

*The authors' views are their own and do not represent the official position of the Institute of Defence and Strategic Studies of the S. Rajaratnam School of International Studies, NTU. These commentaries may be reproduced with prior permission from RSIS and due recognition to the authors and RSIS. Please email to Editor IDSS Paper at [RSISPublications@ntu.edu.sg](mailto:RSISPublications@ntu.edu.sg).*

## MALAYSIA'S VIEW AND RESPONSE TO GREY ZONE CONFLICT IN THE SOUTH CHINA SEA

*China's grey zone operations in the South China Sea are a maritime security concern for Malaysia. As much as Malaysia is strong in defending its interests in this area, it is careful in ensuring that its responses are not mistaken as aggressive and provocative. **THARISHINI KRISHNAN** argues that as a small developing nation and a responsible member of the Association of Southeast Asian Nations (ASEAN), Malaysia chooses to adopt cautious practicality, as with diplomacy, light hedging, and abiding by international law in responding to Chinese behaviour.*



Fish in Malaysia, providing over 60 per cent of the country's protein, and a major actual and potential source of conflict in the South China Sea. *Photo by 6 on Unsplash, modified.*

A grey zone operation (GZO) is an activity that lies in the grey area between war and peace. In conducting GZOs, a nation seeks to make political or territorial gains against another without resorting to actual combat. In general, GZOs exhibit three typical

characteristics. First, the operations represent an effort to alter the status quo; second, they employ “unconventional” elements of state power; and third, such operations are carried out gradually. GZOs deliberately stay below the threshold of conventional military conflict and open interstate war, exploiting existing international norms to conduct hostile activities without crossing established redlines. Now that the Chinese have a stronger navy and an active militia, these forces have increasingly begun to undertake GZOs in disputed waters in the South China Sea, raising tensions in the area.

## Malaysia’s View

For Malaysia, China’s GZOs are perplexing. Beijing has implemented a series of protracted grey zone activities that are innovative in design, with each step [incrementally](#) changing the local strategic situation to favour China, while limiting the target states’ responses through the use of puzzling behaviour. China’s GZOs in Malaysian waters are not a new development. As of [July 2020](#), a total of 89 incursions by China have occurred near Malaysia’s Luconia Shoals since 2016 — the Chinese coastguard intruded 72 times while the remaining intrusions were by the People’s Liberation Army Navy. [Between 2018 and 2019](#), the Malaysian foreign ministry sent five diplomatic protest notes to China for trespassing in Malaysian waters, following the 29 reports of such trespass published by the Royal Malaysian Navy (RMN). One of China’s recent attempts that took the spotlight was the April 2020 incursion by the *Haiyang Dizhi 8*, which entered waters near Malaysia’s state oil drillship, the *West Capella*, amid the Covid-19 pandemic. Malaysia did not comment on the incident, claiming that there was no explicit confirmation that China was conducting any improper activities [near the outer edge of Malaysia’s 200-nautical mile exclusive economic zone \(EEZ\)](#). In June 2021, vessels from the Chinese coastguard patrolled around a Malaysian drilling operation in the Kasawari gas field off Sarawak. This event was further complicated by Chinese military planes crossing into Malaysian airspace. In September 2021, China also challenged Malaysia by conducting a seabed survey on Malaysia’s continental shelf.

Malaysia feels the need to take a constructive position to counter China’s GZOs as it must protect its oil and gas (O&G) industry and conserve its fish resources. The O&G industry is a significant contributor to Malaysia’s economy, representing 20 per cent of the country’s gross domestic product (GDP). Malaysia is the second largest O&G producer in Southeast Asia, after Indonesia, and the world’s third largest exporter of liquefied natural gas. In 2017, Malaysia’s proven oil reserves amounted to 3.6 billion barrels, the fourth highest reserves in the Asia-Pacific region, after only China, India, and Vietnam. Malaysia remains one of the key O&G producers in the Asia-Pacific, with an average crude oil production of 608,734 thousand barrels per day in December 2019.

Malaysia also has to protect its fishing industry. Fish is a critical food source in Malaysia, contributing over 60 per cent of the country’s total protein needs. In terms of GDP, the fisheries industry contributes [1 to 2 per cent](#). Fishing is quite profitable, even taking into consideration the high operating expenses involved and the degree of risk in the industry. According to a [strategy document](#) by the RMN on its “15 to 5 Transformation Programme”, in 2016, Malaysia’s fisheries sector produced 1.74 million tons of fish valued at RM 10.18 billion, and generated an additional trade worth

RM 6 billion. Illegal, unreported, and unregulated (IUU) fishing has been a major concern for Malaysia as it involves the encroachment of both national and foreign vessels for the purposes of trawling, fish bombing, cyanide fishing, fish laundering, and other fishery crimes. The South China Sea is home to approximately [3,365 species of marine fish, and 55 per cent of global fishing vessels](#) operate in the area.

