

THE TIGER AND THE EAGLE: AN OVERVIEW OF MALAYSIA–KAZAKHSTAN RELATIONS

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Malaysia has been immensely committed to its relations with Central Asia and Eurasia. In 2019, Malaysia expressed its willingness to share its expertise in various areas with countries in the Central Asia and subsequently the Greater Eurasia, to ensure long-lasting cooperation in seeking shared prosperity¹.

The year 2022 will mark the 30th anniversary of the establishment of diplomatic relations between Malaysia and Kazakhstan. Being multi-ethnic and multi-confessional, both countries have cooperated well, be it bilaterally or within multilateral frameworks. These amicable relations can be attributed to having shared norms and values and having a similar outlook and approach to global issues. The past decade has seen accelerated efforts on both sides to enhance cooperation in the realms of trade and investment and also capitalize on existing initiatives to strengthen diplomatic ties.

Mutual respect, understanding and a shared interest in deepening bilateral relations have nurtured the Malaysia–Kazakhstan alliance thus far. Being part of regional dialogue initiatives and multilateral structures have also contributed to the “strong and friendly ties” shared by Kuala Lumpur and Nur-Sultan.

Significant beginnings

In 1996, the Embassy of the Republic of Kazakhstan in Kuala Lumpur was officially opened, followed by the opening of the Embassy of Malaysia in Almaty (later Astana, now Nur-Sultan). In the same year, the then President of Kazakhstan, Nursultan Nazarbayev made the first official visit to Malaysia. The then Malaysian Prime Minister Dr. Mahathir Mohamad later reciprocated this with the official visit to Kazakhstan in July 1996. The early 2000s also saw many state visits, one that even involved the Yang di-Pertuan Agong XII of Malaysia, Tuanku Syed Sirajuddin².

There were several “working visits” of Kazakhstan official delegations to study the Malaysian experience of socio-economic development, as well. In fact, since Kazakhstan’s independence in 1991, it is clear that its relations with Malaysia has reflected an upward trajectory, marked by consistent political dialogue, important working visits and an admirable trend of knowledge sharing.

Trade and Economic Cooperation

Since 2002, the trade volume between Malaysia and Kazakhstan almost tripled reaching USD35 million in 2003. The following year, that indicator slightly decreased to USD30 million, while in 2005, it doubled to reach USD60 million. Malaysian exports to Kazakhstan mainly consisted of electrical appliances, chemical products, furniture, palm oil and machinery. Imports included crude minerals, metals and animal products known for its superior quality³. In 2011, the total trade between the two countries was

¹ <https://www.nst.com.my/news/nation/2019/09/524680/malaysia-ready-share-expertise-central-asia-eurasia-countries>

² https://web.archive.org/web/20140106032345/http://www.kazembassy.org.my/bilateral_events.htm

³ https://web.archive.org/web/20140106071016/http://www.kazembassy.org.my/trade_economic.htm

valued at USD61.1 million, unfortunately not such a big leap from what it was 5 years prior. It is interesting to note, however, that both Malaysia and Kazakhstan at the earlier part of the decade, worked closely together in technology exchange, Islamic financing and more importantly in harmonising its halal compliance standards and certification⁴.

Malaysia, even today, with its reputation as a pioneer in Islamic banking and finance, has been consistently sharing its experience with Kazakhstan on how to improve the efficiency of its Islamic banking sector. Kazakhstan has expressed that it wishes to intensify cooperation with Malaysia in Islamic finance⁵.

The Astana Expo 2017 was a watershed event for Malaysia-Kazakhstan economic cooperation. The exhibition was a testament to Kazakhstan's long-term commitment to diversifying its energy sector and strengthening ties with other countries. It was in fact, the first major international event organised by Kazakhstan and its aim was to boost investments in the country and act as a platform for Kazakh entrepreneurs to establish business contacts with foreign companies. Malaysia was considered one of the main target nations for this. In tune with the nature of bilateral relations at the time, Malaysia was one of the first few countries in Asia to confirm its participation in the expo. A total of 100 Malaysian companies and universities participated in the three-month exhibition⁶.

Regional and International partnerships

After its independence in 1991, Kazakhstan conceptualized the Conference on Interaction and Confidence-Building Measures in Asia (CICA) which is an inter-governmental forum for enhancing cooperation towards promoting peace, security and stability in Asia. The rationale of the Conference was to build mutually beneficial interactions of small and large states. Malaysia remains to this day a dedicated observer state.

Both Malaysia and Kazakhstan are also part of the Organisation of Islamic Cooperation (OIC) which was founded in 1969. The organisation is perceived as "the collective voice of the Muslim world" and works to "safeguard and protect the interests of the Muslim world in the spirit of promoting international peace and harmony"⁷.

