



## Malaysia

### Overview

The Federation of Malaysia is a majority Muslim parliamentary democracy in Southeast Asia. It has an ethnically and religiously diverse population of 32.7 million, with a Malay majority and large ethnic Chinese and Indian minorities. Malaysia is considered a middle-income country and is relatively prosperous among Southeast Asian nations.

Malaysia has undergone significant political upheaval in recent years, as three separate coalition governments have held power since the last national election in 2018. In a country that had been led by a single political coalition since independence in 1957, the period of instability has raised questions about the strength of Malaysia's political institutions and about Malaysian democracy, as two of the ruling coalitions were formed without elections. The current government is headed by Prime Minister Ismail Sabri Yaakob, who came to power in August 2021 following the collapse of the previous government. The next general election is due in 2023, although some observers believe the government will go to the polls early in an attempt to consolidate its legitimacy through elections.

Despite its chaotic political processes, Malaysia plays an active role in regional diplomacy, and it has been a partner in various U.S. initiatives in Asia, including trade and security initiatives as well as efforts to combat terrorism and religious extremism. Malaysia was a founding member of the Association of Southeast Asian Nations (ASEAN), and sees itself as both a regional leader and a moderate voice within the Islamic world. Despite generally cooperative bilateral relations with the United States, some issues constrain closer ties, including Malaysian opposition to much of U.S. policy in the Middle East, and U.S. concerns over some Malaysian economic and human-rights policies.

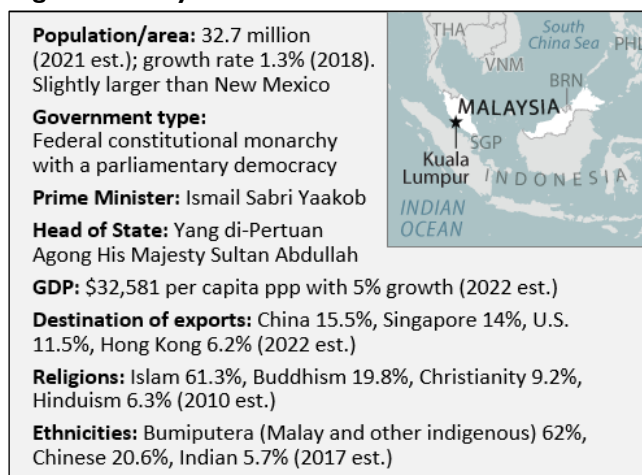
Malaysia is one of four Southeast Asian nations that have territorial disputes with China in the South China Sea, and its export-led economy has encouraged it to pursue a variety of trade negotiations. Malaysia was a member of the Trans-Pacific Partnership (TPP), from which the United States withdrew in 2017, and it is one of 11 members of the renamed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), although it has not yet ratified the agreement.

### Democracy and Politics in Malaysia

Until May 2018, Malaysia was ruled by a single political coalition since its independence from the United Kingdom in 1957. The Barisan Nasional was led by the United Malays National Organization (UMNO), a Malay-nationalist party that draws its membership predominantly from the country's Malay majority. During its lengthy

period in power, UMNO enacted a series of economic and social preferences for *bumiputera* (ethnic Malays and indigenous peoples), and it derived much of its appeal from issues of ethnic identity.

### Figure 1. Malaysia in Brief



Many observers heralded the 2018 election as a peaceful and democratic change of government in a country long seen as an authoritarian democracy, even though the elected Pakatan Harapan coalition was led by Mahathir Mohamad, who was previously Prime Minister and UMNO leader for nearly two decades. The elected coalition, however, collapsed in February 2020, and power transferred to a coalition which included the main Barisan Nasional components, headed by Prime Minister Muhyiddin Yassin. In August that coalition lost its majority in the lower house of parliament, resulting in a transfer of power to another Barisan Nasional coalition headed by Prime Minister Ismail, an UMNO vice president.

### U.S.-Malaysia Relations

The relationship between the United States and Malaysia is complex. In the 1980s and 1990s, under Mahathir, Malaysia was one of the leading voices behind building the East Asia Economic Caucus, and "Asia-only" regional institutions that excluded the United States. Since then, Malaysia has generally welcomed a broader U.S. role in the region. Bilateral ties deepened following the Obama Administration's strategic "rebalancing" to Asia, and the relationship was elevated to a "Comprehensive Partnership" in 2014.

