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WORLD EYE REPORTS

MALAYSIA

A golden celebration for a fast-growing economy

Malaysia has much to commemorate this year as it celebrates 50 years of independence.

The country is swiftly continuing on the fast track toward its goal of becoming a fully industrialized nation by 2020. A decade after the Asian financial crisis, the economy is surging. Its GDP grew 6 percent last year to about \$69.1 bil-

great strides to try and sustain Malaysia's cost-competitive environment, and increase efforts to promote investments in value-added and capital-intensive industries," says Dato' Yusli Mohamed Yusoff, CEO of the Malaysian stock exchange.

Amid the robust growth, the country also faces stiff competition from emerging markets such as Vietnam, China and India to attract foreign direct investment.

Recently, Prime Minister Datuk Seri Abdullah Ahmad Badawi set up a 23-member task force whose main objective is to ensure that Malaysia keeps its competitive edge over neighboring markets.

"Through Malaysia's active involvement within the framework of regional cooperation in the Asian region, our foreign policy remains important to our national development as well as to the growth of the Asian region," says Foreign Minister Dato' Seri Syed Hamid Albar.

Malaysia is staying ahead of the game by attracting invest-



Tadashi Imai, Japan's ambassador to Malaysia

ment, and the economic climate has remained positive due to increased foreign investment, an expansion in exports, record trade growth and further diversification of the market.

During the past 10 years, overall trade has more than doubled to make Malaysia the world's 18th-leading exporter and 20th-leading importer.

While palm oil remains the country's second-biggest source of export revenue, Malaysia has also become one of the world's leading manufacturers of audio and video products, semiconductor devices, and electronic and electrical (E&E) products.

The manufacturing sector contributed a whopping 78.5 percent to total trade, making up more than one-third of the country's GDP.

The Ninth Malaysia Plan (9MP), established in October 2006, serves as a five-year blueprint for the country's economic development.

"The government is making



Tsuneo Tanaka, managing director of JETRO Malaysia

tors with world-class infrastructure, government incentives and most importantly, its abundance of possibilities.

"This year's 'Invest Malaysia' conference will provide a



As palm oil is being developed for an increasing number of uses, the future of the industry grows brighter. Malaysia is the world's largest producer of palm oil.

credible and sound platform to showcase the best of what the Malaysian capital market and securities industry have to offer international fund managers and institutional investors," says Yusoff.

Aug. 31, 2007, does not signify only Malaysia's independence, it also mark's 50 years of diplomatic relations between Japan and Malaysia, two nations that have carefully nurtured their diplomatic ties and economic cooperation.

Roughly, 1,250 Japanese companies are operating in Malaysia. Of these, about half are in the manufacturing sector, producing mostly electronics, components, and auto parts and assembly.

Since the signing of the Japan Malaysia Economic Partnership Agreement (JMEPA) in 2005, trade between the two nations has increased sharply, with double-digit growth seen in imports and exports.

"I firmly believe that the JMEPA will bring maximum benefits to both countries. We are beginning to see the positive effects as last year Japan emerged as the largest source of foreign investment for Malaysia," says Tadashi Imai, Japan's ambassador to Malaysia.

According to the Japanese

Embassy, the surge in FDI reflects the high level of confidence that Japanese business has in Malaysia. Embassy figures show that FDI in the third quarter of 2006 jumped to ¥203 billion, five times higher than the first and second quarters combined.

"The biggest advantages for Japanese companies operating here are that most Malaysians speak English, and there is political stability and a geographic advantage," says Tsuneo Tanaka, managing director of the

Japan External Trade Organization.

With demand for alternative fuel sources, like palm oil, increasing worldwide, there's certainly room for future collaboration between Japan and Malaysia. "Japan would like to build an even closer relationship with ASEAN countries with a view to building an open, energetic and innovative East Asia. In this context, Malaysia plays an important role as one of the most dynamic country's among ASEAN nations," says Imai.

Malaysian palm oil — coming soon to a car near you

The "Malaysia" brand has grown beyond images of clear blue water, island getaways and exotic cuisine. Thanks to acute marketing and promotion, palm oil has evolved into a trademark product of the country.

The Malaysian palm oil industry has continued to flourish as demand for alternative fuels like biodiesel grows and petroleum prices rise. As the world's biggest producer of palm oil, Malaysia has led the efforts to raise the profile and importance of this commodity.

"Palm oil has endless possibilities. It is used in foods, cosmetics, nutritional supplements, agrochemicals and most recently biofuel," says Malaysian Palm Oil Council CEO Tan Sri Datuk Dr. Yusof Basiron.

Basiron prioritized the on-going R&D of biofuel because of its long-term potential. "It is our job to promote the sustainable qualities of palm oil because that's what our customers are demanding. There is real potential for palm oil as an alternative to petroleum in the future," he says.

Malaysia's biggest market for palm oil is China, followed by the European Union, Pakistan, the United States, India and Japan.

"Palm oil exports to Japan are just under half a million tons a year and we would like to see this number increase. We're educating people on the health benefits of using palm oil, something we know is of great importance to the Japanese," Basiron says.

