GCC-MALAYSIA RELATIONS

PART I: MALAYSIA’S POLITICAL FUTURE
EXECUTIVE SUMMARY

Part II of the Malaysia report provides comprehensive projections on future business opportunities and economic growth in Malaysia.

To understand Malaysia’s current economic risks and opportunities, the report not only offers an appraisal of recent government policies but also takes the pulse of the economy and provides an overview of current business opportunities. In spite of slowing growth and rising risk of fiscal slippage, Malaysia remains an attractive destination for investors, particularly those seeking long-term placements of capital in high-income generating assets.

Primarily targeting investors based in the Gulf or managing wealth from the region, the report offers a general account of investment opportunities in Malaysia and looks in detail at investment flows between the GCC and Malaysia.
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WHO ARE WE?

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**LIST OF TERMS:**

1MDB: 1 Malaysia Development Berhad, a sovereign investment vehicle whose funds were embezzled between 2009 and 2014.

ASEAN: Association of South-east Asian Nations

FAECITC: Framework Agreement on Economic, Commercial, Investment & Technical Cooperation

FDI: Foreign direct investment

FTA: Free trade agreement.

GCC: Gulf Cooperation Council.

GST: Goods and Services Tax, introduced on 1st April 2015 at 6% but repealed on 31st July 2018 and replaced by a Sales and Services Tax

Islam Hadhari: Or Civilisational Islam, a policy from PM Abdullah Badawi.


PSI: Petro Saudi International

PIPC: Pengerang Integrated Petroleum Complex

PR/PH: Pakatan Rakyat/Pakatan Harapan is the current ruling coalition.

QIA: Qatar Investment Authority

RAPID: Refinery and Petrochemical Integrated Development project

II. MALAYSIA’S ECONOMY: OPPORTUNITIES AND CHALLENGES FOR GULF INVESTORS

In early 2019 Japanese bank Nomura downgraded Malaysian shares from neutral to underweight, due to concerns over the government’s ability to implement systemic and structural reforms to boost the economy.

**ECONOMIC PULSE:**

Population: 32m

Labour Participation Rate: 6%

2018 GDP: $314.5bn

GDP Per Capita $9828

The Pakatan Harapan (PH) coalition’s rise to power was accompanied by expectations that the new government would implement a reform programme capable of boosting economic growth, including by reducing corruption, raising the efficiency of government services and creating a level playing field for the private sector, so that firms can do business without the aid of political support. However, progress on these reforms has been slow and the country faces a number of short-term challenges that could limit economic expansion and increase the risk of fiscal slippage.

In 2018 the Minister of Finance Lim Guan Eng reappraised the country’s debt level, increasing it from 54% to 84% of GDP, or approximately $250bn. Poor fiscal management under the previous administration and the lower oil price environment were said to have contributed to the rise, as well as Mahathir’s decision to scrap the goods and services tax (GST) implemented by Najib Razak’s government as a way to gain popular support. As a result, state revenue targets were lowered by nearly $1bn in 2018.
Overall, the government owes some $58bn in unpaid tax refunds, and outstanding 1 Malaysia Development Berhad (1MDB) payments and contingent liabilities. In 2018 the budget deficit reached approximately 3.7% of GDP – a five-year high – up from previous estimates of 2.8%. In 2019 the deficit is expected to decrease only marginally, to 3.4%, before declining to 2.8% in 2021. Inflation is expected increase to between 2.5% and 3.5% in 2019 – up from previous projections of 1.5-2.5%.

To increase fiscal stability, the government announced a number of revenue-generating measures as part of the 2019 budget. In addition to drawing more income from the National oil company, Petronas, by doubling its dividends to $13bn, it introduced a range of new tax measures, including a one percentage point increase in stamp duty to 4% on properties worth more than $245,000; and a tax on real estate value gains for residents and non-residents of 5% and 10%, respectively. In addition, casinos will pay 35% of their income to the government and pay for higher license fees. Also in the budget was a plan to set up a real estate investment trust for airports, with the government to sell a 30% stake of its airport assets to the structure, earning it around $1bn. Fuel subsidies for medium- and large-sized cars will also be phased out in 2019; and taxes for small businesses cut by 18%. Subsidies and social assistance are therefore likely to drop by 33% in 2019, to $5.4bn, as there will be fewer cash transfers and energy subsidies. As a result of the changes, government expenditure in 2019 was estimated at $64bn, a 10% rise from 2018.

