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Negotiating the TPP: Malaysia's Trade Strategy from a Neoclassical Realist Perspective

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Abstract: This study aims to explain Malaysia's approach to the Trans-Pacific Partnership (TPP) negotiations through a two-level neoclassical realism (NCR) lens. While structural factors such as economic structure and economic vulnerability shaped the broader context of Malaysia's participation in the negotiations, this study argues that it is domestic political imperatives, in this case, elite legitimization, that ultimately determined the state's negotiation strategy. Malaysia initially embraced the agreement under Prime Minister Najib Razak's Barisan Nasional (BN) administration to boost Malaysia's economy through trade liberalisation. This in 2017 shifted following the U.S. withdrawal and in 2018 following the succession of Prime Minister Mahathir Mohamad, who is historically more opposed to economic liberalism, when he called for a review of certain sensitive provisions that could threaten the Bumiputera framework and domestic policies. Our findings suggest that this pragmatic yet fluctuating approach was shaped by Malaysia's successive ruling elites' converged performance and particularistic legitimization, supported by procedural legitimization. First, performance-based legitimization was achieved by emphasising the economic benefits. Second, particularistic legitimization was boosted through the protection of Bumiputera privileges in sensitive sectors such as government procurement and state-owned enterprises. Additionally, both pathways were shaped by procedural legitimization, which was attained by maintaining public confidence and securing electoral support. By situating Malaysia's TPP negotiations within this framework, our study contributes to the literature on domestic political influences in foreign economic policymaking, particularly in Southeast Asia. As such, it highlights how domestic political considerations shape trade strategies beyond structural factors.

Keywords: Trade negotiation; Trans-Pacific Partnership (TPP); Malaysia trade policy; neoclassical realism; elite legitimization

Introduction

The Trans-Pacific Partnership (TPP), which originated from the Trans-Pacific Strategic Economic Partnership (otherwise known as the P4) between Brunei, Chile, New Zealand, and Singapore, emerged as one of the most ambitious trade agreements of the 21st century (Horlick, 2016). Its scope expanded significantly in 2008 when the United States (U.S.) joined under President Obama's "pivot to Asia" strategy, which sought to reinforce U.S. economic leadership and counterbalance China's regional influence (Green, 2016). This move attracted the attention of several new participants, including Malaysia, which entered the negotiations in 2010. By the conclusions of negotiations in 2015, the TPP encompassed twelve economies representing over 40% of global GDP and one-third of world trade. Unlike traditional trade agreements focused mainly on tariff reductions,

the TPP incorporated provisions on intellectual property, labour, environment, digital trade, and state-owned enterprises, making it one of the most complex trade deals ever negotiated (Palmer, 2015).

For Malaysia, the TPP represented a significant milestone. It marked the country's entry into a high-standard trade agreement and introduced many "firsts." With provisions extending beyond those in traditional trade agreements, the TPP's demands had far-reaching implications for Malaysia's domestic governance system (Wong, 2017). Malaysia viewed the TPP not only as an opportunity to deepen ties with the U.S and expand market access but also as a strategic tool for advancing domestic reforms. It further offered a chance to revive previously stalled bilateral trade talks with the U.S., which had faltered over issues such as government procurement and the protection of Bumiputera interests (Rinehart, 2014; Syarip, 2015). However, Malaysia's enthusiasm waned following the U.S. withdrawal in 2017. Then, Trade Minister Mustapa Mohamed acknowledged the reduced appeal of the TPP without U.S. participation but maintained that the agreement still held strategic value (Amin & Mathieson, 2017). Malaysia eventually joined the remaining ten countries in signing the rebranded Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in 2018, which suspended 22 provisions but retained most of the TPP's liberalising framework (Goodman, 2018). This reaffirmed Malaysia's commitment to rules-based trade, although its negotiation stance became more cautious and contested.

