

Malaysia special

(Promotional content)

Thriving ties bode well for deeper collaboration

TENGGU ZAFRUL AZIZ
MINISTER OF INVESTMENT, TRADE AND INDUSTRY



For decades, Malaysia and Japan have enjoyed a thriving economic partnership, built on a foundation of trust and cooperation. The roots of this prolific relationship stretch back to the early

1970s, when Japan first emerged as one of Malaysia's key trading partners. In the ensuing years, the ties between Malaysia and Japan have grown from strength to strength, mutually supporting each other's progress.

Bilateral trade reached 156.64 billion ringgit (\$34.59 billion) in 2023. As of March 2024, Japan also ranked among Malaysia's top sources of foreign investment, contributing RM138.23 billion in the manufacturing sector. When Malaysia's prime minister visited Japan in May, we agreed on fresh investment commitments to the value of RM1.45 billion, along with RM550 million of potential exports. These developments underscore the enduring appeal of Malaysia as a preferred trade and investment partner for Japanese businesses, and Japan's status as one of its largest trading partners.

And yet, there are still more opportunities we can tap to further strengthen this prosperous relationship. With Malaysia's progressive industrial policies, we see Japan as a key partner in advancing our industrial development. Malaysia's National Industrial Master Plan 2030, which aims to enhance those capabilities, provides a framework for our continued collaborations in areas such as automotive, robotics, green technology and electronics that could be mutually beneficial.

Similarly, the National Semiconductor Strategy presents a unique opportunity for Malaysia to collaborate with Japan, a global leader in semiconductor technology. Such cooperation can facilitate valuable technology transfers and technical talent development, to support the security of the global semiconductor supply chain.

As businesses worldwide increasingly embrace sustainability, Malaysia's National Industry Environmental, Social and Governance Framework and Green Investment Strategy underscore our commitment to help Malaysian businesses transition toward sustainable and responsible operations. These align seamlessly with Japan's own focus on sustainable development, presenting various opportunities for us to join forces on cutting-edge green technologies, renewable energy solutions and other sustainable initiatives.

2025 will be a significant year for Malaysia as we chair the Association of Southeast Asian Nations and participate in the 2025 World Expo in Osaka, where we look to showcase how our robust policies support innovative capabilities, cultural diversity and economic progress. During its upcoming term as ASEAN chair, Malaysia stands ready to play a central role in strengthening ties with Japan to promote greater economic integration, trade and investment for a more prosperous regional economic community. Our goal is to bring about mutual benefits for ASEAN and its key partners.

Looking ahead, Malaysia's progressive policies, ASEAN chairmanship, and participation in the Osaka World Expo present a wealth of opportunities to further deepen the already dynamic partnership with Japan. By capitalizing on these strategic advantages, I am confident Malaysia and Japan can unlock new areas of cooperation and drive economic growth for the mutual benefit of both countries.



Far left: The Petronas Twin Towers in Kuala Lumpur are the tallest twin skyscrapers in the world. Left: The Sama Jaya Free Industrial Zone is home to major electronics, semiconductor and solar power manufacturers. GETTY IMAGES

Attractive business environment draws investors

"Truly Asia" may be the country's tourism slogan, but in recent years Malaysia especially has also been positioning itself as a truly welcome destination in Southeast Asia for foreign direct investment.

It is no secret that Malaysia has long welcomed FDI. As a recent U.S. State Department analysis points out, FDI has been an integral component of the country's economic development.

The Malaysia Investment Development Authority states that the country has numerous features that make it attractive for FDI, including its strategic location for air and shipping lines, its widely English-speaking workforce, a business-ready environment and its stable economic foundation.

Particularly, MIDA states, Malaysia has been providing opportunities for investors from Japan and elsewhere in green energy, semiconductors and data centers.

One Japanese entity that has been pursuing such a green energy opportunity in Malaysia is the Japan Organization for Metals and Energy Security, a government institution that works to ensure stable sup-

plies of both energy sources and metals.

Toward that end, in March 2023 JOGMEC signed a memorandum of cooperation with the Malaysian state-owned oil and gas company Petronas to cooperate on creating green energy projects in the state of Sarawak. The hope, according to JOGMEC, is that this will lead to technological development and joint research on green energy, as well as promote the participation of Japanese companies in Petronas projects.

