



Malaysia

Overview

The Federation of Malaysia is a majority Muslim parliamentary democracy in Southeast Asia. It has an ethnically and religiously diverse population of 31.8 million, with a Malay majority and large ethnic Chinese and Indian minorities. Malaysia is considered a middle-income country, relatively prosperous among Southeast Asian nations.

Malaysian politics underwent substantial change in 2018, when an opposition coalition known as *Pakatan Harapan* (Alliance of Hope), led by former Prime Minister Mahathir Mohamad, defeated the ruling *Barisan Nasional* coalition in nationwide elections. It was the first change of government in Malaysia's history. Mahathir, who had been Prime Minister from 1981-2003 under the ruling coalition before later forming an opposition party, ran a campaign promising to fight the corruption of the previous government. Many heralded the peaceful transfer of power as a sign of democratic development in a country long seen as an authoritarian democracy.

Malaysia plays an active role in regional diplomacy, and it has been a partner in various U.S. initiatives in Asia, including trade and security initiatives as well as efforts to combat terrorism and religious extremism. It is one of four Southeast Asian nations that have territorial disputes with China in the South China Sea, and its export-led economy has encouraged it to undertake trade negotiations with the United States and others. Malaysia was a member of the Trans-Pacific Partnership (TPP), from which the United States withdrew in 2017, and it is one of 11 members of the renamed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Malaysia was an original member of the Association of Southeast Asian Nations (ASEAN), and it sees itself as both a regional leader and a moderate voice within the Islamic world. Despite generally cooperative bilateral relations with the United States, some issues remain obstacles to closer ties, including Malaysian opposition to much U.S. policy in the Middle East, and U.S. concerns over some Malaysian economic and human-rights policies.

Democracy and Politics in Malaysia

Until May 2018, Malaysia had been ruled by a single political coalition since its independence from the United Kingdom in 1957. The *Barisan Nasional* was led by the United Malays Nasional Organization (UMNO), a Malay-nationalist party that draws its membership predominantly from the country's Malay majority. UMNO enacted a series of economic and social preferences for *bumiputera* (ethnic Malays and indigenous peoples), and it derived much of its appeal from issues of ethnic identity. Mahathir was an

UMNO member until 2016, when he left to form a new party, *Bersatu*.

The 2018 election led to a peaceful and democratic change of government in a region where many analysts have perceived a decline in democratic institutions in recent years. Despite uneven electoral representation favoring Malay-dominated districts and strong government influence over media outlets, Mahathir's coalition won 122 seats in Malaysia's 222-seat parliament. Polling suggested that Malaysian voters were deeply concerned with corruption under the government of Prime Minister Najib Razak, who has since been indicted for money laundering related to his chairmanship of 1MDB, a sovereign wealth fund.

Population/area: 31.8 million with growth rate of 1.3%. (2018)
Slightly larger than New Mexico

Government type:
Federal Constitutional Monarchy
(Parliamentary Democracy)

Prime Minister:
Mahathir Mohamad

Chief of State:
King Sultan Abdullah Sultan Ahmad Shah

GDP: \$29,100 per capita ppp with 5.9% growth (2017)

GDP Sector of origin: agriculture 8.8%, Industry 37.6%, Services 53.6% (2017)

Religions: Islam 61.3%, Buddhism 19.8%, Christianity 9.2%, Hinduism 6.3% (2010)

Ethnicities: Bumiputera (Malay & other indigenous) 62%, Chinese 20.6%, Indian 5.7% (2017)



Source: CIA World Factbook.

More than one year into Mahathir's government, numerous questions remain about Malaysia's political trajectory. The sometimes fractious coalition consists of four highly diverse parties and includes both former members of UMNO and longtime opposition politicians. One of the partners is *Parti Keadilan*, led by Anwar Ibrahim, a former UMNO leader and Deputy Prime Minister who broke with then Prime Minister Mahathir in the 1990s and was twice convicted and jailed for sodomy and corruption. Many observers considered those charges to be motivated by Mahathir's desire to sideline a popular critic of his government. Mahathir has said Anwar will succeed him in the current government (Anwar's wife, Wan Azizah Wan Ismail, is now Mahathir's deputy prime minister), but he has indicated no timetable for such a transition. Some Malaysian political analysts express concerns that the pace of political and economic reform under the new government has been slow, and the government has rekindled some long-standing disputes with neighboring Singapore.

