

Trade war adds FDI lure to Kuantan

Kuantan's MCKIP industrial park and new deepened port have attracted RM42.5bil worth of FDI as they gain greater recognition in the region. More seems to be coming.

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INTEREST from China's industries in Malaysia-China Kuantan Industrial Park (MCKIP) has been rekindled following official clarifications on Malaysia's foreign direct investment (FDI) policy and the escalation of US-China trade war.

Not long ago, Chinese investors turned jittery after Prime Minister Tun Dr Mahathir Mohamad cancelled the RM55bil East Coast Rail Link (ECRL) and two gas pipelines, constructed and financed by China's state-owned corporations.

In addition, the premier's remarks earlier this month to tear down the high fencing wall of Alliance Steel in MCKIP, arising from a misconception and misunderstanding, caused a negative knee-jerk reaction.

However, a quick visit to Alliance Steel in MCKIP and prompt statements made by Dr Ong Kian Ming, Deputy International Trade and Investment Minister, has cleared the air.

Dr Ong has reassured that Malaysia supports projects in China's Belt and Road Initiative that can bring economic benefits to the country.

The Chinese are now convinced that "the overall investment climate in Malaysia is good" after recent clarifications, says Steve Hu, the deputy project commander of Alliance Steel.

Datuk Soam Heng Choon, CEO & managing director of IJM Corporation, is glad that Chinese investors have exuded patience. He said: "Chinese investors now understand what Malaysia wants."

But he believes the escalating US-China trade war is providing a catalyst luring Chinese interests as manufacturers in the mainland producing US-bound goods are hit by higher import tariffs imposed by Washington.

With media reports suggesting that this trade war could last 20 years, industries are scrambling to relocate their plants outside China

to reroute their exports. And Malaysia has emerged to be a "beneficiary".

IJM, which owns MCKIP jointly with Chinese investors and the Pahang Government, is now talking to seven potential investors with total investment value of RM25 billion.

It is learnt that Soam is also talking to a Chinese auto company to

invest RM5bil in MCKIP to build an electric car plant.

According to a report dated Sept 11 in *Nanyang Siang Pau*, two Chinese companies have informed Dr Ong that they plan to invest in MCKIP with a total capital of "several billion ringgit".

MCKIP is viewed as a successful Belt and Road project by China. For Malaysia, it has spurred economic activities in the East Coast of the peninsula and liven up the previously boring old Kuantan Port.

Together with its sister park China-Malaysia Qin Zhou Industrial Park in China, both parks are expected to foster bilateral economic ties as they are supported by both governments.

In an exclusive interview with *Sunday Star*, Datuk Soam talks about recent developments at MCKIP and Kuantan Port:

Q: Will the cancellation of ECRL affect the deepening of Kuantan Port and development of MCKIP?

A: While the ECRL would be synergistic to boost connectivity between the East and West Coast, the development of Kuantan Port is independent of and took place prior to the announcement of ECRL.

The current port has reached its maximum handling capacity, and there is demand for bigger vessels

and higher traffic to support the industrial hinterland around port.

In terms of potential growth, Kuantan Port and MCKIP go hand in hand. The growth of industries in MCKIP and East Coast region is vital to the long-term success of Kuantan Port.

In the short term, we are focused

on building Kuantan Port's capacity to cater to the growing demand for our services, particularly from the throughput coming from Alliance Steel and the new investments

being set up in MCKIP as part of China's Belt and Road Initiative.

Over the long term, Kuantan Port's growth potential lies in MCKIP investors needing a deep-water port to import raw materials and export finished goods. We will derive income arising from the port's cargo throughput.

> Are investors worried after Dr Mahathir's recent remarks on China-linked projects?

Our investors and Chinese counterparts have been patient and understanding.

We have hosted site visits and dialogues recently with YB Fuziah Salleh, Religious Affairs Deputy Minister and Kuantan MP; YB Dr Ong Kian Ming, Deputy International Trade and Investment Minister; Datuk Saifuddin Abdullah, Foreign Affairs Minister and Indera Mahkota MP; , YB Tan Kok Wai, Special Envoy to the People's Republic of China, as well as representatives from MIDA, ECERDC and the Pahang State

Government.

Regarding Alliance Steel's "wall", the perimeter fencing was built for security, safety and theft-prevention as the facility houses the latest modern and sophisticated automatic steel manufacturing equipment.

What's really crucial now is for the Government to ensure continued good bilateral relations between Malaysia and China, and that our policies remain consistently investor-friendly to boost investor confidence.

Investors need clarity and assurance that Malaysia is an attractive investment destination.

> How has been the progress on the port development and business generation?