Another Japanese entity pursuing the possibilities of green energy in Malaysia is the Chitose Group, a family of Japanese biotechnology companies focused on technological and business development in collaboration with partners at home and abroad.

The Chitose Group has established a project to promote the use of algae as a substitute for fossil resource-based materials. As part of this effort, Chitose created in Sarawak what it describes as the world's largest photobioreactor system suitable for the efficient production of microalgae biomass. Known as Chitose Carbon Capture Central, this 5-hectare facility was com-

pleted in March 2023 and has already commenced production of microalgae.

As to the choice of Malaysia, according to local news reports, Sarawak was selected due to the state's ideal temperature throughout the year, abundance of fresh water and the state being safe from major natural disasters like typhoons and earthquakes. The strategic location, logistically speaking, and the skilled Malaysian workforce were also considerations.

Japanese companies are not the only enterprises to have shown interest in Malaysia. Direct investment has also been coming from other Association of Southeast Asian Nations members, Europe, the U.S. and China.

For example, a World Economic Forum report notes that Malaysia's semiconductor industry, centered in Penang, is thriving due to FDI, with major European and U.S. industries establishing footholds in the state.

Indeed, Prime Minister Anwar Ibrahim announced in May that the government planned to invest at least 500 billion ringgits (about \$107 billion at the time) in the semiconductor industry toward its goal to

make Malaysia a global leader in that field. The stability that Malaysia offers, according to the WEF, along with these government investments, are what is making it so attractive.

Malaysia's possibilities as a location for data centers, too, has made it a focus for FDI. A Reuters report from August suggests that a recent rise in Malaysia's benchmark KLCI stock index could be attributed to an artificial intelligence-driven data center boom in the country.

One prominent example of this was Google's announcement in May that it would be making a \$2 billion investment in Malaysia focused on developing its first data center and Google Cloud region in the country to expand and improve services around the world.

Perhaps in light of the heightened interest in FDI into Malaysia, the Malaysian government has also been working to raise awareness of Malaysian culture abroad. Readers in Japan may want to note the dates of Nov. 2 and 3, when a Malaysia Fair themed "All About Malaysia" will be held in Tokyo's Toyosu district.

Sponsored by PETRONAS

PETRONAS set to strengthen ties with Japan

The Malaysian multinational oil and gas company Petrolia Nasional Berhad (PETRONAS) has tapped the man who has spearheaded its diverse business interests, including the domestic and global natural gas initiatives and portfolio, to help bring about a cleaner global future. In June, Khairuddin Khalik was named PETRONAS chief representative in Japan, bringing with him over 30 years of experience in roles within the company's domestic and international operations. In his new role, he hopes to tailor the company's approach to Japan's evolving energy needs and expand a mutually beneficial partnership that has continued for more than half a century. The Japan Times was able to interview Khalik recently, and some of his responses are presented here.



Khairuddin Khalik PETRONAS

JT: How has PETRONAS' relationship with Japan evolved over the past 50 years, and what are the key qualities that helped sustain this partnership?

Khalik: Japan has been a trusted and valued partner since we first began exporting liquefied natural gas in the early 1980s. Over the years, PETRONAS has evolved from being just a supplier to Japan into a true partner united by a shared vision rooted in reliability and mutual trust. Since our first LNG delivery to Japan in 1983, PETRONAS has grown into one of the world's leading natural gas providers, a journey closely tied to the trust Japan has placed in us. By leveraging our integrated value chain and offering solutions tailored to Japan's unique needs, we have been able to support Japan's energy security, even during challenging periods such as the Fukushima No. 1 nuclear power plant incident in 2011 and during the COVID-19 pandemic.

Over the years, PETRONAS has developed a deep understanding of Japan's business culture, energy needs and strategic energy plans. This understanding has been crucial in allowing us to tailor solutions that meet Japan's specific needs and preferences.

In what ways does this partnership contribute to the shared cleaner energy ambitions of both countries?

