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Malaysia Baru: Reconfiguring the New Malaysian Capitalism's Dependency on China – A Chronicle of the First Post-GE 2018 Economic Reforms+

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Abstract

In the aftermath of the elections of 9 May 2018, the Federation of Malaysia entered a new era, the so-called *Malaysia Baru*. Unexpected and of deep historical significance, this change, spearheaded by the 92-year-old leader Mahathir Mohamad, paved the way for the country's sovereignty to be taken back from China. Under the previous Prime Minister Najib Razak, China, the new center of gravity in East Asia, had moved closer to Malaysia in all respects, at the risk of increased dependence of the latter – and with the corollary corruption and high public debt – without altering its institutional architecture. In this article, based on a field survey among the main economic authorities, we propose an account of the first reforms, focusing on the measures taken with regard to China. It appears that cooperation between the two countries is rapidly reconfiguring itself, but not moving towards a rift:

the relationship is deepening within the framework of negotiated and agreed-upon dependence on China, while it is the Malaysian accumulation regime, dominated by the State and international integration resulting from the 1971 New Economic Policy, that could move toward a distribution of income less unfavorable to labor.

Keywords: *Malaysia, Malaysia-China relationship, political economy, Mahathir Mohamad, fieldwork results, Malaysia Baru, dependency, controlled dependence, sovereignty, patronage, BRI, silk roads*

1. Introduction: 9 May 2018, an Unexpected Democratic Turn of Events Calls into Question the Close Relationship between Malaysia and China

On 9 May 2018, the Malaysian general elections led to the overthrow of Prime Minister Najib Razak, who was supposed to be involved in a corruption scandal of pharaonic proportions, but was nonetheless expected to win by all analysts and commentators, both local and foreign. Indeed, and despite real and permanent political competition, these major national elections had previously always ended with a victory for the conservative coalition, Alliance and then Barisan Nasional, dominated by the Malay party UMNO (United Malays National Organization). This ability to win had been fuelled in recent years by a tightening of the conditions of the rule of law and increasing repression – particularly since 2014-2015 – of the various forms of political criticism. However, in May 2018 and for the first time since the country gained its independence in 1957, a political changeover took place. The new Prime Minister from the opposition coalition Pakatan Harapan – *harapan* means "hope" – is none other than Mahathir Mohamad, the former Prime Minister who reigned supreme from 1981 to 2003. During his tenure, Malaysia accelerated its industrialization and economic growth, became part of the Asian Miracle, established itself on the regional scale and defended its cultural values. The country suffered through and resisted the 1997 financial crisis, then acquired the status of emerging economy, while aiming for full developed-country status by 2020. At the age of 92, Mahathir Mohamad had turned over a new leaf, including, it seemed, abandoning his authoritarian dispositions, and enjoyed unprecedented popular support and affection. In addition to the admiration that his political strength and foresight had always attracted, including from his critics, in 2018 he was granted exceptional trust. He took advantage of it to forge and win an unexpected victory, becoming both the providential man and the most fragile link (because of his great age) of the fledgling Malaysian democracy. In the new government's program, the return of the rule of law, the restoration of dignity and a certain national pride after the shame linked to the 1MDB scandal,[1] went hand in hand with the revival of the defense of Malaysian sovereignty, and this, very explicitly, was in relation to China.

Coming out of post-colonialism, Malaysia was thus entering a new age that some have called the era of "its substantial independence", after the "nominal independence" negotiated with the British in 1957: the Malaysians gave it the name of *Malaysia Baru* (or *Baharu*), that is "New Malaysia". Consequently, and in an extremely significant way, the new government has sought to loosen the relationship, and thus the pressure and objective dependence established in a few years by Najib Razak in relation to the People's Republic of China, which had in the meantime become the leading trade partner (16% of bilateral trade), as well as the greatest participant in investment projects (25% of projects in 2016-2018 period). China's rise in power is very marked on the scale of Southeast Asia and is reflected in its relations with Malaysia according to asymmetrical modalities, structured according to different dimensions.

Their rapprochement is characterized by its acceleration, driven by a political valorization which becomes clear from 2013 onwards.

As early as 2013, we had begun to study the new contours of this close relationship, and established that there was an extremely broad consensus surrounding a faster rapprochement between the two economies at that time (Lafaye de Micheaux, 2014a). Collaborative and multidisciplinary work, carried out between 2014 and 2016 from Kuala Lumpur with a geographer and a political sociologist, who were regularly on site, then gave rise to an in-depth analysis of the different facets of this dense relationship: diplomatic and political, industrial, financial, commercial and monetary, and involving real estate, but also including transportation and spatial planning (Delfolie, Fau and Lafaye de Micheaux, 2016). What emerged is that Malaysia had built a new and deep dependence on the Chinese economy with a strong political basis – that fit China's strategic plans – while at the same time charting out a unique and comfortable course for the Malaysian government as well. Indeed, Malaysia's "precious relationship" with China greatly benefited Najib Razak, his party – the UMNO – and the country (in that order) in terms of its own international relations, allowing the latter, in a so-called hedging logic, to loosen its traditional dependence on the West (the United States, Europe) and Japan, to be valued in its leadership role in ASEAN, while neutralizing the push for any common position on the South China Sea. Last but not least – and perhaps most importantly – Najib Razak ended up with symbolic and probably hard-cash political support and,[2] whereas the United States allowed his most direct opponent, Anwar Ibrahim, to express himself publicly from his Malaysian prison,[3] through an opinion piece in *The Wall Street Journal*. Meanwhile, the American justice system was conducting the first major international investigation (FBI investigation and then California court ruling) into the hundreds of millions and then billions of dollars of

1MDB's misappropriated assets. Thus, during this period, the global Sino-American rivalry was diffracting itself amidst the Malaysian political arena.

Thus, the point here is not so much to demonstrate to what extent Malaysian capitalism has become dependent on China, closely associating political, geopolitical and economic plans, but rather to highlight how, at very close upon a major democratic break and in a Southeast Asian context transformed by the rise of Chinese power, the affirmation of sovereignty and close economic commitments are articulated and reconfigured in Malaysia.

Box 1 National Sovereignty and Dependent Capitalism: A Dialectic at the Heart of Malaysian National Construction and Development

A central question, which arose from the very beginning of our own work on Malaysia, was that of the sovereignty of this otherwise extroverted country – exports and imports represented 220% of the GDP at the end of the 1990s – and whose economy seemed to be totally dependent on external demand (Lafaye de Micheaux, 2012). This was indeed the case in the first decades of a colonial 20th century (Sultan Nazrin Shah, 2017), which the British administrator J.S. Furnivall described as "colonization through capital". From the 1970s onwards, the implementation of industrial specialization was made possible by dependence on foreign capital and electronics technologies (United States then Japan, Taiwan, Korea). Foreign direct investment accounted for 10% of the GDP in the 1990s. Similarly, where colonization had literally turned the demography of the Malay Peninsula upside down by bringing in Chinese coolies and Tamil rubber tappers in the 19th and early 20th centuries, the national economy still relies heavily on foreign labor (Indonesian, Filipino, Bangladeshi, Pakistani, Nepalese, etc.), which is estimated to make up over 20% of the workforce (Bastide, 2019).

Having only truly broken away from colonial structures in terms of the role of the State in the economy – and this only relatively recently (1971) – Malaysia has nevertheless established a sovereign mode of development thanks to this State structure which, starting with the government of Tun Abdul Razak (1970-1976), then very strongly under Mahathir Mohamad (1981-2003), asserted itself as central and interventionist, as opposed to the laissez-faire attitude of British liberalism which had until then prevailed. Industrialization, development and reduction of inter-ethnic inequalities have been the hallmarks of Malaysia's unique trajectory. However, as we have stressed, playing on the dual meaning of sovereignty according to Sieyès (1789), although the nation was sovereign, the people were not under this semi-authoritarian regime, governed by the same coalition since independence. The democratic overtures of the successor Abdullah Badawi (2003-2009) were accompanied by a real diversification of international specialization, both in terms of sectors and partners, and a diplomatic overture towards China. When the global financial crisis began, this quickly translated into a new form of economic dependence, which also became political in the second part of Najib Razak's mandate (2009-2018). As the country's ties with China became close and dense, Najib's frustration with his semi-electoral failure in 2013 and the revelation, in 2014-2015, of a huge financial scandal directly involving him, contributed to a decline in the rule of law in that country (Fau, 2014; Lafaye de Micheaux, 2016; Weiss, 2015). Thus, economic dependence, sovereign development and popular sovereignty are linked together in varying ways over time.

We therefore propose our continuing reflection on Malaysian development sovereignty when, in the historic moment of 2018, popular sovereignty and national sovereignty seem to be reaffirmed within the very framework of a lasting and increasing dependence on China[4]. The "close-to-hand" reading of an exceptional political moment offered here is informed by a long-term analysis of political economy and political sociology.

The present institutionalist economic perspective establishes a link between the question of dependency, with a strong political and geopolitical content when it comes to China, and the dynamics of objective social relations and as they are represented in political speeches or in the media. It integrates into the analysis of this new dependency the particular history of the Malaysia-China relationship, the colonial history of the country's extroversion and, finally, the history of its highly interventionist economic policy since 1971. It is based on a field survey[5] conducted in August 2018 in the political (Kuala Lumpur) and administrative (Putrajaya) capitals. The text thus traces out, beyond the study of the changes in Malaysia's new dependence on China, the economic chronicle of a political change: it begins on 9 May 2018 and ends with the announcement of the budget on 2 November 2018.

This discussion is characterized by its particular approach points, sometimes going through the back door of an interview with New Malaysia actors who have taken on a completely new position, explained in the notes. It also deviates, through its reflection on sovereignty and more generally on the concrete and practical relationships between economics and politics, from the perspectives of business economists, in particular analysts from the major banks present in Malaysia, who are regularly interviewed and quoted in economic newspapers and regional economic journals (*Nikkei Asian Review*; *Financial Times*; *The Wall Street Journal*; *The Washington Post*; *The Diplomat*), which focus on the issue of corruption and the fall of the UMNO party. It departs from the government's own discourse, which is often excessive when it comes to Mahathir Mohamad and which we have sought to convey, and which quickly appears to be re-appropriated in political games, questions of allegiance and succession disputes over the post-Mahathir era. Finally, it differs from the international financial institutions, such as the World Bank which published *Navigating change* at the end of June, its annual report on the national economy – both positive and balanced, or the International Monetary Fund (IMF) which puts the maintenance of macroeconomic and public accounts balance at the forefront of its concerns and recommendations: "Important policy measures resulting from the government election mandate to lower living costs will need to be managed carefully to ensure they do not bring additional risks to the economy" (p. 9).

