



FEBRUARY 2015

MARITIME
STRATEGY SERIES

Playing It Safe:
*Malaysia's Approach to the South China Sea
and Implications for the United States*

By Prashanth Parameswaran



Center for a
New American
Security

About this Series

Maritime tensions in the East and South China Seas have raised significant questions about the long-term peace and stability that has enabled Asia's economic rise over the last several decades. While these disputes are longstanding, recent years have seen attempts to unilaterally change the status quo through tailored coercion that falls short of war. These activities do not appear to be abating despite growing international concern. While policy efforts to alleviate tensions must include engagement and binding, a comprehensive approach must include countering coercive moves by imposing costs on bad behavior. This series aims to explore various types and facets of strategies to deter, deny and impose costs on provocative behavior in maritime Asia. Hopefully these papers will, jointly and severally, generate new thinking on how to both maintain security and build order across the Indo-Pacific region.

Cover Image

U.S. Navy Adm. Jonathan Greenert, center, inspects an honor guard during a welcoming ceremony at Defence Ministry in Kuala Lumpur, Malaysia, Tuesday, Feb. 11, 2014.

VINCENT THIAN/Associated Press

F E B R U A R Y 2 0 1 5

Playing It Safe:
*Malaysia's Approach to the South China Sea
and Implications for the United States*

By Prashanth Parameswaran

About the Author

Prashanth Parameswaran is associate editor at The Diplomat magazine based in Washington, D.C. and a visiting fellow at the ASEAN Studies Center at American University. He is also a PhD candidate at the Fletcher School of Law and Diplomacy at Tufts University. He has written extensively about Southeast Asia and Asian security affairs.

INTRODUCTION

By Prashanth Parameswaran

Since 2009, China has adopted a more assertive posture in its disputes with five other claimants - Brunei, Malaysia, the Philippines, Taiwan, and Vietnam - over territorial sovereignty and maritime rights in the South China Sea.¹ Over the past few years, Beijing has increased the scope and frequency of its naval patrols within its infamous nine-dashed line claim that encompasses the majority of the South China Sea, seized the Scarborough Shoal from the Philippines, dispatched a giant oil rig into Vietnam's exclusive economic zone (EEZ) and begun reclamation work in the Spratlys. While these moves have caused alarm within the Association of Southeast Asian Nations (ASEAN) and across the Asia-Pacific, the responses by the claimant states to China's actions have not been uniform. In particular, while Vietnam and the Philippines have directly confronted Chinese vessels and publicly condemned Chinese coercion, Malaysia's approach over the past few years has been quieter and more low-profile.²

However, in 2013 and 2014, growing international attention to Chinese encroachments into Malaysian waters, combined with Beijing's furor over Malaysia's handling of the March 2014 MH370 airline tragedy that killed 153 Chinese nationals, led to discernible discontent among some Malaysian elites about the historically "special" Sino-Malaysian relationship.³ Public declarations about new military capabilities and quiet conversations between Malaysian officials and other ASEAN claimants in the South China Sea led some to wonder whether Malaysia was beginning to harden its position in 2014 just as Kuala Lumpur and Beijing were set to celebrate the 40th anniversary of their bilateral ties.⁴

This paper aims to clarify Malaysia's perspective on the South China Sea issue, focusing particularly on the administration of current Prime Minister Najib Razak from 2009 to 2014. This paper argues that in spite of some adjustments after recent trends

– including increased Chinese assertiveness in the South China Sea in 2013 and 2014 – Malaysia's approach has remained largely unchanged. Malaysia continues to adopt a “playing it safe” approach on the South China Sea issue, pursuing a combination of diplomatic, legal, economic, and security initiatives that can secure its interests as a claimant state while being careful not to disrupt its vital bilateral relationship with China. As a result, while there are some opportunities for Malaysia to work with the United States and other regional players on maritime security, there continues to be very little appetite in government circles for direct, public measures aimed at curbing Chinese coercion.

Malaysia continues to adopt a “playing it safe” approach on the South China Sea issue, pursuing a combination of diplomatic, legal, economic, and security initiatives that can secure its interests as a claimant state while being careful not to disrupt its vital bilateral relationship with China.

The paper proceeds in three parts. It begins by analyzing Malaysia's interests in the South China Sea. It then elaborates on the playing-it-safe approach Malaysia has adopted in recent years, explaining the extent to which it has changed given recent trends in the South China Sea. The last section examines the implications of Malaysia's approach

for the United States and the new U.S.-Malaysia comprehensive partnership inked during President Barack Obama's historic visit to Malaysia in April 2014.

II. MALAYSIA'S INTERESTS IN THE SOUTH CHINA SEA ISSUE

Malaysia has several interests in the South China Sea. The first and narrowest one is preserving Malaysia's claims. Within the South China Sea, Malaysia claims 11 maritime features in the Spratly Islands and occupies eight of them, with the other three being occupied by Vietnam or the Philippines.⁵

Safeguarding those claims is essential for Malaysia's prosperity and security. The country – Southeast Asia's second-largest oil and natural gas producer and the world's third-largest liquefied natural gas (LNG) exporter – derives a significant part of its oil and gas resources from the South China Sea. The oil and gas sector constitutes about a third of the Malaysian government's annual revenue, and several of the fields and platforms used to exploit hydrocarbons are within China's nine-dashed line.⁶ Security-wise, preventing encroachments into Malaysia's portion of the South China Sea is tied to preserving the country's sovereignty and territorial integrity, especially since the waterway divides Peninsular Malaysia from East Malaysia.