Our relationship with Japan goes beyond energy supply — it embodies a shared commitment to a cleaner, greener future. As the first ASEAN (Association of Southeast Asian Nations) energy company to pledge net-zero carbon emissions by 2050, we align closely with Japan's carbon-neutral ambitions. Together, we are exploring new frontiers in hydrogen, ammonia and car-

bon capture and storage, and investing in renewable energy — efforts that will benefit both our nations for generations to come. Japan's confidence in our ability to deliver motivates us to continually adapt and meet their evolving needs. Today, we are honored to continue supplying Japan with reliable, lower-carbon energy, contributing to the reduction of dependence on more carbon-intensive sources. The pillars of reliability, sustainability and cultural understanding have enabled us to fuel progress toward our shared cleaner energy ambitions.

What is the state of the LNG market in Japan and how is the company uniquely positioned to help grow it?

In Japan, heat waves increase electricity demand while industrial gas use declines, indicating changing consumption patterns. Amid these challenges, PETRONAS is well-positioned to support Japan's energy security. With a global production capacity exceeding 45 million tons annually, we offer tailored solutions, including flexible contracts that cover short-, medium- and long-term needs. This ensures a reliable LNG supply that meets Japan's specific requirements.

How have recent global events, from the COVID pandemic to war in Ukraine, impacted the LNG market and how will PETRONAS address them?

Japan's LNG market is undergoing significant shifts driven by rising regional demand and seasonal factors, leading to increased contract prices. These changes are further exacerbated by global disruptions such as geopolitical tensions, pauses in U.S. exports and the conflict in Ukraine, all of which

have disrupted supply chains, tightened stock, and introduced market volatility. With over four decades of experience in Japan's market, PETRONAS is uniquely equipped to optimize delivery schedules, ensuring LNG arrives precisely when needed, thereby maintaining stability in both supply and pricing.

Do you feel that your previous work in operations, sales, business development and marketing has prepared you for your role in Japan?

Based on my experience and familiarity with the industry, I recognize that Japan presents unique challenges and opportunities that demand a tailored approach. Japan's advanced economy, commitment to innovation, and focus on sustainability align well with PETRONAS' strategic direction, particularly in the realm of cleaner energy solutions. However, Japan's distinct regulatory environment, competitive landscape and cultural nuances necessitate a customized strategy to effectively grow our business in the country.

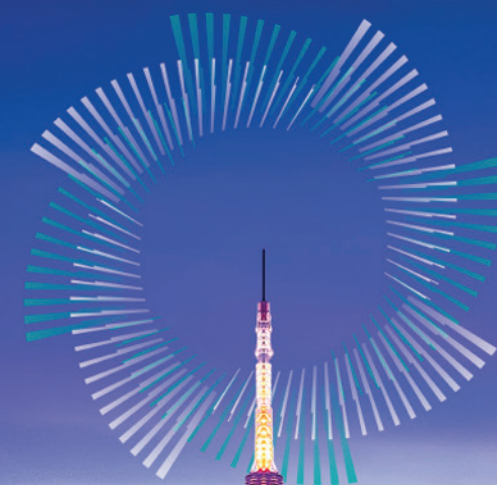
In this context, my experience across different regions and fields has provided a broad perspective and a unique skill set that will be invaluable in my new role in Japan. These experiences have honed my ability to navigate complex environments, adapt to diverse regulatory landscapes and drive growth within various cultural contexts.

As chief representative in Japan, what are you most looking forward to and how do you plan to build on this long-standing relationship?

As I take on the role from Ezhar Yazid, I am committed to building upon the strong foundation of trust and cooperation that he has established, while maintaining the robust relationships and effective operations we have developed in Japan.

My goals include collaborating with our Japanese partners to drive innovation in cleaner energy solutions, ensuring the delivery of more sustainable energy sources to Japan. I am also eager to engage more stakeholders, including government bodies, industry leaders and research institutions, to uncover new opportunities and drive collaborative projects that align with our shared goals. Finally, I look forward to further enhancing our business strategies by integrating a deep understanding of both Malaysian and Japanese cultures, ensuring our solutions are precisely tailored to Japan's unique needs.

Passionate about Progress



Japan's Unique Needs, Powered At A Moment's Notice

For over 40 years, PETRONAS has been powering Japan's energy needs and environmental ambitions. We ensure that our integrated value chain stands ready to light up the vibrant cities and communities across the country. With our expanding network and an increase in global production capacity of over 45 million tons of liquefied natural gas per annum, we will continue to deliver a reliable supply of lower-carbon energy solutions.

Together, let's propel your energy transition aspirations forward.

Scan the QR code to see how we can bring your business to greater heights.

