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CROUCHING TIGER, ASCENDING DRAGON: THE TRENDS AND DYNAMICS OF MALAYSIA-CHINA RELATIONS

CROUCHING TIGER, ASCENDING DRAGON: TREND DAN DINAMIKA HUBUNGAN MALAYSIA-CHINA

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ABSTRACT

This article examines the trends and dynamics of Malaysia-China relations, with emphasis on the post-Cold War era and beyond. More specifically, it explicates the interplay of external and domestic dynamics that have defined Malaysia's China policy amid shifting regional strategic and domestic political milieus. This article contends that Malaysia's "hedging" policy vis-à-vis China has been primarily shaped by the country's ruling-elite's perceptions of its external conditions in the context of East Asia's evolving power dynamics, tempered by their domestic political expediency. It further argues that despite the periodical recalibrations having given the impression of policy-shifts, they have not fundamentally altered Malaysia's China policy-approach. Instead, continuity rather than change has been the hallmark, since the "structural conditionalities" driving and constraining Malaysia's relations with China continue to be informed by Malaysian ruling-elite's domestic political considerations, as they strive to optimize as much the country's external interests, as consolidate their domestic legitimacy. The findings inform on Putrajaya's persistence on "light-hedging" as the optimal policy-option, when dealing with Beijing, to advance

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Malaysia's national survival and interests as a "smaller-state", amid the evolving regional geopolitics, shaped by power asymmetry, rivalry and uncertainty.

Keywords: Malaysia-China Relations, Malaysia's China Policy, hedging, structural conditionalities, elite domestic legitimation

INTRODUCTION

Malaysia's relations with China have been commonly acknowledged by both sides of the national divide as one of the salient bilateral relationships that defines their respective international affairs. Bound by opposing and harmonizing forces throughout the centuries, the Chinese and Malaysian states and societies have had almost always enjoyed a relationship shaped by mutual complementarity and interests, despite their differences defined in terms of relative power, ideological, political and identity dynamics. This is aptly reflected in the title,ⁱ which emphasizes the contextual symbolism of the relationship between the "Tiger" and the "Dragon" in the Chinese zodiac and *Yin* and *Yang* mythology; when it comes to the dichotomous yet complementary nature and realities of Malaysia-China relations. These two "celestial animals" also coincidentally symbolize the respective identities of the two countries, namely the so-called "Malayan Tiger" and "Chinese Dragon".

This article examines the trends and dynamics of Malaysia-China relations across different time periods, with emphasis on the post-Cold War era and beyond.

More specifically, it explicates the interplay of both external and domestic sources that have defined Malaysia's China policy amid the regional strategic milieu and domestic political landscape of the given period. This article contends that Malaysia's relations with China have been primarily shaped by the country's ruling-elite's perceptions of her external conditions in the context of East Asia's changing power dynamics, tempered by their domestic political expediency. It further argues that despite the recalibration undertaken by different Malaysian administrations having given the impression of policy-shifts, they have not fundamentally altered Malaysia's China policy approach. Instead, *continuity* rather than *change* has been the hallmark, since the effects of "structural conditionalities" that drive and constrain Malaysia's diplomacy vis-à-vis China continue to be informed by Malaysian ruling-elite's domestic political considerations, as they strive to optimize as much the country's external interests as consolidate their domestic legitimation. The findings, likewise, inform on Putrajaya's navigation of and persistent decision on "hedging" as the optimal policy-option, when dealing with Beijing, to advance Malaysia's national survival and interests as a "smaller-state", amid the evolving regional geopolitics, shaped by power asymmetry, rivalry and uncertainty.

The article proceeds in four parts; it begins with a discussion of the analytical framework that explicates the interplay of external-structural and domestic

dynamics affecting Malaysia's behaviour vis-à-vis China as a smaller-state in the context of an evolving East Asian order, shaped by as much the contingency of geographical proximity as geopolitical considerations defined in terms of growing power asymmetries, rivalries and uncertainties (Lai and Kuik 2021). The framework borrows from the International Relations (IR) realism's concept of "hedging" and the notion of "elite domestic legitimation" (Kuik 2008; 2020; Lai and Kuik 2021). It uses explanatory variables from both external and domestic domains to elucidate on this predominant policy approach adopted by Malaysia that led to the occasional popular, albeit skewed perceptions regarding its China policy re-orientation, especially during the Najib Razak and so-called "Mahathir 2.0" eras. Externally, the evolving regional geopolitics shaped by China's proximity and growing preponderance juxtaposed against the strategic ambiguity of America's Asia policy, serve as "structural conditionalities" that define/limit the broad parameters of Malaysia's East Asia policy generally, and her hedging policy vis-à-vis China, specifically. Domestically, the need to enhance regime legitimacy against the backdrop of a fluid domestic political landscape indicate "elite domestic legitimation" as a salient imperative determining whether smaller-states like Malaysia perceive the changing external conditions as potential threats and/or opportunities, and how such perceptions/calculations informs her China policy. The second part provides an overview of Malaysia-China relations over different epochs, while the third interprets via the paper's conceptual lenses, their bilateral ties during the first decade of the post-Cold War era, which coincided

with the maiden Mahathir administration. The final part focuses on the contemporary period stretching from Najib Razak to the second Mahathir administration that saw some foreign policy adjustments, which led to the popular (mis)perceptions regarding a shift in Malaysia China policy under the two premiers. The external and domestic sources of Malaysia's China policy during these periods are analyzed to highlight their interplay in accounting for the *continuity* and (subtle) *change* in the trajectories of their bilateral interactions.

EXPLAINING MALAYSIA-CHINA RELATIONS: AN ANALYTICAL FRAMEWORK

Scholars have generally defined modern Malaysia-China relations as a “special relationship”. Ever since their normalization of diplomatic ties back in 1974, bilateral relations have blossomed and achieved numerous milestones, especially in the socio-economic realm, marked by the exponential growth in bilateral trade and investments (Liow 2000; Abdul Razak Baginda 2016). In fact, the “special relationship” has been ostensibly upgraded to “strategic partnership” since 2013, marked particularly by their long overdue cooperation in the defence and security realm (Parameswaran 2015), the momentous fortieth anniversary of their diplomatic normalization and China's “panda diplomacy”, notwithstanding.

