Indo-Pacific Defence and Security - AUKUS Series



Malaysia Malaysia's Position on AUKUS – A question of stagnation or pragmatism?

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Over the almost two years since its historic announcement, the AUKUS agreement has elicited a broad range of regional responses. While some countries have welcomed the strategic alignment that AUKUS brings, others share concerns over increased regional instability, the emergence of antagonistic security blocs, and nuclear proliferation.

To guarantee the security that the pact promises, Australia and its fellow AUKUS partners will need to understand the region's perspectives.

This series is designed to provide insight into regional responses to AUKUS, two years on. It will delve into the concerns, qualms, and avenues for opportunity in seven Indo–Pacific countries, through the eyes of regional authors.

KEY MESSAGES:

- Malaysia has a complicated relationship with AUKUS. Despite its initial vocal objection to the pact, Malaysia continues to work with Australia, the UK, and the US as important strategic partners. Thus, decision-makers have largely maintained a business-as-usual approach, rather than a dramatic shift in relations.
- Malaysia's response is complicated by a complex domestic political climate and an increasingly tense geopolitical environment. This makes it difficult for Malaysia to realise its vision for a stable region whilst accounting for its national interests.
- Malaysia remains concerned about the potential for AUKUS to increase regional arms spending, exacerbate tensions, and further diminish ASEAN centrality and utility.
- Given Malaysia's more pragmatic approach, its official opposition should not stop it from engaging in AUKUS' opportunities, nor from helping streamline Southeast Asia's mixed response into an ASEAN-favoured approach. The developments surrounding AUKUS should be framed as an opportunity for greater inclusivity, rather than exclusivity.

Malaysia's response to the announcement of the AUKUS pact stood out amongst the mixed reactions from Southeast Asia. Alongside Indonesia, it was explicitly cautious of AUKUS – viewing the agreement as having the potential to facilitate further nuclear and conventional arms proliferation and exacerbate Sino-American strategic rivalry in the region.

The defence pact has reminded Malaysia of the fragility of the regional balance and the importance of maintaining stability in order to better pursue its national interests. However, despite its strong initial reaction, Malaysia has been unable to maintain this energy. It continues to work closely with its respective members, regardless of criticisms and concerns that the increasing number of ad hoc regional partnerships are diminishing ASEAN's centrality.

This paper unpacks why Malaysia has responded in this way and what its future posture towards AUKUS might look like.

Malaysia's concerns about AUKUS

From the outset, Malaysia's response to AUKUS was rather predictable.

Much of its objection rests on the strategic and military elements of the partnership and their potential risks. In September 2021, then-Prime Minister Ismail Sabri highlighted the threat of nuclear imbalance in the region and its potential to spill over into regional flashpoints such as the territorial disputes in the South China Sea.¹ He also raised concerns over AUKUS setting a negative precedent – allowing a non-nuclear weapon state access to nuclear technology could encourage others to do the same.²

The potential for AUKUS to trigger an arms race and destabilise the region is a major concern for Malaysia. Such concerns are part of a broader anxiety, known as the 'security dilemma', whereby increased arms expenditure and ongoing military modernisation in fact exacerbates regional insecurity.³ With the announcement of AUKUS, an increased presence in sophisticated defence technology could accelerate arms acquisition by others in the region, thus further fuelling insecurity.



As a trade-dependent state, Malaysia relies heavily on the stability of its external environment for growth, making it particularly sensitive to major disruptions. The priority for Malaysian decision-makers is to mitigate the effects of a major power competition and reduce the risks of a potential arms race, which it seeks to do via its foreign policy posture of neutrality.

In fact, the ongoing Sino-American rivalry has pushed Southeast Asia into becoming a major site of competition, making it increasingly challenging for Southeast Asian states to remain impartial. For the most part, they are still able to hedge without overtly choosing sides, but disruptions such as the increased posturing of Chinese naval vessels in the South China Sea can upset the balancing act states like Malaysia have fought to maintain. AUKUS could make this balancing act even more challenging, as it may be perceived as another defensive means of containing China. Despite this increased pressure, Malaysia remains insistent on retaining its neutral approach, citing its values in upholding non-alignment and "not [taking] sides with any superpowers in competition with each other".4

In response to these concerns over regional instability and nuclear proliferation, former Foreign Minister Saifuddin Abdullah stressed the importance of upholding Malaysia's commitment to regional agreements. This included the United Nations Convention on the Law of the Sea (UNCLOS), ASEAN's Southeast Asia Nuclear Weapon Free Zone (SEANWFZ) and the Zone of Peace, Freedom and Neutrality (ZOPFAN) (see Box 1). Saifuddin also called for AUKUS' members to respect the ASEAN Outlook on the Indo-Pacific and the institution's centrality in the region.⁵

