Macrothink Institute™

Business and Economic Research
ISSN 2162-4860
2024, Vol. 14, No. 3

Economic Statecraft of Small States in Response to Great Power Strategic Rivalry-Take Malaysia as An Example

Xinlei Zhao (Corresponding author)

School of International Studies/Academy of Overseas Chinese Studies

Jinan University, Guang Zhou, Guang Dong Province, China

E-mail: zhaoxlbob@gmail.com

Received: July 13, 2024 Accepted: August 18, 2024 Published: August 27, 2024

doi:10.5296/ber.v14i3.22199 URL: https://doi.org/10.5296/ber.v14i3.22199

Abstract

The foreign economic statecraft of state actors in International Relations (IRs) have often attracted much attention and discussion among scholars, but most of the existing research focuses on the economic statecraft choices of great or medium-sized powers, and there is a lack of discussion on the economic statecraft of small state actors. From the perspective of International Political Economy (IPE), this paper takes Neoclassical Realism (NCR) as the theoretical basis and adopts case studies and process tracing to analyze how Malaysia has responded to the competition of great powers such as the United States, China and Japan with different economic statecrafts. The results show that small states, like great power, possess the ability to implement different economic statecrafts, and the ability threshold, initiative, and rationality of goals are the conditions that shadow whether small countries can implement economic statecrafts. State favorability at the system level and interest preferences at the unit level jointly shape the three modes of economic statecrafts that small states use to cope with great power competition, including: offensive economic statecraft, defensive economic statecraft, and composite economic statecraft. Depending on their relative relationship and status with great powers, small states flexibly apply different economic statecrafts to realize the goals of foreign economic development and maintain national security.

Keywords: economic statecraft, small states, state favorability, interest preference, Malaysia

1. Introduction

With China's continuous development and expansion in high-tech fields in recent years, its influence on the global science and technology industry has been increasing day by day. The rapid rise of China's high-tech power has aroused strong hostility from the United States and its Western allies. In particular, China's advancements in cutting-edge fields such as semiconductors and artificial intelligence are seen by the United States as a direct threat to its national security. Since the Cold War, the United States has monopolized the global technology industry and dominated the development of the global economic system through its technological leadership. For the United States, preventing other countries from accessing advanced technologies and protecting its own interests has become the primary principle of its economic diplomacy. In this context, major powers such as China and the United States have engaged in fierce competition and rivalry in high-tech fields, profoundly impacting the global political and economic systems. Since the end of the Cold War, the competition among nations has gradually shifted from the military field to the economic and technological domains. Nations no longer rely solely on military strategies to gain external advantages but emphasize using economic or technological means to gain initiative and secure related benefits in external competition. This external behavior of nations is recognized by scholars in the field of international relations as a form of "economic statecraft." According to American scholar David A. Baldwin, "economic statecraft" refers to the use of economic policies or tools by a state to promote corresponding diplomatic goals and maximize national interests.

Especially with the increasing complexity of the global economy, the "economic statecraft" of states has also diversified, expanding from technological policies to financial and monetary fields. The economic statecraft of major powers has become a primary focus of international relations scholars. Regarding Sino-American economic competition, it dates back to the early years of the founding of the People's Republic of China. The economic statecraft adopted by the United States primarily focused on sanctions and embargoes, aiming to hinder China's access to various industrial raw materials and resources necessary for economic development. In recent years, during the strategic competition between China and the United States, the United States has primarily focused on economic sanctions and export restrictions. For example, during the Trump administration, additional tariffs were imposed on goods from China, and investments in companies associated with the Chinese military were prohibited. The Biden administration further tightened control over high-tech fields. For instance, on August 9, 2022, Biden signed the "CHIPS and Science Act of 2022," legally restricting China's access to advanced American chip products. Therefore, from the economic competition between China and the United States, it can be seen that the competition and conflict in the economic domain among major powers have become increasingly acute. For other small and medium-sized countries, how to formulate reasonable foreign economic policies to protect their own interests from infringement has become a crucial issue.

Major powers, with their abundant resources and advanced technologies, have sufficient capability to implement various economic statecraft strategies. However, the existing question is whether small and medium-sized countries, which do not possess the same resources or technological advantages as major powers, have the ability to implement corresponding economic statecraft strategies to achieve specific diplomatic goals. Based on this question, the research question of this article is whether small countries can implement corresponding economic statecraft strategies, what are the similarities and differences between the economic statecraft of small and major powers, and what are the intrinsic driving mechanisms and influencing factors of small countries' economic statecraft strategies. This article adopts the perspective of International Political Economy (IPE) and takes Malaysia as a research subject. Using case studies and process tracing as research methods, and drawing from neoclassical realism as the theoretical source, it explores how Malaysia formulates its foreign economic statecraft strategies in the face of conflicts between major powers such as China and the United States or China and Japan. It also analyzes the driving mechanisms and influencing factors of the economic statecraft strategies of small Southeast Asian countries, with Malaysia as a prime example. Theoretically, this study can fill the gaps and deficiencies in the existing literature on the statecraft strategies of small countries, providing a comprehensive and reasonable understanding of small countries' economic statecraft strategies. Practically, it can deepen China's understanding of the statecraft strategies of Malaysia and other small Southeast Asian countries, offering valuable insights and references for China's economic decision-making regarding these countries and promoting broader economic cooperation and interaction between China and Malaysia.

2. Literature Review

Existing research on "economic statecraft" mainly focuses on two specific areas. The first type of research emphasizes analyzing the specific connotations and mechanisms of "economic statecraft," as well as its specific forms and related impacts. For example, American scholar David A. Baldwin (1985) first proposed the concept of "economic statecraft" and systematically analyzed its external forms and principles. He integrated political science and economics in international relations, providing valuable references for studying the use of economic means by states to achieve foreign relations development. Baldwin (2020) believed that "economic statecraft" primarily refers to the use of economic means by a state to pursue its foreign policy goals and continuously develop its foreign relations. Newnham (2002) and Norris (2016) viewed "economic statecraft" as the intentional manipulation of economic interactions to exploit, enhance, or mitigate related strategic externalities. Mastanduno (1998&1999) further refined this concept, defining economic statecraft as a form of diplomacy where a state uses economic resources and actors to promote key national goals, including national security, economic prosperity, political prestige, and influence. Lew and Nephew (2018) pointed out that economic statecraft utilizes economics as a tool of foreign policy, taking various forms to achieve specific diplomatic objectives. Zhang Falin (2022) believed that economic statecraft involves the use of economic policy tools to achieve foreign policy goals, serving as a crucial force in transforming national monetary strength into international monetary power. Besides these definitions, economic statecraft is also interpreted as economic diplomacy. Economic diplomacy is a means of foreign policy aimed at resolving economic and trade conflicts with other countries, helping nations gain relevant benefits. Chohan (2021) considered economic diplomacy as a multi-party process mainly aimed at achieving the maximum economic benefits through economic means. Berridge and James (2022) suggested that economic diplomacy is a significant form of external action by a state or government, intended to accomplish specific economic tasks, resolve related issues through economic sanctions or aid, and safeguard national security and interests.