Despite the significance, a scrutiny of the existing literature highlights limited works that theorize/conceptualize Malaysia-China relations. Most tended to focus on the empirical dimension, with insufficient theoretical treatment given to explaining the dynamics shaping their bilateral ties. This article thus advocates an analytical framework that emphasizes “external-structural conditionalities” and the salience of domestic agency, to explain Malaysia’s “hedging” behaviour that defines its China policy approach and their bilateral ties in the post-Cold War era and beyond.

There is a proliferation of IR literature on “hedging” that has enriched our understanding of the nuanced manifestations of state behaviour and policy-preferences (Johnston and Ross 1999; Kuik 2008; Lim and Cooper 2015; Lai and Kuik, 2021). Specifically, they have contributed to the related theoretical debates on the balancing-bandwagoning continuum, risk mitigation, and small-state activism under uncertainty (Kuik 2020; Ciorciari 2019). Nonetheless, persistent gaps exist, i.e. the lack of consensus on how best to define hedging, who the hedgers are, and what are the *variations* within hedging behaviour, notably in terms of the degrees and forms of, and the reasons for it (Haacke 2019, Ciorciari 2019; Lai and Kuik 2021).

“Hedging” in international relations is defined as “insurance-seeking behaviour under high-stakes and high-uncertainty conditions” that typically entails three

attributes, namely an insistence on *not taking sides*; attempts to pursue *opposing measures*, i.e., simultaneous acts of selective *defiance* and *deference* vis-à-vis big powers; and diversification to cultivate *a fall-back position* (Lai and Kuik 2021, 280). In an uncertain and evolving international/regional geopolitical environment shaped by structural sources/conditionalities, namely “power” and “proximity” (Kuik 2015; Lai and Kuik 2021), “smaller-states” are deemed to have a greater propensity to hedge, when it comes to their relationship with big powers, driven by the overriding goal of ensuring national survival and well-being in an anarchic world. This requires smaller-states maintaining a degree of neutrality and equidistance (*not taking side*), while concurrently adopting *contradictory* measures of defiance and deference, to offset multiple risks stemming from the uncertainties of their interactions with not merely a specific, but multiple powers, the ambiguity of big power intentions, notwithstanding (Kuik 2020, Lai and Kuik 2021). For instance, a smaller-state may adopt the *opposing* measures of selectively *defying* a targeted power via the pursuance of defence cooperation with another competing power to offset specific security-related risk, on one hand, while conversely showing *deference* by visibly partaking in the targeted power’s economic grand strategy. Such contradictory measures can also be adopted within the same domain of interaction, i.e., defence and security, where a smaller-state may employ a counter-intuitive ‘military’ hedge, by pursuing concurrent defence cooperation with both rival powers,

including the one representing the very source of its security concerns (Lai and Kuik 2021). Simply put, “hedging” is the ‘rational’ smaller-states’ pragmatic policy approach to manage the ‘unequal’ power relations vis-a-vis big powers, which require their betting on multiple powers and multiple scenarios, rather than doubling down on a specific one, for the sake of national survival/interests amid the fluidity of international politics.

This conceptualization sees all smaller-states as hedgers, although some hedge heavier than others. According to Lai and Kuik (2021), this suggests the *variations* in hedging behaviour defined in terms of the different degree of relative emphasis given to the acts of *defiance* and *deference* (more defiance versus more deference) which all hedgers demonstrate. In this regard, “light-hedgers” refer to states that display *open deference* but *selective defiance*, as opposed to *open defiance* but *selective deference* commonly demonstrated by “heavy-hedgers”, in their similar attempts to cultivate a fallback position (Lai and Kuik 2021, 280).

In the context of its interactions with China, Malaysia’s behaviour typically resembles that of a light-hedger, where different Malaysian administrations across the decades have demonstrated open deference by displaying greater sensitivity, selective accommodation, and even the occasional compliance vis-à-vis Beijing’s ‘core interests’, while avoiding direct confrontation, such as

publicly challenging and defying China's will either through military posturing, legal redress or diplomatic brinkmanship. Malaysia's behaviour stood in sharp contrast with that of Vietnam and the Philippines during Noynoy Aquino's presidency, both of which have chosen to hedge heavily by publicly projecting a confrontational posture to defy China in the South China Sea (SCS) imbroglio, while selectively deferring to Beijing when it came to their economic ties (Lai and Kuik 2021, 280-281).

So, why has Malaysia pursued hedging, specifically light-hedging, instead of balancing, bandwagoning, or heavy-hedging, when managing its relations with China? This article postulates that hedging is driven primarily by "structural conditionalities" defined in terms of the geopolitical dynamics of power asymmetry, rivalry and uncertainties, which have compelled Malaysia to maintain a stable and progressive bilateral relationship with China, while not taking side, nor proverbially jumping onto the Chinese "bandwagon". Instead, Malaysia has opted to concurrently and actively engage its traditional partners like the United States (US), Japan and Australia to cultivate fall-back options. Nevertheless, the structural conditions shaping Malaysia's China "threat-and-opportunity" perceptions have to be filtered through the domestic political needs of Malaysia's ruling-elites. In other words, while structural conditions motivate Malaysia to hedge, this analytical framework also posits that Putrajaya's hedging

behaviour is rooted in domestic considerations. More specifically, structural conditionalities, namely “power” (defined in terms of power asymmetry, power rivalries and power uncertainties) and “proximity” (defined by geographical location and distance) (Kuik 2015; Lai and Kuik 2021), constitute the “external environment” that informs Malaysia regarding the given challenges and/or opportunities in its interactions with China vis-à-vis the US and other regional powers (including the risks of entrapment-and-abandonment in regional power rivalries; the complexities of maritime-territorial disputes, and the opportunities from competing courtships, among others).

However, the manner in which Malaysia responds to these structural conditionalities are saliently influenced by domestic imperatives, especially the ruling-elites’ domestic legitimation, which have a bearing on their perceptions/calculations of the external and domestic milieus that ultimately determine Malaysia’s China policy, specifically, and its East Asia policy, in general. Simply put, the persistence of Malaysia’s light-hedging policy towards China has been the outcome of the interplay between external and domestic dynamics, where the inter-subjectivity of structural conditionalities is tempered by its ruling-elites’ pathways to domestic legitimacy, which affects Malaysia’s external perceptions and policy-choices.