Second, Malaysia has an interest in maintaining a strong bilateral relationship with China beyond the South China Sea issue. Sino-Malaysian relations have warmed appreciably since the end of the Cold War, with tensions over ideological and ethnic Chinese questions easing and both countries boosting economic ties.⁷ Symbolically, Malaysia was also the first ASEAN state to normalize ties with China, a historic moment that occurred in 1974 when Najib's father, Tun Abdul

Razak, was prime minister. This and other events since then have given rise to the idea of a special relationship between the two countries that continues to permeate official circles.⁸ Today, China is also Malaysia's largest trade partner and biggest tourist-generating market outside of ASEAN. That means Beijing is central to Najib's goal of making Malaysia a high-income nation and developed country by 2020.⁹

Lastly, on the South China Sea more specifically, Malaysia has been affected by China's assertiveness much less than fellow ASEAN claimants Vietnam and the Philippines, in part because parts of its claims lie in the southernmost part of China's nine-dashed line.

For these reasons, the Malaysian government continues to believe that China presents more of an opportunity than a threat to its interests and that Malaysia's needs would be best served by continuing to strengthen the economic core of the relationship while not allowing the South China Sea issue to overshadow bilateral ties.¹⁰ As Najib articulated in his 2011 keynote address to the Shangri-La Dialogue, while Malaysia is fully committed to a "common ASEAN position" on engaging China on the South China Sea issue, it is "equally determined" to ensure that the bilateral relationship "remains unaffected."¹¹

A third interest for Malaysia in the South China Sea is ensuring broader regional peace and stability and an open commons. The South China Sea is a highway for trade, shipping and telecommunications through which a third of world trade passes.¹² This makes free trade, safe and secure sea lines of communication (SLOCs), and overall regional order of critical importance to a trading and maritime nation such as Malaysia, where the ratio of trade to gross domestic product (GDP) exceeds 150 percent and where around 95 percent of trade is seaborne.¹³ Consequently, Malaysia continues to stress that all South China Sea claimants ought

to resolve their disputes peacefully rather than through force. Additionally, as one of the four original founding members of ASEAN, Malaysia supports the organization's crucial role in promoting regional peace and stability.¹⁴

In Malaysia's view, laws and norms in the South China Sea help it and other claimants seek clarity in the face of conflicting claims from a common basis of understanding without resorting to "might makes right" approaches and destabilizing acts involving military force.

Malaysia's fourth and final interest in the South China Sea is the preservation of global norms and international law. These include general principles such as the peaceful settlement of disputes as well as specific agreements that apply to the South China Sea issue, such as the United Nations Convention on the Law of the Sea (UNCLOS). In Malaysia's view, laws and norms in the South China Sea help it and other claimants seek clarity in the face of conflicting claims from a common basis of understanding without resorting to "might makes right" approaches and destabilizing acts involving military force. As Najib said in his speech at the 28th Asia-Pacific Roundtable in June 2014, Malaysia hopes that instead of taking unilateral steps to affirm their declared rights in the South China Sea, all actors will "hold steadfast to the principles of non-use of force and the peaceful settlement of disputes" and that "the rule of law must reign supreme."¹⁵

III. MALAYSIA'S 'PLAYING IT SAFE' APPROACH IN THE SOUTH CHINA SEA: CONTINUITY AND CHANGE

To balance advancing these four interests over the past few years, Malaysia has employed what I term a playing-it-safe approach. That is, the Malaysian government has used a combination of diplomatic, legal, security and economic measures to secure its claims in the South China Sea while simultaneously ensuring that it preserves its special relationship with China. While China's growing assertiveness has led Malaysia to recalibrate its outlook in some of these four components, the Najib government's overall approach has remained unchanged thus far. This section examines each component of Malaysia's approach, including the extent to which each has changed or remained constant.

A. DIPLOMATIC

Diplomatically, since 2009 Malaysia has tried to play it safe by adroitly managing its special relationship with China bilaterally while simultaneously using regional norms and mechanisms to secure its interests. On the one hand, Malaysia's response to incidents in the South China Sea involving China is tightly controlled and often communicated privately to Beijing, as it is believed that rising nationalism among the public may otherwise constrain government options and risk damaging a vital relationship. Beijing in turn has both privately and publicly appreciated the Malaysian government's quieter approach to dealing with the issue and as a result has treated it much more mildly relative to Vietnam and the Philippines in the South China Sea. On the other hand, Malaysia has worked to ensure that ASEAN maintains a basic level of unity on the South China Sea issue so that it can speak out against unilateral changes to the status quo by actors, including China.

