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No. 033/2025 dated 18 March 2025

Malaysia's Relations with China and the United States in 2025

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SYNOPSIS

The deft and delicate management of Malaysia's bilateral relations with China and the United States is a fundamental part of its national security considerations, economic ambitions, and position in global supply chains. These relationships will come under scrutiny in 2025 as the advent of the second Trump administration, developments in the South China Sea dispute, and Malaysia's chairing of ASEAN could affect Malaysia's strategic calculus as well as perceptions of Malaysia in Beijing and Washington.

COMMENTARY

Malaysia's engagements with both China and the United States are fundamental to its long-term national interests, whether it is trade and investment, roles in critical supply chains, or national security considerations. These ties are expected to come under scrutiny in 2025, along with the benefits reaped by Malaysia due to productive relations between the two major powers. Malaysia is by no means the only country in this category. Thus, understanding the dynamics between China and the United States, and the likely trajectories, is critical to local policymakers.

This paper explores how the second Trump administration, relations with China, developments in the South China Sea, and Malaysia's chairing of ASEAN this year could affect its relationships with both major powers.

The Second Trump Administration

While Malaysia lacks the political visibility of Vietnam, Singapore, and the Philippines in Washington DC, it will not be insulated from the diplomatic, trade, and defence policy decisions of the Trump administration. Washington's trade measures targeted

at Canada, Mexico, and China might have [residual](#) positive impacts in terms of diverted trade and manufacturing, but the medium-to-long-term outlook is [uncertain](#). Trump has promised expanded tariffs on countries that have a high advantage in balance of trade, third countries that facilitate exports from China into the United States, and participants in the [BRICS](#) intergovernmental grouping. Bilaterally, Malaysia has long enjoyed a trade surplus with the United States, valued at some [US\\$26 billion](#) in goods and services in 2023, and [US\\$24.8 billion](#) last year. All of these should be concerning for Malaysia, which has benefited from a [high influx](#) of US foreign direct investment and is an important part of the US semiconductor [supply chain](#). Tit-for-tat tariffs between China and the United States add to the uncertainty.

Another point of uncertainty is the status quo of the US-Malaysia strategic relationship, currently characterised by its low-profile functionality and focus on tangible cooperation, especially in areas such as trade and defence, instead of high-profile optics. Institutionalised engagements such as the [Senior Officials' Dialogue](#) and [CARAT naval exercises](#) have allowed the bilateral relationship to weather occasional political spats. Malaysian political leaders are wary of an electoral backlash should they be perceived as too close to the United States and are comfortable with the status quo. Whether this works for the new administration in Washington is something that Malaysia must assess and plan for. Given the transactional nature of the Trump administration, the possibility that Washington might view the overall relationship as too lopsided in Malaysia's favour should not be dismissed.

Relationship with China

Malaysia's relationship with China has undergone a renaissance of sorts over the past two years. Prime Minister Anwar Ibrahim has made multiple visits to China, overseen a [record](#) number of memorandums of understanding and investment commitments, and repeatedly emphasised that Malaysia has [no problems](#) with China. Recent polling also shows [favourable](#) views towards China, a fact not lost on political leaders in Malaysia. Taken together, these developments and perceptions likely contributed to multiple assessments that Malaysia under Prime Minister Anwar has in fact begun to align with China as a strategic partner.

While the prime minister has repeatedly [denied](#) such claims, the sense that Malaysia is strongly perceived as pro-China, instead of non-aligned, has been repeatedly highlighted to the author by many Track 2 practitioners in the Asia-Pacific and Europe, including those from across the political spectrum in Washington. An example often raised is the change in Malaysia's language on Taiwan in the joint statement issued when Premier Li Qiang visited Kuala Lumpur in June 2024. In the [statement](#), Malaysia overtly recognised Taiwan as an "inalienable territory" of the People's Republic of China and [dropped](#) previously staple language calling for "peaceful" reunification.