“Domestic legitimation” here refers to the ruling elites’ manners, approaches, and actions in seeking to justify and consolidate their political as well as moral legitimacy vis-à-vis the domestic constituencies. There are essentially three complementary and, at times competing “legitimation” pathways, namely performance (economic-oriented), particularistic (culture and identity-oriented); and procedural (values and governance-oriented) legitimation, through which Malaysia’s ruling-elites simultaneously pursue, albeit with different emphasis and mobilization. This pursuit informs their intersubjective perceptions of the opportunities/threats surrounding the external environment (as well as domestic political milieu), thereby defining Malaysia’s light-hedging policy towards China (vis-à-vis the US and others) (Kuik 2020; Lai and Kuik 2021; Kuik and Lai 2021).

HISTORICAL OVERVIEW OF MALAYSIA-CHINA RELATIONS

Early interactions between the Malay Peninsula and Borneo, with Dynastic China, can be traced back to as early as some 2000 years ago, where the ancient Tanah Merah, Langkasuka and Gangga Negara kingdoms enjoyed healthy diplomatic and trade ties with their powerful northern neighbour, under the auspices of the “tributary state” system that characterized the ancient Chinese, Middle-Kingdom world order (Andaya and Andaya 1982; Nagara 2018). Back then, Imperial China played the role of a “benevolent hegemon” providing what

is known in modern IR as “security umbrella” to vassal states, in return for their deference and tribute (Zhao 1998). Such dynamics of interaction also epitomized the exceptionally strong ties between Ming China and the Melaka Sultanate throughout the 15th century, during which Melaka became a “protectorate” as well as “the most important port” or forward-deployment base in strategic terms for Admiral Zheng He’s maritime Silk Road expeditions (*The Star* 2003).

Nonetheless, the fall of Melaka following the Portuguese invasion in 1511 led to a hiatus of large-scale tangible interactions until the late 19th century onward, where Sino-Malayan interactions witnessed the large-scale arrival of Chinese migrants to the Malay peninsula (and North Borneo and Sarawak) via indentured labour arrangements to work in the economic sectors, especially in the tin-mining industry concentrated in the British Federated Malay States (Andaya and Andaya 1982). Their arrival together with the *Peranakan* community and those already residing in the Straits Settlement of Malacca, Penang and Singapore, not only contributed to economic development, but equally the weaving of the modern Malaysian social fabric and Malaysia’s multi-cultural identity.

To be sure, their longstanding relationship was also marked by a period of sustained hostility, which coincided with the era of communist insurgencies that characterized the early bipolar Cold War regional geopolitics, from the late 1940s

to the mid-1960s. In the Malayan/Malaysian context, the “proletariat revolution” was epitomized by the Chinese Communist Party’s support for the Malayan Communist Party and the North Kalimantan Communist Party, in the Peninsular and Bornean regions, respectively. This acrimonious period not only saw a state of Emergency in Malaya, but also a general decline in inter-ethnic relations, due to its ethnic-Chinese population being suspected as ‘fifth columns’ (Cheah 2003). Understandably, Malaysia under Tunku Abdul Rahman’s premiership opted to align with the Western bloc during the first decade of independence, resulting in the country’s decision to not formally recognize the People’s Republic of China (PRC). Interestingly, the absence of formal diplomatic relations and Malaysia’s anti-communist leaning did not preclude informal bilateral trade ties from taking place, albeit at negligible proportions (Saravamuttu 2010).

The changing Cold War dynamics since the mid-1960s, nevertheless, instigated a ‘tectonic’ geopolitical shift that eventually led to the US-China rapprochement, and the PRC’s accession to the United Nations (UN), as the *de jure* government occupying the China permanent seat. Beginning with the decline in Sino-Soviet relations in the late 1950s and their ensuing rivalry that precipitated the 1969 border war between the two former communist allies (Luthi 2010), this irreconcilable rift hastened the end of the “rigid bipolarity” and the emergence of

a “tripolar”, or “strategic triangle” geopolitical structure in the evolving East Asian order (Kim 1987).

In response to these Cold War dynamics, Malaysia started laying the groundwork for a gradual shift in its foreign policy, from one of aligning with the West, to a position of non-alignment, neutrality, equidistance, and peaceful co-existence, with an emphasis on regionalism. These tenets essentially reflecting the “hedging” behaviour, not only became the hallmark of Malaysian foreign policy under the Tun Razak administration, but also served as the guiding principles of Malaysia’s external affairs ever since. In fact, the Sino-Malaysian rapprochement and Malaysia’s eventual diplomatic normalization with the PRC was arguably the most momentous step towards such foreign policy pragmatism. The precursor to this China policy-shift was none other than the Beijing-Washington courtship following the Sino-Soviet border war, which led to their famous “ping-pong diplomacy” and President Nixon’s historic visit to China in 1972 that caught everyone by surprise (Griffin 2015).

Malaysia’s overtures to China began at the Malaysia-Indonesia confrontation’s tail-end in 1966. Besides tacitly acquiescing to Beijing’s “One China” policy as the basis for building diplomatic relations, the Tun Razak administration’s softening stance vis-à-vis China was articulated in a symbolic speech delivered at

the UN General Assembly (UNGA) in 1970, which emphasized the PRC's growing importance in world politics, and the need for its representation in the UN. In the 1971 UNGA, Malaysia supported the PRC's UN accession to replace Taiwan in the "China seat" (Saravanamuttu 2010, 123-124). This was followed by more 'concrete' initiatives, including Malaysian participation in the 1971 Guangzhou Trade Fair that led to the establishment of direct trade ties (*The Star* 2014), and the series of 'secret' diplomatic rendezvous in New York between both countries' UN representatives, which blazed the trail for Tun Razak's historic China visit to sign a joint communique for the normalization of diplomatic relations on 31 May 1974 (*New Straits Times* 2018a). The resumption of official relations was a diplomatic breakthrough that paved the way for the gradual improvement in other domains of Sino-Malaysian relations.

The diplomatic momentum continued with China's new 'paramount leader' Deng Xiaoping's momentous trip to Malaysia in November 1978, during which Beijing reaffirmed commitment on non-interference in Malaysian domestic affairs and checking Soviet and Vietnamese expansionism in Southeast Asia (Lee 1981). Nonetheless, achievements on the diplomatic front did not translate into more vibrant Sino-Malaysian economic exchanges. An obvious reason was China's very own domestic transformation and free-market economic reform agenda under Deng's "open door policy", which apparently was never in full swing until the early 1990s, due to internal political-cum-ideological struggles resulting from

the ‘opening’ of China that manifested in the fateful Tiananmen Incident in 1989 (Zheng 1999). Following the Tiananmen lessons, the Chinese leadership recalibrated its “economics-in-command” modernisation agenda and began implementing comprehensive reforms to integrate China in the global economic system (Zhao 1998). These domestic developments in China, together with those in the international realm that led to the demise of global communism and the Cold War, became the catalyst for a more dynamic, wholesome, and productive Malaysia-China bilateral relationship.

