

Country Assistance Program
for
Malaysia

Government of Japan

April 2009

Contents

1. Philosophy and Significance of Assistance to Malaysia	1
1.1 Importance of Malaysia in the Perspective of Japan's Foreign Policy....	1
1.2 Current Status of Development	1
2. Basic Stance and Direction of Japan's Assistance	2
3. Priority Areas	3
3.1 Enhancement of Mutual Interests of Japan and Malaysia	3
3.2 Overcoming Challenges Caused by Rapid Growth	5
3.3 Overcoming Regional Issues	6
3.4 Strengthening Capacity Development as a Donor and Promoting South-South Cooperation.....	6
4. Considerations	7
4.1 The 9 th Malaysia Plan	7
4.2 Ex-Students and Participants to Training Courses in Japan	7

Annex: Conceptual Diagram

1.Philosophy and Significance of Assistance to Malaysia

1.1 Importance of Malaysia in the Perspective of Japan's Foreign Policy

From strategic point of view, Malaysia is an important country mainly from the following reasons:

- (i)It is a focal point of intraregional cooperation for ASEAN countries;
- (ii)It has geopolitical importance as it is a coastal country of the Straits of Malacca, a crucial sea lane for Japan;
- (iii)It has economic importance as an important overseas production base for Japanese industries and as a major exporter of natural gas to Japan;
- (iv)It is a moderate Islamic country where multi-ethnic people live together peacefully, and it reserves sizeable influence in the international arena;
- (v)With its "Look East Policy", there are many citizens who have close ties with Japan and who are familiar to and who have deep understanding of Japan.

1.2 Current Status of Development

Malaysia has made outstanding progress among ASEAN countries. Synergies gained from trade, investment and relevant development assistance supported Malaysia's own efforts towards socio-economic development, resulting Malaysia's marked development.

Malaysia aims at further development in order to achieve a national goal of becoming a developed country by the year 2020 under Vision 2020. The 9th Malaysia Plan, a five-year development plan implemented from 2006 to 2010, sets forth the following key development thrusts:

- (i)to move the economy up the value chain;
- (ii)to raise the capacity for knowledge and innovation and nurture 'first class mentality' ;
- (iii)to address persistent socio-economic inequalities constructively and productively;
- (iv)to improve the standard and sustainability of quality of life;
- (v)to strengthen the institutional and implementation capacity.

These key policy goals indicate that Malaysia recognizes the need to address distortions caused by the country's rapid economic growth, and aims at achieving balanced and sustainable development.

In response to the above mentioned policy goals by Malaysia, Japan's assistance could focus on areas and issues in which Malaysia cannot overcome challenges by its self-help efforts, and support its balanced development. Such assistance serves as a model of

development assistance to those countries already at certain economic development level and becoming to be partners not only receiving aid but also providing assistance to other countries.

Note: The goal of Vision 2020

(i) In 2020, GDP is to be eight times greater (RM 920 billion) than that of 1990 (RM 115 billion).

(ii) Malaysia is to make progress in not only economic areas but also political stability, unity of the nation, social justice, high morale & ethics, quality of life, and self-esteem for the country.

2. Basic Stance and Direction of Japan's Assistance

Malaysia is one of the most important partners in our effort to establish the East Asian Community. In order to ensure Malaysia's steady and sustainable growth, it is important to promote the advancement of its economy and to establish good relationship as sincere partners.

Regarding challenges for further development, Japan has been allocating importance on upgrading its economy for steady growth, developing human resources with high levels of knowledge and skills, and promoting better environment. These problems are yet to be resolved, Japan's development cooperation needs to be continued. At the same time, Malaysia on its part has been providing steady assistance to other developing countries (South-South cooperation).

Under such circumstances, it is important to question what are the remaining issues to be tackled with Japan's assistance in order for Malaysia to achieve Vision 2020's objectives when working out Japan's assistance programs. Besides, the following additional perspectives and objectives should be taken into considerations.

(a) Based on the joint statement in conjunction with the 50th anniversary of Japan-Malaysia diplomatic relations "Everlasting Friendship and Far-reaching Partnership: Towards a Common Future", issued during Prime Minister Mr. Abe's visit to Malaysia in 2007, one of our objectives of assistance is to mature our bilateral relationship from the recipient-donor relationship to a horizontal and sincere partnership where both countries cooperate together in the pursuit of

common interests of bilateral or international nature.

