

Malaysian Huaqiao and China: Mutually Beneficial Economic Partnership

The history of the economic growth of the People's Republic of China is impossible to comprehend without considering the impact of overseas Chinese. Since 1980s Huaqiao started to invest huge amounts of money into Southern provinces of China. As a result this became a serious stimuli to the complex development of Chinese economy. Nowadays China has become the biggest overseas investor to the states where Huaqiao are living. Interestingly enough not long ago the same Huaqiao were the biggest overseas investors to the Mainland China. In this article the author studies economic cooperation between China and Malaysia in the context of economic and political relations of both states with the overseas Chinese diaspora of Malaysia.

Development of the economic relations in the People's Republic of China has undergone several changes since 1949. The differences of economic development of China since 1949 to 1978 introduced some specifics into the development of capitalist relations in China during «Reform and Opening» policy. As a result by the very beginning of 1979 PRC had two main challenges in its economic development. The first challenge was to bring foreign investments to Chinese economy; the second challenge – to make deeper professionalization and modernization of the state enterprises [6, p.5]. During this time Malaysia had its own way of the economic development. Since 1971 and up to 1999 Malaysia developed nationalist «New Economic Policy» (NEP), which made more comfortable conditions for the companies registered by ethnical Malaysians (Bumiputera) [6, p.7]. As a result of this policy Malaysian Chinese found possibilities for development of their own business in new economic conditions. So, the richest Huaqiao started to form political alliances for negotiations and political bargaining with Malaysian national elite. At the same time middle class Huaqiao started to develop their business in the fields where they could enjoy the lowest state pressure and lowest state support at the same time [6, p.9].

In the economic studies it is habitual to name more than 6 main reasons for investment activity abroad. At the same time in 1980s investment activity in Asia was characterized by a single tendency for manufacturing costs' saving and for avoiding high customs tariffs [5]. It is important to mention that in 1980s Huaqiao started to invest in the People's Republic of China using the same economic reasons that moved their departure to Malaysia earlier – existence of possibilities to grow their monetary capital.

It is possible to single out 3 stages in the history of Malaysian Huaqiao investments to China. The first stage could be called a time when Huaqiao

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cautiously and with some kind of mistrust had built their relations with PRC and did not rush to make big investments to China. This stage started in 1985 when the delegation of Malaysian Prime-Minister payed an official visit to the PRC. Malaysian delegation included a well-known Malaysian Huaqiao businessman Lim Kim Hun, who intended to study possibilities to develop investments to the renovated China. However during the period since 1985 to 1990 just 6 Malaysian Huaqiao companies invested to the PRC. Real glut of the Huaqiao investments in China started after 1989, when Western sanctions had withdrawn a big part of Western overseas investments from China. During the period from 1990 to 1994 the PRC raised capital from more than 64 Malaysian Huaqiao companies. An extra effect for bringing capital into Chinese economy was created by the unification of the economic procedures and the moves of China to enter GATT (WTO). Starting from 1995 Malaysian Huaqiao decreased their rush to invest in PRC due to the market saturation and due to European and American investment return to China after several years of sanctions [5].

It is also important to mention that Malaysian Chinese diaspora has big economic power. On the top list of the richest people of Malaysia, which was published by Forbes, more than half of the 50 top places are allotted to Huaqiao [7]. However it is possible to point some facts which show us unfavorable position of Huaqiao in Malaysia. During the time of Malaysian independence the number of Huaqiao decreased and now it is no more than 23 per cent of the total state population [12]. At the same time Malaysians continue to believe in the mythical «Chinese threat» which exists inside the society and in the menace of an economic seizure [11]. Huaqiao in Malaysia could also be compared with «citizens of the second violin». Malaysian society still has the term «Pendatang» which means «people of different origin who came to the state» and this term in use to name Huaqiao in the everyday life [9]. It is important to mention that since 2014 Malaysian Huaqiao show the biggest growth of income and de facto they are the engine of modern Malaysian economy [1]. In this case Malaysia faces a challenge that it needs to create a common national identity for all the ethnic groups in the country («Bangsa Malaysia» program) [1]. However, this movement has a negative impact on the expectations of young Malaysian Chinese. As a result Malaysia already has a Huaqiao «brain drain» [8].

Growth of Chinese economy and success of Chinese reforms made China to develop its own investment policy for the world. Since 2009 PRC has already become the biggest trading partner of Malaysia. At the same time by 2016 China has become the biggest foreign investor in Malaysia [10]. Malaysian Huaqiao are an economically well-influenced group in Malaysian society which take a big proportion of PRC's investments. However in the percentage juxtaposition Huaqiao attracted less investment from China than Malaysian state-owned enterprises which account for more than half of the Chinese investments. Malaysian Huaqiao keep in their hands near 28 per cent of all Chinese investments, at the same time representatives of other Malaysian groups take nearly 33 per cent of all Chinese investments [6, p.3]. Such correlation of investments in the Malaysian economy

is the result of the nationalist «New Economic Policy» (NEP) activities which still has some historical influence on the development of Malaysian economy.

Chinese investments in Malaysia are distributed unevenly between different sectors of Malaysian economy. State-owned enterprises collect 76 per cent of Chinese FDI in the field of construction and building, however just 29 per cent in manufacturing and 25 per cent in high-tech, services and in other economy fields. Another picture could be seen from the Malaysian Huaqiao perspective. Huaqiao get just 18 per cent of Chinese FDI in the construction and building field, however they get 43 per cent of Chinese investments in manufacturing and 33 per cent in other fields [6, p.3]. As a result we can say that specifics of Malaysian economic development made Malaysian Huaqiao to develop such fields of activity where they can have as little contacts with Malaysian and regional governments as possible.

The 21st century Maritime Silk Road now starts to play an important role in modern Chinese investment projects in Malaysia. The most convenient way of investments for China inside this initiative is to practice merger and acquisition of Malaysian companies. Experts forecast that Chinese FDI inside the initiative of the Maritime Silk Road can show 20 per cent annual growth in different projects. The biggest attention of the People's Republic of China in Malaysia is paid to the agricultural sector, technologies of manufacturing, consumer goods, construction and building. This investment strategy is convenient for both China and Malaysia because it helps to separate FDI between state-owned enterprises and Huaqiao companies without allegations, that PRC somehow supports Huaqiao [3].

However not all Malaysians share the rush about growing Chinese investments in Malaysia's economy. Experts underline that Malaysia is going to become the state with high-level incomes by 2020. That means the necessity of growing and stable inflow of FDI in the economy. Understanding that Chinese project of Maritime Silk Road is just an initiative without plans and frames of the economic development for the region, experts point out that soon it will be possible to see the return of Singapore, Japan, Holland, the USA and Norway as main investors to Malaysia [2]. Some experts in Malaysian mass media point out that there are some situations, when it is better to abandon FDI from any state. These situations are the following: FDI goes to some strategic assets of Malaysia, FDI is included in a corruption scheme, new companies work with imported materials, but do not use the local materials, new companies do not stimulate local employment. It is mentioned that Malaysia already needs to develop inner investments that will help to build a more stable economy and sustainable growth [4].

As a result since 1980s investment and economic cooperation between China and Malaysia depends on the position of Chinese diaspora in Malaysia, on its economic and social position. Maritime Silk Road brings changes in the situation. Due to the Silk Road initiative it is no longer a bilateral relationship plus diaspora, but rather a multilateral initiative for the whole region.

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