Malaysia's negotiation strategy can be characterised as pragmatic yet fluctuating. Initially motivated by the U.S participation, under Prime Minister Najib Razak's Barisan Nasional (BN) administration, Malaysia embraced the deal as a tool for economic reform and long-term development in line with its ambition to attain high-income status. However, this commitment faltered after the U.S exit in 2017 and shifted further under the subsequent leadership of Pakatan Harapan's Prime Minister Mahathir Mohamad, who called for a review of sensitive provisions, citing that the agreement should account for the developmental differences among member countries and allow smaller, weaker economies to safeguard their products within TPP framework (Nikkei Asia, 2018). This shift in approach then raises an important question: What structural and domestic factors explain Malaysia's TPP negotiation strategy?

Our study aims to explain Malaysia's TPP negotiation strategy by examining the interplay between structural factors and domestic political conditions. Applying a two-level analytical framework, the article contends that while structural factors, such as economic structure and economic vulnerability, influenced Malaysia's negotiations, the state's eventual strategy was shaped by the political priorities of its ruling elites.

Literature Review

Malaysia's economic growth has historically been trade-dependent, supported by its open market economy, low trade and investment barriers, and strategic location within the Malay Peninsula and Archipelago. These advantages have allowed Malaysia to adopt a liberal and transparent trade policy with a commitment to rule-based multilateral trading systems, while also fostering bilateral relationships and economic integration in the ASEAN (International Trade Administration, 2024; Dardak & Masdek, 2023; Sta Maria, 2018). Malaysia's economy has always shown resilience, performing well amidst global crises that rattled even the most stable economies (Athukorala, 2005). The nation's trade policies revolved around trade liberalisation, prioritising market expansion while safeguarding the interests of the indigenous Bumiputera community and small and medium enterprises, which are both crucial to domestic economic growth (Sauh et al., 2024; SME Corporation Malaysia, 2025).

The overview of Malaysia's trade policies is complex due to its multifaceted characteristics. To sustain its economy, Malaysia heavily relied on international trade, formulating policies on regional and bilateral trade agreements. Unlike many nations, Malaysia avoided any restriction policies on quantitative importation (quotas) and maintained its tariff rates attractive low since the 1960s (Okamoto, 1994). These strategies aimed to augment exports and attract foreign investments, which is the cornerstone of Malaysia's economic growth. Malaysia's international trade policies also gradually adapted import liberalisation policies designed to promote economic growth. In the 1970s and 1980s, Malaysia adopted protectionist measures on its manufacturing sectors, a relevant contribution of the Malaysian government in boosting the competitiveness of the local sector without fully exposing it to international pressures (Idris, 2016). However, this solution

proved unsustainable with the import liberalisation policy, resulting in the decline of numerous industrial classifications in 1987 onwards. According to systematic analyses, heavy industrialisations imposed consequences on the Malaysian economy, as they were not performing at par to expectations. Thus, Malaysia was forced to withdraw from this protection and return to export-oriented strategies to avoid recession (International Trade Administration, 2024; Okamoto, 1994). As trade liberalisation is not a stand-alone policy, complementary economic policies and reforms are essential to ensure optimal results and ensure long-term growth (Rodriguez & Rodrick, 2000). Beyond structural performance, Malaysia's trade policies are deeply shaped by the interests of local producers and the government (Athukorala, 2005; Sauvé, 2018). Research on trade negotiations within the International Political Economy (IPE) has referred structural determinants to various aspects including market size, level of development, and economic vulnerability (Alesina et al., 2005; DiCaprio & Santos-Paulino, 2011; Gnanngnon, 2023). These factors are particularly relevant for small, export-oriented economies like Malaysia, which must navigate the volatile global environment.

According to economic liberalism, trade openness fosters growth, making liberalisation a rational choice for developing states. In contrast, economic nationalism warns of its potential to harm domestic industries, sovereignty, and distributional equity (Helleiner, 2002; Weiss, 2019). Trade policy studies have emphasised the need to incorporate domestic political legitimisation strategies into trade policy analysis. While elite legitimisation is widely studied in international organisations (Uhlen & Verhaegen, 2023), political communication (Schmidtke, 2018), and global framework agreements (Helfen et al., 2016), it remains underexplored in trade negotiations, especially in semi-authoritarian or hybrid regimes.