- (b) With regards to development cooperation areas, we aim not only to provide economic-development-oriented cooperation but also to put importance in cooperating in non-traditional security issues from development perspectives such as peace building, counter-terrorism, and combating piracy (Regional political stability as a new goal of development cooperation in addition to economic growth).
- (c) Another objective is to build up relationship with Malaysia as global development partners, where Japan and Malaysia work together not only for enhancing East-Asia regional integration and development but also for addressing issues of international concerns.
- (d) As Malaysia accelerates the pace of its progress, it is conceivable that Malaysia may request such cooperation from Japan that does not fall within the traditional development cooperation framework. Since cooperation from private sector (industries, academic entities, NGOs) is active, it may be necessary to explore cooperation involving all Japanese actors in the fields ('all-Japan' approach). Cooperation with Malaysia should be pursued as actively as possible, with a view to building a true and sincere partnership which can promote mutual interests, while noting various ways of cooperation including cost sharing.
- (e) Malaysia's past remarkable growth and our cooperation in this growth process as well as our current assistance in supporting Malaysia's efforts to achieve a balanced and sustainable development will serve as a model of development assistance to countries with certain level of economic growth.

3. Priority Areas

3.1 Enhancement of Mutual Interests of Japan and Malaysia

3.1.1 Further implementation of cooperation under Japan – Malaysia Economic Partnership Agreement (JMEPA)

The cooperation under JMPEA which came into effect in July 2006 will be promoted.

- (a) Cooperation under JMEPA such as Sub Committee for Cooperation or other Working Groups

The Japan – Malaysia Economic Partnership Agreement mentioned clearly areas of cooperation which are (i)agriculture, forestry, fisheries and plantation, (ii)education and human resource development, (iii) information and communications technology, (iv)science and technology, (v)small and medium enterprises, (vi)tourism and (vii)environment. Sub committees or dialogues have been set up to promote cooperation in such areas. Japan and Malaysia now have a new framework to work

together for the mutual interests and thus the economic relationship is no more limited to that of donor - recipient countries. Concrete cooperation based on JMEPA can be examined by the Sub-Committee for Cooperation or Working Groups.

Projects contributing to strengthening economic partnership of two countries will be shaped such stipulated in JMEPA such as cooperation in the fields of custom procedures or intellectual property rights.

(b) Supports for system building and human resources development

In order to enhance fruits from liberalization and facilitation of trade and investment by JMEPA, contributory aid projects for the system building and human resources development will be formulated to relieve the bottlenecks of liberalization.

In the aid projects formulation process, it is necessary to keep track of Malaysia's needs, especially for the system building support for supporting industries that require advanced technology for strengthening of economic partnership and capability development support for improvement of skills.

Supports toward the improvement of policy making, system building, and system operation of the Malaysian Government will also be provided with the collaboration in the respective Japanese ministries and agencies and the private sectors.

(c) Economic partnership programs

As a result of the reformation of "Look East Policy" training program, the tailor-made training activities to meet various needs of Malaysia (Economic Partnership Program : EPP) had been introduced on cost-sharing bases, and the training program which accept 100 trainees annually for a period of 10 years commencing from the fiscal year 2006 has been established. This program is to be positively utilized.

(d) Automobile industry sector

Cooperation in the automobile industry sector is regarded as an important field under JMEPA and should be positively promoted.

3.1.2 Promotion of exchanges of people and human resource development

Personal linkage is a most valuable element of Japan – Malaysia relationship. Such linkage is developed through dispatching volunteers, accepting students and trainees, inviting young leaders or providing training courses based on "Look East Policy" such as education on economic development. As Malaysia intends to continue in promoting the

“Look-East Policy” in the future, Japan also intends to promote mutual understanding through personnel exchanges. Regarding an idea put forward in Prime Ministers’ talks in November 2001 to establish Malaysia Japan International University of Technology (MaJU), also taken up by following Prime Ministers talks, possibilities and ways of cooperation will be considered.

3.2 Overcoming Challenges Caused by Rapid Growth

(a) Environment and energy aspect

Environmental conservation and sustainable natural resources management are important issues addressed in the 9th Malaysia Plan. Japan on its part places measures against climate change as most important policy issues. Promotion of measures aiming for such as energy efficiency contributes to regional energy security, efforts in tackling with climate change, or sustainable economic growth, while promotion of utilizing new and renewable energy serves as effective measures to address development gaps within the region.

Therefore, Japan’s cooperation should address Malaysia’s efforts toward “Sustainable Society”. Japan intends to address the challenges that Malaysia cannot overcome on its own due to scarcity of talents, financial or technological resources, or of experience. It also assists Malaysia’s efforts in tackling with issues of global concern such as climate change. Japan will provide comprehensive assistance utilizing its high-level technology acquired in this field or its past experiences in addressing pollutions or urban traffic issues.

With regard to assistance for climate change related issues, Japan will cooperate Malaysia through policy dialogues where Malaysian Government’s determinations to take steps to achieve both reduction of greenhouse effect gasses (GHGs) emissions and economic growth as well as to take an active part in efforts towards relevant framework after 2013.

- Mitigation measures such as clean energy development;
- Adaptation measures such as water related disasters or water resources;
- Building a sound material-cycle society (waste control);
- Pollution control measures (water pollution control and air pollution control etc);
- Biodiversity conservation, forest conservation etc;
- Energy efficiency, new and renewable energy cooperation.

