Malaysia's Domestic Narrative and Regional Role

An Interview with Liew Chin Tong

Malaysia has seen extraordinary and unexpected developments since the turn of the 21st century. Over the past decade in particular, Malaysia has transformed from the archetypal “competitive authoritarian” state into a vibrant yet fledgling multiethnic democratic order, capturing the attention of scholars and policymakers alike. Even so, challenges remain in this Southeast Asian country as its political leaders try to straddle apparent binaries: between liberal and guided democracy, free market and state-led capitalism, and great powers in the East and West. The Journal invited Minister Liew Chin Tong, Malaysian politician and current Deputy Minister of Investment, Trade and Industry, to discuss the state of domestic politics in Malaysia, future directions for the country’s economy, and how Malaysia views its place in Southeast Asia and the broader Indo-Pacific region. He also shared his experience as former Deputy Defence Minister creating Malaysia’s first-ever Defense White Paper.

I. Malaysian Domestic Politics

Journal: We want to start off on the topic of domestic politics in Malaysia, because our journal theme for this year is “Beyond Great Power Politics.” We noticed that in the past five years Malaysia has changed leaders pretty frequently; no prime minister has remained in office for more than two years since 2018. In your opinion, what factors are driving these political trends? And how do you think the current government should pursue greater stability and policy continuity?

Liew: If you look back to independence, from 1957 to 1969, we had multiethnic elites collaborating with each other. Scholars like to call it consociationalism, meaning the elites can make deals among themselves thinking that they represent the ordinary people.

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In the late ‘60s, the baby boomers were looking for jobs, but the global economy was not good. The baby boomers who were in their 20s at that time were the most dissatisfied demographic within all of the ethnic groups. And that resulted in the government losing massively during the 1969 election, which led to ethnic riots, and subsequently, there was an emergency order in place until 1971. Then the second leader came in, Razak Hussein, who was there for a couple of years until he died due to illness in 1976.

There was a period of time in 1970-71 up until 1990 when the ruling party, UMNO\(^1\), became very Malay-centric and consequently created opportunities for upward mobility for young Malays. So the young Malays who were baby boomers were given plenty of job opportunities because the ruling party took a racial line. Therefore, the young ethnic Chinese and Indians were not feeling included during that period.

But after that, because of the economic downturn in the mid ‘80s, there was a liberalization of economic policies. Subsequently, there were massive investments from East Asia into Southeast Asia, particularly to Malaysia, Indonesia and Thailand. Mahathir\(^2\) switched gears in 1991, when suddenly, the ruling party felt that they could be more inclusive in terms of ethnic politics. There was a period of very peaceful ethnic relations from 1991 to about 2005. The ruling coalition was really quite big, starting in 1995. But then in 1999, there was the Asian financial crisis and UMNO lost support and seats. From 2005 until 2022, ethnic relations became quite bad. UMNO was not able to win among the Malays while also losing non-Malay support. Even so, the opposition was not able to win sufficient seats to rule on its own.

Over the last five years, the old order has frayed and decayed, but a new order has not been able to emerge. Whenever it came to dealing with politicians representing the old ideas, every prime minister was unable to find a way to compromise, and each of the prime ministers were unable to hold on to power. But the 2018 election proved that UMNO was not invincible. Perhaps if Anwar\(^3\) can hold together the current arrangement, it may be the start of a government that is outside of UMNO or a government that does not include UMNO—though, of course, now UMNO has become a coalition partner with Pakatan Harapan\(^4\), which is a major twist that we did not really anticipate.

