

# Malaysia-Japan Relations: Heading Towards Stronger Ties?

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Stable, steady, amicable — these are the words that come to mind when encapsulating the state of Malaysia-Japan relations. For many years, the focus of the relationship concentrated on economic cooperation — more specifically the manufacturing sector — but Malaysia-Japan ties quietly expanded to include culture, tourism, education and security. Recent developments at both domestic and international levels could pave the way towards a stronger, deeper and more comprehensive relationship.

Japan has been one of Malaysia's top economic partners for the last three decades. In 2014, the total trade between Malaysia and Japan amounted to USD 42 billion (RM 137.45 billion), third biggest after China and Singapore.

There are about 1,400 Japanese companies operating in Malaysia; these include the majority of the top financial and manufacturing corporations. As of September 2014, the approved investment from Japanese companies totalled USD 3.26 billion (RM 10.65 billion), creating 6,874 job opportunities. Japanese investment has increasingly grown beyond the manufacturing sector to include Islamic financing, the halal industry, green technology, retail and property, hospitality, and logistics.

The arrival of Japanese tourists in Malaysia has also been relatively stable; they are constantly ranked among the top ten visitors to Malaysia. In 2014, Japanese tourist arrivals in Malaysia recorded a growth of 7.8 per cent to 553,106 tourists compared with 2013. In addition, as of May 2015, the number of Japanese who have joined the Malaysia My Second Home (MM2H) programme stands at 3,725.

## **Developments in Malaysia-Japan initiatives**

For a long time after Japan rose from the ashes of World War Two to develop into one of the world's largest economies, its foreign policy was closely tied to its Official Development Assistance (ODA) Program. In pursuing bilateral relations, most of Japan's ODA, which has been criticised as 'money diplomacy', is channelled towards infrastructure and capacity building. Japanese firms have played a significant role in the ODA. Yet Japan's economic slowdown and stagnation in the 1990s has forced it to adopt a more comprehensive approach to foreign policy.

One will observe these changes by looking at the bilateral relations between Malaysia and Japan. While economic ties are still the focus of Malaysia-Japan relations, recent developments — through various initiatives and agreements in the last ten years — suggest that the two countries are not only keen on reviving and reaffirming their ties, but on expanding cooperation in other areas as well. These include environmental issues, third country cooperation, people to people exchanges, and defence and security.

In 2006, the first major agreement — the Japan-Malaysia Economic Partnership Agreement (JMEPA) — was signed and ratified by both governments, four years after its initial proposal. The JMEPA is a bilateral trade agreement with a ten-year

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timetable. It aims to liberalise and facilitate the trade of goods and services and investments between Malaysia and Japan.

Once the agreement is fully implemented, benefits could include increases in two-way trade, investments, and better market access for goods. Japan is one of Malaysia's most important economic partners and vice versa. Indeed, the JMEPA is a reflection of the heavy emphasis on economic ties between the two countries, which have existed since the early 1970s.

Prime Minister Najib and Prime Minister Hatoyama at the joint press announcement



Source: Pool/Getty Images AsiaPac

### *Enhanced Partnership*

On the occasion of Prime Minister Najib Tun Razak's first official visit to Japan in April 2010, the 'Enhanced Partnership for a New Frontier' was introduced as part of an effort to enhance, revitalise and reaffirm Malaysia-Japan relations as well as to explore new areas of cooperation. The bilateral cooperation reflected a progression of Malaysia-Japan relations from a mentor/mentee relationship to one of partnership. The joint statement by Japanese Prime Minister Yukio Hatoyama and Malaysian Prime Minister Najib Tun Razak centred on four areas:

- Cooperation for peace and security — Both countries vowed continued cooperation and commitment to maintain security in various areas such as Southern Philippines, the Korean Peninsula, and the Middle East; peacebuilding; maritime navigation; and the global fight against terrorism.
- Cooperation for strengthening competitiveness and sustainable growth — Partnership between the private sectors of the two countries, which included the expansion of investment in Malaysia by Japanese corporations in Islamic finance and the Halal industry, was promoted. New joint ventures for the private sector included green technology, renewable energy technology, biotechnology, and information and communications technology.

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- Cooperation for contribution in the areas of environment and energy — The two leaders announced the 'Japan-Malaysia Cooperation Initiative for Environment and Energy' and agreed to strengthen cooperation for sustainable forest management and the conservation and sustainable use of biodiversity.
- Cooperation for human resources development and promotion of people-to-people exchanges — The Look East Policy played a role in human resources development in Malaysia, through education exchanges and capacity building, and in the promotion of people-to-people exchanges between the two countries. Both sides also promoted people-to-people exchanges at all levels.

