

1MDB's Impact on Malaysia's Relations with the United States and China during Najib Razak's Era (2009-2018)

Abdul Muein Abadi

Research Center for History, Politics and International Affairs (SPHEA), Universiti
Kebangsaan Malaysia (UKM)
Email: muein@ukm.edu.my

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v13-i11/19807> DOI:10.6007/IJARBSS/v13-i11/19807

Published Date: 29 November, 2023

Abstract

Malaysia's relations with the United States (US) and China under Najib Razak's administration have been critically associated with the 1MDB controversy. This article seeks an answer to three questions: what is the relationship between 1MDB as a national strategic development fund with Malaysia's foreign policy? To what extent Najib Razak strengthened Malaysia's relations with the US and China when both powers offered benefits to 1MDB? To what extent Najib weakened Malaysia's relations with the US and China when those powers exert their pressures on 1MDB?. Foreign Policy Analysis (FPA) framework is employed due to its capability to explain the impact of a national strategic development fund such as 1MDB on Malaysia's foreign policy. However, FPA needs to be coupled with neoclassical realism (NCR) theory to illuminate the risks and rewards offered by the US and China against the interests of 1MDB. This article adopts a qualitative approach of focused case study – to investigate whether the variation in Malaysia's foreign policy toward the US and China correspond with variation in the selected causal variables. In order to analyze the data systematically, three procedures involved: inquiry on the relations between the US and China with 1MDB; inquiry on Malaysia's foreign policy toward the US and China when those powers offers benefits to 1MDB; and the inquiry on Malaysia's foreign policy toward the US and China when those powers exert their pressures upon the 1MDB's interests. This study concludes by highlighting its core findings that both the US and China indeed offer distinctive rewards and risks to the interests of 1MDB. There is also a significant correlation between the strengthening as well as weakening in Najib Razak's foreign policy toward the US and China with the 1MDB interests' calculation.

Keywords: 1MDB; Najib Razak; Neoclassical Realism; Foreign Policy Analysis; Malaysia's Foreign Policy

Introduction

When Najib Razak assumed the leadership of Malaysia in 2009, he developed a national strategic investment company known as 1Malaysia Development Berhad (1MDB). Controversy involving 1MDB began to erupt in 2015 when the company was found to be late in paying its large debts and failed to submit an audit report of the company's accounts from 2013 (Case 2017). When the US Department of Justice (DoJ) began investigating 1MDB in 2016, all the details that were revealed increased political pressure on the Najib administration. Unlike previous studies that have been written about 1MDB from a political perspective (Case 2017), accounting and finance (Azham Md. Ali 2015; 2016a; 2016b), as well as media freedom (Shahrul Nazmi & Mohd Helmi 2016), this study will focus on the impact of 1MDB on Malaysia's foreign policy towards the US and China.

The main justification underlying the selection of this scope is due to the gap that exists in scholarly writing regarding the impact of 1MDB on Malaysia's foreign policy towards the United States (US) and contemporary China. Most scholarly writings regarding Malaysia's foreign policy, whether towards the US, China, or foreign policy during the Najib Razak era, generally do not study 1MDB as a separate unit of analysis (Abdul Muein Abadi 2017; Elina Noor & Nur Qistina 2017; Kuik 2016, 2013a, 2013b; Bing 2015; Khadijah 2011). The justification for the focus on Malaysia-US and Malaysia-China relations is based on the consideration that these two countries are not only world economic powers that have significant investment and trade relations with Malaysia, but Washington and Beijing are also two countries that are involved in deep in the polemic involving 1MDB; The US is the main destination where most of the assets belonging to 1MDB are alleged to have been illegally created while the Chinese government-owned companies are the main parties that buy and take over most of the assets of 1MDB in the process of rationalizing its debt (1MDB 2016; 2017; Najib Razak 2016; Mustapha Mohammed 2016; 2017).

Nevertheless, it is acknowledged that allegations regarding the impact of 1MDB on Najib Razak's foreign policy such as 'weakening the state's sovereignty' and 'selling the country' have been widely circulated in the political public sphere. On the one hand, Najib's close relationship with former President Obama who visited Malaysia twice in two consecutive years, the controversy over Malaysia's participation in the Trans-Pacific Partnership Agreement (TPPA), as well as Najib's working visit to the White House to meet Trump in September 2017 is part of the episode that became the target of 1MDB speculation in Malaysia-US relations. On the other hand, the mega project package offered by Najib to Beijing in Malaysia such as the East Coast Rail Line (ECRL), Bandar Malaysia, the sale of Edra Energy, as well as the purchase of the Littoral Mission Ship (LMS) from China dramatically colored the 1MDB controversy in Malaysia-China. This study will debate these claims scientifically through a comparison between theoretical constructs and empirical findings.

Accordingly, this study investigates three main questions: what is the relationship between 1MDB as the country's strategic investment company and Malaysia's foreign policy? To what extent is Najib Razak implementing the strengthening of relations with the US and China when the benefits offered by both powers towards 1MDB? And to what extent Najib implemented the weakening of relations with the US and China when those powers put pressure on 1MDB?. This study is motivated by the need to fill a critical academic gap on relations between the influence of strategic investment companies with a smaller country's foreign policy towards great powers which has wider implications to other countries and regions.