The deepening phases that we have undertaken for the port's development are on course.

The new deepwater terminal (NDWT) will increase the multipurpose cargo capacity to 52 million freight weight tonnes (FWT) from

Financial performance of Kuantan Port

(FY2014–FY2023)

	FY2014	FY2015	FY2016	FY2017	FY2018
Revenue	RM264,542,700	RM306,866,055	RM525,977,621	RM208,797,226	RM250,793,982
Profit before tax	RM116,621,632	RM141,719,245	RM251,173,712	RM66,880,946	RM85,551,479
Profit margin (%)	44%	46%	48%	32%	34%
	FY2019	FY2020	FY2021	FY2022	FY2023
Forecast revenue	RM346,601,548	RM392,735,800	RM437,452,390	RM479,765,767	RM500,830,584

Source: Kuantan Port Consortium Sdn Bhd



the current 26 million FWT over two phases.

Phase 1A of the NDWT is now operational and soon to be officially launched (tentatively in November 2018), while Phase 1B of the NDWT is scheduled to complete by mid-2019.

For Phase 2, we are expecting for it to be developed by 2039.

NDWT's Phase 1A (with basin depth of 16 meters, 400 meters berth and 20 hectares of cargo yard) kicked off its operations in August with three vessels carrying iron ore (for Alliance Steel) docking at the new berths.

Phase 1B (basin depth of 16 meters, 600 metres berth and 22.5 hectares dry bulk yard) is scheduled to commence operations in the second quarter of 2019.

We are able to accommodate larger vessels of up to 120,000 deadweight ton (dwt) after kicking off Phase 1A, and will be able to take ships of 150,000 dwt after Phase 1B.

Kuantan Port is expected to secure the final clearance to operate as a Free Zone by Q3 2018. This will enable the port to become a multi-cargo transshipment hub for the region.

> What has been the progress made in the development of the industrial park?

The progress at MCKIP and interest shown by investors are tangible.

To date, both the MCKIP and Kuantan Port have attracted a total of RM42.56bil in investment value.

We are confident that more investments will come onboard as MCKIP continues to grow and gain a credible reputation.

MCKIP's targeted industries are steel and non-ferrous metals, machinery & equipment manufacturing, automotive components, clean technology & renewable energy, oil & gas and petrochemical, electric and electronic components, and research & development.

Presently, 85% of the 1,200 acres of land in MCKIP1 has been taken up by investors. For MCKIP 2, about 30% of the 1,000 acres of has already been earmarked for an investor. MCKIP 3, with 1,300 acres of land, will be developed for light industries, logistics, commercial and residential buildings.

Alliance Steel is completed and in the testing and commissioning phase, while the committed investors in MCKIP are in various stages of development, application for authority approvals and incentives,

as well as finalizing their financing.

Apart from China and Hong Kong investors, we have seen investors interest coming from Malaysia, Singapore and Australia.

> How do you rank Kuantan Port among Malaysian ports?

Based on the latest 2017 Ministry of Transport Statistics Report, Kuantan Port is ranked 7th out of 14 ports in Malaysia for the total cargo throughputs. We are primarily known for our dry bulk cargo operation. We were ranked 2nd among other 14 Malaysian ports for dry bulk cargo.

> What could be the future of the port?

Taking advantage of our strategic geographical position and connection to China markets, we are determined to be the shipping hub in South East Asia.

We are prepared to serve bigger industries such as refineries and to expand further our dry bulk cargo and container throughput.

With the establishment of Free Commercial Zone soon, we are also diversifying our business further to provide value-added services in promoting the transshipment business to become a total logistic hub.

The port would be in a strategic position to become a global transshipment hub.

> How have these projects impacted the East Coast's real economy and people's life?

The scale of these projects will have a multiplier effect on the economy.

It sets the tone for multilevel economic spin-offs by spurring commercial activities, job creation, tourism and people-to-people connectivity.

While MCKIP and the Port promise exciting opportunities for investors, they will also benefit the local business community as they will provide more partnership and business opportunities with companies worldwide, technology transfer and the use of local talents as well as materials.

MCKIP will grow to become an important economic driver with the aim of creating 19,000 jobs by 2020.

Investors are also committed to training and developing skills for the local workforce.

To quote Dr Ong Kian Ming: "If done well, the investments in this industrial park have the potential to transform the whole of Kuantan into a thriving city of industry."



Growing need: The current Kuantan Port has reached its maximum handling capacity, and there is a demand for bigger vessels and higher traffic to support the industrial hinterland around the port.



Soam: The MCKIP and Kuantan Port are set to lure more FDI.