

BUSINESS OPPORTUNITIES FOR EU COMPANIES IN BIMP-EAGA

(MALAYSIA FOCUS)

By:

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1. ENVIRONMENT AND ENERGY

■ Renewable Energy

Malaysia is well positioned (along with Indonesia) to promote the use of biomass as a renewable energy source in her national energy mix.

Government provides investment incentives and tax measures to encourage wider implementation of biomass based energy production

Clean Development Mechanism (CDM) is the only mechanism in the Kyoto Protocol through which developing countries can engage in emission reduction activities.

EU Directive 2004/101/EC allows a link between EU Emissions Trading Scheme (ETS) and the CDM

Specific actions at institutional level, aimed at facilitating the meaningful participation of Malaysia in CDM should be envisaged such as build the capacity of relevant CDM stakeholders.

Reliability of the fuel supply is dependent on the mills' capacity and operation

There is also competition with non-energy uses of the palm oil residues

RE developers reluctant to invest in the RE power projects is the *sales price of RE electricity*

Government is presently revising the sales price of RE electricity (New Renewable Energy Act).

If renewable energy has to be economically self-reliant, it is important that RE receives the same treatment as fossil fuels.

Still rather difficult to obtain financing for biomass-based power generation projects in Malaysia

- To make biomass-based power generation an attractive business venture, it is necessary that a “level playing field” price between the relevant stakeholders (including Energy Service Industries-ESI), be mutually achieved
- The core of Sarawak Corridor for Renewable Energy (SCORE) is the energy resources, particularly hydropower, coal and natural gas found abundantly within the Central Region
- This will allow Sarawak to price its energy competitively and encourage investments of energy-intensive industries

Solar Power in Malaysia

- Malaysia has a grand vision of being a developed country by 2020.
- To achieve that, Malaysia should focus to achieve betterment in various social, environmental and economic parameters.
- Provision of initial subsidies for renewable energy sources should help in rural electrification, environmental betterment and sustainable development.
- solar energy would get a big boost

- Surging oil prices, increasing environmental awareness, growing imports of oil and un-utilized resources of renewable energy are the factors driving to promote renewable energy in the country
- Potential for solar power generation is very high. However, the real harnessing of this renewable energy source is below its actual potential.
- Several factors contribute to this restraining impact on a potential market for solar power.
- These projects are capital-intensive and the initial setting-up costs are quite high
- Banks are reluctant to provide funds.
- No coordination among existing agencies to publicize the information pertaining to the technology

- the lack of awareness about this technology pushes up the cost for maintenance services
- substantial opportunity for establishment of domestic production facilities for solar panels, inverters, and protection systems, which will reduce the price and stimulate the demand.

Environmental Engineering Market in Malaysia

- The value of the Malaysia's environmental market is estimated to be Euro 600 million
- environmental market is expected to grow at a rate of 10% annually
- following sectors offer significant opportunities for environmental exports to Malaysia
- Industrial Waste Water Treatment. Opportunities lie in low cost waste water systems, monitoring equipment, wastewater recycling equipment, sludge dryers and industrial purification systems along with environmental consultancy

- Sewerage Treatment. Euro 186 million has been allocated for repair of existing sewerage plants
- Industrial and Hazardous Waste Management. Opportunities lie in waste minimisation technologies, hazardous waste recycling and disposal and bio-remediation technologies
- Solid Waste Management. potential opportunities in landfill design, construction of transfer stations, waste recycling and composting methods and equipment supply such as waste to energy technology. Long-term opportunity in reclamation of landfills for redevelopment.

- **Water Treatment** . Government has approved 62 major water projects, including 47 dams costing Euro 16 billion nationwide under a Master Plan to meet rapidly growing water demand. Other opportunities include air pollution prevention and control, environmental monitoring/management systems, soil erosion technologies, noise monitoring/control equipment, assistance in development of recycling systems, air monitoring equipment, oil spill recovery and remediation technologies . only 56% of the Malaysian rivers are considered clean. need for more advanced and sophisticated water treatment technologies to maintain water quality .

