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CHINA AND MALAYSIA RELATIONS: INITIATIVES, INVESTMENTS, AND INTRUSIONS

By
Vivian Louis Forbes

*It is natural for neighbours to run into problems...
Hon. Wang Yi, Minister for Foreign Affairs, PRC, 7 June 2021.
Malaysia will continue to practice its long-held fundamental principles in
its international relations.
YB Dato Seri Hishammuddin Tun Hussein,
Minister for Foreign Affairs, Malaysia, 1 September 2021.
No matter how the world changes, our Leaders always regard China-Malaysia
relations as a priority.
H.E. Ouyang Yujing, China's Ambassador to Malaysia, October 2020.*

SYNOPSIS

The diplomatic and economic relationships between China and Malaysia is usually described in many aspects, in positive terms, this despite a territorial and sovereignty dispute that lurks in the geopolitical setting of the South China Sea. Since the mid-1970s, Malaysia has demonstrated active support of China's self-role and world-order conceptions. Although the States are not terrestrial neighbours, they could potentially share ocean space if deemed necessary and if the political will exists with both parties to delimit a maritime boundary or define zones of maritime jurisdiction. Until the end of 2019, history will record that each were advancing steadily towards their stated objectives. The COVID-19 Pandemic has affected the economies of both countries, however, China's 'vaccine diplomacy' and foreign direct investment (FDI) programmes foster healthy relations during these trying times.

By way of an Introduction the narrative initially discusses the concept of diplomacy and international relations. It is followed with a Background containing comments about the robust trade exchange between China and Malaysia; then examines the political issues and analyses the relationship in the context of the South China dispute, the military balance, and intrusions of Chinese military into Malaysia's maritime and air spaces. It concludes that the improving cordial friendship between China and Malaysia also disguise the less obvious points of contention and ambiguity that affect any uneven bilateral relations. Malaysia has been discreet in its differences with China, often seemingly to turn a blind eye to certain relevant events.

1. INTRODUCTION

A primary national interest of a State is its 'survival' in a hostile environment - whether the hostility comes from within the confines of its jurisdiction, or external threats - perceived or real - from immediate neighbours or actors further afield. Thus, to maintain the survival phase it is important to acquire and retain power through self-help. If the State is not able to generate political and military power, it will probably seek the assistance from a powerful State actor via the concept of 'international relations' and 'diplomatic' means.

Modern international relations are as much as about diplomacy - as they are about military pacts and defence arrangements. Foreign policy and defence agreements directly relate to a State's primary national interest. The inclination of international politics is all about the pursuit of power; how to acquire, increase, and project it, and most importantly, how to use it to manipulate others to one's will. The basic tasks of diplomacy as they are defined by international law are representation, negotiation, and observation. (Barston, 1988) Article 3 of Vienna Convention (1961) on the Diplomatic Relations defines the functions of diplomatic missions.

Diplomacy is a subsection of international relations that is typically focused more narrowly on the process of conducting negotiations between representatives of different nations or, in some cases, corporations from different countries. It is a concept where established methods are used to influence decisions and behaviour of foreign governments and peoples through dialogue. Such discourse may entail 'smile diplomacy', 'smooth diplomacy', 'soft-shoe diplomacy', 'charm offensive', 'economic and/or defence diplomacy'. In 2007, Ian Storey opined that the relationship between China and Malaysia, by mutual consent, was the best it has ever been. Kreuzer (2016) in his study of a comparison of Malaysia and Philippine responses to China in the context of the South China Sea dispute terms that the Sino-Malaysian is a 'smooth relationship'. Ngeow (2021) observed that domestic changes in Malaysia was partly responsible for the slowing down of Malaysia-China defence interactions, since 2019, it was possibly China's actions in the South China Sea dispute also that contributed to the lowered enthusiasm and increased uncertainty among the defence establishment on the efficacy of developing defence relations with China.

The present author, in 2013, referred to the China and Malaysia relations as a 'cuddly diplomacy and prickly territorial issues' noting that promoting

economic growth overshadowed issues pertaining to sovereignty and territorial disputes between the nations. He noted that the territorial dispute in the South China Sea continues to linger as an adverse undercurrent to diplomatic relations. Observations he made in the intervening period to mid-2019 suggested that progress was moving fast-forward as investments continued to pour in from China-sourced funds (Forbes, 2017). Since early 2020, the foreign direct investments (FDI) have generally been downgraded and planned development projects either shelved or cancelled, discussed below. Hamzah (2021) opined that the strong economic ties of the two states are likely to defuse the political tensions arising from the sovereignty and territorial dispute in the South China Sea.

However, there are concerns by some in Malaysia, and perhaps elsewhere in the region, of the close ties of China's economic pressure or what may be perceived as coercive diplomacy. The States of Johor, Malacca, Penang, Sabah and Sarawak were, and still are, keen to accept the investments for development projects in the form of soft diplomacy. However, the Federal Government in Putra Jaya has the authority to sanction foreign investment projects. Malaysia may have its hands in a bind when dealing with the South China Sea issue. However, the vitality of ports to both national security and economic development allows China and Malaysia to blur the distinction between economic assistance and militaristic implications.

The cordial friendship between China and Malaysia - smooth relations - also disguises the less obvious points of contention and ambiguity that affect any uneven bilateral relations. Malaysia must stay firm, whether it uses 'cuddly diplomacy' or 'quiet diplomacy' to ensure that the South China Sea does not turn into a geopolitical 'China Lake', and that the sea is used to enhance the trade routes of the 'Maritime Silk Road' and other users without favour nor fear. (Ngeow, 2019)

2. BACKGROUND

The three quotes cited above, illustrate the bond and political will between China and Malaysia. Throughout China's long history, cultural and commercial interactions with many parts of what constitutes present-day Malaysia have become routine. In 1974, the then Prime Minister of Malaysia, made a historic visit to China. Malaysia was the first member of the Association of Southeast Asian Nations (ASEAN) to establish diplomatic relations with the People's Republic of China (PRC) (Camroux, 1994). Subsequent Prime Ministers of Malaysia, on behalf of their government, have maintained sound diplomatic relations with a cautious approach; however, with economic issues in command and cooperation considered, and indeed, encouraged.

Since the mid-1970s, Malaysia has demonstrated in its conduct of foreign policy and rhetoric its active support for the basic scopes of the Chinese self-role and world-order notions. Malaysia has often abstained from commenting publicly on the actions taken by China in the South China Sea. In 1999, a Memorandum of Understanding (MOU) expressed the mutual aim of achieving a multi-polar and equitable world order to non-interference in each other's domestic affairs. In May 2004, China and Malaysia issued a Joint Communique on bilateral relations.

