

Newspaper	New Straits Times
Date	25/4/2014

Bright spot of new Asia

KINDRED SPIRIT: Malaysia and the US share a long economic history that stretches over five decades

NST-35 / 4 / 2014

WHEN United States president Lyndon B. Johnson stopped over in Malaysia more than four decades ago, he was drawn to how the young nation was able to alleviate rural poverty through its activities in commodities and mining.

He was probably struck by how a newly independent state was responsible for at least 50 per cent of global production of rubber and tin.

Bright spot of new Asia. That was the description those accompanying the president had given to emerging Malaysia.

The historic visit on Oct 31, 1966 to Kampung Labu Jaya near Seremban, a showpiece of the Felda settlement scheme, was marked by its new name, Kampung L.B. Johnson, a small gesture of recognition and seeding of bilateral prospects.

Malaysia's first prime minister, Tunku Abdul Rahman, looked to the US, the largest global economy, as a fortuitous partner in the nation's planned industrial build-up.

The Americans were not actively involved in either of these booming commodity sectors or Malaysia's economic history, although they liked to believe that relations between the US and the then Federation of Malaya dated back to the 19th century, when merchants visited the ports facing the Straits of Malacca.

This small-scale commerce flourished post-Merdeka and, with it, the new wave of Hollywood cinema that found its place in all the upper middle-class homes.

Trade volume in the 1960s was minuscule by today's standards, until American firms became a significant participant in Malaysia's economic development history in the 1980s, when the activities shifted to resource-based and heavy industries.

By 1985, the US was importing about US\$2.23 billion (RM7.29 billion) from Malaysia and the value has remained on a steady upward trajectory since, to US\$17.45 billion (1995) and US\$27.29 billion (last year). These figures contrast sharply with its exports to

Malaysia: US\$1.54 billion (1985), US\$8.82 billion (1995) and US\$13 billion (last year).

Malaysia ranked as the US' 24th largest trading partner in 2012, while the US is Malaysia's fourth-largest trading partner. US exports to Malaysia include machinery, aircraft, agricultural products, optic and medical instruments, iron and steel. US imports from Malaysia include machinery, agricultural products, and optic and medical instruments.

According to Malaysia's external trade promotion agency, Matrade, exports to the US increased by 8.4 per cent versus a year ago, and indications point towards improving manufacturing activities in coming months.

More importantly today, many of the American companies proudly talk of a "Malaysian footprint" in their global supply chain network.

Among the top 10 are Intel (M) Sdn Bhd, Western Digital (M) Sdn Bhd, Freescale Semiconductor Sdn Bhd and Dell Asia Pacific Sdn Bhd.

From the 1980s onward, US investments flowed in, keeping pace to match fast-developing Malaysia's structural needs as it transformed into a technology-intensive economy in the 1990s and the five economic corridors a decade later. The liberalisation of several sub-sectors in the service sector continued to keep American investors' interest keenly trained on fresh opportunities.

The US remains the largest foreign investor in Malaysia, both with new investments last year and total stock. US foreign direct investments (FDIs) are led by the manufacturing, banking, and oil and gas sectors, while Malaysian FDIs in the US are led by the real estate and wholesale trade sectors, according to the US embassy.

The improved rankings in global competitiveness has placed Malaysia as a beacon to foreign investor queries and its active participation in numerous free trade pacts has enhanced its image as an attractive place to do business.

The Malaysian Investment Development Authority (Mida) described the US as a major source and this is reflected in the US\$20 billion worth of investments in the



US president Lyndon B. Johnson, with then Yang di-Pertuan Agong Tuanku Ismail Nasiruddin Shah and then prime minister Tunku Abdul Rahman (right), leaving the Subang International Airport on Oct 30, 1966.

manufacturing sector as at the end of last year, which created more than 190,000 jobs.

"That represents 21.6 per cent of total realised foreign investments and many prominent US companies have established their presence here and continue to expand their operations," remarked Mida chief executive officer Datuk Azman Mahmud, referring to Intel, Conoco Phillips, AMD, Cargill, Flextronics, ACE Group and FMC Technologies.

The newcomers are Darden, Bose, Kellogg and Hershey. These companies have contributed towards building the local supply chain of Malaysian small and medium enterprises.

"We would like to welcome more investments from the US, particularly in new growth areas in emerging technologies... high technology, capital-intensive, high value-added, knowledge-based, skills-intensive, export-oriented, capital-intensive... and which provide high-income jobs."

Opportunities also await US companies by way of regional establishments to serve companies in the Asia Pacific region, in which Malaysia is regarded as a pivotal hub for operational headquarters, regional and global hubs, data centres, and centres of excellence.

Malaysia recognises these developments as significant in the context of the Asean Economic Community, which takes shape at the end of next year. Malaysia takes the chair of a single market of 600 million, with a production base that enjoys the free flow of goods, services, investment and skilled labour.

The US-Asean Business Council wants US President Barack Obama to convey the strong commitment of US businesses to an integrated Asean. After all, one-third of US

investment in Asia flows to Asean.

"Asean matters for America", a study by the East-West Centre and Institute of Southeast Asian Studies, recognises Asean as a vital part of the US' rebalancing towards Asia, pointing to Malaysia and the Philippines as the fastest-growing countries in the region.

But, the Americans are warily looking at the current supply in Malaysia. They have fully backed the transformation plans towards a knowledge-based economy, which would enable them to value-add their products out of Malaysia into the global supply chain.

The US regards Malaysia as a significant regional and global partner. Their partnership has expanded in trade, investment, educational and cultural relations, as well as security matters (including counter-terrorism and the maritime domain).

Being members of international organisations, both countries share a lot of common interests which have prompted the talks for a bilateral free trade agreement but they fell through three years later, only to be replaced with the more ambitious regional Trans-Pacific Partnership.

A lot of hopes are pinned on the 12-member grouping's plans for a new framework for trade, investment and services, although talks have not been smooth over the past four years since it was first announced.

Arguably Malaysia and the US share a kindred spirit that has stretched from trade, investments and part of services over the past five decades. Just as young Malaysia provided the bright spot to the Americans in the 1960s, will a developed Malaysia provide another illuminating attraction?

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