Theoretical Framework: Combining Foreign Policy Analysis with Neo-Classical Realism

The Foreign Policy Analysis Framework (FPA) is relevant for this study because of its ability to explain the foreign policy decision-making process in a country. This is important because leading theories of International Relations (IR) such as Realism, Neorealism, Liberal-Institutionalism, and Constructivism do not focus on the foreign policy making process that takes place within a country because it assumes that the 'state' is an actor that integrated (Kaarbo 2015; Herman & Herman 1989). On the other hand, FPA presents the argument that the 'nation' itself is in fact made up of several units that may have different interests either between different ministries, between the Prime Minister and certain Ministers, or between Cabinet members and bureaucrats in the same ministry (Kaarbo 2015; Cantir & Kaarbo 2012). However, the application of FPA in contemporary scientific studies (Kaarbo 2015; Cantir & Kaarbo 2012) has not taken into account the impact that the country's strategic investment body can trigger on the foreign policy of a country as analyzed in this study. Due to the nature of this 1MDB case that receives pressure and also benefits from foreign countries such as the US and China, the FPA theory cannot comprehensively describe the relationship between 1MDB and Malaysia's foreign policy, instead it can be combined with the Neoclassical Realism (NCR) theory.

NCR is a foreign policy theory that recognizes that a country or a leader makes foreign policy decisions based on the material benefits and risks offered by another country. Then the leader will filter and choose and implement foreign policies that can maximize the benefits for his national interest while at the same time minimizing the risks that will be faced. NCR argues that "relative material power determines the basic parameters for a country's foreign policy", but "there is no direct or perfect transmission that links between material capabilities and foreign policy behavior" (Rose, 1998). As further explained by Dueck, "while the international system imposes certain general pressure on all countries, the resulting foreign policy can only be explained through the layering of unit-specific coefficients" (Dueck, 2009). The term "unit" here refers to the leader of a country in question. In short, structural or systemic factors, i.e. external factors such as pressure from major powers, are indeed an important factor in determining a country's foreign policy. However, in the end, any foreign policy decision is only determined by the decision made by domestic unit actors such as the leader of a country, either the Prime Minister or the President (Ripsman et al 2016; Rose 1989).

Indeed, the NCR theory has been applied in Malaysia's relationship with China and the US (Elina Nor & Nur Qistina 2017; Kuik 2013a; 2013b) but in the context of this case, it needs to be combined with the FPA. As argued by Kaarbo (2015), the NCR paradigm does not describe specifically how the phenomenon where domestic political drive factors overcome structural factors such as pressure from the international system. In the context of the 1MDB case, Najib Razak's administration is not as assumed in the NCR theory, which is simply an interpreter of attraction or repulsion from the international system - either the 'threat' from the US DoJ investigation, or the 'attraction' from China's economic power to take over assets related to 1MDB - on the other hand, Najib himself is the main actor who plans Malaysia's foreign policy. So if the NCR provides the basis for the benefits and risks offered by the US and China to Malaysia, the FPA provides the basis for Najib Razak's process of screening and choosing a foreign policy or response to the US and China based on the interests of 1MDB.

Another aspect emphasized in the observations of this study is the tone of statements issued and the size of the commitment in determining the rate of 'strengthening' of Malaysia's relationship with the US or China. The more positive the statement made by Najib Razak

towards any major power that offers a positive response to the interests of 1MDB, then it can be said that the 'strengthening' of diplomatic relations has taken place. The second component in defining the rate of this relationship is in terms of the 'size' of the commitment given in relation to a major power. Accordingly, the larger the size of the investment or purchase or concession given to any major power that offers a positive response to the interests of 1MDB, then it can be said that the 'strengthening' of diplomatic relations has taken place.

If 'strengthening' is a positive response, 'weakening' on the other hand is a negative response shown by a small country like Malaysia to a big power that interferes with the interests of its strategic development company like 1MDB. The more negative the statements made by Najib Razak against countries that are considered to threaten the interests of 1MDB, then it can be said that the 'weakening' of relations has taken place. The second component in defining this 'weakening' measure is the step of establishing relations with competitors to countries that threaten the interests of 1MDB. The closer the relationship with rival countries that threaten the interests of 1MDB - whether in terms of granting concessions, increased loans, investments, or in terms of military relations - then it can be said that the 'weakening' of relations against that particular threatening power is taking place.

Hypothesis

Based on the combination of NCR theory with FPA above, the following two hypotheses are formulated to test the impact of 1MDB on the strengthening and weakening of Malaysia's relationship with the US and China:

H1: If the US or China offers positive benefits for the interests of 1MDB, Malaysia will strengthen its relations with those great powers;

H2: If the US or China threatens the interests of 1MDB, Malaysia will weaken its relations with the threatening big power while at the same time strengthen relations with rival great power that do not threaten its interests.

Methodology

A qualitative approach is used with a focused case study to examine whether the dependent variable, i.e. the strengthening or weakening of Malaysia's foreign policy towards the US and China is parallel to the variation in the independent variable and the intervening variable that are studied. In order to systematically analyze the data, three procedures are involved: observation of the relationship between the US and China with 1MDB; observations on Malaysia's policy towards the US and China when benefits are offered to 1MDB; as well as observations on Malaysia's policy towards the US and China when pressure is applied to the interests of 1MDB. Apart from the official statements issued by Najib Razak and 1MDB, newspaper reports were also analyzed either from within the country such as The Star, New Straits Time, Berita Harian, MalaysiaKini, and also from abroad such as the Wall Street Journal (WSJ). and the British Broadcasting Corporation (BBC).