In September 2011, Malaysia signed a *Memorandum of Understanding* (MOU) with China on security, immigration, and transnational crime. In 2013, the two countries upgraded their relationships to that of 'Comprehensive Strategic Partnership'. In 2016, further agreements on mutual defence co-operations were signed. (MoFA, 2016)

China is Malaysia's largest trading partner and Malaysia is China's largest trading partner in Southeast Asia, with their collective bilateral export trade exchange estimated at US\$85.6 billion in 2019. The item: Integrated Circuits - was, and currently is, the top product of export by each state to the other. China exported US\$5.93 billion of the product to Malaysia; whilst Malaysia exported US\$10.1 billion. A healthy trade balance on just one type of product. (OEC 2021) Initiatives, investments, and intrusions - with honourable intentions or otherwise - are factors that play important roles in the steadfast economic and political relationship between China and Malaysia. China rose to become Malaysia's top foreign direct investor in 2018 but fell behind to the United States in 2019. History will record, that until the end of 2019, China and Malaysia were heading, in financial and investments parlance, into a strong bond and towards their stated objectives; Malaysia with its 'Vision 2020' and China with its 'China Dream' economic and political development - a pressing goal that is closely linked to the 'great rejuvenation of the Chinese nation' supported by the Belt and Road Initiative (BRI) and the Asian Infrastructure and Investment Bank (AIIB).

The BRI is aimed at comprehensively strengthening developmental policy, commercial, financial, infrastructural, and human connectivity. Such a concept was attractive to Malaysia's Government in 2013 as the country was constrained by chronic underinvestment, including its infrastructure sector.

In 2020, Chinese Defence Minister and State Councillor Wei Fenghe and Foreign Minister and State Councillor Wang Yi visited Malaysia. China's Ambassador to Malaysia Ouyang Yujing indicated that China and Malaysia are good friends, and their relations had stood the test of time. The Ambassador observed that despite the downward pressure from the global economy and challenges posed by the Covid-19 Pandemic, China and Malaysia have together safeguarded the sound development of their economic cooperation.

Ouyang, who assumed his duty as the Ambassador of China to Malaysia on 16th January 2021, pledged to do his utmost to advance China-Malaysia friendship and cooperation, and elevate the bilateral relations to new heights. He noted that despite the restrictions on physical movements, he had been conducting engagements with officials in government, companies, local communities, and think-tanks via video calls.

"Although my friends and I are divided by the monitors, I am still deeply touched by everyone's affinity towards China. I am also greatly encouraged that people I met are all confident and determined to promote China-Malaysia cooperation," he commented. (*The Star*, 2021) The Ambassador also hoped that in the post-Covid-19 era, China and Malaysia could strengthen the traditional cooperation in the areas of trade and investment, tourism, infrastructure development and personnel exchanges, among others.

China and Malaysia could make steady progress in furthering the BRI and exploring the full potential of their cooperation in emerging fields, including digital economy and advanced technologies. All these efforts will give further opportunities to the developments and bring more benefits to the relationship. The close relations are reflected in the cooperation between both governments and their people on sharing experiences on the pandemic prevention and control, vaccine development, as well as donating medical supplies to each other. Through their affirmative actions, China and Malaysia have demonstrated how they shared their successes and overcome the adversities together. The mutually beneficial cooperation between both nations has grown rapidly. Indeed, even during the pandemic, visits by policy makers and businesses between both countries remained uninterrupted. Malaysia is committed to retaining friendly relations with China whilst acknowledging that there are differences and pressures.

3. GEOGRAPHY AND INTERNATIONAL POLITICAL BOUNDARIES

Malaysia's geography poses inherent security problems and benefits. The physical separation by the South China Sea of Peninsular Malaysia and East Malaysia (Sabah and Sarawak), four sets of shared terrestrial international political boundaries, and an extensive coastline create obstacles for securing the country which also has at least six sets of actual and potential maritime boundaries. However, the Peninsula's location adjacent to one of the world's busiest maritime choke points, the Straits of Malacca and Singapore, also means that numerous countries are economically interdependent with Malaysia and by inference, invested in its national security and stability.

China's geography also poses inherent security problems – actual and perceived – however, the country accrues vast benefits in agriculture and aquaculture, and mineral resources – both onshore and offshore. [The simplified map in the Annex illustrates the comparative physical sizes of China and Malaysia]. Within the Spratly Group, Malaysia controls Swallow, Ardaiser, Erica, Mariveles and Investigator Reefs. These Malaysian-claimed marine features could generate maritime zones.

A major bone of contention in the South-East Asian region is that of China's sovereignty claim over almost 85 per cent of the South China Sea basin. China has overlapping territorial claims with Brunei, Malaysia, the Philippines, and Vietnam. China's claim is identical to that of Taiwan; however, this latter statement will be open to conjecture. There has been misunderstanding, or is it misinterpretation, over international rules, in the context of maritime jurisdiction space between China and Indonesia in the northeast sector of the Natuna Sea and in the vicinity of the Nutuna Archipelago. (Storey, 2020a)

The sovereignty claim thus far has not had an adverse effect on trade arrangements and on the economies of the littoral states apart from disputes over-fishing rights and access to fishing grounds and a minor hiccup between China and the Philippines in 2012 and thereafter. There have been issues relating to the exploration and exploitation of hydrocarbon reserves in the South China Sea especially in the vicinity of Luconia Reef and Shoal complex, discussed below.

Malaysia has reserves of 5 billion barrels of crude oil and liquids reserves and about 80 trillion cubic feet of natural gas in the substratum of its continental shelf. (US Energy Information Administration,) Malaysia is the world's 15th largest marine catch producer in the world. Malaysia produced 1.5 million tons of fish in 2012, representing 1.85 percent of total global production for that year. (CNA, 2015,)

4. ECONOMIC FACTORS: IN COMMAND AND COOPERATIVE VENTURES

It was opined that former Prime Minister of Malaysia, Dr Mahathir, may have set the tone for a gradual shift of Malaysia's relations with China away from the traditional hostility and suspicion borne of ideological differences and China's unwelcomed stewardship of Malaysia's large ethnic Chinese population (Low, 2000: 674).