Malaysia represents a valuable case for examining these dynamics, especially with its historically dualistic economic strategy, which combines trade liberalisation with protective mechanisms for politically salient sectors, such as state-owned enterprises (SOEs) and Bumiputera interests (Jomo, 2007; Rasiah, 2011). While studies on Malaysia's trade policy (Ariff, 2010; Tham, 2014) highlight its pragmatic globalisation strategies alongside domestic redistributive commitments, only a few have examined how Malaysia's TPP strategy was shaped by the interplay between structural economic imperatives and elite legitimisation imperatives.

This article addresses this gap by applying a modified analytical framework that combines IPE paradigms with neoclassical realism. In doing so, it contributes to evolving debates on small-state agencies in global economic governance, as well to a growing body of work that underscores the role of domestic politics, not merely as a constraint, but as an active force in shaping international trade strategies.

Methodology

This research employs a qualitative, single-country case study design to analyse Malaysia's strategy in TPP negotiations. It explores how structural conditions, domestic constraints, and political imperatives shaped Malaysia's negotiation approach toward these high-standard trade agreements. Malaysia is selected as a single case study for both theoretical and empirical reasons. Theoretically, Malaysia serves what Gerring (2007) calls a "critical case," allowing competing explanations to be tested in a context with broader relevance. As an upper-middle-income, export-dependent country with a complex multi-ethnic political system, Malaysia exemplifies the tensions between economic liberalisation imperatives and domestic political constraints common in developing states negotiating mega-regional trade agreements.

The temporal scope of this study extends from Malaysia's entry into the TPP negotiations in 2010 through the CPTPP negotiations in 2018-2019, where the bulk of the negotiations took place. Focus is given to significant events: the U.S withdrawal in 2017 and the change of government in Malaysia in 2018. This timeframe enables an analysis of how the same structural economic conditions produced differing negotiation strategies under different domestic leaderships.

1. Data Collection and Sources

The study followed a multi-source triangulation strategy to minimise bias in interpretation and maintain validity and reliability. The primary sources included the full TPP (2016) and CPTPP (2018) texts, official government statements, and the Ministry of International Trade and Industry (MITI)'s Cost-Benefit Analysis

(CBA). Additionally, elite interviews with Ms. Arividya Arimuthu, Malaysia's former Chief Negotiator for the TPP, and Professor Dato' Dr. Rajah Rasiah, Distinguished Professor of Economics and Executive Director of the Asia-Europe Institute, Universiti Malaya, were conducted for their unique perspectives and insights. Data drawn from these sources are then supplemented by secondary sources including as academic analyses such as books and journal articles, and media reports.

2. Process Tracing Methodology

Process tracing method, which generates, and analyses data based on causal mechanisms, events, expectations, actions, and intervening variables that connect presumed causes to observed effects (George & Bennett, 2005), is employed to strengthen the findings of this study. This method allows the reconstruction key events, decisions, and outcomes to identify causal mechanisms and turning points in Malaysia's trade diplomacy, beginning with the rise of the open market in the 1980s. At the same time, it also enables both theory testing (against expectations derived from economic liberalism, nationalism, and neoclassical realism) and theory building, providing a context-sensitive understanding of how Malaysia navigated the tension between external liberalisation and internal political imperatives.

The process tracing method follows a systematic three-step approach. In the first step, key decision points and policy shifts are identified. The following step examines evidence available for competing causal mechanisms and the last step evaluates the causal inferences based on the uniqueness, certainty, and relevance of the evidence (Bennett & Checkel, 2014). This approach draws a line between correlation and causation while remaining sensitive to the case's contextual specificities.

3. Validation Strategies and Limitations

Once all significant data are collected, a triangulation strategic analysis is employed wherein the systematic combination of information is applied to formulate key evaluations of Malaysia's strategic behaviour in trade negotiations. More so, this approach ensures the validity and credibility of the interpretations as multiple sources were used to enhance the depth of the discussions in the findings section.