This text is structured in three stages. *Section 2*: It starts from the impulse of the new government to regain control of national sovereignty in late spring 2018, when China found itself clearly under attack. *Section 3*: But Mahathir Mohamad had to face the reality of the close, positive, lasting and asymmetrical relationship between Malaysia and China; he was then led to seek to redeploy this dependence sotto voce to the benefit of Malaysians, with the objective of pursuing a development trajectory that was very open to the outside world. *Section 4*: Finally, while the Malaysian government was reformulating the political control of its dependence to its benefit, in the context of intense regional industrial competition, it is conceivable that it could ultimately commit the national economic system to a new regime of accumulation. According to the reforms undertaken and the priorities announced, the transformation of the labor-wage nexus[6] at the heart of the regional and international division of labor could thus be the real challenge for *Malaysia Baru*.

2. Regaining Control of a Sovereignty Abused by China

Malaysia and China were involved in a trajectory of deepening their trade relations that had gone uninterrupted for more than twenty years: the share of Chinese exports in Malaysian trade, at 2% in 1990 and 5% in 2001, is now up to 14%. Under Najib Razak, Malaysia became China's largest ASEAN trading partner, while China became its largest supplier and largest customer (or the second largest, depending on the year, after Singapore). As a result, the national currency, the ringgit, became closely linked to the Chinese currency. Finally, between 2013 and 2015, the Chinese investor, hitherto marginal, suddenly gained the rank of a crucial industrial and financial partner, with the political implications that have been mentioned. Restoring a threatened national sovereignty, of which he had been the tireless and brilliant promoter at the end of the 20th century, was one of Mahathir Mohamad's priorities. The loosening of ties with China was thus included in the 10 points of the Pakatan Harapan Manifesto: during his campaign, and alongside promises concerning the fight against corruption, the rescue of national institutions and the restoration of purchasing power, candidate Mahathir had announced that he would withdraw part of the contracts signed between Najib Razak and the Chinese government, thus denouncing too close an involvement, a link that had become too tightly knit and a sovereignty sold off on the cheap by his predecessor. As soon as he was appointed Prime Minister, he asked his Minister of Finance, Lim Guan Eng – who was formerly Penang State Chief Minister and leader of the Democratic Action Party – to review the "unequal treaties" that China had established with Malaysia in the previous period. This section looks back at the break enacted between May and August 2018 by the new Malaysian government, which went beyond electoral rhetoric, in the economic and, in particular, industrial relations with China. It demonstrates that some projects, such as the acquisition of the port of Kuantan and its upgrading to deep-water standards, the East-West railway line project and the North-South high-speed line, are part of the Belt and Road Initiative (BRI) strategy and are part of contracts of varying degrees of benefit to Malaysia. The Mahathir government worked as quickly as possible to challenge some of them, discovering, once it was in power, that these close ties were sometimes difficult to unravel.

2.1. Downwardly Revised Contracts with China, Based on the Discovery of the Real State of Public Accounts

In fact, not only were there many "gifts" from China to Malaysia, such as the 2nd Penang Bridge, the East-West railway line or the Kuantan Binational Industrial Park, but they were also increasing in financial value and on a schedule that was closely linked to Malaysian political deadlines: the 13th general election in 2013 and, even more so, the 14th general election in 2018. Indeed, the question of his re-election had become crucial in the course of the international investigations involving Najib Razak, who was protected by his immunity as Prime Minister. Over the most recent period, the massive Chinese investments seem to have occurred according to a timetable that seemed to respond to the US judicial measures against illegal assets, and were probably intended to finance the UMNO campaign for the 14th general election.

Derogating from its principle of non-interference in Chinese international relations, Xi Jinping's China openly expressed its support for Najib Razak in 2018, as the latter had in fact also been supported and welcomed in the 2013 election. This more explicit involvement of the Chinese government eroded the broad domestic consensus in favor of a close Malaysia-China relationship that, by 2018, was no longer appropriate (Yeoh, 2019). On the contrary, following the so-obvious favors granted by the People's Republic of China (PRC) to Najib Razak and the UMNO, a new division formed at the heart of the Malaysian political scene: Najib Razak foregrounded his links and successes with China, while their respective media refrain from mentioning points of tension between the countries (the Chinese incursion into Malaysian territorial waters; China demanding the return of Uighur refugees in Kuala Lumpur; the families of missing persons from flight MH370). Conversely, the issue of dependence on China and the political denunciation of part of huge Chinese-interest real-estate programs as an "invasion" were becoming campaign arguments for Pakatan Harapan.

This context explains Mahathir's questioning of the Chinese government's political relationship with the former Malaysian Prime Minister: over time, Malaysia's debts became increasingly linked to Najib Razak's person and personal benefit. When – a real shock in the fragile and tense geopolitical situation in the South China Sea – Malaysia announced in November 2016 that it would acquire military coastal-patrol vessels from China, implicitly weakening its independence in matters of defense, Malaysia's remaining sovereignty seemed indeed to have been sold off in favor of political benefits and commercial contracts.

Elected, against all expectations, after a very short campaign, the government tackled the task with immense ambition, the awareness of taking on a historic moment and with limited resources. A council of wise men[7], formed by Tun Daim Zainuddin, who had twice been Minister of Finance under Mahathir Mohamad (1984-1991, then 1999-2001), immediately got to work. This national-unity team, designed to advise the Prime Minister who found himself in an exceptional situation, included two highly respected figures: Tan Sri Zeti, former Governor of the Central Bank, and Jomo K.S., Leontiev Prize economist, former assistant to the Secretary-General for Economic Development at the

United Nations. The mandate of the Council was to respond within a hundred days to the citizens' expectations, and the reference to the history of France is explicit. More than a hundred Malaysian professionals and prominent individuals were interviewed and the Council submitted its report (not published) on 17 August. It then dissolved itself, contrary to Mahathir Mohamad's wish and Daim's strategies. The urgencies were clear: the first of them concerned the public accounts, which were officially sound (budget deficit of 3% in 2017, projected at 2.8% in 2018), but which hid very large-scale corruption and numerous large government projects, which proved to be poorly managed or even legally dubious. As they combed through the files, the economists gathered by Jomo K.S. and Tan Sri Zeti discovered "a real disaster". Many of the projects in question were Chinese investments or public projects involving significant financing from China. In this context, Mahathir Mohamad said he would like to review a number of these agreements and be able to study and possibly renegotiate their terms. This announcement sounded like a break not only in Malaysia-China relations, but also in the freedom China had had to maneuver in Southeast Asia up until then, and in particular to deploy, as it had been since 2013, its new Silk Road project.[8]

The concern the European embassies had regarding the New Malaysia during the summer of 2018 had less to do with the macroeconomic context, which was considered favorable, or its legitimacy or political options, which were observed with confidence, than the new government's ability to remain within public-finance limits.[9] In fact, in his 2019 budget speech, the Minister of Finance announced[10] that the budget deficit was actually 3.7% and that in June 2018 the actual public debt was one-third higher than the official amount, reaching more than a trillion MYR (1,065 billion MYR or US$ 255 billion). Malaysia, partly protected by its oil revenue, is certainly accustomed to deviations from fiscal orthodoxy and has pursued a policy of fiscal stimulus in the past in the immediate aftermath of the crises encountered, such as in 1997, 2000 and 2008 (Lafaye de Micheaux, 2017a). But since the drop in prices in 2014, the oil-wealth share in the State budget has been reduced and the room for maneuver has rapidly shrunk.[11] Nevertheless, as the 2018 World Bank report points out, the share of federal government debt in the GDP remains within international standards (the criterion often used is 60% of the GDP) and, even better, seems to be in a phase of reduction: from 51.6% in 2012 to 54.5% in 2015, it has gradually declined to 50.8% in 2017. Finally, in order to more fully assess the risks in terms of public debt, one should also take into account that the multiplication of large-scale infrastructure projects implemented by companies directly linked to the State and by public companies (non-financial public corporations / NFPCs) has led to a significant increase in debt guarantees by the State (from 15 to 17.6% of the GDP between 2016 and 2017), while government commitments through public-private partnerships (PPPs) to limit the government's financial involvement resulted in tax commitments of 15% of the GDP at the end of 2017.[12]

Thus, Mahathir Mohamad and his team knew that the New Malaysia's credibility in the markets, on which they heavily rely, depended on meeting public-account standards. Controlling the budget deficit remained a priority: commitments were to limit it to 3.4% of the GDP in 2019; 3% in 2020 and 2.8% in 2021.[13] This restraint is evident, despite the decision made after the elections to immediately abolish the value-added tax introduced in 2014: the rate of the highly unpopular Goods and Services Tax, introduced under Najib Razak in 2015 and which accounted for 20% of budgetary revenues in 2017, went from 6% to 0% on 1 June 2018. But it was partially offset by the reintroduction of an old business services tax (BST) as of 1 September. Similarly, oil-price support measures at the pump were also immediately reinstated – they had been withdrawn by Najib Razak in 2014. Nevertheless, and despite the doubts expressed by the chancelleries, the conviction that budgetary balance was not in jeopardy was shared by the administrative bodies, including Johan Merican, Budget Director at the Ministry of Finance.[14] To cut short speculation about his government's ability to balance the budget, Mahathir Mohamad brutally hammered home the issue in his own way, referring to his finance minister, Lim Guan Eng, on October 9: "I will shoot him if he fails (the fiscal consolidation]."[15]

2.2. Some Chinese Projects Suspended Indefinitely; Others Maintained

Given the assurance of investment, the megaprojects begun with China became problematic, and they were re-examined one after the other. For example, the Kuala Lumpur-Singapore high-speed line, estimated to cost US$36 billion and for which China already owned the station site in Kuala Lumpur, was suspended at the end of May. Another major infrastructure project that came into question, which was compared to infrastructure projects in Sri Lanka that over-indebted the government: the line linking the east coast of the Malaysian peninsula to the large port of Klang, west of Kuala Lumpur. The US$17 billion East Coast Rail Link (ECRL) project was launched in November 2016, in addition to major Chinese investments in Kuantan, developing a deepwater port and a binational industrial park (MCKIP), estimated at US$9 billion. The new line was to connect the southern part of Thailand to the two east-coast states of Kelantan and Terengganu, before passing through Kuantan in Pahang and then crossing the peninsula from east to west. Despite the lack of a clear technical definition of the Chinese Belt and Road Initiative (Tham, 2018), it is now presented as a Malaysian component of this program. In the north along the east coast, there are already some poorly developed rail lines, which were damaged by the major floods of 2014, but the transverse line is an innovation. Begun in 2017, the project was to be led by the China Communications Construction Company and 85% financed by a loan from EXIM and the Bank of China, both public entities. According to Jomo K.S., this project was approved by the Najib Razak government with no transparent procedure and no competition, while granting tax exemptions. The delivery date of 7 years was also unrealistic (recommended delivery date: 18 years). Moreover, in 4 months of work, a quarter of the total loan had already been disbursed. Finally, this project appears to be completely oversized in relation to Malaysian needs and financial capabilities, without even taking into account foreseeable additional costs, which are very high with this type of project. The ECRL project was therefore brought to a halt, following an announcement made on 20 August by Mahathir Mohamad during his first state visit to Beijing,[16] where the terms of unequal treaties and Chinese incursion are no longer pertinent: Mahathir Mohamad then chose to play the role of the leader of an indebted Third World country: "I believe that China itself does not want to see Malaysia become a bankrupt country."