**Journal:** Related to that, you have often emphasized the importance of Merdeka and #KitaJagaKita\(^5\) which are these ideas of a more inclusive Malaysian identity, as opposed

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1 United Malays National Organization, the oldest political party in Malaysia.
2 Mahathir Mohamad, then the Malaysian prime minister.
3 Anwar Ibrahim, the current Malaysian prime minister.
4 Pakatan Harapan is the leading coalition of the opposition parties in Malaysian politics that has a center-left ideological alignment. It was the coalition that led to the historic moment of winning the 2018 election and dethroning the center-right Barisan Nasional coalition that had led for decades.
5 Merdeka is an Indonesian and Malay term that means “independent” or “free” becoming an especially important term in the post-colonial period in Malaysia. Likewise, #KitaJagaKita was a social media movement that came in response to the multi-pronged crises that Malaysia faced following the outbreak of COVID-19; from public health, economic, and political crises, #KitaJagaKita became a rallying cry for unity amongst Malaysians across societal divisions.
to UMNO, which has been traditionally more representative of Malay people to the exclusion of those of Chinese or Indian descent. Do you have a vision of how your government will try to bring all these different groups together?

Liew: Within Malaysian political discourse, there is one discourse which is ethno-centric. So, there’s this idea that Malays take care of Malays and are represented by UMNO. There are Chinese, who were supposed to be taken care of by the Malaysian Chinese Association (MCA), which is part of the Barisan Nasional coalition, and by the Federation of Chinese Associations (FCA). Additionally, Indians were supposed to be taken care of by the MIC, Malaysian Indian Congress. That is one set of ideas, which is still influencing the minds of many people, but there was another idea that we’re all Malaysians; we come from different backgrounds, but we have more in common than the differences that we have. Therefore, we can create an approach towards a national Malaysian identity—a Malaysian identity that sees ourselves as coming from different backgrounds, cultural backgrounds, but sharing the same destiny.

What I have been working on over the years is to try and articulate a national interest and also a national Malaysian identity that sees itself in the region in relation to others. And not just from within, which has been a struggle. Even U.S. politics is struggling with that. We are in many ways, of course, truly multiethnic, so our struggle is perhaps a lot more difficult. But interestingly, because we are actually a very multiethnic society, being Malaysian can mean different things while also meaning each of us is still Malaysian. One way of articulating identity is that I am Chinese, you are Malay, and we are coming to a partnership. We want to move away from that view and instead say that we are all Malaysians, despite our differences.

II. Malaysian Foreign Policy

Journal: It’s definitely very important to create a sense of social cohesion going forward, especially in this time of uncertainty after COVID. We’re glad that you touched on building Malaysia’s power in the region because we noticed that in your book, The Great Reset, you talk a lot about how Malaysia should move forward, domestically. Do you think there is a need for a great reset of foreign relations after COVID?

Liew: I was the Deputy Minister of Defence between 2018 and 2020—before the
"But after COVID and the Ukraine war, after all these disruptions, I think we’re moving from pursuing economic efficiency, to ensuring economic security."

in a relatively short span of time, but more importantly, what we were trying to articulate was that Malaysia is a maritime nation with continental roots. Now, in Malaysia’s self-conception, there was one part of the country which saw itself in relation to the anti-Communist struggle. The founding myth of the state dates back to 1948.

After the British compromised and created the Federation of Malaya, it faced its first major challenge when the Iron Curtain was created and the Cold War began. The British decided to take on the Communists when they began to fight the Malayan Communist Party during the First Malayan Emergency. Meanwhile, the Malayan Communist Party also began to take off in popularity in 1948 and formed its own militia in 1949, the Malayan National Liberation Army. To combat the Communist Party in Malaysia, a militia was formed and turned the country into a police state. The Malayan Emergency ended in 1960. But Malaysia was essentially defining itself through its battle against the indigenous Communist Party and we are still in many ways caught in that dynamic. The Armed Forces itself is very much land-based.

Malaysia is now highly urbanized. Nearly 80 percent of Malaysians are living in urban areas. Malaysia is at the crossroads of the world, with what many now call the most important body of water in the world, the South China Sea, where conflict may happen. We have the peninsula and we have the Borneo states. So between Bhutan and the South China Sea, we’re right smack in the middle. The Malacca Strait is one of the most important sea routes in the world. It is something that Chinese scholars are very worried about, where the Malacca choke point and Malacca dilemma are located. Malaysia views itself as a land-based country, but what the Defence White Paper is trying to do is to define ourselves as a maritime nation and to see ourselves as a maritime nation with continental roots to the Asian continent.

