

## **The Ummatic Elements in Malaysia-Turkey Economic Cooperation: A Study on Investment Aspects**

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### **Abstract**

*The investment aspect is one of the most important aspects in strengthening the economy of a country. As countries that practice an open economic policy, Malaysia and Turkey emphasize the investment aspect of whether Foreign direct investment (FDI) and Direct Investment Abroad (DIA). Malaysia and Turkey are also major players in the Organization of Islamic Cooperation (OIC) and the Economic Cooperation Organization of Eight Developing Countries (D-8). It turns out that these two Islamic organizations have succeeded in becoming catalysts in improving the economy of both countries. These two organizations also clearly make the ummatic agenda the main agenda of the establishment as well as fighting for the welfare of Muslims. This is proven that the amount of investment for these two countries is increasing over time. The diversity of investment sectors is also seen to be increasing based on the needs of Malaysia and Turkey. This study uses a qualitative method that leads to the study of the discipline of history by emphasizing the analysis of primary sources, secondary sources and interviews to produce an authoritative study.*

**Keywords:** Diplomatic History, OIC and D-8, Economic Relations Malaysia and Turkey.

### **INTRODUCTION**

As a country that practices an open economic policy, Malaysia and Turkey carry out international trade and investment activities either bilaterally or multilaterally with foreign countries. In the economic aspect, a country should implement international economic activities because it can provide great benefits, especially in generating wealth, sustaining economic growth as well as strengthening ties between nations (Idris & Idris, 2021) Through these activities, a country can focus on industries that have efficient production results. Malaysia has moved actively in building positive relations through international trade with several foreign countries. Malaysia as one of the members, Association of Southeast Asian Nations (ASEAN) for example, has signed several agreements, and several policies have been created specifically to increase the amount of international trade such as the ASEAN Free Trade Area (AFTA). In addition, Free Trade Agreements or Free Trade Agreements (FTA) which are carried out bilaterally have also been widely implemented to make economic activities successful such as with Japan, Pakistan, New Zealand, China, Korea, India, Australia, Chile and Turkey.

In the context of Turkey, economic relations with Malaysia are necessary to expand trade, investment and the country's goods market to Malaysia in particular, and generally to ASEAN countries. The ASEAN market involving several countries has provided great benefits when there is an increase in the export of Turkish goods to the region's market. In general, Turkey's bilateral relations are more focused on its trading partners among European countries, Russia and Central Asia. But since the 1990s, Turkey has expanded its export market and its investment to Asian countries. Malaysia is one of the main destinations for Turkey's exports among ASEAN countries, especially after several trade agreements were signed in the 1980s, culminating when the Malaysia-Turkey Free Trade Agreement (MTFTA) was signed on April 17, 2014. In fact, Malaysia has become Turkey's main trading partner. among the ASEAN countries with the highest amount of bilateral trade between 2000 and 2020 (Selçuk, 2021). As two actors of active Islamic countries that officially began when diplomatic relations were signed in 1964, of course the period in question is relevant and significant if the trade relations of these two countries linked to cooperation under the auspices of Islamic organizations such as the Organization of Islamic Cooperation (OIC) and the Economic Cooperation Organization of Eight Developing Countries (D-8). Both organizations are important when linked to the influence of similar values, namely Islam and close historical ties.

Reflecting on the history of relations between Malaysia and Turkey, especially those related to ummatic elements, it began with the relationship between the Kingdom of Johor and the Ottoman Empire. In the era of Sultan Abdul Hamid II at the end of the 19th century AD, he introduced the concept of pan-Islamism which aimed to restore the solidarity of Muslims which was fading. It has caused the strength of Muslims throughout the Islamic world to weaken and eventually be colonized by Western powers. In the mid-1860s, Sultan Abu Bakar visited Istanbul to meet Sultan Abdul Hamid II. During the visit, the Ottoman Government has agreed to open a consulate of the Ottoman Government in Singapore with the agreement of the British side. They also showed mutual sympathy towards the Acehese Government which was under great pressure from the Dutch. After the defeat of the Ottoman Empire in World War I and the abolition of the empire in 1924, the people of Tanah, especially among the Muslim community, showed various reactions to the event. Various publications have been published in Malaya as an important source of news, especially those related to the awareness of the Muslim community in Malaya. *Idaran Zaman* magazine, *Saudara* and several other publications have proven the concern and close relationship of the Malay community in matters related to the Ottoman Empire and the Republic of Turkey. This lasted into the decade of the 1930s until it influenced the patterning of the form of nationalism in demanding independence in Malaya (Mohamad Shaukhi Mohd Radzi, Mohd Sohaimi Esa, 2020).