Later, before an assembly of officials and managers of public companies, some of whom were considered corrupt and on the verge of internal sabotage, another thorny practical problem raised by the transition phase,[17] he also referred to China as a model in the fight against corruption. A model from which, he said, pointing out the irony of the situation, he distanced himself to avoid instituting the death penalty for guilty Malaysian officials. Thus, the Malaysian government, aware, as is public opinion, of the strictly internal and structural dimensions of corruption in Malaysia, beyond the high points reached by 1MDB, seemed determined to loosen the tight link established by the previous regime between corruption and Chinese involvement in the national economy.

But, as with the high-speed line,[18] China quickly argued that it would demand very significant penalties for stopping the ECRL line and nationalist enthusiasm was treated to a cold shower. The Minister of Transport put forward small-scale and low-cost solutions to develop railways on the economically less-favored east coast and across the peninsula in the autumn: the cost would be half as much. To reinforce the thesis that it was not Chinese influence that was being countered but rather poorly negotiated investments, which had become unsustainable in a context of stressed public finances, other *domestic* public projects for the development of urban transport infrastructure were stopped (new MRT3 metro lines).

During the visit to China, it was also announced that the funding of a gas pipeline (Sabah) built by a Chinese subsidiary had been halted: according to *The New York Times* and *The Washington Post*, citing Mahathir Mohamad, almost all the funds had been disbursed without any work having been done. However, when 80% of a project's funds have been committed but 0% and 15% of the work carried out, as was the case for the pipelines, is suspending it really the best decision or should one not just let the company finish?

Finally, other investments were moving forward but facing difficulties such as Forest City, a huge project to develop four artificial islands near Singapore, designed to last 30 years (Delfolie *et al.*, 2016: 225; Fau, 2019). Finally, the new port of Malacca on the new Maritime Silk Road, known as Melaka Gateway, again reclaimed from the sea and intended to accommodate industry, luxury cruises and mass tourism, not to mention an important transshipment port activity, was announced during Premier Li Keqiang's visit in autumn 2015 as a promising "*new High*", a new zenith in the relationship: it was also postponed.

2.3. Exit Chinese Nuclear Power

Unexpectedly, the exclusion of nuclear power from Malaysia's energy mix was announced in October. China General Nuclear Power, China's leading State-owned nuclear company, had been present in Malaysia since 2015 and had been advocating the nuclear line for the country, notably at the ASEAN Energy Ministers' Meeting in Kuala Lumpur in autumn 2015. The Malaysian scenarios presented did not emphasize the use of this technology in this country, where there is an electricity surplus. However, other analysts did not hesitate to predict a share of nuclear energy in their 5- or 10-year forecasts on Malaysian production. Following this meeting, China General Nuclear Power formalized the purchase of an electricity plant and its site in the center of Kuala Lumpur, at a price well above the market. Coming from the portfolio of assets belonging to 1MDB (then more or less bankrupt and under the spotlight for embezzlement investigations), this power plant acquisition was clearly a complacent one, a real breath of fresh air for the investment fund and a relief for Prime Minister Najib Razak. Since then, the civil nuclear track seemed, in 2016-2017, to be progressing rapidly under the auspices of a new economic and technological partnership with China set to come on line. A bilateral agreement had reportedly been reached to this effect, and the establishment of a Chinese nuclear power plant in Malaysia was planned for 2022 (Morin, 2019). Interrupting a dependency in this particular area that was already considered excessive and politically constraining, the new government therefore preferred not to use nuclear energy in Malaysia.

Nevertheless, and this as early as the May 2018 elections, the writings that too directly highlighted unfavorable signals to China provoked reactions: for example, the economist and CEP member, Jomo K.S., sent a letter to the *Financial Times* following on the publication of an article (which happened to also quote him) announcing the questioning of Chinese investments: cleverly, Jomo stated that "like the Chinese government itself", the Malaysian government was becoming much more discerning regarding the investments coming into the country, but recognized the value and crucial importance of foreign direct investment (FDI) and technology transfer for its future.[19] The ECRL train project is taken as an example of mismanagement that deserves to be denounced, while several priority sectors for hosting Chinese FDI are mentioned: 5G telecommunications, "useful" artificial intelligence applications, financial technologies, renewable energy, new medicines and electric vehicles. It should be noted that these sectors strongly reflect the ten Chinese priorities of the *Made in China 2025* program.[20] Indeed, both Jomo and Mahathir Mohamad remain very concerned about the industrial future of the country, whose limits they well know, particularly in terms of education and technology (Jomo (ed.), 1993; Jomo, Felker and Rajah Rasiah (eds.), 1999; Felker, 2015). Should this be interpreted as direct influence of the Chinese agenda on that of Malaysia? Rather, for Malaysia, it can be seen as a way of containing dependence by choosing its own industrial and technological leverage points, while at the same time securing the bond with the other partner.

Thus, and some Malaysian commentators do not fail to point this out, the relationship is too valuable to be fundamentally challenged. This is the view of the academic Peter T.C. Chang, who considers that China certainly missed the boat with Malaysia by supporting a government that was losing public support: the Chinese government was caught off guard when China's involvement in the misappropriation of public funds by the Najib Razak administration emerged. Nevertheless (and the euphemism is choice), "The China-Malaysia relationship is unlikely to be derailed by this complication."[21] Indeed, as the following section will show, the relationship is not about to derail, quite the contrary: the commercial, industrial and monetary dimensions continue to develop and bring the economies closer together.

3. A Relationship That Remains Asymmetrical over the Long Term

The relationship with China is a long-term relationship that is as asymmetrical as it is essential and self-evident, for cultural, geographical or yet again geopolitical reasons. Absolutely capital, it is a relationship in which Malaysia's future is embedded, and this is undeniable. This remains valid, even if China may have neglected the possibility of Najib Razak's failure. It must be said that there were few who believed in it, including on the Pakatan Harapan side.[22] On the side of the ruling power, on the other hand, and given the many maneuvers surrounding the election, the event was apparently not considered.[23] As the great human rights defender Ambiga Sreenevasan humorously says, "the Barisan had no plan *B* ... and the Pakatan had no plan *A*."[24]

Whether it be at the level of the Council of Eminent Persons, the Malaysian Investment Development Authority (MIDA), the Central Bank or the Budget Department of the Ministry of Finance, the senior officials in charge of key institutions of the Malaysian economic administration remained cautious and far more wary than the Mahathirian rhetoric about the future of the relationship with China: the officials interviewed did not mention any directive to limit Chinese presence in Malaysia, nor did they seem to be alarmed by it, nor were they mandated to take on any damage caused by dependency at their level. The gap between campaign rhetoric, the first projects brought under scrutiny and business practices seemed to be a given.

3.1. Chinese Investments in Malaysia: In Reality They Are Increasing

Although Malaysian and foreign newspapers published extensively about interrupted or cancelled projects, they did not give much coverage to the fact that, during the first weeks of the new regime, China granted investments to Malaysia. According to the Chinese Ambassador to Malaysia, Bai Tian, they were very high: MYR 1.2 billion in less than three weeks, or one third of the amount received in 2017.[25]

These new Chinese investments *Malaysia Baru* thus receives are part of a strong growth dynamic in 2018, described by the data available through the authority in charge of receiving and authorizing new industrial investments, the Malaysia Investment Development Authority (MIDA).

These data, compiled since 1987, have the advantage of providing a detailed view by State and economic sector of projected investment amounts. They complement the inwards FDI data provided by the Department of Statistics of Malaysia (DOSM), which also highlight the now dominant importance of Asia (63.5%) in Malaysian FDI in 2017, with Hong Kong in first place (7.7 billion MYR), followed by China (6.9 billion MYR) and Singapore (6.1 billion MYR).

By providing information on future dynamics, MIDA's investment data illustrate China's industrial intentions towards Malaysia and thus allow trends to be anticipated. Their evolution reflects, in the absence of actual investments, the geographical and sectoral directions of China's focus: from a political-economy perspective, they are both precise and suggestive (Delfolie *et al.*, 2016: 157-172). Thus, thanks to MIDA, we can know that the significant Chinese investment in rubber and its derivatives, announced in 2018, contrasts sharply with three decades of low investment in this field by foreign companies (1.4% of the amounts of foreign-funded projects authorized between 1987 and 2014 and 1.5% of Chinese projects) and thus inaugurates an unprecedented industrial

Table 1 Foreign Industrial Investments Authorized by MIDA, Organized by Main Countries of Origin, 2016 – March 2018 (in number of projects and Malaysia ringgit (MYR))

Country	2016		2017		January-March 2018		Total 2016-March 2018	
	Projects (number)	Amount (billion MYR)	Projects (number)	Amount (billion MYR)	Projects (number)	Amount (billion MYR)	Projects (number)	Amount (billion MYR)
China	33	4.77	21	3.85	9	6.19	63	14.81
In % of total		*17.4 %*		*17.9 %*		*62.0 %*		*25.1 %*
Netherlands	18	3.21	13	2.03	17	0.30	31	5.24
Singapore	96	2.13	100	2.30	1	0.03	213	4.73
Germany	21	2.64	18	1.51	10	0,55	40	4.18
Japan	53	1,86	41	1,31	--	9.97	104	3,72
Total	--	27.40	--	21.50			--	58.87

Source: MIDA, August 2018.

cooperation. Finally, a nuance must be made here: these data do not provide information on real-estate investments or transport infrastructure, other major areas of China's involvement in the Malaysian economy and territory. However, and as S.-Y. Tham has pointed out with regard to the BRI in Malaysia, the funding of the latter projects, financed via trade credits for example, is itself largely beyond the narrow scope of the foreign direct investments (Tham, 2018).

