



This month marks the 40th anniversary of diplomatic ties between the People's Republic of China (PRC) and the Federation of Malaysia. For China this anniversary will have an added significance given that the diplomatic ties were inaugurated by none other than the father of the current Prime Minister, Tun Abdul Razak Hussein.

Now the son will go to Beijing to celebrate the anniversary. The Chinese likes this sort of symbolism and will roll out the red carpet for Datuk Seri Mohd Najib's visit. The Chinese ambassador last month called Malaysia an "old friend".

Both sides will not allow the MH370 tragedy to spoil the celebrations. After all it's all about the future. The pandas on loan to Malaysia as part of the celebrations will arrive.

Although Tun Razak deserves full credit for the foresight to formalise diplomatic relations with China, credit must also be given to Tun Dr Mahathir Mohamad for really getting the relationship to work across the board.

The Rising Dragon: Opportunity or fear?

Trade between China and Malaysia will still be growing. Tourism will still grow. But Malaysia is unlikely to be a strategic economic partner for the Chinese now or in the future. Instead, both will remain "old friends".

For the first few years of China-Malaysia relations, very little was achieved because the Communist Party of China was still maintaining a "party to party" relationship with the Communist Party of Malaya (CPM).

Relation only really took off when China decided to cut ties with the CPM and the CPM radio station was forced to shut down in China. By mid-1980s, after the initial years of reforms in China, Dr Mahathir pushed hard to move the relationship to the next level.

He was able to do this despite strong opposition from the Malaysian bureaucracy, especially allowing more non-government people-to-people visits from both sides.

On the surface there is much to celebrate. Malaysia is easily in the top position for bilateral trade between China and ASEAN countries, and China has become Malaysia's largest export market.

Bilateral trade is close to US\$100billion annually. China and Malaysia have jointly established the Malaysia-China Kuantan Industrial Park (MCKIP) and Qinzhou Industrial Park (QIP).

There are close to 15,000 Chinese students studying in Malaysia. Millions of Chinese tourists come to Malaysia annually. There are multiple daily flights between China and Malaysia. In Iskandar, the biggest condo-developer is from China.

Xiamen University, an elite university in China, is building its first overseas branch campus in Malaysia (the target date for operations is next year). If the backers of the university are to be believed, they say they want one-third of the students to be from China.



Forty Years of Friendships: The late Tun Razak and then Chinese President Mao Ze Dong in 1974 after the countries formalise its diplomatic ties. Four decades on, the relations have become stronger with Najib and current Chinese president Xi Jinping in the drivers' seats.



However, as in all relationships there are problems. The long-standing ones include the competing claims over portions of the Spratly Islands. It is an open secret that earlier this year three Chinese warships patrolled the James Shoal in the South China Sea, an area claimed by Malaysia. This area is just 80 kms from Bintulu.

Malaysia has kept quiet about this issue at the official level, i.e., not sending a diplomatic note to Beijing. Last year when Chinese ships entered James Shoal,

International Tribunal on the Law of the Sea. Manila then went further and signed a new defence cooperation agreement with the United States.

In addition to Putrajaya and Manila, Beijing is in territorial spat with Vietnam and Brunei. It also has a separate dispute with Japan in the East China Sea, over the Diaoyu/Senkaku islands.

The other problem we have is the quality of trade with China. Much of the two way trade is actually not real trade - they are part of the worldwide supply chain.

Chinese producers ship items to Malaysia where the items are upgraded before they are shipped back to China for final production.

As China becomes more technologically sophisticated they will probably find that they do not need to ship the items to Malaysia for part of its process.

For labour intensive products, the Chinese manufacturers will probably seek countries with even lower labour costs than Malaysia.

Perhaps the biggest problem is the big versus small approach. The Chinese want everything to be big - they want to buy big technology, they want volume, they want long-term deals on natural resources.

On the Malaysian side, we really cannot offer them world-class technology, very few of our producers can actually produce large enough volume for the Chinese markets (think tropical fruits for Chinese markets) and we are certainly not going to mortgage our natural resources to the Chinese.

This does not mean we cannot move to the next level in relations. Trade will still be growing. Tourism will still grow. But we are unlikely to be a strategic economic partner for the Chinese now or in the future. We will remain "old friends".

The real advantage we have with China is in the diplomatic arena. As a founding member of Asean, Malaysia plays a key role when it comes to China-Asean relations. Asean with a population of 600 million and a fast growing middle-class can be on equal footing in economic terms with China.

At the diplomatic level, Asean is even more important to China. China will not destabilise Asean for the simple reason it cannot afford to have 10 angry neighbours to the south while relations with Japan and South Korea will never move further beyond stable due to historical reasons. It is the same with India.

Asean plays a crucial role between the great powers that when the chips are down, diplomatic ties will be viewed by Beijing as more important than economic ties.

For this reason alone, China represents an opportunity for Malaysia and Asean. **mb**

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