

# FROM THE 'LOOK EAST' TO 'ACT EAST': INDIA –MALAYSIA RELATIONSHIP IN THE TIMES OF CHINESE 'ASSERTIVENESS'

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## INTRODUCTION

In the context of aspiring India and assertive China, the region of Southeast Asia has the potential to become a zone of rivalry and competition. For India the Southeast Asia is its 'extended neighbourhood' and for China the region is its own 'backyard'. In the early 1990s, India started with a policy of Look East, which highlighted the importance of the Southeast region in Indian foreign policy. Almost three decades old 'Look East Policy' has been rechristened and reinvigorated as the Act East Policy by the Modi government. Within the ASEAN region India shares a number of common threads with Malaysia. The arrival of various religions from India in the Malay Peninsula is a well recorded fact of ancient and medieval history. During the colonial period, with the common colonial master, there was movement of people from India to Malaysia, mainly as plantation labourers. The importance of Malaysia in India's Act East policy was highlighted by PM Modi himself when he visited Malaysia in 2015 and described India's relationship with Malaysia as the 'core' of its "Act East Policy". There are economic, political, cultural and security dimensions to this relationship. The economic growth of Malaysia and India's desire to integrate economically with the ASEAN region plays an important role in the bilateral relationship. However, given the geo strategic importance of the straits of Malacca, India's cooperation with Malaysia in securing SLOCs (Sea Lanes of Communication) is of utmost strategic importance. The maritime security cooperation becomes one of the important highlights of the relationship in the context of South China Sea

dispute and Chinese assertion in the maritime Southeast Asia.

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## INDIA AND MALAYSIA

India and Malaysia share a number of connections in every phase of History. In ancient times, Buddhism went from India to Southeast Asia. In Malay, Islam was brought by the Gujrati traders. And in modern times a large number of Indians were taken to work on plantations during the British rule. India and Malaysia, both were colonized by the British Empire. India established diplomatic relations with the Federation of Malaya (predecessor state of Malaysia) in 1957. In the last five decades both the countries have shared a strong friendly relationship. Despite the cold war environment, Malaysia has supported India in times of crisis. Malaysia had supported India during the Sino- India war (1962) and India-Pakistan war (1965). India has been supportive of Malaysia's active role in the Non-Alignment Movement (NAM); Malaysia extended its support for India to get the status of an observer nation in the ASEAN<sup>i</sup>. With the beginning of Look East Policy, Prime Minister Rao visited Malaysia in 1995. The relationship has steadily grown to achieve the status of 'strategic partnership' in 2010. During the visit of PM, a Framework for Strategic Partnership was agreed to, which envisions development of a multi-faceted relationship with a view to elevate bilateral relations to the level of a long term and strategic partnership<sup>ii</sup>.

During the period of NDA government under Naredra Modi, the Indian government has interacted with Malaysia at highest levels at regular intervals. During the ASEAN summit in 2014, in Nay

Pyi Taw, PM Modi and PM Najib met and agreed to take forward our strategic relationship. In November 2015, Indian PM Modi, visited Malaysia At the invitation of PM Najib. Even during the 2015, ASEAN summit both the leaders had a bilateral meeting.

In March 2017, Sri Mohd Najib Tun Abdul Razak, Prime Minister of Malaysia paid a state visit to India to mark the 60<sup>th</sup> anniversary of bilateral relations. On the occasion of India's Republic day in 2018, all the ASEAN leaders were invited by the Indian government. Malaysian PM Najib came to India for this occasion.

During the PM Najib's visit to India in 2017, an important joint statement was issued. The statement applauded the strength of the relations and highlighted many new areas of cooperation. The statement specifically mentioned the importance of the bilateral relations in the Asia pacific region. The statement also touched upon the cooperation in fighting terrorism. However, most importantly, the statement was specific about maritime security and it also indirectly touched upon the dispute in South China Sea. In an indirect reference to the South China Sea dispute, "the joint statement reiterated their commitment to respecting freedom of navigation and over flight, and unimpeded lawful commerce, based on the principles of international law, as reflected notably in the United Nations Convention on the Law of the Sea (UNCLOS) 1982. They urged all parties to resolve disputes through peaceful means without resorting to threat or use of force and exercise self-restraint in the conduct of activities, and avoid unilateral actions that raise tensions, and they emphasized that all parties should show utmost respect to the UNCLOS 1982, which establishes the international legal order of the seas and oceans"<sup>iii</sup>.