As for the question of whether, at the level of the MIDA planning department, political directives aim to delay Chinese projects, the answer is negative. The new government, which reorganized the administrative staff after its arrival, confirmed to them that the idea was to continue to encourage investment inflows, particularly from China.

Table 2 Total Foreign Industrial Investments with Chinese Participation (in MYR)

Year	Total Amount (MYR)	Main Investment Sectors		
		1st	2nd	3rd
2016	4.77 billion	Electronic & electrical products (1.8 billion)	Non-metallic mineral products (1.4 billion)	Basic metallurgical products (1.3 billion)
2017	3.85 billion	Non-metallic mineral products (2.4 billion)	Transport equipment (0.9 billion)	
2018 January-March	6.19 billion	Rubber and derivatives (3.2 billion)	Basic metallurgical products (2.9 billion)	

Source: MIDA, August 2018.

As for any reservations expressed, they only bring up the environmental aspect of these investments, which must now be included in the evaluation and will decide the terms of the agreements, but in a way that still seems rather vague.[26]

In addition to the rubber and derivatives sector, China was moving into new areas by 2018, particularly in Kuantan (Pahang), which gathers together within the Malaysia-China Kuantan Industrial Park (MCKIP) a large number of plants linked to the respective Chinese and Malaysian governments. These are indeed public or publicly owned companies that have been given a mandate by the authorities, as has often been the case since the beginning of the new phase of Malaysia-China relations (Lim, 2015). These companies were mobilized to give industrial consistency to the bi-national MCKIP, a Malaysian-Chinese development that came out of nowhere and may have appeared absurd in terms of location for some time (Delfolie *et al.*, 2016: 183-193). But the project of the East-West ECRL line has given it its full strategic meaning: part of the Belt and Road Initiative, it links the port of Kuantan, which became 49% Chinese in 2013, to the West Coast. Serving the bi-national MCKIP that, as the months go by, welcomes more and more large Chinese public companies, the line ends in Klang, the leading port in Malaysia and the second in Southeast Asia, and where many of the warehouses have recently been purchased by China. Finally, via this train line, Kuantan will also eventually be connected to the future deep-water port of Melaka Gateway, also a project financed by Chinese capital and the next step on the new Silk Road, located along the Strait of Malacca, between Klang and Tanjung Pelapas, north of Singapore (Fau and Tréglodé (eds.), 2018).

3.2. Institutional Cooperation That Continues against a Backdrop of Deepening Monetary and Financial Exchanges

The Malaysian currency, the ringgit, which has been unstable again since summer 2005, is managed by the central bank, called Bank Negara, with a view to "growth, price stability and monetary stability" but with a clear emphasis on supporting growth. This orientation, adopted since 1971, was maintained after the elections.[27] Due to structural trade surpluses, foreign exchange reserves are very high. Finally, the key interest rate was raised by 1/4 of a percentage point in January 2018, up to 3.25%, following on the increase in the US Federal Reserve rate and was maintained at this percentage thereafter. Against a backdrop of slowing global growth prospects at the end of 2018, the fall of the Turkish lira and the depreciation of many regional currencies, particularly the Indonesian rupiah, the Malaysian currency is holding up well and appears to be the most stable of the emerging economies' currencies.

In recent years, and like most regional currencies, the national currency – the ringgit (MYR/RM) – has become closely linked to the Chinese currency. According to Jomo K.S., the latter is now the most decisive,[28] as confirmed by Bank Negara officials. To frame this new source of monetary interdependence, the Malaysian central bank is part of a series of multiplied and diversified regional monetary agreements, where the relationship with China, in terms of dedicated volume, remains the most significant. Indeed, Malaysia participated in several currency swap agreements, first to ensure the stability of its currency in the event of a liquidity shock and to support monetary stability in ASEAN (ASEAN Swap Arrangement (ASA), corresponding to Malaysia's US$300 million commitments), then to allow trade in the local currency (bilateral swap agreement with China (bilateral currency swap agreement / BCSA): US$22 billion) and with South Korea (BCSA: US$3.7 billion). As for the Chiang Mai Multilateralization Agreement (Chiang Mai Initiative (CMI), 2000; Chiang Mai Initiative Multilateralisation (CMIM) Agreement, 2010), headed up by China among the ASEAN countries + 3 others in the aftermath of the 1997 crisis (Figuière and Guilhot, 2007), it has been renewed year after year. Under this agreement, Malaysia commits US$9.1 billion (MYR 3.7 billion) to contribute to regional monetary stability. But no request for support has been recorded so far: none of these swap agreements have been activated (Bank Negara, *Annual Report 2017*, pp. 174-175).

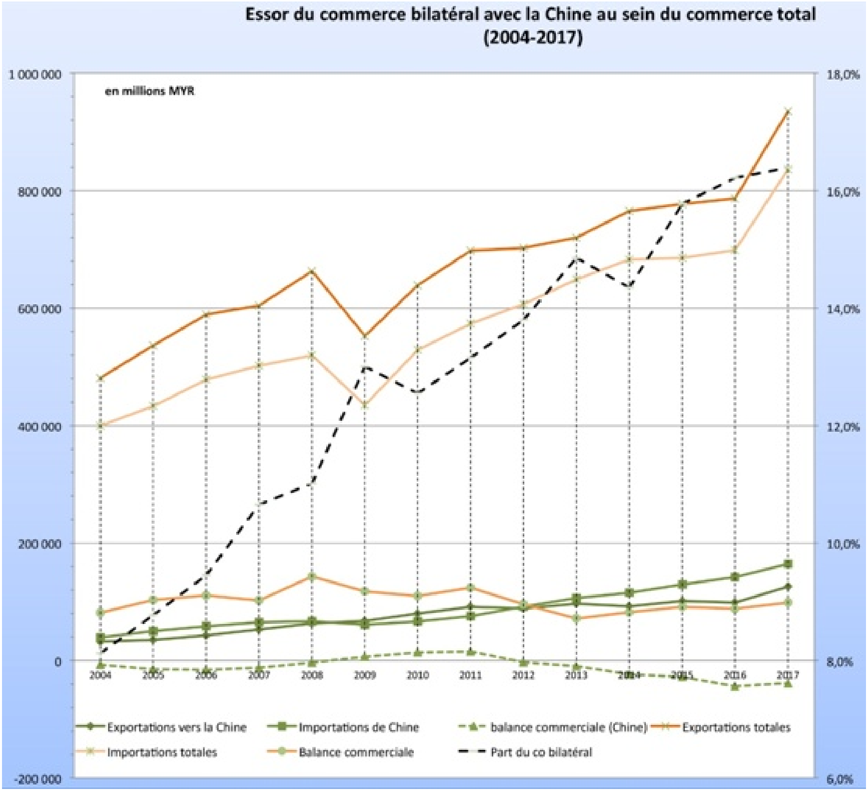
In addition, foreign exchange transactions between the two currencies, authorized since 2016 and operated by the Bank of China in Malaysia, have increased after having remained almost nil until then. The latest development in the internationalization of the Chinese renminbi (RMB) in relation to Malaysia – the allocation of an allowance of renminbi financial operations authorized for Malaysia since 2016 (RQFII) – opens up market access for Malaysian investors to certain securities (A-shares) in the Chinese currency. The institution currently holding a monopoly on market access is CIMB, a large Malaysian bank that was until recently managed by Nazir Razak, the brother of Najib Razak. Called the China Direct Opportunities Fund,[29] the Malaysian investment fund with access to this segment of the Chinese capital market opened in May 2018. China granted a cap of 600 million RMB, or US$100 million.

As for the renminbi's share of Malaysia's foreign exchange reserves, although it is increasing, the monetary authorities are keeping it secret.[30] This monetary cooperation, which has been institutionalized over the past decade, aims essentially to control and support, in monetary terms, the large volume of trade between the two countries.

3.3. Very High Bilateral Trade ... Caught in the Uncertainties of the US-China Trade War but on a Stable Trajectory

Trade with China has a very long history, but in the contemporary period its volume has entered a new phase, progressing slowly at first during the 1990s and then soaring during the 2000s. This acceleration is taking place against the backdrop of China's breaking into the Asian electronics value chain, in which Malaysia had long been involved. This explains the disparity between increasing exports to China and sharply decreasing exports to Japan, the region's prime contractor in the electronics sector, while the overall import content of Malaysian exports remains stable.

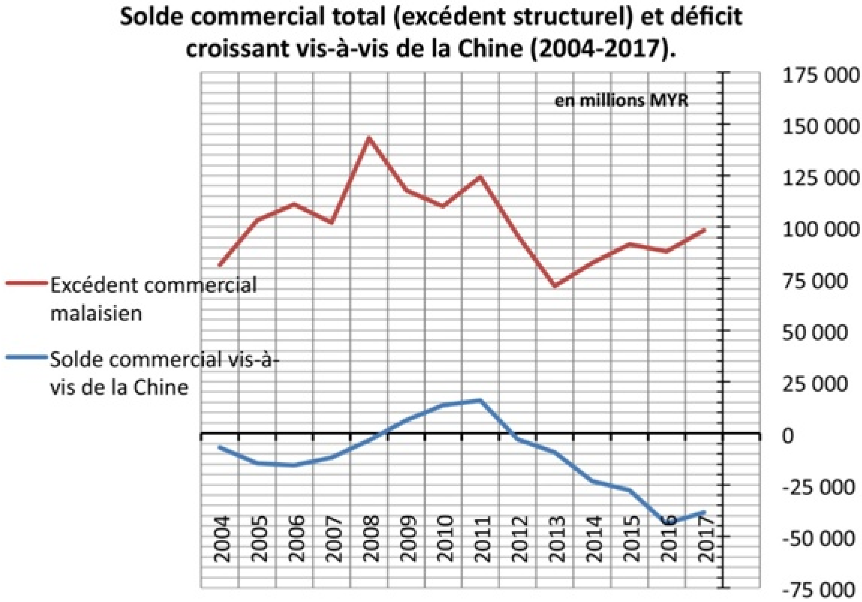
Figure 1 China in Total Malaysian Trade (2004-2017)



Source: Bank Negara (2018), Table 3.6.3.