Strategic Investment Company and Foreign Policy: 1MDB

1MDB or its full name 1Malaysia Development Berhad is a development and strategic investment company owned by the Malaysian government that was established in 2009. Unlike entities such as sovereign wealth funds such as Khazanah Nasional, 1MDB is considered a different entity where Khazanah is funded directly by the government and invest on behalf of the government. On the other hand, 1MDB as the country's strategic investment company

is only owned by the government, but in terms of capital, it had to find and invest its own funds – with government guarantees. According to the official statement of the Chairman of the Board of Directors of 1MDB Tan Sri Wok Lodin Kamaruddin in 2014, "1MDB is a strategic investment company established to drive the economy and long-term development of the country" (1MDB 2014). It is owned and supported by the Malaysian government, but driven by the thinking and practices of the private sector. Nevertheless, Najib Razak is the Chairman of 1MDB and as Prime Minister and Minister of Finance, he clearly plays a major role in the course of 1MDB's operations.

Initially, 1MDB started as the Terengganu Investment Authority (TIA) before Najib Razak later took over the entity when he became Prime Minister in 2009. This is because the Terengganu State government refused to continue the joint venture to contribute capital to TIA (JASA 2015). 1MDB, which was established later, actively bought strategic assets such as real estate, power stations, and even oil wells through debt. The initial collaboration with Petro-Saudi was profitable even though it was later discontinued (JASA 2015). The revelation by Anwar Ibrahim who was the Leader of the Opposition in Parliament in 2014 regarding the absence of the real 1MDB office address and the absence of the company's account report from 2013 has raised questions about its real performance status. 1MDB's delay in paying debts to the International Petroleum Investment Company (IPIC) which resulted in the value of the bonds issued by the Malaysian government plummeting eventually became a widespread political controversy in Malaysia (Sarawak Report 2015). In 2015, the London-based Sarawak Report portal published an email report leaked by a former PetroSaudi employee, Xavier Justo, in which there were accusations that part of the funds from 1MDB in collaboration with PetroSaudi had been channeled to Najib Razak's personal account (BBC 2016).

Finally in July 2016 the US Department of Justice (DoJ) led by then US Attorney General Loretta Lynch announced an investigation to seize assets worth more than USD 1 billion allegedly belonging to the 1MDB company because it is suspected to have been illegally created by manipulating the US financial system. In total, from 2009 to 2015, as much as USD 3.5 billion of funds belonging to 1MDB were allegedly embezzled by 1MDB's top officials themselves along with their friends through three different transactions: first USD 1 billion through the transaction of money that should have been paid to 1MDB cooperation companies from Saudi Arabia which is Aabar which is otherwise paid to another company that uses almost the same name which is Aabar BVI in Seychelles which is then entered into the personal account of 'Malaysian Official 1' - later confirmed by Abdul Rahman Dahlan himself as Najib Razak (The Star 2016) - who is the Chairman of 1MDB; the second and third transactions were worth USD 1.2 billion and USD 1.3 billion respectively through bond funds issued by the Malaysian government which were otherwise channeled illegally through the purchase of real estate assets, art results, as well as the financing of the film 'Wolf of Wall Street' produced by Najib Razak's stepson, Riza Aziz. Riza Aziz's friend, namely Jho Low Taek (Jho Low) was named as the 'broker' responsible for managing all these transactions. Najib who initially denied that he received USD 2.6 billion in his personal account later admitted that the funds were a donation from Saudi Arabia. He initially threatened to sue the Wall Street Journal (WSJ) who made the disclosure regarding the entry of 1MDB money into his account but did not proceed (MalaysiaKini; WSJ; Sarawak Report).

This study argues that there is a significant relationship between 1MDB as the country's strategic investment company and Malaysia's foreign policy. The fact that Najib Razak himself is the Chairman of 1MDB strengthens the link between 1MDB and the

implications of Malaysia's foreign policy. 1MDB's business model from the very beginning is dependent on a large amount of debt guaranteed by the Malaysian government (JASA 2015). The debt borrowed by 1MDB is mostly invested in sectors that only bring returns in the long term, such as the Bandar Malaysia project in Sungai Besi. So when it is unable to pay the debt, the Malaysian government as a guarantor is seen to be forced to seek capital from within and outside the country to help 1MDB. The nature of 1MDB's business operating at a global level also has implications for Malaysia's foreign policy where the US, which is the main destination for the flow and purchase of 1MDB's assets such as real estate, has also subsequently influenced Malaysia-US relations. The 1MDB rationalization plan chaired by Najib Razak himself later forced the sale of some assets to foreign owners - including the holding of Bandar Malaysia which was handed over to the conglomerate China Railway Engineering Corporation (CREC)-Iskandar Waterfront Holdings (IWH) and also China-owned Edra Energy. The next section focuses on Najib Razak's response to the pressure and benefits offered to 1MDB in Malaysia's foreign policy towards the US and China.

The Background of Malaysia-United States Relations under the Najib Razak Administration

Malaysia-US relations since independence have shown an "ebb and flow" pattern influenced by external political factors as well as domestic politics (Abdul Muein Abadi 2017; Muhammad Takiyuddin & Abdul Muein Abadi 2019; Sodhy 2012; Kuik 2013, 2016). Najib's foreign policy towards the US, on the other hand, was declared by himself to be different from a 'confrontational' policy. Najib is more lenient towards Washington with the country's economic development agenda as a priority (Karminder Singh Dhillon 2009). He sought to strengthen economic ties with Washington such as supporting the Trans-Pacific Partnership Agreement (TPPA).

