In one of the earliest studies on Malaysia’s foreign relations, scholar Peter Boyce (1968: 145) observed that relations with China were ‘the key point of reference’ for Malaysia’s foreign policy-makers. This observation was true throughout the early decades of Malaysia’s existence as a newly independent small state in a volatile international environment, struggling to battle the China-backed Malayan Communist Party (MCP) against the backdrop of the Cold War. Significantly, the observation has remained generally true to the present day. Although (or precisely because) the external and internal contexts have changed drastically since the end of the Cold War, China has remained a key point of reference for Malaysia’s external policy planners. This time, the reference has been cast in a largely positive light, as China has gradually emerged as a key economic and diplomatic partner since the early 1990s. Successive Malaysian leaders, from Mahathir Mohamad, to Abdullah Ahmad Badawi, to present Prime Minister Najib Abdul Razak, have all chosen to engage China at both bilateral and multilateral levels. Despite overlapping territorial claims in the South China Sea between the two countries, Malaysia has accommodated and capitalised on China’s growing power, seeking to maximise commercial and geopolitical gains from the rising power while endeavouring to keep its long-term options open. Abdullah and Najib both chose China as their first country outside ASEAN to visit upon assuming the premiership in 2003 and 2009, respectively. Two weeks after his visit, Najib remarked in a key foreign policy speech that the trip was made ‘because our relationship with China is fundamental to our national interests, and because there are many mutual lessons to be learnt and shared between our countries’ (Najib 2009).

This chapter analyses the key factors that have made China so central to Malaysia’s foreign policy planners. It argues that such persistent salience – and the turnaround in bilateral ties since the 1990s – is essentially a function of three enduring imperatives that have together characterised the dynamics of Malaysia–China ties. They are: the ambivalence of asymmetrical power relations; the gravity of geographical proximity; and the primacy of the political elite’s domestic authority.

The chapter is divided into three parts. The first part elucidates the three enduring themes in Malaysia–China interactions. The second and third parts discuss how the interplay among these imperatives has shaped the evolution of Malaysia–China relations in the Cold War and the post-Cold War periods, respectively. The concluding section sums up the discussion.
The endurance of asymmetry, proximity and authority

Malaysia’s relations with China are, by all measures, asymmetrical. The enormous disparity between the two countries in size of territory, population and resources necessarily results in a vast disparity in their economic and military capabilities. This immutable power gap means that, in effect, China can harm and help Malaysia’s interests much more than any other actor can (with the obvious exception of the United States, and, during the Cold War, the Soviet Union). Size and strength matter in international relations; for the weak, the effects of asymmetry often go both ways, because the strong is a source of both apprehension and assistance. Such is the dominant theme that has coloured Malaysia’s relations with the giant to its north, as discussed below.

The consequences of power asymmetry, significantly, are often heightened by geographical proximity, with particularly profound effects for weaker states like Malaysia. This is because proximity often means a greater range and a higher intensity of contacts between the states, thus rendering the weaker side more exposed to the consequences of the giant’s might. The logic of proximity need not be always malignant. There can be benevolent aspects from the presence of a proximate power. The case of Malaysia–China interactions indicates that the effects of living with a giant neighbour are far from single-directional; rather, they are mixed and multifaceted. During the Cold War, proximity constituted security threat and political subversion to Malaysia, when communist China provided support and assistance to local communist insurgents. During the post-Cold War era, the negative ramifications of proximity include various trans-boundary challenges and territorial disputes over the South China Sea. On the other hand, however, Malaysia’s post-Cold War interactions with China show that proximity has shaped the bilateral ties in a generally positive manner. Geographical closeness has encouraged a growing two-way flow of goods, services, capital and people between the two countries, which is, by and large, mutually beneficial. This has created a growing need for more bilateral cooperation.

While asymmetry and proximity are given conditions with which a smaller state like Malaysia must reckon, regardless of any changes at the domestic level, their effects are rarely straightforward. The case of Malaysia’s China policy indicates that the effects of power asymmetry and geographical proximity have always been filtered through, and defined by, domestic politics, that is, the ruling elite’s desire to enhance their political relevance and authority at home. The pages that follow illustrate why, despite the enduring challenges of asymmetry and proximity, Malaysia–China relations have been transformed from hostility during the Cold War to a cordial partnership in the post-Cold War era. It is argued that such transformation is, to a large extent, driven by the ruling elite’s determination to prioritise economic and geopolitical benefits over potential security concerns from an essentially asymmetric power relationship, for the ultimate goal of enhancing their own domestic political authority.