From the above definitions, most scholars view economic diplomacy as a means or approach to solving internal and external issues, aimed at maintaining national security and social stability and protecting national interests. In the specific implementation of economic diplomacy, three key factors need attention: political and economic tensions, domestic and international tensions, and tensions between the government and other groups. This primarily indicates that a state needs to manage relationships at different levels and among different groups when using economic diplomacy to solve external issues and conflicts. For example, regarding domestic and international tensions, economic diplomacy must consider its impact on other countries, avoiding conflict escalation due to harm to other nations' interests. Additionally, economic diplomacy is influenced by various domestic factors, requiring coordination among different interest groups to promote foreign relations development. While economic statecraft and economic diplomacy have subtle differences, scholars tend to distinguish them from a hierarchical perspective. Economic diplomacy is seen as the external affairs and goals of states or governments, whereas economic statecraft is broader in scope, including not only official-level interactions but also the use of economic means to achieve foreign policy goals. Therefore, negotiations and engagements in economic diplomacy are also part of economic statecraft.

In addition to researching the connotations of "economic statecraft," Zhang Falin (2022) further refined the connections and distinctions between statecraft and economic statecraft. He emphasized that the connotations of statecraft are broader, focusing on strategies, methods, and techniques for handling national affairs, while economic statecraft focuses on using economic tools and means to solve external affairs and issues. Regarding the classification of statecraft and economic statecraft, Baldwin (1985) divided them into propaganda, diplomacy, economic statecraft, and military statecraft. Cohen (2019) categorized them as public diplomacy, official diplomacy, economic statecraft, and military statecraft, while Lasswell (1948) classified them from the perspective of national policy tools as "information, diplomacy, economy, and military." Regarding the specific forms of "economic statecraft," current research, mainly based on Baldwin's studies, includes both positive and negative forms. Positive forms include favorable tariff discrimination, granting most-favored-nation status, tariff reductions, direct purchases, export and import subsidies, issuance of trade licenses, aid provision, investment guarantees, encouraging private capital exports or imports, and preferential taxes. Negative forms include embargoes, boycotts, increased tariffs and discrimination, withdrawal of most-favored-nation status, blacklists, quotas, license refusals, dumping, asset freezes, import and export controls, aid suspensions, expropriation, adverse taxes, and upper-level threats (Baldwin, 1980). States use these specific forms as needed to develop and break through foreign relations. Regarding the mechanisms of "economic statecraft," Baldwin emphasized studying its functioning from the perspective of sanctions, noting that major powers possess more resources and stronger capabilities. Thus, they can use sanctions to gain economic advantages over other countries, thereby achieving initiative in diplomatic games. Albert Hirschman proposed a theory from the perspective of the impact of economic and trade dependency on political and diplomatic relations between countries, known as the "Hirschman effect." The Hirschman effect emphasizes that in the international relations system, when a sovereign state develops bilateral relations with another country, it relies more on the degree of economic and trade interdependence between the two countries to influence the development of its foreign policy (Hirschman, 1980). This is mainly achieved by forming interest groups in the other country to influence the government's foreign policy and decisions, thereby gaining initiative in political and diplomatic games and securing more benefits. Hirschman, to some extent, also advocated using sanctions to apply economic statecraft.

However, not all scholars advocate analyzing the functioning principles of economic statecraft from the perspective of sanctions. Blanchard and Ripsman (1999) believed that incentives also play an essential role, including both positive incentives and negative sanctions. They proposed that the success of economic statecraft depends on the target country's national level, encompassing autonomy, initiative, and legitimacy. Zhang Falin (2022) used policy tools and operational methods to explain the mechanisms of economic statecraft, categorizing operational methods into positive and negative strategies. Positive strategies include laissez-faire, incentives, and consultations, while negative strategies encompass protection, coercion, and sanctions. Apart from the above studies, some research also focuses on the application areas of "economic statecraft," including finance, currency, multilateral agreements, and infrastructure. By analyzing the functioning mechanisms of "economic statecraft" in different fields, they explore its specific practical effects and the relevant impacts on implementing countries (Cohen, 2019; Bolks & Al-Sowayel, 2000).

The second type of research focuses on analyzing the intrinsic causes and related impacts of specific countries' "economic statecraft," with most studies centering on how medium or major powers effectively implement their "economic statecraft" to achieve their respective foreign policy goals, such as the United States, China, and Russia. Particularly, the rise of China's economic power in recent years has significantly influenced the global political and economic order, leading to increased scholarly attention on how China's "economic statecraft" has shaped contemporary international relations (Petry, 2023). Regarding China's "economic statecraft," existing literature mainly emphasizes two aspects. On the one hand, studies focus on the specific implementation methods of China's "economic statecraft," including financial, monetary, and infrastructure tools (Ohashi, 2018). For example, China, through its state-owned enterprises, has made significant direct investments abroad in real estate and infrastructure, enhancing trade relationships with host countries while expanding its economic influence overseas (Kuik, 2017; Freeman, 2021). Among these, the "Belt and Road Initiative" (BRI) is one of the most important research subjects. The BRI is considered one of China's most influential economic investment projects in recent years and is viewed by many scholars as a crucial tool of China's "economic statecraft (Balding, 2018)." Through the BRI, China has strengthened economic cooperation with many countries along the route, solidifying and enhancing economic cooperation foundations with these countries and utilizing their natural resources and advantageous industries to support its own economic development and promote exports.

Additionally, some scholars have examined how the BRI benefits global countries, especially southern countries, from the perspective of public goods (Risberg, 2019). However, the BRI has also sparked considerable controversy. As China's economic influence on cooperating countries grows, some scholars argue that the BRI poses significant security risks and threats to the economic security interests of these countries. The external expansion of China's economic power is also seen as a challenge to the United States' dominance in the global economic order, leading to criticism from the United States and other Western countries. Besides the BRI, another focus of scholars on China's "economic statecraft" is the increasing role of the Renminbi (RMB) in the global economic payment system. Following the Russia-Ukraine conflict, where Russia was excluded from the US dollar payment system by the United States and Western countries, many countries have reflected on and expressed concerns about their long-term reliance on the US dollar, fearing high economic risks (Tang,2023). Consequently, they have started considering the RMB as an alternative universal currency. In this context, many scholars have started paying attention to how China uses the RMB and other monetary tools to achieve its economic development and the impact of RMB internationalization on enhancing China's economic status (Huang, 2023).

The third focus of China's "economic statecraft" is on financial cooperation organizations led by China, such as the establishment of the Asian Infrastructure Investment Bank (AIIB). Scholars like Kai Yin (2021) believe that the AIIB, as an essential financial institution for China's external economic influence, serves as a crucial tool for restoring China's reputation and shaping its image post-COVID-19, helping China address regional diplomatic challenges from the United States. On the other hand, some studies focus on the purposes and impacts of China's "economic statecraft." For instance, Shogo Suzuki (2022) identified three key goals of China's economic statecraft: ensuring the survival of the Chinese state and the Communist Party of China, maintaining a stable environment to promote healthy economic growth, and enhancing its overall political influence. Scholars like Tang Xiaoyang (2012) believe that China's economic statecraft aims to strengthen resource security, bolster political relations and soft power, and increase business opportunities for Chinese enterprises overseas. Apart from the above research focuses, some scholars have explored China's use of "economic statecraft" with countries geographically distant from it. For example, Gutiérrez (2023) examined the economic and trade development between China and Latin American countries, discovering that China's "economic statecraft" in Latin America relies on economic incentives, coercion, and compulsion. By leveraging the material and power resources of the target countries, China achieves economic strength in these countries. Furthermore, some scholars have studied China's use of "economic statecraft" in Southeast Asia and South Asia. Geoffrey, from a historical perspective, found that China has employed economic statecraft multiple times historically. Through cases in Indonesia and East Timor, he discovered that modern China's use of "economic statecraft" aims to rebuild China's dominance in the global economy over the course of history (Gunn, 2022).