The Prime Ministership of Najib Razak (2009-2018), was instrumental in encouraging the flow of Chinese investment and whole-heartedly endorsing Chinese President Xi Jinping's BRI and the AIIB. Malaysia committed to a batch of projects including the multi-billion-dollar East Coast (of Malaysia) Rail Link (ECRL), which extends across the Malay Peninsula and intended to create a link from the ports along the Malacca Strait to Kuantan and other ports on the littoral of the South China Sea. This flagship BRI project was contracted to a Chinese state-owned construction company and financed with a loan from the Export-Import Bank of China. The underpinning factor was boosting Malaysia's economy and to ensure the country's independent and non-aligned political status. However, it would also make Malaysia more dependent on China as the total investment from China would have been relatively large. Such dependency has been a bone of contention and concern with the populace of Malaysia.

Dr Mahathir maintained a formidable relationship with the Government of China despite his earlier critical stance on the projects initiated by his predecessor and the Chinese enterprises. However, during Dr Mahathir's second reign as Prime Minister, in 2018, he reviewed some of the Chinese-funded projects or re-negotiated the terms of other projects. In April 2019, the ECRL was reinstated with a significantly reduced cost to the tune of US\$5billion. Several other projects under the concept of BRI included Bandar Malaysia and the Malaysia-China Kuantan Industrial Park were reviewed.

5. ROBUST BILATERAL TRADE

China rose to become Malaysia's top foreign direct investor in 2018 but fell behind the United States in 2019 possibly due to the scuttled 1MDB projects. With China's Geely investing a major stake in Proton since 2017, Malaysia's national car manufacturer saw sales rocket by 46% and its market share rose to 18% in 2019. Malaysia appears to be on track to launch Huawei's 5G technology, having set up a task force for its full adoption by 2023.

In 2019, China ranked 29th in the Economic Complexity Index (ECI) and first in total exports equating to \$2.57trillion. Malaysia, on the other hand ranked 26th in the ECI and 21st in total exports amounting to about \$273billion. In

that year, China exported goods worth \$49.9billion to Malaysia; and Malaysia exported \$36.2billion to China. Since 1995, the exports of China to Malaysia increased at an annual rate of 15.6%, from \$1.52billion to \$49.4billion in 2019. In that same period, Malaysia's exports to China increased at an annual rate of 12% from \$2.38billion to \$36.2billion. In 2019, Malaysia exported \$36.2billion worth of trade to China. The main products that Malaysia exported to China were integrated circuits, petroleum gas and refined petroleum.

During the same year, Malaysia exported services to China worth \$1.57billion that included travel, transportation, and other business services. China did not export any services to Malaysia. Malaysia registered 405,149 arrivals from China out of a total of 4,332,722 tourists during 2020. This total was down 83.4% as compared to more than 26,100,784 recorded during 2019. The drop was attributed to the COVID-19 Pandemic. During the period 2020-21 the number of Malaysians travelling to China was 471,000.

During 2020 and into the following year, the period of the COVID-19 Pandemic, the impact on the economies of both countries regressed. The collective adverse effects of the pandemic on both nations have yet to be fully assessed. The Pandemic caused one of the most severe contractions in international trade compacted by political issues for both countries attributed to factors from within and external. Malaysia was in a predicament, desperately trying to figure out how to resolve economic and political questions since early January 2021. The economic factor comprised many issues that included contending with the middle-income trap, the presence of a disproportionately large migrant force and the lack of adequate technological innovation and advancement.

By June 2021, China had exported \$6.35B and imported \$8.95B worth of commodities and goods from Malaysia, resulting in a negative trade balance of \$2.59B. Between June 2020 and June 2021, the exports of China to Malaysia increased by \$2.04B (47.4%) from \$4.31B to \$6.35B, while imports increased by \$2.27B (34%) from \$6.68B to \$8.95B. By June 2021, the increase in China's year-by year exports to Malaysia was attributed to the growth in product demand, for example, integrated circuits, refined petroleum and blood, antisera, vaccines, toxins and cultures. In June 2021, the increase in China's year-by-year imports from Malaysia were primarily by an increase in product imports in asphalt mixtures, crude petroleum and measuring instruments.

China-Malaysia bilateral trade volume and total investment had resisted the global trend and achieved growth. China has been the largest trading partner of Malaysia for 12 consecutive years and the largest Foreign Direct Investment (FDI) source in the manufacturing sector for five consecutive years. Optimism was expressed that the Regional Comprehensive Economic Partnership (RCEP), which China and Malaysia together with 13 other nations had signed, will stimulate the economic recovery and growth for both China and Malaysia. There is confidence that China and Malaysia would continue to stand firmly with each other to fight against the pandemic and economic recession.

6. CHINA'S INITIATIVES IN MALAYSIA

Malaysia remains committed to demonstrate public displays of cordial relations with China whilst managing any differences of opinion in a diplomatic manner, for example, refraining from publicly criticising the Government of China. A comment confirmed by the incumbent Foreign Minister of Malaysia in his maiden speech in August 2021. This is understandable given the vast investments that China has made in Malaysia especially after the two Governments signed their second joint communique in 2004, with a commitment to have greater cooperation in strategic areas. (Ngeow, 2021),

Many initiatives were undertaken in Malaysia funded by Chinese Government (State) enterprises during 2009 to 2018. Malaysia's then Prime Minister, Najib Abdul Razak, was instrumental in encouraging the flow of Chinese investment and whole-heartedly endorsed Chinese President Xi Jinping's BRI and the AIIB. (Hamzah, 2021)

A flagship BRI project was the East Coast (of Malaysia) Rail Link which was contracted to a Chinese state-owned construction company and financed with a loan from the Export-Import Bank of China. Allegedly, the project and its funding terms were negotiated with adequate forethought and foresight. The BRI concept would expand to policy areas such as digital connectivity, green development, and public health to provide benefits and various opportunities for Malaysia. Chinese advances in future-oriented industries such as Artificial Intelligence (AI), robotics, e-commerce and Internet of Things are other examples of the various opportunities. (Kuo, 2020)

Projects such as the Malaysia-China Kuantan Industrial Park (MCKIP) and Bandar Malaysia were funded through China's Provincial authorities and State-Owned Enterprises (SOEs). The Kuantan Port expansion and the Melaka (Malacca) Deepwater Port projects are backed by funds from China. However, an agreement between the Melaka State Government and KAJ Development on the project Melaka Gateway was terminated in November 2020 when the developer failed to complete the 246.45-hectare maritime initiative. The project involved creating an artificial island off the coast of the port/town of Malacca costing about US\$10.5 billion. The reclaimed island would comprise a modern cruise terminal for extra-large ships. Other land was allotted for a ferry terminal, commercial and property developments. (Xinbai Ji and others, 2021; *Nikkei Asia*, 2020)

Although it was purely a private project, speculation that it was part of China's expanding investment in the country -- in line with Chinese President Xi Jinping's Belt and Road Initiative -- raised eyebrows within Dr Mahathir's administration after it came to power in May 2018. Dr Mahathir has been a vocal opponent of Chinese influence, labelling it "modern-day colonization." Besides Melaka Gateway, a comprehensive review was made which resulted in the cancellation of the \$16.2 billion East Coast Rail Link and two gas pipelines worth \$2.3 billion that were awarded to the China Petroleum Pipeline Bureau. The rail project was later allowed to continue after the cost was cut by \$5.3 billion. Tham (2018), suggests that there are aspects in China's investment that may not be obvious to everyone.

