Malaysia Between China and the West: Don't Rock the Boat

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Introduction

When it comes to great power rivalry in Southeast Asia, Malaysia is a prime example of a middle power trying to negotiate between the West—principally led by the United States—and China. The experience of Malaysia is of course not unique: the challenge the country faces, being pressured by both the United States and China into supporting one side over the other, is similar to those facing many other countries in the region.

In this short article, I will lay out the reasons as to why Malaysian middlepowership has led it to pursue a policy of strategic ambiguity in the context of the South China Sea, and to pursue a “low-profile” approach to competition between the United States, its allies, and China more broadly.

Malaysia's Foreign Policy

Malaysia is a federal state of 13 states and three territories. It became an independent country in 1963, after local political leaders negotiated an end to British colonization. It is comprised of two regions separated by the South China Sea, and is bordered by Singapore, Brunei, Indonesia, and Thailand. Malaysia occupies a strategic location along the Straits of Malacca and the South China Sea. The government system is a constitutional monarchy: the head of state is the Yang di-Pertuan Agong (or king), while the head of government is the prime minister, modelled largely after the Westminster system. Malaysia has a mixed economic system and is among the top 20 trading nations in the world. It has a modest population of just over 30 million. It has a multiethnic population, but about 65 percent of the population are Sunni Muslim. It is widely seen around the world as a modern, moderate Islamic country.

Malaysia is regarded as a middle power and an active member of the Commonwealth, United Nations, Asia-Pacific Economic Cooperation (APEC), the Association of Southeast Asian Nations (ASEAN), Organization of Islamic Conference (OIC) and the Trans-Pacific Partnership (TPP). It has a long-standing “5 powers” defence pact with New Zealand, the United Kingdom, Australia, and Singapore. But its foreign policy
has gone through several changes over the past several decades.

For the first few decades of the 20th century up until the early 1980s, Malaysia pursued a largely non-aligned and neutral foreign policy, at least publicly. Officially, the country stated that its foreign policy objectives adhered to the principles of neutrality and of maintaining peaceful relations with all countries, regardless of their ideology or political system. In reality, Malaysia was caught up in the Cold War. Certainly, Malaysia was one of the founding members of ASEAN, an organization that ostensibly assumed the important task of diplomatically fending off outside threats—especially after Cambodia was invaded by Vietnam in late 1978. Still, it was an open secret that Malaysia was largely pro-West on most international issues.

An apparent change came during the premiership of Mahathir Mohammad, who pursued a more nationalist and regionalist foreign policy, and one more focused on the “Global South” (i.e. South-South Cooperation). Islam also became an important factor during his administration, as Malaysia tried to promote the OIC and create an Islamic bloc. Mahathir’s standing as a nationalist and spokesman for the Global South was reinforced by his occasional outbursts against the West, particularly regarding his strong support for the Palestinians, which received widespread media coverage. Mahathir famously initiated the “Buy British Last” policy to show public displeasure toward some of its former colonial master’s policies. He told Malaysians to “Look East”—principally to Japan—in order to learn how to industrialize and follow the renowned “Japanese work ethic.” All of these actions undoubtedly furthered his reputation as someone who dared to stand up to the West. Even still, some would argue that his deviation from Malaysia’s earlier foreign policy principles was only rhetorical. In private, Mahathir was still largely pro-West. In fact, Mahathir signed a secret protocol during his term that allowed U.S. special forces to train in Malaysia and gave the United States access to Malaysian bases under certain conditions.

In summary, when it comes to managing relations with great powers, the bedrock of Malaysian foreign policy has been ASEAN, the OIC, and non-alignment. These priorities served the country well when it was experiencing high growth from the late 1970s to the early 1990s. The country’s strong economy and Mahathir’s persona gave it a middle-power status in the international arena.

**Malaysia’s Strategic Importance**

Fast forward to 2023, Malaysia is arguably the most important country in Southeast Asia when it comes to any potential “hot” conflict between the United States and China over the South China Sea. Any military strategist looking at the map of the region will immediately recognise that Malaysia is the only country that straddles both sides of the South China Sea. Thus, any conflict, military or otherwise, will affect Malaysia more than another country in the region.

Indeed, many of the recent confrontations between Western and People’s Liberation
Army (PLA) navy vessels over navigation rights have occurred near the coast of Sarawak, a Malaysian state in Borneo. This area is also problematic for Sino-Malaysian relations, as most encroachments by Chinese navy and fishing vessels are taking place off the coast of Sarawak. Moreover, the military bases that China is building—on disputed islands in the South China Sea—border, or are close to, Malaysian waters.

The Rise of China and Domestic Politics

To understand China’s position vis-à-vis Southeast Asia, the starting point is to view Southeast Asia as China’s backyard. For lack of a better comparison, China views the region in a way similar to how the United States views the Caribbean, Mexico, and Central America. There is some historical basis to this view, as Chinese merchants have been trading in the region for hundreds of years. We know that some key kingdoms in the region sent tributes to China on a regular basis, and history shows that China reciprocated by sending envoys to these Southeast Asian kingdoms. In some instances, China sent minor princesses to marry their rulers and cement relations.