In summary, existing literature has extensively explored "economic statecraft" from its connotations, mechanisms, and influencing factors, focusing on specific countries' economic statecraft as the current research centre. The primary research subjects are major powers like China, the United States, and Russia, as well as medium powers like South Korea, Australia, and Japan, with some studies involving individual small countries' foreign economic statecraft. From these studies, there is a general consensus on the definition of "economic statecraft" as states' use of economic tools to achieve foreign policy goals. Modern states' foreign economic statecraft no longer relies on a single means and tool, instead integrating both "positive" and "negative" economic statecraft measures to maximize benefits. Notably, the analysis of China's "economic statecraft," such as the BRI and RMB internationalization, has become a research hotspot. However, current research shortcomings lie in the analysis of specific countries' economic statecraft, with excessive focus on the foreign economic statecraft of major or medium powers, while lacking a comprehensive understanding of the economic statecraft of small countries or small country alliances. Some studies present fragmented analyses, especially lacking in-depth exploration of the mechanisms and influencing factors of small countries' economic statecraft, which hinders understanding small countries' responses to major powers' economic policies. Although some research involves small countries' economic statecraft, most of it comes from the field of international relations, emphasizing security and military cases to analyze small countries' economic statecraft. Therefore, this study, from the perspective of international political economy, will expand the application of economic statecraft in international political economy. Consequently, this research will significantly enrich the study of small countries' "economic statecraft" and provide a more comprehensive and profound understanding of small countries' foreign economic policies.

3. Economic Statecraft of Small Countries from the Perspective of Neoclassical Realism

The concept of "economic statecraft" has a long history, with states employing various forms of economic statecraft to achieve their national objectives throughout their development. As discussed earlier, scholars have different definitions of economic statecraft, but many emphasize that it involves the use of economic tools to achieve foreign policy goals. Specifically, for the purpose of this study, economic statecraft refers to the strategies employed by small and medium-sized countries when facing conflicts with larger powers. These countries leverage their existing economic resources and tools to enhance the favorability of larger powers towards them, reduce the pressure brought by such conflicts, and rely on the economic advantages of larger powers to promote their own economic development, thereby achieving their respective economic goals. Economic statecrafts are determined by two dimensions: operational methods and policy tools. According to Zhang Falin (2022), operational methods can be categorized into laissez-faire (non-intervention), incentives (economic inducements), negotiation (joint discussions), protection (beggar-thy-neighbor), coercion (threats), and sanctions (economic weapons). Policy tools involve various economic policies in fields such as finance, trade, energy, and development, including loans, aid, trade preferences or barriers, technical support or restrictions, and exchange rate policies. Whether small countries can implement economic statecraft similar to that of larger powers depends on three factors: capability thresholds, initiative, and the reasonableness of goals.

Capability Thresholds: This determines the upper limit of a country's ability to implement economic statecraft. Capability thresholds are often dictated by a country's comprehensive national power. The stronger a country's comprehensive national power, the more diversified its means and scale of implementing economic statecraft. In international politics, major powers usually have a natural advantage over smaller countries in terms of comprehensive strength, which manifests in economic, technological, military, and cultural influence. This disparity in comprehensive strength affects the effectiveness of economic statecraft implemented by different countries.

Initiative: This refers to whether a country has the willingness or interest to adopt specific economic statecraft towards relevant countries. In international politics, both major and minor powers are rational actors that will adopt various measures to safeguard their security and maximize their interests. If a relevant country holds significant interest and economic advantages for a small country, it will stimulate the small country's economic interest in that larger power, leading to the adoption of specific economic statecraft based on their relationship status. Conversely, if a small country lacks strong motivation to develop economic relations with a certain country, it will lack the initiative to adopt corresponding economic statecraft to promote economic cooperation.

Reasonableness of Goals: This emphasizes that when formulating and executing foreign economic policies, countries must fully consider the feasibility of their goals. If the goals exceed the country's capability range, the corresponding economic statecraft are unlikely to be effective. Compared to major powers, small countries face higher costs when their economic statecraft fail. Major powers can bear the costs of failure more easily, while small countries, using limited resources as tools for foreign economic development, face significant shocks and pressure if their resources fail to achieve the intended goals. Thus, one of the prerequisites for small countries to implement economic statecraft is to reasonably set foreign economic goals.

Therefore, capability thresholds, initiative, and the reasonableness of goals collectively influence the feasibility of small countries implementing economic statecraft. While small countries have the ability to implement various economic statecraft to promote foreign economic relations, the key difference compared to major powers lies in the greater diversity of means, stronger resilience, and lower implementation costs for major powers (Yang & Bi, 2023). Due to the direct disparity in strength between small and major powers, the means available to small countries are relatively limited, their resilience weaker, and their costs higher. However, when small countries face other small and medium-sized countries of similar scale and capability, their economic statecraft may change significantly. For instance, small countries can use sanctions and other means to restrict certain small and medium-sized countries from obtaining specific resources, thereby weakening their economic foundations (Lin, 2015).

Business and Economic Research
ISSN 2162-4860
2024, Vol. 14, No. 3

Table 1. Similarities and differences in the economic statecraft of large and small countries

States	Means of implementation	capacity to bear	Implementation costs	Economic foundation
Large countries	Multilateral	High	Low	Strong
Small countries	Limited	Low	High	Weak

Source: Designed by author

In international politics, theoretical explanations of states' foreign behaviors often come from unit-level or system-level analyses. Classical realist scholars focus more on analyzing states' foreign behaviors or strategies from a unit-level perspective. In contrast, structural realist scholars, such as Kenneth Waltz (1990), emphasize the importance of system-level analysis in explaining states' foreign behaviors, proposing that while states operate at both unit and system levels, their ability to achieve national goals varies.

Both classical realism and structural realism have been instrumental in analyzing and explaining different behaviors of states in international politics. However, as international politics has become more complex, states' foreign behaviors have shown considerable variation. Even within the same system structure, different states' foreign behaviors are not uniform. Neoclassical realism thus plays a crucial role by connecting unit-level and system-level analyses, acknowledging the influence of units while highlighting the importance of the system, and providing a new analytical path for examining states' complex behaviors in international politics (Liu & Chen, 2015). The analytical model of neoclassical realism consists of system variables and domestic variables. System variables are independent variables that shape but do not determine states' behaviors. Domestic variables are intermediary variables that influence states' foreign behaviors to varying degrees. System variables are often relatively fixed, such as the power dynamics between states, while domestic variables often contain many uncertainties. Given the complexity of states' foreign behaviors in international politics, relatively fixed domestic variables are insufficient to fully analyze the different manifestations of states' foreign activities. Thus, this study introduces the concepts of state favorability and interest preferences as the main explanatory variables. State favorability is the core variable (independent variable), while interest preferences act as the intermediary variable. Together, these variables shape the economic statecraft patterns of small countries.

In this study, state favorability is the core system-level variable. The concept of state favorability is often used in the field of public diplomacy to refer to the emotions and attitudes one country holds towards another. When a country has strong favorability towards another, it indicates a strong willingness to develop friendly relations and is more likely to reach consensus and cooperation in various areas such as economy, politics, and culture (Yang et al., 2008). Conversely, when favorability is low, a country will adopt a more cautious and conservative attitude towards the other, carefully considering the development of relations to avoid threatening its own interests. As rational actors in the international system, states formulate their foreign policies based on changes in their favorability towards other countries. From the perspective of neoclassical realism, system-level influencing variables often shape states' foreign behaviors. This shaping originates from the pressure exerted by the system on states. Due to different influencing factors, the intensity of pressure experienced by states within the system varies, compelling states to adopt appropriate measures to adapt to the changes in system pressure and better maintain their stability. Changes in state favorability reflect the corresponding feedback from states under system pressure. Four elements mainly influence changes in state favorability: threat perception, geographic distance, economic attractiveness, and organizational norms. State favorability and interest preferences simultaneously influence the choice of economic statecraft for small countries when facing conflicts with larger powers. State favorability shapes the overall foreign policy of small countries, while interest preferences convey the directives arising from security needs, determining the form of foreign engagement adopted by small countries. Based on the above analysis, as shown in Table 2, small countries' economic statecraft can be categorized into three main types: offensive economic statecraft, defensive economic statecraft, and composite economic statecraft.

