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Kleptocracy and foreign policy change: a political-administrative relations account

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Citation

Bin Abadi, A. M. (2022, October 11). *Kleptocracy and foreign policy change: a political-administrative relations account*. Retrieved from <https://hdl.handle.net/1887/3479704>

Version: Publisher's Version

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Note: To cite this publication please use the final published version (if applicable).

Chapter One¹

Kleptocracy, Political-Administrative Relations, and Foreign Policy Change

“As civil servants, I hope you will stand up to us as politicians, and not allow yourselves to be dominated by us, because in a true democracy, the civil servants have a duty to perform....to place fairly and squarely facts before the politicians, based on balanced, unbiased judgment, which the politician can “take it or leave it” as he so wishes. After all, civil servants are pensionable; you have nothing to lose....The future of our country’s democratic way of life is dependent on you”.

(Tun Abdul Razak, Malaysia’s Second Prime Minister, 1967)

1.1 Introduction

In November 2016, the former Malaysian Prime Minister Najib Razak suddenly shifted Malaysia’s foreign policy into China’s orbit. The premier decided to purchase four Chinese Littoral Mission Ships (LMSs)—the first Malaysian purchase of Chinese-made military assets—despite the fact that there were other countries that could have produced the same class of ship at a much lower cost (Wah, cited in Allard & Sipalan, 2016).² This purchase evoked a geostrategic perplexity since a large part of Malaysian Borneo water is claimed by China under the infamous unilateral nine-dash line map; moreover, China’s Coast Guard is known for its act of intruding Malaysia’s Exclusive Economic Zone (EEZ) since 2013.³ The decision was in stark contrast to Malaysia’s defense relationships since independence, which have been significantly closer to Western powers; for example, Malaysia joined the UK-led Anglo-Malaya Defence Agreement (AMDA) and Five Power Defence Arrangements (FPDA) as well as signed the Bilateral Training and Consultative Group (BITAC-G) agreement and the Acquisition and Cross-Servicing Agreement (ACSA) with the United States—all due to its early post-independence experience of facing major military threats from Communist China and Indonesia (Kuik, 2013; Mahmud, 2000; Saravanamuttu, 2010).

¹ Part of this thesis has been published in two Web of Science (WoS)-indexed journals: Abadi (2021) and Abadi (2022).

² “Malaysia could buy up to 10 of the LMSs at a cost of approximately 300 million ringgit (\$71.43 million) each....The truth is we could have bought these from a number of countries. But China is the only country that has provided political support for Malaysia during the 1MDB scandal. This is payback for that political support.”

³ On 26 March 2013, the People’s Liberation Army Navy conducted a major naval exercise in the South China Sea, close to what China calls Zhengmu Reef, which is known as Beting Serupai in Malay and James Shoal in English. Zhengmu Reef is situated well within the Malaysian EEZ, only 80 km away from Malaysia, while 1,800 km from the Chinese mainland (Lockman, 2013).

Najib also divested Malaysian strategic assets in energy and land to China and took multi-billion-dollar loans for supposed infrastructure projects in 2015–2016. While there are other legitimate Chinese investments in Malaysia (Abadi, 2019; Liu & Lim, 2019; Shaomin & Jiang, 2020; Singh, 2020; Tham, 2018), Najib’s 2015–2016 deals cannot be considered as part of those since they are in the form of fast-tracked loans and divestments akin to that of a fire sale.⁴ The scale and volume of Malaysia’s fast-tracked loans and divestment to China during such a short period were not only unprecedented but also puzzling since they contradicted Malaysia’s main foreign economic policy since independence—to increase the local equity share vis-à-vis foreign ownership (Senior officer at the Economic Planning Unit, personal communication, September 11, 2020; see also Mehmet, 1986; Puthuchery, 1960). During the Asian Financial Crisis 1997–1998, the Malaysian government, then under the premiership of Mahathir Mohamad, had resisted the International Monetary Fund’s (IMF) structural adjustment conditions on opening up to foreign ownership. The then Malaysian government instead established three domestic entities: a national asset management company (Danaharta) to safeguard the domestic non-performing loans (NPLs) and assets, a national capital fund (Danamodal), and a Corporate Debt Restructuring Committee (CDRC) to help Malaysian companies to recover (Fay, 2004; Lee & Tham, 2007).