Increased revenue should also be expected from ongoing litigations to recoup some of the money lost by the 1MDB. According to the American Department of Justice, some $4.5bn was embezzled from the sovereign fund between 2009 and 2014. Malaysia’s government has filed lawsuits against a number of actors with links to the fund, including 1MDB advisors Jho Low and Jasmine Loo, global investment bank Goldman Sachs and professional services firm Deloitte, and are seeking reparations as high as
$7.5bn³.

Deloitte has already been ordered to pay $537,000 for failing to report irregularities in dealings with 1MDB, and in early 2019, Lim said that Malaysia could expect to receive the first repayment of lost monies sometime over the coming months.

Malaysia is likely to face serious financial and economic headwinds in 2019 and 2020. In early 2019 Japanese bank Nomura downgraded Malaysian shares from neutral to underweight due to concerns about the country’s financial stability. The bank said the move was in part because it felt the new government had so far failed to implement reforms robust enough to improve Malaysia’s fiscal position and maintain its current credit ratings⁴. However, in mid-2018 S&P Global Ratings said it thought the government’s commitment to gradual fiscal consolidation was credible and reaffirmed its “A-” sovereign credit rating⁵.

In addition to demonstrating confidence in the government’s fiscal policies, Malaysia’s credit rating is also reflective of its continued strong economic performance. While GDP growth slowed in 2018, to 4.7% compared to 6% in 2017, it remains above average among A-rated countries. In October to November of 2018 quarter-on-quarter growth increased by 0.2 percentage points to 4.6% on the back of strong export growth⁶. In fact, Malaysia’s export sector was the best performing in Asia in 2018. Supported by higher commodity prices, it expanded by 6.7% over the course of the year, and the country widened its trade surplus for the second consecutive year in a row, to $29bn. To explain this strong performance, it is crucial to state that Malaysia has a balance sheet economy, reliant on exports, the private sector and Government-Linked Investment Companies (GLICs). While increasing trade tensions could slow external sector growth in 2019, robust domestic demand should ensure the economy continues to expand at a steady rate.

Although dangerous for Malaysia’s fiscal balance, economic growth could
also be buoyed if Mahathir reverses his position on Chinese infrastructure investments in Malaysia. The East Coast Rail Link, which was suspended by the ruling coalition in July 2018 over concerns over its financial viability, is reportedly set to go ahead as planned, following renegotiations. Under the terms of the new agreement, China will pay half of the project’s costs, while Malaysia will secure a price reduction and save $123m in interest on the loan. Meanwhile, Malaysia’s adoption of more stringent environmental regulations could limit growth in certain sectors. The country has blocked any further expansion of palm oil plantations and implemented strict new rules on waste disposal at mines. Following the move, Australian mining company Lynas expressed concerns that the timeline set for disposing waste from its processing plant was “unachievable” and that its failure to do so could jeopardise the renewal of its business licence.

**Business Opportunities:**

For GCC-based investors, Malaysia presents tremendous investment opportunities, especially in real estate, due to its friendly business and investment climate. According to estimates, Gulf investors could spend as much as $14bn in Malaysia’s property market up to 2024. Speculators looking for long-term safe investments in assets which provide high returns are guaranteed to find plenty of avenues for their capital in the South-east Asian country. Relative to other countries in the region, Malaysia’s residential, office and retail segments offer attractive rates not only for institutional property investors and sovereign wealth funds but also for developers and individual investors. For instance, $1m will buy 450 sq metres in a prime location of Kuala Lumpur compared to just 30 sq metres in Hong Kong’s city centre.