Both Malaysia and Kazakhstan are also part of the United Nations (UN) and World Trade Organisation (WTO) and it is noteworthy that Malaysia was part of the working party for Kazakhstan's entry into the WTO back in 1996⁸. While not part of Association of Southeast Asian Nations (ASEAN) per se, (either as an observer or a dialogue partner), Kazakhstan is part of the Asia-Europe Meeting (ASEM) which is a political dialogue forum to enhance relations and various forms of cooperation between its partners.

⁴ [https://astanatimes.com/2018/02/kazakh-malaysian-relations-are-strong-after-25-years-says-malaysian-ambassador/#:~:text=%E2%80%9CRelations%20have%20been%20very%20strong,brotherly%20between%20Malaysia%20and%20Kazakhstan.&text=The%20solid%20Kazakh%20Malaysian%20partnership,Southeast%20Asian%20Nations%20\(ASEAN\)](https://astanatimes.com/2018/02/kazakh-malaysian-relations-are-strong-after-25-years-says-malaysian-ambassador/#:~:text=%E2%80%9CRelations%20have%20been%20very%20strong,brotherly%20between%20Malaysia%20and%20Kazakhstan.&text=The%20solid%20Kazakh%20Malaysian%20partnership,Southeast%20Asian%20Nations%20(ASEAN))

⁵ Ibid

⁶ <https://www.nst.com.my/business/2017/06/248461/kazakhstan-eyes-deeper-ties-malaysia>

⁷ https://web.archive.org/web/20131030064136/http://www.oic-oci.org/oicv2/page/?p_id=52&p_ref=26&lan=en

⁸ https://www.wto.org/english/news_e/news15_e/kazakhannex_e.pdf

Kazakhstan's stance has been to grow its relations with Malaysia on all fronts which include political, trade, economic and social for the mutual benefit of both countries in the future. It is also interested in cooperation with Malaysia within the framework of the Association of Southeast Asian Nations Regional Forum (ARF). Trade-wise, Malaysian companies and investors in cooperation with Kazakhstan partners have implemented projects in the field of oil and gas, engineering and construction, agriculture, green technologies, and many others for the total amount of over US\$1 billion⁹.

Opportunities to enhance Malaysia-Kazakhstan cooperation

In 2018, the European Union (EU) decided to phase out the use of palm oil in transport fuels starting 2030. This received huge backlash from producers such as Malaysia and Indonesia. In fact, these Southeast Asian countries including Thailand, which produce the majority of the palm oil imported into Europe, had vowed to retaliate against what they termed protectionist measures, if a ban was introduced¹⁰. Calling it a "discriminatory directive", Malaysia decided to take action at WTO over EU biofuel curbs¹¹.

This has, in effect, disrupted Malaysia-EU relations and will set Malaysia back on palm oil exports to the EU significantly. In 2018, the export value of palm oil to the European Union was about RM4.72 billion and was expected to decrease to RM4.59 billion by 2019¹². These figures will continue to decrease, seeing how the EU is looking to phase out the use of palm oil by 2030.

Against this backdrop, it is now clear that Malaysia should now align itself with allies that are able to sustain its palm oil exports (Malaysia currently accounts for 28 % of world palm oil production and 33% of world exports¹³). In early 2019, Kazakhstan articulated its desire to become the central distribution hub for Malaysian palm oil and other products in Central Asia, connecting the resources to Russia and the Eurasian Union. Kazakhstan has indicated that it supports Malaysian palm oil and sees great prospects for the harvest for its country, as well as its neighbouring nations.

This, however, is in clear contradiction to the EU's stance. It is important to note that the Enhanced Partnership and Cooperation Agreement (EPCA) governs trade and economic relations between the EU and Kazakhstan. The EU is Kazakhstan's biggest trade partner, with almost 40% share in its total external trade where oil and gas account for more than 80% of the country's total exports¹⁴, hence it is clear that Kazakhstan is taking a confident step in diversifying its trade partnerships. Kazakhstan has stated that despite the EU's mounting pressure on banning palm oil, Kazakhstan is not affected by the situation and aims to understand the health benefits of the product.

⁹ <https://bebasnews.my/?p=39729>

¹⁰ <https://www.reuters.com/article/us-eu-climatechange-palmoil/eu-to-phase-out-palm-oil-from-transport-fuel-by-2030-idUKKBN1JA21F?edition-redirect=uk>

¹¹ <https://www.euractiv.com/section/alternative-renewable-fuels/news/malaysia-takes-wto-legal-action-against-eu-over-palm-biofuel-curbs/>

¹² <https://www.statista.com/statistics/946750/export-value-palm-oil-malaysia-eu/#:~:text=This%20statistic%20depicts%20the%20value,4.59%20billion%20ringgit%20by%202019>

¹³ <http://mpoc.org.my/malaysian-palm-oil-industry/>

¹⁴ <https://ec.europa.eu/trade/policy/countries-and-regions/countries/kazakhstan/#:~:text=The%20Enhanced%20Partnership%20and%20Cooperation,on%201st%20of%20March%202020>

Kazakhstan is considered as a hub for Malaysian products, including palm oil distribution in Central Asia, and also to the Eurasian Economic Union. In 2018, Kazakhstan imported 25,000 tonnes of palm oil from Malaysia, but it is said that more is needed to cater to growing industries there. There is a huge market in the Eurasian Economic Union states of which members include Kazakhstan, Belarus, Armenia and Kyrgyzstan. The combined Gross Domestic Product (GDP) of the nation was close to US\$2 trillion, with more than 180 million people. This could open up many opportunities for Malaysian products¹⁵.