The government under the leadership of Dr Mahathir revoked KAJ's port operating license during the review. But after a judicial submission by the developer seeking damages totalling billions of Malaysian Ringgit, the license was reinstated after seven months. Media reports suggest that besides the involvement of Chinese parties, another sore point for Dr Mahathir was the proximity of the Melaka Gateway to existing Northport and Westport -- two primary port operators on the west coast of central Malaysia, at the Port Klang complex.

Malaysia's defence relations with China improved steadily in the early 1990s and especially since the 2005 MOU on Bilateral Defence Cooperation was signed. Under Prime Minister Najib Abdul Razak, Malaysia's defence cooperation with China reached its height in 2017, with many top-level exchanges, large-scale bilateral exercises, a breakthrough in defence industry cooperation, growing naval visits, and continued military academic exchanges. These activities were overseen by Defence Minister Hishammuddin Hussein.

China became the largest source of foreign direct investments (FDI) for Malaysia in 2020, announced the Malaysian Investment Development Authority (MIDA). Malaysia recorded a total of 164 billion ringgit (about 40.41 billion U.S. dollars) in approved investments through 4,599 projects in the manufacturing, services, and primary sectors in 2020. In contrast, a total of 5,287 projects with investments of 211.4 billion ringgit were approved in 2019. China remained as the top investor, for the last five years, in the manufacturing sector in Malaysia by contributing over US\$6 billion in 2020 (MIDA, 2021)

7. MILITARY SERVICE

China's active military personnel number about 2,185,000 whereas Malaysia's military service complement is about 110,000. Reserve personnel equated to eight million for China and a mere 296,300 for Malaysia. [Refer to Annex B, below]

In China, selective compulsory military service is enforced for males 18 to 24 years of age, with a 2-year service obligation; no minimum age for voluntary service (all officers are volunteers); and 18 to 19 years of age for women who are high-school graduates that meet requirements for specific military jobs. A recent military decision allows women in combat roles.

Since about 2010, the PLA has undergone an impressive modernisation programme which included the introduction of highly sophisticated weapon systems. The Navy component of the PLA is operating an increasingly large fleet of modern submarines and the Chinese Coast Guard has a substantial fleet capable of operating in the waters of the Indian Ocean and Gulf of Aden and as far west to Djibouti. (Yoshihara and Holmes, 2018)

Several changes to the *Military Service Law of China* were announced on 20 August 2021. The changes place an emphasis on improving the quality of the People's Liberation Army (PLA) officers corps. The rationale to the changes made to the military service law is to reduce the number of conscripts and

expand the number of professional volunteer officers and non-commissioned officers (NCOs) who would be recruited from institutions of higher education and universities with priority given to recruits with science backgrounds, for example, computer science, engineering, and mathematics. Military personnel will be offered better living facilities and family support and enhanced healthcare. Recruiting NCOs has been made easier. PLA personnel are being deployed in remote areas for longer periods ranging from the artificial islands of the South China Sea to the Himalayan Ranges along the Sino-Indian terrestrial boundary. These locations are considered hardship postings. (CAN, September 2021)

In Malaysia, males of 17.5 years of age may present themselves for voluntary military service (younger males with parental consent and proof of age may apply); mandatory retirement for officers is age 60, other ranks serve a maximum of 22 years, and they are not pensionable; women serve in the Malaysian Armed Forces; there is no conscription. The country's military is primarily organised to address internal security matters; however, the security concerns have manifested themselves mostly in the territorial seas of the Sulu and Sulawesi Seas and the southern sector of the South China Sea and on occasions on the eastern seaboard of Sabah and in the northwest corner of Peninsular Malaysia.

The Malaysian *Defence White Paper* of 2019 promised reforms ranging from improving the status of personnel to modernising the armed forces to meet the emerging security challenges, regionally and globally citing an uncertain security environment and the emergence of non-traditional security threats such as cyber-attacks in its varied forms and purposes. The Defence Budget for 2021 increased 1.8% from the previous year to about US\$3.84 billion.

In April 2021, the Royal Malaysian Air Force (RMAF) completed exercises in the South China Sea with the USS Navy *Theodore Roosevelt* Carrier Strike Group and during the same month Malaysia participated in the Five-Power Defence Arrangements (FPDA) Exercise *Bersama*.

8. BROADEN AND DEEPEN AREAS OF DEFENCE COOPERATION

Malaysia's defence relations with China improved amicably and progressively during the 1990s. China and Malaysia pledged, on defence issues, to establish high-level cooperation since 2000, when they signed a long-term cooperative framework agreement. The agreement included a clause calling for an exchange programme of high-level visits, study tours, seminars, visits of naval ships and cooperation in training, research and development, and intelligence sharing. The agreement also sought cooperation between national defence industries to include reciprocal visits, exhibitions, seminars, and workshops to explore the possibility of joint or co-production projects. (Ngeow, 2021) China and Malaysia signed a MOU in 2005 to hold joint military exercises. The two states formally held their first defence and security consultation in Kuala Lumpur in late 2012. Despite the vagueness of the statement, the then Malaysian Minister of Defence, confirmed that the exercises would contain a strong maritime element. Beyond the fact that the drills were planned for 2014, there are no details about their scope, location, or which military branches participated. This was a novel development in the South China Sea.

Between 2015 and 2020, at least 14 mutual visits of top-level defence officials of the two countries were given publicity. Indeed, the PLA(N) South Sea Fleet (of China) visited the Sepanggar Naval Base in Sabah on two occasions. In April 2017, the Defence Ministers from the respective countries finalised an agreement relating to the procurement of naval assets and secured a consensus to deepen and broaden areas of defence cooperation. The contract to acquire four LMS was signed between the Defence Ministry and Boustead Naval Shipyard Sdn. Bhd. (BNSSB) on 23 March 2017, with the cooperation of China Shipbuilding and Offshore International Co. Ltd. (CSOC) This procurement project is the first of such projects for capital defence assets from China.