This balancing act has continued in spite of the recent trends in the South China Sea. Malaysia's preference for quiet diplomacy was illustrated when a three-ship People's Liberation Army Navy (PLAN) flotilla was reported to have encroached into James Shoal (which Malaysia calls Beting Serupai) in January 2014. Malaysia initially denied this was the case, and according to reports the issue was only discussed four days later when the new Chinese ambassador to Malaysia, Huang Huikang, paid a visit to Malaysian Defense Minister Hishammuddin Hussein, who was also joined by service chiefs.¹⁶ It was no coincidence that, in November 2014, Chinese President Xi Jinping explicitly praised Malaysia's "quiet diplomacy approach" in tackling the South China Sea question instead of relying on confrontation or international arbitration.¹⁷

At the same time, Malaysia has also continued to

...Malaysia has also continued to work publicly and privately with other ASEAN states to narrow differences and forge a united front against coercion in the wake of rising tensions in the South China Sea.

work publicly and privately with other ASEAN states to narrow differences and forge a united front against coercion in the wake of rising tensions in the South China Sea. Privately, Malaysia has insisted that ASEAN speak with one voice against any acts that violate international law, as Malaysian Foreign Minister Anifah Aman did in

Phnom Penh in July 2012 in spite of opposition by other Southeast Asian states.¹⁸ In public and private ASEAN contexts, Malaysia's calls for a full implementation of the Declaration of Conduct (DoC) on the South China Sea and a speedy conclusion of a legally binding Code of Conduct (CoC) have grown more urgent since 2012.¹⁹ More specifically, Malaysia has fervently supported recent efforts by Beijing to advance practical cooperation under the DoC through measures within the ASEAN-China Maritime Cooperation Fund.²⁰ In 2014, Malaysia also began having more conversations with fellow ASEAN claimants to narrow differences on the South China Sea and potentially help advance progress on the CoC, even though these discussions are said to be at a very preliminary stage.²¹

B. LEGAL

Malaysia has also sought to play it safe in the legal domain, carefully and selectively using international institutions to secure its claims and narrow differences with fellow ASEAN claimants when necessary, but refusing to back more controversial efforts by others for fear of angering Beijing and damaging Malaysia's own interests. Instances of Chinese coercion over the past few years have yet to change the Najib government's overall approach in this realm.

The clearest example of Malaysia using international institutions to secure its own claims came one week before the May 13, 2009, deadline for submissions to the United Nations Commission on the Limits of the Continental Shelf (CLCS), when Malaysia submitted a claim jointly with Vietnam concerning a section of their extended continental shelves in the South China Sea, in accordance with Article 76, Paragraph 8 of UNCLOS.²² The decision to file a joint submission – which was also initially proposed to the Philippines – was designed to narrow differences between ASEAN claimants and begin deconstructing the South China Sea

disputes. Even though the move prompted a strong rebuke from China – including the issuance of its controversial “nine-dashed line” map – Malaysian officials subsequently maintained that at least reducing divergences with Vietnam was a positive step forward.²³ Efforts were reportedly made to ease China's predictable frustration, including giving Beijing an advance notification of Malaysia's position.²⁴

Yet, at the same time, there are clear limits to Malaysia's support for the use of legal instruments by itself and other claimants in the South China Sea. For example, despite repeated suggestions from Philippine officials and the United States, Malaysia has thus far been unwilling to support the Philippines overtly in a 2013 suit that the latter has filed with the International Tribunal for the Law of the Sea (ITLOS) to challenge China's claims over the South China Sea.²⁵ The most recent public statement issued by Najib and Philippine President Benigno Aquino III, in February 2014, only contained vague references to the “peaceful settlement of disputes,” “the rule of law,” and UNCLOS.²⁶

The Najib government's caution is in line with its focus on preserving the Sino-Malaysian relationship despite Beijing's growing assertiveness in the South China Sea. Needless to say, angering China and risking a disruption or downturn in economic ties – such as Beijing disinviting Aquino from the 10th China-ASEAN Expo in Nanning in September 2013 – is not a risk that the Malaysian government is prepared to take. This is both because of the importance of the Sino-Malaysian relationship as well as the relatively mild way Beijing has treated Malaysia on the South China Sea issue relative to the Philippines.²⁷

C. SECURITY

Malaysia continues to strengthen the capabilities of key institutions – most prominently the Royal Malaysian Navy (RMN), the Royal Malaysian Air Force (RMAF) and the Malaysian Maritime Enforcement Agency (MMEA), also known as the Malaysian Coast Guard – to secure its claims in the South China Sea and the resources therein. But it is equally determined to take steps designed to prevent potential escalation with China in the South China Sea. This has persisted amid rising Chinese encroachments into Malaysian waters; by one count, from 2008 to 2012 there were as many as 35 assets belonging to the PLAN and Chinese law enforcement agencies observed in Malaysia's EEZ in the Spratlys.²⁸

On the one hand, Malaysia is actively augmenting its capabilities at sea, a trend that has intensified in 2013 and 2014 alongside growing Chinese incursions. Traditionally, to safeguard its claims, Malaysia has: maintained several military outposts in the Spratly Islands; used warships and submarines to conduct patrols within the EEZ and disputed areas to monitor and shadow away foreign vessels, if needed, using standard procedures; and conducted exercises periodically in or near its portion of the South China Sea to reaffirm its presence there and to test its operational readiness.²⁹ In response to Chinese vessels' increasingly bold forays into Malaysian waters, Kuala Lumpur has increased patrols around its occupied and claimed features and quietly boosted intelligence cooperation with partners such as the United States in the maritime domain.³⁰ In October 2013, Hishammuddin, the Malaysian defense minister, also announced that Malaysia would set up a new naval base in Bintulu, Sarawak, and would start up a new marine corps to provide amphibious capabilities in the South China Sea.³¹

On the other hand, Malaysia continues to be rather cautious in how it deploys its capabilities vis-à-vis China. While Malaysian ships do shadow Chinese

vessels when they infringe into Malaysian waters, the Malaysians tend to issue orders for the Chinese ships to leave but avoid making aggressive maneuvers, in line with the preference to register quiet diplomatic protests instead.³² Malaysia has also built up mechanisms designed to prevent escalation, including deliberately deploying one less ship than Beijing when contact is made (a “minus-one approach”).³³ Malaysia has also continued to build its security relationship with Beijing by increasing defense consultations and confidence-building measures.³⁴

Malaysia is actively augmenting its capabilities at sea, a trend that has intensified in 2013 and 2014 alongside growing Chinese incursions.

