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Malaysia and the South China Sea: Will KL Abandon its Hedging Policy?

By Nguyen Huu Tuc

Synopsis

While Malaysia remains fully committed to a “common ASEAN position” in terms of engaging China on the South China Sea disputes, it does not want this to affect its good bilateral relations with Beijing – as do several other ASEAN states. It is unlikely that KL will change its hedging policy.

Commentary

AS MALAYSIA assumes its chairmanship of ASEAN for 2015, one of its top priorities will be to address the pressing issue of the South China Sea disputes, of which Kuala Lumpur is one of six claimants. However, one key question is how Malaysia could achieve any breakthrough since the country has placed a high priority on maintaining good overall ties with Beijing.

Even though Prime Minister Najib Razak also stressed Malaysia would promote moderation to address conflict and find solutions to issues concerning regional peace and security, I would argue that Kuala Lumpur is unlikely to abandon its hedging policy in managing the South China Sea disputes. The prospect of a solution, including the conclusion of the Code of Conduct, therefore, remains vague in the near future.

Current status of the disputes

Apart from Taiwan and three other ASEAN members - Vietnam, the Philippines and Brunei - Malaysia is a significant claimant occupying seven islands in the Spratly group along a nearly 240 km arc stretching from Louisa Reef in the south, some 250 km from the Sabah coast, to Investigator Shoal midway between Malaysia and the Philippines. Media reports say China has been stepping up its military presence in Malaysia's corner of the South China Sea.

In January, a Chinese naval flotilla patrolled the Paracel Islands, claimed by China and Vietnam, before proceeding to the James Shoal, a reef some 80 km off Malaysia's coast in areas claimed by both China and Malaysia. It then proceeded beyond waters claimed by Beijing to the Indian Ocean, where it conducted the first exercises by Chinese military vessels in waters south of Indonesia.

Furthermore, as analysts have noted, alarm bells rang in March 2014 when China conducted a

military exercise near the James Shoal, deploying an amphibious task force including PLA marines and hovercraft. During the exercise, the crew of the PLA ships held a ceremony swearing to defend China's sovereignty, even though Beijing has yet to specify the basis of any claim to the James Shoal, which is a fully-submerged reef.

Malaysia's hedging policy

To deal with the increasingly assertive attitude of China, Malaysia has accelerated efforts over the past few months to work with its fellow claimants in the South China Sea, including Brunei, the Philippines and Vietnam to coordinate a joint approach on the dispute. Moreover, Malaysia has also announced efforts to boost its own capabilities.

In addition to stepping up patrols around the area, Malaysia once stated that the country would set up a marine corps and establish a naval base 96 km away from the James Shoal in Bintulu, Sarawak, as well as agreed to more US ship visits to Malaysian ports in the future.

Malaysia, however, has been adopting a relatively low profile on the South China Sea disputes. Kuala Lumpur seems unwilling to jeopardise its traditionally warm ties with China by risking the kind of confrontation that has soured relations between China and the Philippines as well as Vietnam.

As The Wall Street Journal has noted, the China-Malaysia relationship is being preserved regardless of China's growing assertiveness, including in waters claimed by Malaysia, due to a combination of the countries' greater distance from each other and strong economic ties.

China and Malaysia are not only large trading partners but their friendship has been improving over the years. Malaysia was the first ASEAN state to normalise ties with China at a time when some other members were still concerned about the threat Beijing posed. Since then, Malaysia's ethnic Chinese community has been playing an important role in bridging the two countries' trade and cultural exchanges.

In 2013, China was Malaysia's largest trading partner for the fifth consecutive year, with two-way trade that year valued at US\$62 billion. Deep energy ties exist between the two since Malaysia is the third-largest supplier of liquefied natural gas to China. In April, state-owned China Petroleum & Chemical Corp. (Sinopec) agreed to join a Petronas-led project in Canada, known as Pacific Northwest LNG, as a minority partner.

Balancing national and regional interests

Based on these important aspects in their bilateral relations, the Chinese Foreign Ministry once said in a recent media statement that "Malaysia and China have disputes in the South China Sea. But the two sides share broad consensus on appropriately handling the disputed issues". For its part, the Malaysian government is sticking with a policy of saying little either about China's military flexing or any dispute with its largest trading partner.

Balancing between national interests and regional interests is always a challenge for not only Malaysia but many ASEAN member states, especially in terms of relations with China. The failure of the ASEAN foreign ministers in their Cambodia meeting in 2012, caused by differences over the South China Sea disputes, is still vivid.

The government of Prime Minister Najib is unlikely to emulate the more confrontational approach of Vietnam and the Philippines unless China decides to push the envelope by asserting its rights to islands and reefs claimed by Malaysia. China, for its part, will be wise enough to manage its assertiveness over the South China Sea disputes to avoid pushing this important Southeast Asian partner into a dilemma, at least in the year when Malaysia is the ASEAN's rotating Chairman.

As Prime Minister Najib clearly stated in his keynote address at the Shangri-La Dialogue in 2011, while Malaysia remained "fully committed to a common ASEAN position" in terms of engaging China on the South China Sea, it is "equally determined to ensure that our bilateral relationship remains unaffected and, in fact, continues to go from strength to strength".

Hence, despite skepticism of Chinese intentions and the entreaties of other regional actors, Malaysia is unlikely to abandon its hedging policy in a year when it is chairing ASEAN.

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