Neither Malaysia nor Turkey need foreign direct investment (FDI) from foreign countries, especially from industrialized and developed countries, rich oil-producing countries that dominate international financial institutions for the purpose of developing their economic infrastructure. Between 1969 and 1983, FDI was the main contributor to Malaysia's capital with an average of USD550.266 million per year, which comprised 52 percent of Malaysia's total capital. From 1990 to 1997, Malaysia was the highest recipient of FDI among ASEAN countries amounting to USD 35,177 million. It was followed by Indonesia amounting to USD23,684 million, Thailand amounting to USD17,177 million and Filipina amounting to USD8,379 million. Clearly, Malaysia was the highest investment destination among ASEAN countries in the 1990s. It is due to the economic and political stability experienced by Malaysia.

Traditionally, the main actors in contributing Malaysian FDI are Britain, the United States, Japan, Singapore, Taiwan, South Korea and neighbouring ASEAN countries (Idris, 2015).

As for Turkey, according to the 2019 UNCTAD World Investment Report, Turkey maintains its position as the second largest recipient of FDI in West Asia after Israel. It reached a record high (USD 22 billion) in 2007, but after that the FDI flow to Turkey has decreased. FDI inflow reached a value of USD 12.94 billion in 2018, up from 2017 amounting to USD 11.48 billion. European Union (EU) member states have traditionally been the largest group of investors in Turkey, with flows from the United States showing an increase in 2018. This comes after two years of low US investment in Turkey, becoming the second largest investor in Turkey, in behind the Netherlands. Statistically, the Netherlands accounted for 15.8% of total foreign investment in Turkey, followed by the United States at 7.6% and the United Kingdom at 6.9%. According to preliminary data from the Turkish Ministry of Industry and Technology in 2019, Azerbaijan was the largest investor in Turkey in January-March 2019, for the first time in Turkey's history. This is due to the launch of Star Oil Refinery, which is operated by Azerbaijan's state-owned oil firm, Socar. The firm also bought a local gas supplier previously held by German utility EWE in 2019. Thus, flows to the energy industry accounted for 24.2% in the first quarter of 2021, the second largest share after retail and wholesale trade (*The UNCTAD Official Portal*, 2021).

## **LITERATURE REVIEW**

In this paragraph, we will discuss the terms used, namely:

### **Malaysia's Foreign Direct Investment (FDI) and Direct Investment Abroad (DIA).**

According to the Department of Statistics Malaysia (2018), the FDI flow trend in Malaysia has shown an increase since 2001. However, the FDI flow in 2009 has shown a decrease due to the global financial crisis. In 2016, Malaysia's FDI flow reached the highest level with a value of RM47.0 billion. It is contributed by countries in the Asian region, especially in the service sector. Whereas in 2017, Malaysian FDI flows were channelled mainly in the service sector such as real estate activities, the financial and insurance/takaful sector as well as the information and communication sector. Mining and quarrying activities are the second contributor, followed by the manufacturing sector. Contributors to Malaysia's FDI came from the Asian region which amounted to 63.5 percent, followed by Europe and Africa. Hong Kong is the leading investor country in Malaysia, while China has overtaken Singapore as the second largest contributor. At the end of 2017, the FDI position grew to RM570.3 billion compared to 2016 which amounted to RM547.4 billion. There is no denying that these FDI statistics are an important indicator to generate more sustainable Malaysian economic growth. It also helps identify new opportunities and increase market access for companies in Malaysia and abroad (Department of Statistics Malaysia, 2018).

