

Malaysia

Malaysia's prime minister decries 'China-phobia' among US and western allies

Anwar Ibrahim says rivalry squeezes smaller countries as he courts investment for semiconductor supply chain



Anwar Ibrahim at Greatech's factory in Penang last week. The Malaysian premier has focused on resuscitating an economy battered by mismanagement and instability, prioritising manufacturing, energy and industry © Julia Bellack/FT

Mercedes Ruehl in Penang FEBRUARY 24 2024

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Malaysia's prime minister has condemned a rising tide of "China-phobia" in the west, as south-east Asian countries navigate the challenges and benefits of tensions between Washington and Beijing.

Anwar Ibrahim questioned why [Malaysia](#) would "pick a quarrel" with China, its largest trading partner, in response to US criticisms of his country's ties with Beijing.

"Why must I be tied to one interest? I don't buy into this strong prejudice against China, this China-phobia," he said in an interview with the Financial Times in Penang, his birthplace in northern Malaysia.

The Malaysian leader's comments underscored how the superpower rivalry has created a predicament for governments in south-east Asia, a region of 700mn on China's doorstep that is also strategically important to the US Indo-Pacific strategy.

But the friction has also created opportunities for countries such as Malaysia,

Indonesia, Vietnam and the Philippines to leverage their economic, security and political ties with the US and China.

Malaysia, which is officially neutral, seeks to maintain “good stable relations with the US [while] looking at China as an important ally”, said Anwar. He added that any claim he was leaning towards Beijing, as he said US vice-president Kamala Harris suggested at the Asean summit in Jakarta in September, was “not right and grossly unfair”.

Anwar, Malaysia's sixth prime minister in five years, took office in November 2022 following a [long journey](#) to the political leadership. He helped steer the country through the Asian financial crisis as deputy prime minister, but was jailed twice by his mentor-turned-rival Mahathir Mohamad on politically motivated corruption and sodomy charges. He returned to public life in 2018 following a royal pardon.

As premier, Anwar has focused on [resuscitating the economy](#) after years of mismanagement and instability. Malaysia's gross domestic product grew 3.7 per cent in 2023, down from a post-pandemic boom of 8.7 per cent in 2022, and exports have suffered because of China's economic slowdown, with the ringgit at 20-year lows.

As part of that effort Anwar has prioritised boosting Malaysia's manufacturing, energy and industrial sectors, often with the help of record foreign investment pledges. China's President Xi Jinping committed an estimated RM170.1bn (\$35.6bn) to Malaysia after Anwar travelled to Beijing and the Boao Forum in Hainan last year.

Weeks later, Anwar significantly changed [Malaysia's 5G network plan](#), paving the way for greater participation by Huawei, the Chinese telecommunications giant.

Malaysia's semiconductor industry has capitalised on companies shifting supply chains to protect against geopolitical risk, a strategy known as “[China plus one](#)”. Malaysia has set up a task force focused on moving up the semiconductor value chain, and Anwar said his government was “heavily focused” on strengthening its front end wafer manufacturing capacity.

Much of that activity has focused on Penang, a former British colony that is a crucial hub for back-end chip operations such as packaging, assembly and testing. The state recorded more foreign direct investment in the first nine months of 2023 than in 2013-2018 combined, according to InvestPenang, a non-profit entity of the state government.

US chipmaker Micron Technology said in October it would invest \$1bn to expand its

operations in Penang, while Intel is [building its first overseas facility](#) for advanced 3D chip packaging in the state.

Chinese chip groups have also been increasing their presence in Penang, where domiciling or striking joint ventures allows them to avoid US tariffs and maintain relationships with western suppliers, according to analysts.

Former Huawei unit xFusion is partnering with local operator NationGate to manufacture graphics processing unit servers in Penang, while chip packaging and testing company TongFu Microelectronics has expanded its facility in the state in partnership with US group AMD.

Anwar said he did not anticipate conflict from the convergence of US and Chinese companies in Penang, although he added his government was advising local companies to ensure they understood relevant US policies and regulations.

Washington has for years worked to restrict China's development of semiconductor technology, [including export bans](#) on advanced chipmaking components and equipment.

"We are a small country struggling to survive in a complex world," Anwar said he told Harris. "I want to focus on what is best for us."

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