To tackle both an oversupply of luxury properties on the market and lack of affordable housing, in January 2019, the Malaysian government urged property developers to offer at least 10% discount rates on the planned sale
of 22,000 units worth a combined $7.4bn during a property expo in March. Approximately 5200 units were offered at around $75,000, which is slightly below the minimum $100,000 purchasing price requirement for foreigners.

Mid-sized cities such as Penang, Kota Kinabalu, Malacca, Johor Bahru and Iskandar also hold good prospects for property investors, due to their rapid growth and large-scale development projects. Penang is gradually becoming a hotspot for the tourism and tech industries, Malacca Island is the location of the first phase of the huge $12bn Melaka Gateway Project, while Iskandar, a new city being built on the border with Singapore in the south, promises to become a regional trading hub in the future. UAE-based investors such as Mubadala have already taken advantage of investment opportunities in the Iskandar development corridor, in southern Malaysia, including by injecting capital into the Port of Tanjung Pelepas, the country’s largest container terminal.

In February 2019, the government decided to double the size of the development corridor to 4749 sq km. Around $70bn has been invested in the project since 2006, including $10.7bn in 2018. Some 38% of investments have come from foreign players in East Asia, America and Spain, and the corridor remains one of the fastest growing regions in Malaysia. It is a major component of the country’s mission to re-join the economies of Hong Kong, Singapore, South Korea and Taiwan on the Asian Tigers list.

On the legal side, Malaysia’s real estate market is one of the easiest and most secure in South-east Asia. Land titling systems are sound, and side costs and capital gains tax remain low, at around 5%. Additionally, regulations for foreign-owned property are loose. There are no restrictions on the transfer of funds, and ownership and financing for foreigners is widely available, especially under sharia-compliant vehicles. For legal stays too, the My Second Home Programme offers 10-year renewable visas and to foreigners who meet specific criteria and has a lower minimum purchasing price requirement. Although the Ministry of Housing and Local Government is set
to render property purchases obligatory in USD, the fact remains that Gulf investors benefit from a property market where the local currency is worth 46% of the USD, to which most Gulf countries’ currencies are pegged.

Tech-related sectors, including artificial intelligence, algorithms, analytics and mobile applications, also present a substantial opportunity for Gulf investors looking to boost trade with Malaysia. The country has the fastest mobile network of the region and is developing an ecosystem for start-ups and other tech-based initiatives. Other sectors with potential for bilateral trade expansion are halal food services, Islamic banking and finance, tourism, bio-fuel industries, construction, petrochemicals and education.

GCC INWARD INVESTMENT AND TRADE:

Although GCC-based investors have recently funded high-profile infrastructure projects and property developments, historically GCC Foreign direct investment (FDI) flows into Malaysia have been relatively small in scale. Since 2010, GCC FDI has never exceeded more than 3.5% of Malaysia’s total inbound FDI. The UAE, Kuwait and Saudi Arabia are the top three FDI sources in the Middle East, with the UAE accounting for 57% of all FDI from the region in 2017. It has remained the top investor in Malaysia since 2006.

Despite its size, GCC inbound investment has demonstrated substantial growth. The region’s FDI stocks in Malaysia have grown from $33m in 2005 to $3.4bn in 2017. The primary destinations for GCC investment are Malaysia’s petrochemical industry, Islamic financial services and property development, although, more recently, investments have been made in manufacturing, healthcare, the halal industry and palm oil plantations.

From 2013 onwards, particularly under the Najib administration, GCC investment has been characterised by high-value commitments to oil and gas projects, many of which have not been realised. These investment
agreements, which are formalised initially through state-to-state memoranda of understanding, are directed towards large state development regions or projects, such as the recent $7bn Saudi Aramco investment in the Pengerang Integrated Petroleum Complex (PIPC), which is described in more detail on p.28.

Similar to investment levels, bilateral trade between the GCC and Malaysia remains relatively limited. GCC countries accounted for 3% of Malaysian exports and 4% of imports in 2016. The UAE is Malaysia’s top importer and the top destination for Malaysian exports in the region followed by Saudi Arabia.