As a result of the global financial crisis that affected Asia through the trade channel, China became Malaysia's largest trading partner from 2009. During the first half of the 2010s, bilateral trade was still improving, but it now seems to be in a stabilization phase (Delfolie *et al.*, 2016). Finally, given the steady pace of Malaysian exports over the decade, it can be assumed that this new partner has made a significant

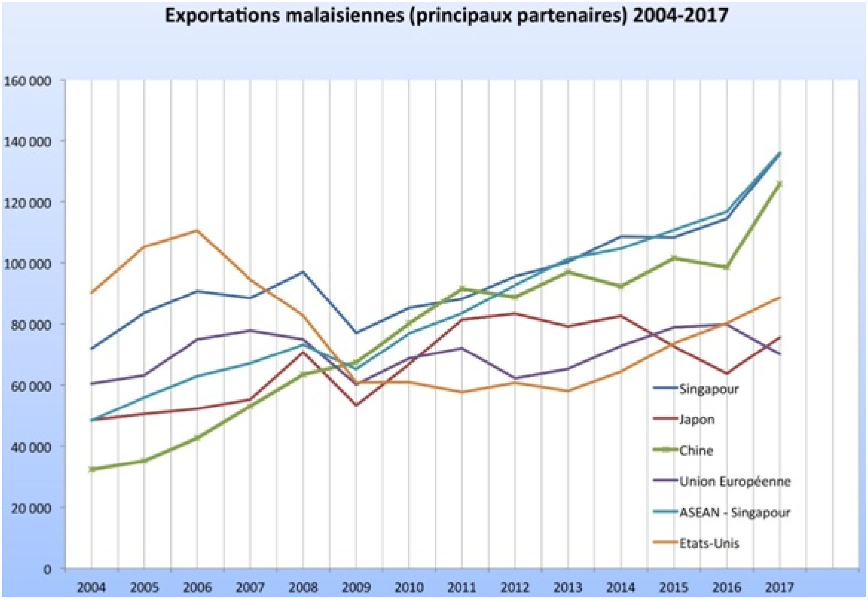
Figure 1a Focus on Trade Balances (2004-2018)



Source: Bank Negara (2018), Table 3.6.3.

contribution to sustaining Malaysian growth dynamics, particularly in the face of the global demand crash in 2009, when demand from Western countries and Japan fell sharply while Malaysia was still thriving at 162% (amount of its imports and exports in GDP).[31] Again in 2014-2015, when the fall in oil prices seemed to threaten to affect Malaysia's trade balance, the stability and composition of exports to China (electronic components accounting for 41% of the total) played a positive role in Malaysian economic dynamics. Finally, it would appear that Malaysia's recent trade relations with China go beyond the traditional explanatory factors (Devadason, 2015).

Figure 2 Exports to Some Major Partners (2004-2017)



Source: Bank Negara (2018), Table 3.6.3.

For a time, Malaysia had a surplus in its bilateral trade with China, but has reached a deficit since 2012. And it is at the level of this deficit that the most significant evolution of Malaysia-China trade can now be observed, since its increase now seems structural. During 2017, Malaysian trade with China increased by 21% (+28% for exports alone). The volume of bilateral trade reached US$96 billion in 2017 and is expected to exceed US$100 billion[32] in 2018: China's share of Malaysia's bilateral trade increased from 10% to 16% between 2004 and 2017.

Between January and August 2018, exports to China increased to 13.7% (from 13.1% in 2017), outpacing Singapore (14.7% in 2017 from

13.6% in 2018).[33] Deputy Minister of Commerce Dr Ong Kian Ming attended the 20th China International Fair for Investment and Trade (CIFIT) in Xiamen,[34] before visiting the 15th China-ASEAN Trade Fair in Nanning, where 174 Malaysian companies (compared to 13 in 2017) and 12 government agencies and chambers of commerce were present (7-13 September 2018). Economic diplomacy between the two countries is therefore not on hold.

Another point of close cooperation concerns e-commerce and its future. In this area, Malaysia has been building on its technological and financial cooperation with China since 2017, and the new government is resuming this cooperation right where its predecessor left off. Supported by a dedicated public structure, the Malaysia Digital Economy Corporation (MDEC), e-commerce is part of a much broader policy concerned with avoiding the increase in inequalities and aimed at accelerating Malaysia's digital transition; the country is already quite connected, since 80% of the population has access to the Internet, mainly via mobile phones, a rate comparable to that of industrialized countries. The national strategy also aims to disseminate electronic technologies, modernize the electronic and digital industry, promote local companies in this sector, create digital-economy ecosystems, promote the "digital-creativity" sector (video games, animation), encourage the creation of companies in these fields and link them to the market, etc.

As part of the National E-commerce Strategy (NeCSR)[35] headed up by a council within the MITI, the structuring of e-commerce underwent significant expansion in 2017 thanks to the agreements concluded between Najib Razak and Jack Ma, the creator and director of the global online business giant, Alibaba. The aim is to position Malaysia as a regional e-commerce transshipment hub, based on the creation of a pilot free-trade zone. The Digital Free Trade Zone (DFTZ), the first in the world, was established by Alibaba and the Malaysian government in March 2017, and aimed to support Malaysian SMEs with their export capabilities. An interconnection agreement between the Malaysian DFTZ and its Chinese counterpart (the first e-hub in China, created by Alibaba in Hangzhou) was signed in May 2017 to develop an e-commerce platform between Malaysia and China. This very ambitious project, consistent with other financial and logistical innovations[36] under the aegis of Jack Ma – whose ultimate goal is to establish the Electronic World Trade Platform (eWTP), an initiative also adopted by the G20 in 2016 – was signed by the local Chinese (Che Jun, Secretary of Communist Party of China's Zhejiang Provincial Committee, Hangzhou) and Malaysian authorities (Najib Razak himself) in May 2017.[37] Inaugurated in November, it is located in Sepang near Kuala Lumpur International Airport to offer digital-technology support: specifically, the DFTZ has a huge, highly sophisticated warehouse and offers all the equipment and services needed for international online commerce.[38] This project has been identified and recognized by the World Bank report as one of Malaysia's productive initiatives, i.e. one that is "unlocking the potential of the digital economy".[39]

In 2018, the new government took over these contacts and initiatives to support the development of Malaysian SMEs and the development of the digital economy. Alibaba's regional office for Southeast Asia was inaugurated in the presence of Mahathir Mohamad in June 2018 in Kuala Lumpur: Jack Ma expressed the hope that the new government would trust him and allow him to implement his ideas in order to contribute to Malaysia's development. He stated that the relationship between Malaysia and China was "so strategically important" for everyone. The Ministry of Trade and Industry opened an "E-commerce" section on its page, and its 2017 annual report highlights the DTZ, which is supposed to have involved 2000 SMEs, while access points to the international online logistics system, developed through the cooperation of logistics companies, are supposed to have increased.[40]

In this area, it should be noted that the development of the physical infrastructure of digital communication (digital fiber cabling on the peninsula), which is itself older, had also been largely entrusted to large Chinese companies, companies that were public such as ZTE, or indirectly linked to the State, such as Huawei (Li and Cheong, 2017). The latter made Malaysia its regional hub based out of Iskandar in 2015. More generally, and – something that Abraham Liu, CEO of Huawei Malaysia prides himself on – this company can legitimately be seen as a key contributor to the development of Malaysian digital telecommunications: broadband, 4G and others (*ibid.*).

As mentioned above, more than 40% of Malaysian exports towards China are in the electronic components sector and are part of Malaysia's long-standing involvement in the global electronics value chain. These electronic exports to China correspond to products that are mainly coming out of United States, Japanese and Taiwanese factories operating in Malaysia (Penang, but also Selangor and Johor). These products, some of which have themselves been imported from China, are then assembled and packaged in China for export mainly to the United States, Europe and Japan. The way in which the American-Chinese trade war will affect Malaysian trade has not been clearly evaluated, since the local translation of these tensions in terms of induced changes in the Asian electronics value chain remains difficult to assess for the time being.[41] However, in early 2018, New Malaysia continued on its current path, with a 6% increase in trade exchanges over the first 8 months, recording a 12% higher trade surplus than the previous year: the trade outlook therefore seems favorable for the new government in the immediate future.[42]

4. Juggling with the Contradictions of Malaysian Capitalism

China's rise in power, within a globalization context in which Malaysia had, however, been very well situated in previous decades, raises another central issue for Malaysian development, that of the so-called "middle income trap" (Felipe, 2012). The "middle income trap" is first and foremost a threat felt and expressed by the government at a time when the country was feeling the impact of the 2009 crisis (Lafaye de Micheaux, 2014b). Subsequently, it was contradicted by Malaysia's positive economic performance, which grew to 5.9% in 2017, and which, according to government figures published in November, is expected to reach 4.7% in 2018 and 4.9% in 2019. The desired horizon of reaching high-income nation status is approaching, after several years of growth at more than 5% (except 2013: 4.7%, and 2016: 4.2%). Yet the question continues to arise within a Southeast Asia that is increasingly integrated regionally within East Asia, where the wages of neighboring countries – notably Vietnam – appear attractive in sectors such as electronics, which they in turn are developing rapidly.

With Mahathir Mohamad, it is a true expert in the diversification of economic and diplomatic partners who has returned to power. He who had been able to play the card of openness to globalization to ensure the country's sovereign development should once again be able to skilfully juggle the constraints and opportunities of international integration in order to link together external resources (capital, workers, imported technologies) and specific national needs in the context of renewed regional competition. In this last section, the priorities formulated by the new government are connected from a broader perspective to the institutional structure of Malaysian capitalism. Subject to the current economic challenges, in particular industrial ones, but also to extremely high democratic expectations, the reforms envisaged are likely to transform the Malaysian accumulation regime, if they give themselves the means to take on, along with the issue of living standards, those of wages, qualifications and workers' productivity.

4.1. Moving up the Value Chain and Increasing the Qualifications of the National Workforce

The idea, shared by the new government and its economic administration, is that it is no longer a question of being taken in by good growth figures, but of admitting that growth may be as good as it is in high-income countries. This diagnosis made, the question of the solutions to be adopted remains open for the time being. Indeed, Malaysia suffers from a long-standing and chronic problem in terms of the quality of its workforce that limits the range of skilled jobs as well as R&D and thus affects the opportunities for upscaling.

