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Malaysia's Relations with China in 2023 under Anwar and the Road Ahead

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SYNOPSIS

Anwar Ibrahim's China policy in 2023, the first year of his tenure as prime minister, was aimed at strengthening Malaysia-China relations with a view to enhancing Malaysia's economic growth and the political legitimacy of his administration. The upswing in bilateral relations is set to continue in 2024 as Malaysia and China mark the 50th anniversary of the establishment of bilateral ties.

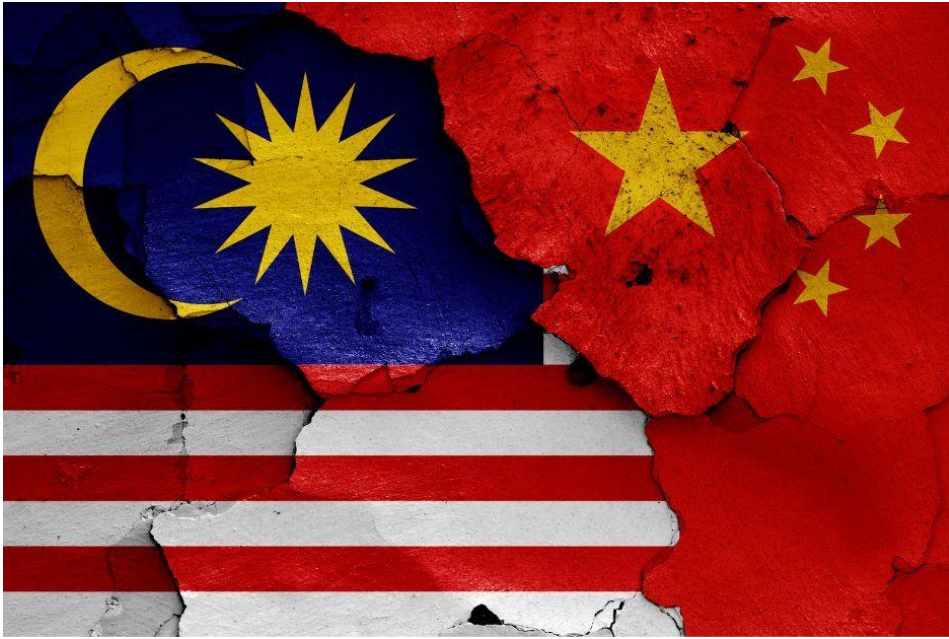
COMMENTARY

In 2023, Malaysia-China relations underwent significant progress under the Anwar administration. This was apparent in Anwar's visits to China, which led to the reaffirmation of and commitment to strengthening bilateral ties. These diplomatic overtures primarily centred on deepening economic relations, as can be observed in the agreements concluded on a diverse range of areas for cooperation.

The visits and agreements signed represent an upswing in Malaysia-China relations that serves to bolster the Anwar administration's political legitimacy. However, this upswing was not without problems, given Malaysia's ongoing disputes with China in the South China Sea. Nevertheless, relations with China remain strong and are likely to gain momentum in 2024, given that this year marks the 50th anniversary of the establishment of diplomatic relations. This positive trend contrasts with Malaysia's relations with the United States, which were strained last year.

Upswing in Malaysia-China Relations

Anwar's policy of strengthening relations with China was apparent in 2023. Deepening Malaysia's long-standing and close economic relations with China, it was hoped, would spur the former's economic growth, which would in turn improve the legitimacy and survival of the Anwar administration that had emerged from the general election of 2022 after a period of political instability in Malaysia.



Malaysian Prime Minister Anwar Ibrahim's recent diplomatic overtures to China at the Boao Forum for Asia and the 20th ASEAN-China Expo in 2023 signal Anwar's commitment to strengthening Malaysia-China bilateral ties, especially as this year marks the 50th anniversary of diplomatic relations. *Image from Canva.*

Malaysia's deepening of ties with China was evident in Anwar's two visits to China in 2023. The first visit took place in late March 2023 when Anwar attended the Boao Forum in Hainan. During a bilateral meeting with Chinese President Xi Jinping, both leaders [reaffirmed](#) their commitment to enhancing bilateral relations by leveraging the 10th anniversary that year of the establishment of their Comprehensive Strategic Partnership and the 50th anniversary in 2024 of the normalisation of ties.

The aim of strengthening bilateral relations had a strong economic focus. Indeed, Anwar's visit [yielded](#) a record RM170 billion (US\$36 billion) worth of investment deals through the signing of 19 memoranda of understanding (MoUs) for cooperation in areas such as transport, digital economy, and green technology.

Additionally, during his meeting with President Xi, Anwar even proposed setting up an Asian Monetary Fund with China as a key player and the yuan as the reserve currency. This proposal marks an effort towards "[de-dollarisation](#)" to reduce Malaysia's reliance on the US dollar for trading and financial activities.