Malaysia plays it safe in this realm for several security-specific reasons. First, Malaysia's capabilities remain severely limited. The RMN is quite undersized, with an aging fleet of only 39 surface ships and two submarines to cover the country's extensive surrounding waters – not much considering normal deployment cycles that include repairs and trials in addition to actual patrols. While planned procurements – such as the six littoral combat ships from France expected to be operational beginning in 2018 – may plug this gap, some programs have also been shelved due to budgetary constraints.³⁵ Second, Chinese infringements are only one of the many traditional and nontraditional threats that Malaysia has to contend with in its vast maritime domain; others include piracy, smuggling, kidnapping, terrorism, illegal fishing, and encroachments from neighboring states such

as Indonesia and the Philippines.³⁶ For much of 2014, the Defense Ministry was focused on getting funds to guard against terror threats off Sabah and Sarawak after the invasion at Lahad Datu in 2013.³⁷

D. ECONOMIC

A vital and often underemphasized component of Malaysia's play-it-safe approach is economic. As mentioned earlier, some of the South China Sea's most productive oil and gas deposits are off the states of Sabah and Sarawak, which are on Malaysia's portion of Borneo, and the oil and gas sector accounts for about a third of annual government revenue. In addition to boosting its military capabilities to protect its oil and gas installations, Malaysia has worked with international companies and signed agreements with other countries to maximize economic benefits from the South China Sea where possible. That has continued unabated amid the recent trends in the waterway.

The country's national oil and gas giant Petroliam Nasional Berhad (Petronas) continues to cooperate with other multinationals such as Shell, Murphy Oil and ExxonMobil to exploit hydrocarbons, including in the South China Sea. In July 2014, for instance, an international energy consortium consisting of Mubadala Petroleum, Petronas and Shell made a major natural gas discovery at exploration block SK320, roughly 90 miles off the coast of Sarawak.³⁸ Legally, Petronas has exclusive ownership of all exploration and production projects and is responsible directly to the prime minister.

Malaysia has also worked to downplay differences with other claimant states in order to realize economic benefits through joint development agreements (JDAs). This pragmatism has a history beyond the South China Sea, with Malaysia negotiating a JDA with Thailand in 1979 in the lower part of the Gulf of Thailand for natural gas exploration and production.³⁹ Within the South China

Sea, in March 2009 Malaysia and Brunei managed to resolve their maritime and land border disputes through an Exchange of Letters, with both sides subsequently agreeing to jointly develop oil and gas resources in two blocks (CA1 and CA2).⁴⁰ While the case is a good illustration of Malaysia's willingness to shelve disputes for economic pragmatism in the spirit of playing it safe, it is worth noting that no similar plans are in the works between Malaysia and China, as that would involve some form of recognition of Chinese claims in the South China Sea, which extend into Malaysia's EEZ. Such an admission would run counter to the government's current policy.

Nonetheless, it is notable that although some of these fields, platforms and open exploration blocks lie within China's infamous nine-dashed line claim, Beijing largely has not responded aggressively the way it has over surveys and tenders by the Philippines and Vietnam. There have been incidents involving Chinese ships and either Malaysian survey vessels or contracted seismic vessels from energy companies over the past few years.⁴¹ However, these incidents have not thus far disrupted Malaysia's oil and gas exploration and production efforts. This may partly be because it would seem to be against China's own interests: Malaysia is a key energy supplier for the People's Republic of China (PRC), including through a historic 25-year LNG agreement with Petronas that began in 2009.⁴²

IV. IMPLICATIONS FOR THE UNITED STATES

Malaysia's playing-it-safe approach on the South China Sea has implications for the United States as it seeks to engage Malaysia as a partner not only on maritime security in the South China Sea, but with regard to broader regional security and order-building initiatives as well. U.S.-Malaysia relations

have had a complex history, with some cooperation amid disagreements on matters including Asian regionalism, human rights and American foreign policy in the Middle East. While some of these differences remain, ties have also strengthened considerably under the Obama administration, with both countries inking a comprehensive partnership in 2014 during the historic presidential visit to Malaysia, the first since Lyndon Johnson's in 1966.⁴³ The South China Sea has featured prominently in some recent U.S.-Malaysia interactions, including Obama's April 2014 trip and a February 2014 visit by U.S. Chief of Naval Operations Admiral Jonathan W. Greenert. Understanding how Malaysia's approach to the issue affects American interests will therefore be critical as it will help determine the next steps Washington should take to advance the relationship.

Before turning to what is possible, it is important to acknowledge at the outset that Malaysia and the United States have some fundamental differences on the South China Sea question, which in turn imposes limits on cooperation with respect to that issue. While both countries support a strong ASEAN and agree on the importance of international norms and rules, Malaysia is also a claimant state that simultaneously protects important security, diplomatic and economic interests through a "special" bilateral relationship with China. Furthermore, Malaysia's continued preference for a quiet, low-profile approach to dealing with Beijing makes it unlikely that it would participate in initiatives designed to directly and publicly counter Chinese coercion in the South China Sea, which the United States, Vietnam and the Philippines might consider.