The Cold War period

Throughout much of the Cold War decades, the effects of power asymmetry on Malaysia were predominantly negative. Relations between Malaya (after 1963, Malaysia) and communist China were then hostile and antagonistic. This was the result not only of ideological differences, but also of Mao Zedong’s policy of supporting indigenous communist insurgencies in Southeast Asia, including the Malayan Communist Party (MCP), which had sought to establish an independent republic via armed struggle since 1948. As a result, the
ruling Parti Perikatan (Alliance coalition) elite in Kuala Lumpur – comprising mainly the Malay aristocracy, predominantly Malay state bureaucrats, as well as English-educated Chinese and Indians – had come to view China as a threat to Malaya’s security and internal order.

The Malayan elite’s strategy was one of balancing, or aligning with Western powers to confront the source of threat. Under its first prime minister, Tunku Abdul Rahman, Malaya upon independence in 1957 entered into the Anglo-Malayan Defence Agreement (AMDA) with its former colonial ruler, Britain, and pursued an anti-communist and anti-China foreign policy (Chin 1983). In 1959, Malaya strongly deplored China’s suppression of the Tibetan revolt (Jeshurun 2007: 27). In 1962, when the India–China border war broke out, Malaya was again forthright in criticising China’s action (Saravanamuttu 1983: 27). Domestically, the Malayan government insulated the local Chinese community ‘from the political and socio-cultural pulls reverberating from the home of Chinese civilization’ (Singh 2004: 5). Publications from China were banned; travel restrictions to and from the mainland were imposed; and Bank of China branches in Malaya were all ordered to close. On 16 September 1963, Malaya merged with the former British colonies of Singapore, Sarawak and North Borneo (now Sabah) to form a larger Federation of Malaysia. From 1963 to 1966, Indonesia launched Konfrontasi, a low-intensity military campaign, to ‘crush’ the infant nation. Beijing gave support to Jakarta. This deepened Perikatan leaders’ fear that Mao’s China and Sukarno’s Indonesia had forged a pact to establish hegemony over the region, with tiny Malaysia as the target of the two larger countries’ expansionism. The end of Konfrontasi in 1966 ended the threat from Indonesia, but it did not ease the perceived threat from China.

The period from the second half of the 1960s to the early 1970s was a threshold for the Malaysian elite’s security outlook. Developments during this period for the first time created an acute sense of uncertainty in the minds of the smaller state’s elite about the long-term commitments of its security patrons. In July 1967, the British government announced that it would withdraw its forces east of Suez by the mid-1970s. In 1971, the British began the withdrawal of forces from its bases in Singapore and Malaysia. AMDA was replaced by the Five Power Defence Arrangements (FPDA) – among Britain, Australia, New Zealand, Malaysia and Singapore – which obligated all partner states to ‘consult’ each other in the event of external aggression against Malaysia and Singapore, but with no obligation for the partners to act. At around the same time, the United States also started to reduce its ground troops in mainland Southeast Asia, as enunciated by President Nixon’s Guam Doctrine in 1969.

These developments, which highlighted the risks of abandonment, were watershed moments for Malaysia’s security planners. In adjusting to the new realities that ‘the British lion no longer had any teeth, the Australian umbrella was leaking, and the American eagle was winging its way out of Asia’ (Sopiee 1975: 136), the Malaysian elite realised that they now had to cope with their own security problems, and to face the proximate big power largely by themselves. This realisation compelled the elite to stress self-reliance and regionalism in their security planning (Alagappa 1987).

Changing structural conditions thus called for major adjustments in Malaysia’s external policy. They compelled the ruling Perikatan – now under the leadership of Tun Abdul Razak – to abandon the country’s long-standing pro-West stance, and to replace it with a posture of non-alignment and regional neutralisation first enunciated by Tun Dr Ismail in 1968. This policy shift was formalised in April 1970 when Ghazali Shafie, the foreign ministry’s permanent secretary, called for endorsement of the neutralisation
not only of Indo-China area but of the entire region of South East Asia, guaranteed by the three major powers, the People’s Republic of China, the Soviet Union and the United States, against any form of external interference, threat or pressure.