The main environmental technology providers in Malaysia are UK, German, Danish, French, US and Japanese companies . **Consulting firms and equipment suppliers must register with the Department of Environment (DOE).** Foreign consultants in a joint venture with a Malaysian company can operate under the local firm's licence . The most effective means of gaining entry and establishing a presence in the market for new European environmental engineering and consultancy exporters is to work with a local partner, such as the Association of Environmental Consultants and Companies Malaysia (AECCOM). Having a local partner is particularly important when bidding on **Government tenders** . Government encourages projects that are collaborative between foreign and local partners, especially those that will provide Malaysia with long-term technology transfer under the scheme of Public Private Partnership (PPP).

2. NATURAL RESOURCES (FORESTRY)

■ Investment Opportunities in the Wood-based Industry In Malaysia

Malaysia's focus is in value added downstream products, through the development of the industry in an integrated manner, combining both manufacturing activities and R&D including product design and market promotion.

Most of the larger sawmills, veneer and plywood mills are located in Sarawak and Sabah

Sectoral Performance

Sawn timber

- 1,202 sawmills in operations out of which 180 in Sarawak and 175 in Sabah. Export of sawn timber in 2008 amounted to RM 2.6 billion with exports mainly to Thailand, Netherlands, Japan, China and UAE.

Plywood/Veneer

- export of plywood amounted to RM 6.4 billion

Particleboard

- 16 mills in operation

3. AGRICULTURE/ AQUACULTURE

Aquaculture Opportunities in Malaysia

- Strategy to develop the aquaculture sector in the Third National Agricultural Policy (NAP3 1998-2010)
- specific objectives:
 - enhance food security, increase productivity and competitiveness of the sector, deepen linkages with other sectors, create new sources of growth for the sector, conserve and utilize natural resources on a sustainable basis.
- The seafood and aquaculture products' exports . RM 6.2 billion (approx. Euro 1.24 million) in 2010. The sector contribution to Malaysia's GDP is 0.14%.
- Malaysia has not exploited yet its natural conditions for aquaculture: a conducive climate all year round, a sizeable domestic market and good potential for export

- Government is interested in attracting foreign capital and appropriate know-how whenever is available to develop this sector through environment friendly technologies
- As a mean to mitigate environmental impact, DOF developed specific guidelines on Good Aquaculture Practices (GAP).
- Land remains difficult to obtain, although there are about 80% of suitable land not been utilized
- Despite EU being the single largest shrimp market, Malaysia's shrimp exports to the EU remain low, only 5% of total exports
- low volume is related to the inability of exporters to meet EU food safety regulations
- incidence of rejections of Malaysian shrimp consignment has considerably damaged the Malaysian shrimp image in the EU market
- In 2008, the voluntary de-listing of 24 Malaysian fish-exporting establishments due to short-comings in Malaysia's systems with regard to compliance with EU food safety standards.

Medium Density Fibreboard (MDF).

- 14 plants . RM1.2 billion

Veneered Panels Products

- being environmentally friendly, increasingly being used in the construction industry.

Mouldings and BJC

- Exports - USA, UK, Australia, Singapore and Denmark. Mouldings export RM 745.2 million while BJC exports amounted to RM 1.35 billion.

Furniture and Fixtures

- Tenth largest exporter of furniture in the world . exports of RM 6.8 billion

- There is the need to better prepare the Malaysian shrimp industry produce high quality shrimp by adoption of Best Management Practices (BMP) in compliance with the EU food safety standards, and to bring more equitable distribution of the benefits from shrimp export by facilitating EU export market access to the small-scale shrimp farmers.
- There is the need to bring awareness and technical skills to the small-scale farmers on BMP, which would enable them to produce safe and hygienic quality shrimp in environmentally and socially responsible manner.
- Specific actions boost the capacity of the fisheries and/or farming sectors and enabling Malaysian authorities to put in place food safety systems and control measures that should enable to resume the export of fish and fish products to the EU

- Department of Standards is the coordination authority working on food standards, and has delegated SIRIM Bhd. for coordinating the implementation of traceability according to the strategy of food safety.
- Traceability is defined as “the ability to follow the movement of a food through specific stage(s) of production, processing and distribution”.
- Ministry of Agriculture (MoA) and DOF have set up plans to develop a Shrimp Traceability Manual System, with the aim of using technology to increase competitiveness of Shrimp industry, integrate DOF information system, increase buyers’ confidence from traceability effectiveness, and create cooperation between government and private sector.
- In order to be able to comply with EU regulations concerning EU Food Hygiene Standards, Mandatory Product Safety and Environmental Regulations, MoA and DOF acknowledged the need to utilise European expertise, facilitate the promotion of European technology in Malaysia and increase mutual understanding among Malaysian processors and exporters and European importers.