Table 2. Three economic statecrafts for small countries to cope with the great power rivalry

Types	Operational methods	Policy tools	State Favorability	Interest Preferences
offensive economic statecraft	Incentives, Coercion, Sanctions	Loans, Aid, Trade Preferences, Technical Support	High	Strong
defensive economic statecraft	Protection, Laissez-faire, Sanctions	Trade Barriers, Technical Restrictions	Low	Weak
composite economic statecraft	Negotiation	Loans, Aid, Trade Preferences/ Barriers, Technical Support/Restrictions	Medium	Medium

Source: Designed by author

The classification of the three economic strategies is primarily determined by the small country's state favorability towards the conflicting major power and the varying domestic interest preferences. When a small country has a high favorability towards the conflicting major power and possesses a relative economic advantage that can satisfy some of the major power's economic needs, the domestic interest needs at different levels will also be met. In such cases, the small country tends to adopt an offensive economic statecraft in the face of the major power's rivalry. Conversely, when the small country's favorability towards the conflicting major power is low, and it does not have a clear economic advantage or attractiveness, coupled with the major power exerting significant security pressure on the small country, domestic interest needs at various levels cannot be met. The small country will then lean towards adopting a defensive economic statecraft. However, the economic statecraft of small countries in response to major power conflicts is not static and they may flexibly employ different economic strategies based on the relative relationships with the conflicting major powers to achieve their external objectives.

Based on the above analysis, this study proposes the following hypotheses:

Hypotheses a: When a small country's favorability towards the conflicting major power is higher, and interest preferences are stronger, the small country is inclined to adopt an offensive economic statecraft in response to major power conflicts. Conversely, when the small country's favorability towards the conflicting major power is lower, and interest preferences are weaker, it will tend to adopt a defensive economic statecraft.

Hypotheses b: The economic statecraft of a small country towards major powers is in a state of dynamic development and will adjust its strategy in a timely manner based on the relative relationship and status with the major powers.

Hypotheses c: When a small country is geographically close to multiple competing major powers, state favorability at the systemic level becomes less effective, and interest preferences at the unit level play a dominant role, shaping the small country's economic statecraft.

The following will take Malaysia's response to the economic game and conflict between China, the United States and China and Japan as a specific case to verify whether the above hypothesis is valid.

4. Case Study: Malaysia's Economic statecraft in Response to US-China and China-Japan Conflicts

The Association of Southeast Asian Nations (ASEAN), as the third largest economy in Asia and the sixth largest in the world, plays a significant role on the global economic stage. Malaysia is one of the relatively more developed economies among the ASEAN member states. In recent years, as the conflicts among major powers continue to escalate, the Southeast Asian region has increasingly become a battlefield for these power struggles. Major powers are taking various measures to consolidate their relationships with ASEAN countries to secure more interests in the region. The Southeast Asian small countries, caught in the middle, face a strategic dilemma: whether to support one of the conflicting major powers or to maintain neutrality. This is the main consideration for ASEAN countries.

Malaysia is chosen as the case study for two primary reasons. Firstly, Malaysia has maintained relatively close ties and interactions with major economic powers such as the US, China, and Japan. Historically, the economic forces of these major powers have significantly driven Malaysia's economic development. Secondly, in recent years, the US, China, and Japan have engaged in intense economic competition, with Malaysia becoming an important target for their development efforts. As a result, Malaysia's economic strategies towards these major powers have undergone a complex transformation and adjustment. By analyzing Malaysia's response to the competition among these major powers, we can better understand the driving mechanisms and influencing factors of small countries' economic strategies.

4.1 Malaysia's Response to US-China Competition

From the existing data, China has been Malaysia's largest trading partner for fourteen consecutive years, with the bilateral trade volume exceeding $200 billion in 2022. China's Foreign Direct Investment (FDI) in Malaysia surpasses RM1.5 billion, ranking 9th among Malaysia's foreign investors, and the two countries have reached multiple agreements on economic and trade cooperation (Chin, 2023). In comparison, the United States is only

Malaysia's third-largest economic partner, with a trade volume of over $60 billion in 2020, which is only a third of Malaysia-China trade. However, the US is Malaysia's largest FDI source, with direct economic investment exceeding RM15 billion in 2021. For Malaysia, both China and the US provide distinct economic advantages that can be leveraged for its rapid economic development (Theedgemarkets, 2023). But this is contingent on Malaysia's capacity threshold in dealing with major powers. As US-China competition intensifies, transitioning from political to economic fields, especially in the semiconductor sector represented by chips, Malaysia faces increasingly tough external economic choices. The escalating US-China competition compels Malaysia to take sides, significantly narrowing its strategic options. As a typical export-oriented economy, Malaysia, despite various frictions with major powers, prioritizes economic development in its foreign policy to maximize economic benefits. When Chinese President Xi Jinping proposed the Belt and Road Initiative (BRI) in 2013, Malaysia was among the first ASEAN countries to join, viewing BRI as a substantial boost to its stagnant economy. The initiative's abundant funding and technology could greatly enhance Malaysia's economic infrastructure and development.

Due to BRI's significant economic benefits, Malaysia responded positively, hoping the initiative would strengthen Malaysia-China economic relations and expand bilateral trade cooperation. Although BRI aims to share China's development achievements globally and provide mutual benefits to promote a "community with a shared future for mankind," it is viewed by the US and other Western countries as a challenge to their global economic dominance, leading to strong opposition and stigmatization (Chin, 2021). In response to China's economic actions in Malaysia and other Southeast Asian countries, then-US President Obama vigorously promoted the Trans-Pacific Partnership (TPP) to unite Pacific economies into a unified trade body. Under Obama's efforts, significant agreements were reached on tariffs, market access, intellectual property, and financial services. For Malaysia, facing China's BRI and the US-led TPP, it adopted differing economic strategies. In response to China, Malaysia primarily employed an offensive economic statecraft, focusing on incentives, whereas it adopted a defensive economic statecraft, emphasizing protection, towards the US. These strategic differences are determined by state favorability and interest preferences. Despite intense US-China economic rivalry, Malaysia's favorability towards China is higher due to several factors (Zhao,2004). Geographically, Malaysia is closer to China than the US, meaning despite both having substantial economic resources, the US's distant location and global diplomatic focus limit its economic resources available to Southeast Asia, creating less economic advantage. China, on the other hand, prioritizes economic cooperation with Southeast Asian countries, offering more resources to Malaysia due to geographic proximity. The closer geographic proximity enhances China's economic attractiveness to Malaysia, facilitating robust trade foundations through historical connections and the significant role of the Malaysian Chinese community. China, as a rapidly growing economic power with a vast market, provides essential opportunities for export-oriented Malaysia. Moreover, ASEAN's collective prioritization of China as a major trade partner influences Malaysia's economic decisions (Zhao, 2022).