Although the GCC has a free trade agreement (FTA) with Singapore which came into effect in 2014, it has no FTA with Malaysia. In 2011, the GCC and Malaysia signed the Framework Agreement on Economic, Commercial, Investment & Technical Cooperation (FAECITC), which serves as a joint commitment to seek further opportunities for trade and investment. However, progress on an FTA has stalled, as has Malaysia’s efforts to pursue a GCC-ASEAN FTA, largely because some countries within the GCC are still feeling the after effects of the 2008 financial crisis, the Arab Spring and the global downturn in oil prices.

Both the previous administration and the current PH government have publicly called for a revival of FTA talks. However, Malaysia’s continued support for Qatar during the ongoing Saudi-led blockade and its pursuit of expanded bilateral trade and investment with Iran after the lifting of sanctions is likely to prevent any progress on a trade agreement for the foreseeable future. Yet, trade relations continue to develop independently, including through the Arab Malaysia Chamber of Commerce, which is connected to more than 50 chambers of commerce, commercial associations and investment agencies across the Arab world. Overall, interest in a GCC-Malaysia FTA remains high, with the latter seen by Gulf countries as the gateway to ASEAN’s 600m-strong marketplace, worth
$2.4bn.

Recent energy and petrochemical investments:

The GCC’s FDI profile in 2018 was substantially enhanced after Saudi Aramco’s $7bn investment in the Refinery and Petrochemical Integrated Development (RAPID) project, which will be operated as a joint venture with Petronas. RAPID is part of the $27bn PIPC development in Johor.

RAPID includes a refinery with the capacity to process 300,000 barrels per day (bpd), which will, in part, provide the petroleum for a petrochemical processing facility capable of producing 3.3m tonnes of product per year. Part of the joint venture agreement specifies that Saudi Aramco will provide the facility with 50-70% of its crude oil supply, thus ensuring local demand for oil from Saudi Aramco. RAPID began receiving oil shipments in September 2018 and will become fully operational by the end of 2019.

In terms of recent upstream investments, Mubadala Petroleum, a subsidiary of Mubadala Investment Company, announced in March 2018 a $1bn joint venture with Petronas and Royal Dutch Shell to develop Block SK320 in the Pegaga gas field off the Sarawak coast. Mubadala, which has a 55% share of the project, has been carrying out exploratory drilling in the block since 2010. The project – Mubadala’s first joint venture in Malaysia – is expected to begin producing gas in 2021.

Islamic finance investments:

Within a decade Malaysia has become a leading market for Islamic finance. Its Islamic financial services industry ranked first in the 2017 Islamic Finance Country Index, ahead of Iran and the GCC countries. It ranked third globally in terms of total assets, with $204bn in Islamic financial assets. In 2017, Malaysia issued 34% of total sukuk (Islamic bond) issuances by volume and 22% of sovereign sukuk issuances. Domestically, sharia-compliant finance
accounted for 28% of all financial services in 2017, and the Malaysian government has set a target of reaching 40% of all financial services by 2020. The GCC region accounted for nearly 40% of the global Islamic banking assets, half of which were in Saudi Arabia, the rest predominantly in Kuwait and Qatar.

An important part of this growth has been the participation of established GCC Islamic banks in the early formation of Malaysia’s Islamic financial sector. In 2003 and 2004 Malaysia’s central bank, Bank Negara Malaysia (BNM), issued its first banking licences for international Islamic banks to Kuwait Finance House, Al Rajhi Bank, the Asian Finance Bank – backed by a consortium led by Qatar Islamic Bank – and RUSD Investment Bank. Afterward, Alkhair International Islamic Bank, and Elaf Bank B.S.C. (delisted in 2015) were also awarded licences.

Domestic acquisitions of GCC banks’ local units could become a trend in Malaysia in the near future. In 2018, the Malaysia Building Society (MBSB) merged with Asian Finance Bank (AFB) in a $155m acquisition to create Malaysia’s second largest Islamic bank. AFB’s primary shareholders included Qatar Islamic Bank, Financial Assets Bahrain, RUSD Investment Bank and Tadhamon International Islamic Bank, which together now own 3.66% of MBSB after the sale.