That being said, there is still significant room for U.S.-Malaysia collaboration, particularly if initiatives focus on maritime security in general rather than being targeted specifically against China.

In this vein, the United States should:

1. Support Malaysia's ongoing efforts to boost its military capabilities. Malaysia's continuing military modernization offers the United States some prospects for cooperation on the security side of the relationship in the coming years. The two countries already have a firm foundation in this realm, which includes frequent naval visits, joint exercises, and intelligence-sharing in the maritime domain. But Washington should continue to help Malaysia build its capacity over the next few years, including in setting up a marine corps and building up its amphibious capabilities, both of which have direct relevance for the South China Sea. More indirectly, there may be additional ways both sides could work together on maritime security more generally, especially with Malaysia's formal admission into the Proliferation Security Initiative (PSI) in April 2014. And even though the current political climate and ongoing budget constraints in Malaysia continue to impose limits on the government's spending on military procurement, U.S. companies may be able to help fill capability gaps if they are creative about how they structure deals.

Malaysia's continuing military modernization offers the United States some prospects for cooperation on the security side of the relationship in the coming years.

Due to domestic political sensitivities in Malaysia, Washington must be sure to pay especially close attention to how it communicates about existing and potential security cooperation. In the past, public remarks by U.S. officials on this subject have at times been misrepresented in the media, leading

to misunderstandings that can complicate an otherwise quiet but effective security relationship. The media frenzy after Greenert's alleged suggestion that Malaysia was offering the United States a permanent base in East Malaysia for deploying U.S. Navy P-8s was a case in point.⁴⁴ Such incidents may seem minor, but they risk playing into conspiracy theories in Malaysia about the United States' role in the country diminishing Malaysia's sovereignty.

2. Boost the economic and people-to-people dimensions of the U.S.-Malaysia comprehensive partnership. Since Malaysia's South China Sea approach is tightly linked to other issues such as its burgeoning economic relationship with China and domestic sensitivities about the United States, Washington should work to improve the economic and people-to-people dimensions of the U.S.-Malaysia comprehensive partnership. For instance, in the economic sphere, concluding the Trans-Pacific Partnership (TPP) agreement in 2015 – which Malaysia is currently part of – would help the country diversify its economic relationships rather than becoming too reliant on Beijing, which could affect its future security outlook. In the people-to-people realm, concluding a visa waiver program over the next few years would help regular Malaysians feel the benefits of a closer relationship with the United States. That in turn would help build a strong and sustainable constituency in Malaysia necessary for effective bilateral cooperation on issues such as the South China Sea.

3. Work with Malaysia on regional maritime security initiatives. Given the convergence of U.S. and Malaysian interests on the importance of ASEAN and international rules and norms, both countries should work to advance efforts on maritime security at the regional level. One way of accomplishing this would be to get government and nongovernment agencies and organizations in the United States and Malaysia to jointly cooperate on regional initiatives related to maritime security

at the Track I or Track II level. To cite just one example, both sides could work to co-sponsor conferences involving other ASEAN countries focused on cooperative maritime security or border management issues. The collaboration between the Asia-Pacific Center for Security Studies (APCSS) and the MMEA in a 2008 workshop on “Managing Borders in the Maritime Domain” is a case in point.⁴⁵

Some U.S. regional initiatives on maritime security can also be accomplished multilaterally with a range of other actors including Malaysia where possible. Advancing ideas on confidence-building measures and crisis management mechanisms in multilateral forums – including the ASEAN Regional Forum, the ASEAN Defense Ministers Meeting Plus, and the Expanded ASEAN Maritime Forum (EAMF), as well as Track II institutions such as the Council for Security Cooperation in the Asia Pacific – will be an important part of this. These include concluding a legally binding CoC on the South China Sea and establishing hotlines between nations. But as important as new ideas are, equal attention should be given to avoiding duplication and overlaps among the various ASEAN maritime-related bodies as well as promoting greater synergy between institutions such as the ASEAN Maritime Forum (AMF) and the newer EAMF. Collaboration with Malaysia – the ASEAN chair for 2015 – will be a critical part of advancing the U.S. agenda for maritime security in multilateral fora.

Washington can also undertake multilateral regional initiatives with willing partners, including Malaysia, beyond these institutions to promote greater regional domain awareness and information-sharing in the maritime sphere. Beyond detecting Chinese moves in the South China Sea, developing a shared understanding of events at sea is also critical for effective humanitarian assistance and disaster relief after incidents such as the MH370 disaster. One way to do this is to expand

Washington can also undertake multilateral regional initiatives with willing partners, including Malaysia, beyond these institutions to promote greater regional domain awareness and information-sharing in the maritime sphere.

U.S. joint exercises with ASEAN countries, including Malaysia. To cite one example, the Southeast Asia Cooperation and Training (SEACAT) exercise involving the United States and the navies of six ASEAN nations – Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand – could be expanded to include even greater participation from ASEAN civilian maritime enforcement in different components of the exercise.⁴⁶ Another action item should be operationalizing regional maritime domain awareness with Southeast Asian states, particularly with the new Changi Regional HADR Coordination Centre (RHCC) at the Changi Command and Control (C2) Centre in Singapore set to be operational in 2015 – as advocated by U.S. Defense Secretary Chuck Hagel at the Shangri-la Dialogue in May 2014.