Najib’s rapid shift of attitude toward China came less than four months into 2016 after the US Department of Justice (DOJ) publicly launched an investigation and seized billions of assets that were related to the 1Malaysia Development Berhad (1MDB)—a Malaysian government-backed strategic development fund initiated by Najib—under the charge of manipulating the US financial system for the purpose of money laundering (US DOJ, 2016). The charge was enormous, and Najib’s identity, as well as his involvement in the case, was implicitly revealed by the then US Attorney-General, Loretta Lynch⁵ (Brown, 2018; Wright & Hope, 2018). It is regarded as one of the largest cases of kleptocracy, wherein more than 700 million USD ended up in Najib’s private bank account and more than 1 billion USD were laundered in the United States (Case, 2017; Milner, 2017; US DOJ, 2016). By 2015, 1MDB had accumulated a debt of 11 billion USD and was on a verge of defaulting on its payment. This is when Najib turned to China’s capital and soft loans for help. Following the defeat of

⁴ The sale of assets at discounted prices. On the debate of fire sale and foreign direct investment (FDI) during the Asian Financial Crisis, see also Krugman (1998) and Aguiar and Gopinath (2005).

⁵ This triggered a number of research studies on Najib and 1MDB from the perspective of corruption, kleptocracy, and good governance (Ali, 2016; Case, 2017; Gomez, Padmanabhan, Kamaruddin, Bhalla, & Faisal, 2017; Koon, 2017). However, the present study is the first to examine the case from a geopolitical and foreign policy perspective.

Najib's governing party in the 2018 General Election, the Malaysian Anti-Corruption Commissioner (MACC) revealed that the loans obtained from China in 2016 were re-directed into 1MDB to pay off its staggering debt (The Edge Markets, October 25, 2018).

Malaysia's foreign policy change toward China amid the 1MDB case raises an empirical puzzle: How did Najib's kleptocracy case affect Malaysia's foreign policy change? The foreign policy change toward China was also puzzling because the majority of top Malaysian bureaucrats who were in office during Najib's premiership were trained in the United States. Based on the training and educational background of those top economic and defense policy bureaucrats during Najib's premiership, in addition to Malaysian long-established policy of close relations with the United States, it is logical to assume that the United States would warn the executives (in this case, Najib and his cabinet members) regarding the risks of undermining the relationship with Washington while increasing dependency on China. Thus, Najib's rapid policy change toward China clearly warrants a critical and comprehensive inquiry from the political-administrative perspective. This is because Malaysia's foreign policy is co-formulated by both political executives and administrative bureaucrats. This fact is manifested through the well-established institutions and mandate held by the Economic Planning Unit (EPU) and the Ministry of Finance (MoF) for foreign economic policy area as well as the policy divisions in the Royal Malaysian Navy, Royal Malaysian Army, and the Royal Malaysian Air Force for foreign defense policy area. Similarly, to understand the relationship between Najib's 1MDB case and Malaysia's foreign policy change, one must examine them from the political-administrative perspective, for missing such account shall risk the comprehensive insights on the mechanism and processes of kleptocracy and its foreign policy change implication.

Malaysia's foreign policy change toward China amid Najib's kleptocracy case thus raises a broader theoretical question of interest to students of international relations (IR), foreign policy, and public administration: *How is the effect of kleptocracy on foreign policy change mediated by the political-administrative relationship?* This question will be examined empirically by investigating the political-administrative decision-making process behind changes in Malaysian foreign policy between 2015 and 2017. While the phenomenon of foreign policy change has mainly been studied by IR and foreign policy scholars, this dissertation argues that the current accounts are insufficient to address the theoretical puzzles of this research. In this context, the next section discusses in detail the gaps in the current literature that are filled by this analysis.