The Commanders of Malaysia's naval ships often make verbal contact with their Chinese counterparts in the southern sector of the South China Sea whilst on patrol duties. The strongest voice of protest and show of strength was evident in August 2021, when the Royal Malaysian Navy successfully fired three live anti-ship missiles to demonstrate that Malaysia was prepared to deal with intrusions into its South China Sea maritime domain.

The RMN on behalf of the Malaysian Government took delivery of its third Littoral Mission Ship (LMS) from China. The LMS was handed over in a brief ceremony at Baiyue International Hotel, Qidong, Nantong City, China, on 14 September 2021. The LMS is among five classes of ships listed in the RMN's 15-5 Armada Transformation Programme. The fourth LMS is expected to be handed over in December 2021.

Between 2015 and 2020, academic interactions, including exchanges of military students, had taken place. Malaysian military students, numbering about 100, had attended Chinese military institutions of higher education. A dozen military personnel from China attended courses at the Malaysian Armed Forces Staff College and Defence College.

China's Coast Guard and Malaysia's MMEA held joint exercises in the past; however, since 2019, the vessels of both countries have been involved in 'stand-off' incidents in the vicinity of James Shoal, Luconia Shoals and Reef Complex which are located within Malaysia's natural continental shelf anywhere between 30 and 70 nautical miles from the coast of Sarawak. Another stand-off between the CCG and MMEA was in the vicinity of the *West Capella* hydrocarbon exploration operation episode in April 2020.

9. CHINESE COAST GUARD ACTIVITIES

Since 2006, the Chinese Coast Guard (CCG) has been instrumental in leading the country's seaward jurisdictional creep into areas - termed China's 'jurisdictional waters' equating to over 3million km² - historically claimed and occasionally visited by fishers not only from China but also from other littoral states and from outside the regional sea, (for example, Japanese and Thai fishers, especially pre-1982). During the intervening years the CCG is perceived to have employed coercive tactics to achieve China's strategic and operational objectives, for example, in April 2020, a CCG vessel allegedly rammed and sank a Vietnamese fishing boat.

To emphasise its point, during 2020, a Chinese survey ship held a month-long presence off an offshore oil permit block near Luconia Shoal and a large Chinese fishing fleet of about 200 boats (sometime referred to as 'maritime militia') anchored off Whitsun Reef in the vicinity of Reed Bank of the South China Sea.

A statement from China's *Defence White Paper* notes:

In line with the strategic requirement of offshore waters defense and open seas protection, the PLA Navy (PLAN) will gradually shift its focus from "offshore waters defense" to the combination of "offshore waters defense" with "open seas protection," and build a combined, multi-functional and efficient marine combat force structure. The PLAN will enhance its capabilities for strategic deterrence and counterattack, maritime manoeuvres, joint operations at sea, comprehensive defense and comprehensive support. (Dong Zhoah, 2015)

CCG ships in early June 2021, placed pressure on and harassed new Malaysian oil and gas projects in the South China Sea off Sarawak state on Borneo Island. Asia Maritime Transparency Initiative (AMTI), a U.S.A.-based think-tank researching ship-tracking data observed such actions in the past two years. "This is at least the third time since last spring that the CCG has harassed Malaysian energy exploration," AMTI, a subsidiary of the Washington-based Centre for Strategic and International Studies (CSIS), opined in the report titled 'Contest at Kasawari: Another Malaysian Gas Project Faces Pressure'. Such actions indicate China's persistence in challenging its neighbours' oil and gas activities within 200M from the coast of Sarawak. This is at least the third time since last spring that the CCG has harassed Malaysian energy exploration. [Refer: illustration at the Annex]

In July 2021, Malaysia participated in the annual multilateral exercise Southeast Asia Cooperation and Training (SEACAT) with the United States of America and 20 other countries. Such multilateral military and naval exercises are an essential feature in Malaysia's 'hedging policy', a phrase employed to indicate not being fully reliant solely on one major political partner. This strategy is meant to strengthen the country's limited defence capabilities - via partnerships with traditional defence partners - against security threats and challenges amid geopolitical uncertainties in the region. "Apart from being a deterrent to potential Chinese assertiveness in the South China Sea, such multilateral exercises involving the U.S. would certainly provide an additional sense of reassurance to regional states regarding Washington's credibility as a security partner and regional security provider," Lai said (2021).

An exercise, which ended on 12 August 2021, was the first warfare drill since the COVID-19 pandemic began in January 2020. Malaysia held similar drills in 2014 and 2019. During the recent exercise, the Malaysian Navy's submarine, KD *Tun Razak*, successfully launched one Exocet SM39 anti-ship missile, while two other ships, KD *Lekiu* and KD *Lekir*, launched one Exocet MM40 guided missile each. Both the anti-ship missiles are made by French defence manufacturer MBDA Systems. The MM40 Exocet can hit a target as far as 35 nautical miles (M), while SM39 Exocet has a range of 22M. The drill included nine ships, five Fast Combat Boats, a submarine, two Super Lynx helicopters, four Royal Malaysian

Air Force F/A-18D Hornet fighter jets and two assets belonging to the Malaysian Maritime Enforcement Agency. More than 1,000 members of Malaysia's security forces participated in the exercise.

Malaysia's successful test-fired live anti-ship missiles clearly demonstrated it was prepared to deal with intrusions into its South China Sea territory. The Malaysian Navy's *Taming Sari* exercise was noteworthy, as it was conducted following the intrusion of 16 Chinese military planes into Malaysia's EEZ airspace over the disputed South China Sea in May 2021 demonstrating Malaysia's capabilities and national will to defend its sovereignty.

10. NUCLEAR POWER POSTURE vs NUCLEAR-FREE COMMITMENT

China's nuclear power military posture contrasts sharply with Malaysia's commitment to being nuclear free, non-aligned, and encompassed by a Zone of Peace, Freedom and Neutrality (ZOPFAN). Malaysia does not have nuclear weapons and is signatory to the Association of South-East Asian Nation's initiative ZOPFAN. Malaysia has signed and ratified the Treaty on the Prohibition of Nuclear Weapons (TPNW). It was among the original 50 states parties to the treaty when it entered into force on 22 January 2021.

