

Serves as a connecting point to the BIMF-EAGA region and to capital cities in East Asia.

**Cultural Appeal**

Known to be home to 32 ethnic groups, Sabah's culture is distinct and unique.

**Human Capital**

Offers green field opportunities in human capital development, especially in environmental, natural resources and biotech-related industries.

**Orangutans in Sabah, Malaysia**

SABAH TOURISM BOARD



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# Malaysia special

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## Science park draws investors across a variety of fields

Malaysia continues to be an attractive destination for foreign direct investment from around the world, especially Japan. According to the latest figures from Japan's Ministry of Foreign Affairs, direct investment from Japan in Malaysia totaled \$322.8 million in 2017 and initiatives such as the Kulim Hi-Tech Park (KHTP) have helped to smooth the way for Japanese companies looking to set up shop in the Southeast Asian nation.

KHTP is a strategic national economic development. Located in northern Malaysia in the state of Kedah, which includes the resort island of Langkawi and borders Thailand, KHTP is partially funded by the federal government and administered by the Kedah state government.

Since its opening as Malaysia's first high-tech science park in 1996 and welcoming its first client, the U.S. chip making computer technology giant Intel Corp., KHTP has attracted a wealth of multinational industrial tenants such as German company Osram GmbH, Infineon Technologies AG, Fuji Electric Co. and Panasonic Corp.

Japanese businesses are the major investors at KHTP, with a presence of 11 companies at the park. Panasonic has set up Panasonic Energy Malaysia at KHTP as its solar manufacturing base. There are also other Malaysian subsidiaries of Japanese companies such as Fuji Electric Malaysia, Fuji Logistics Malaysia, Fujimi-Micro Technology, Hamadatec, Hoya Electronics, Showa Denko HD Malaysia, Tomoe Industrial Gas Malaysia and Toyo-Memory Technology.

Fuji Electric Malaysia, which registered its business in KHTP in 1996 and started operations there two years later, cites the "overall infrastructure and ecosystem," and "fast and readily available logistics solutions" as reasons for running its magnetic disk and semiconductor business from the park.

One of the major advantages of investing in KHTP is the access to a talented labor pool. More than 70 percent of the workers come from Kedah. The federal government

has been supporting the country's labor force in acquiring necessary industrial-sector skills, with emphasis on technology.

Another advantage is the access to key markets in the Asia-Pacific region that Malaysia can provide through its geographic location and as a member of the Association of Southeast Asian Nations. Under normal traffic conditions, KHTP is just about 40 minutes from Penang International Airport. According to airport operator Malaysia Airports Holdings, Penang can handle around 6.5 million passengers and 360,000 tons of cargo a year. Looking at Penang International Airport's limited capacity, the state of Kedah has proposed a new international airport to be built near KHTP. This airport will be linked through a highway to the KHTP industrial zones.

Moreover, the stable political environment with complete support from local and federal governments also adds to the incentives for investing in KHTP.

Kulim Technology Park Corp. (KTPC), which develops and manages KHTP, is a wholly owned subsidiary of the Kedah State Development Corp. KTPC has developed KHTP as a greenfield area, a well-integrated science park. Careful planning of the project by the government has helped create a development that balances work, life and the environment while bringing tremendous benefits to investors and the local population.

There are six zones throughout the park: industrial; urban; housing; research and development; and training; institutional; and amenity (such as a golf course). Green reserves have also been integrated into the plan. This zoning allows people to work and live in a pleasurable environment.

The industrial zone welcomes global high-tech businesses from 13 sectors — semiconductors, alternative energy technology, biotechnology, advanced equipment, advanced electronic industries, optical and electro-optical application, pharmaceuticals, medical devices and scientific instruments, information and communication technol-

ogy, aerospace, contract research and development services, optoelectronics, and new and emerging technologies.

Criteria to operate in the park as well as to be qualified for Malaysian Investment Development Authority's incentives, such as investment tax allowances, include the percentage of local research and development expenditures versus gross sales should be at least 1 percent on an annual basis. The company also should have three years from its date of operation or commencement of business to comply with this requirement. Additionally, at least 15 percent of the company's total workforce should have technical and scientific degrees or diplomas with a minimum of five years experience in the related field.

More than 1,790 hectares of land at KHTP has been developed, with a further 2,000 hectares set to be developed in the KHTP Master Plan 2. With a large area of flat land, the opportunities for investment are ripe. Prime industrial land is available for long-term lease, while commercial space at several purpose-built centers can be rented.

Adding to the incentives to invest in KHTP is the fact that this prime industrial land comes already leveled, so construction can start immediately on the facilities in mind. With the flexibility that comes with an abundance of land, the high-tech park can



An aerial view of Kulim Hi-Tech Park, home to many multinational companies' factories and research and development centers, in Kedah, Malaysia. KHTP

cater to the spatial needs of each tenant.

The prime office space and buildings for rent at KHTP offer even more options for those wishing to conduct business in this park. These spaces can be rented by companies while awaiting the completion of their facilities, so they can continue their business activities with minimal disruption. Companies that offer services to park tenants are able to make use of this office space, providing visibility and ease of access. The office space is also perfect for organizations to establish branches to serve people in the high-tech park and surrounding areas.

Among other perks of doing business at the park are the intangible attractions of Kedah itself, such as cultural, natural and historical sites.

A well-known destination to those even from outside Malaysia, Langkawi is perfect for a day trip or as a holiday getaway. The island resort is also home to the Langkawi UNESCO Global Geopark.

For those who like to add a spice of adventure to their nature activities, the Sedim River offers whitewater rafting. In the same area, the longest treetop walk in Malaysia, spanning 925 meters, will take people to elevations up to 26 meters through the flowers and among the birds of the Gunung Inas tropical rainforest, and its wealth of flora and fauna. Both attractions are a short drive from KHTP.

Support for Japanese companies is prevalent throughout Malaysia. Among the recent

visitors to KHTP was The Japanese Chamber of Trade & Industry, Malaysia, which on May 17, 2017, conducted a research mission on the investment environment at KHTP. With such a strong and deep-rooted Japanese presence in Malaysia, doing business in the country has never been easier for Japanese companies.

These are some of the many reasons for Japanese investors to consider KHTP, but above all, Malaysia and the KTPC as a park developer are looking forward to welcoming more Japanese investors to make KHTP their first choice investment destination. The large number of Japanese investors in KHTP is further proof that it is a secure and stable place to invest in.

# PRIME OPPORTUNITIES FOR INVESTMENT IN KULIM HI-TECH PARK

## Why Choose Kulim Hi-Tech Park?

- Prime industrial land available for long-term lease
- Strong presence of Japanese companies
- Sound infrastructure and ecosystem
- Fast and reliable logistics solutions
- Access to a talented labor pool
- Access to key markets in the Asia-Pacific region
- Close proximity to international airports
- Stable political environment and complete support from state and federal governments
- Over 3,760 hectares of leveled land and readily available office space and buildings for rent
- And many more...

Developed & managed by:

### KTPC

KULIM TECHNOLOGY PARK CORPORATION

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CERTIFIED TO ISO 9001:2015  
CERT. NO.: AR2363

[www.khtp.com.my](http://www.khtp.com.my)

Kulim Hi-Tech Park is home to many MNC factories and R&D centers such as:

\*Malaysia has been ranked 12th among 180 economies in the World Bank Doing Business 2020 report