

Malaysia's ASEAN Chairmanship in 2025: Balancing National Interests and Regional Peace in the South China Sea

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SUMMARY

The South China Sea, a strategic and resource-rich semi-enclosed sea, remains a focal point of long standing territorial disputes involving China and several Southeast Asian nations, including Malaysia, Brunei, the Philippines and Vietnam. As Malaysia prepares to assume the ASEAN Chairmanship in 2025, the nation is presented with an opportunity to lead efforts in managing these disputes while navigating the delicate balance between safeguarding its national sovereignty and maintaining stable and strong economic relations with China and its neighbouring ASEAN members. Malaysia's position as an ASEAN founding member, combined with its long-standing tradition of pragmatic international diplomacy, places it in a pivotal role to drive peaceful resolutions through ASEAN mechanisms, including the adoption of the long-awaited legally binding Code of Conduct (CoC) in the South China Sea. This paper explores the strategies and policy options available to Malaysia as it leverages its chairmanship to address escalating tensions in the regional waters.

The Stakes are High: China Growing Assertiveness

The South China Sea disputes have long posed a significant challenge for ASEAN, exacerbated by China's aggressive and assertive behaviour in defending its claims over vast remote areas within the nine-dash line, including exclusive economic zones (EEZs) claimed by rival ASEAN nations such as Malaysia and the Philippines. Over the past two decades, Beijing, in tandem with its growing economic clout and military spending, has intensified the militarization of its occupied artificial islands and forward-based assertive operations. This has led to an increased deployment of Chinese coastguard vessels, marine scientific research ships, and maritime militia deep into disputed areas, extending as far south as the South Luconia Shoals, just 80 nautical miles (nm) (approximately 148 kilometres) from the coast of Malaysia's Sarawak state (Azmi, 2024).

Beijing has employed a series of grey zone strategies, dispatching Chinese coastguard vessels to contested areas to routinely engage in actions perceived as confrontational by other claimants and external powers. These actions include regular patrolling, harassing rival claimants' oil and gas exploration and exploitation activities, denying local fishermen their rights to fish, and interfering with military resupply operations (Magramo, Tikekar, & Lendon, (2024). These persistent and provocative actions have frequently become a source of heightened regional tensions, greater mistrust among claimant nations, and strained diplomatic relations, thereby complicating efforts to achieve peaceful resolutions and secure regional stability.

The claimants' increasingly aggressive reaction and counter-reactions (occasionally involving violent conduct) have, in turn, encouraged the growing presence of naval warships from major naval powers such as the United States and its allies (e.g., Australia, Japan and the United Kingdom) in the regional waters. Under the pretext of exercising freedom of navigation, U.S. destroyers regularly conduct patrol operations near disputed areas and maritime features claimed by China (Lasseter, 2024). These

operations, like many in the past, have inevitably prompted diplomatic protests and condemnation from Beijing (Mongilio, 2023).

For Malaysia, the stakes are particularly high, as the southernmost part of China's nine-dash line overlaps with sizable size of Malaysia's EEZ, an expansive offshore area that contains nearly 60% of the nation's oil and gas reserves. The media fanfare surrounding the opening of the country's Kasawari deep water gas field, a RM4.5 billion mega carbon capture storage (CCS) project operated by PETRONAS and situated adjacent the contested South Luconia Shoals, highlight how these resources form the backbone of Malaysia's energy security and a crucial source of national revenue (Zainul & Aziz, 2022). It is no surprise that the Malaysian government under Prime Minister Anwar Ibrahim remains steadfast in refusing to comply with Beijing's recent demands to cease all oil and gas operations in the disputed areas (Wei, 2024).

Dealing with Beijing: Balancing Sovereignty and Regional Stability

Despite China's maritime provocations, Malaysia has consistently opted for non-confrontational approaches, engaging in diplomatic dialogues and emphasizing multilateral cooperation through ASEAN. This strategy aligns with Malaysia's long-standing foreign policy of maintaining neutrality and fostering regional stability while protecting its sovereign rights under the United Nations Convention on the Law of the Sea (1982 UNCLOS).