China was the last of five nuclear-weapon states under the Nuclear Non-Proliferation Treaty (NPT), which to date possesses approximately 280 nuclear warheads in total. Nevertheless, the number of deployable bombs is unknown. The first test that was successful occurred on 16 October 1964. The main goal of the Government of China was to build a deterrent against the two major nuclear powers, namely USA as well as the Soviet Union. The nation decided to choose a dried lake for the nuclear site, Lop Nur. China tested its first hydrogen bomb on 17 June 1967. As a result, China can boast with the shortest period between developing fission and fusion technology. China has 12 submarines, six of which are nuclear-powered.

In line with the strategic requirement of being lean and effective and possessing both nuclear and conventional missiles, the PLA Second Artillery Force (PLASAF) will strive to transform itself in the direction of information, press forward with independent innovations in weaponry and equipment by reliance on science and technology, enhance the safety, reliability and effectiveness of missile systems, and improve the force structure featuring a combination of both nuclear and conventional capabilities. (China's Defence *White Paper*, 2015)

By 29 July 1996, China conducted 45 tests of nuclear weapons. Still, the data regarding the stockpile of accumulated warheads is uncertain. The same thing concerns the number of deployed warheads. It is all due to the limited information that the country provides. It should also be borne in mind that China is the only country out of five nuclear-weapon states under the NPT that does not give a positive security assurance. Security assurance is always just what Malaysia desires especially after intrusions into its actual maritime jurisdiction.

11. BREACHES OF AIRSPACE AND SOVEREIGNTY: ACTUAL AND PERCEIVED

An intriguing incident occurred on 17 November 2014 in the form of a *Notice to Mariners (NtM)*, Weekly Edition 46 of 2014, issued by The Navigation Guarantee Department of the Chinese Navy Headquarters. In that document, Notice Numbered 1605 announced the geographical coordinates of the location of nine 'intended' platforms. Notice Numbered 1606 presented a set of nine geographical coordinates supposedly for the location of another set of platforms. In this second group, a suite of six geographical coordinates inferred that the 'proposed platforms' would be located on the maritime boundary of Brunei and Malaysia about 45 nautical mile NW of Brunei Bay and in water depths slightly over 100 metres. [See illustration and extract of Notice in Annex 'D']

Numerous enquirers made to authoritative sources in Kuala Lumpur failed to offer any enlightenment on the rationale for the publication of the *NtM*. The issuing authority of the Notices could not be contacted for clarification. Just for the record, Notice No. 1605 also applied to an area about Lat. 11° 30' 'N and Lon. 118° 30' " E off the northern coast of Palawan Island. The geographical coordinates of three items of Notice No. 1606 applied to an area in the vicinity of Vanguard Bank. Were these actions that of 'testing the waters', 'creating a *fait accompli*' or crafting a 'red herring'?

The activities adopted by the CCG vessels coincided with aerial patrols by Chinese military planes over waters claimed by Malaysia, on 15 June 2021, and with previous incidents. The air patrol by China's PLA suggests China's willingness to engage in parallel escalation to pressure other claimants to back down. Malaysia's Royal Air Force scrambled its jets to monitor and verify the intruding aircraft.

On 4 June 2021, the Government of Malaysia summoned Chinese Ambassador Ouyang Yujing for an explanation to the 16 Chinese Air Force transport planes which had overflown the Malaysian Exclusive Economic Zone, about 60M (111km) off the coast of the state of Sarawak. Malaysia's Foreign Ministry termed the incident as a "breach of Malaysian airspace and sovereignty". Mobilising aircraft near the South Luconia Shoal could be seen as a deterrent to Malaysia's EEZ and continental shelf claim. (*The Star*, 7 July 2021)

It appears that the Chinese PLA wanted to show that they are now better equipped for escalating dominance. China's response to Malaysia was that a flight of 16 Chinese military planes over the contested waters in the South China Sea was a 'routine training' and not intended to target any country. China has been increasing its maritime activities in both the South China Sea and the East China Sea during 2020-21, partly in response to the Government's concerns over the increasing USA's military presence in the regional seas.

This was especially significant following the Chinese military aircraft overflight that ostensibly encroached on Malaysian air space at the end of May 2021. Observers suggested that it was a possible attempt by the China's PLA to test Malaysia's combat readiness and operational capabilities.

12. MALAYSIA IS NO DUPE

Security analyst opined that these naval exercises sent a clear message to other South China Sea claimants that Malaysia is on alert, and not unprepared to use force, if necessary to rebuke imminent external threats, despite the obvious power asymmetry. The 31 May 2021, incursion by Chinese military aircraft, which flew as close as 60 nautical miles from Malaysian-administered Luconia Shoals – also known as *Beting Patinggi Ali* – which China, too, claims as part of its territories in this semi-enclosed sea. The incursion prompted Malaysia to scramble Hawk 20 combat jets from its Labuan airbase after the Chinese aircraft failed to respond to local air traffic controllers. (Lai, 2021)

13. MARINE FEATURES OF THE SOUTH CHINA SEA

It may be perceived that the controversy regarding claims over the artificial islands, reefs and shoals of the South China Sea is not a major factor in Malaysia-China relations. Malaysia has yet to have any direct confrontation with China over any marine feature, apart from Luconia Reef and Shoal complex and James Shoal, in this regional sea. That Malaysia and China have not attempted to exert a physical presence on the same island at the same time has contributed to the relatively cooperative and amicable approach both parties have taken in response to each other's claims.

On 27 October 2020, Chinese and Malaysian officials meeting in Kuala Lumpur at the Fifth Bilateral Meeting of Foreign Ministry Officials from China and Malaysia concluded a China-Malaysia Spratly Accord that rejected any form of outside interference or mediation in the islands dispute. Malaysia has stated that it was a bilateral issue to be discussed in a cordial setting. It is open to conjecture if China and Malaysia have a special agreement on the Spratly Issue.

Since the events of 1995, China's occupation of Mischief Reef, and in following years, it is difficult to answer this question conclusively owing to the classified nature of relevant documents and the tight-lipped stance adopted by officials from both States and indeed, from members of ASEAN. A close perusal of the foundation to Malaysia's claims in the seas nevertheless provides some insight into the larger picture.

Malaysia's position of prolonging the status quo is like that of China, where Chinese leaders have asked for claimants to shelve their claims and focus on joint development. That it is in the interest of both parties that the status quo remain also paves the way for the kind of bilateral cooperation on the South China Sea issue of recent years. Thus, it is not surprising that China only gave a token, muted diplomatic response to Malaysia's occupation of the Investigator Shoal and Erica Reef.

