

TARIKH	6 / 3 / 2015	SECTION	OPINION
MUKA SURAT	17	RUANGAN	

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# 10 AREAS MALAYSIA, SAUDI ARABIA CAN HAVE AN IMPACT

Halal business, Islamic finance, tourism among sectors

**T**HE historic four-day state visit last week by Saudi Arabia's King Salman Abdulaziz Al-Saud to Malaysia — his maiden visit to the country — the first destination of a five-nation Asian tour, could have far-reaching implications for the future of Saudi-Malaysian relations. But, with an important caveat — that of follow-up and sustainability.

The two nations roughly with the same population and demography of between 25 and 30 million — one, the home to Islam's holy cities of Mecca and Madinah and the world's largest oil producer and exporter, and the other a beacon of stability and development, and arguably one of the few seemingly functional democracies in the Organisation of Islamic Cooperation (OIC) countries, have traditionally punched below their weight, both in global and pan-Islamic affairs.

As the Saudi monarch and Prime Minister Datuk Seri Najib Razak concurred, relations between the two countries are at an "all-time high" and no doubt they signed several agreements on security and defence cooperation, especially in combating terrorism; in boosting bilateral trade and investment, labour and human resources, as well as scientific and educational cooperation.

The challenge is how to meaningfully capitalise on this bilateral feel-good factor and to

translate it into real economic benefits, thus elevating relations between them to the next level.

There are 10 areas where the two countries can make a significant impact not only on their own economies and societies, but also well beyond their borders.

These are oil and gas, petrochemicals, Islamic pension funds, sovereign wealth funds (SWF) management, haj management, Islamic finance, tourism, halal business, the establishment of a Saudi-Malaysian Cooperation Fund, and promoting a progressive Islam based on the concept of Wasatiyyah (moderation) and perhaps a revived version of Islam Hadhari (a modern humanist and scientific concept of Islam), which was once mooted by then prime minister Tun Abdullah Ahmad Badawi.

Both countries, either together or individually, already have entrenched strengths in the above areas. As such, meaningful cooperation is a no-brainer. What it requires is the political and technocratic will and the requisite allocation of resources to follow through with implementation, performance evaluation and impact assessment.

In the oil and gas, and petrochemicals sectors, the two countries are both oil and gas producers. Saudi Aramco is an iconic global oil company, the largest in terms of net worth estimated by the Saudis of US\$2 trillion (RM8.9 trillion) and the largest exporter of oil. Petroliam Nasional Bhd (Petronas) is the seventh largest oil company in the world with joint ventures in a number of countries, including South Africa, where its joint venture with SASOL, Engen, is a major player in supplying both petrol

for cars and aviation fuel for airports and airlines in Sub-Saharan Africa.

Saudi Aramco could tap into this to expand the Saudi-Malaysian footprint in Africa, perhaps through a more symbiotic approach than their controversial western and Chinese oil rivals. This cooperation model could be repeated in Central Asia and Asean.

The US\$7 billion investment agreement penned by the two companies whereby Saudi Aramco would acquire a 50 per cent stake in and develop and manage an oil refinery in Pengerang, Johor, under the Refinery and Petrochemical Integrated Development (Rapid) project, is a major step in the right direction.

Similarly, Sabic, the Saudi petrochemicals utility, is the world's largest producer and exporter of several chemicals, including downstream and tertiary products. One of its main markets is East Asia, including China, Japan and South Korea. Here, again there are potential synergies and perhaps an ambition to develop the Iskandar Development Region into a petrochemical hub — akin to what Jurong Industrial Port with its refineries used to be in the 1980s and 1990s.

Saudi Arabia has two large SWFs in the SAMA Foreign Holdings and Public Investment Fund (PIF). Malaysia's Khazanah Nasional Bhd, though with more modest funds, has been a trendsetter in asset allocation, including in Sukuk issuance where it has pioneered raising funds in Singapore dollars and Chinese renminbi to finance investments in China and Singapore. Here, PIF and Khazanah can join forces to promote the concept of a supra-

SWF, funded by SWFs from OIC countries, which would invest only in these countries.

In haj management, Lembaga Tabung Haji is the proven best. Saudi Arabia is the host country. If the two countries cooperate to export the Tabung Haji model to populous Muslim nations and others, such as China, Russia and India, the savings, economic and haj experience can benefit millions. Every year, I get emails and calls from ordinary hajis who effectively had a "bad" haj because of the bureaucracy in sending countries and unscrupulous middlemen who fleece the hapless pilgrims.

The three areas where Malaysia is a world leader is in the US\$2 trillion plus halal business, the US\$2.3 trillion Islamic finance industry and in tourism. The potential to upscale this to global proportions, including brands and quality, is huge. Malaysia and Saudi Arabia are the two largest Islamic finance markets, including for Sukuk and asset and wealth management. Saudi Aramco itself has just mandated banks to arrange its maiden SR6 billion Sukuk. Here, Malaysia can play a huge role in imparting its experience.

The above initiatives could be further boosted by the establishment of a Saudi-Malaysia Cooperation Fund, whose mandate would be to promote and invest in joint ventures between the private sector in the two countries in strategic medium-sized industries, partly aimed at import substitution and job creation, especially aimed at the youth.

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