(Ghazali 1982: 157)

The Malaysian elite judged that, in order to get the big powers to ‘recognize, undertake, and guarantee southeast Asia as an area of neutrality’, the ASEAN states should acknowledge and accommodate the ‘legitimate interests’ of each of those powers, while observing a policy of ‘equidistance’ with all the powers (Ghazali 1982: 157). The new strategic outlook necessitated Malaysia to adjust its China policy because neutralisation ‘required formal relations between the neutralized and the guarantor’ (Sopiee 1975: 149). That China had now shown a more moderate external posture made it easier for Malaysia to explore reconciliation.

Malaysia’s move toward rapprochement was driven not only by structural concerns, but also domestic security and political exigencies. In terms of security, the elites in Kuala Lumpur calculated that, given the perceived impending departure of their Western patrons, establishing relations with Beijing was a necessary move to reduce or neutralise the threat of MCP guerrillas, who were now restricted mainly to the Malaysia–Thailand border.

The early 1970s thus saw a process of engagement and normalisation of negotiations between Malaysia and China, culminating in Razak’s historic visit to Beijing and the establishment of diplomatic ties on 31 May 1974. Malaysia was the first ASEAN member to establish such ties. Analyst Abdul Razak Baginda (2009) observes that while the external changes in the late 1960s and early 1970s provided opportunities for policy rethinking, it was domestic political developments that influenced the timing of Malaysia’s rapprochement with China. In the wake of Perikatan’s unprecedented electoral setback in May 1969 and ensuing ethnic riots (between Malays and Chinese), the new Razak government needed to formulate new directions for the country’s internal and external policies that would serve to restore internal stability and justify their authority (Saravanamuttu 1983). Internally, the government moved to prioritise Malay interests by introducing a pro-Malay affirmative action programme in the form of the New Economic Policy (NEP) in 1971. It also moved to consolidate the United Malays National Organisation’s (UMNO) dominance within the ruling coalition by co-opting most opposition parties, thereby transforming Perikatan into the enlarged Barisan Nasional (BN, National Front) in 1973. These political changes dramatically reduced the role of non-Malays in Malaysia’s political and economic life (Means 1991).

Externally, the Razak government moved to steer Malaysia’s foreign policy towards non-alignment, which appealed particularly to Malay nationalists and leftist groups. Given that neutralisation required Malaysia to drop its earlier anti-Chinese stance and make overtures to Beijing, this new posture also had the effect of alleviating the alienation of ethnic Chinese, winning over their support for BN and improving inter-ethnic reconciliation in the post-1969 environment (Saravanamuttu 1981). Shafruddin Hashim (1986: 159) notes that the rapprochement served to promote inter-communal conciliation, chiefly by enabling Malays ‘to view the PRC, communism, and the local Chinese as separate entities’. In the general elections that were held little more than two months after Razak’s China visit, the BN coalition clinched an overwhelming victory. This boosted the new government’s authority.

These developments, however, did not erase the dual problems of asymmetry and proximity. Despite the rapprochement, Malaysian leaders from Razak through Hussein Onn to Mahathir Mohammad continued to view Beijing with distrust throughout the 1970s and 1980s. They were upset over China’s ‘dual-track policy’ of separating government-to-government relations from party-to-party ties, which meant the relationship between the
Chinese Communist Party and communist parties elsewhere, including the MCP, were separate from government-to-government relations (Tilman and Tilman 1977: 153). Joseph Liow (2009: 53) notes that although China attempted to placate Malaysia’s concerns by stressing that its support for the MCP was necessary in order to prevent the Soviets from exerting influence on the party, and that its support was limited only to moral support, Malaysia remained unconvinced. Malaysian elites were also suspicious of Beijing’s policy of treating ethnic Chinese as ‘returned Overseas Chinese’ (Leong 1987). Overlapping territorial claims in the South China Sea further added to the mistrust (Mak 1991).

Notwithstanding these anxieties, the effects of asymmetry and proximity were not entirely negative during the Cold War period. Indeed, Malaysia’s China policy since the 1970s has been motivated by a growing pragmatism on the part of the Malaysian elite, who saw economic benefits to be gained from the proximate giant’s huge market. This was so especially after Mahathir came to power in 1981. While the new premier had paid attention to strengthening Malaysia’s economic ties with Japan under his Look East Policy, he also sought to develop closer economic links with potential big markets such as China.

