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**Malaysia, relevant player or
passive observer?**

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Malaysia, relevant player or passive observer?

Abstract:

The conflicts in the South China Sea are not entirely alien to us. The major powers are positioning themselves at the new center of the world, while other smaller countries are trying to protect their interests. Among these players, Malaysia is a country that has undergone a major political change. The new government has established a roadmap that will enable the country to take advantage of existing opportunities and thus try to become a regional middle power. To do so, it must face a number of challenges, for which it will need allies whose presence in this part of the world can be of great benefit

Keywords:

Malaysia, security, terrorism, South China Sea, conflict, ASEAN, trade

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***NOTE:** The ideas contained in the Opinion Papers shall be responsibility of their authors, without necessarily reflecting the thinking of the IEEE or the Ministry of Defense.

Resumen:

Los conflictos en el mar de la China meridional no nos son del todo ajenos. Las grandes potencias están posicionándose en el nuevo centro del mundo, a la vez que otros países más pequeños tratan de proteger sus intereses. Entre estos actores, Malasia es un país que ha vivido un gran cambio político. El nuevo gobierno ha establecido una hoja de ruta que permita al país aprovechar las oportunidades existentes y así tratar de convertirse en una potencia media regional. Esto supone afrontar una serie de retos que, sin duda, implicará la alianza con otros países, los cuales pueden obtener beneficios por su implicación en la zona.

Palabras clave:

Malasia, seguridad, terrorismo, mar de la China meridional, conflicto, ASEAN, comercio.

Introduction

In the middle of a region through which a third of world trade passes, identified as one of the most important Chocke Points in the world, bordering waters in constant tension over territorial rights, lies a country that could be key to the security and stability of the region, and of world trade: The Federation of Malaysia.

Due to its geographical location, the country has always been linked to world trade. Since its independence, it has sought to be a country open to trade. Through its openness, it has successfully managed to reduce its high rates of inequality and poverty over the past 30 years. According to the World Bank, about 40% of Malaysia's jobs are linked to export activities. As yet another Asian tiger, it has maintained high growth rates, averaging 5.4% since 2010, and is expected to achieve its transition from an upper-middle-income to a high-income economy by 2024.

Greater prosperity brings with it greater strategic independence. The country's rulers are fully aware of the challenges facing the region, which even threaten its development status. To this end, the country must play to maintain complicated geostrategic balances, while maintaining its characteristic independence and neutrality.

The country is seeking to equip itself with more and better means to maintain free navigation and protect its interests in the region. At the same time, it is pursuing a diplomatic strategy to accompany this new drive to become a regional middle power, without relying on major alliances with the great powers, both regional and global.

Malaysia is gradually becoming a relevant player in a scenario that has already become the new world center, both in terms of its economic weight and the volume of population residing in the region. Any action taken in this new center has serious repercussions. And Malaysia wants to become a major player on a stage full of giants. To this end, it is developing the strategies we will see below.

Country composition

Malaysia, a country in Southeast Asia, is composed of two non-contiguous regions: Peninsular Malaysia, located on the Malay Peninsula, and East Malaysia, on the island of Borneo. The capital, Kuala Lumpur, is located in the western part of the peninsula; the administrative center, Putrajaya, is located 25 kilometers south of the capital.

The country has several neighbors. Peninsular Malaysia shares a land border with Thailand and a maritime border with Vietnam. To the south, it has a maritime border with Singapore and Indonesia. East Malaysia shares a land border with Indonesia and the Sultanate of Brunei, and maritime borders with the Philippines and Vietnam. Its neighbors are one of the major emerging powers, such as Indonesia, and the city-state that is the world's third largest financial center and the second largest cargo port, Singapore.



Figure 1 – Map of Malaysia

Source: <https://www.britannica.com/place/Malaysia>

After its rapid independence in 1957, the country faced a number of challenges, political and military. The first was a brief invasion by Indonesia, caused by high racial tensions. Subsequently they suffered from a sporadic communist insurgency in Sarawak, periodic disenchantment in East Malaysia with federal policies and the dominance of Peninsular Malaysia, and the secession of Singapore from the federation (at the behest of Malaysia) in 1965¹.

¹ http://www.fita.org/countries/malaysia.html?ma_rubrique=cadre

Despite these difficulties, a quasi-democratic parliamentary political system was maintained, including periodic elections and moderate political diversity. It also has some restrictions on civil liberties, such as a ban on public discussion of issues considered "sensitive".