Under the leadership of Najib Razak, Malaysia has also established close military ties with Washington. Until 2014, Malaysia was "implicitly protected from Chinese power through visits by American warships fifty times a year" (Kaplan 2014). The Pentagon also supplied Malaysia with "radar equipment worth tens of millions of dollars" (Kaplan, 2014). In 2010, Najib Razak upgraded Malaysia's participation in the US-led military exercise Cobra Gold from being an observer to a participant (Kuik 2013). The prestige of President Obama who came to visit Malaysia twice in two consecutive years in 2014 and 2015 was also raised on a large scale in the mainstream media as evidence of the superiority of Najib Razak who also chaired the 2015 ASEAN Summit (Daily News; Bernama; New Straits Times).

Weakening of Malaysia's Foreign Policy towards the United States after the 1MDB Investigation by the DoJ

When the US Department of Justice (DoJ) began investigating 1MDB under the 'Kleptocracy Assets Recovery Initiative' (KARI) in July 2016, a significant change could be observed in the rhetoric of the Najib Razak administration. If this was before the DoJ investigation was announced, Najib clearly made his close relationship with President Obama his domestic political capital. On the other hand, as soon as the DoJ announced the investigation into 1MDB directly to the whole world in July 2016, the main media in Malaysia continuously played the issue of 'threat of foreign intervention' with a focus capable of creating a 'rally-round-the-flag' effect. (Utusan Malaysia; Bernama; Berita Harian). At the government level, although the Ministry of Foreign Affairs and Putrajaya have not issued any official statement protesting or criticizing the DoJ's actions, Najib Razak's rhetoric clearly shows that he is trying to implement a 'weakening' of relations with the US. Najib Razak's three actions after the DoJ announced

the investigation into 1MDB can be used as an example of this 'weakening' of Malaysia-US relations.

The first was his speech at the 2016 CAPAM Conference when he criticized 'former colonial powers' who should not interfere in the internal affairs of other countries. "We in Malaysia believe in reaching out to other states, regardless of political ideology and system, while maintaining an independent, non-aligned and principled stance in regional and international affairs. But we do not believe in foreign intervention in the domestic affairs of other countries. We are firm that the days when imperial powers could tell others how to behave, whether politically, economically or culturally, are over" (Najib Razak 18 August 2016).

The second is in his own writing published in the China Daily newspaper in November 2016 where Najib wrote that 'former colonial countries' are not qualified to 'teach other countries how to manage the country':

"More generally, we believe it is incumbent upon larger countries to treat smaller ones fairly. And this includes former colonial powers. It is not for them to lecture countries they once exploited on how to conduct their own internal affairs today. Malaysia and China are united in agreeing on the need to defend the sovereignty of the nation state and in the belief that the individual histories, values and governance systems of different countries must be respected" (Najib Razak November 2016).

The third was when he congratulated the Republican candidate, Donald Trump on his victory in the 2016 US election where Najib insisted that Trump won because he promised a foreign policy that did not interfere in the internal affairs of other countries. In Najib's congratulatory speech to Trump, there was clearly a 'subtle criticism' that was interpreted as referring to the DoJ's investigation into 1MDB:

"Mr Trump's success shows that politicians should never take voters for granted...His appeal to Americans who have been left behind – those who want to see their government more focused on their interests and welfare, and less embroiled in foreign interventions that proved to be against US interests – have won Mr Trump the White House" (Najib Razak 2016).

Najib did not even dedicate a special speech of appreciation to former President Obama when he gave up his position in the White House. These three statements by Najib Razak are clearly contrary to the previous situation where President Obama was considered quite friendly with Najib. Apparently, as soon as the DoJ started investigating 1MDB, and when President Obama started criticizing the actions of some groups that tried to manipulate the US financial system for money laundering activities, Najib Razak's tone towards Washington also started to change. Although officially Malaysia-US trade and investment relations do not show any significant reduction following the DoJ investigation – even Malaysia remains committed to the TPPA – but the rhetoric of indirect criticism in a row by Najib Razak shows that politically, the 'weakening' signal is clearly shown.

Background of Malaysia-China Relations under the Najib Razak Administration

Najib Razak often repeats the nostalgic rhetoric of Malaysia-China relations that were normalized by his late father, Tun Razak in 1974 (Abdul Razak Baginda 2016; Kuik 2013b). In general, unlike trade relations, Malaysia-China military relations on the other hand are clearly lagging behind (Bing 2015; Kuik 2013a, 2016; Elina Noor & Qistina 2017). This is so because the geopolitical landscape, especially the 'China threat' on Malaysia's territorial interests in the South China Sea - in addition to the sentiments of Communism's threat in the past - needs

to be understood in order to get a comprehensive picture of Malaysia's foreign policy towards the US and China in addition to considering the interests of 1MDB.