Hence, it is clear, palm oil exports from Malaysia and Kazakhstan's desire to act as a distribution hub for palm oil products from Malaysia would definitely further enhance bilateral relations. This opportunity for Malaysia comes at a time when a previous partner (the EU) has decided to rescind on a major Malaysian product, hence, timely to say the least.

In 2019, the Kazakhstan government articulated that its policy was to boost its airports, which can be used by ASEAN countries to transport goods to Europe. This places Kazakhstan in a strategic position with regards to its collaboration opportunities with ASEAN countries, particularly, with Malaysia. Considering how Kazakhstan has transit potential, with 70% of transit traffic between China and Europe passing through the country¹⁶, it alludes to how valuable relations with Kazakhstan really is, in terms of connectivity, be it via trade or even people-to-people connectivity.

Since 2017, Kazakhstan and Malaysia have mulled military-technical cooperation¹⁷. For some time now, both countries have aimed for inter-governmental collaboration, as well as to consider the possibility of building a relevant legal framework. In fact, Kazakhstan has made known its interest to accept Malaysian investment in a number of industries and sectors, defence-related industries, in particular¹⁸. The Royal Malaysian Air Force (RMAF) and the Kazakh Air Force share a similarity in the sense that both entities use the MiG-29 Fulcrum. In 2019, the Malaysian government stated that the RMAF was planning to replace its fleet of ageing Russian Su (Sukhoi Su-30MKM) and MiG fighter planes with newer models. Feasibility and financial commitments were said to be considered to proceed with this¹⁹. However, not much progress has been made with these plans thus far. Considering how both the RMAF and Kazakh Air Force use the same machinery and equipment, there could be a possibility for cooperation in terms of joint acquisition or maintenance/engineering of the fighter planes. This could help reduce costs and deepen security and defence industry-based cooperation.

Kazakhstan has been, for a long time, open to the idea of Malaysian oil and gas (O&G) players tapping opportunities in the country, thereby offering strong value proposition for partnerships. This not only has the potential for Malaysian O&G players to compete in the global arena but also strengthen Malaysia's aim of becoming a O&G hub in the region. Currently, local players such as Reach Energy Bhd, and Hadid Engineering Sdn Bhd have set up shop in Kazakhstan²⁰. Reach Energy Bhd's Kazakhstan

¹⁵ <https://www.malaymail.com/news/malaysia/2019/05/24/kazakhstan-eyes-role-as-distribution-hub-for-malaysian-palm-oil-to-russia-e/1756094>

¹⁶ <https://www.nst.com.my/opinion/letters/2019/10/532729/kazakhstan-can-help-asean-grow>

¹⁷ https://www.inform.kz/en/kazakhstan-malaysia-discuss-military-technical-cooperation-in-kuala-lumpur_a2997200

¹⁸ <https://www.theedgemarkets.com/article/tapping-kazakhstans-growth-potential>

¹⁹ <https://www.nst.com.my/news/nation/2019/09/519681/msia-mulling-replacing-ageing-fleet-fighter-planes>

²⁰ <https://www.nst.com.my/business/2017/12/315618/malaysian-firms-told-venture-kazakhstan>

operations under Emir-Oil has also obtained O&G production contracts for the North Kariman and Yessen fields from Kazakhstan's Energy Ministry, which is a big step for both countries in terms of O&G collaboration²¹. Enhancing O&G cooperation can also further solidify Malaysia-Kazakhstan bilateral trade relations.

Summing up – Malaysia–Kazakhstan relations moving forward

Malaysia–Kazakhstan relations have sustained well so far because of the shared norms and principles and also the steady trade and economic cooperation that has taken place for almost three decades. There is evidence of both countries constantly exploring opportunities for deeper collaborations that aim for mutual benefits in the long run, be it in the realms of trade or even knowledge sharing.

Rechannelling or diverting palm oil-related trade or business to Kazakhstan and Eurasia as a whole will allow Malaysia offset from the EU's phasing out of palm oil and it will also further strengthen bilateral relations and act as a "gateway" collaboration for future forms of cooperation. Capitalising on defence-industry collaborations and also the O&G industry will also seek to sustain Malaysia-Kazakhstan bilateral relations. If both Malaysia and Kazakhstan are able to capitalise on these opportunities, it will most certainly boost the economy and of course, act as a welcome buffer, post-pandemic.

²¹ <https://www.theedgemarkets.com/article/reach-energy-kazakhstan-og-production-contracts>