Malaysia's federal states and territories are the country's main administrative divisions. Malaysia is a federation of 13 states and 3 federal territories. The states share government with the federal government, while the federal government administers the 3 federal territories.

Another characteristic element is that it is a multiethnic and multicultural country. This is a determining factor when politicians have to make decisions and set the country's strategy. Approximately half of the population is ethnic Malay. There are also minorities of Chinese, Indians and indigenous peoples. The official language of the country is Malay. English is maintained as a second language. Although Islam is recognized as the established religion in the country, the constitution grants freedom of religion to non-Muslims². Islam is one of the most important factors distinguishing a Malay from a non-Malay and, by law, all Malays are Muslims. This represents three-fifths of the country.

Upon independence, Malaysia was constituted as a federation of former colonies of the United Kingdom. The system of government is inspired by the Westminster parliamentary system, taking advantage of existing systems. The head of state is the king, whose official title is Yang di-Pertuan Agong. He is elected for a five-year term by and from among the nine hereditary rulers of the Malay states. The other four states, which have incumbent governors, do not participate in the selection. The 16th King of Malaysia and Sultan of the State of Pahang, Al-Sultan Abdullah³, the current king.

Given its peninsular and island nature, the sea and its resources are at the center of the country's security policy. Its location in a crucial enclave has allowed it to develop by taking advantage of it. This means maintaining excellent relations with all its neighbors and with the major powers present in the area. The stability of its political system has

² <https://www.worldatlas.com/articles/ethnic-groups-of-malaysia.html>

³ <https://www.straitstimes.com/asia/malaysia-crowns-sultan-abdullah-as-16th-king>

allowed it to go from being a poor country, mainly an exporter of raw materials, to being home to solid industrial and service sectors, which has propelled the country to become one of the main exporters of electrical appliances and electronic parts and components.

Today, Malaysia is one of the most open economies in the world, with a trade-to-GDP ratio exceeding 130% on average since 2010. Openness to trade and investment has been instrumental in job creation and income growth, as nearly 40%⁴ of Malaysia's jobs are linked to export activities. Its economy is dependent on stability in the region. It is therefore crucial for its security to maintain peace in the area.

Geopolitical position

The challenges facing newly elected Prime Minister Mahathir Mohamad are not minor. In his foreign policy guide, he makes explicit reference to territorial disputes in the South China Sea⁵. Aside from being a crucial issue for the country's security, it encompasses other related problems, such as irregular immigration and terrorism. Some of the main challenges are detailed below.

The Parcels Islands, the Spratly Islands, the Patras Islands... All conflicts that plague the South China Sea, considered for China as its "Mediterranean Sea"⁶. It is an area of great geopolitical tension, commercial importance, and generation of conflicts between neighbors. Its importance lies in the fact that more than 3 trillion dollars⁷ in trade circulate through this sea, nearly a third of the total. The area is vital for China's survival, since 39% of its foreign trade⁸ flows through it. It is therefore an essential route for supplying a growing population demanding more products. It also has large fishing grounds, a source of wealth for any coastal country. And, as if that were not enough, in a world where the needs and demands for energy continue to grow, despite the coronavirus crisis, in its depths it harbors gas and oil reserves. A real trump card for whoever controls these

⁴<https://www.worldbank.org/en/country/malaysia/overview#:~:text=Malaysia%20is%20one%20of%20the,Malaysia%20linked%20to%20export%20activities>.

⁵ <https://www.kln.gov.my/foreign-policy-framework/#14/z>

⁶ <https://www.econstor.eu/bitstream/10419/99987/1/785306587.pdf>

⁷ <https://thediplomat.com/2017/08/how-much-trade-transits-the-south-china-sea-not-5-3-trillion-a-year/>

⁸ <https://chinapower.csis.org/much-trade-transits-south-china-sea/>

https://chinapower.csis.org/much-trade-transits-south-china-sea/?utm_content=buffer2dfa4&utm_medium=social&utm_source=twitter.com&utm_campaign=buffer

waters.

To reach these waters, seen from a European perspective, it is first necessary to cross another well-known channel, the Strait of Malacca. It is an essential passageway to connect the Indian Ocean and its coastal countries with the countries of Asia-Pacific. It is a strait of sea whose length is 500 nautical miles, and with a width ranging from 40 nautical miles at its narrowest part, to 155 nautical miles⁹. Through this reduced space, 60% of the trade by sea circulates¹⁰, about one hundred and fifty ships a day. This is the main oil supply route for the second and third economic powers, Japan and China, more than 16 million barrels per day. After the Strait of Hormuz, it is through this strait that the largest amount of oil passes. Given the considerable growth of economies in the region, such as Thailand and Indonesia, this flow is only expected to increase. Moreover, it is not the only existing strait. The Makassar, Lombok and Sunda Straits are also crucial for Southeast Asian trade and for the main international routes.