In Malaysia-India relationship the economic field remains a strong area of convergence of interest between the two countries. "Bilateral trade since India initiated liberalization measures indicate

that the two-way trade increased by 17 times since 1992 (US \$ 0.6 billion) to 2008 (US \$10.5 billion)"<sup>iv</sup>. Malaysia is India's third largest trading partner in the Association of Southeast Asian Nations (ASEAN) regional bloc after Indonesia and Singapore. India-Malaysia bilateral trade in 2016 stood at \$11.72 billion<sup>v</sup>. Malaysia is also an important investor in India. From 2000–2013, Malaysia is the 19th largest investor in India with cumulative FDI inflows valued at US\$ 618.37 million. More than US\$6 billion Malaysian investments also come in the form of telecommunications, healthcare, banking and construction projects"<sup>vi</sup>.

## THE CHINA FACTOR

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Malaysian Prime Minister, Tun Abdul Razzak Hussein, was the first south East Asian leader to establish full diplomatic relationship with PRC and visit China in May 1974. Since then, the relations have grown steadily. With the economic rise of China, the relationship was further strengthening with a focus on economic relations. With increasing interaction and deepening of relationship, in 2013 the two countries upgraded their relationship to that of "Comprehensive Strategic Partnership." The economic partnership still remains the fulcrum of the relationship. China retained its position as Malaysia's largest trading partner for the 7th consecutive year in 2015<sup>vii</sup>. Total bilateral trade in 2015 was US\$100 billion. China is also one of the most important sources of foreign direct investment. Two very important investments from China into Malaysia are of around 2.3 billion dollars. State-owned China General Nuclear Power Corp. bought Malaysian development firm 1MDB's energy assets in another company for 9.83 billion ringgit (\$2.37 billion) in November and a month later China Railway Construction Corp. bought a multi-billion ringgit equity stake in real estate mega-project Bandar Malaysia"<sup>viii</sup>.

**Total Trade by Major Countries, Jan - Sept 2016, percentage share**



(Source: <http://www.theborneopost.com/2016/11/13/riding-the-dragon-harnessing-malaysia-chinas-trade-partnership/>, Riding the dragon: Harnessing Malaysia-China's trade partnership, November 13, 2016,).

There are certain issues, where the bilateral relationship faces dilemmas and strains. One of the important factors in China-Malaysia relationship is the 'dilemma of Chinese Malaysians'. Chan Xin Ying<sup>ix</sup> identifies three types of dilemmas. There is a growing concern about the Chinese interference in the local politics of Malaysia. China's seemingly intrusive posture in Malaysia's domestic issues can potentially complicate the local racial dynamics, especially at a time of an impending general election. Malaysia is home to a large number of ethnic Chinese communities. The Chinese community in Malaysia form a sizeable minority with strong economic clout. In the complex race relation of Malaysia, language issue is a very sensitive issue. The government promotes the Malay language and culture. The Chinese government, organizations and individuals try to promote the cause of Chinese language in Malaysia. China has also positioned itself as a supporter of Chinese education in Malaysia. The Malay people of Malaysia see the issue of Chinese

education with suspicion. Given the competition for Malay votes in domestic politics, both the ruling party and other Malay oriented opposition groups find the issue of Chinese education as a cause of 'ethnic disunity in Malaysia and called for the abolition of Chinese vernacular schools'<sup>x</sup>. Malaysia observers feel China should be more cautious in its engagement with the Malaysian government and society. Its claim to be the 'protector' of overseas Chinese and its consequent meddling in local politics could have the opposite effect<sup>xi</sup>. Apart from these sources of potential contention, the issue of South China Sea remains the most important issue.