Geographic proximity, economic attractiveness, and organizational norms collectively impact

Malaysia's favorability towards China, promoting proactive economic strategies. Additionally, domestic factors, such as leadership and political elite interests, shape Malaysia's economic strategies. Former Prime Minister Najib Razak, a proponent of Malaysia-China relations, saw BRI as vital for economic growth and employment, enhancing his political support (China embassy, 2016). Political elites, particularly the Malaysian Chinese Association within the ruling coalition, also play a role due to their historical ties and significant economic contributions. The convergence of personal, elite, and national interests through Malaysia-China economic cooperation solidifies a unified approach. For China, maintaining good relations with Malaysia, a key rubber exporter and strategic location at the Strait of Malacca, is crucial for securing resources and safeguarding maritime routes (Miao & Shambaugh, 2022). Malaysia leverages its economic advantages to strengthen economic ties and dependencies with China. Conversely, US economic attractiveness and domestic factors, such as leadership attitudes towards Muslims, affect Malaysia-US relations. Historical incidents and policies, like President Trump's 2017 travel ban on Muslim-majority countries, exacerbated anti-American sentiments, leading Malaysia to favor closer economic ties with China (Ifeng, 2021; CCTV, 2017). Thus, compared to the US, Malaysia's higher favorability and stronger interest preferences towards China drive its incentive-based offensive economic statecraft towards China and a protective defensive strategy towards the US.

However, following the conclusion of Malaysia's 14th general election in 2018, Malaysia's economic statecraft in response to US-China strategic competition underwent corresponding adjustments. The year 2018 marked a crucial turning point in Malaysia-China relations, as the previously ruling Barisan Nasional (BN) coalition, led by Najib Razak, lost to the Pakatan Harapan (PH) coalition led by Mahathir Mohamad. This resulted in the first political transition in Malaysia's electoral history, indicating that the domestic change in power would lead to adjustments and shifts in its economic statecraft towards major powers (BBC, 2018). When Mahathir assumed office, he drastically shifted Malaysia's previously positive stance towards economic cooperation with China to a more negative and conservative one (Stubbs, 1990). He suspended one of the largest projects under the Malaysia-China "Belt and Road Initiative" (BRI) cooperation, the East Coast Rail Link project, and ordered a comprehensive review of all Malaysia-China economic cooperation projects to prevent any elements that could harm Malaysia's economic security. This move triggered strong dissatisfaction and opposition from China.

There are two main reasons for this shift. Firstly, Mahathir's own attitude towards China changed. From Mahathir's perspective, former Prime Minister Najib was accused of corruption in his economic cooperation with China, significantly damaging the image and status of Malaysian leaders among the public, and tarnishing Malaysia's national image. Mahathir believed that the content of Malaysia-China economic cooperation lacked transparency and fairness, harming Malaysia's economic interests. He hoped that Malaysia-China economic cooperation would better meet Malaysia's national interests and expectations, prioritizing fairness, justice, and transparency (Zhao, 2022). Secondly, there was dissatisfaction among the political elites within the Pakatan Harapan coalition. Upon Mahathir's rise to power, his PH coalition replaced BN as the ruling alliance. The PH had

Business and Economic Research
ISSN 2162-4860
2024, Vol. 14, No. 3

long held a contrary view to BN regarding economic cooperation with China, believing that it posed a severe threat to Malaysia's national security (Moorthy, 2022). They feared that the substantial influx of Chinese capital into Malaysia would monopolize the domestic market, stifle the growth of local small and medium-sized enterprises, and trap Malaysia in China's "debt trap." The alignment of interests between Mahathir and the political elites within PH formed a strong push towards a more conservative and cautious economic cooperation strategy with China. This shift emphasized negotiating equal and open economic dialogues and cooperation and sought to reduce Malaysia's high economic dependence on China (Moser, 2018).

In this context, Mahathir began seeking alternatives to China in specific economic sectors, with the United States becoming Malaysia's priority partner. Especially after Joe Biden assumed the US presidency, in efforts to curb China's expanding influence in Southeast Asia, the Biden administration reinforced the implementation of the "Indo-Pacific Strategy" in the region, particularly through economic policies aimed at attracting Southeast Asian countries, including Malaysia. For instance, the Biden administration hosted the US-ASEAN Special Summit in Washington in November 2022, elevating US-ASEAN relations to a comprehensive strategic partnership and announcing an investment of $150 million to strengthen cooperation with ASEAN countries in areas such as the economy and maritime security (US Department of state, 2023). Furthermore, the Biden administration officially launched the Indo-Pacific Economic Framework (IPEF) in Tokyo on May 23, 2023. The IPEF is viewed as another economic tool following the Trans-Pacific Partnership (TPP) to counter China's BRI. The US's attention and emphasis on Malaysia's economic development coincided with Malaysia's own interests. Malaysia not only announced its participation in the IPEF but also declared enhanced bilateral cooperation with the US in supply chains, clean energy, and maritime security. Thus, Malaysia's economic statecraft towards the US shifted from a defensive one centered on protection to an offensive one centered on incentives.

In summary, from 2013 to 2023, as the intensity of US-China major power rivalry and conflict increased, the direct pressure on small countries like Malaysia also rose. To better safeguard its security and interests, Malaysia did not adopt a single economic statecraft for its foreign development. Instead, it employed a diversified economic statecraft tailored to specific situations to better consolidate its economic relations with major powers and maximize its economic benefits. Specifically, Malaysia's economic statecraft towards China shifted from an offensive strategy centered on incentives to a composite strategy centered on negotiations. Towards the US, Malaysia's strategy shifted from a defensive one centered on protection to an offensive one centered on incentives.

Throughout these periods, national favorability and interest preferences played decisive roles at different times. In the US-China rivalry before 2018, national favorability at the systemic level played a more dominant role. Malaysia's favorability towards China was much higher than towards the US, prompting it to lean more towards China in economic cooperation and relatively distance itself from the US. After 2018, following the domestic government transition in Malaysia, interest preferences at the unit level became more critical. The interests of Mahathir and the political elites within PH prompted Malaysia to transform its economic statecraft towards China to focus on negotiations, reflecting a more conservative and cautious approach.

Table 3. Changes in Malaysia's economic statecraft in response to the competition between China and the United States

Time	States	Main economic strategies	Operation methods	National Favorability	Interest Preference
2013—2018	China	offensive economic statecraft	Incentives	High	Strong
	US	defensive economic statecraft	Protection	Low	Weak
2018—2023	China	composite economic statecraft	Negotiation	Medium	Medium
	US	offensive economic statecraft	Incentives	High	Strong

Source: Designed by author

4.2 Malaysia's Response to US-Japan Competition

In addition to the traditional competition and strategic rivalry among major powers like China and the United States in Southeast Asia, the economic competition between China and Japan in the region has also garnered significant attention in recent years. The intensity of the economic competition between China and Japan has even surpassed that between China and the United States to some extent. This is mainly because Japan has maintained a strong economic influence over Southeast Asian countries, including Malaysia, since World War II. Japan has not only maintained friendly relations with Southeast Asian nations through direct aid and technological support but has also leveraged its cultural soft power in film, music, and the arts to influence these countries. Therefore, compared to the United States, Japan has had a more significant impact on Southeast Asia. Regarding the economic and trade relations between Japan and Malaysia, Malaysia is one of the largest recipients of Japan's Official Development Assistance (ODA). Since 2015, Japan has become Malaysia's fourth-largest trading partner, with trade exceeding $35.9 billion in 2021. Particularly during the 1980s and 1990s, Japan was Malaysia's largest foreign direct investment (FDI) source country. With substantial investments from Japan, Malaysia's economy experienced rapid growth, and its per capita GDP increased correspondingly (Mofcom, 2022). The two countries have long maintained relatively close economic ties and cooperation. Despite China's growing economic attention and increasing investments in Malaysia in recent years, Japan still maintains strong economic influence over Malaysia. This is primarily due to Japan's post-World War II foreign aid policy, namely the ODA program.