This situation makes the Malaysian government to become involved in the security of the region. Its strategy is to maintain its status as a non-aligned country and pragmatic dealings with the United States and China. It maintains its position as a member of ASEAN and its rejection of the hegemony of the major powers in the region. The development of Malaysia's economy through its trade relations is crucial to its survival; and the promotion of human rights issues, particularly those affecting Muslims.

Diplomatic strategy

In line with the above, the government is renewing the previous "Look East" policy, planning to upgrade its defense mechanisms in the South China Sea¹¹. Its objectives involve enhancing its defense capabilities to protect its interests, in line with those of ASEAN, with Asia-Pacific countries as key players.

Its relations with China are part of this "Look East" policy, which has been so successful

⁹ <https://www.britannica.com/place/Strait-of-Malacca>

¹⁰ <https://www.eia.gov/todayinenergy/detail.php?id=32452>

¹¹ <https://www.kln.gov.my/foreign-policy-framework/files/assets/common/downloads/Foreign%20Policy%20Framework.pdf>

for the country in the past. Mahathir, the Prime Minister, likes to point out that China, unlike the Portuguese, who colonized the Malay peninsula within two years of their arrival in 1509, has never "conquered" Malaysia, despite having been its neighbor for almost two thousand years¹². Despite criticizing the previous executive for the unequal relations between the two countries, Mahathir recently returned to supporting the Belt and Road Initiative in a more balanced manner. The government's review, cancellation and suspension of mega-projects in Malaysia involving Chinese investments prevent the government from becoming mired in debt to China and maintain its neutrality and independence.

In line with the strategy undertaken, a transcendental event for the world took place in the region. On November 15, 2020, the Regional Comprehensive Economic Partnership Agreement (RCEP)¹³ was signed. Its success lies in the countries that make it up, which in addition to ten ASEAN members, include China, Japan, South Korea, Australia and New Zealand. This agreement has become the largest trading bloc in the world. It has a population of more than 2.3 billion people, representing about 30% of the world economy¹⁴. Through this agreement, countries will be able to agree on rules to regulate their commercial exchanges. Not only for the exchange of goods and services, but it also emphasizes cross-border investment, including a special chapter for e-commerce. Through this agreement, the region becomes the economic epicenter of the world.

After its signing, Malaysia could become one of the major beneficiaries, due to the access to the large market and the foreign direct investment that it brings with it. For example, lowering trade barriers between its main trading partners, such as China (25% of trade), Japan and South Korea (18% between them) will benefit Malaysian companies. In terms of attracting investment, according to the Economist Intelligence Unit's 2019 business environment rankings, Malaysia tops the list of ASEAN countries in terms of emerging market competitiveness. To channel such benefits, the government has planned, in its 2021 budgets, to become a trade and investment hub through various initiatives under

¹² <https://www.scmp.com/week-asia/politics/article/2151394/mahathir-mohamad-qa-malaysian-pm-beijing-jack-ma-and-why>

¹³ https://www.fmm.org.my/FMM_In_The_News-@-FMM-;_RCEP_to_contribute_significantly_to_Malaysian_companies.aspx

¹⁴ <https://www.thestar.com.my/business/business-news/2021/01/25/insight---rcep-breakthrough-for-malaysias-external-trade>

the Penjana and Prihatin stimulus packages.

The country's security strategy seeks to complement its trade policy by ensuring open and friendly relations with as many countries as possible, maximizing access to their markets, investment and technology transfer. On the other hand, it seeks to offset China's security challenges with its commercial interests by defending the freedom of transit of goods, especially through its waters.

At the same time, defense relations between Malaysia and the United States, consolidated through the Bilateral Formation and Consultation Group agreement in 1984, have remained stable despite political ups and downs. The government seeks to maintain its strategy of non-alignment with either power, something it feels it can only be hurt by, since its country lives by being a stable trading location.

It security in an under stress region

The new government has adopted a security strategy to protect its integrity as a state and its interests. This strategy is set out in Malaysia's First Defense White Paper¹⁵. It is the first time that a line of action in this field has been presented for the next 10 years.