1.2 A Critique of Conventional International Relations and Foreign Policy Accounts on Foreign Policy Change

There are two mainstream academic disciplines that try to explain foreign policy change phenomenon: IR and foreign policy. Since this research specifically addresses the impact of political-administrative relations and kleptocracy on foreign policy change, not all IR and foreign policy theories possessed adequate foundations and premise to explain the phenomenon. Therefore, conventional IR theories such as liberal institutionalism, constructivism, and neo-Marxism that lack the capability to explain the source, nature, and international effect of kleptocracy and political-administrative relations were excluded.⁶ Moreover, a cognitive foreign policy analysis (FPA) that primarily anchors its explanation on the political leaders' internal psychological factors (see Hudson, 2005; Kaarbo, 2015) also would have been unable to investigate this research puzzle since those models allocate minimum weightage to the role of bureaucrats. In contrast, the influential bureaucratic politics model developed by Allison and Zelikow (1999)⁷ acknowledges the significant role of both political executives and bureaucrats in foreign policy-making process. However, it also suffered several caveats to answer this research question since it does not sufficiently factor in the magnitude of structural forces upon the interests of both the political executives and bureaucrats. The bureaucratic politics model does not emphasize a distinction in the degree of autonomy possessed by the bureaucrat vis-à-vis their political masters (bureaucratic autonomy). This leaves us with only one power- and material-based theory in IR literature—the realism paradigm. It is argued that only such theories can explain the impact of political-administrative powerplay and corrupt practices such as kleptocracy on foreign policy reconfiguration in an uncertain, anarchical system of international politics. Here, it must be noted that there are three types of conventional realism accounts: classical realism, neorealism, and neoclassical realism.

⁶ Liberal institutionalism, which assumes the superiority of market efficiency and the rule of law (Doyle, 2016; Hirschman, 1980; Kant, 1795 [1970]), is deemed incapable to cover the self-interest of the kleptocrats. Due to its positive and optimistic view of the state, as its view of human nature, liberal institutionalism foundations are problematic to be applied in the case of kleptocrats' negative behavior in international affairs. Constructivism, which emphasizes ideas, history, identities, or shared values (Checkel, 1998; Wendt, 1992), also lacks a significant theoretical foundation to explain the kleptocrats' material calculation in changing foreign policy vis-à-vis great powers, for instance, abandoning the long bilateral relations history or tilting toward great power with conflicting values. Marxist theories, be it the dependency theory or the world system theory, that assume fixed relations between the core (rich, developed countries), semi-periphery (developing countries), and periphery (poor, underdeveloped countries; Frank, 1967; Wallerstein, 1974) are also incapable of capturing the dynamic forces of kleptocratic interests in foreign policy conduct. The capability of kleptocrats to change a periphery country's foreign policy vis-à-vis its traditional core or semi-periphery master to another, despite its capital and means of production dependency to the former, cannot be explained by Marxist theories.

⁷ Originally developed by Allison in 1971.

Classical realism is acknowledged as one of the major theories in the IR discipline, with heavy emphasis on political interest as the main driver in international arena (Mearsheimer, 2014; Morgenthau, 1985; Smith, Hadfield, & Dunne, 2016; Zakaria, 1999). According to classical realism, the state is the main unit of analysis, and it operates in an anarchical international system—a system where no higher political authority exists than the nation states themselves. This core assumption further explains a state’s motive and behavior: While a state’s survival is its *raison d’être*, it must deploy any measure that it is capable of to preserve its existence in the anarchical international system. Therefore, each state, as a unitary, rational actor, also consequently adopted a self-help doctrine—to continuously seek to maximize its military and economic power since no other states will automatically come to its defense in this anarchical international system (Kissinger, 1994; Morgenthau, 1985). Thus, a classical realist would expect any nation state to act rationally for boosting its military might and economic wealth, without much consideration of external drives or barriers. In this research, the classical realism theory provides an opportunity to study kleptocracy-incurred foreign policy change toward great powers. Under such assumption, a kleptocrat can be expected to alter their foreign policy vis-à-vis great powers for the sake of protecting their regime’s stability, either from the threat of domestic opposition who rise against their kleptocratic interests or for preserving their regime from possible intra-party feud. However, such domestic-centered view of classical realism does not take into account external forces that are imperative to compel the kleptocrats to change their foreign policy. Indeed, classical realism’s predominantly “domestic-centered” perspective has been challenged by a new version of realist thinkers—structural realists or neorealists.

Structural realists or neorealists reversed the classical realists’ focus on the domestic factors by highlighting instead the primacy of an external factor, namely the impact of anarchy, on foreign policy (Waltz, 1979, 2000, 2001). Again, the state is considered as a rational, unitary actor, but neorealists or structural realists are fundamentally different from classical realists: While the latter assume the state as a proactive actor that is immanently seeking to maximize its military and economic power, the former hold a view that states are predominantly reactive actors and that it is the external threats or incentives, known as “structural factors,” that ultimately influence a state’s foreign policy. This is from where neorealism derived its other name: structural realism (Waltz, 2000). For this reason, change in great powers’ politics is considered as an influential factor stemming from international structure that is capable of prompting foreign policy change of smaller powers, since any action taken by a superpower affects the material and security interests of a smaller power to a great extent. These insights

from structural realism are useful to explain part of the reason that a kleptocratic leader from a smaller power would choose to bring about a foreign policy change vis-à-vis great powers: Once the kleptocrat is convinced that there is another great power that is able, and willing, to support their regime in the face of external pressure from other great powers, this window of opportunity will result in foreign policy change.