In the aspect of Malaysian Investment abroad or Direct Investment Abroad (DIA) by Malaysian companies has shown a rapid increase since the decade of 2000. This has reflected the maturity of domestic firms and limited natural resources in Malaysia as well as strategic government policy initiatives to encourage DIA. Since 2001, on average, the total stock of DIA Malaysia has increased by 20.7% per year, from RM31.7 billion in 2001 to RM522.5 billion at the end of 2017. Between 2005 and 2014, the flow of DIA Malaysia amounted to RM39.1 billion a year, or 4.7% of nominal GDP. However, from 2015 to 2017, Malaysia's DIA flow was relatively moderate, recording an average outflow of RM33.7 billion per year, or 2.7% of GDP.

It is due to the cautious approach of Malaysian investors based on the uncertainty of the global economic growth environment and low oil and major commodity prices since December 2014. The depreciation of the ringgit also has the impact of investing abroad being more expensive for domestic firms has contributed to the moderation. At the end of 2017, DIA was accumulated mainly in the financial services sub-sector, accounting for 34.7% of DIA, followed by the mining sector and the agricultural sector, which accounted for 15.8% and 7.8%, and the information and communication services sector for 9.1%. In terms of investment destinations, DIA Malaysia is channelled mainly to Southeast Asian countries, especially Singapore and Indonesia, followed by Europe and North America, especially Canada (Bank Negara Malaysia, 2018).

### **Relations between Malaysia and Turkey in the context of OIC and D-8**

Saim (2015) explain the bilateral relationship between Malaysia and Turkey in the context of member countries of the Organization of Islamic Cooperation (OIC) in terms of economic cooperation. Since Turkey and Malaysia are members of the OIC, they need to develop a bilateral strategic partnership. For this reason, Ankara has introduced initiatives such as strategies to improve commercial and economic relations with Asia Pacific countries, establishing a joint commission between Turkey and Malaysia or the Joint Economic Cooperation (JEC) and the Turkey-Malaysia Business Council. However, the factors that determine the fluctuation of the amount of trade between the two countries are not touched in this paper. The role and position of Islamic influence in bilateral relations from the economic aspect is also not explained. Nevertheless, this article explains the factors related to the economic cooperation between Malaysia and Turkey. The first factor, the leaders of both countries have followed an economic model that failed to preserve Islamic values that are related to social justice. Second, the economic strategy shaped by the growth of export value led to both countries looking for other trading partners, despite their different cultures and political policies.

The relationship between Malaysia and Turkey in the 21st century was touched upon by Ferhat and Syaza (2019) in their article, Turkey-Malaysia Relations in the 21st Century. In summary, in this century both countries have experienced their own dynamics when it comes to multi-dimensional relations such as politics, economy and culture. It corresponds to changes in foreign policy and the national interests of both countries that are tied to the dynamic and progressive international political situation. This article based on political science asserts that there are several determining factors that shape the relationship between these two countries. First, the state of the international system which is dynamic according to the situation, especially the policies of the great powers. For example, in the 1990s, Malaysia and Turkey had to come to terms with the global and regional economic pressures that hit both countries by prioritizing their respective national interests. As a result, the economic relationship between the two countries became somewhat less encouraging. The second factor, the similarity of shared values between Malaysia and Turkey. It includes aspects of Islam, history, culture and so on. The third factor is the general character of the foreign policy of both countries which is often shaped by geographical, economic and cultural conditions. The fourth factor is the attitude of the governments of both countries in practicing bilateral relations. This attitude should be realistic and closely related to the interests of both countries.

Hassan (2012) stated that according to a World Bank report in 2008, the D-8 countries, with a population of almost one billion, can contribute more than 14% of the population and

more than 3.8% of the world's Gross Domestic Product (GDP). The main question of this study is whether the D-8 countries have the necessary capabilities and conditions to enter the globalization process through the World Trade Organization (WTO) and enjoy each other's economic potential bilaterally or more in line with the existence of policies, strategies and objectives group D-8. Studies show that the growth of trade transactions of member countries with countries outside the group is higher than the growth with member countries. Therefore, the main goal of this research is to see the extent to which the organization can increase trade and service transactions between member countries. The service sector accounts for the majority (i.e. more than 40%) of GDP in all eight countries of the group, and then the industrial sector accounts for about 31% and the agricultural sector for about 25% of GDP in these countries. This article is so significant in giving an idea of how great potential can be obtained among the countries of the D-8 organization if the sources of strength can be optimized.