Malaysian Industrial Development Finance (MIDF), a state-backed financial services provider, is reported to be considering a merger with Al Rajhi Bank’s Malaysian unit to transform MIDF into an Islamic bank with potential assets of $600m. As of December 2018, BNM had yet to approve formal negotiations between the two banks.

Diversifying investments:

In 2013, Qatar Holding agreed to a $5bn investment in the PIPC. This investment has yet to be realised, and no public statements regarding the
future of this commitment have been made. However, the deal illustrates how investments from GCC funds are becoming more diversified.

The Qatari Diar Real Estate Company, which is owned by the Qatar Investment Authority (QIA) is currently building the $1.3bn Citi Tower development adjacent to the Petronas Twin Towers in Kuala Lumpur in a joint venture with KLCC Property Holdings, a subsidiary of Petronas. In January, it was announced that the QIA would also be investing in the 2m-sq-foot Pavilion Bukit Jalil shopping mall in Kuala Lumpur.

Beyond property, Qatar Holdings invested $100m in the $3.1bn initial public offering for Felda Global Ventures Holdings, the world’s third largest palm oil company. However, by 2017 a corruption scandal and substantially diminished stock value has made this investment untenable.

1MDB aftermath:

The multi-billion-dollar collapse of 1MDB has had a major impact on Malaysia’s relations with Saudi Arabia. 1MDB took part in a joint venture initially worth $1bn with energy group Petro Saudi International (PSI), which is now at the core of malfeasance allegations surrounding the now defunct fund. Still a pending case, it is believed that PSI managed to extract as much as $1.8bn from 1MDB, $700m of which was diverted to Jho Low’s company Good Star13. PSI entertained close albeit difficult ties with business tycoon Jho Low through its director of business affairs, Patrick Mahoney, CEO Tarak Obaid, and his brother, Nawaf Obaid.

It is alleged that, together, PSI’s directors and Jho Low lied to Najib, the former prime minister, about the financial needs of 1MDB to extract more capital from the fund, and in mid-2010 convinced him that it would be beneficial for 1MDB to pour another $500m into its joint venture with PSI. The company gained an extra $800m that year. The Obaid brothers also used their access to Najib to organise an interview between the prime
minister and Saudi journalist Jamal Khashoggi, then editor-in-chief of the newspaper *Al-Watan*, for which the journalist was paid $100,000\(^4\). The interview, which took place in December 2009, a month before Najib’s visit to Saudi Arabia, was directed by Obaid and aimed to promote Malaysia, its prime minister and his wife’s Islamic charities in the eyes of a Saudi readership.

Although PSI is a private company with no links to the Saudi government apart from Prince Turki Abdullah, the dismissed governor of Riyadh, who was held at the Ritz Carlton Hotel in 2017 for alleged corruption, the Saudi firm’s involvement in the 1MDB scandal is likely to negatively impact Malaysians’ perception of the kingdom.

Malaysia’s relations with the UAE could also suffer as a result of litigation connected to 1MDB. According to the US Department of Justice in 2013, a 1MDB bond offering worth $73.5m was diverted to private accounts, including that of a former executive director of 1MDB, and two former employees of the Abu Dhabi-based International Petroleum Investment Company (IPIC) and Aabar Investments PJS, which collectively received $63.5m\(^5\). One of these individuals, Khadem Abdullah Al Qubaisi, lent $4.2m to Red Granite Capital, a film production company co-founded by Riza Aziz, Najib’s stepson. This same individual, who is an Emirati national, was charged in Abu Dhabi after spending two years in custody alongside Mohamed Al Hussainy, the second individual linked to the diverted 1MDB bond.

The charges were made as a result of a parallel litigation involving Abu Dhabi and Goldman Sachs over the American bank’s involvement in the 1MDB scandal. This case involved IPIC and its subsidiary Aabar Investment, which merged with Mubadala Development Company in 2017 to form Mubadala Investment Company. The two firms sought $4.32bn from Malaysia as reparation for the money they placed in 1MDB and lost\(^6\). However, Malaysia’s finance minister declared in late 2018 that his country would not repay this amount as it was also a victim of fraud, but that he would seek to work with
foreign governments to retrieve the money belonging to 1MDB.