Thus, when speaking of relations with Malaysia, the current Chinese government quotes history frequently, reminding Malaysia that Admiral Zheng He (better known in the West as Admiral Cheng Ho) “visited” the country in the 14th century. Such language seeks to reinforce an understanding in Malaysia that bilateral ties with China go back centuries. Of course, all of this occurred before the arrival of European colonizers.

China nonetheless takes history seriously and that is the reason why they adhere to the “Nine-dash line” as their primary claim to the South China Sea. And consistent with this claim, China has been militarizing the South China Sea by building and occupying military bases on small islands over the past decade. The United States and its allies do not recognise the Nine-dash line and insist that the South China Sea remains open to freedom of navigation, consistent with the UN Convention on the Law of the Sea (UNCLOS).

The rise of China in the region is real and can be felt by ordinary citizens. In the case of Malaysia, China has not been the top trade partner for most of the past decade but is increasingly seen as a source of capital and technology. This was certainly true during the premiership of Najib Razak (2009-2018). When Najib was marred by the 1MDB financial scandal, China was one of the few countries he could turn to for capital.¹ Hence, some of the biggest Belt and Road Initiative (BRI) projects for Malaysia were initiated during his tenure, as he turned towards China for foreign direct investment (FDI) while Western companies largely refused to invest in Malaysia. When Najib visited Beijing in 2016, Malaysia inked deals worth over US$34 billion in Chinese investments.

Although many of the BRI projects were subsequently re-negotiated after Najib’s fall from power in 2018, many did go ahead, although at a reduced scale. China today remains

Malaysia’s top trading partner and a top investor, and many Malaysian businessmen would argue that there is no running away from the “Chinese shadow.”

If there is one area of concern the Malaysian elites have over the rise of China, it is the fear that this will embolden the local Malaysian ethnic Chinese population. Large numbers of Chinese labourers were brought into the country during British colonial rule, and today the ethnic Chinese population constitutes about a quarter of Malaysia’s population. There are ongoing racial tensions in Malaysia between the ethnic Malays and ethnic Chinese, with the Malays monopolizing political power while the ethnic Chinese remain dominant in the economy. The Malaysian ethnic Chinese have long complained of institutionalized discrimination.

Some members of the Malay establishment worry that China’s rise will lead to more assertive local Malaysian ethnic Chinese seeking political equality. They have seen how enthusiastic the Malaysian ethnic Chinese community has been over China’s rise. One major ethnic Chinese-based political party even established a “BRI-unit” to promote trade relations with China, while another major ethnic Chinese-based party promoted a cartoon book titled Belt & Road Initiative for Win Winism, the cover of which shows Mahathir and Xi Jinping giving the thumbs up. Part of the enthusiasm for the BRI comes from the belief that more trade with China will benefit the Malaysian ethnic Chinese business community most, since they are usually the middlemen when it comes to trade with China. Almost all Malaysian ethnic Chinese businessmen can speak, write, and read Chinese fluently, in addition to Bahasa Melayu, the official language. Their Chinese ethnic ancestry and Malaysian citizenship gives them a distinct advantage when it comes to dealings with China.

On the other side of the coin is the fear that China’s dominance over Malaysia’s international trade will lead to more ethnic tensions domestically between the majority ethnic Malays and the minority ethnic Chinese. Indeed, a small group of Malay nationalists has consistently called on the government to restrict the dominance of Malaysian ethnic Chinese in the economy. The potential of mainland Chinese investment becoming a domestic political issue is best exemplified by the case of “Forest City.” Forest City was a Chinese-funded initiative, worth nearly US$100 billion, to build a new luxury “smart” city on an artificial island just north of Singapore. It was expected to accommodate about 700,000 residents after completion. It was targeted at mainland Chinese buyers who were looking for a second home outside China. But the project collapsed after Mahathir announced that while the mainland Chinese would be able to buy the luxury condominiums in Forest City, they would not be granted a resident visa, thus defeating the idea of making Malaysia a second home for Chinese buyers. Mahathir’s

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announcement was largely the result of Malay nationalists’ complaints that the project would lead to an influx of Chinese living permanently in Malaysia.³

**Limited Options**

It is a well-known fact that Malaysia faces political pressure from the United States and its allies to take a more assertive stance against China, especially in the South China Sea. The argument made by the United States is that appeasing China would simply enable China’s coercive behavior, which could lead to a future situation in which Malaysia may not be able to make its own decisions. Put another way, if Malaysia does not take a strong stance against China now, China will continue to ignore international laws and norms and become even more belligerent. The West has consistently argued that complying with international rule of law and norms is the best guarantee for the sovereignty of all countries. The United States has even offered to provide evidence of China’s encroachment in Malaysian waters by Chinese vessels, but Malaysia has decided to pursue a “low-profile” approach by de-emphasizing the problem. Certainly, on several occasions, Malaysia has issued statements on Chinese encroachment and called in the Chinese Ambassador to protest. Yet, in most cases, no follow-up actions were taken.

