

# Malaysia: 35 years of trade and ties with China

## ► Now China's largest import-export partner in Southeast Asian region

Winners and losers are emerging after the world economic crisis appears to have bottomed out in the middle of this year. Most export-heavy economies registered a sharp decline in GDP the likes of which has not been seen in over 50 years, while other more insular and developing countries were not as hard hit.

As one of the export-driven economies, Malaysia has seen its share of a slowdown. But due to timely and rapid action by its government — and due in no small part to its ties with China — Malaysia is surging forward to come out of the crisis ahead of its ASEAN counterparts.

### Strong history of trade

The history of one of Southeast Asia's most developed economies is, not surprisingly, one rooted in trade and commerce. The region has been a center for trade for centuries and at the heart of

the hub lies Malaysia.

Goods such as porcelain and spices were traded in the area even before Malacca and Singapore rose to prominence in the 1300s and 1400s.

With colonization in the 17th century, large deposits of tin were found in several Malay states. Later, as the British started to take over as administrators of Malaya (today Malaysia), rubber and palm oil trees were introduced for commercial purposes.

Over time, Malaya became the world's largest producer of tin, rubber and palm oil. These three commodities along with other raw materials firmly set Malaysia's economic tempo well into the mid-to-late 20th century.

### Tackling the crisis

Today Malaysia stands as one of the world's newest industrialized nations with services

making up an increasing percentage of overall GDP.

As Malaysia copes with the final throes of the world economic crisis, the government has seized the opportunity to implement lasting changes to its partially state-run economic model.

In the second and third quarters of this year, Malaysian Prime Minister Dato' Sri Mohd Najib implemented a series of sweeping reforms, the highlight of which was scrapping of the bumiputra quota that required 30 percent of the stake in companies listed on the Malaysian stock exchange be held by ethnic Malays.

The move has been lauded by the business community the world over as Malaysia seeks to move its economy back toward growth and on a path to being considered among the so called "high-end" economies.

### Importance of China

In June of this year, the Malaysian prime minister traveled to China to celebrate the 35th anniversary of diplomatic relations. The visit was symbolically important for a number of reasons.

It was Najib's first official visit outside of the ASEAN region since taking office in April 2009, underscoring just how important China is to Malaysia.

The visit consolidated 35 years of diplomatic relations, the longest-running bilateral relationship between China and an ASEAN member.

Bilateral trade between Malaysia and China over the last 10 years has grown rapidly, registering an average growth rate of 25 percent, the fastest growing relationship for Malaysia and



The iconic Petronas Towers

one of the fastest for China.

"China is seen as a beacon of hope for continued growth in our region," said Malaysian Foreign Minister Datuk Anifah Aman.

One of the best explanations on relations between China and Malaysia comes from Dato' Nazir Razak, CEO of CIMB Bank and brother of the current prime minister.

"Relations are strong due to the strong cultural connection we share given our large domestic Chinese population. Also, politically, Malaysia was the first from ASEAN to establish diplomatic ties 35 years

ago," he said.

### Continuation of strong ties

In 2008, Malaysia overtook Singapore to become China's largest trading partner in ASEAN and the future of relations looks bright as the economic crisis winds down.

In fact, three key areas for Chinese investment in Malaysia — green technology and energy, resource based industries, and infrastructure projects — have been laid out by Malaysia's leadership.

Chinese tourists also remain an important part of Malaysia's

tourism industry.

According to Tourism Malaysia, tourist arrivals from China to Malaysia reached just under 950,000 in 2008, up 21 percent from the year before. Prospects continue to be strong even with the difficulties of 2009.

For its part, Malaysia will play a large role in the growing Islamic finance business in China. With a population of around 30 million Muslims, and a growing interest from non-Muslims as well, China represents a very attractive market for Malaysian banks already well versed in the practice.

Whichever direction the relationship grows in, one thing is sure: the relationship, both economically and politically, will continue to grow.

"The future of our relations is strong because we have a continuity of understanding. Our relationship is built on trust and is rooted not just in government agreements, but in personal and private relationships between people with an understanding of each others culture and history," said Datuk David Chua, joint secretary general of the Malaysia-China Business Council.

### MALAYSIA SNAPSHOT

Total Area: 329,750 sq km
Population: 25.72 million
Currency: Malaysian ringgit (MYR)
Ave. exchange rate: \$1=3.5 MYR
GDP: \$214.7 billion (2008 est.)
GDP real growth: 5.1% (2008 est.)
GDP per capita: \$15,300 (2008 est.)
Inflation: 5.8%
Unemployment: 3.7% (2008 est.)
Total exports (FOB): \$195.7 billion (2008 est.)
Total imports (FOB): \$156.2 billion (2008 est.)
Major exports: electronic equipment, petroleum and liquefied natural gas, wood and wood products, palm oil, rubber, textiles, chemicals
Major imports: electronics, machinery, petroleum products, plastics, vehicles, iron and steel products, chemicals
Main export markets (% share): US (15.6%), Singapore (14.6%), Japan (9.1%), China (8.8%), Thailand (5%), Hong Kong (4.6%) (2007)
Main import markets (% share): Japan (13%), China (12.9%), Singapore (11.5%), US (10.8%), Taiwan (5.7%), Thailand (5.3%), South Korea (4.9%), Germany (4.6%), Indonesia (4.2%) (2007)

## 'Healthcare tourism' on the rise

Many people are not aware that medical care in Malaysia ranks among the best in the world and most of the private hospitals in the country meet internationally recognized quality and standards.

Leading the way is healthcare giant KPJ Healthcare Bhd, which operates a network of 19 hospitals in Malaysia and three in Indonesia. With more than 2,500 beds, KPJ offer one of the most comprehensive ranges of medical services in Malaysia.