The important areas of disputes between China and Malaysia in the larger South China Sea are: the nine dash line area, sea north of Borneo, South China Sea Island and Sabah area. The Malaysian government claims a dozen Spratly islands in the disputed South China Sea. China and Taiwan claim them as well along with the rest of the 3.5

million-square-kilometre sea that's packed with fish, gas and oil<sup>xii</sup>.

While the Philippines and Vietnam have been vocal in their maritime disputes with China, Malaysia has taken a more reticent tack to its claims<sup>xiii</sup>. It can be assumed that it is the economic clout of China and its deeper economic engagements with Malaysia that makes Malaysia hesitant about being vocal about its claims in South China Sea.

Another important issue, which has attracted world wide attention, is the "Belt and Road Initiative". Till now all the ASEAN nations, including Malaysia seem hopeful about this initiative. The Chinese are also very hopeful about Malaysia in this initiative. In the context of Belt and Road initiative, the Chinese scholars have argued that Malaysia is the most attractive partner for China in the ASEAN block. According to Xue Li and Li Yongke there are a number of reasons for this belief. "Malaysia's economic development level is second only to Singapore's. Malaysia also hopes to obtain strategic support from outside the region in order to compete with Indonesia for influence within ASEAN. It has a population of 31 million, of which 21 percent are ethnic Chinese. Ethnic Chinese in Malaysia have a relatively higher political status than ethnic Chinese in Indonesia. Since the establishment of diplomatic relations in 1975, the Malaysian government has been friendly most of the time to China. And the Najib government is especially friendly to China. It has adopted a low-key, pragmatic, and bilateral approach to the South China Sea dispute"<sup>xiv</sup>.

This brief survey of China-Malaysia relations indicate towards a deeper economic engagement and potential issues of divergence (possibly contention/conflict). There is a broad agreement that given its power potential and multilevel engagement with its Southeast Asian neighbours, China is able to strongly assert its interest in this region. On many issues, Chinese assertion of interest runs counter to the national interest of many ASEAN nations. At least, it can be safely argued that the assertion creates an uncomfortable environment for the ASEAN nations. It has been argued by some scholars that from a broader ASEAN perspective,

India is seen as a possible counterweight to China in the region<sup>xv</sup>.

Given the assertiveness of China in Southeast Asia, what options will the Malaysian decision makers choose? In the case of Vietnam, it has tried to balance the Chinese with India. But for Malaysia, it seems that the Malaysian leaders are taking a very cautious approach. Till now, there is no sign of open resentment against China. But given the possibility of divergence, the toughening of Malaysian stand vis-à-vis China cannot be denied.

Here a more pertinent question would be, whether in the above given possible scenario, the China factor will play an important role in India-Malaysia relations. To answer this question, we need to explore the basic determinant, strategic choices and policy orientation of Malaysian foreign Policy. Within this framework of broader national interest of Malaysia, how India fits as a counterweight to China requires our attention. However before this question, a very fundamental question can be raised, i.e does Malaysia need a counterweight to china?

According to Malaysian foreign ministry the Malaysian foreign policy is largely influenced and shaped by three key factors; it's strategic location in Southeast Asia, its attribute as a trading nation and its unique demography<sup>xvi</sup>. These key factors provide unique opportunities and challenges for Malaysian foreign policy makers. An estimation of tangible and intangible national resources helps in securing the national interest. It is evident that as a small country with limited political and economic resources, Malaysia cannot secure its national interest with unilateral initiatives. As a matter of fact, this realisation has directed Malaysian foreign policy to be more focused towards the regional setup itself. It can be safely assumed, that despite the occasional claim about the Islamic *Ummah*, south-south cooperation and other global issues, the Malaysian leadership clearly realises its limited power to influence world events. Therefore, the core national interest of Malaysian state remains in immediate neighbourhood. Given the multi-ethnic nature of the Malaysian society, the foreign policy makers of Malaysia also require to keep the aspect of internal