One of the main objectives is to enhance the capabilities of the armed forces and other security agencies, increase the sense of need to be ready for any incident, and to have an appropriate response capability, as well as to participate more actively in regional initiatives, while maintaining its diplomatic strategy of non-alignment.

The plan refers to the geographical description of the country, described in strategic terms as a "maritime nation with continental roots", whose geographical location has allowed it to be a "linking axis" between the Indian and Pacific Oceans through the Malaka Strait and the South China Sea. Thanks to this situation, its objective is to become a regional middle power. This strategy includes solving the problems of porous borders and the threat of piracy in its waters, which are crucial for world trade.

With an opposition that includes members of the former government, reaching

¹⁵ <http://www.mod.gov.my/images/mindef/article/kpp/DWP.pdf>

parliamentary agreements for Malaysia's security and defense forces to be better resourced, equipped and maintained is proving easy to agree.

The Royal Malaysian Air Force plans to upgrade its fleet of aircraft with full-spectrum maritime patrol capabilities, supplemented by unmanned aerial vehicles, in order to better patrol Malaysia's maritime areas in and around the South China Sea, where China is increasing its presence. This is in addition to several transport aircraft being retrofitted for maritime surveillance roles under the U.S.-funded Maritime Security Initiative. Again, it reflects their strategy of non-alignment, and how this is to their benefit.

Conflicts in the South China Sea

Maintaining sovereignty over the waters is crucial for the country, as it is currently seeing its interests harmed. China's aggressive reaction against Petronas' contracted West Cappella exploration activities in May 2020¹⁶ has been a warning that any future Malaysian hydrocarbon activity in its waters carries a much higher level of risk. The threat they feel from China is heightened when they see that their Chinese military units that were previously based on Hainan Island are now deployed in disputed waters, threatening the country's fishing fleet. And it is not alone in bringing its troops closer. Indonesia has militarized the Natuna Islands in response to its growing Chinese threat perception.

Growing disputes in the South China Sea, between major powers such as the US and China, are increasing Malaysia's concern that it will be drawn into a conflict from which it can only be harmed. Such tensions have even caused division within ASEAN, the backbone of the country's trade and diplomatic policy. Several statements by Foreign Minister Hishammuddin Hussein between July and September have highlighted Malaysia's concern about being "dragged and trapped"¹⁷ in this vicious spiral. To this end, the new government is trying to improve its security capabilities. It is true that this is a difficult task, given its high debt levels and growth projections, which will not allow it to meet its ambitious plans. Despite this, the country has gone from waiting, to getting involved in a growing conflict, trying to equip itself with capabilities that will allow it to

¹⁶ <https://www.energyvoice.com/oilandgas/asia/260374/petronas-drilling-china-fury/>

¹⁷ <https://www.channelnewsasia.com/news/asia/south-china-sea-malaysia-should-not-be-trapped-hishammuddin-12993032>

protect its interests, starting by seeking multilateral alliances¹⁸ with like-minded countries to positively influence and keep open the commercial channels that guarantee its security.

The terrorism problem

As far as terrorism is concerned, it is not a minor issue in the country. As the effects of COVID-19 begin to dissipate, and countries reopen their borders, the country knows it must deal with the return of Islamic State foreign terrorist fighters from Syria. Foreign fighters and their families are looking for places to seek refuge, and Malaysia may become an attractive destination.

The biggest attraction for terrorists is the country's visa waiver program. This makes it easy, given the porous nature of the Sabah region with Indonesia and the Philippines, to transit freely between these countries. In the past, terrorists have exploited these vulnerabilities. The Malaysian authorities aim to strengthen and improve existing border control measures. But still the area remains active for human trafficking and kidnapping. An Interpol-led operation, dubbed "Maharlika III"¹⁹, carried out in the region, has been a major step forward. conducted in the region between February and March 2020 during the pandemic, resulted in the arrest of more than 180 people for various crimes.

The scenario facing the new government is that of a militarily weakened Daesh in Syria, but present in the southern Philippines. Malaysians are known to be sympathetic to the Islamic State. Former JL terrorists (group have been integrated into their organization. This has involved a record of 102 Malaysians who went to Syria in a span of five years, from 2013 to 2018, of which 54 are on record.

The government has established a rehabilitation program for its expatriates. Experts have questioned the effectiveness of this program, as several high-profile former fighters, such as Yazid Sufaat and Rafi Udin, participants in the program, showed few signs of rehabilitation and engaged in recidivist behavior²⁰.