The above overview of Sino-Malaysian relations, especially from the period leading to diplomatic normalization and beyond, highlighted the changing structural conditions in the Cold War regional order tempered by the relative primacy of elite domestic legitimation, which led to a newfound foreign policy pragmatism that facilitated Malaysia’s rapprochement with China. Indeed, despite the domestic threat of communist insurgency, the less rigid bipolar East Asian order resulting from the emerging dynamics of the China-Soviet-US “strategic triangle”, had given rise to a relatively improved/less-determinate regional security environment which allowed Malaysia’s nascent ideology-based “pro-West, anti-communist” foreign policy to be gradually replaced with one that emphasized on non-alignment, neutrality and regionalism. The aforementioned diplomatic overtures to China (and other socialist countries) that began at the twilight of Tunku Abdul Rahman’s premiership and advanced under Tun Razak

were reflective of such “structural conditionalities”. Domestically, the ‘legitimacy deficit’ in the aftermath of the post-1969 general election race riot, and the Barisan Nasional (BN) government’s ensuing embrace of the “Malay agenda” under the New Economic Policy (NEP), spelt the need for Malaysia’s ruling-elites to pursue domestic legitimation strategies. Such domestic political considerations essentially led to Tun Razak’s decision to normalize relations with China to facilitate an external pragmatism aimed at fostering growth and prosperity through good-neighbourly ties and regional partnerships, both bilaterally and multilaterally (Leong 1987).

Likewise, Malaysia’s emphasis on regionalism and attention to East Asian countries since the 1980s, were manifestations of the domestic legitimation sought by the first Mahathir administration. More specifically, the NEP’s developmentalist-oriented “social engineering” agenda of creating a Bumiputera-Malay capitalist class and sustaining economic growth (Hilley 2001) was a salient *particularistic-cum-performance*-oriented legitimation source which drove Mahathir’s activism to nurture relations with a China in transition, while maximizing Japan’s pre-eminent role in Malaysia’s Look East Policy (LEP), his personal admiration of Japan and disdain towards the West as well as other idiosyncrasies, notwithstanding. Similarly, securing political support and

electoral-based procedural legitimacy from Malaysia's multi-ethnic electorate amid the emerging intra-Bumiputera-Malay elite rivalry that transpired in the 1990 general elections (Hilley 2001), equally justified Mahathir's external pragmatism, since delivering continuous economic growth is a pre-requisite for elite domestic legitimacy that appeals to all constituencies.

MALAYSIA-CHINA RELATIONS IN THE POST-COLD WAR ERA AND BEYOND: STRUCTURAL CONDITIONALITIES, DOMESTIC LEGITIMATION AND SMALLER-STATE HEDGING

As aforementioned, Sino-Malaysian relations have witnessed remarkable development in the post-Cold War era leading to the new millennium and beyond. Despite the bilateral issues and challenges, and irrespective of the changes of government and prime ministers, Malaysia has continued viewing China as an inevitable partner for the nation's overall interests and wellbeing. Given China's geographical proximity and growing power asymmetry vis-à-vis Malaysia resulting from its incremental comprehensive national power since the mid-1990s, and the consequential emergence and intensification of US-China power competition/rivalry casting uncertainties to the regional geopolitical milieu, these "structural conditionalities" have largely informed the broad parameters of Malaysia's external behaviour. Yet, the perceived threats/opportunities from the evolving external environment have been filtered by the Malaysian ruling-elites' domestic considerations, defined in terms of

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securing their triple-pronged elite legitimation agenda, which have persistently shaped Malaysia's "light-hedging" China policy. It is, therefore, unsurprising that successive Malaysian administrations have remained steadfast in promoting a comprehensive and sustainable relationship with the PRC, while simultaneously developing multiple partnerships on multiple fronts as "hedgies" against the power asymmetry, rivalry and uncertainties associated with China's rise. Malaysia's pragmatic management of these China relationship dynamics can be exemplified by its recurrent deference and selective defiance of Chinese 'core' interests in their multi-domain interactions, and its correlated amplification of and/or *playing down* issues for political and economic gains and/or strategic prudence.

The post-Cold War decade

Malaysia's continuously pragmatic treatment of China during the first post-Cold War decade is a case in point. Despite the geopolitical concerns associated with China's gradual but imminent rise following its reforms and modernization agenda, Malaysia under Mahathir had chosen to downplay them, but rather focused on actively engaging China bilaterally, and enmeshing it into ASEAN-driven multilateralism, regionally. Indeed, Mahathir has never officially viewed China as a "potential threat" to Malaysia. Instead, he was among the first ASEAN leaders to question the veracity of the "China threat" notion that became

a hotly debated topic beginning in the 1990s. This was despite China's bellicosity in the Mischief Reef incident that fueled concerns among ASEAN's SCS claimants. Mahathir once quipped that he did not consider China "to be a threat, but rather an historic opportunity for Malaysia", an opinion that won him many friends in Beijing's political circle (Ngeow and Kuik 2019). Such positive statements were not merely rhetorical, but translated into actions, with Mahathir becoming the first ASEAN leader to strenuously strengthened relations with China. Apart from making a number of successful visits throughout his first prime ministerial stint, China also became the first country that Mahathir approached with his proposal for an East Asia Economic Grouping (EAEG) in 1990 (Nagara 2018).

Likewise, Mahathir appreciated how China helped Asian economies recover in the aftermath of the 1997-1998 Asian Financial Crisis, by suspending its planned revaluation of the Chinese *renminbi* to stabilize the affected ASEAN currencies. Mahathir also leverage on his position as a senior ASEAN statesman to help further the relationship between ASEAN member-states and China. This can be seen, among others, in China acceding to key ASEAN initiatives such as the Treaty of Amity and Cooperation (TAC) and the Declaration on the Conduct of Parties in the SCS (DoC), as well as participation in extra-ASEAN groupings i.e.,

the watered-down East Asian Economic Caucus (EAEC) that eventually metamorphosed into the ASEAN-Plus-Three (APT).