#### *Look East Policy*

The Look East Policy (LEP) was initiated in 1981 by former Malaysian Prime Minister Tun Dr Mahathir Mohamad. At its core, the LEP was an educational training programme. Its inception signalled a major shift in Malaysia's model of development away from that of the West towards the East. Malaysia aspired to learn and emulate Japan's path to economic development, and more specifically, its business ethics and techniques. Hence the LEP became a significant symbol — and is still recognised as the cornerstone — of Malaysia-Japan relations.



*Source: Embassy of Japan in Malaysia*

As the LEP approached its 30th anniversary, a decision was made to reevaluate and update the concept of the LEP to better reflect current realities. This was also an underlying effort to revive, reaffirm and boost bilateral ties at a time when China's rise to prominence as a regional economic and military power presents challenges as well as competition to both countries.

The second wave of the LEP, also known as LEP 2.0, was announced during the ASEAN-Japan Commemorative Summit in 2013. The LEP 2.0 focused on cooperation in industries of the future with advanced industrial technologies and low carbon emissions, high end services, and management skills development. Other areas of cooperation include modernising small and medium enterprises and dealing with an aging population.

## *Strategic Partnership*

In a Bilateral Summit Meeting on 25th May 2015, Malaysia and Japan elevated their ties to a 'Strategic Partnership' status. In the joint statement of Prime Minister Shinzo Abe and Prime Minister Najib Razak, five areas of interest were highlighted:

- Cooperation for peace and stability — Both leaders reiterated their commitment towards security cooperation to ensure regional peace and stability. They further acknowledged the multifaceted exchanges between the defence authorities particularly in the humanitarian assistance and disaster relief efforts. As a new initiative of such cooperation, negotiations on the framework for cooperation on the transfer of defense equipment and technology were initiated.



*Source: todayonline.com*

- Achieving free, open and stable sea — Previously an item under 'Cooperation for peace and security' in the joint statement of the 'Enhanced Partnership for a New Frontier', this point was highlighted perhaps as a response to recent tensions in the South China Sea. The importance of sea lanes of communication (SLOC) in the region was emphasised. Japan praised Malaysia's continued efforts in ensuring the safety and security of Malaysia's maritime zones, especially the SLOC in the Strait of Malacca and the South China Sea.
- Investment in the future through the LEP 2.0 and economic cooperation — The LEP has enabled modern technology to be effectively transferred to Malaysian students and researchers through their experiences working in Japan. Malaysia hoped that LEP 2.0 will lead to genuine technology transfer, effective collaboration in research and development, and successful business joint ventures. Other issues discussed included the Japanese Shinkansen system in the High Speed Railway Project between Kuala Lumpur and Singapore, addressing climate change, and various multilateral economic partnerships.
- Expanded cooperation in cultural and people-to-people exchange — New fields of cooperation included health, science, technology and innovation, and information and communication. People-to-people relations formed the foundation for building strong bilateral ties between the two countries. Hence cultural and people-to-people exchange would be promoted through tourism, education exchange programmes including JENESYS2015 and Japanese language education assistance, and cooperation under the 'Sport for Tomorrow' programme.

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- Contribution to regional and global agenda — Both leaders reaffirmed the significance of ASEAN’s centrality to and mechanisms in the evolving regional architecture. Various issues were addressed including recent developments in the South China Sea, the irregular movement of people in Southeast Asia, the need to reform the United Nations in a way that reflects the geopolitical realities of the 21st century, disarmament, non-proliferation, and nuclear energy.

