

Najib aims to take China ties to 'new highs' on visit

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Praveen Menon, Reuters

Malaysian Prime Minister Najib Abdul Razak heads to China next week to build closer ties and seek investment, which may further dent US aims in South-East Asia after a push by President Rodrigo Duterte of the Philippines to bolster China ties.

Najib is traveling to China with dozens of government leaders and business people. In statement yesterday, he said Malaysia was committed to strengthening friendship with China and pushing ties to "new highs".

"We will be signing many new agreements and understandings that will elevate the relationship between our two nations to even greater heights," the prime minister said.

The Oct 31-Nov 6 visit comes days after Duterte's Beijing trip, where he declared a "separation" with old ally the United States and said he had "realigned" with China.

Both Malaysia and the Philippines are in dispute with China over rival claims in the South China Sea but Duterte has softened the Philippine position in his push to build China ties and China could ease the dispute with Malaysia by offering economic benefits, an analyst said.

"If it wields its check-book diplomacy shrewdly, it may either tie Malaysia's hand on its dispute over the South China Sea, or even split Asean further on the South China Sea," said Yang Razali Kassim, senior fellow at the S Rajaratnam School of International Studies (RSIS), of Nanyang Technology University in Singapore.

The 10-member Association of South East Asian Nations (Asean), which both the Philippines and Malaysia belong to, has struggled in recent years to present a united front to China on the South China Sea. Vietnam and Brunei are also Asean members and also have South China Sea claims.

"There are implications should Najib move to get deeper into Beijing's embrace," said Yang Razali.

Najib is eyeing more Chinese investment in infrastructure and manufacturing. Defense deals may also be discussed.

China's increased assertiveness in the South China Sea has heightened US-China tension, with the two trading accusations of militarizing the waterway through which some \$5 trillion in trade passes each year.

Last week, a US navy ship undertook the fourth of what the United States calls freedom-of-navigation operations in the past year, to challenge what it sees as

overreaching maritime claims by China in the South China Sea.

The United States has seen the Philippines as an important ally in its "rebalance" to Asia in the face of a rising China but Duterte's threats to cut US ties while making overtures towards China has raised questions over the US strategy.

Chinese investment

Ties between Malaysia and China reached a new peak in December when China came to Najib's rescue with a \$2.3 billion deal to buy assets of scandal-hit state fund 1Malaysia Development Berhad (1MDB), helping ease Najib's concern over the firm's mounting debt.

China has since been pumping more funds into Malaysia.

For the first three months of 2016, Chinese investment in Malaysia's manufacturing sector reached RM1.5 billion (US\$356 million), making it the largest foreign investor in its manufacturing.

Chinese firms have also secured major deals in Malaysia, including a \$7.3 billion port deal in the city of Malacca last month. China is widely expected to win a contract to build a high speed railway.

Malaysia's China push comes amid strained US ties after the US Department of Justice filed lawsuits linked to a money-laundering investigation at 1MDB, the advisory board of which Najib chaired until recently.

Najib dismissed foreign interference in Malaysia's affairs and questioned why the United States publicised the issue.

"The lawsuits were a strategic mistake by the US... China will look at this situation with glee," said a person familiar with the matter but not authorised to speak to the media.

Ian Storey, senior fellow at ISEAS-Yusof Ishak Institute think-tank said there would not be a Duterte-style about-turn in Malaysia's foreign relations under Najib.

But the 1MDB case "might temporarily nudge Malaysia closer to Beijing and introduce a bit of turbulence in its relations with Washington".

- Reuters