4. Maintain the foundations of an active, balanced and sustainable U.S. Asia policy. Given that Malaysia's South China Sea policy is partly informed by U.S. foreign policy in the Asia-Pacific, Washington can take steps with respect to how it conducts itself in the region. For example, even if ASEAN states such as Malaysia may not publicly declare it, they count on the United States' pursuing a balanced relationship with China, which includes cooperating with Beijing where

possible but also pushing back against Chinese coercion when needed without further undermining regional stability. Hence, U.S. policymakers should continue to oppose future destabilizing acts by China, including Beijing's potential establishment of an Air Defense Identification Zone (ADIZ) in the South China Sea. Additionally, since most other Asian states, including Malaysia, rely on a strong U.S. presence in the Asia-Pacific as a basis for their prosperity, Washington should ensure that sequestration and other domestic obstacles do not undermine the foundations of that presence.

V. CONCLUSION

Malaysia's playing-it-safe approach on the South China Sea issue could shift in the next few years if the dynamics on the water change. If China threatens Malaysia's oil and gas interests or substantially increases its presence around Malaysia's claimed and occupied features, the Najib government or its successor may decide that a much tougher approach is needed. Until then, though, Malaysia appears likely to continue its approach of realizing its interests using a range of diplomatic, legal, security, and economic measures while preserving its vital relationship with Beijing. Although that means the appetite for direct, public initiatives targeting Beijing will be low, that should not preclude the United States and other regional actors from cooperating with Malaysia where their interests converge, such as on maintaining ASEAN's centrality or emphasizing the importance of rules and norms. After all, ultimately, the United States, Malaysia and their partners in the Asia-Pacific and beyond all share a main goal of preserving regional peace, stability and prosperity in an increasingly pivotal part of the world, which will stand to benefit all nations.

ENDNOTES

1 M. Taylor Fravel, "China's Strategy in the South China Sea," *Contemporary Southeast Asia*, 33 no. 3 (December 2011), <http://taylorfravel.com/documents/research/fravel.2011.CSA.china.strategy.scs.pdf>.

2 "Stirring Up the South China Sea (II): Regional Responses," Asia Report No. 229 (International Crisis Group, July 24, 2012), <http://www.crisisgroup.org/~media/files/asia/north-east-asia/229-stirring-up-the-south-china-sea-ii-regional-responses.pdf>; and Mergawati Zulfakar, "Quiet diplomacy the way to go," *The Star*, June 2, 2014, <http://www.thestar.com.my/Opinion/Columnists/Mergawati/Profile/Articles/2014/06/02/Quiet-diplomacy-the-way-to-go/>.

3 Amin Iskandar, "Review ties with China, former envoy tells Putrajaya," *The Malaysian Insider*.com, April 5, 2014, <http://www.themalaysianinsider.com/malaysia/article/review-ties-with-china-former-envoy-tells-putrajaya>; and "Ex-MAS chief urges China to tone down approach over MH370," *The Malay Mail Online*.com, April 4, 2014, <http://www.themalaymailonline.com/malaysia/article/ex-mas-chief-urges-china-to-tone-down-approach-over-mh370>.

4 Prashanth Parameswaran, "Malaysia Walks Tightrope on China and the South China Sea," *China Brief*, 14 no. 6 (March 20, 2014); and Stuart Grudgings, "Insight: China's Assertiveness Hardens Malaysia's Stance In Sea Dispute," Reuters, February 26, 2014.

5 They are Ardasier Reef, Dallas Reef, Louisa Reef, Mariveles Reef, Royal Charlotte Reef, Swallow Reef, Erica Reef, Investigator Reef, Commodore Reef, Amboyna Cay and Barque Canada Reef. See Robert C. Beckman and Tara Davenport, "CLCS Submissions and Claims in the South China Sea" (paper presented at the Second International Workshop, "The South China Sea: Cooperation for Regional Security and Development," Ho Chi Minh City, Vietnam, November 10-12, 2010).

6 "Malaysia Economy Profile 2014," *Indexmundi.com*, August 23, 2014, http://www.indexmundi.com/malaysia/economy_profile.html. For oil and gas reserves estimates, see U.S. Energy Information Administration, "South China Sea," February 7, 2013, <http://www.eia.gov/countries/regions-topics.cfm?fips=scs>.

7 For a recent account of Sino-Malaysian relations, see Cheng-Chwee Kuik, "Making Sense of Malaysia's China Policy: Asymmetry, Proximity, and Elite's Domestic Authority," *The Chinese Journal of International Politics*, 6 no. 4 (Winter 2013), <http://cjp.oxfordjournals.org/content/6/4/429.full?sid=ef69b6c7-3b64-4867-b5af-eb3e96eb1a53>.

8 Conversation with a Malaysian official, August 2013.

9 Malaysian officials are quick to point out that Malaysia is increasingly a top economic priority for Beijing as well, being its third-largest trading partner in Asia after Japan and Korea and accounting for about a quarter of Beijing's overall trade with Southeast Asia.