U.S.-Malaysia Relations

The relationship between the United States and Malaysia is a complex one. Bilateral ties deepened following the Obama Administration's strategic "rebalancing" to Asia, and the relationship was elevated to a "Comprehensive Partnership" in 2014. More recent political developments in both countries have led to uncertainties about the future. In the 1980s and 1990s, under Mahathir, Malaysia was one of the leading voices behind building the East Asia Economic Caucus, and "Asia-only" regional institutions that excluded the United States. Since then, Malaysia has generally welcomed a broader U.S. role in the region, but Mahathir has recently made several statements critical of U.S. naval operations in the South China Sea.

Many argue that broad sensitivities in Malaysia constrain the establishment of a deeper strategic relationship. Areas of friction in U.S.-Malaysia ties have included U.S. concerns about human rights, as well as Malaysia's opposition to U.S. military interventions in the Middle East and U.S. support for Israel. The United States has criticized the Malaysian government for weak human rights protections, constraints on press freedom, economic policies based on ethnic preferences, and prosecution of opposition political leaders like Anwar Ibrahim.

U.S.-Malaysia security cooperation includes numerous military exercises, ship visits, and military education exchanges. One major focus of U.S.-Malaysia security cooperation is counterterrorism activities aimed at terrorist networks operating in Southeast Asia. Reportedly, the U.S. Navy has operated P-8A Poseidon maritime patrol aircraft from bases in Malaysia, as the two countries explore ways to bolster maritime security cooperation in the South China Sea. The U.S. and Malaysian navies cooperate to combat piracy near the Malacca Strait and off the Horn of Africa.

Relations were complicated in July 2016, when the U.S. Department of Justice announced its intention to seize more than \$1 billion in allegedly misappropriated assets from Malaysian sovereign wealth fund 1MDB. Former Prime Minister Najib was chair of the 1MDB Advisory Board, and investigators say nearly \$700 million of the fund's capital was routed into banks linked to the former Prime Minister.

Malaysia's Economy

Malaysia is the United States' 18th largest trading partner, with \$52 billion in two-way trade in 2018. The United States ran a \$26.5 billion trade deficit with Malaysia that year, the U.S.'s eighth-largest bilateral deficit. Electrical machinery and equipment dominate bilateral trade flows in both directions, reflecting Malaysia's role as a major site for consumer electronics manufacturing. Malaysia is an important part of regional consumer electronics supply chains, manufacturing parts and components that are exported and assembled elsewhere. It is also a major producer of oil and natural gas—some of its reserves are located in the South China Sea.

The United States and Malaysia undertook free trade agreement negotiations from 2005-2008, but did not conclude an agreement. Those talks were later folded into the TPP negotiations, which resulted in an agreement from

which the United States withdrew in 2017. The United States' main trade-related concerns are Malaysia's government procurement policies, protection of intellectual property rights, and market access for key goods and services.

Malaysia's economy is divided along regional and ethnic lines; a wide-ranging economic program known as the New Economic Policy (NEP) attempts to address socioeconomic disparities by privileging ethnic Malays and other indigenous groups (collectively known as *bumiputra*) in government contracts, education, and government hiring.

Malaysia's External Relations

Malaysia pursues active diplomacy on numerous regional and global issues. Efforts to promote moderate Islam and marginalize religious extremism have been a major part of Malaysian diplomacy, including acting as a mediator in conflicts between Muslim separatist groups and the central government in both the Philippines and Thailand. Malaysia has good relations with its neighbors, and has promoted cooperation among the 10 ASEAN countries. Issues Malaysia prioritizes include managing relations with Singapore, with which Malaysia has deep economic interdependency; combatting piracy in the Straits of Malacca along with Indonesia and Singapore; repelling Philippine armed groups that claim parts of Malaysian territory; and managing immigration and migrant labor communities from Burma, Indonesia, and other neighbors.

Malaysia has assumed a relatively low profile in ASEAN's disputes with China over tensions in the South China Sea, pursuing a less confrontational diplomatic approach than have the Philippines and Vietnam. Malaysia prioritizes the negotiation of a Code of Conduct between ASEAN and China to govern behavior in disputed waters.

China-Malaysia Relations

Malaysia has long adopted careful hedging strategies to balance its relations with China and the United States. Under Mahathir, Malaysia has been publicly skeptical of the term of Chinese foreign investment under Beijing's Belt and Road Initiative (BRI). During the 2018 election campaign, Mahathir criticized his predecessor's moves to court Chinese investment, and promised to review the terms of Chinese investments in Malaysia. He was quoted ahead of the election saying: "Some countries see only the project and not the payment part of it. That's how they lost chunks of their country. We don't want that."

That said, some Chinese investments, including port modernization projects, an East Coast Rail Link, and employment-generating manufacturing investments, still align with Mahathir's own goals, which have included making Malaysia into a developed nation by 2020. Malaysia announced in April 2019 that it would go ahead with a renegotiated East Coast Rail Link that reportedly will cost one-third less than first planned.

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