Structurally, Malaysia's light-hedging policy took place amid the widening power asymmetry vis-à-vis a rising China and the uncertainties of an evolving post-Cold war order that witnessed America's temporary "unipolarity" gradually replaced by what increasingly resembled to be a multipolar structure. In the economic realm, the forces of regionalism and globalization precipitated the formation of trading blocs in Europe and North America that fueled concerns of a new economic order defined by inward-looking, region-centric economic protectionism against the backdrop of protracted GATT negotiations for a global free trade regime. Malaysia's status as a smaller-state, and a trading nation highly dependent on international trade and unhindered market access, thus necessitated the Mahathir administration to pragmatically navigate these structural conditionalities by actively engaging China, bilaterally and via Chinese enmeshment into ASEAN multilateralism, while concurrently championing East Asian regionalism and maintaining Malaysia's LEP.

Domestically, Mahathir's pursuit of light-hedging vis-à-vis China was driven by the necessities of legitimation amid the given/less-determinate structural

conditions, where advancing Malaysia's economic security rather than traditional military security was deemed to be more salient in cementing both Mahathir and the ruling BN's political dominance. This was especially since domestic political legitimacy hinged on their ability to unceasingly drive Malaysia's economic performance, while insulating its export-oriented economy from the potential risks of detrimental external economic forces. Indeed, Malaysia's petite domestic market accentuates its global market dependence, where the advent of 'protectionist' trading blocs and additional trade barriers has the propensity to curtail global demand and adversely affect its export-driven economic development. This in turn, could lead to a plethora of domestic grievances, including dissatisfaction among the beneficiaries of Malaysia's rent-seeking, patronage-oriented political economy that could erode the ruling-elite's fragile performance-based, patron-client political legitimacy (Gomez and Jomo 1997). The lessons from the 1990 general elections, and the opposition elite-driven, popular dissent associated with the 1998 *Reformasi* movement resulting from the economic malaise of the 1997 financial crisis, were vivid reminders of this fragility.

The aforesaid political-cum-economic risks deriving from structural conditionalities and domestic needs, therefore, required Mahathir to leverage on the anticipated economic opportunities brought about by a rapidly developing

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China, while simultaneously seeking to advocate ASEAN and extra-ASEAN cooperation to diversify the risk associated with the emerging global economic trajectories. This explains Mahathir's favourable view of, and preoccupation with enmeshing China into his East Asian regionalism designs, from the prematurely-conceived EAEG to the EAEC and eventually APT. To Mahathir, forging closer ties with China was part of his multi-pronged regional partnership strategy to strengthen Malaysia's economic resilience against the threats of global/regional economic uncertainties, which necessarily included ASEAN-states and other Northeast Asian "dragon-and-tiger" economies. In fact, the APT was the outcome of Mahathir's faith in China's progressive stance, which saw Beijing supporting this extra-ASEAN initiative and embracing a more active role in driving Asia's post-financial meltdown economic/fiscal recovery. In contrast, Mahathir's downplaying on the potential threats of Chinese military modernization and maritime-territorial ambition in the SCS, of which Malaysia is a claimant, was equally reflective of the light-hedging approach, where China's importance in the economic security and domestic political considerations of Malaysia's ruling-elites superseded their concerns for the less-immediate danger posed by Beijing in the disputed sea.

The new millennium

Malaysia's policy-approach towards China, and by extension, East Asia has not only continued, but deepened during the Badawi and Najib premierships, which saw Sino-Malaysian relations enjoying arguably its most propitious period. In fact, both Mahathir's successors broke with tradition by making their first overseas visit to China as Malaysian head-of-government, instead of calling on the US. Such diplomatic overture is symbolic, for it signifies not only the foreign policy priorities placed by the newly-minted administration, but also its deference vis-à-vis the chosen state, commonly a big/great power, which it may be saliently dependent on, for survival and wellbeing. Additionally, their annual bilateral consultation mechanism established in 1991 to promote summitry-level exchanges was rebranded as "Strategic Consultation" in 2010, to reflect the growing importance of Malaysia-China ties. Both sides also commemorated the 40th anniversary of their diplomatic relations in 2014, to which the Chinese government marked the occasion by sending a pair of pandas to Malaysia (Chen 2014). For those familiar with China's "panda diplomacy", the sending of this Chinese national treasure symbolizes the "special relationship" accorded by Beijing to the recipient-state. To then Malaysian Prime Minister Najib Razak, the anniversary was also personally meaningful, as it marked a "father-to-son-cycle of contribution" in the development of modern Sino-Malaysian relations. Indeed, his father, Tun Razak, was the architect responsible for laying the 'building blocks' of this important bilateral relationship that witnessed even more remarkable improvements under Najib's premiership.

Socio-economic interactions have been invariably the most robust domain of Sino-Malaysian ties. Bilateral trade-wise, China has become Malaysia's largest trading partner since 2009, with Malaysia appearing as China's top-10 trading nations during the same period. In this regard, China serves as the largest export destination and import source for Malaysia. China is also a major importer of Malaysian crude palm oil and related products. With European and American sanctions and Malaysia's dependence on this 'cash crop' as a major contributor of the national economy, reliance on Chinese support for this industry cannot be understated. Secondly, China has emerged as the largest foreign investor in Malaysia (*Xinhua* 2021). In 2017, Malaysia became the fourth largest recipient of China's overseas foreign direct investment (FDI) globally, a surge from twentieth position back in 2015, with Chinese FDI skyrocketing ten-folds in this short time span. The culmination of this 'watershed' period was none other than the multifarious mega trade-and-investment deals signed in 2016, during Najib's visit to China. These deals included Belt-and-Road Initiative (BRI)-related projects that courted controversy and the Mahathir-led Pakatan Harapan (PH) government's attention, such as the East Coast Rail Link (ECRL) and Trans-Sabah Gas Pipeline, among others. Indeed, the BRI became a thorny bilateral issue, following domestic political opposition and attacks on the Najib-BN government for being overly dependent on China's economic largesse, and for

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the alleged Chinese involvement in the 1Malaysia Development Berhad (1MDB) “scandal” bailout, via the projects contracted to China’s state-owned enterprises without open-tender (Wright and Hope 2019). Whatever the outcome of these controversies, Malaysia has become a vital regional partner and major beneficiary of China’s BRI agenda.