14. ASEAN AND CHINA: AGREEMENTS ON PAPER

China and ASEAN agreed not to escalate tensions in the South China Sea, following Chinese incursions during 2021 in maritime zones claimed by the

Philippines and Malaysia. The discussions between the top diplomats of China and ASEAN that took place in Chongqing on Monday, 7 June 2021, were described as tense by diplomats from the Philippines. The two sides issued the joint statement later that day. Malaysia, the Philippines, and Vietnam formed one block on one side against China, while other ASEAN member-states maintained their silence, the diplomats indicated. However, a joint statement issued by ASEAN and China after the Foreign Minister-level meeting in Chongqing noted that the two sides had agreed to enhance and promote maritime security as well as exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability and pursue the peaceful resolution of disputes.

The joint statement also noted that any quarrels with China would be resolved in accordance with universally recognized principles of international law, including the 1982 United Nations Convention on the Law of the Sea (the 1982 Convention). There was no mention in the statement to the fact that the 1982 Convention does not recognise historical claims, such as China's, in the disputed regional sea. China does not accept the PCA's (international tribunal) 12 July 2016 ruling against its expansive claims in the South China Sea.

A separate statement from China's Ministry of Foreign Affairs on the outcome of the meeting inferred that the two sides had agreed to handle and manage differences through consultation. China and Malaysia recognise that the South China Sea dispute may undo all the goodwill that each has demonstrated to the other since 1974.

15. MALAYSIA: POLITICAL STATUSES IN MID-2021

One of the political parties of Malaysia, UMNO, was the dominant party in a coalition that was in power for over 60 years, however, it lost control in the 2018 General Elections (GE14). Muhyiddin Yassin became Malaysia's 8th prime minister on 1 March 2020 after a week of intense politicking. On 20 August 2021, the King of Malaysia named Ismail Sabri Yaakob of the United Malaysia National Organisation (UMNO) as the country's new Prime Minister who replaced Muhyiddin Yassin following the latter's resignation four days earlier. Yaakob, the Ninth Prime Minister of Malaysia, is the third incumbent in three years.

The present government confirmed that it will stick with the 'Foreign Policy Framework of the New Malaysia' crafted by the former foreign minister Saifuddin Abdullah. Malaysia's first Defence White Paper was approved by Parliament in December 2019 and will remain a guide for policy as well. However, due to the current state of internal politics in Malaysia, foreign policy will likely take a back seat. The COVID-19 outbreak means that domestic policies to address the pressing social and economic situation will be prioritised, with the country already in partial lockdown.

The United States has always loomed large in Malaysian foreign policy as the major power to hedge against a rising China and as a natural political and economic ally. This equation shifted since 2016 with the Trump Presidency precipitating a palpable decline of US prestige in the region despite its continued political and military presence. Prior to the events 2019/20, the

Trump administration's Free and Open Indo-Pacific (FOIP) strategy provided a counterpoint to China's increased penetration into the region through the BRI. Malaysia did not specifically react to FOIP except to go along with the [ASEAN Outlook](#) announced on 23 June 2019. The document stated that the Asia Pacific and the Indian Ocean were closely integrated, emphasising the importance of evolving norms and the security and economic structures for a rules-based order that were put in place by ASEAN. Malaysia's Defence White Paper refers to the Peninsula as a 'bridging linchpin' straddling the Indian and Pacific oceans. This accords well with the ASEAN Outlook.

For Malaysia, a measured approach to China requires maintaining strong ties with major US allies in Asia. Mahathir previously [announced](#) a foreign policy that was 'neutral and friendly' to all countries, noting that 'whether they are communist or non-communist, it is of no concern to us'. He subsequently added that Malaysia would implement a 'no warships' policy – a warship-free zone in Malaysia's adjoining seas of the Straits of Malacca and the South China Sea, seemingly targeted at appeasing both China and the United States.

16. CONCLUSION

Diplomacy is a skill of achieving an agreement between countries who need to cooperate to produce results in which each has an interest. Typically equated with negotiation to resolve conflict, diplomacy is widely regarded as an alternative to warfare. The smooth relationship between China and Malaysia may be attributed to the latter's recognition of the former's self-role and world order conception in the hopes that China will restrain its assertiveness in maritime and territorial disputes in this semi-enclosed sea.

China-Malaysia relations have experienced a sustained period of cordiality and stability that has the bilateral relationship to succeed. Malaysia's active and positive effort to improve relations with China is evident in the political declarations and statements of Malaysian politicians. However, due to the classified nature of relevant documents it is difficult to offer an analysis of the relationship in an objective essay.

In 2018, China was accused of ensnaring Malaysia in a debt trap in order to seize strategically significant assets – Melaka and Kuantan Port projects. Whilst the issue may be one of geopolitics on the one hand, it was also the recipient government's efforts to harness Chinese investment and development funds to advance domestic political agendas as evidenced in other parts of the world.

The bilateral trade volume and total investment demonstrated a resistance to the global trend and achieved growth. There is confidence that China and Malaysia would continue to stand firmly with each other to fight against the pandemic and economic recession.

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ANNEX

Annex 'A': Select Geographical and Economic Comparative Statistics

THEME	CHINA	MALAYSIA
Population	1,400,050,000	32,523,000
Surface land area	9,562,910 km ²	330.345km ²
Exclusive Economic Zone	877,020km ²	334,671km ²
Currency (2021)	RMB (1Eur=7.6195 RMB)	RM (1Eur=4.9279RM)
Economic Complexity Index	ECI 1.01 (29 of 146)	ECI 1.07 (26 of 146)
GDP (per capita 2019)	US\$10,262 (71of 187)	US\$11,414 (66 of 187)
GDP (per capita) 2020	10.5168	11.2335
GDP Growth (2009-19)	181%	80.3%
GDP 2019	\$14.3trillion	\$365billion
Defence Expenditure (2019)	270,836.3	3,770
Defence Expenditure (%GDP)	34.12%	23.54%
Trade Balance (%GDP) 2019	3.63%	9.10%
Crude Oil Reserves (2021)	26,022.6	3,600.0
Consumption (GWh)	6,453.171	147.209
Exports in 2019	\$49.4billion	\$36.2billion
Exports (to June 2021)	\$6.35billion	
Imports (to June 2021)	\$8.958billion	

(Source: Country Economy <countryeconomy.com/countries/compare/china/Malaysia... accessed 30/8/'21). China's EEZ estimate excludes all disputed waters; other values cited may indicate China's claimed boundaries and does not take into account adjacent powers' claims.