ODA primarily refers to grants or loans provided by developed countries to developing countries for economic development and improving people's living standards. Since joining the Colombo Plan in 1954, Japan has started providing government development assistance to developing countries. Japan's ODA is guided by four main principles: balancing environmental and developmental concerns; avoiding use for military purposes and fostering international conflicts; paying full attention to the recipient country's military expenditure, the development and production of weapons of mass destruction and missiles, and arms exports and imports; and focusing on promoting democratization, introducing market economies, and ensuring basic human rights and freedoms (Lim, 2022). Japan uses ODA as an important economic tool and weapon to project its national influence abroad. By providing financial and technical support to recipient countries, Japan strengthens bilateral relations and creates a strong economic dependency on Japan. Southeast Asian countries are major recipients of Japan's ODA, and Malaysia is one of the largest recipients of Japanese economic aid among Southeast Asian nations (Shi, 2008). Particularly from the late 1970s to the mid-1990s, Japan significantly aided and invested in Malaysia's infrastructure projects and sent technical experts to guide Malaysia, which shaped a positive national image of Japan and laid a solid economic foundation based on the Japanese model. Thus, Malaysia and Japan became intimate economic partners.

However, with Japan's economic downturn following its bubble economy and the subsequent decline in foreign aid funding, Japan's economic influence began to wane. With China's rising economic power and the introduction of the Belt and Road Initiative, Japan perceived a severe challenge to its dominant economic position in Southeast Asia from China. In response, former Prime Minister Shinzo Abe proposed the "Free and Open Indo-Pacific" (FOIP) in August 2016, aiming to unite Southeast Asian countries and others to counter the increasing economic threat from China. In this context, the economic competition and choices between China and Japan in Southeast Asia have become increasingly intense (Zhang, 2023). Given this situation, Malaysia faces a more complex economic competition between China and Japan compared to its rivalry with the United States. In response, Malaysia’s economic statecraft towards Japan is primarily aggressive, while its strategy towards China is more complex. The key factors behind this are not the international goodwill at the systemic level but rather domestic interest preferences. Compared to the United States, Japan’s geographical proximity to Malaysia means that Japan's economic resources can be more effectively projected onto Malaysia at lower costs. Additionally, Japan has long provided economic aid and support to Malaysia through ODA programs, creating significant economic attraction for Malaysia and prompting it to intensify its economic relations with Japan. Economic attraction is often mutual. For Japan, its small land area means it lacks abundant natural resources. Malaysia, with its rich natural rubber resources, is a strategic product Japan needs, thus further strengthening the economic ties between Japan and Malaysia (Hosoya,2019). Moreover, Japan provides substantial economic support and aid to other ASEAN member countries such as the Philippines, Myanmar, and Laos. Many ASEAN countries have long maintained friendly and close economic cooperation with Japan. This situation ensures that ASEAN cannot ignore Japan’s crucial role in their economic development, especially as ASEAN has consistently pursued diversified economic relations and values friendly cooperation with various countries. Many ASEAN member states have taken measures to consolidate their economic cooperation with Japan. Hence, Malaysia must highly value the development of its economic relationship with Japan to ensure a stable economic policy towards Japan. From the perspective of threat perception, both China and Japan exert similar direct pressures on Malaysia. Additionally, recent tensions and friction over issues such as the South China Sea have made Malaysia’s political stance towards China more cautious and conservative. Malaysia is concerned that China's growing military strength could pose a more severe threat to smaller countries like Malaysia (Wang & Peng, 2022). Therefore, Malaysia seeks cooperation with Japan on maritime security to counter the direct pressures from China.

Thus, under various dimensions like geographical distance, threat perception, economic attraction, and organizational norms, China does not have a distinct economic advantage over Japan concerning Malaysia. In fact, due to the South China Sea issues, political relations between China and Malaysia have experienced some tension. Therefore, international goodwill does not play a significant role in Malaysia's differing strategies towards China and Japan. Instead, domestic interest preferences play a more crucial role.

Firstly, the different attitudes of leaders are a key factor. Malaysia's strong emphasis on developing economic relations with Japan is significantly influenced by the country's leaders, particularly Mahathir Mohamad. Mahathir, one of Malaysia's most important leaders in its historical development, led Malaysia to rapid economic growth and significantly improved living standards, making it one of the "Four Asian Tigers." When Mahathir became Prime Minister in 1982, he introduced the "Look East Policy" (LEP) aimed at learning from Japan and South Korea's advanced management models and attracting economic investment and assistance from Japan and South Korea to drive Malaysia's economic development. LEP and Japan's ODA coincided and became crucial pillars and links for strengthening Malaysia-Japan economic cooperation. Under the dual influence of LEP and ODA, Malaysia's economic development received significant funding and technical support, and a number of Japanese model enterprises and talents were cultivated. Mahathir advocated "Asian values," suggesting that Asian countries should follow their cultural traditions and values to guide economic and social development rather than fully adopting Western values or imposing Western democratic systems on Asian peoples. Mahathir believed that Japan should lead Asia towards prosperity and wealth based on "Asian values (Ciis, 2023)." Against this backdrop, he trusted and actively supported Japan, hoping that Malaysia's economic resources could attract substantial Japanese investment and assistance (Koga, 2016). Despite Japan's economic challenges post-bubble economy, Malaysia has continued to place high importance on economic cooperation with Japan in the 21st century and actively expanded cooperation areas. For example, in 2013, then-Prime Minister Najib Razak announced a second wave of the Look East Policy to develop high-tech industries and advanced services, renewing economic cooperation with Japan. In May 2022, Malaysia and Japan agreed to elevate their bilateral relationship to a more comprehensive level and establish new cooperation in areas such as energy, smart cities, environment, and climate change, continuing the Look East Policy. 2022 also marked the 40th anniversary of the Look East Policy and the 66th anniversary of Japan's ODA program. Even after the change in Malaysia's government in 2018, Mahathir, upon returning to leadership, reaffirmed the importance of relations with Japan and continued to encourage close cooperation with Japan (Zhao, 2018). However, Malaysia's attitude towards China has undergone complex changes. As mentioned earlier, from Mahathir to Najib's period, Malaysia gradually elevated the importance of developing economic relations with China. However, after 2018, due to government changes and leadership transitions, Mahathir became more cautious and dissatisfied with cooperation with China, seeking fair treatment for Malaysia. This led to a shift from active enthusiasm towards China to cautiousness, adversely affecting Malaysia-China economic cooperation.

Secondly, the legitimacy of political elites. Due to domestic political changes, the National

Front is no longer supported by the Malaysian public. The Pakatan Harapan (PH) coalition believes that economic cooperation with China could harm Malaysia's national interests. The political elites within PH hold negative views towards Chinese investments, leading them to encourage the government to shift more towards economic cooperation with Japan, replacing China in certain economic areas. This is based on Japan's long-standing positive political image in Malaysia, which has garnered trust and support from many Malaysian political elites (Goh, 2007). Consequently, collective pressure from political elites forced the government to adjust its economic statecraft towards China from an aggressive to a composite approach, mainly through negotiation. Different political elites and party organizations have varying views on the China-Japan competition, and their desire to support countries closely related to them to expand their power and interests in Malaysia has led to differentiated responses to the China-Japan competition (Leong, 1987).