It was during the first decade of Mahathir’s tenure that economic pragmatism was made a central theme in Malaysia’s China policy. This was in part due to the leader’s desire to reduce Malaysia’s dependency on the West, and in part to the Malaysian elite’s conviction that Deng Xiaoping’s 1978 reforms were likely to continue. This desire was further reinforced by the mid-1980s world economic recession. Against this backdrop, Mahathir led a large delegation to China in late 1985. The trip was significant not only because it was Mahathir’s first visit to China, but also because it signalled his decision to concentrate on economic matters as the way forward to manage what was then considered to be the ‘most sensitive foreign relationship’ for Malaysia (Clad 1985). This top-down pragmatism cleared bureaucratic hurdles and smoothed the path for the signing of a series of important documents aimed at facilitating bilateral trade and investment (Lee and Lee 2005). Nevertheless, despite growing pragmatism in the interest of forging closer economic ties, political vigilance remained throughout the 1980s (Leong 1987). It was not until the end of the Cold War that the old political barriers were replaced by new opportunities, setting the stage for a turnaround in Malaysia–China relations in the new era.

The Post-Cold War era

Post-Cold War Malaysia–China relations are a story not so much about how the small state resists power asymmetry and proximity, but more about how it endeavours to live with, accommodate and even capitalise on these structural conditions for its own interests.

Indeed, as elaborated shortly, the past two decades have witnessed a transformation in Malaysia–China relations, from mutual suspicion to cordiality and partnership. Politically, present-day bilateral ties are at their best yet. During President Xi Jinping’s visit to Malaysia in October 2013, the two countries agreed to elevate bilateral ties to a ‘comprehensive strategic partnership’. Economically, since 2009, China has been Malaysia’s top trading partner and Malaysia is China’s largest trading partner in ASEAN, with total trade volume expected to reach US$100 billion in 2013 (the third Asian nation to exceed this figure, after Japan and South Korea). At the people-to-people level, the two nations have also seen a surge in tourism and educational links. Security-wise, while concerns linger among the Malaysian armed forces about China’s future intentions, the country’s political elites, by and large, hold positive perceptions of China.
What explains this transformation? What explains the shift in Malaysia’s policy towards its giant neighbour, from hostility and guarded rapprochement during the Cold War to a productive partnership during the new era? In retrospect, the factors are multiple, but three are the most crucial, each concerning the ruling elite’s domestic political considerations.

First, the removal of long-standing political barriers paved the way to a new era. In December 1989, MCP leader Chin Peng, who had been residing in China for years, signed a peace accord with the Malaysian government in Thailand. The accord not only put an end to the decades-long MCP armed struggle, but it also eliminated a key obstacle to Malaysia–China relations (Wang 1990). Also in 1989, China formulated a new law on citizenship, which severed the ties between the PRC and the ‘overseas Chinese’ diaspora. This development overlapped with a transformation within Malaysian society: since the 1970s, local Chinese have become more aware of ‘their status as Malaysian citizens, and the primordial links with the homeland feature little, if at all, to them’ (Liow 2009: 69) By the 1990s, the ethnic Chinese issue was no longer an impediment to bilateral ties. In August and September 1990, the Malaysian government lifted all restrictions on visits to China, in effect terminating a ‘managed and controlled’ policy that had aimed at insulating local Chinese from China’s influence (Chai 2000).

Second, the changing source of threat to the ruling elite’s domestic authority led Mahathir to reassess China’s role toward Malaysia. With the dissolution of the MCP and the growing pressures of economic globalisation, Mahathir had, by the early 1990s, come to view protectionism and unfair practices in international trade as a principal threat to his rule. For him, these were not purely economic problems, but issues with profound political ramifications. According to Chandran Jeshurun (2007: 164–65), Mahathir’s domestic power base was threatened in 1987 because of a political crisis sparked by the prolonged recession of the mid-1980s; this ‘was one of the major factors that motivated much of his new thinking on national economic strategy and how to deal with the emerging realities of a new international economic order.’

Regional developments in the 1990s – particularly the lukewarm response from Japan and fellow ASEAN members to his idea of the East Asian Economic Grouping (EAEG), in contrast to China’s supportive stance – might have convinced Mahathir to view Beijing as an indispensable partner in his quest to create a regional coalition in the post-Cold War international economic arena. In part because of China’s continuous growth, its privileged position as a permanent member in the United Nations Security Council, and the emerging view that China ‘would eventually replace Japan as an economic leader in the region’, the Malaysian elite had begun to perceive China as an emerging actor that would play an increasingly vital role in regional and global affairs. The fact that Malaysia and China saw eye-to-eye on issues like the ‘Asian values’ debate and multipolarity had further contributed to the elite’s reassessment of China’s role, from a source of fear to a source of economic and geopolitical support. Power asymmetry and proximity have, therefore, become a basis of attraction and partnership to the Malaysian elite in the new era.