Malaysia’s “soft” approach is best illustrated by then-Malaysian Foreign Minister Hishammuddin Hussein calling Wang Yi a “big brother” in front of a televised press conference on April 2, 2021, when the Foreign Minister was attending a bilateral Malaysia-China dialogue in Beijing. The main reason why Malaysia has decided not to confront China in a more assertive manner boils down to the fact that Malaysia has much more to lose over the long term if a full-scale diplomatic confrontation occurs. On top of the potential economic losses, the Malaysian navy is in no position, now or in the future, to militarily challenge the Chinese navy. And given China’s “shadow” over ASEAN, it is doubtful that ASEAN will stand solidly behind Malaysia over the long run were it to confront China. Moreover, when it comes to China, ASEAN itself is divided. Several ASEAN countries have territorial disputes with China, but ASEAN has not been able to agree on a common position, reflecting China’s strong influence with some members like Cambodia.

Malaysia also knows that at the end of the day, the United States and its allies will not support Malaysia in any major military confrontation. The security component of U.S. President Biden’s Indo-Pacific strategy is more focused on the Taiwan Strait and the North Korean nuclear issue. When it comes to the South China Sea, the United States will most likely get involved only if China attempts to block freedom of navigation for commercial vessels. At best, Malaysia can only expect strong diplomatic support if it confronts China, but this would probably wane in a prolonged confrontation, diplomatic or otherwise.

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The ultimate reality is that Malaysia is a middle-power. This makes it hard to confront a major power like China, which is on its way to becoming number one.

One important ingredient of Malaysia’s approach towards China, often missed by analysts, is how the Malay establishment views China. This view, informed by history, is not articulated openly, but is dominant when the establishment is confronted with hard choices. Basically, it goes like this:\[4\]

“We have been living under the Chinese shadow for a millennium. The Chinese have been trading with the Malay peninsula for years before the coming of Western powers. We never had any real issues with the Chinese and the Chinese never sought to directly colonize us like the West. Now the West is asking us to take their side against the Chinese when in history, they have never directly threatened us. Moreover, one of the key reasons why we have a problem now is because the rise of China threatens the United States, who is a declining power. Why should we side with a declining power against an old power that never colonized us? If our ancestors can live peacefully with China pre-arrival of the West, what makes you think we cannot do it in the future?”

On top of this, the Malaysian elite understand that future economic growth and prosperity probably lies with China. They do not think that the West can match the trade and other economic opportunities offered by China in the coming decades. In fact, many see the United States as a declining superpower and believe China, and probably India, will be much more important in the coming decades.

Thus, the best policy to pursue is exactly what Malaysia is doing now: hedging on both sides and maintaining strategic ambiguity, with occasional diplomatic outbursts if China is too blatant with its encroachment on Malaysian sovereignty, such as when Chinese fishing vessels get too close to the Sarawak coastline or threaten Malaysian fishing vessels. In the meantime, Malaysia hopes that by not confronting China directly and by continuing to deepen ties, China will have to think twice about harming Malaysia’s interests in the future.

Malaysia has already signaled that it is even willing to deepen military ties. In 2015, a military agreement was signed that gave the Chinese navy stopover access to the port of Kota Kinabalu and facilitated joint military exercises. However, it must be noted here that the United States and its key Western allies have also had these same privileges for decades. The difference is in the timing. An agreement was signed even as the Chinese continued intruding into Malaysian waters, especially in the Luconia Shoals which is just 84 nautical miles north of the coast of Sarawak and a few hours of sailing from the port of Kota Kinabalu.

Conclusion

4 The following is a summary of quotes from several senior Malaysian officials and politicians in conversations with the author.
Malaysia has always had a close relationship with the West, especially during the Cold War era. It was a lot easier in those days when the United States and the West were the dominant force in the international arena. Now with the rise of China complicating both domestic and international factors as described above, Malaysia has been forced to rethink its foreign policy. When it comes to tensions between the United States and China, relations are complicated by the fact that Malaysia sits left and right of the South China Sea, the center of the superpower rivalry in Southeast Asia and an obvious military flashpoint.

With strong and stable ties to the West, and increasing ties to a rising China, Malaysia is pursuing the “middle road” of hedging. This strategy has been tenable, and perhaps will be so even in the long run. It is likely there will be other powers, such as India, who can challenge the one dominant superpower (i.e. China) scenario. In fact, given the nature of globalization we see today, it is likely that we will see multiple powers and actors operating in the international arena. Under this policy, Malaysia will continue to maintain strategic ambiguity as long as U.S.-China tensions in the South China Sea do not escalate into open military conflict. In practice, this has meant not relying on ASEAN, one of Malaysia’s foreign policy pillars, in its dealings with China. It has also meant pursuing a “low-profile” approach by protesting behind closed-doors and suppressing nationalist sentiment domestically.

No amount of pressure exerted by the United States or its allies will make Malaysia take a more public and assertive stance against China on the South China Sea issue, unless China suddenly becomes too blatant in its dealings with Malaysia. By maintaining a policy of strategic ambiguity, Malaysia will have room and flexibility to move if the international situation changes. For middle powers, this is probably the best option available when great powers clash.

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Further reading