Last year, the industry reported 6 percent growth, with output reaching 15.9 million tons. This year, the MPOC predicts production to rise between 5 and 6 percent as it expands value-added product lines and increases R&D on bio-fuel.

For 2007, the council will also focus on keeping palm oil prices at a competitive level, meeting the needs of its consumers, and dispelling inaccurate information that palm oil contains unhealthy trans fats.

"Our consumers are asking for sustainable and environmentally-friendly practices. So, we are preparing ourselves to get sustainability certi-

fication," says Basiron.

Closer contact with potential investors in Japan is another key priority this year.

"Our relationship with Japan is strong, and we want to reinforce our ties by collaborating on R&D and future projects together," he says. ♦ www.mpo.org.my



Malaysian Palm Oil Council CEO Tan Sri Datuk Dr. Yusof Basiron

Looking under the hood of Malaysia's auto sector

In 2005, vehicle sales in Malaysia reached a record 550,000 units, an impressive figure in a country of around 25 million people. That was great news for companies such as DENSO, the largest automotive components manufacturer in Malaysia and a major supplier of carmakers in the country.

Based in Japan, DENSO has a global network that extends over 198 companies across 31 countries. Since first establishing operations in Malaysia in 1980, the company has become one of the parent company's major manufacturing sites in Asia.

In fact, Malaysia is home to DENSO's only electronic components production plant in the ASEAN region.

"Our business philosophy at DENSO has always been based on QDC: Quality, Delivery and Cost. Today, we also put great emphasis on environmental issues and safety. Last year, we reached our goal of having zero emissions at our factory in Malaysia and are very proud of this," says Managing Director Hidekuni Sugi.

Among the main components produced in Malaysia include thermal systems products such as car air conditioners and radiators. Engine electrical control units and CDI amplifiers are also produced in Malaysia for the global market.

Fifty percent of the company's total revenue comes from exports and Sugi expects international business to increase over the next five years.

"We have begun exporting electronic components to South America and we see further potential in this region of the world," explains Sugi.

Ninety percent of DENSO's domestic business in Malaysia comes from the OEM market, which

will remain a core component of its business. It supplies some of the top names in the industry such as Proton, Perodua, Toyota, Honda, Suzuki and Hino Motors.

"Our sales in Malaysia have increased every year until 2006. This is due to a slowdown in the auto industry in Asia last year. We are optimistic that sales will bounce back this year to our 2005 level and continue to grow," says Sugi. ♦ www.denso.com.my



DENSO Malaysia Managing Director Hidekuni Sugi

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Lanson Place has built a reputation among business travelers as the ideal place for either short- or long-term stays in Kuala Lumpur.

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Just a short cab ride away is the Royal Selangor Golf & Country Club and the Polo &

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Lanson Place provides a full spectrum of services ranging from limousine transportation, laundry and dry cleaning, grocery delivery, daily housekeeping, plus concierge and baby-sitting services. It also features 24-hour reception and security

services for the convenience and safety of all of its guests. True to being a temporary home to all of its guests, Lanson Place has a fully functional restaurant that serves breakfast, lunch and dinner,



Lanson Place's luxurious lobby

and provides room service as well.

Other amenities include a protected parking garage, fully equipped fitness center with sauna, a swimming pool, a children's playroom, banquet room, business center and wireless broadband connection in the entire building. ♦ www.lansonplace.com



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eBox

The Malaysian External Trade Development Corp. is the national trade promotion agency. Its Web site provides information and trade-related data, and is a valuable source for economic insight and trade information. www.matrade.gov.my

Malaysian Industrial Development Authority is the government's principal agency for the promotion and coordination of industrial development. Its Web site is a comprehensive guide to investment and business in Malaysia. www.mida.gov.my

The Japanese Chamber of Trade and Industry Malaysia, established in 1983, promotes Japanese and Malaysian economic development, trade and commerce through industry and investment activities. www.jactim.org.my

The Japan External Trade Organization in Malaysia has played a prominent role in sustaining and strengthening bilateral trade and investment between the two countries. This year, it is promoting Invest Japan, a campaign that highlights the advantages of investing in the world's second-largest economy. www.jetro.co.jp

DENSO MALAYSIA PRODUCTS

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WORLD

World-class process equipment manufacturer expands globally

KNM Group, a Malaysian process equipment manufacturing company, is making huge strides servicing the world's oil, gas, petrochemicals, minerals processing and energy industries. In 2005, the local industry leader made it to the main board of the Malaysian stock exchange.

"The company has grown by leaps and bounds since we started in 1990, and we have market capitalization of over \$1 billion," says Managing Director Ir. Lee Swee Eng.

A winner of the Export Excellence Award in the merchandise category from the Malaysian government last year, KNM's primary markets are the Middle East, China and the ASEAN region.

"We are truly an export company with over 90 percent of our revenue coming from exports," says Lee.

Since its inception, the company has expanded its business operations covering 11 plants in six countries. Still growing, KNM has plans for further expansion this year in Canada and Brazil. In addition, the group has recently announced the construction of another plant in Saudi

Arabia by next year.