However, the unitary view of the government—also known as the “billiard ball” model—presented by classical realism is also shared by neorealism. It is argued that such views proved inadequate in explaining the remaining theoretical puzzles posed by this research: the relations between changes in political-administrative configurations and foreign policy change. In fact, such assumption will also face problem explaining the internal, domestic politics involved in the processes of foreign policy change caused by kleptocracy. While foreign actors, such as great powers, in the international system might exert pressure on or attract kleptocrats in a smaller power, it is in the domestic avenue that both kleptocracy and foreign policy-making take place. Consequently, both classical realism and neorealism are unable to tackle the theoretical puzzle posed by this research: the impact of kleptocracy on foreign policy change of smaller powers.

While the two variants of realism theories provide either an external structure-based approach (neorealism or structural realism) or an internal state-based approach (classical realism), the third theory in realism paradigm—neoclassical realism—is the only theory that systematically links both the structural and the internal perspectives in explaining the foreign policy-making of a state. This theory differentiates a state actor by analyzing it not as a unitary actor, but rather as a combination of different actors. As in the case of neorealism or structural realism, neoclassical realism also prioritized the structural factor as an independent variable over the internal factors; however, it does recognize that internal factors play an intervening role (as intervening variable) by shaping the range and set of policy response that can be made by the state elites (Lobell, Ripsman, & Taliaferro, 2009; Ripsman, Taliaferro, & Lobell, 2016; Rose, 1998). Ultimately, neoclassical realism treats systemic factors as an independent variable; however, as claimed by neorealist scholar like Waltz, this independent variable does not directly result in a dependent variable—in this case, the change in a smaller power’s foreign policy toward great powers. Instead, neoclassical realism bridges the gap between the independent variable (structural factor) and the dependent variable (foreign policy of a state) through an intervening variable (the domestic factor).

Indeed, there are other neoclassical realism-inspired studies that have covered four different categories of intervening variables: leaders’ perception, strategic culture, domestic

institutions, and state–society relations⁸. Each of these variables reflects the various constraints on the political executives, the interactions within and between political executives and society as a whole, and “the processes and mechanisms by which foreign policy is formulated, each of which can affect the manner in which states respond to external stimuli” (Ripsman et al., 2016, p.75). In this research, the most relevant cluster of intervening variables for the neoclassical realist theory constitutes the state structure and domestic political institutions. Domestic institutions are often established by constitutional provisions with clearly specified rules and regulations; these institutions set the broad parameters within which domestic competition over policy-making process occurs. Consequently, they determine “who can contribute to policy formation, at what stage of the policy process, and who can act as veto players, using their power to block policy initiatives in order to reshape governmental policies” (Ripsman et al., 2016). In this regard, the differing institutional structures of states can have an important impact on their ability to respond to systemic pressures.

However, there is one caveat: Owing to the tendency of the neoclassical realist scholars to focus on the political calculation and behavior of the executive leaders, the more nuanced dynamics in the relations between executives and bureaucrats in foreign policy-making has not yet been studied extensively from the point of view of this theoretical paradigm. This resulted in the inability of the current neoclassical realism accounts to explain comprehensively the impact of kleptocracy on change in foreign policy, since both groups of actors—the executives and the bureaucrats—exert a different degree of influence on the eventual foreign policy output. Moreover, neoclassical realist scholars have yet to engage on the issue of kleptocracy or corruption in foreign policy; the same lacuna exists in other major works of IR and foreign policy studies. Accordingly, this research attempted to bridge the gap between IR and foreign policy with the study of kleptocracy through a proposed framework of political-administrative relations, as will be explained in the next section.