(b) Reduction of disparities

With regard to development in social sectors, Japan will provide assistance to

activities which promote a balanced growth for both economic and social benefits, human resources development and development of infrastructures in order to assist efforts to reduce disparities as referred in the 9th Malaysia Plan as one of important issues.

- Cooperation in development of the social sector
- Social security (participation to society by persons with disabilities, social insurance and occupational safety and health) and education

3.3 Overcoming Regional Issues

(a) Maritime safety and counter-terrorism

Securing the Straits of Malacca, a crucial international sea lane, and enhancement of counter-terrorism measures are most pressing agenda directly affecting Japan's economic activities and safety. Considering Malaysia's future role as a center of human resources development for counter-terrorism and sea pirate fields in the neighbouring countries, appropriate assistances will be provided to build up capabilities in maritime law enforcement and in counter-terrorism.

(b) Disaster prevention and management

Appropriate assistances will be also sought in the fields of disaster prevention and management against such disasters as flood, landslide, haze, earthquake and tsunami.

(c) Infectious diseases (especially Avian and newly emerged Influenza) measures

Further cooperation should be sought to address issues of not only regional but also global concerns such as infectious diseases, notably Avian and newly emerged Influenza.

3.4 Strengthening Capacity Development as a Donor and Promoting South-South Cooperation

Japan will extend its assistance to East Asia regional cooperation, Asia-Africa cooperation and cooperation for Islamic countries, for which Japan will coordinate with Malaysia to address regional and global issues.

(a) East Asia regional cooperation (East Asia Summit Meeting, Japan - ASEAN Summit Meeting)

In East Asia regional cooperation, priority areas of cooperation are 1) promotion of economic partnership, 2) bridging development gap, and 3) peace building within

ASEAN member countries. Japan will also make further efforts to seek for synergy effects with bilateral cooperation between Malaysia and Japan.

- Consolidating basic infrastructure and systems for promoting economic partnership
- Addressing non-traditional security issues (e.g. peace-building efforts like Mindanao Peace Process, piracy and international crimes etc.)
- Bridging Development Gap among the members of ASEAN

(b) Asia – Africa cooperation (TICAD)

In terms of Asia – Africa cooperation, we will make further efforts to understand the development needs of Africa, and formulate projects where development experiences of Malaysia can be applicable as good references.

- Poverty alleviation through economic growth (promotion of trade and investment, agriculture development etc.)
- Promotion of human security (education, health, peace consolidation etc)
- Addressing environment and climate change.

(c) Cooperation for Islamic countries (Malaysia as a gateway to Middle-East and Islamic countries)

In terms of cooperation for Islamic countries, joint project formulation missions will be dispatched to middle-east countries in order to consider a possible orientation of South-South cooperation.

- Areas of cooperation will be decided with due consideration to mutual interests of the two countries.

4. Considerations

4.1 The 9th Malaysia Plan

In March 2006, Prime Minister Mr. Abdullah announced and introduced the 9th Malaysia Plan, a five-year development plan from 2006 to 2010. In 2008, mid-term evaluation and review has been practiced. Consistency with above-mentioned mid-term review should be taken into considerations in examining Japan's development assistance.

4.2 Ex-Students and Participants to Training Courses in Japan

Malaysia has been promoting actively the “Look East Policy”. Many students and participants to various training courses have stayed in Japan. After coming back to Malaysia, these ex-students and participants have been utilizing technical skills, knowledge or experiences acquired in Japan and play active roles in many different

areas within Malaysia. Many of these ex-students and participants maintain relations with and interests to Japan. They are precious human assets that unite Japan and Malaysia. Therefore, cooperation with these ex- students and participants should be considered.

Japan's Country Assistance Program for Malaysia

Goals

Priority Areas

To establish good relationships as sincere partners in our effort to establish the East Asian Community

Malaysia's steady and sustainable growth and the advancement of its economy

1. Enhancement of Mutual Interests of Japan and Malaysia

- (1) Further implementation of cooperation under Japan – Malaysia Economic Partnership Agreement (JMEPA)
 - ① Cooperation under JMEPA such as Sub Committee for Cooperation or other Working Groups
 - ② Supports for system building and human resources development
 - ③ Economic partnership programs
 - ④ Automobile industry sector
- (2) Promotion of exchanges of people and human resource development

2. Overcoming Challenges Caused by Rapid Growth

- ① Environment and energy aspect
- ② Reduction of disparities

3. Overcoming Regional Issues

- ① Maritime safety and counter-terrorism
- ② Disaster prevention and management
- ③ Infectious diseases (especially Avian and newly emerged Influenza) measures

4. Strengthening Capacity Development as a Donor and Promoting South-South Cooperation

- ① East Asia regional cooperation
- ② Asia – Africa cooperation
- ③ Cooperation for Islamic countries