4. ECOTOURISM

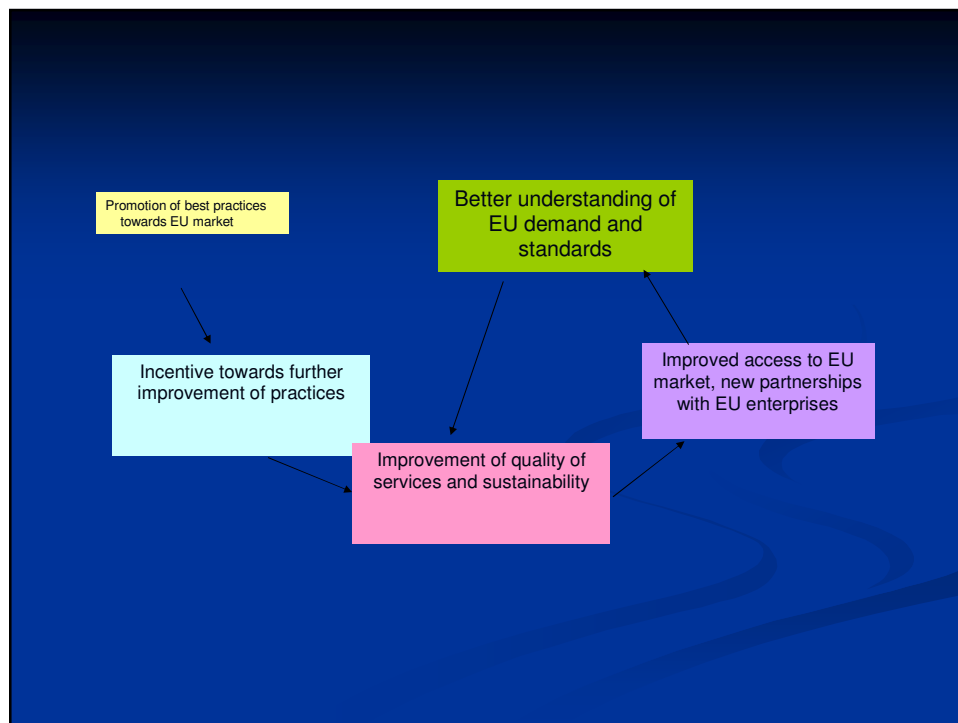
- Sustainable Tourism Management in Malaysia
- Sustainable tourism development meets the needs of the present tourist and host regions while protecting and enhancing the opportunity for the future. It is envisaged as leading to management of all resources in such a way that economic, social and aesthetic need can be fulfilled, while maintaining cultural integrity, essential ecological processes, biological diversity and life support systems (WTO)
- Tourism industry is a key foreign exchange earner for Malaysia, contributing to over 40% of the country’s balance of payment
- industry provides an important source of income, employment and wealth to the country.
- need to ensure that the tourism industry remains both environmentally and economically sustainable
- Government has formulated the **Malaysian National Ecotourism Plan** to ensure conservation of Malaysia’s natural and cultural heritage
- government recognizes the imperative role of the private sector and specifies roles for all sectors of Federal, State, and Local Authority, private business, NGOs and other players.

- Malaysian National Conservation Strategy (NCS), which envisaged actions are:
 - Improve environmental planning and management in the destination
 - Promote more sustainable transport
 - Promote natural and cultural heritage resources
 - Help tourism enterprises to be more sustainable
- Use appropriate certification schemes
- Promote the use of local products
- Strengthen communications among visitors and local residents

Meeting EU Standards for Sustainable Tourism in Malaysia

- Although steadily increasing, the actual flow of tourists from the EU seems having difficulties in reaching its full potential.
- Aware of the needs for sustainable development, efforts have been made by Malaysian tourism enterprises to meet national standards in sustainable development set up by the authorities.
- these measures are not sufficient to ensure that Malaysian operators are meeting standards recognized in the EU.
- In order to increase Malaysian tourism sector's access to the EU market, specific actions should be put in place with the objective to assist Malaysian enterprises to learn more about Malaysian Tourism Best Practices, success stories of environmentally and socially-responsible operators throughout Malaysia, acquire awareness of EU standards for sustainable tourism, and be able to improve their practices to meet these standards.