Nonetheless, we acknowledge several limitations common to single-case qualitative study. First, limited access to more detailed negotiation records due to the confidential nature of trade negotiations (even more so for the TPP), means high reliance on publicly available documents and retrospective accounts. Second, interview participants may be subject to post hoc rationalisation, providing accounts that might differ from real-time processes. To counter this, interview data was systematically compared with documentary evidence. Third, the single-case country focus may impose generalisation to other contexts. Finally, by focusing solely on elite-level decision-making, the study could potentially underestimate firm influences coming from the larger society.

4. Analytical Framework: A Two-Level Approach to Malaysia's TPP Negotiation Strategy

Malaysia's engagement in the TPP is best understood through a two-level analytical framework that integrates insights from International Political Economy (IPE) paradigms, particularly economic liberalism and economic nationalism, and neoclassical realism (NCR). This approach reveals how the intersection of external economic structures and domestic political imperatives shapes Malaysia's trade strategy.

Structural rationalisations are not enough to entirely describe the complexity and diversity of state actions when making trade negotiations. As such, a two-level framework is more appropriate to describe the interplay between domestic political forces and international commitments. This method acknowledges that policymakers must navigate competing demands: international demands and national forms of legitimacy. Here, neoclassical realism is valuable, where systemic forces influence the external limits of foreign policy, but the nation state behaviour is defined by domestic political structures, such as, perceptions of leadership, state-society interactions, and institutional capacity (Rose, 1998; Ripsman et al., 2016).

From an IPE perspective, Malaysia's drive towards trade liberalisation, following economic liberalism, is described as a growth process, attraction of FDI, and securing of export markets abroad. The export-oriented model adopted aligns with liberal principles of competitive market, minimal government intervention, and

integration into rules-based global trading system. Malaysia's motivation to join the TPP included economic modernisation motives and strategic motives to show that Malaysia is interested in high-standard trade regulations.

Nevertheless, this liberal trajectory is restrained by economic nationalism, which views state intervention as necessary to protect both national sovereignty and socio-political objectives. For instance, legislation and regulations from the New Economic Policy (NEP) and thereafter gave the Bumiputera preferential treatment, shaped investment and procurement policies, and permitted protective measures on strategic sectors like energy, education, and telecommunications. In TPP negotiations, nationalist considerations were visible in Malaysia's push for exemptions for state-owned enterprises, transitional periods for service liberalisation, and safeguards for Bumiputera preferences.

While liberalisation and protection do not fully explain Malaysia's TPP negotiation strategy, the two competing imperatives coexist. To link the two paradigms, neoclassical realism offers a bridge between systemic dynamics (economic) and domestic (political) imperatives. In the framework, the structural variables refer to Malaysia's economic structure and economic vulnerability. Trade negotiation strategies typically reflect a state's prioritised benefits, while also accounting for specific constraints and calculated concessions. Thus, while structural factors influence trade negotiations, they do not solely determine a state's strategy. Instead, these structural factors are mediated by domestic political imperatives. In the context of this study, the mediating variable in focus is elite legitimacy.

This study adopts Kuik Cheng Chwee's elite legitimisation framework to analyse Malaysia's TPP negotiation strategy. Elite legitimisation can be defined as the process by which political elites justify and maintain authority among domestic constituencies (Kuik, 2021b). According to Kuik (2017, 2021a, 2024), elites rely on three key pathways: performance legitimisation (demonstrating economic outcomes), particularistic legitimisation (addressing the interests of identity-based or political constituencies), and procedural legitimisation (adhering to democratic values or processes). In the context of trade negotiations, these pathways are mobilised simultaneously, tailoring strategies to evolving domestic conditions, including public sentiment, inter-elite competition, and societal diversity (Kuik, 2021b; Lampton et al., 2020; Alagappa, 1995; Gilley, 2009).

Figure 1 below outlines the proposed neoclassical realist model for the study, highlighting the variables at both the structural and domestic levels.