Building on more than 28 years experience in the healthcare industry and supported by more than 650 medical consultants and some 7,000 support staff, KPJ hospitals have renowned experts in cardiology, orthopedics, oncology, plastic

and reconstructive surgery, among others.

KPJ hospitals have been able to attract a growing percentage of the burgeoning medical tourism industry in Malaysia due to the group's size, expertise and state-of-the-art technology and practices.

Managing Director Datin Paduka Siti Sa'diah Sheikh Bakir sees the inflow of medical tourists to KPJ hospitals as a testament to its high quality standards in the healthcare delivery.

"We are very proud to be leading the way in this field. With medical tourists come increased rigor in standards and quality, which helps us to improve service for all Malaysians as well," said Datin Paduka.

**KPJ places a high priority on quality initiatives, with our hospitals embarking on international quality certification and accreditation programs.**

DATIN PADUKA SITI SA'DIAH SHEIKH BAKIR  
Managing Director

In fact, KPJ Ampang Puteri Specialist Hospital was recognized for this when it garnered the Matrade Export Excellence Award by the Ministry of International Trade and Industry Malaysia in late 2007.

"KPJ places a high priority on quality initiatives, with our hospitals embarking on international quality certification and accreditation programs," says

Datin Paduka.

As Malaysia's growing reputation as a health and medical destination brings an influx of visitors and patients from around the world, KPJ has been actively promoting itself abroad in markets like Vietnam, Indonesia and China.

"China will continue to play a larger and larger part in medical tourism in Malaysia. We already receive a large number of Chinese tourists here and getting them to do a simple preventative checkup during their visit would be a great introduction to our world-class medical facilities," said Datin Paduka.

"Medical charges and hospitalization costs here are very competitive compared to those in many developed countries. For example, a normal cardiac bypass surgery would cost in the region of \$6,000 to \$7,000," she added. In China, the procedure may cost twice as much in private hospitals.

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



1, 2 and 3: KPJ hospitals are equipped with state-of-the-art medical technology and facilities.  
4: KPJ Ampang Puteri Specialist Hospital



Niro Ceramic received a 'Brand Excellence Award' from the Malaysian Ministry of Trade and Industry in 2008.

## Niro: Swiss quality, Asian costs

Living up to the world-renowned Swiss reputation for quality craftsmanship, Niro Ceramic has seen the demand for its wide range of porcelain tiles grow all over the world, especially in Asia.

In fact, rapid growth in Asian markets and economic globalization prompted the Swiss-based company to set up a manufacturing facility in Malaysia in 1988. It then made its first foray into China in 2001 to partially outsource its manufacturing.

"When we began outsourcing manufacturing to China, we wanted to be sure to maintain the stringent quality standards that we are renowned for. We

painstakingly selected factories to produce tiles according to our designs and specifications. Today, a complete organization is in place to ensure that we also achieve the same quality products and efficient customer service," explained Managing Director Bong Kuan Shin.

That commitment paid off in 2008 when Niro received the "Brand Excellence Award" from the Malaysian Ministry of Trade and Industry. The prestigious award is given once a year to Malaysian companies with positive brand building and values, superior innovations, and strong global appeal.

Starting next month, the company will expand its prod-

uct range on a much larger scale in China, where construction and property development continue to grow.

According to Bong, the expansion in China is vital to the future success of the company.

To kick off its stronger push into China, Niro will launch a new showroom in the China Ceramic Industry Headquarters in Foshan, Guangdong province.

The new showroom will be designed to highlight Niro's diverse line of modern, trendy and classic products that suit all individual tastes and lifestyles.

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

### MALAYSIA WEBSCAPE

**The National Chamber of Commerce and Industry of Malaysia (NCCIM)** is an umbrella organization made up of the five national chambers of commerce and industry in Malaysia. The NCCIM's role is to help represent the many interests of the Malaysian business community on the domestic and international front. A key objective is to promote Malaysian exports and investments abroad as well as to attract foreign direct investment (FDI) to Malaysia. [www.nccim.org.my](http://www.nccim.org.my)

Established in Cresciano, Switzerland, more than 30 years ago, **Niro Ceramic** operates its headquarters out of Malaysia but still provides Swiss quality tiles around the world. It now sells its product range, Niro Granite, in China. The new Niro Ceramic showroom in the China Ceramic Industry Headquarters covers 6,000 sq ft and features eye-catching mock-ups and display paneling. [www.nirogranite.com.my](http://www.nirogranite.com.my)

**The Ministry of International Trade and Industry** plays a leading role in strengthening trade and investment between Malaysia and

foreign direct investors. It provides information and help to many Chinese and Malaysian companies that want to expand their businesses in Malaysia. [www.miti.gov.my](http://www.miti.gov.my)

**The Asian Strategy and Leadership Institute (ASLI)** is a local non-political and not-for-profit think tank that promotes business excellence, ideas interchange and business cooperation. ASLI's vision is to create a better society by helping organizations enhance competitiveness, leadership and strategic capabilities through the interchange of ideas, information and knowledge. [www.asli.com.my](http://www.asli.com.my)

An initiative of several Malaysian associations and organizations, **the Malaysia-China Business Council (MCBC)** serves as an important business link between the two countries. It promotes trade and dialogue between entrepreneurs of each nation through trade missions and other activities. In June 2009, a delegation of Malaysian and Chinese business leaders from MCBC traveled to Beijing to mark the 35th anniversary of bilateral relations. [www.asli.com.my/initiatives.htm](http://www.asli.com.my/initiatives.htm)