Annex 'B': Select Military Comparison

THEME	CHINA	MALAYSIA
Active Personnel	2,185,000	110,000
Reserve Personnel	8,000,000	296,300
Available for military service	385,821,101	14,817,517
Military expenditure (US\$)	252 billion \$	3.6 billion \$
Military budget	34%	0.5%
Tanks	5,750	48
Armoured fighting vehicles	14,130	1,386
Total artillery	7,094	295
Self-propelled artillery	2,720	30
Rock artillery	3,140	54
Total aircraft	4,630	221
Fighter aircraft	1,049	10
Multi-role aircraft	1,130	39
Attack aircraft	120	0
Helicopters	1,355	63
UCAV (combat drones)	151	0
Total naval	742	66
Aircraft carriers	4	0
Destroyers	38	0
Frigates	54	5
Corvettes	73	6
Submarines	74	2

(Source: armedforces.eu/compare/country_China_vs_Malaysia <accessed 30/8/2021>

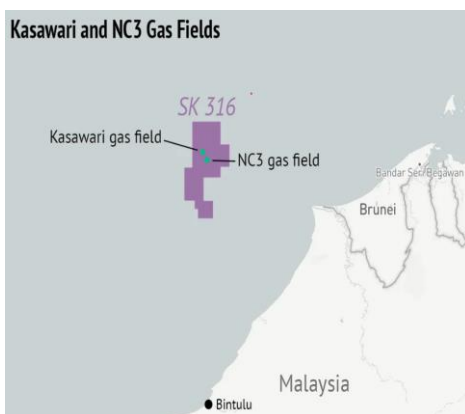
Annex C: Total FDI Stock

YEAR	US\$ millions
2009	479.89
2010	708.31
2011	797.62
2012	1,026.13
2013	1,668.78
2014	1,785.63
2015	2,231.37
2016	3,633.96
2017	4,914.71
2018	8,387.24
2019	7,928.62
2020	

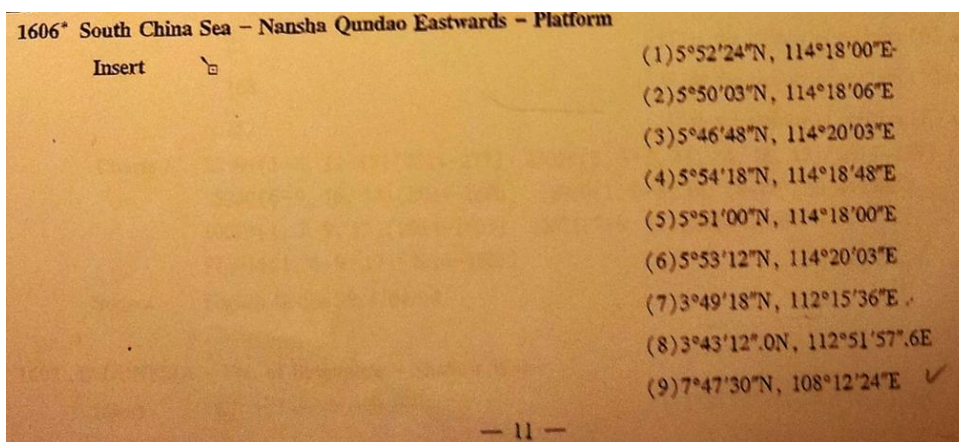
ANNEX 'D': ILLUSTRATIONS



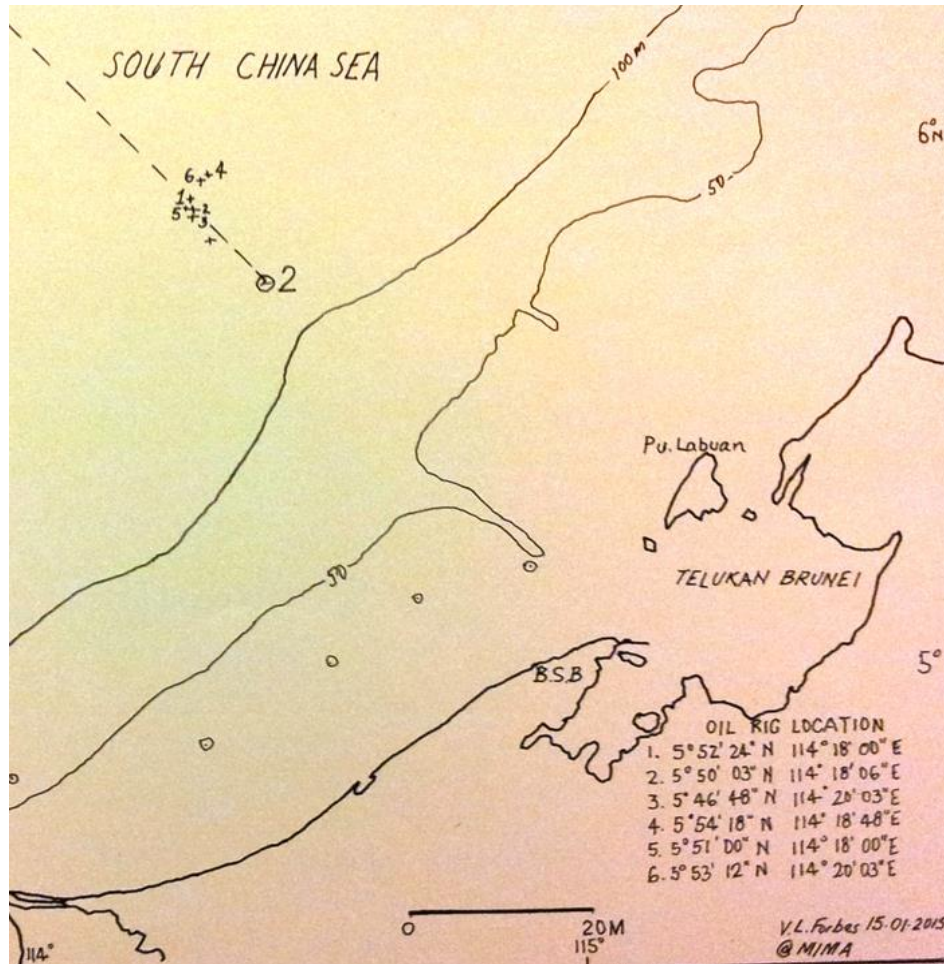
Map of comparative size China (green) and Malaysia (orange)



Location of the Kasawari Gas Field



Extract of China's *Notice to Mariners*, Weekly Ed. of 2014, No. 1606.



Sketch map of proposed location of platforms prepared by present author.

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