"Our strategy is to continue staying reliable to our existing customers while reaching out to new markets and customers before the competition. Having our facilities at the project sites allows us to give our customers more hands-on service and day-to-day contact," Lee adds.

Meanwhile, Japan accounts for nearly 20 percent of KNM's sales volume.

"Our Japanese customers are very important to our business. The projects of our Japanese customers like JGC Corp., Chiyoda Corp., Toyo Engineering Corp., Mitsubishi Heavy Industries and Sumitomo are mostly based in the Middle East and China," says Lee.

KNM's main goals are to become one of the top 10 process equipment manufacturers in the world by 2008 and to achieve a

3 percent global market share by 2010.

"We are aggressively growing and moving up the value chain as fast as we can. With the help of our subsidiaries in

Italy and Australia, we are able to move up the value chain more easily and sell more sophisticated products to our customers," he says. ♦ www.knm-group.com



A component of a steel tower leaves the facilities of KNM ready for shipping to one of the group's overseas customers.

Malaysian Rubber Board boosts industry's competitiveness through R&D

As demand for rubber rises globally, the Malaysian Rubber Board's role as a research and development body assumes greater importance if it hopes to keep the domestic industry competitive amid economic globalization and liberalization.

Dato' Dr. Kamarul Baharin Basir, director general of the MRB, is confident that Malaysia will remain a leader in the industry despite strong competition from other rubber-producing nations.

Established in January 1998, the MRB was formed following the merger of three agencies — the Rubber Research Institute of Malaysia, the Rubber Research and Development Board, and the Malaysian Rubber Exchange.

RRIM, its research arm, has pioneered rubber research during the past 77 years and continues to generate new technologies that provide the cutting edge to the country's rubber industry.

The MRB has also contributed significantly to the formulation of policies and priorities regarding the development of the industry.

"The MRB is the world leader in research in the production of natural rubber as well as in the manufacture of rubber-based products, and we're constantly developing new technologies to support industries in producing high-quality products to keep our competitive advantage,"

says Kamarul.

"Recent advances in biotechnology have paved the way for a wide range of rubber-based materials that have great potential in the pharmaceuticals, cosmetics and medical industries," he adds.

The MRB exports a variety of rubber and rubber-based products to the United States, Asia and Europe. The country is a leading producer of latex gloves, latex thread, catheters and condoms, with latex goods accounting for about 76 percent of total rubber exports.

Meanwhile, Japan has become an increasingly important market for the MRB.

"We have long-standing partnerships with companies like Bridgestone and Sumitomo, supplying them with rubber, mainly for use in tire production. We understand their need for high-quality natural rubber, so we're developing materials that fit their criteria. We would like to

see our relationship strengthen with Japan, and will pursue future projects with them as well as with other Japanese agencies to enhance cooperation for the mutual benefit of our two countries," says Kamarul.

The MRB also remains at the forefront of efforts for so-called greener production of rubber.

"The MRB has developed environmentally-friendly technologies to sustain the environment and keep our customers happy. We're working with Sumitomo in R&D to produce specialty natural rubber materials for 'green tires.' We're revolutionizing the production process by eliminating all waste," he says.

That development is in line with changing times as the MRB takes on a more challenging role in the nation's progress toward prosperity while balancing growth with environmental considerations. ♦ www.lgm.gov.my



Malaysia Rubber Board Director General Dato' Dr. Kamarul Baharin Basir

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Watch out, their time is now

Oil, one of today's most important commodities, has been powering Middle Eastern economies for the past three decades by attracting the world's richest countries, including Japan, to set up businesses here related to oil and its consumption.

But, a Japanese watchmaker saw beyond that and instead focused on a consumer market, growing in size and prosperity. Popularity among expatriates, mainly Indian and Pakistanis, prompted the establishment of Citizen Watches Gulf Co. nearly 20 years ago.

"In the 1980s, we sold more than 3 million pieces a year," says General Manager Hiroaki Marukawa.

Citizen is using tax-exemption benefits that the United Arab Emirates offers in its free-zone areas by importing products and re-exporting them to dedicated agents around the region. Today, one of its largest markets in the region is Saudi Arabia.

Tough competition from low-cost watches made in China and the demand for Swiss-made luxury brands prompted Citizen to change its strategy four years ago. While the competition may choose to focus on one market segment, be it mass or premium, Citizen aims to cover the spectrum.

"Our policy was changed to lifting up the brand image itself," says Marukawa. "We have a very strong weapon — the Eco-



Citizen Watches Gulf Co. General Manager Hiroaki Marukawa (above). Finding a balance between commercial needs and the impact on the environment, the Japanese watchmaker offers the light-powered Eco-Drive (inset).



WER/CITIZEN

Drive," says Marukawa, referring to the technologically acclaimed light-powered watch collection. "We are using the Eco-Drive and the Promaster (collections), which are professional sports watches, to increase reach in the middle- and high-end markets."

Citizen aims to boost Eco-Drive sales to 80 percent of the company's global sales.

Though the regional market has been challenging, it can foresee at least a 40 percent growth in sales of the Eco-Drive and Promaster.

In markets like the United States, Europe and Japan, the Eco-Drive accounts for half of Citizen's sales. ♦ www.citizen-me.com