Journal: Given the weight that Malaysia places on ASEAN unity regarding conflicts in the South China Sea, what are potential areas of improvement and coordination that can be made between member states in areas such as piracy, illicit trafficking, and maritime conflicts involving foreign vessels? And given that Indonesia, which is the current ASEAN chair, has signaled a desire to intensify talks with China over formalizing a

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6 The Sheraton coup or Sheraton Move as it is also called, was a political crisis from 2020-22 in which several parliamentary members defected from the Pakatan Harapan coalition, causing the loss of a parliamentary majority and successive elections that worsened the country’s political stability and effectiveness at responding to COVID-19.
South China Sea code of conduct, how do you envision these negotiations playing out?

Liew: I think, at some point, we should really formalize the code of conduct (CoC). Of course, when it comes to negotiation, there is always the question whether we can find ASEAN consensus. This is because the maritime states of ASEAN are most likely to have very similar views and interests. But very often when it comes to negotiations about the South China Sea, Laos and Cambodia, which are generally closer to China, may sometimes be perceived as somehow sharing China's views a little more than others. I hope eventually, ASEAN will come to a consensus on what ASEAN needs and what ASEAN wants from China in its negotiation of a CoC.

However, I think that moving forward, there should also be closer dialogue among the maritime states within ASEAN. It may not have to be a minilateral — it may not have to be a form of minilateral — but I think the maritime states of ASEAN will have to understand each other more, because we all have overlapping claims in the South China Sea. Malaysia has overlapping claims with the Philippines, Singapore, and with Indonesia, but at the same time, we have a lot in common with each other. There should be some form of informal minilaterals among the maritime states, so that they can eventually speak with one voice.

Unfortunately, the structure in negotiating with China at the moment is either bilateral, or through ASEAN. I hope we can persuade China to see the South China Sea as having two layers. That is, China and the United States may have a great power rivalry in the South China Sea. China and the rest of the great powers may have differences over China's view of the South China Sea as part of China's “Monroe Doctrine” where the United States is excluded. It is really a question of whether the United States is part of the region. Those of us in the South China Sea area and in Southeast Asian states would generally think that the United States is part of the region, but at the same time we do not want the United States to clash with China. So that's one layer, which is this great power rivalry, which will be there for a long time.

The second layer is the relationship between China and the Southeast Asian states. It is very common that these are mixed together. In general, the ASEAN states do not want to choose a side because they appreciate the presence of the United States to a certain extent. But the ASEAN states also know that China will continue to be ASEAN’s neighbor in the next 500 years. China will not go away and we will not go away. I hope that eventually, the Chinese state will be able to see that it has to build very close ties with Southeast Asian states. It also has to understand that the smaller states in Southeast Asia do have anxiety about the size of China. China sees the South China Sea as China versus the United States, with China as the victim, versus the United States who is the bully.

I see the need for the Southeast Asian states and China to co-exist. We also need the United States to understand that it is not about choosing a side. It benefits us and the United States as well to have a middle ground or a buffer in Southeast Asia. And
I think many of the Southeast Asian states are buffers to the United States and China. Japan cannot play that role, nor can South Korea play that role. This is because Japan and South Korea are U.S. allies. Although we are not U.S. allies, the United States has deep roots in Southeast Asia. And we are very close to China. So, Southeast Asia plays the role of providing productivity to both U.S. and Chinese companies and of being a meeting place for everyone.

III. Malaysian Economy

Journal: Amid the political tensions between China and the United States, do you see any opportunities coming up for Malaysia? For example, there are a lot of people in Washington talking about supply chain security, and you have also described supply chains as an important part of the Malaysian economy, especially with regards to semiconductors.

Liew: If we look at the world, I will say that from the fall of the Berlin Wall in 1989 up until COVID and the Ukraine War in February last year, it was hyper-globalized and liberal—both economically and politically. When China first joined the World Trade Organization (WTO), the country was a factory. The supply chain stretched from Mexico to Malaysia and eventually assembled in China. But after COVID and the Ukraine war, after all these disruptions, I think we're moving from pursuing economic efficiency, to ensuring economic security.