International workforce movements are observable at the top and bottom of the qualification scale in Malaysia. At the high qualification level, there have been many departures of qualified Malaysian graduates, who, in most cases, are not of Malay ethnicity (Malaysian Chinese and Malaysian Indians). In Singapore, according to the 2010 census, 47% of the skilled foreign workers are Malaysian. This brain drain cannot explained by the need to escape poverty, but rather by the need to get away from an economic and social system that is institutionally based on broad positive discrimination in favor of Malays, ranging from education to employment, via land and capital ownership, support for SMEs, housing prices and access to tenders (Gomez and Saravanamuttu, 2013). At the same time, the education system itself suffers from rather serious qualitative shortcomings, particularly in higher education (Lafaye de Micheaux, 2019), leading many young Malaysians to study abroad, where they then settle easily. At the other end of the spectrum, the abundant use of foreign workers (some talk of one third of private industrial employment) keeps pressure on wages in unskilled jobs, in a context of structural labor shortage and a stable and very low unemployment rate – below 3.5%. Moreover, this unemployment rate is on average slightly higher for graduates (4.5%) than for non-graduates.[43]

The skills-content of growth and exports, Malaysia's position in the future in a regional competition where Vietnam is progressing rapidly and is now positioning itself to specialize in electronics and semiconductors – clearly close to Malaysia's areas of expertise, are in line with the older critical analyses of Jomo, Felker and Rajah Rasiah on Malaysian industrialization and its national innovation system: the reforms in this area have never really been carried out.

Dependence on foreign technologies, a structural feature of Malaysian industrialization and an essential part of its productive system, therefore remains the solution to progress in the face of these challenges. As a result, Japan was the destination of Mahathir Mohamad's first official visit abroad in early June 2018. The project of a new car was mentioned, no longer nationalistic as was the *Proton* he wanted in the early 1980s and developed in the following decades, but one that would contribute to the reindustrialization of the national economic fabric and foster necessary training and technological practice. It is expected that this cooperation will make it possible to pursue a specialization that is also based on industrial upscaling. European and American aerospace companies have already contributed to this progress in recent years. Finally, as shown above, relations with China, which are better calibrated and oriented, will also be mobilized in other sectors to ward off the trap of getting blocked at a mid-range specialization level, which would lead to mediocre wages, with a large increase in imports of foreign labor.

Table 3 Institutional Configurations of Malaysian Capitalism: A Historical Perspective

Institutional forms	Colonial Malaya 1874-1957	Independent Malaysia I 1957-1970	Independent Malaysia II 1971-2018	*Malaysia Baru* Post May-2018 elections
1 Top of the institutional hierarchy	International integration	International integration	State/economy relation	State/economy relation
2	Monetary regime *Dominates international integration between 1939 and 1957 (Sterling zone)*	Forms of competition	International integration	International integration
3	Forms of competition	Postcolonial State/economy relation	Monetary regime	Labor-wage nexus
4	Colonial State/economy relations	Monetary regime	Forms of competition	Monetary regime
5 Most subaltern dimension, dependent on the others	Labor-wage nexus	Labor-wage nexus	Labor-wage nexus	Forms of competition

Source: The author.

Dominated by the role of the State in the economy, the institutional structure of Malaysian capitalism gives the most subaltern role to labor's institutional form (Gomez and Lafaye de Micheaux, 2017). This status has been quite constant since the colonial period: (1) The Malaysian State, as a planner, producer, investor and redistributor, has played a leading role in accumulation and development since 1971. (2) Its orientations, which in turn back up its industrial and redistribution policies, are the source of its emphasis on international integration it re-committed in the 1970s, to the explicit and primary aim of resolving the country's social contradictions, and in particular the economic marginality and poverty of the Malays, also as a major component of *Bumiputra*, a majority population for whom a policy of positive discrimination has been adopted. (3) The monetary dimension fosters this integration and growth before (4) the form of competition is defined, which is complex in Malaysia, because national/foreign dichotomies intersect there; so do public/private companies, the ethnic dimension (ethnic Malaysian Chinese companies; Bumiputra-Malay, strongly supported by a policy of positive discrimination; and others) and the question of size (SMEs versus – most often – large public or foreign multinational companies). (5) In this scheme, the labor-wage nexus is subordinate, totally predetermined (see the 1971-2018 configuration, Table 3).

We believe that the recent and rapid rapprochement with China – including in the political, financial, industrial and monetary realms – although very important in quantitative terms, has still not jeopardized stability, let alone the hierarchy of Malaysia's institutional architecture. The country's dependence on China was at first a close interdependence, then became a strong asymmetry due to the respective masses and China's potential capacity – through these projects that were disproportionate when transposed onto a Malaysian scale – to destabilize a sector (steel), a local real-estate market (Iskandar), a market (electricity in which China positioned itself essentially without producing anything – solar – or by producing at a loss – dams in Sarawak), not to mention the environmental damage that an overly complacent (or corrupt) administration may have allowed to occur through deregulated bauxite mining, before reacting late as in Pahang in 2015 and 2016.[44] It is therefore up to the government to take responsibility in terms of environmental rules in particular, but its pre-eminent position in the hierarchy of the Malaysian economic system, recognized and even supported by the Chinese government, is still not questioned.

Taking care not to upset the existing institutional complementarities, the links specifically established with China have not really challenged international integration either, since it is the electronics sector that has been most affected by the deployment of trade, with the monetary cooperation between the countries having contributed to the support of the overall structure, giving the Malaysian currency greater stability and further facilitating existing exchanges. The cross-border e-commerce projects undertaken with Alibaba have accelerated these exchanges – both commercial and monetary – but do not create or distort them. Finally, the form of competition is not disrupted either, except probably in the metallurgy sectors or a particular aspect of residential real estate, since Chinese public companies operating in Malaysia via memoranda of understanding are most often linked to their Malaysian partners through public or State-related companies (government-linked companies). However, it would seem that this institutional architecture, left intact by the new dependence on China, will, after several decades and taking into account the regional environment marked by a new wave of emerging countries, result in certain contradictions: this coherence could be modified if a complete review of the labor issue is considered within the context of the reforms underway.

4.2. Addressing the Issue of Labor and Living Standards: a Shared Political Challenge

The possibility for the Malaysian government to review, through a series of coherent reforms, labor remuneration conjoined with the improvement of employees' qualifications, in order to open up new potentialities in terms of productivity, innovation capacities and competitiveness within regional trade seems to be emerging in the wake of the May 2018 general elections.

One of the government's top priorities, the second according to the 2019 budget, is the "socio-economic well-being of Malaysians". On this subject, there is indeed a consensus among the heads of the Central Bank and the Budget Director at the Ministry of Finance, whose reflections are based on scientific studies revealing the decline in the standard of living of the poorest 40%.[45] In addition to the reaffirmation of the principle of fighting corruption, the desire to redistribute dividends more broadly than to the business class is expressed. Growth is to become more "inclusive" again and the question of redistribution is to be seriously addressed. Indeed, this subject has never deserted the UMNO's political speeches, insofar as the latest budgets and the 11th Malaysian Plan referred to targeted measures in favor of the first four deciles, the Bottom 40 constituting a statistical category in and of itself that is closely monitored. However, the reopening of the scale of inequality from above, the ostentatious enrichment of the upper political fringe, the explosion of tax evasion[46] have led Malaysians to consider that their situation is no longer improving, but may even be deteriorating. The 6% VAT (Goods and Services Tax / GST) introduced by Najib Razak in 2015 has proved highly unpopular in this context.

Raising the minimum wage and raising the general level of wages are measures envisaged to improve the social prospects of young

Malaysian graduates. Indeed, labor-force training was already seen as "the weak link in the national innovation system" by G. Felker at the beginning of the 21st century. The plans of attack envisaged by the government are surprisingly broad. With regard to labor and its revaluation, an increase in the minimum wage is provided for in the 2019 budget: 1,100 MYR (235 euros) per month from 1 January 2019, compared to the current 1,000 (the minimum wage was introduced by Najib Razak in 2014). But the hesitations surrounding the redefinition of new institutional forms (which frame the accumulation regime) are clearly perceptible with regard to immigrant workers.[47] This subject is at the heart of objective tensions between the conjunctural concern to reduce recourse to immigrant workers in an attempt to counter the rise in unemployment among young Malaysian graduates; the structural recourse to this foreign labor force in order to limit wage increases; the desire to shift skills and industrial specialization up towards higher value-added production; and the obvious educational limitations that hinder such progress. Especially since the need, from a long-term perspective, to redevelop a quality education system does not seem to be really guaranteed by the already controversial appointment of a Minister of Education with a doctorate in Islamic studies.

The new policy on migrant workers is embedded in a context in which Najib Razak's Malaysia was very poorly ranked by the United States' Department of State in successive reports on human trafficking. The dehumanization in the treatment of foreigners and the notorious corruption of the authorities in charge of foreign workers had been far-reaching under the previous regime. Police pursuit of illegal workers increased in July and August 2018: undocumented foreigners, particularly numerous in Kuala Lumpur, were subject to intensive and high-profile police actions. These measures contradicted the ambitions and expectations of human-rights defenders, who expected that the legal, police and administrative framework in this area would progress rapidly under the new government. However, one month later, in contrast to this rigidifying of migrant conditions in Malaysia, the tax for foreign workers extending their contracts in Malaysia started being charged to employers while it had previously been paid almost entirely by the immigrants themselves.[48]

By putting education, labor and its remuneration on the agenda, and by thinking about reconsidering the massive use of low-skilled foreign labor, the reforms under way could lead to a profound change in the institutional hierarchy that makes the labor-wage nexus the most subaltern dimension of Malaysian capitalism. The new authorities are aware that a value-added distribution-key of around 35% for wages compared to 65% for return on capital – i.e. exceptionally favorable to capital – could become a source of obstacles to social progress. The lasting historical consensus accompanying the accumulation regime that was established starting in 1971 placed State-led and export-led development under the sign of a pro-Bumiputra redistribution of resources (Gomez and Lafaye de Micheaux, 2017). In recent years, it gave rise to high levels of corruption, which had long been embedded in a context of the political patronage of growth, and more recently linked to a very small number of individuals, focused on Prime Minister Najib Razak (Gomez *et al.*, 2017). Thus, in the medium and long term, labor – it would seem – should undergo profound qualitative and distributional transformations: better paid; less and less marked by ethnic criteria; favoring domestic labor over imported foreign labor; offering local opportunities to young, better-trained and better-skilled Malaysians, and its transformation would open up new macroeconomic and systemic opportunities for Malaysian capitalism, which is currently stuck in a path of specialization with relatively low wages and low technological content.

4.3. **Malaysia Baru*: Reforms Leading to a New Accumulation Regime***

It would thus seem that with Mahathir Mohamad a new accumulation regime is currently emerging: this transition is necessary as a result of the many contradictions that the previous accumulation regime – which had supported the power UMNO – presented. We propose to contextualize the new institutional structure within a long-term historical perspective, which – on the basis of an unprecedented political consensus – could emerge before our very eyes.

