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KUALA LUMPUR: Malaysia's Asean chairmanship in 2025 is pivotal in strengthening supply-chain resilience and accelerating green-industry investment with Japan, according to MUFG Bank (Malaysia) Bhd.

Its managing director and head of global markets for Malaysia Nik Azhar Abdullah said the country's leadership can provide the momentum for closer bilateral cooperation with Japan, particularly in strategic growth sectors such as digital services, semiconductors and clean energy.

"Malaysia is already pursuing carbon capture, ammonia and sustainable aviation fuel projects with 21 initiatives tabled under the Asia Zero Emission Community (AZEC). This aligns with the National Energy Transition Roadmap and positions the country as a springboard for ASEAN's low-carbon transformation," he told Bernama in a written interview recently.

Nik Azhar noted that Japan is poised to supply advanced technologies and investments in emerging energy solutions such as hydrogen, bioeconomy, and carbon capture, with marquee ventures like Sarawak's H2ornbill hydrogen supply chain and Petronas-led storage projects involving Japanese sponsors serving as early benchmarks for the wider region.

He emphasised that such partnerships would be critical against a softer macroeconomic backdrop.

MUFG projects Asean's economic growth to moderate to around 4.4 per cent in 2025 and 2026, as the export boost from recent frontloading fades.

"Trade headwinds are likely to intensify, but looser macro policies across the region should support domestic demand. Key external risks include slower growth in the United States and China, and persistent geopolitical tensions," said Nik Azhar.

Beyond Malaysia's chairmanship, Asean-Japan ties are steadily evolving from "good" to potentially "transformational," underpinned by rising Japanese foreign direct investment (FDI).

In 2024, Japanese FDI surged 37.7 per cent to US\$17.5 billion, with strong inflows into financial services, AI and semiconductor-linked industries, and increasing commitments in logistics and cold-chain networks.

Asean's attractiveness as a China+1 destination, however, is tempered by persistent bottlenecks.

"The region's demographic advantage is clear, but shortages of mid-level engineers and technicians, and gaps in energy reliability and transport infrastructure need urgent attention if Asean were to fully capture the next wave of Japanese investment," Nik Azhar cautioned.

He added that Japan's leadership on the energy transition through AZEC, with over 120 ongoing cooperation projects, and MUFG's participation in blended-finance and transition-finance structures, are already catalysing regional decarbonisation.

MUFG has supported landmark projects such as Indonesia's Muara Laboh geothermal plant, while helping crowd in private capital through innovative risk-sharing mechanisms. — Bernama