As a small country that is close to China, Malaysia is not free from three dilemmas, namely politics, economy, and security (Kuik 2013b). Among the most notable are China's claims over the South China Sea. Although Malaysia's control over the Snail Reef, Peninjau Reef, Ubi Reef, Mantanani Reef, and Kite Island has never been militarily challenged by Beijing, but claims are still made and a series of incursions by Chinese ships in Sarawak waters near Patinggi Ali Shoal and Shoal Similar since 2013 has happened. Malaysia's position from the beginning as in the June 2015 Dewan Rakyat session, former Deputy Foreign Minister Datuk Hamzah Zainuddin when answering a question from Datuk Ahmad Hamzah (BN-Jasin) asserted that the Nine Border Lines claimed by Beijing are in conflict with the provisions of UNCLOS 1982. Malaysia was also present in the proceedings of the PCA Tribunal in The Hague, the Netherlands together with Vietnam as observers in 2016 when the Philippines challenged the validity of China's claims over the South China Sea. Malaysia also sent a Continental Shelf claim to ITLOS together with Vietnam in 2009 which Beijing objected to. When China finally started projecting its military strength near Beting Serupai which is 60 nautical miles from the city of Bintulu in 2013, Malaysia announced plans to build a new marine corps to be stationed at the port of Bintulu near the shoal (Hayton, 2014).

Strengthening Malaysia-China Relations after the 1MDB Investigation by the DoJ

China has clearly gained multiple benefits from Malaysia when the DoJ began to publicly investigate and seize assets linked to 1MDB. Less than five months after the DoJ announced an investigation into 1MDB, Najib Razak during his visit to China in November 2016 signed an MoU worth more than USD34 billion (RM120 billion). Najib has 'fixed' relations with China when he went to Beijing and signed various mega MoUs with China such as the East Coast Rail Line (ECRL), the purchase of four Littoral Mission Ships (LMS) for TLDM, and various real estate projects, as well as ports such as in Kuantan and Malacca in Malaysia. Before that, China had also bought 1MDB assets such as Edra Energy which had to be sold to pay off debt (rationalization plan) alongside the Chinese company Geely which took over 49.9 percent of Proton's shares.

The ECRL project that was awarded directly to the Chinese government-owned company China Communication Construction Company (CCCC) attracted the most attention. Not only is the financing value too high, amounting to RM55 billion, Najib's willingness to implement the project with a loan from China's Exim Bank, with a contractor from China, without any comprehensive cost-benefit assessment, and with only 30 percent of Malaysia's involvement which then has to pay the debt along with benefits after only seven years – all of which contribute to the assumption that the ECRL project is geopolitically motivated (Evers 2016a; 2017). The DoJ's investigation into 1MDB which is considered US interference resulted in Najib trying to get Beijing's support and protection.

In terms of military relations, as stated in the HIS Jane's Defense report, Malaysia can order LMS from any other country, on the other hand awarding this TLDM defense asset contract directly to China raises questions. The fact is, the Malaysia-China defense MoU has been delayed since 2005 but suddenly this acquisition was implemented (Bing 2015; Free Malaysia Today 2016). In fact, the original post made by Defense Minister Datuk Seri Hishammuddin Husein on his Facebook page regarding the purchase of these assets has been deleted (HIS Jane's Defense). The MoU between Hishammuddin and General Chang Wanquan during Najib's visit to China in 2016 also involved the establishment of a High Level Committee

(HLC) for defense cooperation that includes joint ventures in the defense industry, software and cyber defense, strategic defense consultants, and bilateral military relations.

In terms of the scale and timing of all these MoUs being signed - reinforced by Najib Razak's assertion in his writing to China Daily - it is clear that all these transactions are also intended to signal to Washington how Malaysia is not comfortable with the 1MDB investigation by the DoJ which is considered to be interference alien. In fact, Najib's praise of China for Beijing's non-interference in the internal affairs of other countries - in the same column - supports the hypothesis that Najib's 'strengthening' of relations with China has been carried out at the same time that he is carrying out the 'weakening' of relations with the US in November 2016.

Discussion

This section synthesizes the findings of the study with the improved NCR-FPA theoretical framework. NCR proved to be able to offer a basic framework in understanding the US-China structural geopolitical interaction with consideration of the interests of 1MDB. However, the FPA framework then complements this framework with basic assumptions regarding the materialist-idealist interaction of decision-making actors – in this case, Najib Razak's perception (ideational) of the potential threats or benefits that 1MDB will get from the US or China (material).

In the context of relations with the US, Najib showed significant dynamism. The difference in his response to the announcement of the DoJ investigation into 1MDB in 2016 and 2017 proves this. Contrasting his harsh tone with the rhetoric of 'foreign interference' directed at the Obama administration in 2016, Najib Razak instead showed a willingness to 'fix' relations with the US in 2017 - even after the DoJ once again revealed the details of the investigation into 1MDB in 2017. Such counterintuitive development is possible because his administration sees the new US President, Donald Trump, coming up with policies that are quite different from his predecessor, Obama. As the first US President with a corporate background, Najib was once called by Trump as his 'favourite Prime Minister' before winning the Presidential election in 2016. Coupled with Trump's campaign rhetoric which asserted that he would reduce US intervention abroad gives implications that are positive on the 1MDB investigation by the DoJ.

The step to strengthen Najib-Trump relations from an economic point of view is the purchase of 25 Boeing 737 aircraft and eight 787 Dreamliners for Malaysia Airlines Berhad (MAB) which is expected to be worth a total of USD 10 billion within five years (Malaysia-US Joint Statement 2017). This attracts attention because MAB CEO Peter Bellew in June 2017 had expressed his intention to reduce some routes including to Australia and New Zealand, in line with MAB's recovery plan which managed to record an eight percent increase in the second quarter of 2017. However, MAB CEO Peter Bellew later clarified that MAB will not directly purchase the aircraft booked by Najib but will only rent it from a third party. Bellew also then acted to resign earlier than the end date of his contract without giving notice in due time.