Many of the GZOs that have taken place in recent years have had the effect of intimidating Malaysia. Although the economic stakes are high, responding to big power intimidation can be a challenge for a small nation like Malaysia. GZOs allow stronger states to intimidate weaker states, putting additional pressure on the weaker states' resources. Weaker states must calculate the risks involved in terms of the energy and resources spent in responding to encroachments by bigger warships, and the potential consequences of those risks. No doubt it is possible for weaker states to undermine the status quo. For example, the response of Iceland towards British trawlers exploiting cod fisheries around the island led to the [Cod Wars of 1940 to 1976](#). Iceland went so far as to threaten a rapprochement with the Soviet Union in order to break the will of the British government backing the trawler fishermen. However, for similar victories to materialise, the small nation must have the capacity, capability, and credibility in terms of deterrence, assets, and readiness to respond to such scenarios.

In addition, there are instances when misjudgement can act as a spark for engaging in GZOs, as was the case in an incident in 2009 within China's EEZ involving the USNS *Impeccable*, a United States Navy (USN) ocean surveillance ship. The 1982 United Nations Convention on the Law of the Sea (UNCLOS) is widely interpreted as permitting freedom of navigation for foreign vessels transiting through a third country's EEZ. However, the Chinese saw the vessel as engaged in a hostile intelligence-gathering mission. When they decided to intervene and force out the vessel from their EEZ in the name of protecting their national interest, it was China that then became seen as the aggressor, owing to the influence of social media. An observer on board the *Impeccable* had videoed Chinese fishing vessels moving aggressively and dangerously towards the slow-moving and unarmed US ship — manoeuvres, which, according to the Convention on the International Regulations for Preventing Collisions at Sea (COLREGs), did not constitute legitimate fishing activity. The speed at which "information" about the incident was also spread by various channels left the Chinese unable to defend their position in the eyes of the international community. Poor information management by both countries and misleading news adversely affected China's international image.

## **Malaysia's Response**

Given its limited capabilities and the nature of GZOs, Malaysia is being cautiously practical and seems unlikely to take the offensive even as it consistently defends its sovereign rights over Malaysian waters — a position that is based on international law. In a recent tweet on 26 October 2021, Prime Minister Dato' Sri Ismail Sabri Yaakob expressed a firm intention to resolve any matter pertaining to the South China Sea peacefully and constructively, in accordance with universally recognised principles such as those of UNCLOS. Minister of Foreign Affairs Dato' Sri Saifuddin Abdullah has further stressed that Malaysia is resolved to keeping the South China Sea a peaceful ocean space. Even China has emphasised the importance of peace and

stability in that space, with [both states agreeing](#) that their differences on the matter constitute only a small component of their deep-rooted bilateral relations.

Therefore, Malaysia's strategy with regard to the South China Sea, and in particular the GZOs of China, resembles a "[Jekyll and Hyde](#)" approach. For instance, when China flew 16 military aircraft in 2021 into Malaysian airspace, Malaysia quickly condemned China's action as a breach of sovereignty as there was no prior notification. Yet, only a few days later, Malaysia would be thanking China for its vaccine contribution, in a clear indication that the episode would not affect the long-standing ties between the two states.

Furthermore, Malaysia itself has been conducting drilling activities in the Luconia Shoals which have been poorly received, not just by China but by other countries as well. Hence, diplomacy is central to Malaysia's strategy vis-à-vis GZOs in the South China Sea; Malaysia, in fact, emphasises "light hedging". That is, in contrast to heavy hedging, Malaysia seeks to reduce political and security issues with China by prioritising diplomacy and consultation over confrontation, and to focus on economic pragmatism. Malaysia's behaviour has very much to do with factors immediately driving its wish to avoid confrontation. These factors include the trade and investment ties between the two countries — in 2021, China-Malaysia trade hit RM 740 billion. Essentially, Malaysia is delicately balancing its interests in the South China Sea and its relationship with China. Light hedging was also seen during the *West Capella* incident, when the USN too was present in the area — a presence it had been maintaining for weeks. Malaysia took care during that incident to ensure it was not drawn into the strategic rivalry between the two big powers by providing a pretext for a clash between them.

Light hedging has positioned Malaysia as a state that is simply defending its maritime interests and the integrity of its waters, and certainly one that is keeping a rather low profile in doing so. At the same time, Malaysia is seeking to preserve its national interests by strengthening its bilateral relationships with the other claimants to territories in the South China Sea, and also fostering multilateral diplomacy through ASEAN, a key platform for mediating issues pertaining to conflicts in the South China Sea.

That being said, Malaysia is not a weak country nor one that only placates China — Malaysia is bold in proclaiming its position concerning its conflicts in the South China Sea with the other claimants as well. Hence, China would do well [not to misconstrue](#) Malaysia's response as constituting subservience to a big power. Rather, China should perceive Malaysia as a peace-loving but independent country, for which national interests come above all else.

**Tharishini KRISHNAN** is Senior Lecturer at the Department of Strategic and Defence Studies at the National Defence University of Malaysia. She contributed this paper as part of a workshop on Grey Zone Operations in the South China Sea, organised by the China Programme of the Institute of Defence and Strategic Studies, RSIS. She may be contacted at [tharishini@upnm.edu.my](mailto:tharishini@upnm.edu.my).

---

**S. Rajaratnam School of International Studies, NTU Singapore**  
Block S4, Level B3, 50 Nanyang Avenue, Singapore 639798  
T: +65 6790 6982 | E: [rsispublications@ntu.edu.sg](mailto:rsispublications@ntu.edu.sg) | W: [www.rsis.edu.sg](http://www.rsis.edu.sg)