More recent political developments in both countries have led to uncertainties about the future. Many argue that broad sensitivities in Malaysia constrain the establishment of a deeper strategic relationship. Areas of friction in U.S.-Malaysia ties have included U.S. concerns about human rights, as well as Malaysia's opposition to U.S. military interventions in the Middle East and U.S. support for Israel.

The United States has criticized the Malaysian government for weak human rights protections, constraints on press freedom, economic policies based on ethnic preferences, and prosecution of opposition political leaders like Anwar Ibrahim.

U.S.-Malaysia security cooperation includes numerous military exercises, ship visits, and military education exchanges. One major focus of U.S.-Malaysia security cooperation is counterterrorism activities aimed at terrorist networks operating in Southeast Asia. The two countries have worked together to bolster maritime security cooperation in the South China Sea. The U.S. and Malaysian navies cooperate as part of multilateral efforts to combat piracy near the Malacca Strait and off the Horn of Africa. Malaysia in 2022 sent military forces to participate in the United States' Rim of the Pacific (RIMPAC) exercise, the world's largest international maritime exercise.

## Malaysia's Economy

Malaysia is the United States' 17<sup>th</sup> largest trading partner and the United States is Malaysia's third largest trading partner after China and Singapore. Bilateral trade in goods with the United States was \$71.4 billion in 2021. U.S. direct investment in Malaysia was \$13.5 billion in 2020. Electrical machinery and equipment dominate bilateral trade flows in both directions, reflecting Malaysia's role as a major site for consumer electronics manufacturing. Malaysia is an important part of regional consumer electronics supply chains, manufacturing parts and components that are exported and assembled elsewhere. It is also a major producer of oil and natural gas—some of its reserves are located in disputed waters in the South China Sea.

The United States and Malaysia undertook free trade agreement negotiations from 2005 to 2008, but did not conclude an agreement. Those talks were later folded into the TPP negotiations, which resulted in an agreement from which the United States withdrew in 2017. The United States' main trade-related concerns are Malaysia's government procurement policies, protection of intellectual property rights, and market access for key goods and services. Malaysia's economy is divided along regional and ethnic lines; a wide-ranging economic program known as the New Economic Policy (NEP) attempts to address socioeconomic disparities by privileging *bumiputera* in government contracts, education, and government hiring.

## Malaysia's External Relations

Malaysia pursues active diplomacy on numerous regional and global issues. Efforts to promote moderate Islam and marginalize religious extremism have been a major part of Malaysian diplomacy, including acting as a mediator in conflicts between Muslim separatist groups and the central government in both the Philippines and Thailand. Malaysia is also a member of the Five Power Defence Arrangement with Australia, New Zealand, Singapore, and the United Kingdom.

Malaysia has cordial relations with its neighbors, and has promoted cooperation among the 10 ASEAN countries.

Following the February 1, 2021, coup in Burma, Malaysian officials have been among Southeast Asia's most outspoken critics of the Burmese military regime, arguing against including representatives of the military government in regional meetings, and for engaging members of Burma's National Unity Government (NUG) in exile. Approximately 150,000 members of Burma's Rohingya minority are in Malaysia, although the nation has not signed the 1951 U.N. Refugee Convention or the 1967 Protocol Regarding the Status of Refugees. Other regional issues Malaysia prioritizes include managing relations with Singapore, with which Malaysia has deep economic interdependency; combatting piracy in the Straits of Malacca along with Indonesia and Singapore; repelling Philippine armed groups that claim parts of Malaysian territory; and managing immigration and migrant labor communities from Burma, Indonesia, and other neighbors.

## China-Malaysia Relations

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

Malaysia is part of some Chinese foreign investment projects under Beijing's Belt and Road Initiative (BRI). During the 2018 election campaign, Mahathir criticized his predecessor's moves to court Chinese investment, and promised to review the terms of Chinese investments in Malaysia. However, Malaysia announced in April 2019 that it would go ahead with a renegotiated East Coast Rail Link investment deal that reportedly will cost one-third less than first planned. Some Chinese investments, including port modernization projects, the East Coast Rail Link, and employment-generating manufacturing investments, align with Malaysia's own development goals.

## Congressional Interest

In the 117<sup>th</sup> Congress, interest in Malaysia manifests itself through proposed regionally focused legislation such as H.Res. 1106, S.Res. 616, and S. 2845, which express support for ASEAN. H.R. 1083 calls for a strategy for engagement with Southeast Asia and ASEAN. H.R. 3524 and S. 1169 would make it U.S. policy to strengthen and advance diplomatic, economic, and security cooperation with regional partners such as Malaysia.

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