Najib also orchestrated Khazanah's moves in speeding up relations with Trump through increasing existing investments in Silicon Valley, California. His vision is that there will be high-tech companies there that will belong to Malaysia in the future. However, controversy still exists when Khazanah Chairman Tan Sri Azman Mokhtar is said to have disagreed with Najib Razak, including on the issue of the purchase of Boeing aircraft by MAB to the point that he was not continued in service and was 'attacked' in government-owned

newspapers such as the New Straits Times 2017). Likewise with the investment of the Employees' Provident Fund (EPF). An additional investment of USD3 billion to USD4 billion from the EPF to the US has been announced by Najib.

Although China offers great benefits for the interests of 1MDB, China's power as a rising world power still needs to be balanced, especially in the South China Sea. As a result of this Najib-Trump meeting, it should be noted that in the Joint Statement on Comprehensive Cooperation between the United States and Malaysia dated September 13, 2017, it is clearly stated: "They further called on all disputing parties to exercise self-restraint in the conduct of activities and refrain from action that erodes trust and confidence, and escalates tension, including the militarization of outposts". China is known to be actively building military equipment on their disputed artificial islands around the Spratly Islands (Asia Maritime Transparency Initiative 2017). Chinese ships are also found to be continuously encroaching on Malaysia's Exclusive Economic Zone (Free Malaysia Today 2016).

Following that, the announcement that Malaysia-US military relations will be strengthened was positively received from a defense perspective, where Malaysia plans to buy US military assets worth USD60 million. Najib's speech regarding Malaysia-US defense cooperation during his visit to the White House at the invitation of President Donald Trump on 13 September 2017: "It may not receive a lot of publicity, but the fact is that our forces regularly train together - both bilaterally and multilaterally - through, for example, the annual Keris Strike and Cooperation Afloat Readiness and Training exercises, as well as most recently, the Rim of the Pacific Exercise – the world's largest international maritime warfare exercise. Many of these operations have evolved in complexity over the years. This marks a growth in trust and capability among our forces. Military operations have increasingly involved crossing between the physical and virtual domains, and I strongly encourage our forces to share their expertise and experiences as military doctrines, rules, and norms develop in cyberspace".

Conclusion

This study summarizes all three questions in debating 1MDB as a unit of analysis in Malaysia's relationship with the US and China through the combination of Neo-Classical Realism (NCR) theory and Foreign Policy Analysis (FPA). If the NCR theory proposes that the US and China offer various benefits and also disadvantages that affect Najib's foreign policy towards both, then the FPA completes this framework by asserting how Najib Razak is an actor who is still able to make judgments and calculations based on his priorities before implementing any foreign policy with the US and China – included in this consideration is the good or bad deal they offered to 1MDB.

There is a positive correlation between the implementation of the weakening of relations with the US when pressure is applied to the interests of 1MDB which is synonymous with pressure on Najib Razak under the rhetoric of foreign intervention. Twice in a short period of time, Najib Razak voiced his condemnation of 'big power' interference, namely during CAPAM 2016 and also in his own writing in China Daily in November 2016. In fact, contrary to the warmth he displayed during his historic visit twice in a row- accompanied Obama to Malaysia in 2014 and 2015, Najib did not show any special appreciation to President Obama when he left the White House. On the other hand, Najib publicly congratulated Republican Candidate Donald Trump on his victory by praising the policy of non-intervention promised as his foreign policy manifesto in the US Presidential Election campaign. This finding supports the hypothesis that 'If the US or China threatens the interests of 1MDB, Malaysia

will weaken its relations with the threatening powers and instead will strengthen relations with countries that do not threaten its interests'.

A positive correlation is also shown in the relationship between the strengthening of Malaysia's relationship with China as well as with the US under Trump when the benefits of 1MDB interests are offered to both powers. The RM120 billion MoU with China in November 2016, the direct negotiation award of the ECRL project worth RM55 billion, the Bandar Malaysia project; LMS purchase; Malaysia-China HLC defense cooperation; and further the praise of 'China's non-interference policy' clearly shows the strengthening of Malaysia-China relations that offer material and political support to 1MDB which is being investigated by the US DoJ. This study also found that Najib Razak is willing to 'reset' relations with the US, despite the fact that 1MDB is still being investigated openly by the DoJ. Najib's offer to 'strengthen the American economy' in September 2017 which included increased EPF and Khazanah investment in the US, the purchase of Boeing aircraft for MAS, while AirAsia was persuaded to buy General Electric engines - although not directly benefiting 1MDB - but indirectly promising positive returns to the survival of 1MDB and the Najib Razak regime because Trump promised a non-interventionist foreign policy. The joint statement on the South China Sea issue as well as the strengthening of Malaysia-US military cooperation with the purchase of USD 60 million assets from the US agreed by Najib and Trump further supports the hypothesis that 'If the US or China offers positive benefits for the interests of 1MDB, Malaysia will strengthen its relations with that major power'. To conclude, this study contributes to the wider debate on the relations between the influence of a smaller country's strategic development company upon its foreign policy towards great powers.

Acknowledgement

I would like to thank Universiti Kebangsaan Malaysia (UKM) for financial support for completion and publication of this research through grant number Grant GGPM-2023-017.