However, AUKUS has also brought the role of ASEAN and its institutional mechanisms into question. It has highlighted the institution's structural weaknesses and lack of political will, reinforcing existing criticisms regarding ASEAN's waning utility and influence. The bloc remains paralysed by the 'ASEAN Way', which prioritises the principles of non-interference, consensus and neutrality above all. Like most treaties or agreements under ASEAN, SEANWFZ and ZOPFAN lack means of enforcement. Consequently, nuclear powers (like AUKUS members the US and the UK) have ignored ASEAN centrality and refused to join binding agreements, such as SEANWFZ.⁶ Interestingly, China also remains a non-signatory, despite announcing their willingness to join in 2021.

This disregard of ASEAN's position may become an issue for Malaysia in the long-term, as its involvement with ASEAN has been an important component of its foreign policy. Degradation of ASEAN's influence diminishes the strategic leverage of smaller Southeast Asian countries like Malaysia, limiting their ability to engage with neighbours and shape their regional environment.

BOX 1: MALAYSIA'S COMMITMENTS TO REGIONAL AGREEMENTS

| The United Nations Convention on the Law of the Sea (UNCLOS) | An international agreement designed to regulate all marine resources and maritime activities. It has been ratified by more than 150 countries. One of the most significant provisions of UNCLOS is the Exclusive Economic Zone (EEZ), which recognises coastal states' right to jurisdiction over all resources in the waters, ocean floor and subsoil of an area extending 200nm from its shore. |
|--|---|
| Southeast Asian Nuclear Weapon Free Zone (SEANWFZ) | A commitment amongst ASEAN member states to preserve Southeast Asia as a region free from nuclear and other weapons of mass destruction. It reaffirmed the importance of the Treaty on the Non-Proliferation of Nuclear Weapons and established Southeast Asia as a Nuclear Weapon-Free Zone (NWFZ), one of five in the world. |
| The Zone of Peace, Freedom and Neutrality (ZOPFAN) | A declaration signed by the Foreign Ministers of Indonesia, Malaysia, the Philippines, Singapore and the Special Envoy of the National Executive Council of Thailand to keep Southeast Asia "free from any form or manner of interference by outside Powers." |



ASEAN Centrality

A principle formalised in the ASEAN Charter that emphasises the organisation's position as the focal point for regional cooperation in Southeast Asia and as the bridge between a variety of multilateral mechanisms in East Asia, such as the East Asia Summit and the ASEAN Regional Forum.

The Charter states the organisation's aims are:

'To maintain the centrality and proactive role of ASEAN as the primary driving force in its relations and cooperation with its external partners in a regional architecture that is open transparent and inclusive.'



Understanding Malaysia's response

Even with a reiteration of its opposition to AUKUS as recently as 2022⁷, Malaysia has not changed how it interacts with the pact's members. In addition to working with Australian counterparts to seek further clarification on AUKUS, Malaysia continues to engage with the US, UK, and Australia, even welcoming advancements in bilateral and multilateral defence ties.

For example, in 2021, then-Defence Minister Hishammuddin Hussein reaffirmed Malaysia's commitment to the Five Power Defence Arrangements (FPDA) through its participation in the ten-day exercise Bersama Gold.8 The FPDA is one of Asia's oldest defence pacts, formed for the purpose of the external defence of Malaysia and Singapore, and has persisted through Malaysia's evolving approaches to its security and strategic interests.⁹ The pact includes two AUKUS members, Australia and the UK. Yet, despite opposition to AUKUS, Hishammuddin stressed that Malaysia's FPDA position will not change, citing the decision to retain these advantages when facing challenges against great powers, such as the developments in the South China Sea.¹⁰

Malaysia's inconsistent foreign policy position reflects a recurring pattern of behaviour. While an active participant in upholding international norms, its immediate priority is always to safeguard its national interests, such as market access and economic development. This approach can also be seen in Malaysia's responses to sensitive foreign policy issues, such as the war in Ukraine – through carefully worded or ambiguous statements¹¹ designed to avoid over-commitment to any given cause or action.

Malaysia has generally approached its partnerships based on issues and interests, rather than values. This grants it considerable leeway as it has a broad pool of partners – including competing major powers¹² – and means exercising some degree of pragmatism and impartiality with AUKUS members, despite official opposition. However, this approach may not necessarily be interpreted favourably as it can be regarded as passivity, rather than pragmatism.