Therefore, compared to the China-U.S. competition, Malaysia's economic statecraft towards the China-Japan competition shows two major differences. Firstly, at the systemic level, international goodwill is not the primary reason for Malaysia's differing strategies towards China and Japan. Domestic interest preferences play a leading role. Due to the relative geographical proximity, both China and Japan have similar economic attraction and pressure on Malaysia and ASEAN. Thus, Malaysia's threat perception of China and Japan at the systemic level is at a similar level, without significant differences. However, due to the characteristics of leaders and the legitimacy paths of different political elites, domestic levels exhibit varying attitudes and views on China-Japan competition, leading to deviations in economic strategies towards China and Japan. Malaysia has consistently maintained a positive attitude towards Japan since 1982, embracing economic cooperation.

Table 4. Changes in Malaysia's economic statecraft in response to the competition between China and Japan

Time	States	Main economic strategies	Operation methods	National Favorability	Interest Preference
2013—2018	China	offensive economic statecraft	Incentives	High	Strong
1982-2018	Japan	offensive economic statecraft	Incentives	High	Strong
2018—2023	China	composite economic statecraft	Negotiation	Medium	Medium
	Japan	offensive economic statecraft	Incentives	High	Strong

Source: Designed by author

5. Conclusion

Based on the theoretical framework of neoclassical realism and using the analytical perspective of international political economy, this article draws the following conclusions from the case studies of Malaysia's responses to the competition between major powers such as China and the United States, and China and Japan:

Firstly, small countries have the same capability as major powers to implement different economic strategies. These strategies involve methods and policy tools, which can be categorized into dimensions such as laissez-faire (non-intervention), incentives (enticement), negotiation (consultation), protection (beggar-thy-neighbor), coercion (threats), and sanctions (economic weapons). There are three preconditions for a small country to implement these economic strategies: capability threshold, initiative, and the reasonableness of objectives. Only when these three conditions are met can a small country effectively implement corresponding economic strategies.

Secondly, national goodwill and interest preferences are core variables in the economic strategies of small countries. When a small country's goodwill towards a major power differs, domestic interest preferences will be met to varying extents. Small countries' economic strategies towards major power conflicts generally fall into three categories: offensive, defensive, and composite. The higher the goodwill towards the conflicting major power and the stronger the interest preferences, the more likely a small country is to adopt an offensive economic statecraft. Conversely, the lower the goodwill and the weaker the interest preferences, the more likely a small country is to adopt a defensive economic statecraft.

Thirdly, small countries are rational actors, and their economic strategies are not singular. They adjust their strategies according to their relative position and state with major powers. When a small country is geographically or economically closer to a major power, national goodwill becomes less influential, and domestic interest preferences play a more dominant role in shaping the economic statecraft of the small country.

Therefore, this analysis addresses the gaps and deficiencies in existing literature regarding the economic governance strategies of small countries, particularly providing a more comprehensive explanation of the motivations and influencing factors behind small countries' responses to major power economic strategies. Moreover, the case of Malaysia's response to the competition between China and Japan, as well as between China and the United States, indicates that small countries' economic strategies tend to be more straightforward compared to those of major powers, primarily focusing on negotiation, protection, and incentives. Due to the limited capacity of small countries, the costs of implementing sanctions or coercion are high, making it challenging for them to bear the cost of a failed economic statecraft. Additionally, small countries generally aim to achieve economic growth and development, preferring to minimize political conflicts and differences with major powers. As major power conflicts intensify, the space for small countries to implement multiple economic strategies narrows.

For China, understanding the economic statecraft patterns and components of small countries is crucial. As China's Belt and Road Initiative enters its second decade, Southeast Asian countries like Malaysia are important partners in this initiative. China should adjust its response policies in accordance with changes in Malaysia's external economic strategies to solidify economic cooperation with Malaysia and other Southeast Asian countries, fostering prosperous development and mutual benefit.

Acknowledgments

Thanks for Prof Shi' comments on improving the manuscript.

Authors contributions

All the sections are finished by the author.

Funding

This manuscript does not accept any external funding.

Competing interests

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Informed consent

Obtained.

Ethics approval

The Publication Ethics Committee of the Macrothink Institute.

The journal's policies adhere to the Core Practices established by the Committee on Publication Ethics (COPE).

Provenance and peer review

Not commissioned; externally double-blind peer reviewed.

Data availability statement

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

Data sharing statement

No additional data are available.

Reference:

Asian Values Are Being Given New Era Connotations. (2023, July 7). [Online] Available: https://m.ciis.org.cn/sspl/202307/t20230707_9005.html

Balding, C. (2018). Why democracies are turning against Belt and Road. *Foreign Affairs, 24*.

Baldwin, D. A. (1980). Interdependence and power: a conceptual analysis. *International Organization, 34*(4), 471-506. https://doi.org/10.1017/S0020818300018828

Baldwin, D. A. (2020). *Economic statecraft: new edition*. Princeton University Press.

Berridge, G. R. (2022). *Diplomacy: theory and practice*. Springer Nature. https://doi.org/10.1007/978-3-030-85931-2

Blanchard, J. M. F., Mansfield, E. D., & Ripsman, N. M. (1999). The political economy of national security: Economic statecraft, interdependence, and international conflict. *Security Studies, 9*(1-2), 1-14. https://doi.org/10.1080/09636419908429393

Bolks, S. M., & Al-Sowayel, D. (2000). How long do economic sanctions last? Examining the sanctioning process through duration. *Political Research Quarterly, 53*(2), 241-265. https://doi.org/10.1177/106591290005300202

Bräutigam, D., & Xiaoyang, T. (2012). Economic statecraft in China's new overseas special economic zones: soft power, business or resource security? *International Affairs, 88*(4), 799-816. https://doi.org/10.1111/j.1468-2346.2012.01102.x

Chin, K. F. (2021). Malaysia's perception and strategy toward China's BRI expansion: Continuity or change? *The Chinese Economy, 54*(1), 9-19. https://doi.org/10.1080/10971475.2020.1809814

Chin, K. F. (2023). Malaysia in Changing Geopolitical Economy: Navigating Great Power Competition between China and the United States. *The Chinese Economy, 56*(4), 321-329. https://doi.org/10.1080/10971475.2022.2136697

Chohan, U. W. (2021). Economic Diplomacy: A Review. https://doi.org/10.2139/ssrn.3762042

Cohen, B. J. (2018). Currency statecraft: Monetary rivalry and geopolitical ambition. https://doi.org/10.7208/chicago/9780226587868.001.0001

Freeman, C. P. (2021). Reading Kindleberger in Beijing: Xi Jinping's China as a provider of global public goods. *The British Journal of Politics and International Relations, 23*(2), 297-318. https://doi.org/10.1177/1369148120941401

Goh, E. (2007). Southeast Asian perspectives on the China challenge. *Journal of Strategic Studies, 30*(4-5), 809-832. https://doi.org/10.1080/01402390701431915

Gunn, G. C. (2021). Chinese economic statecraft in Indonesia/East Timor: a historical and regional perspective. *Journal of Current Chinese Affairs, 50*(3), 317-338. https://doi.org/10.1177/18681026211042029

Gutierrez, A. E. (2023). China-Venezuela: When Economic Statecraft Creates Economic Power.

Haga, K. Y. A. (2021). The Asian Infrastructure Investment Bank: A Qualified Success for Beijing's Economic Statecraft. *Journal of Current Chinese Affairs, 50*(3), 391-421. https://doi.org/10.1177/18681026211046967

Hirschman, A. O. (1980). *National power and the structure of foreign trade* (Vol. 105). Univ of California Press.