Indeed, Sino-Malaysian economic relationship is expected to continue thriving in view of their complementarities, and the huge, yet not fully tapped collaborative potential in novel economic frontiers, from digital economy to automobile and precision technologies. The Malaysian automobile industry’s renaissance, with Proton regaining market visibility and prominence following capital/technological investment from Chinese car maker, Geely, and the courting of Chinese tech-giant Alibaba group augurs well for Malaysia’s grand strategy to leverage on China for its sustained growth and prosperity (*The Edge Markets* 2018).

Apart from economic ties, people-to-people exchanges have equally flourished, with Malaysia’s tourism industry prospering from the influx of Chinese tourists since 2014, prior to the onset of the COVID-19 pandemic (*New Straits Times* 2018b). Meanwhile, the intensification of cultural-cum-educational exchanges

have seen healthy enrolment of Chinese students in the Malaysian higher education scene, not mentioning the ‘local’ presence of Chinese institutions, i.e., Xiamen University and Confucius Institute, a reflection of China’s “soft power” diplomacy (Ngu & Ngeow 2021).

Malaysia and China have also managed to turn the COVID-19 pandemic into opportunities for expanded bilateral cooperation. When the pandemic first struck China in early 2020, Malaysia did not allow the “blame game” narrative to undermine Sino-Malaysian goodwill. Instead, both national authorities initiated reciprocal efforts to provide mutual assistance and cooperation in combating the pandemic, which have since gained greater traction. Specifically, Malaysians have benefitted from the supply of COVID-19 vaccine developed by China after being given priority access following a late 2020 deal to cooperate with the Chinese on vaccine development (*New Straits Times* 2020). At the time of writing, China’s “vaccine diplomacy” vis-à-vis Malaysia has been duly translated into the repackaging, testing and distribution of the Chinese-developed Sinovac vaccine by the Malaysian government-linked Pharmaniaga under the National Immunisation Programme.

Despite the general robustness, there are issue-areas that intermittently strain contemporary Sino-Malaysian relations. The SCS dispute, for one, has remained a prickly bilateral issue since late 1970s, with both countries involved in competing maritime-territorial claims vis-à-vis several other claimant-states, including Vietnam and the Philippines. Malaysia, by virtue of the related international laws (United Nations Convention on the Law of the Sea - UNCLOS), claims an Exclusive Economic Zone (EEZ) and extended continental shelf in its 1979 New Map of Malaysia that incorporates a dozen insular features in the Spratly archipelago officially coined by the Malaysian authorities as *Gugusan Semarang Peninjau*. Of these features, Malaysia has “effective occupation” and administration over five, including *Pulau Layang-Layang* (Swallow Reef) and *Terumbu Mantanani* (Mariveles Reef) (Lai and Kuik 2021). Conversely, China’s controversial “nine-dash line” boundary encompasses almost 90 percent of the SCS, making it an inevitable point of contention in Malaysia-China ties. This has been especially so since 2013, when China began asserting its claims vis-à-vis Malaysia more visibly, over features and waters off the Sarawak coasts, such as *Beting Serupai* (James Shoal) and *Beting Patinggi Ali* (South Luconia Shoal). The almost “round-the-clock” Chinese presence and “grey-zone operations” in these waters (i.e. armed fishing trawlers guarded by Chinese coastguards vessels), have become a hotly debated issue in the Malaysian parliament and public sphere (Lai and Kuik 2021). Domestically, the SCS became a politicized issue, with the opposition PH chastising and linking the

BN government's 'quiet' stance in defending Malaysia's maritime-territorial sovereignty to the perceived over-dependence vis-à-vis China.

Beijing's alleged oppression of Xinjiang's Muslim-minority Uyghurs is another problematic bilateral issue-area, with domestic political repercussions potential on Malaysia's predominantly Malay-Muslim leadership and masses. The Uyghur issue is unavoidable with Islam being a key tenet in Malaysian foreign policy (Saravamuttu 2010), notwithstanding Malaysia's prominent past convictions in championing the plights of the 'oppressed' global Muslim community, i.e., Palestinians and Bosnians. Expectedly, successive Malaysian administrations have had visibly and audibly defended Islam and the *umma* in the international scene.

Despite these bilateral issues, Malaysia's overwhelmingly favourable relations with China in the first two decades of the 21st century suggest the persistence of "light-hedging" in Putrajaya's "smaller-state" policy-approach vis-à-vis Beijing. And, despite the changes in government, Malaysian ruling-elites have chosen to emphasize the benefits that can be gained from a strong multi-domain partnership with China, while downplaying the risks and managing problematic issue-areas. The policy continuity, albeit recalibrated and deepened, has been the outcome of

the successive administrations' perceived structural conditionalities tempered by their domestic legitimization agenda.

Structurally, Malaysia encountered a changed regional environment and bilateral dynamic, with China's comprehensive national power (political, economic and military) further accentuating as much their power asymmetry, as Malaysia's skewed economic interdependence towards China. The aforementioned immense Chinese footprint on the Malaysian economy since 2009 typified their increasingly lopsided bilateral economic interactions. Meanwhile, the US' potential decline following the American subprime mortgage crisis against the backdrop of China's rise has triggered an East Asian power shift. Under Xi Jinping, China has begun 'flexing its muscle' more openly, unlike the "peaceful rise" era. This included growing foreign policy assertiveness, i.e., its notorious "wolf-warrior" diplomacy and hardline SCS stance. Concerned with the uncertainties of China's rise, successive US administrations have sought to check the growing Chinese clout, from Obama's "Asia pivot", to Trump's 'contain-and-compete' with China strategy. Aside from the globally denting US-China trade war and "pandemic politics" (Kuik 2020), the SCS and Taiwan, have emerged as potential flashpoints that could escalate Sino-US conflict. Compounding the big power rivalry and regional strategic uncertainties has been Washington's apparent lack of strategic coherence in its Asia policy. From Trump's "America

first” agenda typified by its Trans-Pacific Partnership (TPP) withdrawal, to America’s calls for a regional alignment to ‘balance’ China, these ‘mixed signals’ neither convinced nor alleviated concerns among smaller-states in the region, including Malaysia, regarding Washington’s collective commitment towards promoting a stable and prosperous Asia (Lai and Moorthy 2021). Meanwhile, Japan under Abe Shinzo and his successors have sought a more engaging (Southeast) Asia policy in tandem with the US pivot. Together with India and Australia, the US-Japan alliance have advanced the Quadrilateral Security Dialogue (Quads) and the Free-and-Open Indo-Pacific (FOIP) agenda, with China firmly in their strategic radar/sight.