It is fair to say that the 1MDB scandal became the focal point of PH’s opposition to Najib’s government. PH leaders, especially Mahathir, were of the opinion that Najib saw close relations with GCC countries, China, and Singapore, along with the substantial FDI accompanying these relations, as key to strengthening his political position at a time of eroding political support domestically. In fact, relations between Malaysia and the GCC reached their high point under the Najib administration. In 2017 alone, Malaysia hosted visits from Saudi Arabia’s King Salman bin Abdulaziz Al Saud, Bahrain’s King Hamad bin Isa Al Khalifa and Qatar’s Emir, Sheikh Tamim bin Hamad Al Thani. The new PH government under Mahathir has recalibrated its relations with the GCC countries, and Saudi Arabia in particular. In 2018, Malaysia exited the Saudi-led coalition fighting in Yemen, which it joined in 2015, albeit without any forces committed to combat roles.

Although diplomatic ties will likely continue to be reoriented under Mahathir’s leadership, it is uncertain how economic relations will be affected. In the short term it is not likely that large-scale GCC funds will disinvest as a result of 1MDB scandal, including UAE-based funds directly linked to the fund. Moreover, existing investments in energy, Islamic finance, and property are not expected to be jeopardised.

However, the collapse of 1MDB is likely to directly impact future investment. With Malaysia struggling to repay outstanding debt, sovereign wealth funds could take the view that the corruption found in the management of 1MDB increases the risk of sovereign lending to Malaysia in the future. As such, it is possible that the February 2017 Saudi Aramco-Petronas agreement could be the last large-scale GCC funded project for some time.

*Policy changes/Infrastructure viability:*

The PH government is currently facing substantial financial constraints as a
result of large off-budget debts related to GLICs and extensive corruption, neither of which was apparent under BN rule.

To prevent this from happening again, PH is undertaking an extensive review of government and GLIC spending, which has resulted in the cancelation, delay, or renegotiation of $200bn in infrastructure projects. These projects, mostly involving contracts with China and Singapore, include delays to large rail projects and the cancelation of sea shipping terminals.

This reform agenda is likely to remain in place after the transition to Anwar as prime minister. A reluctance to commit to large-scale infrastructure projects will likely inform decision-making until the next general election, possibly in 2023.

*Regulations over foreign investments:*

There should be no general imposition of limitations on foreign investments under a PH government. The challenge to FDI stability in the short term is in Mahathir’s foreign policy. Mahathir has sought to politicise high-profile, foreign-led projects and investment, in particular Chinese investment. In addition to the government’s renegotiation of large-scale infrastructure projects, these shifts in foreign policy could jeopardise Malaysia’s perennially strong FDI record.
**SECTORS OF THE MALAYSIAN ECONOMY (2015)**

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Share of the Economy</th>
<th>Goods/services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>8.2%</td>
<td>Palm Oil, Rubber, Livestock</td>
</tr>
<tr>
<td>Industry</td>
<td>36.8%</td>
<td>24.5% electrical and electronic products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8.6% mining and quarrying (crude oil and condensates)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4.6% Construction (civil engineering, specialised construction activities)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The remainder: optical products, petroleum, chemical, rubber and plastic products</td>
</tr>
<tr>
<td>Services</td>
<td>54.4%</td>
<td>Wholesale and retail</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ICT</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Finance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Insurance</td>
</tr>
</tbody>
</table>

*Source: Malaysia’s Treasury*
### FDI FROM GCC COUNTRIES TO MALAYSIA (STOCK AND FLUX):