Third, China’s corresponding actions have made the transformation possible. Mahathir’s desire to reset bilateral ties overlapped with the Chinese Communist Party’s determination to improve China’s relations with all the ASEAN states in the wake of Western sanctions following the Tiananmen incident in June 1989. In order to counter the West’s isolation policy and ensure continuous access to markets and foreign investments, China embarked on a good neighbour policy, aimed at engaging and stabilising its relations with countries on its periphery, including the ASEAN states (Ba 2003). Malaysia, for its part, made concerted efforts to engage China.
This convergence gave rise to a process of mutual engagement. In December 1990, Chinese Premier Li Peng made a four-day visit to Malaysia. It was at a banquet for his Chinese counterpart that Mahathir proposed his EAEG idea. Four months later, in April 1991, Malaysia and China held their first bilateral consultative meeting in Kuala Lumpur.

These bilateral interactions, importantly, helped initiate a multilateral process among China and the ASEAN countries. Together with its ASEAN partners, Malaysia enthusiastically made efforts to integrate China into ASEAN activities, to which Beijing responded positively. In July 1991, three months after the first consultative meeting between the two countries, Malaysian Foreign Minister Abdullah Ahmad Badawi invited his Chinese counterpart, Qian Qichen, to attend the opening session of the 24th ASEAN Ministerial Meeting in Kuala Lumpur. Qian's attendance at the meeting, during which he also held an informal talk with other ASEAN foreign ministers, marked the beginning of the ASEAN–China dialogue process. In 1996, China became ASEAN’s dialogue partner. China's actions in engaging Malaysia and other ASEAN states, as well as in responding positively to ASEAN's various regional initiatives (e.g., the ASEAN Regional Forum), have contributed to the transformation of Malaysia–China relations and development of ASEAN–China cooperation.

The 1997–98 Asian financial crisis, which highlighted a deepening economic interdependence among countries in the East Asian region, further expedited the transformation. China's decision not to devalue its currency was praised by Mahathir for helping to avert another round of currency crisis. China's positive response to Malaysia's June 1997 suggestion to hold an informal ASEAN plus China, Japan, and South Korea summit in Kuala Lumpur – held in December that year, the summit marked the beginning of the ASEAN Plus Three mechanism – along with Beijing's increasingly active participation in the various ASEAN-based regional forums, reinforced the Malaysian elite's assessment of China as an important regional partner. Hence, when Malaysia pushed to set up an APT secretariat in Kuala Lumpur in 2002 (unsuccessful because of opposition from other ASEAN members), then to host the inaugural East Asia Summit (EAS) in Kuala Lumpur in 2005, Beijing's strong backing was regarded as a sine qua non.

Beijing's receptivity to these regional initiatives, of course, was not entirely a function of China–Malaysia and China–ASEAN ties, but primarily China's own considerations about its broader geopolitical, geo-economic, and ideational interests (Kuik 2008). But the level of importance that China has attached to its bilateral relations with Malaysia – that transcends leadership changes in both capitals – should not be disregarded.

Indeed, many analysts inside and outside of Malaysia observe that, throughout the post-Cold War era, China has seemed to pursue a comparatively favourable policy towards Malaysia, even over the South China Sea issue. Joseph Liow (2009: 63), for instance, notes that while Beijing sternly condemned Vietnam for making inspection tours of the Vietnamese-held Spratly Islands in 1989, it remained silent over Malaysian king Sultan Azlan Shah's visit to the Malaysian-occupied atoll of Terumbu Layang-Layang in May 1992. In 1999, when Malaysia erected structures on Terumbu Peninjau (Investigator Shoal) and Terumbu Siput (Erica Reef), China's reaction was low-key (Razak Baginda 2002: 244).