- The objective:
- a. **increase the understanding of European standards for sustainable tourism management among selected representatives of the Malaysian tourism sector**
- to raise their awareness and knowledge of **3 aspects of the EU market for sustainable tourism:**
 - socially and environmentally responsible tourism)
 - use of eco-labels for tourism in the EU
 - social and environmental standards used by outbound tour operators from the EU
- The **“Virtuous circle” effect.**



b. increase the capacity of the Malaysian tourism sector to meet the standards used in the EU for sustainable tourism

c. identify and promote selected cases of good practices

- To ensure that Malaysia's sustainable tourism standards would be developed in the same direction as the European standards, policy-makers should incorporate the following features into their policies.

Environmental aspects

- Energy saving, use of renewable energy sources
- Economic water consumption
- Protection of the natural environment
- Prevention of the reduction in air pollution
- Prevention of reduction of noise pollution
- Correct disposal and management of liquid and solid waste products
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Social Aspects

- Protection of human rights
- Prevention of use of illegal or improper labour
- No employee discrimination
- Educating and informing visitors
- Involvement in local social development programmes (CSR)

Economic Aspects

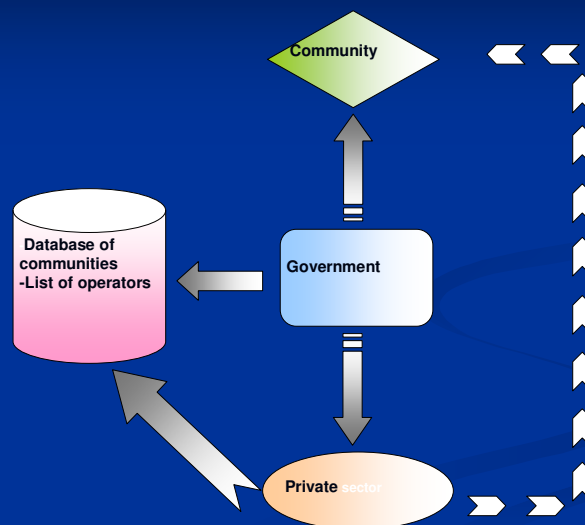
- Fair-play business
- Preferred use of local resources
- Local ownership
- Local investment of profit
- Involvement in local economic development programmes

Sustainable Tourism Development in Malaysia: problems and proposal solutions

- Cooperation between government and private sector

Proposed solutions: The government should delegate responsibilities to other sectors. Government should act as a coordinator, gather data and distribute it to private sector.

Proposed model:



Sustainable Tourism Development in Malaysia: roles and responsibilities of stakeholders

■ Government Organisations

At policy-making level: more funds should be given to the units that incorporate sustainability into their policies and action plans. Local and national NGOs should supply cultural and natural knowledge.

At local level: Local Administrative Offices, private operators and NGOs should create working groups to set the direction.

NGO: NGOs should get together and talk, gather information, knowledge and case studies. collaborate with private sector, academics and government to create a partnership towards the goal of using tourism as a tool for development,

Academics: academic institutions, both government and private, offer a range of programmes and courses on sustainable tourism.

Initiatives should also establish linkages with other programs in the EU, in order to achieve the triple goal of increasing the visibility of the EU in Malaysia, transfer expertise from the EU to the Malaysian tourism sector, and foster permanent links between EU and Malaysian organizations.

1. Linkages with the EU VISIT Programme (Voluntary Initiative for Sustainability in Tourism).
2. Linkages with TOURBENCH (European Monitor and Benchmarking Initiative for the reduction of Environmental Impacts and Costs in Tourist Accommodations).
3. Linkages with the Tour Operators Initiative for Sustainable Development in Tourism (TOI).