<table>
<thead>
<tr>
<th>Year</th>
<th>UAE</th>
<th>Saudi Arabia</th>
<th>Kuwait</th>
<th>Others</th>
<th>West Asia Total</th>
<th>Total FDI stocks</th>
<th>Total % Malaysian FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>616</td>
<td>(2,552)</td>
<td></td>
<td></td>
<td>2,008</td>
<td>75,642</td>
<td>2.6</td>
</tr>
<tr>
<td>2011</td>
<td>1,829</td>
<td>(7,580)</td>
<td>453</td>
<td>460</td>
<td>3,097</td>
<td>88,228</td>
<td>3.5</td>
</tr>
<tr>
<td>2012</td>
<td>2,178</td>
<td>(9,026)</td>
<td>568</td>
<td>575</td>
<td>3,285</td>
<td>97,937</td>
<td>3.3</td>
</tr>
<tr>
<td>2013</td>
<td>2,288</td>
<td>(9,481)</td>
<td>575</td>
<td>613</td>
<td>3,448</td>
<td>107,743</td>
<td>3.2</td>
</tr>
<tr>
<td>2014</td>
<td>2,364</td>
<td>(9,797)</td>
<td>613</td>
<td>660</td>
<td>3,719</td>
<td>114,549</td>
<td>3.2</td>
</tr>
<tr>
<td>2015</td>
<td>2,364</td>
<td>(9,797)</td>
<td>660</td>
<td>648</td>
<td>3,913</td>
<td>120,930</td>
<td>3.1</td>
</tr>
<tr>
<td>2016</td>
<td>2,550</td>
<td>(10,567)</td>
<td>648</td>
<td>577</td>
<td>4,120</td>
<td>132,137</td>
<td>2.5</td>
</tr>
<tr>
<td>2017</td>
<td>2,652</td>
<td>(10,990)</td>
<td>577</td>
<td>547</td>
<td>4,344</td>
<td>137,667</td>
<td></td>
</tr>
</tbody>
</table>

All figures are in million USD. Figures within parentheses are in Malaysian Ringgit. Conversion rate: 1 USD = 4.14108 RM. Source: Malaysia Department of Statistics.

### VALUE OF TRADE BETWEEN GCC COUNTRIES AND MALAYSIA:

<table>
<thead>
<tr>
<th>Year/Countries</th>
<th>UAE</th>
<th>Saudi Arabia</th>
<th>Qatar</th>
<th>Bahrain</th>
<th>Kuwait</th>
<th>Oman</th>
<th>Total Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>3,060</td>
<td>2,890</td>
<td>980</td>
<td>190</td>
<td>370</td>
<td>360</td>
<td>4,793</td>
</tr>
<tr>
<td>2011</td>
<td>3,840</td>
<td>4,150</td>
<td>1,990</td>
<td>280</td>
<td>390</td>
<td>650</td>
<td>11,300</td>
</tr>
<tr>
<td>2012</td>
<td>3,660</td>
<td>4,030</td>
<td>1,570</td>
<td>340</td>
<td>380</td>
<td>510</td>
<td>10,490</td>
</tr>
<tr>
<td>2013</td>
<td>3,930</td>
<td>3,470</td>
<td>1,240</td>
<td>400</td>
<td>350</td>
<td>590</td>
<td>9,980</td>
</tr>
<tr>
<td>2014</td>
<td>3,780</td>
<td>4,260</td>
<td>1,030</td>
<td>470</td>
<td>330</td>
<td>480</td>
<td>10,350</td>
</tr>
<tr>
<td>2015</td>
<td>3,640</td>
<td>3,350</td>
<td>810</td>
<td>200</td>
<td>330</td>
<td>530</td>
<td>8,860</td>
</tr>
</tbody>
</table>

All figures are in million USD. Trade includes export and import but excludes re-export. Source: GCC stats.

The UAE’s trade deficit with Malaysia averaged $3.7bn per year between 2010 and 2015 – its highest ever level. Kuwait, too, experienced a sustained trade deficit with the country during this period, of around $1bn. Qatar, however, saw a sustained trade surplus of $600m, on average, per year. Bahrain, Kuwait, Oman and Saudi Arabia recorded more balanced trade levels with Malaysia during the period. However, due to the GCC’s public finance crisis, in 2015 – the latest year for which data is available – only Oman...
increased its trade with Malaysia. All other countries in the region saw trade volumes decrease, falling as much as 57% for Bahrain, 25% for Saudi Arabia and 21% for Qatar.

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