1.3 Proposed Theoretical Framework: Kleptocracy, Public Service Bargains, and Foreign Policy Change

This research argues that kleptocracy delivers a distinct impact on foreign policy change that warrants a comprehensive examination from the perspective of political-administrative relationship. To that end, this section will first address the concept of kleptocracy before

⁸ Among other neoclassical realism-inspired research studies are Schweller (2018), Rosa (2018), Nakato (2012), Brawley (2009), Sterling-Folker (2009), and Taliaferro (2009).

proceeding with an account on political-administrative relations in foreign policy. Finally, a proposed framework of kleptocracy's impact on foreign policy change from a political-administrative perspective will be elaborated.

The term "kleptocrat" was coined by Andreski (1968), who described it as "a ruler or top official whose primary goal is personal enrichment and who possesses the power to further this aim while holding public office" (pp. 92). For the purpose of this research, kleptocracy is conceptualized as a system whereby a ruler seeks rents for his private gains and employs patronage to secure rent incomes from the state. While most of the literature on kleptocracy in the Third World countries is devoted to the impact of kleptocratic activities on the domestic economy and social well-being of the impoverished population (Acemoglu, Verdier, & Robinson, 2004; Andreski, 1968; Bullough, 2018; Burgis, 2015; Chayes, 2015; Robertson-Snape, 1999), till date there is no comprehensive account on kleptocracy and foreign policy change. Najib's attempt to salvage 1MDB debts as well as protect his regime from the US investigation by courting China provides an opportunity for such research. Contemporary studies on 1MDB and Najib have focused on the domestic political struggle in Malaysia (Case, 2017; Gabriel, 2018), financial perspective (Ali, 2016, 2018, 2019; Jones, 2020), or media reporting (Nazmi & Helmi, 2016); however, research has not been conducted on Najib's internal strategies to court China's economic and military prowess to protect his kleptocratic interests via 1MDB circa 2015–2017. This study fills this gap by assessing not only the role of a kleptocratic leader in the 1MDB scandal and Malaysia's subsequent deals with China but also the strategies devised by the kleptocrat in those decision-making processes. To understand the impact of kleptocracy on foreign policy, this study proposes a combination of insights from a theory that explains the relationships between politicians and bureaucrats: the public service bargains (PSB).

To begin with, scholars already emphasized that foreign policy decisions of a country are "subject to constant enforcement and (re)negotiation in the relationship between political elites and the foreign policy and defence apparatus" (Hart, Stern, and Sundelius 1997, p. 15). Among the available works on politicians–bureaucrats interaction in the decision-making process (Aberbach, Putnam, & Rockman, 1981; Bach & Weigrich, 2020; Peters, 1988; Svara, 2006), the PSB framework, developed by Hood and Lodge (2006), provides a systematic understanding of the nature of power relations between the groups. Hood and Lodge (2006) defined PSBs as an explicit or implicit agreement between political executives and bureaucrats wherein the former normally expects some degree of political loyalty and competence from the latter in the decision-making process, while the latter normally expects to have autonomy in the

decision-making procedural structure. Two types of bargains exist between these groups: agency and trustee. In the former, bureaucrats are regarded as the political masters' servants, while in the latter, they function autonomously. In essence, under the trustee bargain, bureaucrats possess a higher degree of autonomy, wherein they "exercise discretion in a way that is not subject to commands or control from elected politicians," than their counterparts in countries that practice agency bargains (Hood & Lodge, 2006, p. 25).

Hood and Lodge (2006) indicated that cheating and manipulative behavior are factors, alongside wars, regime change, revolution, and long-term social evolution, that can alter the established system of bargains. This research conceptualizes the change from the trustee-type to the kleptocratic-type bargains as the result of kleptocrats' manipulative strategies, which eventually affects the foreign policy decision-making process. This analysis argues that manipulation of the established PSBs occurs when one or both sides attempt to alter the established foreign policy decision-making process to suit their preferences. Some scholars have insinuated that individuals operating in a group context are often driven to alter the group's structure and processes in order to enhance the strength of a preferred policy option (Hoyt & Garrison, 1997). This applies directly to kleptocrats, since for the sake of protecting their interests against foreign debt or political pressure, such as investigation by a great power, a kleptocrat can easily seek external support from a great power even though this can negatively affect the country's sovereignty and territorial integrity. Consequently, a kleptocrat undermines bureaucrats' autonomy in the foreign policy decision-making process in order to pursue or protect their own interests.