While advancing regional cooperation, Malaysia must simultaneously manage its bilateral relationship with China, its largest trading partner. Beijing's repeated challenges to Malaysia's hydrocarbon exploration within its own EEZ underline the delicate balance Kuala Lumpur must strike. To address China's assertive posture, Malaysia could adopt a dual-pronged approach:

- **Strengthening Defense Capabilities:** Malaysia should enhance its maritime enforcement through investments in advanced naval assets and increased patrols in its EEZ. What deprives Malaysia of effectively safeguarding its sovereignty, security, and economic interests in the remote and treacherous waters of the EEZ is the lack of sufficient, ageing and suitable vessel fleets as well as inadequate manpower to carry out surveillance and law enforcement operations. The announcement of the construction of the Bintulu Naval Base in Sarawak is a justified step to strengthen Malaysia's defense capabilities, particularly in East Malaysia and the South China Sea (Nizam, 2024). Moreover, collaborations with regional and global powers through joint training programs could enhance the preparedness of the Malaysian Navy and Malaysia Maritime Enforcement Agency (MMEA) to address potential security threats, including China's assertive grey zone strategies.
- **Leveraging Multilateral Diplomacy:** Malaysia can utilize ASEAN platforms to amplify collective pressure on China to adhere to international norms, particularly 1982 UNCLOS. Engaging China in confidence-building measures, such as joint environmental surveys and fisheries research projects, and anti-piracy initiatives, could also reduce tensions.

ASEAN's Role in Conflict Management: Policy Options for Malaysia's Leadership

Malaysia's 2025 ASEAN Chairmanship provides a critical platform to reinvigorate efforts for a peaceful resolution in the South China Sea. Under its ASEAN Chairmanship, Malaysia has several strategic policy options to promote peaceful dispute management:

- **Finalizing the COC:** Ensure that the COC is adopted by the claimant, and incorporated enforceable provisions, including dispute resolution mechanisms and prohibitions on unilateral military activities.
- **Enhancing ASEAN Unity:** Foster consensus among ASEAN members to present a unified stance against external pressures, preventing China from exploiting divisions within the bloc.
- **Promoting Joint Resource Development:** Advocate for collaborative exploration and equitable sharing of resources in contested areas, mitigating tensions over resource competition.
- **Establishing Crisis Management Protocols:** Develop ASEAN-led frameworks for immediate response to incidents in disputed waters to prevent escalation.

Central to Malaysia's priority in managing the South China Sea disputes and preventing them from becoming a regional flashpoint that could trigger violent military skirmishes or, worse, full-scale war is the long-delayed conclusion of the CoC, which could likely restrain claimants from resorting to provocative and aggressive actions. The CoC must include explicit mechanisms and measures to prevent aggressive maneuvers, unauthorized resource extraction, and militarization by claimants. As chair, Malaysia could advocate for the inclusion of confidence-building measures, joint resource development protocols, and conflict de-escalation mechanisms in the COC negotiations.

As the designated ASEAN-China dialogue coordinator, Malaysia has a unique opportunity to push for a legally binding CoC that addresses the provocative actions of claimants while safeguarding the interests of ASEAN member states. A successfully concluded CoC under Malaysia's leadership would not only bolster ASEAN's credibility, but also reinforce Malaysia's stature as a regional leader.

The Path Forward: A Balancing Act

As Malaysia assumes ASEAN's helm in 2025, its ability to navigate the South China Sea dispute will test its diplomatic acumen and commitment to regional stability. By leveraging ASEAN mechanisms, Malaysia can promote a rules-based order that aligns with international law, curbing provocative actions and ensuring equitable resource management. The success of Malaysia's leadership will depend on its capacity to balance assertiveness with diplomacy, safeguarding its national interests while fostering a cooperative spirit within ASEAN. A robust and enforceable COC, coupled with strengthened regional unity, could mark a significant step toward lasting peace and stability in the South China Sea.

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