The South China Sea Dispute

The South China Sea dispute remains a significant challenge in the bilateral relationship with China, but a manageable one. China is likely to continue to pressure Malaysia through its encroachment in the latter's exclusive economic zone (EEZ), especially in and around the [Kasawari block](#), where Malaysia has successfully prospected and developed, and is now producing oil and gas despite persistent

Chinese harassment. Malaysia, in turn, is likely to continue its EEZ activities, which it sees as legitimate under international law, and to make its presence felt in all areas contested by China. Yet, seen against the overall state of relations with China, Malaysia is unlikely to take a more belligerent line on China or openly support the involvement of external powers like the United States.

How Malaysia could approach the dispute, both bilaterally and within the wider ASEAN context, was addressed by the author in this [recent piece](#). Despite more amenable rhetoric, Malaysia's positions on the dispute and its interests have not fundamentally changed. A recent initiative to manage the dispute is the [bilateral dialogue](#) on maritime affairs, led by Malaysia's Prime Minister's Department, bypassing the Ministry of Foreign Affairs, which has traditionally led on South China Sea negotiations. While its implications are too early to speculate, the latter was widely believed to adopt a conservative approach on the dispute, and this new mechanism could hypothetically allow Beijing an alternative pathway in its negotiations with Malaysia.



Malaysia faces a delicate balancing act in managing its relations with China and the United States amid rising geopolitical tensions. *Image source: Unsplash.*

Chairing ASEAN in 2025

Malaysian policymakers are very much aware that they take on the rotating chair of ASEAN at a time of acute geopolitical challenges. Malaysia will need to guide the grouping through the possible changes brought about by Washington and Beijing. The theme selected by Malaysia, "Inclusivity and Sustainability", speaks to Malaysia's concerns about the long-term resilience and effectiveness of ASEAN.

Malaysia is likely to put effort into reinforcing the long-term strategic value of ASEAN within the wider region, via mechanisms like the ASEAN Regional Forum and the East Asia Summit, which count both China and the United States among their primary stakeholders. Close coordination with other Dialogue Partners will be an important force multiplier here, to prevent the two mechanisms from being derailed by either major power. To balance against possible sidewinds from both partners, Malaysia aims to broaden ASEAN's engagement with other stakeholders. In addition, 2025 will see [enhanced engagement](#) with the Gulf Cooperation Council, diversifying ASEAN's options beyond traditional Dialogue Partners.

Conclusion

The likelihood of further tensions between the United States and China gives Malaysia reasons for caution, especially if Washington utilises coercive measures to pressure Malaysia to tweak its relationship with Beijing. The Trump administration might choose to apply such pressure on Malaysia's upcoming procurements of used Kuwaiti F18 fighter aircraft, which require [US approval](#), and new Korean FA-50 fighters, which will feature advanced [US equipment](#). Both are desperately needed by the Royal Malaysian Air Force. Should such pressures be adopted, and persist, the possibility of Malaysia being compelled to deepen its engagements with China cannot be dismissed.

Malaysia should put in effort into understanding the thinking that will be framing interests and changes in both China and the United States in the coming years. A critical question is whether an intensification of the US-China rivalry will see both powers develop an increasingly lower tolerance for neutrality or non-alignment, a bedrock of Malaysia's foreign policy. Understanding the emerging state of play will help Malaysia better navigate the future. Creating and sustaining back channels will be another important step in moving forward, especially in Washington. This would allow Malaysia to expand its response options and position itself as a valued or integral partner for both, ultimately preserving its own national interests.

While much of the academic literature on Malaysia's relationships with both major powers is focused on hedging and its assorted spectrums, for policymakers and senior bureaucrats, Malaysia's strategy for decades has always been centred on maximising the benefits for the country and integrating itself as a key part of the interests of both China and the United States. For this strategy to continue, diplomatic resolve and deftness will be needed in the years ahead. Malaysia's economic role and strategic position matter to both Beijing and Washington. No country engages the other purely for charity, and Malaysia must continue to demonstrate that it represents good value for both — a country worth investing in and cultivating.

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