

26/05/2004

Strong foundation for co-operation

By Hardev Kaur

MALAYSIA chose a policy of engagement rather than isolation and was the first country in the region to establish diplomatic relations with China. Today as China emerges as an economic powerhouse, Malaysia marks 30 years of diplomatic relations, writes HARDEV KAUR.

"LET us begin now to lay, stone by careful stone, the foundations of enduring and fruitful friendship between our two countries and people," Malaysia's second Prime Minister Tun Abdul Razak said during the historic visit to China in May 1974.

With a handshake and these words, diplomatic relations between China and Malaysia were sealed 30 years ago, making Malaysia the first among Asean members to establish diplomatic relations with the communist nation.

The different social systems were not an obstacle to establishing and developing friendly and peaceful relations. And it prompted the then Prime Minister of Singapore and now Senior Minister Lee Kuan Yew to comment that "Malaysia's step marks a new phase" in Southeast Asia's relations with Beijing.

The Malaysia-China bilateral relations are founded on mutual respect and non-interference in the internal affairs of each other. Razak had made this very clear when he said the social system of any country should be chosen and decided only by its own people.

Over the years bilateral relations have expanded and deepened. Each Malaysian prime minister has carefully laid an additional stone in bilateral relations. Tun Hussein Onn, Tun Dr Mahathir Mohamad and now Datuk Seri Abdullah Ahmad Badawi have added to the growing and deepening friendship.

Today they cover every aspect: political, economic, social, educational, cultural, official and the people-to-people level. The future looks even brighter with relations set to move into higher gear.

Bilateral trade is a good indicator. From a limited number of commodities, basically raw material, scented wood and gum from the forests it has expanded to cover a wider range of goods and services. In 2002 China overtook India as the leading export market for Malaysian palm oil. The composition of trade is also varied and covers a much wider range of goods and services.

Today Malaysia is China's largest trading partner in Asean. Last year two-way trade totalled US\$20.1 billion (RM76.38 billion) up from US\$402 million in 1980. In the first two months of this year 6.4 per cent of Malaysia's exports went to China and 9.2 per cent of imports were from China. This is an increase from the 6.3 per cent of exports and 8.4 per cent of imports from China for the whole of last year. And trade is in Malaysia's favour.

Increasing two-way trade, according to Tan Sri Lee Kim Yew, co-chairman of the Malaysia-China Business Council, is the clearest evidence of strengthening bilateral relations over the three decades. Clearly, he says, this is the fruit of careful nurturing of bilateral relations.

But with a population of 1.3 billion people, combined with a rapid growth rate the market potential of China is tremendous. As Dr Mahathir put it with the growing wealth and prosperity, "China's consumption is far from peaking". Presently it is still lower than Malaysia's. And this offers even greater potential for businesses, both Malaysian and Chinese.

With direct flights and improvement and relaxation of requirements for

travellers between the two countries, cultural and tourist travel has increased.

Last year about half a million Chinese tourists visited Malaysia and a similar number of Malaysians went to China for holidays. Educational links are also on the rise. There are now some 10,000 Chinese studying here.

More than 10 agreements on economic and trade co-operation have been signed between the two countries including the Agreement on Avoidance of Double Taxation, Trade Agreement, Agreement on Investment Protection, Shipping Agreement and Air Transport Agreement. The joint committee of economy set up in 1988 has met several times.

These agreements and commitment from the highest levels in both capitals, Kuala Lumpur and Beijing, have increased the confidence of businessmen. This coupled with the accession of China to the World Trade Organisation (WTO) has seen increased flow of investments both ways with room for further growth.

According to Chinese statistics, 97 Chinese corporations with investments totalling US\$35.7 million in Malaysia had been approved as at the end of 2002. In the same year there were 319 Malaysian projects in China with investments of US\$0.79 billion, up 67.9 per cent from 2001.

"As much as China is going to be the industrial centre of the world, China will also be the biggest market for components and raw materials to feed its burgeoning industries," according to Dr Mahathir.

And according to Malaysia's ambassador to Beijing Datuk A.K. Majid China's entry into the WTO and its transformation into a market economy has opened up exciting and new possibilities for trade and economic interaction.

This coupled with changing consumer tastes in China, which open up its vast consumer market to the products of other countries, will pose challenges. But Kuala Lumpur, as Abdullah, who is making his first official visit to China since the general election, will stress the importance of closer working relations and enhanced cultural ties.

With a large government and business delegation he will demonstrate to the Chinese that Malaysia continues to place great importance on its relations with China. Malaysia was certain, even 30 years ago, that China was an important link in the region and would be a global player. Malaysia thus chose to engage China rather than isolate or contain it.

This forward-looking policy and the fact that Kuala Lumpur chose not to interfere in China's internal affairs has resulted in good, strong and friendly bilateral relations.

The Chinese leadership has tremendous respect for Malaysian leaders and Abdullah's visit will add to that.

Foreign Minister Datuk Seri Syed Hamid Albar stressed that "the visit will register very clearly that we still place great importance in enhancing our bilateral relations with China".

The visit will also show the Chinese that during his time Abdullah is aware of the importance of the relations which are being strengthened and deepened. He said that there is good potential for improvement in various fields.

"While maintaining and strengthening trade and investment co-operation, we shall go into intensive co-operation in areas of science and technology such as bio-technology, information and communication technology," he added.

China the sleeping giant has awakened. It is among the world's fastest growing economies and attracts large sums of investments.

It is seen as the factory to the world, a competitor and threat. Indeed many of the world's economic problems are blamed on Beijing and its economic policies.

It must open its economy, was the mantra that was often heard in the past. It does not allow for competition, and now that it has embraced a market economy it is accused of sucking in massive investments, causing unemployment in the US, exporting deflation and causing havoc in currency markets by not adjusting its currency.

But China demonstrated that it is pragmatic and "it is not only a friend but a friend in need".

At the height of the Asian financial crisis it did not devalue its currency, which prevented an even faster downward spiral in regional currency markets. It prevented a total meltdown in the region.

But that is not all; China as a major world economy plays an important role in the regional economy as well.

It demonstrated its maturity and an understanding of the needs of the region and lent its support, the first to do so, for the Malaysian proposal for an East Asian grouping, which has eventually emerged under the Asean plus 3 umbrella. It was a bold step in the face of opposition from some of the major powers, including the US.

In fact, even in 1979 Hussein had hoped that China's role would be toward the creation of a new international economic order. Today China, as an emerging economy and a major world trader, sets the world economic wheels turning.

The world watches it with awe, trepidation, fear and caution. But Malaysia, as Dr Mahathir said, does not see China as a threat; it sees it as a partner. China and Malaysia both have assets and skills that can be mutually beneficial.

The interdependence and co-operation in trade and economic relations have been further strengthened with China's market-opening measures.

The bilateral relations have evolved and brought mutual benefit and as Syed Hamid said: "We can proudly celebrate the 30th anniversary of bilateral relations with China".

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