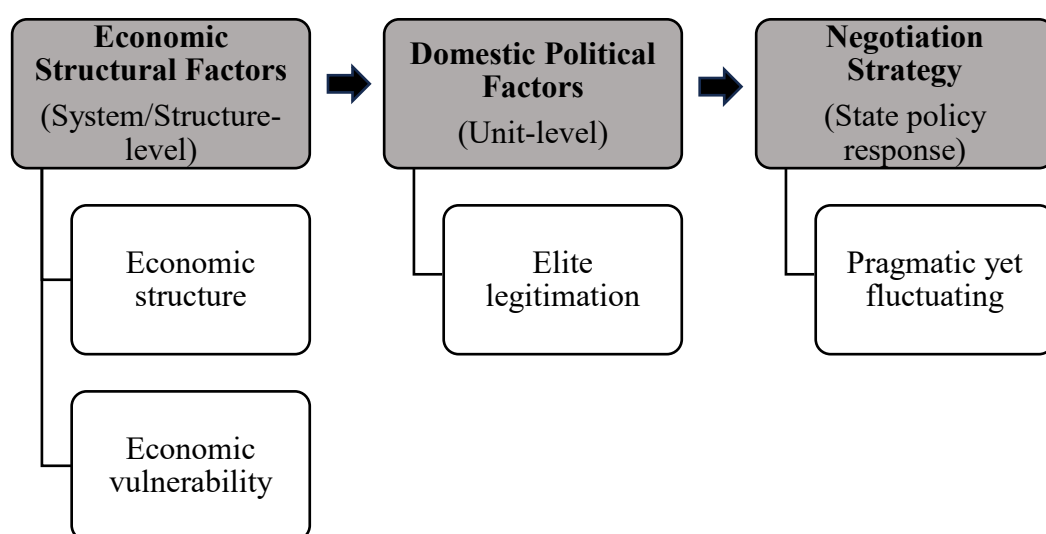


Figure 1. Proposed Neoclassical Realist Model for Analysing Malaysia's TPP Negotiation Strategies

Based on the model, this two-level framework conceptualises Malaysia's TPP strategy as the result of:

- i. Economic structural variables, such as economic structure and economic vulnerability that influence the way the state approaches the negotiations
- ii. Domestic political factors, especially the imperative of elite legitimisation in a multi-ethnic community that constrain and shape the extent and form of liberalisation
- iii. Outcomes of a balancing act, where Malaysia supports trade openness in sectors of clear economic gain while defending nationalist objectives through carve-outs, transitional arrangements, and exemptions.

In this study, this framework changes across four stages. In Stage 1 (2010-2012), structural economic factors predominated as the government weighs on the economic benefits, emphasising market access opportunities and potential FDI attraction (performance legitimisation). Stage 2 (2013-2015) saw the rise of domestic opposition in relation to sensitive sectors and more complex negotiation positions. Particularistic legitimisation started gaining prominence in this stage. Stage 3 (2017-2018) followed the U.S. withdrawal, which prompted recalibration and reconsideration in negotiations. Stage 4 (2018-2019) followed the change in Malaysia's government and leadership. The analysis for this stage focuses on how core negotiation stances maintained despite changes in political principles (procedural legitimisation).

This approach reflects Malaysia's strategy of managing international commitments while preserving domestic political legitimacy. Rather than viewing liberalism and nationalism as ideologically contradictory, this framework treats them as complementary tools. Ultimately, by integrating IPE with neoclassical realist perspectives, the study provides a more nuanced account of Malaysia's complex behaviour in the TPP negotiations.

The Findings

1. Economic Structure

Malaysia's economic structure reflects a strategic balancing act between trade liberalisation and domestic protectionism. Since attaining upper-middle-income status in 1992, Malaysia has pursued steady growth across multiple development phases from post-independence diversification and the New Economic Policy (NEP) to export-oriented industrialisation and the post-Asian Financial Crisis recovery (Yusof & Bhattasali, 2008). However, despite significant reforms, Malaysia remains in a middle-income status, which the government sought to overcome through the TPP as part of a broader push toward high-income transformation.