### **The Concept of Ummah in A Modern Context**

The concept of ummah in the modern context has been discussed by Muhammad (2021). He explained that there is a clear difference between the concept of nation-state and the concept of ummah implemented by Islam. The concept of a modern nation state is bound by the question of territorial limitations, race, religion, culture, language, history and so on. While the community skips those questions. The universal nature of the concept of ummah explains that Muslims can be united in a comprehensive and strong ideological bond through Islam. The concept of ummah is required in supporting God's trust that encompasses space and time to achieve a happy life in this world and in the hereafter, or even from all these combinations. The ummah is not based on race, culture, language, history or a combination of all of them and not on geographical boundaries.

According to him, the ummah is better understood as a religious entity that is freed from the spatial dimensions of nationalism and territorialism. While, on the other hand, nation-states tend to strengthen spatially patterned entities, but the socio-political dimension written in history does not reflect a single socio-political unity. Precisely Islam gives the view that diversity and difference are positive aspects for human development. Basically, the concept of ummah has a very broad meaning that ummah is a group of people with different tribes, races, cultures, and histories who have the purpose of living together to carry out or actualize the will of God and are united through a strong and comprehensive ideology, namely Islam. This work is very significant to see the concept of ummah in its operational context so that there is no ambiguity related to the matter.

### **RESEARCH METHODS**

This study is a study of the diplomatic history between Malaysia and Turkey with an emphasis on the investment aspect relationship especially under the auspices of the OIC and D-8. It will focus on aspects of investment between Malaysia and Turkey that show an increase between 2000 and 2018. This study uses qualitative research methods by analysing primary, secondary and interview sources. Primary sources include sources from the National Statistics Department, Bank Negara Malaysia, Khazanah Nasional press conference, MIDA Report, newspapers and so on. While secondary sources include books, articles that have been produced on issues related to the economic history of Malaysia and Turkey in various aspects. An authoritative key informant interview session has also been conducted to strengthen the

findings of this study. Similarly, articles and reports from internet links have been accessed to increase the authority of this study.

## **RESULTS AND DISCUSSION**

### **Malaysian Investment in Turkey**

In general, according to former Turkish Ambassador to Malaysia Başak Türkoğlu, Malaysia's investment in Turkey can be categorized under three main areas, namely transport, health and energy. Khazanah Nasional, the national investment fund, is among the largest investment companies and organizations in Turkey. Malaysia Airports Holdings Berhad (MAHB), one of Khazanah's portfolio companies, is part of the consortium entrusted to build and operate Turkey's second international airport in İstanbul, the Sabiha Gokcen International Airport. Khazanah also through Integrated Healthcare Holdings Berhad (IHH), owns 75% of the Acibadem Group, a hospital chain in Turkey. In 2013, IHH also bought Acibadem insurance company. In 2016, Tenaga Nasional Berhad acquired a 30% stake in Gama Energy, a Turkish company known for its energy industry. The investment in Turkey expands the energy sector involving an agreement worth USD 255 million. This allows Tenaga Nasional to continue its operations outside of Turkey, in the surrounding regions such as Europe, the Middle East, Caucasus and Central Asia (LTC, 2016)

While Turkey, Malaysia also gives priority in identifying opportunities for its investors to invest in this country. The two leaders have also reached an agreement to create a partnership in the field of Islamic finance, tourism and culture. Clearly, investment between Malaysia and Turkey has increased so much when compared to the decade of the 1980s and 1990s. One of the main factors is the attitude of the leadership of Malaysia and Turkey in seeing the opportunities and capabilities of economic partners from Islamic countries in optimizing the existing resources. It can be considered as one of the strategic agenda in raising the economy of Muslims.

