



NEW YORK TIMES

‘We Cannot Afford This’: Malaysia Pushes Back Against China’s Vision

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The New York Times’ August 20, 2018 article provides an insight into how Malaysia’s change of government after a dramatic May 2018 election has altered government policy towards Chinese infrastructure investments in the country, through which much of Asia’s maritime trade passes.

The article describes how, while Malaysia aggressively courted Chinese investment in recent times, it is now part of a wider pushback against Beijing from countries concerned about becoming too indebted for projects that may not be viable or necessary but carry strategic value to China.

Malaysia’s new Prime Minister, Mahatir Mohamad, announced on a recent trip to Beijing that he was cancelling two large Chinese-linked railway and gas pipeline projects worth more than \$22 billion. The Prime Minister said, “We do not want a situation where there is a new version of colonialism happening because poor countries are unable to

compete with rich countries.”

The contention is that China is lending large amounts of money to poorer countries in the knowledge that they may be unable to pay the loans back, granting China economic leverage and, potentially, physical control of important infrastructure assets in strategic locations around Asia. Most notably, a Chinese state-owned company constructed a deepwater port built in Sri Lanka that did not create much business. Sri Lanka, facing serious debts, gave China a 99-year lease on the port and portions of nearby land.

In the little over 100 days that the new administration had been in power at the time of writing, Malaysian officials found evidence of fraud by the previous government linked to China. Malaysian investigators claim to have found billions of dollars in inflated Chinese contracts used to relieve debts connected with 1MDB, a Malaysian state investment fund at the center of the corruption scandal that led to the former Prime Minister, Najib Razak’s, downfall.

The author describes how the administration believes that the deal for the East Coast Rail link,

one of the recently-cancelled projects, was made excessively large in order to either alleviate the debt accrued by 1MDB or to fund Mr. Najib's re-election campaign.

The article goes on to describe increasing concerns over another Chinese-funded project – a plan to build a new deepwater port at the Malaysian city of Malacca. The adjacent Malaccan Strait is the channel through which much of Asia's maritime trade, including most of China's oil imports, flows.

The \$10 billion project, supported by a major Chinese utility and two Chinese port developers, is supposed to transform Malacca from a backwater into a port of global significance. In addition to the new deepwater port, the project will include three artificial islands and an expanded natural inlet with an industrial park, cruise terminal, theme park, offshore financial hub, and luxury hotel.

The local partner for the project is a little-known company name KAJ Development, whose previous accomplishments are on the scale of the local zoo and bird park.

Locals have noted that the head of KAJ Development has close ties to Mr. Najib's party machine. This may explain how they were able to work on such a large and strategic international project.

"We have so many questions about the project but on answers," said Sim Tong Him, a former lawmaker from Malacca. "How did KAJ get the contract? What might happen if the Malaysian side can't pay up? The Chinese are so secretive about this. It leaves us with a very bad feeling."

Mr. Mahatir has also questioned the value of the Malacca project. "We are very concerned because in the first place we don't need any extra harbor," he said. Malaysia already has several under capacity ports. Some speculate that China may view such port projects as vital to serving a larger naval presence in the future.

"We don't have to depend upon foreigners to come," he added. "When they build, they use foreign labor, foreign materials. What do we get? Nothing."

Forest City

The article finishes by discussing the role of Forest City in the evolving relationship between Malaysia and China.

The author describes a Forest City tour guide

showcasing to a group of would-be investors from northern China the latest in Chinese facial-recognition technology that will be integrated into the project. The tour guide explained to them how everything in the new city had been designed for Chinese clientele, from the layout of the homes to the signage in Mandarin.

An electronic display in the Forest City sales gallery highlights the project's "strategic location" and places it at the center of map illustrating China's so-called Belt and Road Initiative projects.

The author argues that Forest City has been the biggest factor in turning local sentiment against Chinese project financing, amid suspicions that the Chinese development would reshape Malaysia's delicate ethnic balance by bringing in more Chinese nationals.

Mr. Mahatir often used Forest City as a punching bag during the election campaign. "This is not Chinese investment but a settlement," he said.

These concerns highlight how average Malaysians may be more alarmed by the impact of Chinese projects on diluting the Malaysian identity than they are about the potential corruption charges outlined above.

After Malay Muslims, Chinese is the country's second largest ethnic group, followed by an Indian population. Many Chinese people migrated to Malaysia during the colonial era, and there is still a lingering feeling that they were treated preferentially by the British.

Now, affirmative action programs implemented during Mr. Mahatir's first stint in power ensure that Malays and indigenous populations receive a leg up over ethnic Chinese Malaysians. The prospect of a new wave of Chinese migration is therefore politically sensitive.

But there are also concerns about what will happen if the that wave of migration to Forest City doesn't arrive.

New domestic rules have made it far more challenging for Chinese to get their money out of the country to pay for overseas real estate. This is worrying to the Forest City sales staff. It is not clear who else would buy all of the new condominiums, which are priced far above the local property market.

Wong Shu Qi, a member of parliament for the Democratic Action Party, described her concern:

“We all want Forest City to succeed, because we cannot afford for it to fail and become an empty ghost city.”

Source:

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