10 Conversation with a Malaysian official, May 2014.

11 Dato' Sri Najib Tun Razak, "Shangri-La Dialogue 2011 Keynote Address" (Shangri-La Dialogue, Singapore, June 3, 2011).

12 Tommy Koh, "REVIEW BRIEF: Mapping Out Rival Claims to the South China Sea," *The Straits Times*, September 13, 2011.

13 White House, "Joint Statement By President Obama And Prime Minister Najib of Malaysia," April 27, 2014, <http://www.whitehouse.gov/the-press-office/2014/04/27/joint-statement-president-obama-and-prime-minister-najib-malaysia-0>; and World Trade Organization, "Country Profiles: Malaysia," WTO Statistics Database, September 2014, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Country=MY&Language=F>. Another measure of Malaysia's reliance on global flows is the fact that it is among the top 20 most-connected countries in the world in the McKinsey Global Institute's Connectedness Index (it is ranked 18th). See James Manyika et al., "Global flows in a digital age" (McKinsey Global Institute, April 2014), http://www.mckinsey.com/insights/globalization/global_flows_in_a_digital_age.

14 Ministry of Foreign Affairs of Malaysia, "ASEAN as the Cornerstone of Malaysia's Foreign Policy," 2014, www.kln.gov.my/web/guest/asean.

15 Hon. Dato' Seri MOHD NAJIB Tun Abdul Razak, "Keynote Address at the 28th Asia-Pacific Roundtable" (Institute of Strategic and International Studies, Kuala Lumpur, Malaysia, June 2, 2014), <http://www.isis.org.my/attachments/apr28/Najib.pdf>. Due to a conflict in Najib's schedule, the speech was read by Home Minister Datuk Seri Dr. Ahmad Zahid, but the speech as prepared is in Najib's words. See Bernama, "Rule of Law paramount in handling South China Sea issues, says Najib," *The Star*, June 2, 2014, <http://www.thestar.com.my/News/Nation/2014/06/02/Najib-South-China-Sea-issues-Rule-of-Law/>.

16 Mergawati Zulfakar, "China's envoy to Malaysia makes courtesy call on Defence Minister Hishammuddin," *The Star*, January 30, 2014, <http://www.thestar.com.my/News/Nation/2014/01/30/China-ambassador-courtesy-call-on-Malaysia-Defence-Ministry/>.

17 "Chinese President Praises Malaysia's Quiet Diplomacy on South China Sea Issues," Bernama, November 11, 2014.

18 "We must refer to the situation in the South China Sea, particularly any acts that contravene the international law on EEZ and continental shelves," Anifah reportedly said. See Carlyle A. Thayer, "ASEAN's Code of Conduct in the South China Sea: A Litmus Test for Community-Building?," *The Asia-Pacific Journal*, Vol. 10, Issue 34, No. 4, August 20, 2012).

19 Najib Razak, "Keynote Address at the 28th Asia-Pacific Roundtable."

20 Wang Qian and Li Xiaokun, "Premier vows to lift maritime cooperation," *China Daily*, October 12, 2013. The DoC identifies five areas of cooperation: search and rescue; maritime ecosystems and biodiversity; marine hazard prevention and mitigation; marine ecological and monitoring technique; and combating of transnational threats.

21 Conversation with a Malaysian official, May 2014.

22 Malaysia and the Socialist Republic of Vietnam, "Joint Submission to the Commission on the Limits of the Continental Shelf Pursuant to Article 76, Paragraph 8 of the United Nations Convention on the Law of the Sea 1982 in Respect of the Southern Part of the South China Sea," May 2009.

23 For an analysis of how the joint submission narrowed differences between Malaysia and Vietnam, see Beckman and Davenport, "CLCS Submissions and Claims in the South China Sea."

24 Government of Malaysia, "Communication dated 20 May, 2009," part of "Communications Received with Regard to the Joint Submission Made By Malaysia and Viet Nam to the Commission on the Limits on the Continental Shelf," May 20, 2009.

25 "Philippines urges Malaysia to join case against China's sea claims," *The Malaysian Insider*.com, February 28, 2014, <http://www.themalaysianinsider.com/malaysia/article/philippines-urges-malaysia-to-join-case-against-chinas-sea-claims>.

26 "PNoy seeks peaceful solution to China dispute," *ABS-CBNNews.com*, February 28, 2014, <http://www.abs-cbnnews.com/nation/02/28/14/pnoy-seeks-peaceful-solution-china-dispute>.

27 Simone Orendain, "South China Sea Dispute Tests Philippines' Ties With China," *Voice of America*, September 17, 2014, <http://www.voanews.com/content/south-china-sea-dispute-tests-philippines-ties-with-china/2452426.html>.

28 Sumathy Permal, "The rising turbulence in the South China Sea," *Sea Views*, 2013 no. 5 (April 15, 2013), [http://www.mima.gov.my/v2/data/pdf/sea_view/73.Turbulence%20in%20SCS\(5-2013\).pdf](http://www.mima.gov.my/v2/data/pdf/sea_view/73.Turbulence%20in%20SCS(5-2013).pdf).

29 Mohd Nizam Basiron, "Recent Developments in the South China Sea: A Malaysian Perspective and Options" (presentation to the MIMA Conference on the South China Sea, Kuala Lumpur, Malaysia, December 12-13, 2011); and "Malaysia will shadow away Chinese fishery vessel if spotted encroaching Malaysian waters," *KL Security Review*, June 2009, http://www.klsreview.com/HTML/2009Jan_Jun/20090428_01.html.

30 Conversation with Malaysian official, August 2014.

31 Dzirhan Mahadzir, "Malaysia To Establish Marine Corps, Naval Base Close to James Shoal," *IHS Jane's Defence Weekly*, October 15, 2013.

32 Shahriman Lockman, "Why Malaysia isn't afraid of China (for now)," *The Strategist* blog of the Australian Strategic Policy Institute, April 2013, <http://www.aspistrategist.org.au/why-malaysia-isnt-afraid-of-china-for-now/>.

