China's 1MDB bid seen reaping big returns here

KUALA LUMPUR: A generous winning bid from a state-owned Chinese firm for a scandal-ridden Malaysian fund’s power assets will help Beijing find favour as it seeks more deals in the country, as well as help extend its influence in Southeast Asia, financial and diplomatic sources said.

China's Southeast Asia push is seen as having come at a perfect time for embattled Prime Minister Datuk Seri Najib Razak, who chairs the advisory board of state fund 1Malaysia Development Bhd (1MDB) and has been grappling with international probes and public outrage over allegations of graft at the fund.

The US$2.3 billion (RM9.71 billion) offer from China General Nuclear Power Corp, a surprise winner in the bidding, and its assumption of US$1.8 billion in 1MDB debt, will result in Chinese firms having pole positions as key rail, port and road projects come up for grabs, sources said.

"Chinese investors will be important players not only in Malaysia, but also in Southeast Asia," said a person involved in the 1MDB sale process.

"They are paying good value to solve a problem. This deal will give them impetus to score big in infrastructure assets," he said. The stakes have been high for Najib to make progress in resolving the 1MDB scandal after The Wall Street Journal reported in July that investigations into the fund had found nearly US$700 million deposited into Najib's private bank accounts. Reuters has not verified the report.

Najib has denied taking any money for personal gain.

The biggest single direct foreign investment in Malaysia was far above a rival bid from Tenaga Nasional Bhd, banking sources said, and was announced just hours after Najib and Chinese Premier Li Keqiang ended bilateral talks in Kuala Lumpur. 1MDB president Arul Kanda Kandasamy told Reuters, however, there was no government involvement in the deal.

Beijing has been keen on improving relations with Southeast Asian countries as some of them object to China's building of artificial islands in the disputed South China Sea.

Last week also saw Li telling businessmen in Kuala Lumpur that Chinese firms will buy Malaysian treasury bonds to help stabilise its financial markets, and that Beijing is offering US$10 billion in infrastructure loans to Southeast Asia.

"Malaysia is strategically important for China because it ... occupies the southernmost riches of the South China Sea," said Oh El Sun, senior fellow at the S Rajaratnam School of International Studies in Singapore.

For China, the moves go hand in glove with its ambitions to develop infrastructure along its so-called 21st Century Maritime Silk Road, which extends through the Strait of Malacca to India, the Middle East and East Africa.

Key infrastructure projects that China said its firms will bid for include a high-speed rail project between Malaysia and Singapore that could be finalised next year. Chinese firms are also set to vie for contracts to upgrade Malaysian ports, including one in Melaka and another in Kuantan, banking sources said. — Reuters