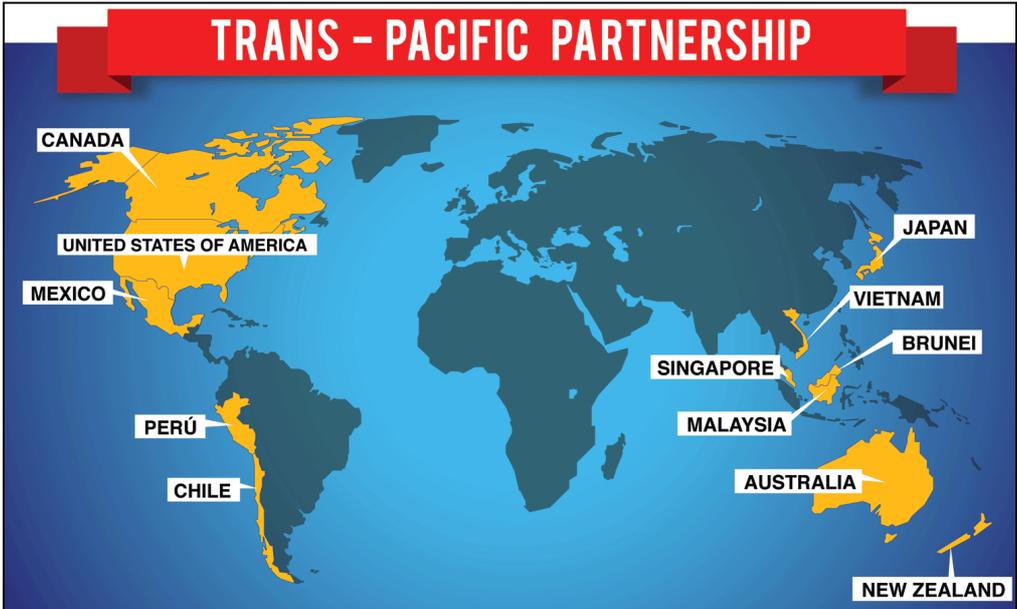
The joint statement on ‘Strategic Partnership’ seemed to place more emphasis on security and defence issues, putting these issues on a par with economic issues. This indicated that the relationship between Malaysia and Japan has evolved beyond traditional interests, namely economic interests.

**Trade agreements**

Besides the JMEPA, Malaysia and Japan are also part of two significant proposed trade agreements. One is the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement between the 10 ASEAN member states, Australia, China, India, Japan, New Zealand and South Korea. The United States is not part of the RCEP. The other is the Trans-Pacific Partnership (TPP), in which 12 countries are participating in negotiations for the agreement. These comprise Brunei, Chile, New Zealand, Singapore, the United States, Australia, Peru, Vietnam, Malaysia, Mexico, Canada and Japan. Colombia, the Philippines, Thailand, Taiwan and South Korea have expressed interest in joining, whereas China is not part of the TPP negotiations.

The TPP is seen as the stronger agreement as its ambitious objectives call for binding agreements and cover areas which are not typically included in other trade agreements. The RCEP, on the other hand, has a better chance of being realised due to its more accommodating agreement.

TPP Trade Agreement Map



Source: Communications Workers of America

Visitors attend the 39th Bon Odori Festival in Shah Alam on 5 September 2015 despite rain



Source: Citizen Journalists Malaysia

Dancers performing the Bon Odori folk dance at the annual celebration



Source: Citizen Journalists Malaysia

Given that Malaysia and Japan are involved in both agreements, the implementation of either or both agreements could lead to a closer and deeper economic integration and interdependence between the two countries. The more intriguing aspect of these agreements is the exclusion of one superpower in each agreement and how this will play out.

### Malaysia-Japan 2.0

Malaysia-Japan relations have evolved beyond the economic sphere, particularly in the last decade. Closer cooperation in defence and security are relatively new areas. Japan seems more at ease now when dealing with military matters and has expressed interest towards 'normalising' its military. Unlike China and South Korea, Malaysia has not expressed any misgivings, at least publicly, over Japan's military normalisation. Hence Japan has been keen to develop military ties with and sell its military equipment to friendly neighbours like Malaysia.

Malaysia and Japan have long-established strong ties and networks at every level of society. Official visits by the Malaysian Prime Minister and other high ranking ministers to Japan have become an annual event. Government-related organisations, such as The Japanese Chamber of Trade and Industry (JACTIM), the Japan External Trade Organization (JETRO), Malaysia's Ministry of International Trade and Industry (MITI) and the Malaysian Investment Development Authority (MIDA), also work to promote economic relations between the two countries. Additionally, the business community, through the Malaysia-Japan Economic Association (MAJECA) with its counterpart known as Japan-Malaysia Economic Association (JAMECA), meet regularly in both countries. At the community level, strong ties are evident in the LEP programme and the establishment of Japan Graduates' Association of Malaysia as well as various Japanese related clubs.

Indeed, existing government initiatives and programmes as well as the support of people-to-people networks should lead to closer and deeper ties between the two countries. The level of closeness, however, would depend largely on the realisation of such government initiatives. At a time when there are powers competing in the region for economic and military supremacy as well as global economic uncertainties, a closer Malaysia-Japan relationship could prove to be beneficial for both parties.