The new political authorities, as well as the country's first economic administrations and in particular Bank Negara, the central bank, as we were told during our recent field survey, are not yet clear on how to proceed.

Maintaining the role of the State at the forefront of the economy seems to be a given, while political priority is given to the fight against corruption and the looting of the nation. The democratic mandate in this sense is unequivocal: "Malaysians have replaced a government that practiced generalized cleptocracy with a transparent (clean) and democratic one".[49] By the fall, Najib Razak and his wife had already been arrested and taken into custody. In each case, the incarceration was actual but very short and followed by release on (substantial) bail. In addition to an expensive villa, countless luxury goods were requisitioned and thus returned to State ownership. Their trial began in April 2019. In addition to the principle of justice, there is also the concern to bring as much of the misappropriated billions back into the State coffers as possible, which will also be facilitated by the arrest and conviction of the multimillionaire Jho Low, jet setter and Najib Razak's business associate. More systemically, according to an announcement made in October by Mahathir Mohamad, the inheritance tax should be reintroduced. However, on November 2, it did not appear in the new government's first budget. On the other hand, concerning the specific aspect of commitments in favor of purchasing power, taxes were immediately reduced in the aftermath of the elections, with the abandonment of GST on 1 June (from 6% to 0%). At the same time, the objective to boost growth was maintained and reaffirmed through the announcement of a monetary policy favorable to activity and purchasing power, while the 2019 draft budget forecasts an inflation rate between 2.5% and 3.5%, while it was 1.5%-2.5% in 2018.

Another government priority is to restore trust in institutions. This should enable the State to regain efficacy in piloting development and free up budgetary room to maneuver. One of the first steps has therefore been to reconsider the mandates of large bureaucracies and public or semi-public companies, known as government-linked companies. Born out of the UMNO's pro-Malay policies, and having contributed to the political success of Najib Razak and the artificial boost of economic activity via up to 50% of investments during the 2010s – and through some shocking statements by their leaders – these companies have, over the course of a few months, drawn a dividing line within the bureaucracy, according to personal allegiances to the country's key politicians (Mahathir Mohamad, Daim Zainuddin, Najib Razak, Anwar Ibrahim, etc.). The desire to redefine the role of government in the economy, which has become very intense in recent decades (Gomez *et al.*, 2017), starting from the broad sector of large companies and various public agencies, is very clear. In this respect, we can consider that the institutional dimension known as the forms of competition could be on the way to becoming the most subaltern, because, coming out of the logic of patronage in the service of the continuity of political power, it itself is becoming directly dependent on the financial and monetary dimension. This is happening through a Central Bank that supports growth and reforms, and actively supporting purchasing power and the reduction of new inequalities.[50] However, the announcement that large State-owned companies, the economic bureaucracy and government-linked companies will be brought under control poses a risk of putting the Malaysian administration on lockdown. Indeed, it is primarily comprised of people of Malay ethnicity, and a direct product of the previous historical compromise. However, as most voted for the New Malaysia, the conversion of the Malaysian public, bureaucratic and economic system – as desired by the new government – remains entirely possible. The recent defections of key UMNO members who decided to join the coalition government, such as Mustapa Mohamed, Najib Razak's former Minister of International Trade and Industry, should facilitate this changeover.

Thus, and in the context that is currently emerging, the pay ratio, linked once again to other institutional forms, could become a new force for development. This transition could take place in a context of relative economic prosperity, controlled dependence on China and under the auspices of a political break, itself a vector of a continuity that is greater than it might seem.

5. Conclusion: A Profound Structural Change Envisaged for Malaysian Capitalism, within the Framework of an Adjusted and Agreed-upon Dependency on China

In October 2018, a new element related to the Najib Razak trial for multi-billion dollar embezzlement (1MDB) came to light which emphasized the Malaysia-China relationship. This judicial action is necessary in the context of the return of the rule of law, and consistent with the government's efforts to fight corruption at the level of the heads of large public companies. It involves not only Najib Razak's wife, who was also arrested, but also Jho Low, Najib Razak's henchman.

Placed under indictment in absentia, with an extradition warrant, the multimillionaire is supposed to be in Macao and now entering into a bargaining game – in Mahathir Mohamad's words – on the part of China, which for the time being is categorically refusing to hand him over to the Malaysian authorities.[51] Mahathir Mohamad's ability to get what he legitimately wants when he wants it will undoubtedly be a test of his personal power of persuasion in relation to China – a country known to strongly resist extradition requests. But should this be seen, as commentators point out, as a threat to the country's sovereignty in the context of the new dependency? In May 2018, commentators believed that Malaysia's political victory would lead China to revise its careless *modus operandi* with regard to ethics and human rights in Southeast Asia; in October, doubt dominated the international press. However, the lines of force in the "precious relationship" are now so well defined that we are leaning towards a controlled dependence, conceived of over the long term and without political jolts, which will allow Mahathir Mohamad, followed by his successor, to continue to build up the country's prosperity within a peaceful financial, economic and geopolitical framework. This is our opinion at a time when, particularly during the State visit to China in August 2018, it was made clear that corruption was no longer the order of the day; all were reminded of the common benefits to be gained from peace and regional economic integration; when the areas of technology transfer of Chinese investments to Malaysia are jointly identified; and when, finally, it has been noted that the East-West train line will indeed connect the deepwater port of Kuantan in the South China Sea to Klang in the Strait of Malacca.

The Malaysian elections were indeed a surprise: it was a real democratic *coup de théâtre* born out of broad aspirations for justice, a return to law and the preservation of purchasing power. While providing a form of continuity in a large number of areas, the new economic dependency and its political underpinnings in relation to China have led the new government to extensively reconsider relations that had become too close and marked by embezzlement and support for a corrupt regime. The great neighbor had supported Najib Razak and led Malaysia into a new and cumbersome form of dependence for this country that is very open, but also very attached to its own sovereignty. This dependence on China, which did not, however, challenge the institutional structure of Malaysian capitalism, will clearly be recalibrated and defined from scratch. Mahathir Mohamad juggles with the country's various economic and diplomatic partners to carry out reforms (labor, salaries, education, fundamental rights, reindustrialization) deemed necessary for the country's further development. By doing so, it could ultimately not so much reduce ties with China as fundamentally change the character of Malaysian capitalism, in particular by re-examining – for the first time in modern economic history – an income distribution that is structurally unfavorable to labor. The linkage between maintaining a dependency on foreign trade, technologies and capital with the increase in the share of labor in added value could become generalized into a model.

Notes

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1. *1 Malaysia Development Berhad* (1MDB) is a public investment fund created by Najib Razak in 2009, who was then doubling as both Prime Minister and Minister of Finance. In a text entitled "Disgrace", we have detailed and analyzed the foundations of this scandal of global impact and its immediate political repercussions. As criticism and public expression had become almost impossible in an increasingly repressive political context of intimidation and threat, this scandal had created a form of shame, subjection and popular despair (Lafaye de Micheaux, 2017b). For a complete study of 1MDB, see Teh (2018).
2. Since 2010, the Chinese Communist Party has been bound by an agreement (MoU) with the UMNO. A strategic partnership was established in 2014, the year the Malaysia-China friendship was sealed. Several State visits were exchanged. Very large industrial trade agreements (several tens of billions of US$) were signed in November 2016.

3. Indeed, until his dismissal and political imprisonment in 1998, Anwar Ibrahim, Mahathir Mohamad's former Deputy Prime Minister, became the spearhead of the *Reformasi* opposition movement in the late 1990s, then the leader of Pakatan Rakyat, the first opposition coalition. He was re-imprisoned under Najib Razak, following a new show trial in February 2015.
4. In its «Capitalismes dépendants» (Dependant capitalisms) special Issue (2018), the French *Revue de la régulation* proposes to reassess the definition and content of the old concept of dependency amidst the current international order. See Magnin, Delteil and Vercueil (2018).
5. This chronicle is based on a series of interviews and observations made possible by the invitation of the French Embassy and the kind hosting of the Pondok Perancis Institute, Kuala Lumpur, Malaysia.
6. This "meta-institution" encapsulates the bound dimensions of wages, productivity level, labour law, labour condition, share of migrant workers, and so on.
7. The Council of Eminent Persons (CEP), ironically also called Council of Elders, was formed by former Minister Daim, known in Malaysia for developing large-scale corruption during his privatizations in the 1980s. He had been recalled by Mahathir Mohamad after the Asian crisis of 1997, while he was also treasurer of the UMNO party (Gomez and Jomo, 1999: 53-56; Jomo (ed.), 1995). Finally, the last to join the eminent intellectual and administrative figures of Jomo K.S. and Tan Sri Zeti were the richest man in the country and almost hundred-year-old "sugar king" Robert Kuok, great magnate of Sino-Malaysian family capitalism, multi-billionaire of the agri-food sector, and Tan Sri Hassan Marican, former president of Petronas, the State-owned oil company and first Malaysian multinational enterprise.
8. "China's South-east Asia push threatened by new Malaysia regime: Status as Belt and Road posterchild at risk as Mahathir vows to review Chinese

projects" in the *Financial Times* of 16 May 2018; or on the same day in *The Diplomat*, "What's next for Malaysia-China relations after the 2018 Elections? A closer look at how bilateral ties will likely shape up under the new government in the coming years."

9. According to the French Embassy, growth (5.9% in 2017) is considered robust. Another point of vigilance concerns private debt, particularly of households (84% of the GDP, +2 points compared to 2010). "Malaisie, cadre économique et financier", *Publications du service économiqu*e, DG Trésor, August 2018.
10. When the 2019 Budget was presented, the Minister of Finance released his customary economic report on 2 November 2018. The public debt attributable to 1MDB is seemingly MYR 44 billion (US$10 billion).
11. Caught in a phase of falling oil-related budgetary resources, the previous government solved the predicament by artificially withdrawing from its accounts a large number of public-investment projects (Lafaye de Micheaux, 2016).
12. World Bank, *Malaysia Economic Monitor 2018*, pp. 28-29.
13. Malaysia, Ministry of Finance, *Budget 2019*, 2 November 2018.
14. Interview, Putrajaya, 24 August 2018. Under the former government, Johan Mahmood Merican was the Deputy Director of Planning in the Economic Planning Unit (EPU), an entity that was directly linked to the Prime Minister, then also Minister of Finance. The reorganization of the economic administration, including the downgrading of the EPU to the Ministry of Economic Affairs, was implemented by the new government, which does not intend to give the same power and resources to planning in the future. The former EPU second-in-command was in charge of the budget at the Ministry of Finance in Putrajaya, in a ministry headed up by Secretary General Ahmad Badri. The equanimity and consistency of his views in relation to those of the central bank and what we are hearing from the Council of Eminent Persons give credibility to the reforms that are to

be undertaken.

