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Malaysia-China Relations: An Upward Trajectory?

By Nawaljeet Singh Rayar

SYNOPSIS

Initial expectations of a tougher line against China under the new Pakatan Harapan (PH) government have been premature. Relations instead are on an upward trajectory as the PH government hopes to benefit from engagement with China. Will this last?

COMMENTARY

AFTER INITIAL hiccups following its electoral victory in May 2018, the Pakatan Harapan (PH) government has moved to improve the country's relationship with China. In the lead-up to and in the immediate aftermath of the 2018 general election, there was a perception that Prime Minister Mahathir Mohamad was dissatisfied with Chinese investments in Malaysia agreed upon by the previous government of Najib Razak.

This perception, however, changed as the new government realised the benefits from an increased engagement with China. If Dr Mahathir's first term as prime minister from 1982-2003 was marked by a "Look East" policy towards Japan, his second tenure as premier has seen a tweak of the same policy – this time inclusive of China.

Taking Steps Forward

This "Look East" approach has allowed for China to renegotiate its economic ties with Malaysia post-Najib, and Mahathir has made it clear that he sees a role for China in the country. In May 2019, during the 25th International Conference on the Future of Asia, hosted by Nikkei in Tokyo, Mahathir announced that Malaysia intended to "make full use of" Huawei's 5G technology.

This announcement came less than a month after US President Donald Trump announced a ban on the Chinese technology company due to fears of “economic and industrial espionage against the United States and its people”. This fear was dismissed by Mahathir at the same forum while also adding that he was not in favour of blocking “eastern technology”.

While Japan remains an important country, as in Mahathir’s original “Look East” policy – he has visited Japan thrice since becoming prime minister again – Mahathir has also signalled that Malaysia recognises China’s growing influence and its role in the international order. In July 2019, Deputy Prime Minister Dr Wan Azizah Wan Ismail made her first official visit to Beijing where she visited Huawei, and the year before, Mahathir toured the Alibaba headquarters in Hangzhou.

Mahathir’s inclination towards the “East” stems partly from his perception of the West. Speaking at the Nikkei Conference, he distinguished between the current economic order that was imposed onto the world by the West, in particular the United States, and the markedly different consultative approach that he has encountered with China over the Belt and Road Initiative (BRI). He subsequently reaffirmed Malaysia’s commitment to the BRI in the Belt and Road Forum for International Cooperation in Beijing in April this year.

In the run-up to the 2018 general election which PH won, one project in particular that drew much attention was the East Coast Railway Link (ECRL) with China initiated by then Prime Minister Najib. The project, which was initially suspended after PH came into power, was renegotiated and reinstated, albeit with some changes. Although Mahathir denied any connection between the re-negotiated ECRL project and his trust for China, he acknowledged that Beijing had been “accommodating” and “understanding” during the negotiations.

During his attendance at the BRI Summit in April 2019, Mahathir was amongst six foreign leaders who gave speeches during the opening of the BRI Forum (a list that included Russian President Vladimir Putin). By giving Mahathir a speaking position, the Chinese were signalling to the international community that they respected the Malaysian prime minister and Malaysia. They were also indicating that they were looking ahead with Malaysia rather being stuck in the past. This gesture would have been noted and appreciated by the Malaysians.

Chinese Response in Malaysia

Following Mahathir’s support for Huawei technology, China’s ambassador to Malaysia, Bai Tian, penned a seven-page letter titled, “Friendship Forever China-Malaysia”. In the letter, Bai Tian cited historical linkages going back to pre-modern and modern eras between China and Malaysia. He added that achievements such as bilateral trade were based on strong trust and respect that the two countries have for each other.

The ambassador also noted that China was Malaysia’s largest trading partner for the past ten consecutive years and the largest source of foreign investment in the manufacturing sector for the past three years. He also noted that Malaysia’s abundant natural resources, good business environment, and high-quality talents and China being outstanding “in terms of capital, production capacity, high technology and broad

consumer market” would closely integrate their interests resulting in mutual benefits and win-win results in China’s cooperation with Malaysia.

The ambassador also cited Mahathir as saying this: “I have always believed in the principle of prosper thy neighbour and as China prospered, it has, in turn, prospered Malaysia as well.” The letter by Bai Tian is an indication that the Chinese are keen to develop the bilateral relationship.

Potential Pitfalls

There are, however, three unresolved bilateral issues, which warrant attention.

First, the Malaysians have claimed that Jho Taek Low, a Malaysian fugitive implicated in the 1Malaysia Development Berhad scandal, is hiding out in China. In response to queries on this matter, Bai Tian mentioned that China had previously searched for Low without success. However, he reassured the media as recently as April this year, that Beijing would continue to lend its assistance to track Low down should new evidence surface on his whereabouts.

Second, there remains the issue of territorial claims in the South China Sea. Malaysia’s foreign minister has voiced confidence that a Code of Conduct for the South China Sea will be agreed upon ahead of the three-year deadline. Barring any major developments on the ground, Malaysia is unlikely to adopt an aggressive approach towards the issue and will continue engaging claimant states through multilateral dialogue and bilateral mechanisms to resolve any differences.

Third, in July 2019, Malaysia seized US\$243.5 million from the state-owned China Petroleum Pipeline Engineering (CPP) over incomplete pipeline projects. The funds were seized from CPP’s account at HSBC Malaysia. In explaining the rationale, Mahathir told reporters: “I understand that money for 80 percent of the pipeline was paid, but the work completed was only 13 percent. So the government is entitled to get back the money since the project was cancelled.” China has since requested a “friendly consultation” with Malaysia, emphasising once again the “long-term friendly cooperative relationship” that the two countries enjoy.

Fertile Ground

It would appear the bilateral relationship is on fertile ground. The Chinese will likely leave it to the Malaysians to decide on the level and speed of engagement. Contentious issues have thus far been managed bilaterally and indicators point to such engagement to continue should further issues surface. Unless domestic politics in Malaysia deteriorate significantly, the relationship is likely to continue on its upward trajectory.

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