33 Conversation with Malaysian defense analyst, July 2014.

34 Prashanth Parameswaran, "Sino-Malaysian Relations: Close But Not Too Close," *China Brief*, 12 no. 18 (September 21, 2012).

35 Tentera Laut Diraja Malaysia (The Royal Malaysian Navy), "Perolehan Enam Buah Littoral Combat Ship (LCS)," August 15, 2014. For an updated review of the RMN's plans for 2015 and beyond, see Dzirhan Mahadzir, "Malaysian Naval Chief Announces 5-year Funding Request of \$2.86 billion," *IHS Jane's Defence Weekly*, January 6, 2015. Some of the expected casualties include the plan to purchase a batch of up to 18 multirole combat aircraft (though leasing options are being considered) and the planned purchase of stealthy DCNS-designed Gowind corvettes.

36 Mohd Nizam Basiron, "The Modernisation of the Royal Malaysian Navy: Challenges, Trends and Implications" (presentation to the Conference on Naval Modernisation in Southeast Asia: Nature, Causes, Consequences, S. Rajaratnam School of International Studies, Singapore, January 26-27, 2011).

37 Natasha Joibi, "Defence Ministry hopes for greater Budget allocation to combat terror threats in East Malaysia," *The Star*, October 8, 2014, <http://www.thestar.com.my/News/Nation/2014/10/08/Defence-Ministry-budget-allocation-East-Malaysia/>.

38 Eric Yep and Simon Hall, "Malaysia, China Keep Low Profile on Conflicting Sea Claims," *The Wall Street Journal*, June 24, 2014.

39 Robert Beckman et al., *Beyond Territorial Disputes in the South China Sea: Legal Frameworks for the Joint Development of Hydrocarbon Resources* (Cheltenham: Edward Elgar Publishing, 2013).

40 Colonel Ramli H Nik (Ret.), "South China Sea Issues: Navigating Maritime Disputes" (presentation to the Maritime Security Challenges Conference, Victoria, British Columbia, Canada, October 6-9, 2014); and Ian Storey, "Testing Brunei's resolve over China," *The Straits Times*, December 10, 2012, <http://www.straitstimes.com/the-big-story/asia-report/china/story/testing-brunei-resolve-over-china-20121210>.

41 Conversation with Malaysian official.

42 For details of the original agreement, see Petronas, "Malaysia to Supply LNG to Shanghai LNG Company," October 30, 2006.

43 For a background to warming ties, see Prashanth Parameswaran, "Explaining US Strategic Partnerships in the Asia-Pacific Region: Origins, Developments and Prospects," *Contemporary Southeast Asia*, 36 no. 2 (August 2014).

44 Richard R. Burgess, "CNO: Malaysia Offers U.S. P-8 Detachment Site," *SEAPOW* September 8, 2014. For Greenert's original comments, delivered at a think tank event in Washington, see "Admiral Greenert on the Asia-Pacific Rebalance," *Carnegie Endowment for International Peace*, September 8, 2014, http://carnegieendowment.org/files/Greenert_Transcript.pdf. For an informed Malaysian response to Greenert's remarks, see Dzirhan Mahadzir, "Base for the P-8? The View from Malaysia," *Center for International Maritime Security* blog, September 17, 2014.

45 "Managing Borders in the Maritime Domain Workshop," *Asia-Pacific Center for Security Studies*, Kuala Lumpur, Malaysia, June 9-11, 2008.

46 U.S. Department of State, "Maritime Exercise Brings Together Southeast Asian Nations," August 12, 2014.

About the Center for a New American Security

The mission of the Center for a New American Security (CNAS) is to develop strong, pragmatic and principled national security and defense policies. Building on the expertise and experience of its staff and advisors, CNAS engages policymakers, experts and the public with innovative, fact-based research, ideas and analysis to shape and elevate the national security debate. A key part of our mission is to inform and prepare the national security leaders of today and tomorrow.

CNAS is located in Washington, and was established in February 2007 by co-founders Kurt M. Campbell and Michèle A. Flournoy. CNAS is a 501(c)3 tax-exempt nonprofit organization. Its research is independent and non-partisan. CNAS does not take institutional positions on policy issues. Accordingly, all views, positions, and conclusions expressed in this publication should be understood to be solely those of the authors.

© 2015 Center for a New American Security.

All rights reserved.

Center for a New American Security

1152 15th Street, NW
Suite 950
Washington, DC 20005

TEL 202.457.9400
FAX 202.457.9401
EMAIL info@cnas.org
www.cnas.org

Production Notes

Paper recycling is reprocessing waste paper fibers back into a usable paper product.

Soy ink is a helpful component in paper recycling. It helps in this process because the soy ink can be removed more easily than regular ink and can be taken out of paper during the de-inking process of recycling. This allows the recycled paper to have less damage to its paper fibers and have a brighter appearance. The waste that is left from the soy ink during the de-inking process is not hazardous and it can be treated easily through the development of modern processes.





Center for a
New American
Security

STRONG, PRAGMATIC AND PRINCIPLED
NATIONAL SECURITY AND DEFENSE POLICIES

1152 15th Street, NW
Suite 950
Washington, DC 20005

TEL 202.457.9400
FAX 202.457.9401
EMAIL info@cnas.org

www.cnas.org



Printed on Post-Consumer Recycled paper with Soy Inks