This study incorporates Hoyt and Garrison's (1997) strategies of political manipulation, that is, inclusion and exclusion, to understand kleptocrats' strategies to manipulate the established PSB system according to their preferences. The exclusion strategy refers to the deliberate alteration of the composition of decision-making actors to include only those with shared interests and sympathetic viewpoints. The inclusion strategy represents an attempt to diffuse the influence of opponents by packing the meeting(s) of actors involved in decision-making with additional like-minded participants; this corresponds to the growing trend of politicians appointing "special advisors" to ensure decisions are made according to their preference against the influential bureaucrats (Askim, Karlsen, & Kolltveit, 2017; Bach & Veit, 2018; Eichbaum & Shaw, 2008; Ennser-Jedenastik, 2014). It must be noted that this research's conceptualization of exclusion and inclusion strategies adds significantly to the current literature on political control over bureaucracy (Dahlström, Peters, & Pierre, 2011; Hustedt, Kolltveit, & Salomonsen, 2017; Hustedt & Salomonsen, 2017, 2014).

Therefore, this research introduces a combination of kleptocracy and political manipulation that resulted in a kleptocratic-type bargain, conceptualized here as a condition in which a politician persuades a bureaucrat to participate in their corrupt dealings with the aim of transferring public resources into their private control. To achieve such a kleptocratic bargain, kleptocratic executives exclude and bypass non-corrupt executives and non-compromised bureaucrats to achieve their preferred foreign policy objectives. The operationalization of kleptocratic-type bargains vis-à-vis the foreign policy decision-making process is explicated as follows. A kleptocrat's capability to change the state's foreign policy according to their kleptocratic interest depends on two critical factors: establishment of a PSB system and acceptance or rejection of the kleptocrat's policy agenda. Accordingly, if the practiced system is of agency type, it will be easier for the kleptocrat to initiate kleptocratic bargain for the purpose of steering the decision-making process toward their interest; however, if the kleptocrat operates in a trustee-type bargain system, they will have to devise more manipulation and cheating strategies to bypass the autonomy of the powerful bureaucrat to force their preferred policy. To that end, this research also distinguishes between a full kleptocratic bargain and a partial kleptocratic bargain; while a full kleptocratic bargain denotes a bureaucrat's acceptance of a kleptocrat's agenda, a partial kleptocratic bargain is conceptualized as a condition in which an autonomous bureaucrat, under the trustee bargain, rejects a kleptocrat's agenda and continues to perform their duties in other policy decisions that are not directly related to the kleptocrat's interests.

Here, it must be noted that the degree of kleptocracy-incurred foreign policy change within the trustee-type system is expected to be lower than that in the agency-type system if bureaucrats in the trustee system choose to reject the kleptocrat's agenda. Due to their established autonomy, bureaucrats in the trustee system can be excluded by kleptocrats in specific foreign policy decision-making process, but they will be expected to continue performing their role in other foreign policy-making processes. Modifying the foreign policy change typology by Hermann (1990), this research focuses on only two types of foreign policy changes: the full foreign policy change and the partial foreign policy change. In the context of full foreign policy change, Hermann described that state changes its entire orientation towards world affairs, altering multiple policies at the same, while regarding the partial policy change, the author claimed, foreign policy goals themselves are replaced.

Thus, the type of PSB determines the maneuvering space for kleptocrats to translate their policy preferences into the eventual foreign policy decision vis-à-vis their bureaucratic counterpart. The degree of foreign policy change depends on the existing PSB type as well as

bureaucrats’ response to kleptocrats; if the established bargain system is trustee type and bureaucrats reject kleptocrats’ agenda, kleptocratic bargain will be expected to result in partial foreign policy change since autonomous bureaucrats will continue performing their role of maintaining the established foreign policy. Conversely, if the established bargain system is agency type, although bureaucrats might reject and attempt to resist kleptocrats’ agenda, they do not possess the same degree of autonomy as their counterparts in the trustee system did in foreign policy-making; thus, full foreign policy change is expected to take place anyway. The theoretical model is illustrated in Figure 1.

