Malaysia has for decades illustrated how a relatively small country can have a disproportionate influence on regional and international affairs. Malaysian political scientist Tang Siew Mun describes how the eclipsing of Japan by China, as well as Malaysia’s enduring commitment to greater regional integration, are shaping its foreign policy priorities.

BY ALL MEASURES, Malaysia is a Lilliputian in an international system dominated by Gullivers. And yet, despite the relative size of its population and economy, Malaysia has consistently punched above its weight. As a young nation that only came into being in 1957, Malaysia’s conduct in international affairs is the antithesis of power politics. The modest size of its economy and military has required the country to adopt unconventional means to pursue its national interests and maintain its relevance. The administration of former Prime Minister Mahathir Mohamad (1981-2003) represented the high water mark for Malaysian diplomacy, propelling the nation into the ranks of leading states among developing countries. Malaysia’s advocacy of South-South cooperation and its championing of the position of developing countries on human rights, the environment and globalization — as well as promotion of Antarctica as the common heritage of humanity — have not only enhanced the nation’s international profile but also earned it respect and appreciation from many quarters. Successive premiers have built on the foundation laid by Mahathir. Nevertheless, the environment and circumstances faced by the administrations of former Prime Minister Abdullah Badawi (2003-2009) and Prime Minister Najib Tun Razak (2009-present) are dramatically different from that of their predecessor.

MANAGING CHANGE WITH AN EYE TOWARD THE FUTURE
The single most important external factor affecting Malaysia’s foreign policy is the regional power shift between China and Japan. In the
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wake of the 1985 Plaza Accord on the value of the dollar, Japan played a pivotal role in Malaysia’s economic development and growth through foreign direct investment, aid and the provision of loans at attractive interest rates. Mahathir’s “Look East” policy further cemented the nation’s ties with Japan. By the early 1990s, however, the Japanese economic juggernaut seemed to have lost steam. As a result, Japan is no longer numero uno in the region. Decades of stagnation and political malaise have weakened Japan’s international standing and influence. To be sure, Japan is and will remain in the near- to medium-term an important regional player, but its influence will be tempered by the seemingly unstoppable Chinese economic behemoth.

China is now the third largest trading nation in the world and is on track to overtake Japan soon. A study by the China Policy Institute of the University of Nottingham predicts China will overtake Japan as the world’s second largest economy either in 2009 or 2010. The effect of the sino-Japanese power transition is clearly evident in the trade patterns of these two countries with Malaysia. In 2000, the value of Malaysia’s imports from Japan exceeded those from China by 17 percent. By 2007, the value of Chinese imports into Malaysia had grown on par with Japanese imports, with each country accounting for 13 percent of Malaysia’s total. Similarly, by 2007 both Japan and China each accounted for the same proportion of Malaysia’s exports — 9 percent each. While bilateral trade between Japan and Malaysia has remained stable, China’s trade with Malaysia had grown significantly. In 2000, Chinese imports accounted for 4 percent of Malaysia’s total imports, but by 2007 this figure had increased to 13 percent. In the corresponding period, Malaysia’s exports to China increased threefold from 3 percent to 9 percent of total exports. Bilateral political relations have followed a similar path. In 2009 Malaysia and China marked the 35th anniversary of the normalization of relations, and to underscore the importance of those ties to Malaysia, Prime Minister Najib made an official visit to Beijing on June 2.

The rise of China has brought enormous economic gains for Malaysia and the region, and
presented Malaysia with a strategic opportunity to harness its relationship with China to produce further benefits. China’s burgeoning middle-class and vast potential as a market for Malaysian goods and resources such as palm oil allow Malaysia to reduce its dependence on traditional export destinations such as Japan and the US. If China fulfills its potential as the “sponge” to absorb Asian exports, it would allow states like Malaysia to better weather economic downturns in the US. In short, China’s march toward a market economy and the resulting economic growth has been the single most important factor impacting Malaysia’s external outlook in the past decade. And this looks set to continue.