Domestically, Malaysia has striven to strengthen its resilience via economic transformation to become a high-income nation, especially under Najib, while Mahathir’s PH administration introduced the “Share Prosperity Vision (SPV) 2030” to realize a similar goal. Such macroeconomic agenda required Malaysia’s ruling-elites to not only foster continuous short-term economic growth, but drive structural change for sustainable longer-term development, amid the recurrent global economic challenges. Indeed, the prolonged effects of the 2007-2008 subprime-triggered global crisis followed by the US-China trade war have all but increased the domestic pressure on the ruling-elites to deliver credible economic

performance in exchange for political authority in Malaysia's essentially unaltered, patronage-oriented political economy. Juxtaposed against a changing internal political landscape, especially since the 2008 national polls that witnessed the UMNO-led BN coalition losing its two-third super-majority for the first time, the need to satisfy a politically diverse constituency, while securing core support from traditional clientele, has gained greater urgency among the country's political elite. The Najib administration's ill-conceived 1MDB sovereign wealth fund, which was apparently meant to drive strategic initiatives for Malaysia's long-term economic development, while ostensibly acquiring patronage resources for its political clientele (Wright and Hope 2015), was an incarnation of such a *modus operandi* to fulfill its performance-based legitimation. Conversely, Mahathir's second coming on the back of PH's successful ousting of the Najib-BN government in the historic 2018 elections fueled by popular disillusionment over "kleptocracy" and mismanagement allegations as well as a plethora of 'bread-and-butter' issues, had seen a convergence of performance- and procedural-based legitimations becoming salient. Meanwhile, particularistic legitimation also gained traction, following UMNO and PAS coming together to expediently champion an exclusive Malay-Muslim agenda to undercut the ruling PH's more inclusive national vision in a domestic political landscape still incessantly driven by ethno-religious dynamics.

From the perception of Malaysia's ruling-elites, the fluid regional and domestic milieus especially since 2008 necessitated Malaysia to continuously maintain a high degree of foreign policy pragmatism to offset the regional power asymmetry, rivalry, and uncertainties, while seeking to secure their domestic political legitimacy. This entailed not only maintaining, but deepening ties with its proximate and increasingly powerful Chinese neighbour, to leverage on its economic clout for Malaysia's sustained growth and quest to become a high-income nation. The Najib administration's eagerness to embrace China's economic bounty that led to accusations of national sovereignty erosion, due to perceived over-dependence on the Chinese, reflected such pragmatism. Indeed, Malaysia's relatively 'muted' response towards China's encroachments on its SCS maritime boundaries, following reports on Chinese "IMBD connection" did no favour in alleviating the Najib administration "selling Malaysia off to China" allegations (Schneider 2019).

However, Malaysia's 'low-key' response did not indicate its trading-off maritime-territorial sovereignty for Chinese economic wherewithal, but rather its downplaying of the issue, while seeking bilateral/multilateral measures to hedge against China for the sake of advancing Malaysia's multi-domain interests. For example, besides ASEAN-based mechanisms and diplomatic channels, the Najib administration continued pursuing the much touted "quiet diplomacy" of privately communicating with Beijing whenever incidents affecting Malaysian

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interests occurred in the SCS (Parameswaran 2015), including issuing ‘unpublicized’ diplomatic notes of protest, while censoring public visibility to prevent inflammation of incidents (Lai and Kuik 2021). Yet, Malaysia’s diplomatic prudence had also been tempered by the occasional uncharacteristic reproach, i.e., media criticisms and summoning of China’s ambassador in response to the 2016 encroachment of Chinese fishing vessels in the vicinity of *Beting Patinggi Ali*, signifying the selective defiance in its light-hedging approach.

Similarly, the overt lean on China had not spelt Malaysia bandwagoning/aligning with the Chinese, especially in the context of the US-China strategic competition/rivalry. Instead, Malaysia under both the Najib and Mahathir 2.0 administrations had sought to diversify the risk of over-dependence through expanded bilateralism and multilateralism, which included revitalizing defence and economic ties with traditional partners, notably Japan and the US, while leveraging on similar multilateral platforms (i.e., TPP, RCEP, and ASEAN-initiatives like the SCS Code of Conduct (CoC) negotiations) to safeguard its national interests amid an evolving East Asia. This explains Najib’s, and more openly, Mahathir’s courting of Japan to resuscitate the LEP 2.0; the former signing a Strategic Partnership in 2014 to tap on Japanese strategic economic initiatives, i.e., Partnership for Quality Infrastructure (PQI) as a BRI alternative;

the latter's multiple working visits to Japan and securing of *Samurai bond* (soft-yen loan) to refinance the massive debts accumulated by his predecessor (Lai and Moorthy 2021). Likewise, Malaysia-US relations improved during Najib's term, with Malaysia avidly supporting the TPP agenda, and implicitly, Obama's "pivot". Although Mahathir may not be as enthusiastic, when it came to America, especially under Trump, his PH government, nevertheless, did maintain the institutionalized aspects of the bilateral relationship, including their healthy yet low-key defence partnership as a "military hedge" against potential Chinese adventurism in Malaysia's portion of the SCS.

Even during his second prime ministerial stint, observers somewhat erroneously anticipated Mahathir's hardening stance vis-à-vis China. This misperception was due to his and PH's initial criticisms of China's BRI and SCS agenda, and denunciation of Najib's perceived over-dependence on Chinese largesse. Likewise, Mahathir heading to Japan instead of China for his maiden overseas, albeit working trip as Prime Minister, and the PH government's highly visible initial decision to either cancel, or postpone Chinese-related mega projects, were perceived as affronts that indicated a possible shift in Mahathir's China policy (Lai 2018). Nonetheless, Mahathir's subsequent endorsement of the BRI agenda in the Second BRI Forum in April 2019 (Lo 2019), and the reinstatement of

previously deemed controversial projects like the ECRL, albeit renegotiated, highlighted Malaysia's ruling-elites' pragmatism in seeking to resolve bilateral issues amicably, for longer-term benefits of Sino-Malaysian relations.