In 2007, MAHB won a contract amounting to 1.9 billion euros to be part of one of the consortiums that carry out operations at Istanbul Sabiha Gokcen International Airport in Istanbul (ISGIA). In 2013, the company then increased its shareholding for the operation of the airport to 60 percent by acquiring a 40 percent stake held by the Indian company GMR Infrastructure Ltd amounting to 225 million euros. In 2014, MAHB bought the remaining 40 percent from Limak Holding from Turkey amounting to 285 million euros making it the full holding of the company. According to MAHB's Managing Director, Datuk Badlisham Ghazali, the company has held the operating rights of the airport until 2023. MAHB sees the full ownership as an important offshore asset because the airport is one of the fastest growing in Europe ("MAHB Open to Offers to Buy a Stake in Istanbul Airport," 2017)

ISGIA's passenger numbers have increased to 18.8 million in 2013 compared to 4.3 million passengers in 2008, representing a compound annual growth rate (CAGR) of 34%. The investment in ISGIA has given MAHB a good platform to demonstrate its capabilities in providing airport management services. According to the former president of the Malaysian Islamic Youth (ABIM), Ahmad Azam Abdul Rahman believes that this step is an appreciation and recognition for Malaysian companies that are partners of Muslim countries in a D-8 organization and the OIC. In fact, the ummatic policy implemented by President Erdogan makes a large part of Turkey's foreign policy, including in the economic field, emphasizing giving opportunities to other Muslim countries. Thus, Malaysia benefits from the development

of Turkey's policy changes (*Interview with Datuk Ahmad Azam Abdul Rahman, Former President of ABIM in Gombak, 2019*).

In January 2012, Khazanah Nasional with a 45.2% ownership and together with IHH Healthcare Berhad (IHH) acquired a total interest of 75% with an initial investment cost of USD1.1 billion in the largest private healthcare provider in Turkey, Acibadem. It owns and operates more than 2,000 beds with 17 hospitals (15 hospitals in Turkey and one hospital in Macedonia and in Iraq). In addition, Acibadem owns and operates 14 licensed medical centers and additional healthcare businesses that provide clinical laboratory services, mobile and home health services, catering and laundry services, and hospital design and project management. In 2013, Acibadem contributed around 28% to the earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) of IHH, which is known as the second largest healthcare operator in the world with a market capitalization of around USD10.0 billion.

In November 2013, Khazanah Nasional through its insurance holding company, Avicennia Capital Sdn Bhd (Avicennia Capital), acquired a 90% stake in the second largest health insurance provider in Turkey, Acibadem Sigorta, for USD252 million. The company's headquarters are in Istanbul, and it operates through six regional offices across Turkey. Acibadem Sigorta has been providing premium health insurance offering services for corporate and individual clients, as well as access to a network of high-quality health facilities in Turkey. Acibadem Sigorta's acquisition complements Avicennia Capital's acquisition of Sun Life Malaysia Assurance Berhad and Sun Life Malaysia Takaful Berhad (formerly known as CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad) in April 2013. It forms an important part of the insurance platform developed by Avicennia Capital which has a large market and growth potential, especially in Turkey (Khazanah Nasional Media Conference, 2014). Therefore, this is an excellent opportunity for Malaysian insurance companies to market and diversify their products in Turkey, and generally around the world (Media, 2014). According to Maesarach (2019), the development of the modern insurance industry is very fast in line with the needs of society. This is because companies that run the insurance industry are companies that manage forms of risk based on sharia principles. It includes the principle of mutual help and protection by providing compensation to participants due to loss, damage, loss of profit and the like. Sharia insurance philosophy is an intention helping others based on Muslim brotherhood and at the same time developing shared responsibility, mutual cooperation and mutual protection from various trouble.

### **Turkish investment in Malaysia**

Turkish investment in Malaysia can be categorized in the plantation sector and palm oil products. For example, there is an Oleo chemical plant, built by a Turkish company, Evyap in Johor. The factory produces hygiene products such as soap and toothpaste. A Turkish-based company with its headquarters, Evyap Holding AS in Istanbul, Turkey, is no stranger to the oleochemical industry on a global level. ESM has advanced technological expertise and complete oleo chemical and personal care manufacturing facilities in Malaysia. The products produced are exported to Europe and the Middle East. In addition, there is Turkish investment in the field of defense industry through the company FNSS Savunma Sistemleri A.Ş. (FNSS). The company produces armored vehicles for the Malaysian military and works with "DefTech" partners (LTC, 2016)