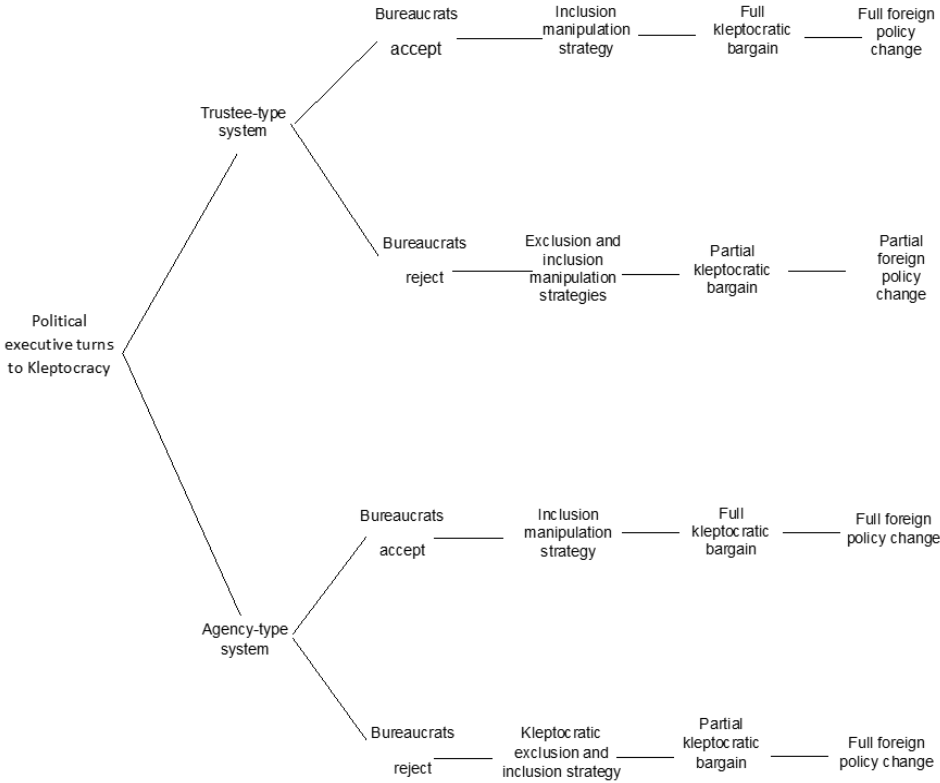


Figure 1. Kleptocracy, bureaucrats’ response options, and degree of foreign policy change.

1.4 Case Study

This research examines the theoretical propositions in the context of a smaller power under a kleptocratic premiership, namely Malaysia under Najib's rule (2009–2018). This research has specified Malaysian distinctive foreign policy change following Najib's 1MDB scandal. From economic perspective, this involves five 1MDB-related deals with China. Two of these—Edra Global Energy and Bandar Malaysia Project—were in the form of divestment, and the following three were related to foreign loan: East Coast Rail Link (ECRL), Trans-Sabah Gas Pipe (TSGP), and Multi-Product Pipeline (MPP). From foreign defense policy perspective, this involves Malaysia's five military turns to China during Najib's 1MDB debacle circa 2015–2017: conducting a bilateral military exercise, procuring Chinese-made LMSs, silencing his ministers regarding China's intrusion into Malaysian waters, allowing Chinese attack submarines to dock at a Malaysian port for the first time, and establishing a Malaysia–China High Level Defence Committee.

1.4.1 Justification for the selection of Malaysia's foreign policy change as a case study.

There are three main rationales behind the selection of Malaysia's foreign policy change under Najib's premiership as a case study for this research. First, Malaysia during Najib's premiership represents a significant case in which a smaller power faced the rising rivalry between the two great powers of the 21st century: the United States and China. It was during Najib's premiership that the United States launched its "pivot to Asia" policy to contain the rise of China after a decade of war in Afghanistan and Iraq (Clinton, 2010). It was during Najib's premiership that Xi Jinping rose to power in China in 2013 and expanded China's global influence by initiating the Belt and Road Initiative. Malaysia under Najib clearly represents a case in which a smaller power directly faced the simultaneous "push" and "pull" from great powers—"pull" from a great power (China) amid the "push" from another great power (the United States).

Second, Malaysia also represents a case in which a smaller power that had a long-established relationship with the Western powers since its independence suddenly shifted its foreign policy toward China due to kleptocracy. Najib's significant shift to China can be considered as a critical departure from Malaysia's long-established foreign policy that emphasized close relations with Western powers such as the United States and the United Kingdom in safeguarding Malaysia's internal economic prosperity and security. On the other hand, this also represents a case in which a smaller power changed its foreign policy toward China amid both the "pull" from China's global economic expansion under Jinping's Belt and Road Initiative and the "push" from China's military prowess in the South China Sea. Indeed,

Najib's decision in 2016 contradicted Malaysia's established defense policy toward China. This is because China—under the control of Chinese Communist Party since 1949—has a problematic history with most of the Southeast Asian countries,⁹ including Malaysia. The suspicion remains, because of not only the Chinese support to the Malayan Communist insurgency but also China's assertive claim at the South China Sea while occasionally encroaching and conducting naval military exercises in Malaysian EEZ further exacerbated Putrajaya–Beijing relations (Kuik 2016; Weichong, 2014).