Undeniably, Malaysia's continuous, yet deepened light-hedging vis-à-vis China under Mahathir 2.0 was the outcome of similar structural conditionalities and domestic considerations, with Beijing's shadow looming larger on Putrajaya's horizon. Economically, China remained Malaysia's most important partner throughout PH's short-lived mandate, as Mahathir continuously pivoted his "New Malaysia" agenda of reform, restructuring and rejuvenation on the Chinese economic clout, while concurrently diversifying risk via renewed economic partnerships with Japan and South Korea. Indeed, with PH's performance legitimacy heavily hinged on its promises to lead the country out of the economic doldrums caused by the previous government's alleged transgressions, it was obligatory for the new ruling coalition to outperform its predecessor by ensuring that Malaysia continued to maximize the economic opportunities, while minimizing the costs incurred from a recalibrated China policy (Lai and Moorthy 2021). Although procedural legitimation required Mahathir's PH to take the aforementioned initial 'bold' actions post-GE-14, to project the image of Malaysia pushing back against and reviewing its policy towards China for domestic political consumption, the primacy of performance-based legitimation meant that it cannot afford to antagonize China. This was especially so, after the

initial post-election euphoria and ‘feel-good’ public sentiment waned, and the hard realities of the challenging reform tasks ahead set in. Moreover, the “triple whammy” of US-China trade war, US-EU sanctions and India’s boycott of Malaysian palm oil had further dampened Malaysia’s economic growth under PH. The increased pressure for performance legitimacy thus necessitated Mahathir to continuously pivot to China economically. This explains Mahathir’s subsequent reconciliatory actions, including publicly dispelling the impression of Malaysia’s “pro-Japan, anti-China” stance in his second premiership in an early 2019 interview (*The Straits Times* 2019), and declaring support for the embattled Chinese telecommunication giant, Huawei, following America’s blacklisting (*CNBC* 2019).

Mahathir also downplayed the Chinese challenge on Malaysian maritime-territorial sovereignty in the SCS. Despite earlier rebukes, he eventually chose a more conciliatory tone by ‘dismissing’ Beijing’s SCS ambition and assertiveness, while insinuating the need to avoid confronting and overly antagonizing China due to Malaysia’s “smaller-state” status (*New Straits Times* 2019). However, such deference was mediated by periodic defiance, i.e. Malaysia’s unilateral second submission to the Commission on the Limits of the Continental Shelf (CLCS) to extend its SCS continental shelf in December 2019. This dovetailed an

earlier decision to resume hydrocarbon exploration activities in Malaysia's portion of the disputed waters, which triggered the months-long 2019 “West Capella standoff” involving Chinese, American and Australian vessels (Lai and Kuik 2021). Although Mahathir’s “warships-attract-warships” comment highlighted genuine concerns regarding the US-China rivalry in SCS, Malaysia’s strategic acquiescence of American-driven FONOPs for the purpose of checking on Chinese adventurism is undeniable.

Similarly, Malaysia was relatively muted on the *ummah* issue, when it came to China’s alleged oppressive policy towards the Uyghurs. Despite criticizing India for its treatment of Jammu-Kashmir’s Muslim community, Mahathir refused to reprimand Beijing in the international fora, including Putrajaya’s convenient omission of the “Uyghur problematique” in its December 2019 Kuala Lumpur Summit to discuss on issues of the Muslim world. Yet again, such deference was tempered by Mahathir’s selective defiance, when he resisted China’s demand for extradition of Uyghur detainees involved in a cross-border escape from a Thai prison, but instead repatriated them to Turkey (Chew 2020).

Malaysia’s handling of the SCS and Uyghur issues epitomize its deepened light-hedging vis-à-vis China, reflecting the Mahathir-PH administration’s

preoccupation in securing its triple-pronged domestic legitimacy, while seeking to advance Malaysia's external interests amid growing power asymmetry, rivalries, and uncertainties. Indeed, both are merely among the myriad issues and interests in Malaysia's relations with China. When it comes to Malaysia-China ties, Putrajaya's considerations on the economic salience of this bilateral relationship, appear to supersede, or even at times, take priority over other interests. Notwithstanding proximity and power asymmetry, China's significance in Malaysia's macroeconomic calculus, thus necessitates a pragmatic policy-approach that deftly balances between various and, sometimes competing national interests. This is to ensure both the ruling-elite's political survival and Malaysia's wellbeing as a smaller-state. The recent diplomatic *faux pas* of Malaysian foreign minister addressing his Chinese counterpart as "big brother", which led to accusations of the Perikatan Nasional (PN) government's overly deferential treatment of China (*Malay Mail*, 2021), suggests that "light-hedging" will likely continue to characterize Malaysia's China policy in the foreseeable future.

CONCLUSION

Malaysia-China relations have been defined by the interplay of external and domestic dynamics that shaped their overall interactions from the Cold War to

the contemporary period. As a smaller-state, the opportunities and challenges deriving from a relationship with China fraught by power asymmetry, rivalries and uncertainties, necessitates Malaysia to embrace a pragmatic policy-approach based on (light)-hedging to safely navigate the structural realities, while concurrently addressing domestic legitimacy considerations. From the BN through PH, to PN governments, Malaysia's ruling-elites view an effervescent Malaysia-China relationship as vital to national wellbeing, and a central component of their performance legitimation. The political developments following regime change in 2018, 2020 and again in 2021, have not altered this point. Meanwhile, from the Chinese perspective, Malaysia remains an important partner in helping China to become a global, yet 'responsible' power, and in realizing the correlated "Chinese Dream". Therefore, it is not farfetched to conclude that *continuity* rather than *change* will be the feature of Malaysia-China relations and Malaysia's China policy for the foreseeable future. Just like the "Tiger" and "Dragon" in Chinese astrology, this bilateral relationship may remain inevitably bound in fate and destiny by harmony and peaceful co-existence, irrespective of their complementarities and contradictions.

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ⁱ The adjective "crouching" for the tiger, refers, in the contextual sense, to Malaysia's natural positioning, when dealing with big powers like China, which requires it to be optimistically cautious, defensive, and not overly visible in challenging/opposing the might of its proximate giant neighbour. Conversely, the chosen adjective "ascending" for the dragon, is also an appropriate reference to the imminent rise of China as a comprehensive superpower that is expected to shift the power balance and status quo of the global order in the 21st century.