

Country Development Cooperation Policy for Malaysia

September 2023

1. Purpose of Development Cooperation

Malaysia has a geopolitical importance as a coastal country in the Straits of Malacca, a strategic position for international maritime transportation and an important sea lane for Japan. It also has a great economic importance as one of the main footholds of Japanese industries venturing into foreign markets (about 1,600 Japanese companies are operating in Malaysia) and as a major supplier of natural gas to Japan. In addition, Malaysia highly values its solid bilateral relationship with Japan through the Look East Policy (LEP). Based on the LEP, it has sent many students and trainees to Japan to learn advanced technologies as well as actively promoted investment from Japanese companies. As a result, Malaysia has achieved remarkable economic growth by synergizing development assistance, trade and investment from Japan and grown into a success case among ASEAN countries.

As mentioned in the 12th Malaysia Plan (2021-2025), Malaysia aims to become 'A prosperous, inclusive and sustainable nation' by highlighting the three themes: resetting the economy; strengthening security, wellbeing and inclusivity; and advancing sustainability. Hence, it is key for Malaysia to become a high-income nation by 2025 while dealing with various domestic issues simultaneously. For example, while there are high demand in Malaysia for transforming its industries into a high value-added ones as well as introducing advanced technology, it has substantive challenges such as infrastructure maintenance, climate change, environmental protection, equal education and working opportunities, protection of the socially vulnerable group. Japan's support for these needs and challenges through Official Development Assistance (ODA) is meaningful from the perspective of realizing the Sustainable Development Goals (SDGs).

The income level of Malaysia is higher than other recipient ones though it is still one of the target countries for Japanese ODA. In addition, Malaysia is preparing for establishing an aid agency. Based on these points, it could be a significant country for Japan in establishing a development cooperation model that is underpinned not by a traditional donor-recipient relationship but by a mutual

partnership.

2. Basic Policy of Japanese ODA : i) To establish a good relationship as cooperation partners, and ii) to promote regional cooperation in Asia region

By collaborating with private sectors, universities, research institutions, and NGO, Japan supports Malaysia's high-quality growth and its achievement of the SDGs.

Japan also promotes ASEAN integration as well as interregional cooperation in Asia. For this purpose, Japan aims to build a mutual relationship with Malaysia to develop new solutions to global issues by bringing together our strengths, having dialogue, and working together.

3. Priority Areas

(1) Support Malaysia's balanced development toward a high-income nation

Considering Malaysia's aspiration to become a high-income nation by 2025, Japan supports Malaysia in the fields of administrative capacity; higher education including industrial human resource development; quality infrastructure development; high value-added of digital, food, energy and halal industries; advanced technology. At the same time, Japan supports Malaysia's initiatives to deal with new areas and to stabilize its society, such as environmental protection; protection of the socially vulnerable; aging society; and disaster management.

In addition, Japan utilizes and consolidates its multilayered network with Malaysian experts on Japan as well as those who have studied or trained in Japan under the LEP.

Furthermore, since Malaysia still has a large economic and income disparities between urban and rural areas, Japan continues to promote Grass-Roots Human Security Projects and Japan Overseas Cooperation Volunteers (JOCV) as Japanese-style assistance that directly benefits the local community.

(2) Response to common challenges in Asian region

To enhance the benefit for the whole Asian region, Japan supports Malaysia's efforts, including human resource development and the promotion of cooperation, in order to cope with common challenges in the Asian region such as improvement of ASEAN connectivity, promotion of the rule of law at sea and countermeasures against infectious diseases.

(3) Japan-Malaysia Development Partnership beyond the Asian region

Japan aims to build a mutual relationship with Malaysia to develop new solutions to global issues by bringing together our strengths, having dialogue, and working together. For this purpose, Japan supports Malaysia's initiative to provide technical assistance to third countries including regions outside Asia, such as Africa and middle-east countries.

4. Points to be noted

For implementing cooperation with Malaysia, Japan aims to build a model of development cooperation for countries with a relatively high-income level as well as put importance on the viewpoint of economic security, such as resilient supply chain.