COMMUNITY-BUILDING AS A HEDGE AGAINST UNCERTAINTIES
Malaysia has consistently placed a high value on regionalism and efforts to deepen ties among countries. Witness its commitment to ASEAN. Under Mahathir, Malaysia’s vision of regionalism became more expansive with its sponsorship of the idea of an East Asia Economic Group/Caucus (EAEC). Although EAEC never materialized, it did pave the way for other arrangements such as the ASEAN+3 (APT) summits and, in 2005, the East Asia Summit (EAS). Community-building in the form of an East Asia Community (EAC) is an important thrust of Malaysia’s long-term strategy to ensure the region’s political and strategic stability. By anchoring China and Japan in the collaborative web of economic cooperation and other political processes, it is hoped that the long simmering distrust and animosity between the two regional giants will dissipate.

As a small country with limited means to balance against the might of China and Japan, Malaysia sees the East Asia Community as an avenue to embed itself within a structure that will enable Malaysia to protect and further its national interests. Either on its own or as part of a larger grouping of ASEAN, Malaysia sees its ability to exercise its rights as a regional stakeholder best secured within the EAC, rather than through unilateral means. Furthermore, Malaysia aspires to harness the synergistic benefits of having the two Asian giants working together, and with other regional countries.

KEEPING THE NATION AFOAT
Almost half of the government’s revenue (46.4 percent in 2008) is derived fromPETRONAS, the national oil company. With crude oil reserves of four billion barrels and a current rate of production of 725,000 barrels per day, Malaysia will run out of oil in about 20 years unless new reserves are found. The strategic challenge is to find new or alternative sources of revenue to compensate for the expected decline in PETRONAS’ contribution to the government’s coffers. In this regard, PETRONAS is actively venturing beyond Malaysian waters in search of new fields. This places new demands on the nation’s diplomatic resources, but given that an increasing number of Malaysian government-link corporations and private enterprises are investing and operating offshore, Malaysia’s diplomatic and political footprint needs to be expanded. PETRONAS, for example, has operations in 32 countries. This includes countries such as Mauritania, Sudan and East Timor that — traditionally — have not had a strong Malaysian diplomatic presence. The diversification and expansion of Malaysian enterprises and commercial concerns aboard necessitate new initiatives to broaden Malaysia’s diplomatic presence to protect and safeguard national assets and citizens. As the Malaysian economy becomes increasingly globalized, Malaysia diplomatic resources and presence need to be augmented beyond the traditional outposts of ASEAN, the Commonwealth, the Asia-Pacific region, and key states of the Organization of the Islamic Conference (OIC).

THE STRATEGIC CONUNDRUM
Traditionally, Malaysia’s security threats have emanated from within. From the early 1950s until the signing of the peace accord between Malaysia, Thailand and the Communist Party of Malaya in 1989, the threat of communist insurgency loomed large and was the primary focus of Malaysia’s armed forces. The strategic outlook in the post-Cold War era, however, has become much fuzzier. As the armed forces transformed themselves from a counter-insurgency platform to a conventional military, Malaysia was faced with the peculiar luxury of preparing to counter
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an enemy that, for all practical purposes, does not exist. Theoretical “enemies” abound but with the retreat of the “Red Tide,” Malaysia no longer faces an imminent military threat from surrounding states. In fact, relations between the armed services around the region range from cordial to good. Malaysia participates in many joint exercises and has an active military exchange and visitation programs with most ASEAN states and with other extra regional players such as Japan and the US. The Five Power Defense Arrangements (FPDA) — involving Australia, New Zealand, Singapore and the United Kingdom — continue to be an important platform for security cooperation and confidence building. Malaysia’s approach to security can be best described as “omni-directional,” placing emphasis on “security for” as opposed to “security against.” In this regard, Malaysia has and will continue to build linkages and establish frameworks to resolve conflicts without the use of force and use military forces for the common good (humanitarian assistance, disaster relief and peacekeeping). Structurally, Malaysia is not a party to any security pact or alliance. It pursues its security goals through internal balancing and multilateral organizations or arrangements such as the ASEAN Security Community, the EAC and the United Nations.