Economic security is becoming an increasingly important component of corporate decision-making. Any corporation that makes decisions will have to start thinking about economic security. So we are in a very unique situation, where Malaysia and other Southeast Asian states suddenly find themselves in a very interesting space. In the early '90s, there was a huge influx of investments from Japan, South Korea, and Taiwan in Malaysia and other Southeast Asian states, which benefited us significantly. However, that wave did not last. It ended with the 1997 Asian financial crisis and Malaysia plunging into a political crisis. Meanwhile, China entered the WTO in 2001, and most of the manufacturing capacity around the world shifted to China, including from the United States, not to mention those from Southeast Asia. So, the Malaysian economy has been stagnant for two decades.

But now Southeast Asia is in the spotlight. Western firms are starting to move their headquarters from Hong Kong to Singapore. European and American factories in China are now pursuing “China Plus One” —and of course, “Taiwan Plus One” as well—because of the concern over conflict between China and Taiwan. The U.S. companies can move back to us. Some of them will do so thanks to subsidies and inflation reductions. The U.S. companies can move back to the United States thanks to subsidies and the Inflation Reduction Act of 2022. But European companies cannot go back to Europe.

7 The "China Plus One" business strategy encourages diversified investment not only in China, but in ASEAN countries.
because there’s no electricity.\textsuperscript{8}

Interestingly, Chinese firms are coming into Southeast Asia as well, because some of them are part of the supply chain that supplies U.S. and European companies. And they are now facing some restrictions where they are not allowed to supply U.S. companies in China.

Despite the worst aspects of the U.S.-China rivalry for Southeast Asia, it also, ironically, provides a second chance for Southeast Asian states. Vietnam has benefited the most from the first wave of “China Plus One” caused by increasing wages in China. Companies are seeking to invest in countries other than China, which is the so-called “China Plus One” business strategy I mentioned previously.

\textit{Journal:} You mentioned that the Malaysian economy can’t really rely as much on its export-driven growth with the COVID-19 outbreak and that it has been focused mostly on manufacturing. What kind of economic strategy do you think Malaysia should adopt as it is moving into a post-COVID future?

\textbf{Liew:} I think the Malaysian economy should not be purely export-oriented, and we must pay people better. We must grow domestically, but we must export more than just cheap labor. We must not work on the basis that we will have a constant supply of cheap labor. When I say export-oriented industrialization, unfortunately, it presupposes cheap labor. So we are still stuck in the 1980s economic model. It presupposes that we have a demographic dividend so that labor is cheap. And therefore we can suppress wages in order to export.

I had a conversation with Mahathir Mohamad, the former prime minister. His idea was basically that we cannot increase wages because we will lose our competitive edge. I have a totally different approach. I say that we should increase wages and we should eventually create a middle class society where enough people pay income taxes. At the moment, the median wage of Malaysia is only 2,250 Ringgit which is about $400. And you need about 4,000 ringgit to be eligible to pay income tax. So in Malaysia, only 15 percent of the working population are paying income tax. It means the rest are not earning enough to pay income tax. It is a serious crisis.

What we really need is an upgrading of our manufacturing. We can still export but we must export higher value-added goods. We cannot just be a single line, and we must be involved in innovation. Thus, we must move to an economic model that relies less on labor and more on innovation and skills. And we will become a nation in pursuit of skill rather than cheap labor.

This is something that I am trying to get people to think about: move away from the old export-oriented industrialization model. We can industrialize, and we must do it

\textsuperscript{8} Liew is referring to energy shortages caused by sanctions against Russian energy imports in response to the Russian invasion of Ukraine.
at a higher level.

**Minister Liew Chin Tong** is the current Deputy Minister of Investment, Trade and Industry under the ruling Democratic Action Party in Malaysia. He has also previously served as the Deputy Minister of International Trade and Industry and the Deputy Minister of Defence. He represents Perling, Johor as its State Assemblyman and has authored several published journal articles and books.