

Free trade agreement another boost to business

By HU HAIYAN

Sino-Malaysian trade will reach a new high this year, said the Malaysian ambassador to China.

"In recent years, Malaysia has remained China's largest trading partner in ASEAN (Association of Southeast Asian Nations). And I am confident that bilateral trade this year will reach greater heights given that trade volume in the first seven months reached over 67 percent of the total in 2010," said Datuk Iskandar

Sarudin, Malaysian Ambassador to China.

The bilateral trade relationship is deepening, he explained.

"For 2010, China was Malaysia's largest trading partner, second largest export destination and largest source of imports. And based on Chinese statistics, in 2010, Malaysia was China's eighth largest trading partner, 16th largest export destination and seventh largest source of imports," he said.

"The traditional traded goods such as electrical and

electronic products, palm oil, chemicals, rubber, machinery and equipment, and iron and steel will continue to top trade between Malaysia and China," he added.

According to Chinese statistics, bilateral trade grew at an annual average of 18.9 percent over the last four years to \$74.2 billion in 2010. In the first seven months of 2011, the figure reached \$50.1 billion, an increase of 21.8 percent over the corresponding period in 2010.

Sarudin said there is ample

room for both sides to diversify trade, particularly in areas such as new materials, energy conservation and environmentally friendly products, chemicals, pharmaceuticals, transport equipment and halal food.

"Apart from these manufactured products, trade in services particularly in areas such as business and professional services, logistics, information and telecommunication services, education and training, healthcare and tourism will further contribute towards greater economic

and business collaboration between Malaysia and China," he said.

He also expressed optimism about the free trade agreement (FTA) between ASEAN and China, which was fully implemented in January 2010.

"It is an important regional integration mechanism. With over 90 percent of goods traded at zero tariff, it provides market access opportunities for all participating member states including Malaysia," he said.

"Apart from free trade in goods, ASEAN and China also

concluded and implemented the agreement on service trade and investment. Both arrangements further facilitate services, investment and protection of participating member states," he added.

"All in all, the FTA opened up a new chapter for further regional and economic integration," he said. "I am confident that with the continuing efforts by both our governments and business communities, the economic impact of the arrangements will be very significant in the coming years."



Datuk Iskandar Sarudin, Malaysian Ambassador to China

Sino-Malaysian economic ties strengthen

Flourishing trade, range of investment opportunities

By MATTHEW FULCO

China has been Malaysia's largest trading partner for the last two years, with commercial ties buoyed by the burgeoning Chinese economy and a deepening bilateral relationship.

Two-way trade reached a record \$74.2 billion last year following implementation of the China-ASEAN Free Trade Agreement (FTA).

Malaysia is China's eighth-largest trading partner.

While bilateral trade is robust, there remains room to bolster Chinese investment in Malaysia. The Malaysian Industrial Development Authority (MIDA) headquartered in Kuala Lumpur plays a key role in courting that Chinese capital.

MIDA acts as a bridge between China and Malaysia, facilitating government-to-

government exchanges and visits to Malaysia by Chinese business delegations.

Within China, MIDA organizes investment seminars and activities matching Chinese businesses with their Malaysian counterparts. It has offices in Shanghai and Guangzhou.

As a one-stop center for business advisory services, MIDA assists Chinese companies entering the Malaysian market obtain investment incentives, manufacturing licenses and other requisite approvals. It also provides post-licensing assistance, helping Chinese manufacturers receive exemption from import duties on raw materials and machinery.

Chinese investment

"China's outbound foreign direct investment has grown substantially in recent years,"

said Simon Lee Yew Weng, director of the MIDA Shanghai office.

"Our role is to increase Chinese investors' awareness of the rich business opportunities in Malaysia, and persuade them to make Malaysia one of their key profit centers."

Chinese firms are most active in Malaysia's manufacturing sector, Lee noted. Ninety-six projects valued at \$1.2 billion have been approved in the sector since 2006, with the majority concentrated in basic metal products.

Other sub-sectors attracting Chinese investment include transport equipment, chemicals, fabricated metal products and machinery.

China is offering its considerable infrastructure development expertise in the construction of the second Penang Bridge, a joint project by China Harbor Engineering Co and Malaysia's UEM Construction.

The bridge, Malaysia's largest civil project in the past 20 years, will help transform Penang



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into a logistics and transportation hub.

Among the Chinese companies operating in Malaysia, the most prominent are Lenovo, Huawei, the Industrial & Commercial Bank of China and Bank of China.

Others include Sinochem International, a rubber compound producer, Jigang Group Co, which makes iron and steel products, and ZTE Corp,

known for developing and manufacturing telecommunications equipment for mobile, data, optical and intelligence networks.

Several deals inked

During Premier Wen Jiabao's two-day official visit to Malaysia in April, China and the Southeast Asian country inked several deals to further strengthen economic

ties, among them an agreement between ZTE and DiGi Telecommunications for the supply of network infrastructure.

Other deals included a contract between China Huadian Engineering Co and Malaysia's Janakuasa to build a coal-fired plant and a joint venture agreement between Aluminum Corp of China and Smelter Asia Sdn Bhd to construct a smelter in Malaysia.

Malaysia's growing renewable energy sector also presents opportunities for Chinese investors, in particular the feed-in renewable energy tariff that will be implemented on Dec 1.

According to the tariff scheme, the Malaysian government will provide subsidies for clean energy including solar photovoltaic power to encourage development of solar farms or use of solar panels in buildings, said MIDA Shanghai director Lee.

Chinese companies with expertise in technology-

intensive manufacturing will enjoy favorable conditions to produce solar energy products for Malaysia's domestic use, he adds.

Looking ahead, the Sino-Malaysian bilateral economic relationship is poised to deepen. Chinese investment in the Malaysian manufacturing sector alone grew from 162 million Malaysian ringgit (\$54 million) in 2009 to 1 billion ringgit (\$333 million) in the first six months of this year, according to MIDA.

MIDA also expects to see China further invest in Malaysia's rich natural resources. Other industries with potential to attract Chinese investment are electronics, biotechnology, pharmaceuticals and logistics.

"We see fruitful two-way economic ties continuing to develop on the back of close social and cultural links, geographical proximity and trade liberalization in the region brought about by the China-ASEAN FTA," said Lee.

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