References

- Ba, A. D. (2014). Is China leading? China, Southeast Asia and East Asian integration. *Political Science*, 66(2), 143-165.
- BBC. (2016). "Malaysia 1MDB investigation: US seeks to seize \$1bn in assets – BBC News". <http://www.bbc.com/news/world-us-canada-36848149>.
- Case, W. (2017). 'Stress testing leadership in Malaysia: the 1MDB scandal and Najib Tun Razak. *The Pacific Review*. DOI: 10.1080/09512748.2017.1282538.
- Ciorciari, J. D. (2009). The balance of great-power influence in contemporary Southeast Asia. *International relations of the Asia-Pacific*, 9(1), 157-196.
- Dueck, C. (2009). "Neoclassical realism and the national interest: presidents, domestic politics, and major military interventions" in Lobell, S. E., Ripsman, N. M., & Taliaferro, J. W. (Eds.). *Neoclassical realism, the state, and foreign policy*. Cambridge University Press.
- Elina Noor & T.N. Qistina. (2017): Great Power Rivalries, Domestic Politics and Malaysian Foreign Policy, *Asian Security*, DOI: 10.1080/14799855.2017.1354568.
- Fareed Zakaria. (2008). *The post-American world*. New York: W.W. Norton & Co.
- Fazliyana, Mustafa. (2002). *Kepentingan Tun Perak dalam Kesultanan Melayu Melaka*. Tesis sarjana Sastera Jabatan Sejarah, Universiti Malaya.
- Gomez, E. T., & Jomo. K. S. (1999). *Malaysia's political economy: Politics, patronage and profits*. Cambridge: Cambridge University Press.

- Halperin, M. H., Clapp, P., & Kanter, A. 2006. *Bureaucratic politics and foreign policy*. Brookings Institution Press.
- Hayton, B. (2014). *The South China Sea: The struggle for power in Asia*. Yale University Press.
- Hermann, M. G., & Hermann, C. F. 1989. Who makes foreign policy decisions and how: An empirical inquiry. *International Studies Quarterly*, 361-387.
- Hermann, M.G., Hermann, C.F., & Hagan J.D. 1987. How decision units shape foreign policy behavior. In *New Directions in the Study of Foreign Policy*. Edited by Hermann, C.F., Kegley, C.W., & Rosenau, J.N. pp.309-36. London: Allen & Unwin.
- Hilsman, R. 2011. The politics of policy making in defense and foreign affairs: conceptual models and bureaucratic politics.
- Jabatan Kehakiman Amerika Syarikat. (2016). "United States Seeks to Recover More Than \$1 Billion Obtained from Corruption Involving Malaysian Sovereign Wealth Fund," 27 Julai, <https://www.justice.gov/opa/pr/united-states-seeks-recover-more-1-billion-obtained-corruption-involving-malaysian-sovereign>.
- JASA. (2015). *1MDB: Siapa kata tidak dijawab?*. Kuala Lumpur: JASA.
- Liang, L. (2009). *Lembaran sejarah gemilang: hubungan Empayar Melaka-Dinasti Ming abad ke-15*. Bangi: Penerbit Universiti Kebangsaan Malaysia.
- Kaplan, R. D. (2012). *The Revenge of Geography: What the map tells us about coming conflicts and the battle against fate*. New York: Random House.
- Kaplan, R. D. (2014). *Asia's Cauldron: The South China Sea and the End of a Stable Pacific*. New York: Random House.
- Kementerian Luar Negeri China. (2013). "President Xi Jinping Holds Talks with Prime Minister Najib Razak of Malaysia, Deciding to Establish China–Malaysia Comprehensive Strategic Partnership," http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpfwynmlxycx_21apcc_665682/t1085197.shtml. Oktober 4.
- Kenyataan Bersama untuk Mengukuhkan Kerjasama Komprehensif antara Amerika Syarikat dengan Malaysia. (2017). <https://www.najibrazak.com/bm/blog/joint-statement-for-enhancing-the-comprehensive-partnership-between-the-united-states-of-america-and-malaysia/>
- Khadijah, K. M. (2011). Malaysia's Foreign Policy under Najib. *Asian Survey*, 51(3), 429.
- Kuik, C.C. (2008). The essence of hedging: Malaysia and Singapore's response to a rising China. *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, 30(2), 159-185.
- Kuik, C. C. (2010). *Smaller states' alignment choices: A comparative study of Malaysia and Singapore's hedging behavior in the face of a rising China*. The Johns Hopkins University.
- Kuik, C. C. (2013a). Malaysia's US Policy under Najib: Structural and Domestic Sources of a Small State's Strategy. *Asian Security*, 9(3), 143-164.
- Kuik, C. C. (2013b). Making Sense of Malaysia's China Policy: Asymmetry, Proximity, and Elite's Domestic Authority. *The Chinese Journal of International Politics*, pot006.
- Kuik, C. C. (2016). Malaysia Between the United States and China: What do weaker states hedge against?. *Asian Politics & Policy*, 8(1), 155-177.
- Kuik, C. C., Idris, N. A., Nor, M., & Rahim, A. (2012). The China Factor in the US "Reengagement" With Southeast Asia: Drivers and Limits of Converged Hedging. *Asian Politics & Policy*, 4(3), 315-344.

