



Malaysia

Overview

The Federation of Malaysia is a majority Muslim parliamentary democracy in Southeast Asia. It has an ethnically and religiously diverse population of 32.6 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.

Malaysia has undergone significant political upheaval in 2020, as shifts in its ruling coalition deposed Prime Minister Mahathir Mohamad and brought his former party-mate Muhyiddin Yassin into power on March 1, just as the country's Coronavirus Disease 2019 (COVID-19) outbreak was expanding. Mahathir's ouster through non-electoral processes raised questions about Malaysia's democratic system, as the country had undergone its first democratic change of government less than two years earlier. The ruling coalition now includes two parties that had been defeated in those historic 2018 elections. The new government's initial response to the spread of COVID-19 garnered criticism, as Malaysia saw a rapid rise of COVID-19 cases before closing its borders on March 18, 2020. The spread has since stabilized.

Despite its chaotic political processes, 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), although it has not yet ratified the agreement.

Malaysia was an original member of the Association of Southeast Asian Nations (ASEAN), seeing 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 block closer ties, including Malaysian opposition to much of 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 National Organization (UMNO), a Malay-nationalist party that draws its membership predominantly

from the country's Malay majority. During its lengthy period in power, 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 subsequent 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. Many heralded the peaceful transfer of power as a sign of democratic development in a country long seen as an authoritarian democracy. However, some analysts argued that the pace of political and economic reform under Mahathir's government was slow. In early 2020, rivalries within two of its three component parties led to a vote of no confidence in Mahathir and the rise of Muhyiddin, a veteran politician who suffered a bout of cancer in 2018, on March 1.

The new coalition's future remains unclear, as it is uncertain whether Muhyiddin has a safe parliamentary majority. On May 18, Malaysia's parliament held a one-day session, declining to vote on an opposition challenge to Muhyiddin's government, and recessing due to COVID-19 concerns. The move drew criticism from the opposition, as have moves by Malaysia's Attorney General to drop corruption charges against two prominent UMNO leaders.

Population/area: 32.6 million (2020 est.); growth rate 1.3% (2018). Slightly larger than New Mexico

Government type: Federal Constitutional Monarchy (Parliamentary Democracy)

Prime Minister: Muhyiddin Yassin

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.

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.

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 as part of a multilateral effort 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. Najib was ousted from power in the 2018 elections and faces four charges of abuses of power and 21 charges of money laundering. He remains a Member of Parliament and is once again part of the governing coalition following Mahathir’s ouster.

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 disputed waters in the South China Sea.

The United States and Malaysia undertook free trade agreement negotiations from 2005 to 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 cordial 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.

China-Malaysia Relations

Malaysia has long adopted careful hedging strategies to balance its relations with China and the United States. It has assumed a relatively low profile in ASEAN’s quarrels with China over tensions in the South China Sea, pursuing a less confrontational diplomatic approach than have the Philippines and Vietnam despite its own territorial disputes with China. Malaysia prioritizes the negotiation of a Code of Conduct between ASEAN and China to govern behavior in disputed waters. However, in recent years, Malaysia has grown increasingly alarmed by China’s assertions and activity in disputed waters. For a six-month period in 2019 and 2020, Chinese vessels harassed Malaysian energy exploration vessels in Malaysia’s declared Exclusive Economic Zone.

Under Mahathir, Malaysia was publicly skeptical of the terms 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. Malaysia announced in April 2019 that it would go ahead with a renegotiated East Coast Rail Link investment deal that reportedly will cost one-third less than first planned. Muhyuddin’s government, consumed with political questions and the COVID-19 response, has not signaled its positions toward the BRI. However, some Chinese investments, including port modernization projects, the East Coast Rail Link, and employment-generating manufacturing investments, align with Malaysia’s own development goals.

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