peace and security in mind. We have already argued above that the Malaysian leadership and Malay population is wary about the perceived Chinese interference in domestic politics of Malaysia. The three important ethnic groups in Malaysia are; Malays, Chinese and Indians. It is very interesting to compare the attitude, policy and behaviour of China and India towards their diaspora in Malaysia. In comparison to China, India takes a more cautious approach towards Indian diaspora in Malaysia. During the HINDRAF (Hindu Rights Action Force) movement and other religious issues concerning the Hindus in Malaysia, the Indian government has avoided confronting the Malaysian government. It would be interesting to note here that the Indian community in Malaysia is gradually becoming a marginalized community facing various types of overt and covert exclusions. In its engagements with ASEAN nations including Malaysia, the Indian foreign policy has carefully constructed an image of a benign rising power. Noted scholar on Southeast Asia Manjeet S. Pardesi, identifies two important reasons behind the perception of India's rise as a benign power; first, there are no territorial disputes between India and its immediate neighbours in Southeast Asia, Second, India is not pursuing any unilateral or hegemonic policies towards Southeast Asia. Despite India's more advanced military

capabilities, New Delhi is not claiming the mantle of leadership there but prefers to work in accordance with the local norms and mores<sup>xvii</sup>. It is also important to note that in recent times, Malaysia gives prime importance to its relationship with India. The website of Malaysian foreign ministry on its page of section south and central Asia has put a picture of Indian Prime Minister Modi shaking hand with Malaysian Prime Minister Najib. Interestingly the perception about India is largely in contrast to the perception about China, which is built around the assertive rise of China. But in case of Malaysia, we have already noted that the Malaysian leadership is taking a cautious approach towards China. With the above calculations, it can be argued that China is a factor in India-Malaysia relationship. In the dynamics of India-Malaysia- China relations, the importance of India is now being well recognized by the Chinese scholars too. In 2006, a book<sup>xviii</sup> dealing with China Malaysia relations had a chapter on "India's Economic Relations with ASEAN: Implications for China". In the present context the china factor is not the primary driver of India-Malaysia relationship. However, the equations have a potential to change with Chinese attitude, Indian diplomacy and changing Malaysian perception about China and India.

<sup>i</sup> Kumar, Sumit, Thriving India-Malaysia Relations,, Centre for Land Warfare Studies, <http://www.claws.in/1736/thriving-india-malaysia-relations-sumit-kumar.html>, accessed on 1 January 2018.

<sup>ii</sup> MEA, India-Malaysia Relations, [https://www.mea.gov.in/Portal/ForeignRelation/Malaysia\\_Jan\\_2017.pdf](https://www.mea.gov.in/Portal/ForeignRelation/Malaysia_Jan_2017.pdf), accessed on 12 Jan. 2018.

<sup>iii</sup> Indian High Commission, Malaysia, (<https://www.indianhighcommission.com.my/pdf/Joint%20Statement%20on%2060th%20Anniversary%20of%20India-Malaysia%20Diplomatic%20Relations.pdf>). Accessed on 14 Jan. 2018.

<sup>iv</sup> ([https://www.indianhighcommission.com.my/two\\_way\\_trade.html](https://www.indianhighcommission.com.my/two_way_trade.html)). Accessed on 16 Jan. 2018.

<sup>v</sup> ([http://www.business-standard.com/article/news-ians/india-malaysia-discuss-counter-terrorism-defence-cooperation-118012600760\\_1.html](http://www.business-standard.com/article/news-ians/india-malaysia-discuss-counter-terrorism-defence-cooperation-118012600760_1.html)), accessed on 16 Jan. 2018.

<sup>vi</sup> High Commission of India in Kuala Lumpur, Malaysia, "Bilateral Relations".. Retrieved 3 March 2017).

<sup>vii</sup> Chinadaily.com.cn, [http://www.chinadaily.com.cn/business/2016-02/06/content\\_23415083.htm](http://www.chinadaily.com.cn/business/2016-02/06/content_23415083.htm), China remains as Malaysia's largest trading partner in 2015, (Xinhua), Updated: 2016-02-06, accessed on 15 Jan. 2018.

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