Dating back to the 1980s, Malaysia's journey toward economic industrialisation was a long-sought transformation. Development economists have cited Malaysia as part of the "economic miracle" in Asia, alongside Thailand and Indonesia. This status was underscored by the consistently high annual growth rates sustained over the years. Therefore, even if Malaysia's import liberalisation in the 1980s was considered modest, its economic structure evolved through trade policies that gradually deepened trade relationships. This strengthens and perpetuates the notion that Malaysia's economic structure was the result of incremental and carefully planned development, rather than a drastic change (Okamoto, 1994). With a trade-to-GDP ratio near 130% during the TPP negotiations (Maliszewska et al., 2018), Malaysia is one of the most trade-dependent economies in Asia. Its location, resource base, and logistics infrastructure have long supported export-led growth (Naidu, 2008; Najat & Masoud, 2014).

Under Prime Minister Najib Razak, Malaysia's development strategy became more targeted through the National Transformation Program (NTP), which combined public-sector reforms (GTP) with private-led economic initiatives (ETP). These efforts centred on high-value manufacturing and services, aligning with global value chains in sectors such as electronics, petrochemicals, and palm oil (Wong & Kee, 2022). This was complemented by "strategic coupling," which involved engaging domestic firms to enhance technological capabilities while improving innovation ecosystems and digital infrastructure (Yeung, 2015). Najib enthusiastically promoted and pushed Malaysia's TPP participation as it was seen as an opportunity to secure

long-term competitiveness by diversifying trade partners, strengthening supply chains, catalysing domestic reforms, and embedding Malaysia deeper into global markets.

However, the TPP also raised domestic concerns due to structural weaknesses. The economy remains reliant on low-skilled FDI, often with limited technology transfer or integration with local firms (Saari, 2018). As of 2023, services accounted for 59.2% of GDP, followed by manufacturing (23%) and agriculture (6.2%) (Department of Statistics Malaysia, 2024; The Cove, 2021). However, the country's innovation and productivity potential remain underutilised due to institutional inertia and skill mismatches. Moreover, Malaysia's development model remains shaped by the Bumiputera policy, which guarantees preferential access to education, housing, and procurement for ethnic Malays, limiting the extent of trade liberalisation.

2. Economic Vulnerability

Malaysia, as a small and open economy, remains highly vulnerable to external shocks due to its deep dependence on trade. Historical crises have significantly influenced its economic strategies, including its cautious stance during the TPP negotiations.

In the early 1980s, a global trade contraction, triggered by U.S. interest rate hikes, led to a 30% drop in Malaysia's export price index, particularly in tin and palm oil (Athukorala, 2013). The terms of trade declined by nearly 20%, triggering losses major industries with HICOM reporting USD 100 million in losses in 1986/87, while Japanese yen appreciation raised debt burdens. By 1998, public enterprise loans constituted 37% of public sector debt (Bowie & Unger, 1997). The downturn caused GDP growth to plummet, from an average of 7% (1980-1984) to -1% in 1985 and just 1.2% in 1986. Unemployment rose to 8%, bankruptcies surged, and non-performing loans reached 30% of bank portfolios by the late 1980s.

Malaysia's vulnerabilities further deepened during the 1997 Asian financial crisis which significantly affected its economy with GDP falling from 8.5% to 7.2% in 1997 and inflation rising from 3.8% to 5% (Akmal, 2019). The GDP continued to plummet in 1998, with 4% deficit from the previous year (Chin, 1998). Capital outflows, currency speculation, and sharp asset devaluations strained liquidity and corporate solvency (Khatri et al., 2001; Ariff & Yap, 2001). Prior to the crisis, labour shortages had already begun to emerge, marking a structural shift from a surplus to a deficit in employment (Athukorala, 2006). The crisis highlighted internal imbalances, particularly how recovery efforts disproportionately favoured the private sector, worsening the country's level of vulnerability. This triggered restructuring activities that led to a decline in investments, which in turn limited public spending flexibility which is an essential driver of economic growth, even at a slow pace (Kadir, 2007).