According to a professor at the University of Arizona²¹, terrorism must consider a new

¹⁸ <https://www.isis.org.my/2021/01/28/malaysia-australia-ties-raised-to-comprehensive-strategic-partnership/>

¹⁹ <https://www.interpol.int/en/News-and-Events/News/2020/Hundreds-arrested-in-crackdown-on-terrorist-routes-in-Southeast-Asia>

²⁰ <https://www.mei.edu/publications/returning-foreign-fighters-malaysia-ready>

²¹ <https://csis-website-prod.s3.amazonaws.com/s3fs->

variable. This goes through the detection of nuclear centrifuges destined for Libya manufactured by a Malaysian company, revealing that the region is not immune to the proliferation of weapons of mass destruction.

As the government has focused on dealing with the ongoing pandemic, national resources are being devoted to economic recovery and the health sector, and national security has arguably taken a back seat. This does not mean that the emerging problems, especially those related to the return of ex-combatants, should be neglected.

Although Malaysian institutions and agencies have successful experience in dealing with terrorism, addressing social factors in such a diverse country is a huge challenge. The government does not want to alienate the country's majority population, which could displace it from power in the next election.

The role of the EU and Spain in the region

Both the Malaysian Federation and the European Union have common strategies and interests. Both prioritize a strategy of multilateralism, based on free trade between nations. Both actors signed a free trade agreement in 2010²².

Translated into figures, bilateral trade between the two partners amounted to €39.8 billion in 2018. EU imports from Malaysia have gradually increased since 2006 and stood at €25.6 billion in 2018, while EU exports have also seen an increasing trend to reach €14.2 billion last year. Although Malaysia has not been a major trading partner in the services sector so far, opportunities have already increased thanks to its policies on trade that the current government intends to boost.

Not only does trade bring prosperity, but it also ensures unity and security among those most involved. Malaysia can prove to be a crucial player in maintaining peace and stability in an area where the European Union also has a lot at stake.

public/legacy_files/files/media/csis/pubs/0401qus_seasia.pdf

²²https://web.archive.org/web/20140505071518/http://www.miti.gov.my/cms/content.jsp?id=com.tms.cms.section.Section_c7fcc8ab-c0a8156f-6f346f34-46e35eb1

To this end, the EU is also gradually establishing cooperation with Malaysia in Common Foreign and Security Policy (CFSP) areas such as maritime security, export control and chemical, biological, radiological and nuclear (CBRN) risk.

Despite its prioritization of relations with Asian and regional countries, Malaysia has become an important partner in the fight against terrorism, despite tensions arising between some leaders over the way it defends the rights of the Muslim population.

Particularly with Spain, diplomatic relations have not been abundant. Being countries with clearly defined areas of influence, and where their interests do not intersect, the European Union channel keeps the commercial and security interests of both protected, and they hope to be able to continue increasing such mutually beneficial trade.

The lack of historical relations and geographic remoteness means that the two countries are not cultivating a relationship, even though we face very similar security challenges.

Conclusion

The world has changed. The new center has shifted to the Asia-Pacific region. Within this broad scenario, there are a large number of actors whose actions will come to condition other regions further afield.

One such actor is the Malaysian Federation. The new global shift has coincided with the coming to power of a different party for the first time in 60 years. This opens up a wide range of possibilities for an actor whose aspirations are to become a regional middle power. The new government is adopting a security strategy, which involves ensuring peace and stability in the region, as it is a country highly dependent on world trade.

The strategy developed revolves around two clear lines. In diplomatic matters, it is seeking non-alignment with any power. The increasing actions carried out by both China and the US are keeping the states of the region in tension. The Malaysian Federation, in an attempt to compensate the powers, is pursuing a line of multilateralism with the ASEAN countries. The signing of the RCEP will allow greater economic integration among

the countries of the region. This is seen in the country as a way of guaranteeing security, as well as a source of investment and wealth for its own country.

The other axis of its strategy is to become more involved in the region's conflicts. To this end, it knows that it must equip itself with more modern equipment and improve its military capabilities. This will result in trying to stabilize a region in which China's troop deployment in the South China Sea is straining relations with other countries, as well as bringing troops closer to the borders.

Finally, Malaysia seeks to be able to solve the problem of terrorism, which is crucial to maintaining stability in the region.

Malaysia is called upon to play a more active role on the international scene, and therefore has to be taken into account as an important partner in maintaining peace and stability in the new center of the world, where we Europeans also have interests to protect.

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