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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 plays an active role in regional diplomacy and is a partner in numerous U.S. initiatives in Asia, including trade and security programs as well as efforts to combat terrorism and religious extremism. Malaysia is a founding member of the Association of Southeast Asian Nations (ASEAN) and serves as ASEAN's chair in 2025. It 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, ongoing outreach to Hamas by Malaysian leaders including Prime Minister Anwar Ibrahim, and U.S. concerns over some Malaysian economic and human-rights policies.

Congress has overseen Malaysia policy, including trade negotiations in the 2000s and 2010s, as well as U.S.-Malaysia cooperation on security and counterterrorism issues. Some Members of Congress have expressed concerns about human rights issues in the country including Malaysia's record in combatting human trafficking (Malaysia was listed on the Tier 2 Watchlist in the State Department's 2023 Trafficking in Persons report) and Malaysia's treatment of refugees from Burma.

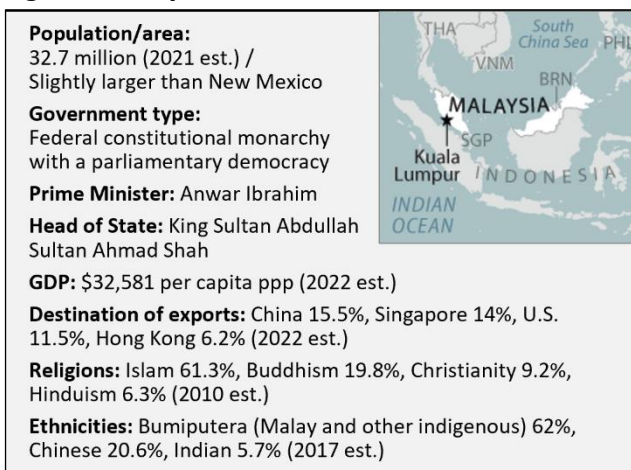
Democracy and Politics in Malaysia

Malaysia was led by a single governing coalition from its independence from the United Kingdom in 1957 until 2018. That coalition, known as the Barisan Nasional (BN), was led from 1973 by UMNO, a Malay-nationalist party. During its lengthy period in power, UMNO enacted a series of economic and social preferences for the majority *bumiputera* (ethnic Malays and indigenous peoples), and it derived much of its appeal from issues of ethnic identity. Prime Minister Anwar was UMNO's deputy chairman until 1998, when he broke with longtime UMNO leader Mahathir Mohamad and was later convicted and imprisoned on charges many considered politically motivated.

Malaysia has undergone significant political upheaval since 2018, as national elections in 2018 and 2022 resulted in weak coalition governments marked by internal rivalries that have struggled to govern effectively. The current government is headed by Anwar, a former deputy prime minister who was imprisoned for five years in the 1990s and 2000s and became an opposition leader upon his release. After another three years in prison in the 2010s, Anwar came to power in November 2022 following elections in which no party gained a clear majority of parliamentary seats. His political coalition, Pakatan

Harapan (PH), joined its longtime rival, the United Malays Nasional Organization (UNMO) to form a government, but the two groups remain deeply divided on many issues.

Figure 1. Malaysia



Economic Challenges

In the decades following independence, Malaysia underwent a profound economic transformation, adopting an export-led growth model that propelled the country from a commodity-based economy to an upper-middle-income country and a leading export of electronics and other manufactured goods. Over the past decade, GDP, wage, and productivity growth has slowed and inequality has risen, contributing to concerns that the government is not providing adequate opportunities for new entrants to the labor force or support for its aging population.

Malaysia's government has pursued a variety of trade agreements. Malaysia was a member of the proposed Trans-Pacific Partnership (TPP), from which the United States withdrew in 2017, and is one of 11 members of the renamed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which it ratified in 2022. Malaysia also ratified the Regional Comprehensive Economic Partnership (RCEP) in 2022. Malaysia fully participates in the Indo-Pacific Economic Framework (IPEF) initiative, including the trade, supply chains, clean energy, and anti-corruption pillars.

Patronage and corruption are a major part of Malaysian politics and economic policy. (In November 2024, for example, Malaysian businessman Leonard "Fat Leonard" Francis was sentenced to 15 years in jail for his role in the largest corruption scandal in the U.S. Navy's history.) Some observers heralded Malaysia's peaceful changes of government that resulted from the 2018 and 2022 elections, raising the prospects for political and economic reforms. However, the weakness of the resulting coalitions limited

the government's ability to make domestic reforms and constrained Malaysia from leading on many regional issues.

U.S.-Malaysia Relations

The relationship between the United States and Malaysia is complex. In the 1980s and 1990s, under former Prime Minister 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 the early 2010s, Malaysia generally has welcomed a broader U.S. role in the region. Bilateral ties were elevated to a “Comprehensive Partnership” in 2014.

Malaysia's political upheaval and changes in U.S. Indo-Pacific policy have led to uncertainties about the future of the relationship. Many observers argue that Malaysian sensitivities about aligning with the United States constrain the establishment of a deeper strategic relationship. Areas of friction in U.S.-Malaysia ties include Malaysia's opposition to U.S. military interventions in the Middle East and U.S. support for Israel and the war in Gaza. 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.

U.S.-Malaysia security cooperation includes military exercises, ship visits, and military education exchanges, as well as counterterrorism activities aimed at terrorist networks operating in Southeast Asia and maritime security activities 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 2023 sent military forces to participate in the United States' Rim of the Pacific (RIMPAC) exercise.

Malaysia's Economy

Malaysia is the United States' 17th 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 \$72.4 billion in 2022. U.S. direct investment in Malaysia was \$13.2 billion in 2022. Electrical machinery and equipment dominate bilateral trade flows in both directions. Malaysia is an important part of consumer electronics supply chains, manufacturing parts and components that are exported and assembled elsewhere. It also is an oil and natural gas producer; 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. The United States' main trade-related concerns are the Malaysian government's discriminatory procurement policies, weak protection of intellectual property rights, and limited 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, including efforts to promote moderate Islam and marginalize religious extremism. Malaysia has acted as a mediator in conflicts between Muslim separatist groups and the central government in both the Philippines and Thailand. Malaysia also is 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 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 in favor of 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 UN Refugee Convention or the 1967 Protocol Regarding the Status of Refugees. Malaysia also prioritizes 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 elsewhere.

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 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, since the early 2010s, the Malaysian government has expressed alarm over 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). The Malaysian government announced in April 2019 that it would go ahead with a renegotiated East Coast Rail Link investment. 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 118th Congress, interest in Malaysia was manifest in proposed regionally focused legislation such as the PARTNER with ASEAN Act (S. 682), which sought to extend full diplomatic recognition to ASEAN officials including Malaysians and their regional partners, and S.Res. 141, a resolution that would have expressed support for ASEAN centrality in the Indo-Pacific region.

Ben Dolven, Specialist in Asian Affairs

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