This ESM company was established in May 2011, with a factory located in Tanjung Langsat, Johor, Malaysia. The first phase of the factory, which provides employment

opportunities for 190 people, is located on 22.57 hectares of land and began operations in October 2014. Currently, the production rate is to ensure high demand and consumption. ESM has the capacity to produce 150,000 tons per year of soap products, 175,000 tons per year of fractionated fatty acids; and 25,000 tons per year of glycerin. Most of the soap and part of the glycerin production is intended for beauty or personal care use. It is to produce the company's own downstream consumer goods, while the rest is marketed to their customers in various markets. It can produce all soap variants that are also offered to the global market. ESM's distribution expansion plan has now moved forward into the European market when it entered into a Distributor Agreement with the German Nordmann & Rassmann Company (NRC) on November 17, 2015. NRC is a company that has expertise in the field of distribution and handling of quality chemicals and is fully responsible for product distribution Evyap ("Evyap Sabun Malaysia Goes to Europe," 2015). In other words, this SEM not only opens up FDI investment opportunities and provides job opportunities in Malaysia, but it has introduced Malaysia in the international economic framework in various related aspects.

In the 1980s, the investment aspect between Malaysia and Turkey did not show any significant figures compared to countries that are world economic actors that have relations with Malaysia. The tendency of Malaysia's economic policy during the decade was also the main factor in the situation. The look-to-the-east policy implemented starting in 1982 has led to the tendency of investors from the East Asian region, particularly Japan, Taiwan and South Korea to invest in Malaysia. Likewise, traditional countries that have economic relations with Malaysia are still seen as the main investment actors that contribute to Malaysia's FDI. Between 1985 and 2002, the largest contributors to Malaysian FDI were the United Kingdom, the United States, Japan, Taiwan, Singapore, South Korea and Germany (Poon, 2005).

In principle, in terms of investment between Malaysia and Turkey, including countries from the Middle East as OIC member countries, it can be said to be quite backward when compared to other trading partner countries. According to Bank Negara Malaysia statistics, there were 15 Turkish companies that invested in Malaysia in 1995. While Turkey made investments in Malaysia as many as 12 companies only (Bank Negara Malaysia, 1995). This low investment is due to domestic factors and security issues in West Asia. West Asia in this decade was faced with an unstable situation such as the Iraq-Iran War (1980-1988) which was described as the longest and largest war of the decade. Similarly, the First and Second Gulf War which took a long time to affect the economic situation. Meanwhile, Turkey experienced the problem of political instability when a series of military coups occurred in 1980, 1993 and 1996. The situation in Turkey and the Middle East affected Turkish investment in Malaysia, and vice versa (Ferhat & Syaza, 2019).

However, investment between Malaysia and Turkey became more vigorous when President Recep Tayyip Erdogan led the administration of the Turkish government. As an Islamist leader, he emphasized economic and political cooperation with Islamic countries, especially among members of the OIC Organization. While the D-8 organization initiated by Dr. Necmettin Erbakan has become the main platform to realize the collaboration. In 2012, Malaysia's FDI to Turkey amounted to USD461 million which directly made Malaysia one of the ten largest countries investing in the country. In 2014, after the historic meeting between President Erdogan and the Prime Minister of Malaysia, Najib Abdul Razak in order to initiate the MTFTA between the two countries. Najib has conveyed his wish that Kazanah Nasional Berhad will invest USD1.5 billion in various sectors in Turkey. Likewise, Malaysian Airport Holding (MAHB) plans to invest USD400 million in the Turkish aviation sector. Furthermore,



there are several Malaysian companies that have decided to invest USD1.1 billion in the health sector in Turkey.

As explained by the former Turkish Ambassador to Malaysia, that Malaysia and Turkey have had relations in the context of defense technology for a long time. Malaysia has bought a lot of military equipment from Turkey. Turkey is an advanced Islamic country in terms of defense technology. FNSS Savunma Sistemleri A.Ş. or FNSS Defense System Inc. (FNSS), a Turkish Defense company operating in the field of defense industry has produced armored vehicles for the Malaysian Army in collaboration with "DefTech" partners. There are also new agreements and transactions carried out in the defense industry sector between the two countries through this company (Aswaq, 2016). In general, FNSS is a globally recognized land defense system company that has expertise in designing and producing multi-purpose wheeled armored combat vehicles, as well as combat engineering vehicles, turrets and sustainability solutions (combat engineering vehicles, turrets and sustainability solutions). The company has expertise in defense technology and supplies thousands of armored combat vehicles worldwide. Since it was first launched in 1990, FNSS Company has continued to improve its vehicle design and production capabilities in accordance with the needs of its users. The KAPLAN FNSS-class armored product family and the PARS wheeled armored vehicle are poised to shape the trend of the new generation of combat vehicles required in the 21st century (*Official Portal of FNSS Savunma Sistemleri A.Ş.*, n.d.). Thus, the investment from the defense point of view has further strengthened the relationship between Malaysia and Turkey as one of the OIC member countries.

