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Is Malaysia Tilting Towards China?

By Yang Razali Kassim

Synopsis

Malaysian Prime Minister Najib Razak [visited China in November 2016](#) where he signed a series of deals, including a significant defence agreement, raising concerns that Malaysia could be veering away from its partnership with the United States. Yang Razali Kassim discusses Malaysia's ties with China in an email interview with *World Politics Review* published on 21 December 2016.

Comment

WPR: What is the nature and extent of economic and military ties between Malaysia and China, how have ties evolved in recent years, and what impact has the South China Sea disputes had on them?

Yang Razali Kassim: Economic ties between Malaysia and China are far more developed than military ties. The two countries have significant trade ties, and official trade statistics for 2016 show that China has been Malaysia's largest trading partner since 2009, while Malaysia is China's largest trading partner among the 10-member Association of Southeast Asian Nations (ASEAN). Malaysia's security, defence and military relations have always been pro-Western and tied to the United States' security umbrella, while security ties with China have for a long time been largely nonexistent. This is a holdover from China's past, which exported revolution to Southeast Asia, including Malaya (later known as Malaysia).

There has, however, been a subtle, though noticeable, shift in Malaysia's security and military relations with China, especially since Beijing made a strategic push to reach out to ASEAN, starting with the China-ASEAN free trade agreement that was signed in 2002. In 2005, the two sides signed a memorandum of understanding on defence cooperation, though progress on its implementation has been incremental. It

was not until 2012 that the defence ministers of Malaysia and China had their first-ever security and defence talks, and the first bilateral military exercise between them was held in December 2014.

A turning point for defence ties came in May, when Najib's office issued a statement saying that Malaysia was ready to discuss "further possibilities of military collaboration with China".

Although the prospect of such collaboration was framed in terms of tackling extremism, terrorism and kidnappings, it also identified "other areas to be explored," specifically defence and military cooperation, including "intelligence exchanges and the formation of secured communication links in response to security challenges in the Asia-Pacific," such as the so-called Islamic State. Joint military exercises between Malaysian and Chinese forces began after an official visit to Kuala Lumpur in 2013 by Chinese President Xi Jinping, when the two countries agreed to upgrade ties to a comprehensive strategic partnership.

Najib visited China in November, which ended with the signing of a series of deals worth US\$34 billion that cover, among other areas, defence cooperation. Malaysia bought four Chinese naval vessels, two of which are to be built in China and two in Malaysia. Significantly, this was the first major Malaysian purchase of Chinese military hardware. In the past, Malaysia has bought most of its military equipment from the US and Russia.

While the trajectory of broader defence and security relations between Malaysia and China has been positive, serious complications have emerged over the South China Sea disputes. For some time, Malaysia's approach has been to deliberately downplay its competing claims with China, in part to preserve its lucrative economic and trade ties with China. But Beijing's increasingly aggressive behaviour, including reported Chinese intrusions into Malaysian waters, has put Kuala Lumpur in a quandary.

Lately, conflicting signals have emerged from Kuala Lumpur, with some policymakers pushing for a harder line vis-a-vis China. Earlier this month, Defence Minister Hishammuddin Hussein warned of Malaysian pushback if China's aggressive territorial claims lead to a militarisation of the artificial islands it has built on occupied reefs, or if reports of U.S. satellite images showing military structures already built on several of the artificial islands are verified.

WPR: To what degree has the massive financial scandal involving Malaysian sovereign wealth fund 1MDB impacted Najib's foreign policy, particularly for ties with the U.S. and China?

Yang Razali: There have been suggestions that the 1MDB scandal has led to a shift in Malaysia's foreign policy toward China and away from the US, especially after the US Department of Justice seized assets allegedly linked to 1MDB funds. While the scandal seems to have had some impact on Najib's foreign policy, I do not subscribe to the view that Kuala Lumpur is pivoting or tilting away from its long-standing close relationship with the US in favour of building ties with China. What we are seeing is a deepening of Kuala Lumpur's hedging strategy, rather than a pivot, or a tilt. Kuala

Lumpur is certainly forging closer economic, defence and security ties with China, but I don't think it means forsaking relations with the United States. Najib is expanding Kuala Lumpur's diplomatic space for manoeuvre in the face of rising tensions between China and the US, especially in the South China Sea, with direct implications on Malaysia's territorial interests.

WPR: What has been the domestic response to Najib's outreach to China?

Yang Razali: Domestic reaction to Najib's outreach to China has been mixed at best. While those in the dominant UMNO party and the ruling Barisan Nasional coalition which he leads are behind him, many others are concerned or even critical of Kuala Lumpur's growing ties with Beijing. The 1MDB scandal has led to a greater presence of Chinese state-owned firms in Malaysia, including the sale of 1MDB power assets to China General Nuclear Power Corp. Some observers are concerned that Najib is turning to China to bail out the troubled Malaysian fund. Najib takes pride in the fact that his recent trip to Beijing has secured massive investments from China, dismissing those that say he has sold the country out to Beijing. Critics say if this leads to a new dependency on China, it could tie Malaysia's hands when negotiating with Beijing on the South China Sea disputes. There have also been undercurrents of concern within Malaysia over the long-term impact on domestic politics of China's deepening economic presence, including an emerging backlash first noticed on social media.

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