Even if Malaysia wished to become more proactive on regional and international platforms, it is also limited by political will. Malaysia's aspirations, and by proxy, those of Prime Minister Anwar Ibrahim, are limited by current domestic political uncertainty. The acting government's position remains precarious from infighting between coalition partners and ongoing efforts to maintain public approval.¹³ The current fragile position of Anwar's party means that certain priorities, like Malaysia's response to AUKUS, may be relegated to the back seat.

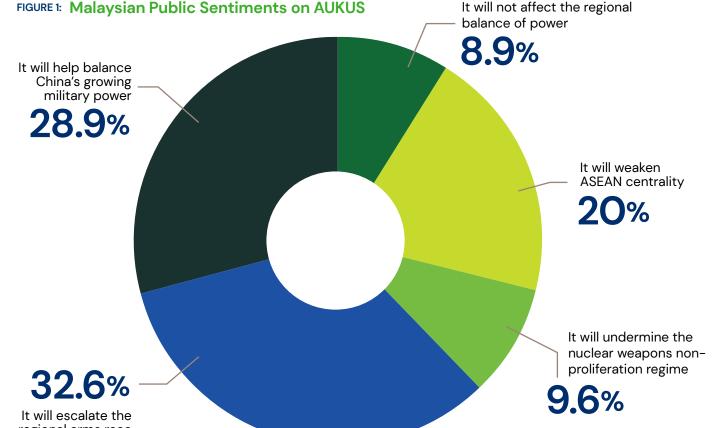


The role of Malaysian public sentiment

The government's limited response to AUKUS also indicates a broader domestic trend.

Foreign affairs do not feature much in Malaysian public discourse as the public do not feel directly impacted by such matters. While initial media coverage followed official statements on AUKUS¹⁴, it declined shortly after. The Merdeka Centre's poll¹⁵, measuring perceptions following the 15th General Election, found that the Malaysian public remain more concerned over matters of inflation, economic growth and corruption. This sentiment was similarly captured in the ISEAS Yusof-Ishak's Institute's survey "The State of Southeast Asia", where surveyed Malaysians expressed concerns over economic recession and unemployment, climate change and domestic political instability.¹⁶ While not an outright dismissal, these results reflect a general disinterest in foreign affairs and a greater preference towards domestic struggles.

Additionally, public sentiment on AUKUS is characterised by a general ambivalence towards the pact's members. Individually, the members are perceived more favourably – although not without reservations – than AUKUS as a whole.



regional arms race

Source: The State of Southeast Asia 2022 Survey Report 2022, ISEAS Yusof-Ishak Institute According to the 2022 edition of "The State of Southeast Asia", Malaysia's views towards the three states have improved marginally¹⁷, with the United States being the most significant in terms of influence and leadership.¹⁸ In contrast, the assessment of AUKUS was mixed; 32.6 per cent believe that it will escalate the regional arms race, while 28.9 per cent expect it will balance China's growing military power.¹⁹

With public sentiment and interest low, coverage of AUKUS will likely remain limited until more tangible outcomes of the pact surface.



Opportunities for Moving Forward

However, there are spaces where Malaysia can act to mitigate uncertainty surrounding AUKUS and leverage the partnership to further its interests.

Considering its relative amicability with AUKUS' members, Malaysia can contribute to efforts to build confidence in AUKUS and encourage further transparency from the pact. This could be supported by Malaysia's ongoing defence diplomacy - through its joint exercises, information sharing, senior officers' visits, officer exchanges and the provision of military education and training facilities. The Ministry of Foreign Affairs' statement on AUKUS in March 2023 emphasised the importance of promoting such activities across the region.²⁰ While such recommendations may seem counterintuitive to Malaysia's official objections towards AUKUS, its approach could help streamlining the mixed regional responses into a coherent ASEANfavoured approach.

Malaysia could also make efforts to engage with Pillar II of AUKUS, as much was lost beneath the anxieties surrounding the nuclear dimension of the agreement (Pillar I). Given Malaysia's own efforts in technological cooperation through the digital economy, it could leverage AUKUS to shape the technology landscape.²¹ Connecting with areas such as cyber and technological capabilities and information sharing might allow for diversified cooperation that could, in turn, help naturalise AUKUS' presence in the region. Something similar has been done with the Quad and its efforts to rebrand itself as a provider of 'public goods' in the region²². The Quad's efforts with individual ASEAN Member States, especially in areas such as health diplomacy, education and people-to-people connections, have helped encourage greater inclusivity, despite initial apprehensions²³.

It is still too early to determine the medium to long-term effects of the AUKUS pact, but Malaysia will likely retain its general position and outlook on regional affairs. When faced with competing priorities, domestic constituencies and the general uncertainty of the regional environment, Malaysia often defaults to an approach that errs on the side of pragmatic neutrality. Barring major internal and external disruptions, this too will unlikely change.



About the author



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