Among the purchase agreements implemented between Malaysia and Turkey is the ACV-15 armoured car in various versions since 1992. In 2000, Malaysia purchased 267 ACV-300 Adnan armoured cars that were used in various operations that were suitable for the Malaysian terrain. One of its operations was the fight against Sulu terrorists in Lahad Datu in 2013. The Malaysian version of the ACV-300 was produced through a collaboration between the FNSS and the DRB-Hicom Defence Technologies Company (Deftech). The Malaysian version of the ACV-300 is named Adnan, after Adnan bin Saidi, a Malay soldier with the rank of Lieutenant who was involved in the Battle of Singapore during World War II. The defence equipment manufacturing has been developed in Pekan, Pahang.

According to the Minister of Foreign Affairs of Malaysia, Dato' Saifuddin Abdullah, cooperation related to defense technology between Malaysia and Turkey is considered something extraordinary. This is because it not only involves trade aspects, but also as a form of investment and technology transfer which is very significant to Malaysia. Turkey as one of the countries that has technology and defense equipment manufacturers opens opportunities for cooperation in the field of defense with Malaysia. It is so unique in the context of defense relations because it is very difficult for a country to share about military technology. Thus, Malaysia is a country that has a special relationship with Turkey either in the context of Islam, or in the past history (*Interview with the Minister of Foreign Affairs of Malaysia, Dato' Saifuddin Abdullah at His Office at Wisma Putra*, 2019). This cooperation is also important to strengthen the defense of Islamic countries, as well as reduce dependence on Western powers that are seen to dominate the sale of military equipment. According to Mohd Noor Yazid (2013), military cooperation is necessary among OIC member countries because of the systemic situation that is clearly dominated by Western powers. A balance of power is essential for Muslims in facing this situation. The concept of "collective security" in Islamic countries should start with military cooperation as emphasized in the context of "high

politics". It is clear that the relationship between Malaysia and Turkey is a beginning to succeed in a larger agenda which is to reduce dependence on the West (Almasi, 2012).

To generate investment networks, there are Turkish companies that produce polyethylene pipes and several chemical firms, in addition to several small business companies in the clothing and electronics industries. BEKO, for example, a well-known Turkish company that produces electrical appliances for households and electronics, has provided a wide variety of world-class products. This company has opened several offices in Kuala Lumpur. Overall, both countries provide good business and investment opportunities for the economic development of the nation. For example, the National Treasury has its own headquarters in Istanbul. Istanbul is the 4th regional headquarters after Beijing, Mumbai and San Francisco. This shows Turkey's great potential for Malaysia as an investment partner (LTC, 2016).

In fact, if examined, the amount of Malaysian investment in Turkey is greater compared to the investment from Turkey to Malaysia. Geopolitical factors have caused Turkey to tend to invest in the countries of the European Union, Central Asia and Russia, which have been Turkey's traditional economic partners for a long time. Meanwhile, Malaysian companies take investment opportunities in Turkey because of its wide market including Asia and Europe. However, according to Selcuk (2021), the amount can be offset by the amount of bilateral international trade balance that is always in favor of Malaysia. He emphasized:

*"In Particular, the trade imbalance's negative effects on Turkey can be offset by Malaysian Companies investing in Turkey".*

However, since Erbakan's leadership until now, even though it has not been implemented at an optimal level, these two countries think that the economic cooperation between these two countries is very significant to be improved. In 2014, Najib Tun Razak emphasized the importance of the relationship between the two countries in the framework of the Pan-Asian strategy that should be taken by Malaysian and Turkish companies. He emphasized that both countries have advantages from a geographical aspect to become economic hubs for Asia and Europe, that is, Turkey and Malaysia are in the middle of the journey between China and India and become the main countries of ASEAN. Secondly, he emphasized that for a long time from a historical point of view (i.e. the relationship between the Malay sultanate and the Ottoman empire) there has been a significant trade relationship, and the third is that these two countries are two progressive Islamic countries that have a large role in international issues especially involving Muslims in various aspects including economic aspects ("Najib in Turkey to Boost Trade Ties," 2014).