Third, Malaysia has been selected because of the significance of its bureaucratic bodies from the perspective of the proposed theoretical framework and methodological consideration of this research. In fact, Hood and Lodge (2006) also categorized Malaysia as one of the countries that practiced a trustee-type bargain system (p. 37). Indeed, the majority of Malaysian top policy bureaucrats who were in office when Najib shifted Malaysia's foreign policy toward China were trained in the United States: The Chief Secretary to the Government during the period, Ali Hamsa (24 June 2012–28 August 2018), received his Ph.D. in Economics from the Oklahoma State University; the Treasury-Secretary General at MoF, Mohd Irwan Serigar (2011–2018), was trained at the University of Pennsylvania; the Director-General of EPU, Rahamat Bivi Yusoff (19 October 2011–5 June 2017), received her Master of Economics degree from the University of Western Michigan; the Secretary-General of Ministry of Foreign Affairs (MOFA), Othman Hashim (2013–2016), was a former Malaysian Ambassador to the United States (2012–2013); and the Chief of the Royal Malaysian Navy at that time, Admiral Ahmad Kamarulzaman Badaruddin (19 November 2015–30 November 2018), is a graduate of the US Naval Staff Course at Naval War College, Newport, Rhode Island.

From the perspective of this research's proposed theory, the shift of Malaysia's foreign policy toward China despite the existence of established bureaucrats with well-established relations with the Western powers bears enormous significance. Indeed, Malaysian bureaucracy—a merit-based and highly-modernized British model of public administration system—was constructed based on its colonial Western heritage (Esman, 1972; Funston, 2001; Mansor & Noriza, 2015; Puthuchery, 1978; Sarji, 1996; Siddiquee, 2005; Weiss, 2015). Malaysian bureaucrats also sit in the driver seat when it comes to initiating, processing, evaluating, and approving major public projects and procurement, such as those in the EPU (MoF) and in the Ministry of Defence (MINDEF). Case (2017) elaborated that Malaysian

⁹ China has been accused of supporting the Communist coup attempt in Indonesia (1965), interfering with the domestic affairs of Cambodia, waging war against Vietnam in 1974 and 1988, and generally supporting the Communist revolution in Southeast Asia.

bureaucrats possess “significant technocratic capacity” and defined these bureaucrats as a group that “issues bonds and borrows internationally, operates state-invested banks and corporations, and adequately regulates macroeconomic policy,” to the extent that “defaults on government debt have been assiduously avoided and credit worthiness protected” (p. 637). Based on the training and educational background of the policy bureaucrats during Najib’s premiership, it is logical to ask how they interacted with their political executive counterparts when Malaysia suddenly increased its economic and military dependence on China. Indeed, Malaysia’s foreign policy change toward China amid the 1MDB case indicates a highly possible internal shift in PSBs, which needs to be studied thoroughly.

1.5 Structure of the Study

This study proceeds according to the following structure: Chapter Two addresses the gap in conventional IR accounts’ explanation of the impact of kleptocracy and political-administrative relations on foreign policy change. Chapter Three then theorizes the relations between kleptocracy, PSBs, and the foreign policy-making process. Chapter Four is allocated to the discussion on research design and methodology while Chapter Five provides the background of trustee bargains in Malaysia’s bureaucracy. The following two chapters constitute the empirical chapters of this research. Chapter Six investigates the foreign economic decision-making process in the MoF under Najib’s premiership and how the 1MDB scandal affected Malaysian foreign loans and divestments toward China. Chapter Seven examines how Najib reversed Malaysian bureaucrats’ long-standing reluctance of extending any defense and military ties with China at the risk of compromising Malaysia’s geopolitical interest and territorial integrity in the contested South China Sea. The final chapter revisits the theoretical argument of the proposed kleptocracy and PSBs as well as the general lessons drawn from changes in Malaysia’s foreign policy toward China during Najib’s premiership.