

The 21st Century Maritime Silk Road and China-Malaysia Relations

by

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Dialogue on China-Malaysia Relations:
Strengthening Partnership, Deepening Regional Cooperation
Tuesday, 14 April 2015
International Conference Hall
Chinese People's Institute of Foreign Affairs (CPIFA)

Distinguished guests, ladies and gentlemen,

At the outset, allow me to thank the Chinese People's Institute of Foreign Affairs (CPIFA) for this opportunity to visit China and engage in discussions with leading Chinese scholars and officials. Special thanks go to Ambassador Peng Keyu and his colleagues, especially Mr Han Hongchai, Mr Hong Shuzhan and Ms Wen Xiangdong. Their hard work and efficiency have been exemplary.

I should also emphasise that my presentation reflects my own views and not those of the Institute of Strategic and International Studies (ISIS) Malaysia or the Malaysian Government.

The topic that's been assigned to us in this session is "The 21st Century Maritime Silk Road and China-Malaysia Relations." I will attempt to address the two major themes of this topic as best I can, while leaving enough time for my more distinguished colleagues to contribute their thoughts.

Key Features of Malaysia's Foreign Policy

But first, let me highlight several key features of Malaysia's foreign policy that are worth bearing in mind as we discuss Malaysia-China relations and the 21st Century Maritime Silk Road. There will be no time for a comprehensive treatment of all the key features of Malaysia's foreign policy. So for the purposes of today's discussion, I'd like to highlight three, in particular.

The first feature is an intense focus on international trade. This is not to say that other economic aims do not matter. Attracting foreign investments is also

a major priority for Malaysia. But there are few other objectives that can so reliably focus people's minds, affect policy calculations, and propel government action like international trade.

This shouldn't be surprising. After all, Malaysia is one of the most trade-dependent countries in the world: it is 154% of our GDP. But being a trading nation is not just an economic reality for us; it is also a matter of national identity. Being a trading nation is a big part of who we are.

The second feature of Malaysia's foreign policy is a strong commitment towards the Association of Southeast Asian Nations (ASEAN). ASEAN is regularly described as the cornerstone of our foreign policy: not just "a cornerstone" – which implies that there's more than one – but "*the* cornerstone." This is not the result of some sentimental attachment to a regional organisation that Malaysia played a pivotal role in establishing in 1967. Rather, Malaysia's commitment is anchored on the clinical and realistic calculation that our prosperity and security are invariably tied to a strong and successful ASEAN.

That is why Malaysia takes its chairmanship of ASEAN in 2015 very seriously. For this year will be a test of ASEAN's ability to live up to its goal of creating an ASEAN Community. Like it or not, the ASEAN Community will be declared on 31 December 2015. The challenge here is to give it meaning and substance, both in the lead up to its announcement and the years after. The ability of ASEAN Member States to act cohesively, in unison, and in ASEAN's interests as a whole will be crucial towards making the Community a success.

The third feature of Malaysia's foreign policy is a keen awareness and appreciation of its strategic location and geography. Napoleon is thought to have said that: "to know a nation's geography is to know its foreign policy." Malaysia is no different.

Our strategic location presents both benefits and risks. Being situated astride the Malacca Strait allows us to tap into the economic potential and advantages of having over 80,000 vessel movements through that busy waterway each year. At the same time, Malaysian policymakers are conscious of the fact that the strategic importance of the Malacca Strait and the South China Sea carry the potential of attracting the contesting interests of the major powers. In other words, Malaysia is situated in an area that's ripe for major-power rivalry.

A major consequence of Malaysia's strategic geography is an enduring interest in seeing: first, that no major power dominates Southeast Asia; and second, that Southeast Asia does not become a region for contestation between the major powers. These were the objectives that underpinned Malaysia's push for Southeast Asia to become a Zone of Peace, Freedom and Neutrality (ZOPFAN) in the early 1970s. It is only by ensuring that the region isn't dominated by a major power or become an arena for major-power rivalry that Malaysia and its Southeast Asian neighbours stand a chance of maintaining their autonomy.

Malaysia-China Relations

More often than not, the news headlines about Malaysia-China relations are dominated by how the two countries are major trading partners. In 2014, total bilateral trade reached US\$106 billion. China is Malaysia's biggest trading partner. Malaysia, on the other hand, is China's third-biggest trading partner in Asia and its biggest among all ASEAN countries. The aim now is to have US\$160 billion in bilateral trade by 2017.

But we all know that the relationship between Malaysia and China is more than just about trade. In October 2013, Prime Minister Dato' Sri Najib Tun Razak and President Xi Jinping agreed to elevate the bilateral relationship to a Comprehensive Strategic Partnership. Last year, the two countries celebrated the 40th anniversary of diplomatic relations. Prime Minister Najib and President Xi have met four times in their current capacities: once in 2013, twice in 2014, and more recently at the sidelines of the Boao Forum for Asia in Hainan last month.

By most accounts, Prime Minister Najib views Malaysia-China relations not only in terms of dry calculations of interests. Rather, he also sees the building of the relationship with China as a continuation of the legacy of his late father, the second Prime Minister of Malaysia, Tun Abdul Razak.

Underpinning this approach is an overwhelmingly positive perception of China among the Malaysian general public. In the Pew Global Attitudes survey released last July, 74% of Malaysians were reported to have expressed positive views about China. The only two countries where more people were positive about China were Pakistan and Bangladesh.

But as with any relationship between two countries, there are challenges. I'm sure that my fellow Malaysian delegates can highlight a number of areas where the relationship could be better. I'd like to mention two.