As of 2014, Malaysia's investment that has been implemented is more than USD1 billion (not including the investment to be implemented) which is in the health sector, insurance services and the construction sector, while for Turkey it is USD126.1 million (MIDA, 2014). As previously explained, according to Malaysian Investment Development Authority (MIDA) data, one of the main Turkish companies investing in Malaysia is Evyap Sabun which cooperates with Felda Global Ventures to implement an oleo-chemical project (products based on vegetable oil and petrochemicals) which the largest in Johor. Evyap Sabun has made an initial investment of USD85 million which has provided employment opportunities for 190 new jobs. Najib hopes that many more Turkish companies will come to invest in Malaysia and make Malaysia a hub to expand their market to the Asia-Pacific region, especially ASEAN

(MIDA, 2014). This has been desired for a long time by the leadership of both countries who want to see the expansion of bilateral relations between Malaysia and Turkey. Hasan Onal (2012), Trade Commissioner at the Turkish embassy in Kuala Lumpur, Malaysia affirmed that the Turkish government sees that Malaysia is the main gateway for products and services from Turkey (whether in terms of trade or investment) to enter the market of countries in the ASEAN region.

Malaysia's ambassador to Turkey in 2014, Amran Mohamed Zin insisted that Najib Abd Razak's second visit that year at the invitation of Prime Minister Erdogan in the framework of signing the FTA agreement between the two countries had a very significant impact, especially from an economic point of view. These two countries since 1997 have been members of the cooperation between Islamic countries to develop the D-8 which involves eight Islamic countries. The visit which was seen to celebrate 50 years of diplomatic relations has shown a good development between the two countries especially from the aspect of policies and policies related to the bilateral economy. Amran emphasized:

*“The transformation undertaken by our government and the Turkish government has paved the way to build a strategic relationship”*

This transformation has made Malaysia the fifth largest Turkish investment partner for Asian countries. According to the Malaysian Ambassador to Turkey, Amran Mohamed Zin, Malaysia's total investment in Turkey is RM1.7 billion (USD527 million), while Turkey's investment in Malaysia is RM340 million (USD106.22) (The Star Online, 2014). In principle, the amount is significant for both countries as members of the D-8 organization which are generally still new compared to other economic partners such as ASEAN countries, Western countries and East Asia. According to the former Minister of MITI, Mustapa Mohamed, one of the challenges faced by members of the D-8 organization is dependence on trading partners from major economic powers such as the United States, the European Union, China, Japan and Korea. This is due to a lack of capital in making investments and a weak economic position. Indirectly, it affects the effectiveness of cooperation between member countries, including Malaysia and Turkey (*Telephone Interview with the Former Minister of International Trade and Industry, Mustapha Muhamed, 2019*).

## **CONCLUSION**

The relationship between Malaysia and Turkey shows a trend of economic relations that can be considered as proud in the religious and ummatic context. This can be seen in the presence of such a significant increase in the context of foreign investment trends between the two countries. Malaysia and Turkey are found to complement each other in the investment industry, whether it is goods or services. Malaysian investment to Turkey or Turkish investment to Malaysia can be seen in various economic sectors such as aviation, defence, health, banking, halal products and tourism. This cooperation is important because it contributes to the development and economic development of both countries. It is even more significant when the position of these two countries as members of the OIC and D-8 organizations is linked. However, the amount of Malaysian investment in Turkey is greater than the investment from Turkey to Malaysia. This happens because geopolitical factors have caused Turkey to tend to invest in the countries of the European Union, Central Asia and Russia

which have been traditional economic partners of this country for a long time. Meanwhile, Malaysian companies take investment opportunities in Turkey because of its wide market including Asia and Europe.

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