Malaysia's outlook on China throughout the post-Cold War era reflects pragmatic acceptance of the reality of living with a proximate and rising power, which entails a determination to proactively shape the bilateral relations for mutual long-term benefit. In a 2004 speech, Prime Minister Abdullah Badawi noted:

Malaysia's China policy has been a triumph of good diplomacy and good sense. . . . I believe that we blazed a trail for others to follow. Our China policy showed that if you
Malaysia’s pragmatic China policy is, first and foremost, rooted in the ruling elite’s desire to maximise rewards from China’s huge and growing economy. Such economic pragmatism is well illustrated by its successive leaders’ high-level visits to China, which have always been accompanied by large business delegations, resulting in many joint-venture projects. That this economic pragmatism has persisted, and indeed, flourished under different administrations, reflects a sustained political will on the part of the ruling elite to prioritise mutually beneficial economic ties over other issues. The fact that the two countries’ economic structures are more complementary than competitive has further contributed to the momentum of such a policy.

During the Mahathir years, Malaysia–China trade climbed from US$307 million in 1982, to US$1.4 billion in 1992, to US$14 billion in 2002 (Shee 2004: 79). In the post-Mahathir era, Malaysia’s trade with China grew at a rate faster than that with the United States and Japan, the country’s two traditional key trading partners. Under Abdullah, bilateral trade almost doubled from US$20 billion in 2003 to US$39 billion in 2008 (Kaur 2009). Under Najib, Malaysia’s economic ties with China have grown even faster and wider, in part due to the ASEAN–China Free Trade Agreement that took effect on 1 January 2010. Since 2009, China has become Malaysia’s largest trading partner. In 2011, bilateral trade reached a new high of US$90 billion, with Malaysia enjoying a large surplus of US$30 billion (Star 2012).

Post-Mahathir Malaysia–China economic ties have been characterised by not only growing bilateral trade, but also a conscious effort by the Malaysian government to enhance bilateral investment and financial cooperation. Under Abdullah, more government-linked companies were encouraged to make a presence in China and to establish a bilateral currency swap arrangement. Under Najib, a number of initiatives have been taken to boost bilateral investment and financial flows. In November 2009, Bank Negara Malaysia and the China Banking Regulatory Commission signed an MOU to forge cooperation on banking supervision. In February 2012, the two sides renewed their bilateral currency swap deal for RM90 billion. In April 2012, Malaysia and China launched an industrial park in Qinzhou, Guangxi. At the launch, Najib proposed a sister industrial project in Malaysia, to be located in Kuantan.

The robust two-way economic links between Malaysia and China are a result of various factors: cordial political relations, geographical proximity, complementary economic structure and socio-cultural linkages. Increasingly productive commercial links have justified and consolidated a policy of economic pragmatism. These economic benefits are particularly crucial to the present government, which seeks to promote its Economic Transformation Programme (ETP) to shore up its performance legitimacy after the 2008 and 2013 General Elections.

Yet the Malaysian elite’s pragmatic disposition towards China is grounded not only in economics, but also in geopolitical considerations. The elite’s awareness that the giant neighbour is a key, permanent factor in Malaysia’s external environment – along with their deep-seated concerns about uncertainties in great power commitments, which the elite painfully learned from the Cold War years – has prompted the Malaysian elite to take a long-term view on Malaysia–China relations. Answering a question on the importance of China to Malaysia, a former senior official who headed the Malaysian foreign service commented:

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\text{Economically, China is important for Malaysia just as it is important to other countries. Strategically speaking, China is important to Malaysia because it is a permanent neighbour.}
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\text{(Abdullah 2004; emphasis added)}
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in the region, unlike, say, the United States, which can decide to retreat to its own regional domain far away from Asia. China is here to stay forever, and it will assume superpower status sooner or later. It is pragmatic to establish friendship and understanding with superpowers. Malaysia has always held the view that the correct approach towards China is not to isolate China but to engage China. This is the best way to enable Malaysia to maintain its non-aligned posture and sustain its own independence in the international arena.

(Personal interview, 16 February 2010)

This pragmatic view has a profound bearing on Malaysia’s China policy. It has, among other effects, led successive Malaysian leaders to prefer engagement and consultation – rather than antagonism and confrontation – in dealings with China in general and the Spratly Islands issue in particular.

Malaysia’s pragmatism in accepting the reality of China’s growing power, however, does not mean subservience towards China. Nor does it imply an acceptance of a Beijing-dominated regional order. Given Malaysia’s sensitivity about sovereignty and the complexity of its ethnic structure, a subservient approach is a non-starter for Putrajaya. In fact, preventing the possibility of domination by any big power in Southeast Asia continues to be an unwavering goal in Malaysia’s strategic outlook. This is indicated by Malaysia’s insistence on keeping an ‘equidistant’ relationship with all major powers.

