

Leaked communique increases China-Malaysia tensions over South China Sea

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The Malaysian Ministry of Foreign Affairs launched an internal investigation of how a classified document sent on February 18 by China to the Malaysian Embassy in Beijing was leaked and published in the Philippine press in August. The Malaysian Ministry declared that it viewed the breach of “an official communication channel between the two countries, with grave concern.”

Leaking the memorandum threatens to instigate tensions between Malaysia and China at a time when tensions between China and the neighbouring Philippines are on a knife’s edge over collisions between Coast Guard vessels at disputed atolls in the Spratly islands.

On August 29, the *Philippine Daily Inquirer* published a brief Chinese language memorandum that it alleged to be a secret official communique. The official Malaysian response would seem to confirm that the memorandum was genuine. The *Inquirer* claimed to have obtained the document from a “Malaysian journalist who requested anonymity.”

The communique pertained to sovereignty claims and economic rights to the Luconia Shoals, a disputed region in the South China Sea claimed by both Malaysia and China.

The Luconia Shoals are a permanently submerged feature, stretched north to south over several thousand square kilometers, their southernmost tip one hundred kilometers north of the Malaysian state of Sarawak on the island of Borneo. Along with the neighbouring James Shoals, the Luconia Shoals mark the furthest southern extent of China’s nine dash line claim to the South China Sea. The majority of the Luconia shoals are substantially submerged, at a depth ranging from five to 40 meters. A very small feature, a spit of coral known as the Luconia Breakers, rises above sea-level.

The expansive region of the Luconia Shoals is the site of oil and gas exploration and it is this that was the subject of China’s memorandum to the Malaysian embassy. China expressed “strong concern” to the Malaysian government over the oil exploration and drilling being conducted by Petronas, the Malaysian multinational oil and gas company, at a number of sites listed in the memorandum: Timi, Kasawari, Jerun, Kayu Manis, SE, F13, E11, Bokor, and Gumusut Kakap.

The listed sites are comparatively new developments in the region. The Kasawari gas field, for example, was discovered in 2012 and the Petronas pipeline there only came online in 2023.

In the article, the *Inquirer* asserted that China’s nine dash line had been “declared baseless” by the Permanent Court of Arbitration (PCA) in 2016, and thus invalidated China’s claim to the Luconia Shoals. This is false. The PCA explicitly ruled that the territorial disputes raised in the Philippine case did not touch on Malaysia’s claims.

Malaysia, which had observer status at the PCA, submitted a communication to the court, expressing concern that the Philippine case against China would invalidate its own claims. The 11-page tribunal press release specifically stated: “The Tribunal compared its decisions on the merits of the Philippines’ Submissions with the rights claimed by Malaysia and reaffirmed its decision that Malaysia is not an indispensable party and that Malaysia’s interests in the South China Sea do not prevent the Tribunal from addressing the Philippines’ Submissions.” The ruling, in other words, did not pertain to Malaysia’s claims, or to the disputes between Malaysia and China.

Malaysia’s Foreign Ministry stated that it would continue to “defend its sovereignty” but added that

Beijing and Kuala Lumpur were committed to resolving disputes in the South China Sea peacefully.

Some of the gas and oil developments questioned by China in the leaked memorandum are off the coast not of Sarawak, but of the Bornean state of Sabah. This raises a thorny issue that Manila would rather not emerge in the current context—the Philippines has a long-standing irredentist claim to the entirety of Sabah. While China disputes a portion of Malaysian claimed waters, the Philippines, citing the rights of an old Sultanate, still claims a substantial portion of Malaysian land territory and the three and a half million people who live there. On at least one occasion in the past half century, the Philippine government prepared a secret paramilitary invasion force to attempt to take Sabah from Malaysia. Any posturing by Manila in sympathy for Malaysian sovereignty in the South China Sea is deeply hypocritical.

Tensions between Manila and Beijing are at an all-time high. There is open talk of war in the Philippine press and in government circles. The comparatively peaceful disagreements between Kuala Lumpur and Beijing stand in marked contrast.

What has produced these rival outcomes is not fundamentally a difference between the diplomatic cultures of Malaysia and of the Philippines—although the two countries do tend to address international disputes in starkly different ways. Nor is the difference the behaviour of China, which has deployed Coast Guard vessels to the Luconia Shoals as it has to the Philippine-claimed Sabina and Second Thomas Shoals.

The fundamental difference, the decisive factor that has brought one area to the brink of war while the other remains comparatively at peace, is the involvement of the United States. It is Washington that has inflamed tensions between the Philippines and China. The Philippine legal case against China before the Permanent Court of Arbitration was drawn up and argued by US lawyers. Washington has begun basing troops in the Philippines, including drone facilities that have been used to supervise each confrontation between Philippine and Chinese vessels. Acting through the Philippine military and the administration of Ferdinand Marcos Jr, who has come to serve as the leading proxy for US interests in the region, Washington is exerting unrelenting military pressure on China.

The leak by the “Malaysian journalist who requested anonymity” certainly has the hallmarks of a US provocation via a Philippine newspaper deliberately designed to embarrass Kuala Lumpur and raise tensions between Malaysia and China. Significantly, the *Inquirer* article draws on the Asia Maritime Transparency Initiative, an arm of the US Centre for Strategic and International Studies thinktank, dedicated to the propagation of anti-China propaganda in the South China Sea, as well as Radio Free Asia connected to the US State Department and the CIA.

China has been the top trading partner of Malaysia since 2009 and Kuala Lumpur is clearly anxious to retain these ties, in defiance of US pressure. Speaking at an Association of Southeast Asian Nations (ASEAN) summit in Melbourne in March 2024, Malaysian Prime Minister Anwar Ibrahim spoke sharply against US pressure to escalate confrontation with China. He told the press, “We are an independent nation, we are fiercely independent, we do not want to be dictated by any force. ... So while we remain ... an important friend to the United States and Europe and here in Australia, they should not preclude us from being friendly to one of our important neighbors, precisely China. ... If they have a problem with China, they should not impose it upon us.”

The role of chair of ASEAN annually rotates through the member states in alphabetical order. Laos is chair in 2024; Malaysia will chair ASEAN in 2025. Anwar announced in late August, days before the leaked memo was published in the Philippine press, that he would attempt to proactively reduce tensions with China during Malaysia’s term as chair. It is more than plausible that Washington, working through its countless proxies in Manila, is seeking to create a rift between Kuala Lumpur and Beijing prior to Malaysia’s accession to chairmanship.



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