- Mahathir Mohamad. (2017). Responding to author's questions during "The Impact of China's Investments in Malaysia" forum. 24 August.
- Magcamit, M.I. (2016). *Small powers and trading security: Contexts, motives, and outcomes*. London: Palgrave Macmillan.
- Mearsheimer, J. J. (2014). *The tragedy of great power politics*. New York: WW Norton & Company.
- Milner, A. 2017. "Malaysia in 2016". *Asian Survey*, 57:1.
- Muhamad Takiyuddin Ismail & Ahmad Fauzi Abdul Hamid (2013), "Abdullah Ahmad Badawi and Malaysia's Neo-conservative Intellectuals", *Pacific Affairs*, Vol. 86, 1: 73-94.
- Muhammad Takiyuddin Ismail & Abdul Muein Abadi (2019). United States democracy assistance in Malaysia: the nature and impact of concurrent strategy. *The Pacific Review*, 32(4), 572-602.
- Nair-Venugopal, S. (2013). *The Discourse of Occidental Studies: A Perspective from Malaysia*. Bangi: Penerbit Universiti Kebangsaan Malaysia.
- Najib Razak (2017). <https://www.najibrazak.com/bm/blog/nccim-economic-forum-2017/>
- Najib Razak. (2016). <https://www.najibrazak.com/bm/blog/biennial-conference-of-the-commonwealth-association-of-public-administration-and-management-2016/>
- Najib Razak. (2016). http://www.chinadaily.com.cn/opinion/2016-11/02/content_27245852.htm
- New Straits Times. (2016). "PM Najib Razak Hails Groundbreaking China Visit Outcomes," 4 November. <http://www.nst.com.my/news/2016/11/185849/pm-najib-razak-hails-groundbreaking-china-visit-outcomes>.
- Parameswaran, P. (2014). Explaining US Strategic Partnerships in the Asia-Pacific Region: Origins, Developments and Prospects. *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, 36(2), 262-289.
- Pepinsky, T. B. (2009). *Economic crises and the breakdown of authoritarian regimes: Indonesia and Malaysia in comparative perspective*. Cambridge University Press.
- Reuters. (2016). Malaysia to buy navy vessels from China in blow to US. <http://www.reuters.com/article/us-malaysia-china-defence-idUSKCN12SOWA>.
- Ripsman, N., Talianferro, J., & Lobell, S. (2016). *Neoclassical Realist theory of International Politics*. New York: Oxford University Press.
- Robinson, J. (2003). Future subjunctive: backcasting as social learning. *Futures*, 35(8), 839-856.
- Rose, G. (1998). Neoclassical realism and theories of foreign policy. *World politics*, 51(01), 144-172.
- Samir Amin. 2006. *Beyond US hegemony: Assessing the prospects for a multipolar world*. Zed Books Ltd.
- Saravanamuttu, J. (2010). *Malaysia's foreign policy: the first fifty years: alignment, neutralism, Islamism*. Institute of Southeast Asian.
- Sodhy, P. (2012). Malaysia-US Relations 2000-2011. Kuala Lumpur: ISIS Malaysia
- South China Morning Post. (2016). The Hidden Costs of China's Lifeline in the 1MDB Scandal. <http://www.scmp.com/week-asia/geopolitics/article/2004582/hidden-costs-chinas-lifeline-1mdb-scandal>.
- Storey, I. (2011). *Southeast Asia and the Rise of China: The Search for Security*. London: Routledge.

- Tan, J. (2007). *Privatization in Malaysia: Regulation, Rent-seeking, and policy failure*. London: Routledge.
- Tham Siew Yean. (2012). *Perdagangan pemacu pertumbuhan ke arah ekonomi berpendapatan tinggi*. Bangi: Penerbit UKM.
- The Edge Market. (2015). Edra charts new course. <http://www.theedgemarkets.com/article/cover-story-edra-charts-new-course>.
- The Edge Market. (2017). Nazir urges government to scrutinise benefits of Chinese-led deals. <http://www.theedgemarkets.com/article/nazir-urges-govt-scrutinise-benefits-chineseled-deals>.
- The Star. (2015). 1MDB sells Edra power assets to China firm for nearly RM10b cash. <http://www.thestar.com.my/business/business-news/2015/11/23/1mdb-sells-edra-power-assets-to-china-firm-for-nearly-rm10b-cash/>.
- The Star. (2016). Rahman Dahlan: Najib is 'MO1' but not involved in investigation. <http://www.thestar.com.my/news/nation/2016/09/01/rahman-dahlan-najib-is-mo1/>.
- The Straits Times. (2016). "PM Najib is 'Malaysian Official 1' but not involved in 1MDB probe: Minister". <http://www.straitstimes.com/asia/se-asia/pm-najib-is-malaysian-official-1-but-not-involved-in-1mdb-probe-minister>.
- The Straits Times. (2017). Chinese carmaker Geely to acquire 49.9% stake in Malaysia's Proton. <http://www.straitstimes.com/asia/se-asia/chinese-carmaker-geely-to-acquire-499-stake-in-malaysias-proton>.
- Wall Street Journal. 2016. "U.S. Links Malaysian Prime Minister to Millions Stolen from Development Fund". <https://www.wsj.com/articles/u-s-seeks-1-billion-in-asset-seizures-tied-to-malaysian-fund-1mdb-1469019540>. 21 Julai.
- Wright, T. & Clark, S. 2015. 'Investigators believe money flowed to Malaysian leader Najib's accounts amid 1MDB probe'. Wall Street Journal. 2 Julai.
- Yoshihara, K. (2002). *The Rise of China: Its effect on East Asia*. Bangi: Penerbit UKM