The first is the challenge of creating a more balanced economic relationship, particularly in terms of investment. Currently, the ratio between Chinese investments in Malaysia and Malaysian investments in China is approximately one to six. So, for every dollar of investment by Chinese entities in Malaysia, their Malaysian counterparts have six dollars in China. Having some semblance of a balance in the economic relationship between Malaysia and China is important to ensure that it continues to be viewed as one with mutual benefits.

The second challenge involves the South China Sea. Unlike some of the other Southeast Asian claimants, Malaysia has decided that the most constructive way of engaging China on this issue is through quiet diplomacy. There remains confidence in this approach, which seeks to avoid the excessive glare of the media on an issue where nationalist sentiments can easily be inflamed.

But there are growing concerns, including as a result of China's reclamation and construction activities in the South China Sea. I do not wish to go into the merits or demerits of China's actions in this regard. To do so would be a futile exercise and occupy needless attention in a dialogue where we should be looking for ways to improve the relationship. All I wish to highlight is a new reality: that the reclamation and construction activities in the South China Sea will inevitably bring the operations of Chinese and Malaysian maritime forces into even closer proximity.

In the recent past, Malaysia and China had – by and large – the luxury of geographical distance. As a result, the South China Sea issue has been mainly kept within the confines of deliberations by our political leaders and diplomats. But the growing frequency of contact between our respective navies and coast guards in the South China Sea adds a new dimension to the relationship. It increasingly exposes bilateral ties to the occasional need for quick decisions and the possibility of miscalculations by those commanding the ships on both sides. This is one of the reasons why it is crucial for all the countries concerned to reach an agreement on a set of minimum standards of behaviour in the South China Sea: a Code of Conduct (COC).

Malaysia's Response to the 21st Century Maritime Silk Road

President Xi Jinping's announcement of the 21st Century Maritime Silk Road initiative in October 2013 prompted a great deal of interest throughout the region – Malaysia included. It also led to a series of visits to Malaysia by

Chinese delegations that wanted to gauge our perceptions of the initiative. Some of those delegations visited the think-tank where I work, ISIS Malaysia.

Unfortunately, neither we nor our Government colleagues were able to provide comprehensive answers to many of their questions. But nor could the Chinese visitors answer many of ours. And that was mainly because of a lack of detailed information about the initiative. This persisted for over a year following President Xi's announcement.

What we could tell them was that the Malaysia-China Kuantan Industrial Park and the Kuantan Port had the potential to become key parts of the initiative.

We also knew that, even without a formal initiative by the Chinese Government, something approximating what is envisaged under the 21st Century Maritime Silk Road was going to happen anyway – perhaps on a smaller scale and more gradually. Economic imperatives alone would dictate that, in response to the sheer magnetism of the Chinese economy, a series of ports and related facilities would be built along the coasts of Asia, Africa and Europe – with or without a grand, overarching plan to do so.

We also considered the possibility that the 21st Century Maritime Silk Road initiative could raise concerns in Southeast Asia. We asked: Is there a possibility that this initiative might accelerate the speed with which some ASEAN Member States are being pulled towards the strategic space of one major power or the other? What are the possible implications for ASEAN's cohesiveness? Might this lead – perhaps as an unintended consequence – to China's dominance of Southeast Asia?

Even in the absence of detailed information, however, the Malaysian Government's reactions to the initiative were largely positive. Cooperation in the establishment of the 21st Century Maritime Silk Road was incorporated into the Joint Communiqué between Malaysia and China in conjunction with the 40th anniversary of diplomatic relations in May 2014. The Malaysian Transport Minister, Dato' Sri Liow Tiong Lai, has repeatedly expressed Malaysia's support for the 21st Century Maritime Silk Road. Earlier this year, following discussions with his Chinese counterpart, the Minister said that Malaysia's recommendations had been incorporated into the plan for the initiative. And last month, Prime Minister Najib reiterated that Malaysia supported the initiative in principle and was getting further details from China.

Now that China has released its Vision and Action Paper on the "One Belt, One Road" initiative, we can have a better appreciation of what it is about.

China has clearly sought to consider the interests of the various countries that will be involved in the 21st Century Maritime Silk Road, including those in Southeast Asia. The time that it took to formulate this paper was obviously not wasted.

What's especially noteworthy is the care with which the paper seeks to emphasise and re-emphasise that the 21st Century Maritime Silk Road will be a collaborative endeavour. This began with its title, "Vision and Actions on *Jointly* Building Silk Road Economic Belt and 21st Century Maritime Silk Road." It continues with a set of principles that underscore that the initiative is open for cooperation; harmonious and inclusive; follows market operation; and seeks mutual benefit. It follows up with further details aimed at addressing the concerns of China's partners. What I found especially comforting was that the paper reflected an understanding that for the 21st Century Maritime Silk Road to succeed, the benefits must flow both ways.

Conclusion

I do not speak for the Malaysian Government. My Prime Minister and his cabinet ministers have said that Malaysia is in principle supportive of the 21st Century Maritime Silk Road.

But I would urge that the interests of Malaysia and of ASEAN as a whole are always carefully taken into account in the implementation of this initiative. As a trading nation, Malaysia will almost certainly be a strong and enthusiastic partner in the 21st Century Maritime Silk Road. But I should also underscore that Malaysia views the unity and cohesiveness of ASEAN and a Southeast Asia that's free from major-power dominance and rivalry as matters of major strategic importance.

As a rising power, China has a duty to reassure the rest of the region and the world. It has largely done that with finesse and sophistication. Most Malaysians, myself included, are confident that it will continue to do so in the future.

Thank you.