Hosoya, Y. (2019). FOIP 2.0: The evolution of Japan's free and open Indo-Pacific strategy. *Asia-Pacific Review, 26*(1), 18-28. https://doi.org/10.1080/13439006.2019.1622868

Huang Wenda. (2023). Challenges Facing "De-Dollarization" and Strategies for the Development of RMB Internationalization. *China Foreign Investment,* 15, 88-93.

Koga, K. (2016). Japan's" Strategic Coordination" in 2015: ASEAN, Southeast Asia, and Abe's Diplomatic Agenda. *Southeast Asian Affairs, 2016*(1), 67-79. https://doi.org/10.1355/aa16-1e

Kuik, C. C. (2017). A tempting torch? Malaysia embraces (and leverages on) BRI despite domestic discontent. *Asian Politics & Policy, 9*(4), 652-654.

Lasswell, H. D. (1948). The structure and function of communication in society. *The communication of ideas, 37*(1), 136-139.

Leong, S. (1987). Malaysia and the People's Republic of China in the 1980s: political vigilance and economic pragmatism. *Asian Survey, 27*(10), 1109-1126. https://doi.org/10.2307/2644848

Lew, J. J., & Nephew, R. (2018). The use and misuse of economic statecraft. *Foreign Affairs, 97*(6), 139-149.

Lim Yin Sen. (2022). Japan's [Government Development Assistance] Policy Status and Prospects. *International Development Assistance Field Journal, 7*, 21-26.

Lin Binglu. (2015). Analysis of ASEAN Regional Cooperation Strategies and Their Promotion Patterns. *Journal of Dalian Maritime University (Social Sciences* Edition)*, 01*, 82-88.

Liu Feng & Chen Zhizhui. (2015). Strategic Choices of East Asian Countries in Response to China's Rise: A Neoclassical Realist Explanation. *Contemporary Asia-Pacific*, 04, 4-25+157.

Malaysia to Benefit from Trade Diversion Amid Heightened Geopolitical Tensions. (2023, August 31). [Online] Available: https://www.theedgemarkets.com/article/malaysia-benefit-trade-diversion-amid-height-ened-geopolitical-tensions#

Malaysia-Japan Relations to Be Upgraded to Comprehensive Strategic Partnership (2022, June 1). [Online] Available: http://my.mofcom.gov.cn/article/sqfb/202206/20220603315470.shtml

Malaysian General Election 2018: New Era? The Arrival of Pakatan Harapan's Mahathir Era (2018, May 10). [Online] Available: https://www.bbc.com/zhongwen/simp/world-44064280

Mastanduno, M. (1998). Economics and security in statecraft and scholarship. *International Organization, 52*(4), 825-854. https://doi.org/10.1162/002081898550761

Mastanduno, M. (1999). Economic statecraft, interdependence, and national security: agendas for research. *Security Studies, 9*(1-2), 288-316. https://doi.org/10.1080/09636419908429402

Moorthy, R. (2022). Introduction to the special issue-Malaysia's policies toward East Asia during Dr. Mahathir Mohamad's second premiership. *Issues and Studies, 58*(2), 1-6. https://doi.org/10.1142/S1013251122030011

Moser, S. (2018). Forest city, Malaysia, and Chinese expansionism. *Urban Geography, 39*(6), 935-943. https://doi.org/10.1080/02723638.2017.1405691

Newnham, R. E. (2002). *Deutsche mark diplomacy: Positive economic sanctions in German-Russian relations*. Penn State University Press. https://doi.org/10.1515/9780271031323

Norris, W. J. (2016). *Chinese economic statecraft: Commercial actors, grand strategy, and state control*. Cornell University Press. https://doi.org/10.7591/cornell/9780801454493.001.0001

Ohashi, H. (2018). The Belt and Road Initiative (BRI) in the context of China's opening-up policy. *Journal of Contemporary East Asia Studies, 7*(2), 85-103. https://doi.org/10.1080/24761028.2018.1564615

Petry, J. (2023). Beyond ports, roads and railways: Chinese economic statecraft, the Belt and Road Initiative and the politics of financial infrastructures. *European Journal of International Relations, 29*(2), 319-351. https://doi.org/10.1177/13540661221126615

Proposed upgrade of Malaysia-Japan relations to "Comprehensive Strategic Partnership". (2016). [Online] Available: http://my.china-embassy.gov.cn/sgxx/dsjh/201709/t20170919_1790298.htm

Protest by Malaysian Muslims Outside U.S. Embassy (2021, May 23). [Online] Available: https://i.ifeng.com/c/86QKoY4vLUh

Raja, E. S. S. (2017). The Second Wave of Malaysia's Look East Policy (LEP): Bringing New Continuity, Change, and Challenges. *East Asian Studies, 36*(1), 173-206.

Risberg, P. (2019). The give-and-take of BRI in Africa. *New Perspectives in Foreign Policy, 17*, 43-47.

Shambaugh & Miao Zhongquan. (2022). China's Role in Contemporary Southeast Asia. *South Sea Issues Research, 02*, 12-38.

Shi Jinfang. (2008). Evaluation of the Value of Japan's Government Development Assistance to China. *Japanese Studies, 02*, 55-58.

Stubbs, R. (1990). The foreign policy of Malaysia. In *The Political Economy of Foreign Policy in Southeast Asia* (pp. 101-123). London: Palgrave Macmillan UK. https://doi.org/10.1007/978-1-349-20813-5_7

Suzuki, S. (2022). Economic statecraft, interdependence, and Sino-Japanese 'rivalry'. *The Pacific Review, 35*(5), 971-994. https://doi.org/10.1080/09512748.2021.1941209

Tang Mengmeng. (2023). The Practical Significance and Development Path of RMB Internationalization. *China Production and Economic, 16*, 74-76.

The United States and ASEAN Relationship. (2023, July 12). [Online] Available: https://www.state.gov/translations/chinese/the-united-states-asean-relationship-2-zh/

Trump's 'Muslim Ban' Could Aid Extremist Groups in Recruiting (2017, February 1). [Online] Available: http://m.news.cctv.com/2017/01/31/ARTIBDxNd8NvtNPcEBsH9DDl170131.shtml

Waltz, K. N. (1990). Realist thought and neorealist theory. *Journal of International affairs*, 21-37.

Wang Hongyu & Peng Zhaonan. (2022). Japan's Infrastructure Competition with China in Southeast Asia: Motives, Evolution, and Trends. *International Outlook, 05*, 104-122+165.

Yang Gongyan & Bi Sheng. (2023). Political Parties, State Capacity, and Economic Rise and Fall: Insights from East Asian and Southeast Asian Economies. *World Economy and Politics, 07*, 104-126+159-160.

Yang, S. U., Shin, H., Lee, J. H., & Wrigley, B. (2008). Country reputation in multidimensions: Predictors, effects, and communication channels. *Journal of Public Relations Research, 20*(4), 421-440. https://doi.org/10.1080/10627260802153579

Zhang Falin. (2022). Economic Strategies and the Formation of Dollar Hegemony. *World Economy and Politics, 01*, 103-129+159-160.

Zhang Tengfei. (2023). Japan's Economic Diplomacy Tools and Dual Logic in Southeast Asia. *Pacific Journal*, 04, 75-88.

Zhao Xinlei. (2022). Adjustment of Malaysia's Economic Policy towards China (2018-2022). *Southeast Asia Review, 06*, 79-89.

Zhao Ziyong. (2004). Social and Political Analysis of the Overseas Chinese Economy in Southeast Asia. *Contemporary Asia-Pacific, 07*, 46-53.

Zhao, H. (2018). *Chinese and Japanese infrastructure investment in Southeast Asia: from rivalry to cooperation.* [Online] Available: https://www.ide.go.jp/English/Publish/Download/Dp/689.html