Given that engagement with the UN is one of the pillars of Malaysian foreign policy, the Malaysian armed forces are active and regular participants in UN peacekeeping operations (PKO). Beginning with the United Nations Operations in Congo (UNOC) in 1960, Malaysia has participated in some 30 PKO worldwide, underscoring its commitment to international peace and security. Malaysia’s support for UN peacekeeping will remain an enduring facet of Malaysian diplomacy.

DOMESTIC IMPERATIVES ON MALAYSIAN FOREIGN POLICY

Foreign policy is a reflection of state reactions to internal requirements, aspirations and perceptions, as much as to external stimuli. While the main precepts of Malaysian foreign policy are unlikely to face any major shifts in the near term, domestic political stability could weigh heavily on the country’s external focus. The United Malays National Organisation (UMNO) — which has dominated the ruling Barisan Nasional coalition — recently suffered its worst electoral drubbing, losing its all important two-thirds majority in parliament for only the second time since 1957. With 82 out of 222 seats in the hands of the opposition and having lost control of four state assemblies, UMNO and its coalition partners will be in a fight for political survival in the coming general election that must be called by 2013. The political capital and resources that will have to be devoted to that political struggle may impede the government from playing an active role in international affairs in the coming years.
FUTURE CHALLENGES AND PROSPECTS FOR MALAYSIAN DIPLOMACY

Malaysia is a member of the world’s most dynamic region, fueled largely by the Chinese dynamo, with the maturing Japanese economy and the promise of a rising India playing a stabilizing and supporting role. Still, economic success can also breed uncertainty as nations seek strategies to protect and further their relative power positions and to maximize their individual security. Against this backdrop, the future challenges and prospects for Malaysian diplomacy need to address the following:

• How to facilitate and sustain great power interest and commitment — chiefly from the US, China and Japan — to regional security, stability and prosperity without putting Malaysia into a strategic straitjacket? The prospect of Malaysia being overwhelmed or sidelined by the great powers cannot be underestimated. Essentially, how can Malaysia avoid being relegated to a pawn in the great power game in its own backyard? The issue goes beyond considerations of sovereignty and involves the ability of Malaysia to be in the decision-making circles in shaping the future of the region.

• How should Malaysia respond to recent US overtures that appear to give ASEAN and Southeast Asia the attention and importance they rightly deserve? How should Malaysia respond to positive cues and recognition from President Barack Obama’s administration, which commended Malaysia as a prime example of a moderate Islamic nation? Despite the fact that the US is among Malaysia’s top three trade partners, US-Malaysian ties have been complicated by the US’s support for Israel — an issue that resonates strongly in Malaysia where half the population is Muslim. Also, would becoming closer to the US strategically and politically elicit suspicion from Beijing and undermine years of careful cultivation of Sino-Malaysian ties?

• How to reinvigorate ASEAN and kick-start broader Asian community building? The “same-bed-different-dreams” syndrome has plagued the East Asia community-building process. The official line mandates the process to be “ASEAN-driven.” However, one school of thought prefers the process to be conducted via the EAS, while another school is more comfortable with the APT. This divide is evident among ASEAN states. Thus, Malaysia’s challenge is to negotiate and locate common ground within and among ASEAN states. Without such a consensus, wider community building will be stillborn and a fragmented ASEAN would become susceptible to Balkanization by external actors.

• In the wake of the September 11, 2001 terrorist attack on the US, Malaysia has received accolades and recognition as a moderate Islamic state that has successfully managed the tensions of a multi-ethnic and religious society with the pressures of globalization and modernity. With strong ties and relations with the Muslim and non-Muslim world, Malaysia is poised to play a leading role in bridging the gap between the two communities. The challenge for Malaysian diplomacy is two-fold. First, to promote and enhance the understanding of Islam among non-Islamic states. Second, to engage and speak to the ummah and the Muslim community on the fundamentals of co-existing with the non-Muslim world. A bridge connects two parts of a riverbank and the key to resolving religion-based terrorism is to speak and reach out to both sides of the divide.

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