

# Expanding KL-Saudi Ties: Benefits and Risks for Malaysia

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## **Expanding KL-Saudi Ties: Benefits and Risks for Malaysia**

*By Saleena Saleem*

### **Synopsis**

*King Salman of Saudi Arabia visited Malaysia on the first stop of a month-long tour of Asia, signing several agreements that signal not only an increased level of engagement between the two countries, but also a shift in the nature of the relationship.*

### **Commentary**

SAUDI KING Salman's four-day state visit to Malaysia in late February culminated with an investment deal between Malaysia's Petronas and Saudi Aramco, as well as key bilateral agreements on the cooperation and exchange of expertise in the fields of trade and economy; labour and human resources; science and higher education; and news exchange.

The latter agreements underscore a shift from past engagements where Saudi financial assistance to Malaysia was central in the bilateral relationship, to a newer model of engagement between the two countries that could potentially be mutually beneficial.

### **Saudi Motivations**

Saudi Arabia's financial assistance to Malaysia had two main dimensions – to support Malaysia's economic development through soft loans, and to help build religious institutions and support *da'wah* (missionary) activities in Malaysia through generous donations.

The Saudis viewed the latter form of financial assistance as a foreign policy tool to

help spread Saudi influence in Sunni Muslim-majority countries like Malaysia. This approach became more important after the Iranian revolution in 1979 attracted Sunni adherents drawn to notions of a pan-Islamic revolution, which was perceived by the Saudis as an ideological and political challenge.

Although former prime minister Mahathir Mohamad steered Malaysia from an overdependence on Saudi financial assistance for development projects in the late 1980s to increased bilateral trade (which grew from US\$260 million in 1990 to US\$3.17 billion in 2016), close ties were maintained through Saudi religious grants and exchanges.

In recent times though, Saudi Arabia's ability to reinforce its position as a leader of the Sunni Muslim world through its usual mode of engagement is constrained. The prolonged oil price slump and Saudi Arabia's direct and indirect involvement (and expenditures) in conflicts in Syria and Yemen during a global economic slowdown have seen an overall drain on Saudi finances. Concerns are raised about Saudi Arabia's fast depleting foreign reserves, its expanding budget deficit, and ability to diversify its economy away from oil as the sole source of income.

Consequently, the Saudis now have an eye towards longer-term plans to boost and diversify their economy, and are keen to deepen relations with the countries that can help them achieve this goal. Malaysia is viewed as a development success story by the Middle East. The Saudis recognise that Malaysia has made progress in various non-oil industries, and want to benefit from Kuala Lumpur's cooperation in developing such areas of its economy where it needs expertise in. This is also a way to reduce the intellectual gap with regional competitor, Iran, which has expertise in science and technology, higher education, and research – key requirements for a country's growth and progress.

### **Benefits to Malaysia**

The immediate benefit is the Saudi investment in the Refinery and Petrochemical Integrated Development (Rapid) project in Johor, which will help spearhead it to its expected completion in 2019. This will create jobs and grow supporting industries in Malaysia.

Second, Malaysia will benefit from the various memoranda of understanding signed that facilitate the exchange of expertise between private sector companies in both countries. Malaysia has expertise in Islamic banking services and the *halal* food industry, and Saudi Arabia is a natural and ready market for Malaysian companies that can leverage on this opportunity.

Third, Saudi Arabia had already agreed to increase the haj pilgrim quota by 25% for the 2017 hajj season, and indicated that it would consider further increases. This will reduce the waiting time for Malaysians wanting to perform the pilgrimage.

Fourth, one of the memoranda signed fosters cooperation between the Saudi Press Agency and the National News Agency of Malaysia to facilitate the exchange of news so that the people in both countries would have a better understanding of each other.

As such, Malaysia could also benefit from increased tourism from Saudis as Malaysia becomes better known as a Muslim-friendly country. Particularly so when the current climate in the West, for instance in the United States and in some parts of Europe, is increasingly perceived as being unfavourable (and even dangerous) for Muslim travellers.

Fifth, the agreement on boosting cooperation in the scientific and education sectors is meant to pave the way for further cooperation in the areas of knowledge, experience exchange and the transfer of technology. The Saudis agreed to triple the number of scholarships for Malaysian students studying at the Islamic University in Riyadh. Malaysia can also benefit by attracting Saudi students who wish to pursue higher education in Malaysia.

### **Potential Risks**

Thus far, Malaysia's involvement in the Saudi-led military alliance, which was created to fight terrorism, is limited to providing logistical support. Malaysia does not wish to be drawn into military battles in the Middle East, but could potentially face diplomatic pressures to do so, should the Saudis require their support.

Malaysia may also have to balance Saudi Wahhabi religious influence without jeopardising bilateral relations. Critics suggest that the influence of Saudi Wahhabism, which views certain Shia Islamic practices negatively, is already apparent in Malaysia – in 1984, two Shia schools of Islamic thought were accepted in Malaysia compared to today where Shia teachings are considered “deviant”. However, Saudi Wahhabi influence is not all-pervasive. In 2015, the National Fatwa Council noted that Wahhabi views were not suitable for Malaysia, indicating that an increased Saudi presence in Malaysia might heighten intra-Muslim differences.

Lastly, there is a political risk to Prime Minister Najib Razak as he faces the upcoming 14th general election that has to be called by 2018. While he may reap political mileage from the deals he struck with Saudi Arabia, he could also face criticism from his political opponents for compromising Malaysia's future for short-term gains, the way he was criticised for various infrastructure deals with China – since Saudi Aramco takes a 50% stake in the Johor petrochemical project.

Overall though, the newer mode of engagement between the two countries where cooperation and exchange of expertise is emphasised, is expected to bring about win-win outcomes for both, and set the tone for bilateral relations over the next decade.

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