



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 an ethnic 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 served as ASEAN's chair in 2025, when it mediated conflicts between Thailand and Cambodia. It sees itself as both a regional leader and a moderate voice within the Islamic world.

Despite generally cooperative bilateral relations, some issues constrain closer U.S.-Malaysia ties, including Malaysian opposition to much of U.S. policy in the Middle East. Malaysia has been sharply critical of Israel's approach to Gaza and the March 2026 U.S. and Israeli attacks on Iran, strongly condemning what the foreign ministry called "violations of international law and the UN Charter." Malaysian Prime Minister Anwar Ibrahim maintains outreach to groups in the Middle East, including Hamas. At the same time, U.S. concerns over some Malaysian economic and human-rights policies also has limited some elements of bilateral ties.

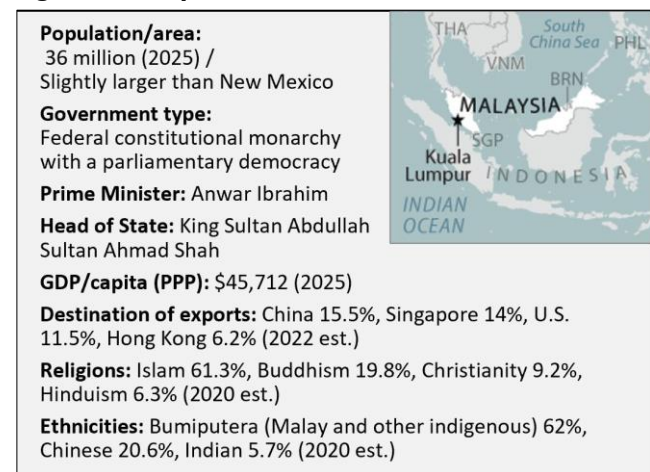
Congress has overseen Malaysia policy, including trade negotiations in the 2000s and 2010s, as well as U.S.-Malaysia cooperation on security and counterterrorism issues. Some Members of Congress have expressed concerns about human rights issues in the country including Malaysia's record in combatting human trafficking—Malaysia was listed on the Tier 2 Watchlist in the State Department's 2025 Trafficking in Persons report—and its treatment of refugees from Burma (Myanmar).

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 the United Malays Nasional Organisation (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 the party 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. Anwar was later convicted and imprisoned for five years on charges many consider politically motivated, and he became an opposition leader upon his release.

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. 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, UNMO, to form a government, but the two groups remain deeply divided on many issues. Malaysia's next general election is due to be held no later than February 2028.

Figure 1. Malaysia



Source: CIA World Factbook (2025); World Bank.

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 the East Asia Economic Caucus and other "Asia-only" regional institutions that excluded the United States and other Western countries. 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.

U.S.-Malaysia security cooperation includes 14 recurring bilateral and multilateral 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 have cooperated as part of multilateral efforts to combat piracy near the Malacca

Strait and off the Horn of Africa. Malaysia regularly sends 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 was \$88.5 billion in 2025, and the U.S. bilateral trade deficit with Malaysia was \$30.8 billion that year. Electrical machinery and equipment dominate bilateral trade flows in both directions. Malaysia plays an important role in consumer electronics supply chains, manufacturing parts and components that are exported and assembled elsewhere. It is an oil and natural gas producer; some of its reserves are located in disputed waters in the South China Sea.

U.S. trade-related concerns with Malaysia have included 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), originally introduced in 1971, attempts to address socioeconomic disparities by privileging *bumiputera* in government contracts, education, and government hiring.

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). Malaysia also ratified the Regional Comprehensive Economic Partnership (RCEP) in 2022. In July 2025, the United States and Malaysia announced an agreement in which the United States lowered tariffs on imports from Malaysia from 25% to 19%, and Malaysia agreed to purchase \$150 billion of equipment from U.S. aerospace, semiconductor, and data service firms over a five-year period.

Patronage and corruption are a major part of Malaysia's politics and economy. Former Prime Minister Najib Razak is serving a 15-year term for money laundering and abuse of power regarding his role in financial transfers from a sovereign wealth fund. In November 2024, 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.

Malaysia's External Relations

Malaysia has pursued 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 Arrangements with Australia, New Zealand, Singapore, and the United Kingdom.

Malaysia generally has cordial relations with its neighbors and has promoted cooperation among the 11 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 with 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's foreign policy priorities also have included 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. During Malaysia's 2025 chair of ASEAN, it coordinated efforts to pursue a cease-fire between fellow ASEAN members Thailand and Cambodia.

China-Malaysia Relations

Malaysia has long adopted careful hedging strategies to balance its relations with the People's Republic of China (PRC, or 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 has prioritized 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. PRC coast guard and other vessels have regularly harassed Malaysian energy exploration vessels in Malaysia's declared exclusive economic zone (EEZ).

Malaysia is part of some PRC foreign investment projects under China's Belt and Road Initiative (BRI). The Malaysian government announced in 2019 that it would proceed with a renegotiated East Coast Rail Link investment, a partially PRC-financed rail project. Some PRC investments, including port modernization projects, the East Coast Rail Link, and employment-generating manufacturing investments, align with Malaysia's own development goals.

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