Also, during his speech at the Boao Forum, Anwar [called](#) for reviving cooperation under China's Belt and Road Initiative (BRI). Anwar's support for the BRI was understandable, given that the BRI remains a significant source of investment for Malaysia.

As Anwar reportedly [remarked](#) in an interview in September 2023, the BRI “is a great showcase of the relationship between China and Malaysia” for it brings about job opportunities and infrastructural developments. For example, Anwar cited the East Coast Railway Link (ECRL), which links Port Kuantan and Port Klang, as conducive to developing the rural heartlands in the eastern parts of peninsular Malaysia.

The upswing in bilateral relations was reflected again during Anwar’s second visit to China on 17 September 2023 for the 20th ASEAN-China Expo in Nanning. During a bilateral meeting with Chinese Premier Li Qiang, three MoUs involving RM19.84 billion (US\$4.2 billion) worth of investments between Malaysian and Chinese companies were [signed](#). Anwar [pointed out](#) that plans were being made to celebrate the 50th anniversary of diplomatic ties with China. Malaysia has invited President Xi and Premier Li to visit Malaysia in 2024.

In addition, the Anwar administration expressed support for Chinese involvement in Malaysia’s 5G mobile network development. In May 2023, the Anwar administration [announced](#) that it seeks to end the monopoly of the state-owned Digital Nasional Berhad (DNB), which has partnered with Ericsson to own the full 5G spectrum of mobile services since 2021. During an event hosted by Huawei in Kuala Lumpur in September 2023, Anwar reportedly [remarked](#) that “the decision” was made “for more effective participation by Huawei”.

However, the Anwar government was [unable to justify](#) its proposal to involve Huawei in Malaysia’s second 5G network and [no tender](#) has since been called. Nevertheless, Malaysia has shown a willingness to consider Chinese technology to shift away from relying solely on the West to improve mobile network services in the country.

Two implications could be inferred from these developments. Firstly, Anwar’s two visits to China signify a high level of priority that Malaysia has placed on strengthening relations with China. Such prioritisation may allude to Malaysia’s recognition of China as the leading Asian economic powerhouse that plays a key role in Malaysia’s economic growth. Secondly, these developments with their positive atmospherics may have served to improve the image and legitimacy of the Anwar administration among domestic constituents.

Ongoing Contention in the South China Sea Disputes

However, the upswing in Malaysia’s bilateral ties with China was not without its problems. Notably, the South China Sea disputes remain a point of contention. Indeed, in a parliamentary session in April last year, Anwar [revealed](#) that during his visit to China for the Boao Forum, Chinese officials expressed concerns over Malaysia’s exploration of gas and oil in the Malaysian exclusive economic zone (EEZ) in the South China Sea. Anwar reportedly replied that Malaysia was willing to negotiate with China on this matter.

In response, Perikatan Nasional opposition leader Muhyiddin Yassin claimed that Anwar was being [“careless”](#) in his remarks, for they could undermine Malaysia’s sovereignty in the South China Sea. [Anwar](#) and [Wisma Putra](#) refuted Muhyiddin’s claims by pointing out that Anwar’s point on “negotiation” was to emphasise Malaysia’s willingness to seek peaceful and diplomatic means to resolve the disputes in the South

China Sea without compromising Malaysia's sovereignty. However, such a refutation was effectively a walk back as "negotiation" was not an appropriate word to use.

Thus, the Anwar administration's stance represents a continuation of Malaysia's peaceful and non-confrontational diplomacy to engage China in handling the South China Sea disputes. The South China Sea disputes, no doubt, are problematic owing to China's harassment in Malaysian waters. However, Malaysia remains friendly towards China as the Anwar administration would not want the disputes to derail Malaysia's close economic ties with China.

Looking Ahead in 2024

It is likely that Malaysia-China relations will continue to progress in 2024. In their plans to commemorate the 50th anniversary of the establishment of diplomatic ties, both countries are expected to capitalise on this major milestone to showcase 50 years of close relationship while charting out future commitments for strengthening relations.

In contrast with Malaysia's close ties with China, the Anwar administration does not want to be perceived as overtly friendly with the United States to avoid eroding the government's legitimacy among its Malay-Muslim constituents. Other than US Trade Representative Katherine Tai's [visit](#) to Malaysia in February 2023 to affirm trade ties, there has yet to be a bilateral meeting between the top leaders of both countries. Moreover, owing to differences in their responses to the ongoing Israel-Hamas conflict, Malaysia's relations with the United States have been [strained](#).

In sum, Malaysia has grown closer to China, while its relations with the United States have lagged behind. This trend might continue in 2024 if Malaysia's relations with China were to undergo more progress without parallel improvement in ties with the United States. Such a trend may raise questions, not for the first time, about Malaysia's avowed stance of neutrality and non-alignment towards all major powers.

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