Indeed, Malaysia’s China policy throughout the post-Cold War era has continued to reflect quintessentially ‘hedging’ behaviour. That is, while the smaller state is determined to develop closer ties with China in order to maximise near-term economic and geopolitical rewards, it is equally determined to adopt contingency measures to avoid putting itself at the mercy of other states. Malaysia, like other rational actors, wants to keep its strategic options open and preserve its autonomy, for as long as structural conditions allow (Kuik 2010). These contingency measures are implemented through diplomatic and military means, that is, cultivating a balance of power at regional multilateral forums as well as pursuing limited forms of alignment and armament as a fallback position (but without directly and explicitly targeting any actor). In 2005, Malaysia under Abdullah decided to renew the Acquisition and Cross-Servicing Agreement with the US (first signed in 1994 under Mahathir), which enabled the two armed forces to share logistics and supplies for the next ten years. In 2011, Malaysia under Najib decided to upgrade its participation in the US-led Cobra Gold military exercises, from observer to participant status.

Such a hedging posture is reflected in Malaysia’s approach in handling the South China Sea disputes. While the smaller state has made clear that it prefers to manage the issue through diplomatic rather than military means, it has at the same time attempted to hedge this position by quietly supporting a US military presence in the region, and emphasising that territorial disputes must be resolved peacefully, through mechanisms under international law.

There are both domestic and structural reasons why Malaysian policy elites have preferred diplomacy and rejected a confrontational approach to the South China Sea issue. A confrontational approach would require Malaysia to align with a strong military power. The United States is the only candidate on the horizon. But joining the US camp is not an option that the Malaysian elite would consider, as doing so would engender other risks. Structurally, putting all eggs in the US basket would expose Malaysia to risks of entrapment into great power conflicts and abandonment by their patron. Domestically, too, allying with Washington could erode the very bases of the UMNO-led government’s authority, as it would invite fierce domestic opposition, especially from the majority Malay-Muslims, who have been critical of US policy on the Israeli–Palestinian conflict.
Domestic political considerations aside, a confrontational approach is strategically unjustified, for China is merely a security concern, and not – at least not yet – an immediate threat that must be managed by military alliance. More importantly, confrontation is strategically counter-productive, as it could galvanise a potential concern into an imminent threat. It is also economically unwise, because military confrontation would only result in the loss of vast commercial benefits that can be tapped from China. This is not merely an economic issue, but a critical political concern, given the growing salience of economic performance as a key pathway of legitimation for the ruling elites.

These bases of domestic legitimation, thus, have led successive Malaysian leaders to prioritise practical economic and diplomatic gains over potential security concerns. Given that a stronger bilateral relationship with China has enhanced Malaysian elites’ capacity to strengthen their economic foundations and political bases over the past few decades, and given that China has remained more a potential than an imminent threat, the current policy of engaging China while keeping some contingent measures is deemed strategically sufficient, politically acceptable and economically rewarding. It is such a goal-prioritisation and ends–means assessment that has underpinned Malaysia’s pragmatic approach towards China over the past two decades.

Conclusion

Malaysia’s relations with China, as discussed above, have been shaped by the interplay of three enduring imperatives: the ambivalence of power asymmetry; the gravity of geographical proximity; and the centrality of the ruling elite’s domestic authority. The transformation of bilateral relations from hostility to cordial partnership since the end of the Cold War suggests that, contrary to the conventional view that a rising power’s growing capability and geographical closeness tend to induce fear and resistance from smaller states, the effects of asymmetry and proximity are at best mixed, and at times, a source more of attraction than of apprehension. These predetermined conditions, while important, have no inherent logic of their own. Ultimately, it is the ruling elite’s domestic political needs – a desire to enhance and justify their political authority at home – that best explain how and why a smaller state chooses to respond to the evolving opportunities and challenges surrounding the rise of a big power.

Notes

2 Personal interview, Dato’ Abdul Majid Ahmad Khan, former Malaysian Ambassador to China, 4 November 2009, Selangor.
3 This view was expressed to Allen Whiting by a Malaysian official in Kuala Lumpur in the mid-1990s. Cited in Whiting 1997: 311.

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