15. We quote the Prime Minister here (*KiniTV*, 9 October 2018) in order to restitute this very particular political language, always theatrical, excessive, expressive and ironic, which communicates an essential political project and message on the domestic scene. A language that Malaysians hear and understand in the Malay and Malaysian political culture as described by C. Kessler (1995) after A. Milner (1962), and which it would certainly be simplistic to qualify here as a populist diatribe. The tone of Mahathir Mohamad's speech at the 73rd United Nations Assembly on 28 September 2018 is radically different.
16. This visit took place between 17 and 21 August, after the one made in June to Japan to underline that Mahathir Mohamad wished to retain control over his diplomatic agenda, and his desire to revise the hierarchy between regional powers himself.
17. Senior civil servant positions were caught up, from the summer onwards, in games of allegiance with a strong personal dimension: largely divided not only along the UMNO/Pakatan Harapan divide but also, within the new coalition, by a fracture according to the pro- or anti-Daim line. Mahathir Mohamad was not neutral in this dynamic and was concerned about the possibility of sabotage, which everyone understood could undermine the credibility and scope of action of the new government. For example, Dr. Suraya Ismail, a researcher at the Khazanah Research Institute (KRI), became director after the departure of its previous director Dato' Charon Mokhzani, who considered the executive's scathing statements about Khazanah, the country's first sovereign wealth fund and sword arm of the government, extremely unfair and destructive. Khazanah was publicly accused of not fulfilling its mandate: the entire board of directors resigned (Interview, KRI, Kuala Lumpur, 20 August 2018). In contrast, Dato' Charon Mokhzani, a former member of Khazanah's Board of Directors and a close associate of Daim, took over as head of the

investment department of the Malaysian Industrial Development Finance Bhd, the oldest development fund among domestic investments (1965), and now associated with the other very large national GNI investment fund, now headed up by Tan Sri Zeti. The anger expressed at Khazanah is countered by the optimism regarding the future at the MIDF (Interview, 17 August 2018, MIDF, Kuala Lumpur).

18. *The Straits Times* (Singapore), 1 June 2018: "Scrapping high-speed rail project will carry high costs for Malaysia," quoting the Chinese tabloid *Global Times* from Beijing.
19. *Financial Times*, 23 May 2018: "Malaysia will take a shrewder view on investment from China" (Letter from Jomo Kwame Sundaram, Kuala Lumpur, Malaysia). <*https://www.ft.com/content/d0c0e63a-5dab-11e8-ad91-e01af256df68*>
20. Four out of five of Malaysia's priorities are part of China's ten sectors: education, information, telecommunications, health, care for the elderly, aerospace and aeronautical equipment, electric cars, transport and renewable energy.
21. *The Diplomat*, 16 June 2018: "How China lost sight of Malaysia's changes: China's ethical missteps in Malaysia offer lessons for the Belt and Road" (by Peter T.C. Chang, ICS, University of Malaya).
22. In the last days of a complicated and extremely short campaign (11 days), some prominent individuals who followed the campaign trail felt a growing faith in the possibility of the victory of Mahathir Mohamad and his allies. Eddin Khoo, a Malaysian intellectual and the son of the great national historian Khoo Boo Teik – a journalist and writer – was among them. (Interview, Kuala Lumpur, 2018.)
23. In a letter later that was made public, Najib Razak asked for CIA support in the event of public unrest: this was considered possible not in the event of failure, but rather as a result of too close of a victory.

24. Following the elections, Dato' Ambiga Sreenevasan – a lawyer and former president of the Malaysian Bar Association who was closely monitored by the authorities for her fierce denunciations of their violations of human rights and the constitution – was appointed to the Institutional Reform Commission, a body which is responsible for transforming Malaysian law and its judicial system in general. (Interview, 24 August, 2018, Kuala Lumpur.)
25. *The Star*, 31 May 2018, "More Chinese firms invest in Malaysia after new Govt. installed."
26. Miss Choo, Director of Planning, MIDA, 20 August 2018, Kuala Lumpur. With 37 years of experience at MIDA, Miss Choo has headed the statistics department for decades, keeping it up with legendary rigor and impartiality, making herself indispensable to successive ministers. As Director of Planning, she clearly seems happy to serve the new government. But, during our visit, there was a status quo surrounding the activity of the administration, which was confident in its future and that of the country, because the new minister (Darell Leiking) had not yet been appointed. The previous (and highly respected) Minister of International Trade and Industry, elected by the Parliament from the UMNO, would himself join the ranks of the Pakatan Harapan on 27 October 2018.
27. Mohamad Nozlan Khadri, Deputy Director of the Monetary Policy Department, where he has been working for many years. Unlike other less independent authorities, continuity is extremely strong at the central bank: in the position of Governor, Nor Shamsiah, formerly Zeti's Finance Deputy, following Muhammad bin Ibrahim, formerly Zeti's Investment Deputy. From 1987 on, Shamsiah was with the central bank where she served as Deputy Governor from 2010 before leaving the institution in April 2016, as Zeti, who was then making a stand against Najib in a period of turmoil caused by the 1MDB scandal. At the time, First Deputy, Mohamed Ibrahim, was appointed Governor after her, before he was fired

by the new government team. Shamsiah was brought back from the IMF in New York on 18 June and, appointed by Mahathir Mohamad, took up her position as Governor on 1 July. (Interview, Bank Negara, Kuala Lumpur, 23 August 2018.)

28. Interviews, Kuala Lumpur, 17 and 24 August 2018.
29. CIMB-PRINCIPAL, *China Direct Opportunities Fund Prospectus*, *"Harnessing the opportunities from direct investments in China A-Shares*", May 2018. We do not yet have data on the activity of this fund, as the first balance sheet will be prepared in the first annual report, which will only be published in early 2019.
30. Interview, Bank Negara, Kuala Lumpur, 23 August 2018.
31. The 16% drop in Malaysian exports was caught up the following year.
32. *New Straits Times*, June 2018, "Bilateral trade between Malaysia, China to exceed US $100 bln".
33. Source: Ministry of Industry and Trade, MITI, 2018, latest data available.
34. Xiamen is the Chinese city whose university has opened a branch in Malaysia, in Sepang, near the airport: work on the project was inaugurated by Najib in 2014.
35. The stated goal is to double the e-commerce volume by 2020 to reach 211 billion MYR, or US$50 billion. Six avenues are emphasized: accelerate the adoption of e-commerce by sellers; increase the adoption of supplies through the same channels (e-procurement); remove non-tariff barriers (documents completed online; cross-border electronic payment; consumer protection); redesign incentive systems; invest in strategic e-commerce partners; promote national brands through e-commerce). (World Bank, *Malaysia Economic Monitor 2018*, p. 59.)
36. Cainiao, Alibaba's logistics subsidiary, Lazada, Alibaba's e-commerce driver in Southeast Asia, and the Malaysian Post Office were expected to jointly develop a regional e-distribution center at the end of 2017 (to provide e-fulfillment services), while Alibaba Cloud, the group's IT arm,

was already planning to open a center in Malaysia.

37. "Alibaba signs MoU with Malaysia's MDEC and Hangzhou Municipal Government to facilitate global trade for SMEs under eWTP" (press release), Alibaba, Hangzhou, China, May 12, 2017.
38. "e-fulfilment hub: a one-stop online cross-border trading services platform, cooperation in e-payment and financing, and the development of e-talent training that will support Malaysia's planned transformation into a digital economy". (Source: "Alibaba Signs MoU with Malaysia's MDEC and Hangzhou Municipal Government to Facilitate Global Trade for SMEs Under eWTP" (press release), Alibaba, Hangzhou, China, May 12, 2017. To better "understand" the atmosphere and context of this initiative: <*https://www.youtube.com/watch?v=SzPqkEDSVDw*>.
39. World Bank, *Malaysia Economic Monitor 2018*, pp. 57-60.
40. *MITI 2017 Report*, p. 44.
41. Muhamad Aizuddin, Lim Boon Seong, Daryl Yong, Chang Wen Huei, Rantai ak Naga, Ooi Kiesha, Catharine Kho, "Escalating trade tensions and potential spillovers to Malaysia", *BNM Quarterly Bulletin*, 3rd Quarter, 2018.
42. Despite a decline in agricultural goods, which represent 7% of its exports, compared to 84% of manufactured industrial exports and 9% for mining products (including oil and gas). (Source: Matrade/ MITI.)
43. World Bank report, *Malaysia Economic Monitor 2018*, p. 22.
44. This has led Malaysia to become the world's largest exporter in a few months and China's largest supplier (50% of its imports). According to an announcement by the Mahathir Mohamad government in September 2018, this activity, which had been put under a moratorium since then, is expected to resume.
45. Against the backdrop of a financial scandal of exorbitant amounts with, in the foreground, raids of the many residences of Najib and his wife, images of hundreds of luxury handbags, extravagant diamonds and Jho Low's

huge yacht – worth US$250 million – the value of which the Treasury will never be able to recover.

46. According to the *Global Financial Integrity*, Malaysia ranks second in the world behind China in the 2000-2010 decade for tax evasion (Antonin Morin, 2019, unpublished doctoral thesis).
47. Ang Jian Wei, Athreya Murugasu and Chai Yi Wei, "Low-skilled foreign workers' distortions to the economy" (Box), *Bank Negara Report 2017*, 2018, pp. 35-43.
48. It is on this level that we observed the main discrepancy between Mahathir Mohamad's public speeches and the discourse of his senior officials (Central Bank, Ministry of Finance) on foreign workers.
49. As indicated in the preamble to the 2019 Budget Speech. (Lim Guan Eng, *Budget Speech 2019*, 2 November 2018 (p. 2). *<http://www.treasury.gov.my/pdf/budget/speech/bs19.pdf>*)
50. Interview with Mhd Rozlan Khadri, Monetary Policy Department, Bank Negara Malaysia, Kuala Lumpur, 23 August 2018; Zul-Fadzli Abu Bakar and Ho Sui-Jade, "Central banking and inequality: The current state of the conversation", *Bank Negara Malaysia Quarterly Bulletin*, No. 1, 2017. *<http://www.bnm.gov.my/files/publication/qb/2017/Q1/p8_fa1.pdf>*
51. *ASEAN Today*, 9 October 2018, "How a political trial is straining Sino-Malaysian relations".

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