The 2008 global financial crisis brought further instability. Triggered by the U.S. housing bubble, it slashed Malaysia's exports by 45% and pushed GDP growth to just 0.1% by late 2008, with a 6.2% contraction in early 2009 (Ibrahim, 2022; Nambiar, 2012). Since its onset, Malaysia prioritised their financial vulnerability, cultivating strategies to act as buffers for macroprudential shocks, such as their notable creation of the New Economic Model and affiliation with trade agreements to keep their economies afloat (Kuek et al., 2020; Radhi et al., 2020).

These episodes of crises shaped Malaysia's view of the TPP not only as a liberalisation tool, but also a strategic barrier against future uncertainties. At the same time, past crises highlighted the risks of excessive exposure and overdependence on global markets, instilling deep wariness in elites. As a result, policymakers remained cautious to surrender too much policy space, especially when it comes to sensitive domestic sectors. Thus, Malaysia used TPP to simultaneously promote economic upgrading toward services and high-value manufacturing, while securing protections for vulnerable sectors.

3. Successive Governing Elites' Balancing of Performance, Particularistic Legitimation, and Procedural Legitimation in Malaysia's TPP Negotiations

Performance Legitimation: Delivering Economic Growth and Strategic Stability

Economic growth is widely regarded as a primary indicator of performance and economic activity and is a central consideration in the formulation of macroeconomic policies (Hamzah et al., 2019). To justify

Malaysia's participation in the TPP, government elites framed the agreement as a vehicle for economic growth and modernization. They emphasised gains in market access to countries with whom Malaysia do not have existing formal FTAs, specifically Canada, Mexico, Peru, and the U.S. (before withdrawal), to diversify trade and enhance competitiveness. The Ministry of International Trade and Industry stated:

"The Government views the TPP as an important initiative as Malaysia seeks to expand market access opportunities, enhance our competitive advantage, build investor confidence... and build capacity through FTAs."

(Ministry of International Trade and Industry Malaysia, 2014, p. 3)

Economic projections provided the backdrop to the state's initial enthusiasm and played a key role in elites' performance legitimization. The TPP was forecasted to raise GDP by 1.9% and attract up to USD 112.3 billion in FDI between 2021 and 2030 (PricewaterhouseCoopers, 2022). These figures were used to frame liberalisation as a performance-driven imperative, shaping public expectations and justifying policy choices.

Meanwhile, narratives stressed the TPP's benefits: 95% tariff elimination, stronger supply chains, and expanded SME opportunities. A Cost-Benefit Analysis projected Malaysia's total trade could reach USD 655.9 billion by 2030 under the trade deal. This aligned with the broader goals of technological upgrading, integration into high-value global value chains, and internationalisation of Bumiputera enterprises. Under Najib's leadership, the TPP was woven into the BN government's Vision 2020 agenda, portraying liberalisation as a path to high-income status and institutional reform (LaMarche, 2015). Najib argued that the agreement complemented affirmative action, asserting that Bumiputera firms would be empowered to compete globally, not just protected (Chong, 2016).

Internationally, Najib's administration used the TPP to align with U.S.-led trade norms and counterbalance China's influence. Malaysia's participation signalled support for a rules-based regional order and a seat at the trade governance table. However, when the U.S. withdrew in 2017, Malaysia's geopolitical justification, required a recalibration of Malaysia's strategic positioning. While Najib maintained support for the trade deal, domestic criticism persisted.

Particularistic Legitimation: Addressing Domestic Interests and Stakeholder Demands

Particularistic legitimation is boosted by reassuring constituencies concerned about the TPP's impact on sovereignty, labour rights, and social protections (Gomez & Saravanamuttu, 2013; Lee, 2016). Notably, A. Arimuthu explained that the TPP was the first trade deal of Malaysia that attracted substantial attention from shareholders and triggered public outcry (personal communication, October 10, 2024). This legitimation pathway was key in state's cautious and selective stance. On August 14, 2013, 61 NGOs and ten civil-society networks issued the "Bantah TPPA" letter, condemning provisions perceived as threats to Bumiputera entitlements, affordable medicines, and worker welfare (Khor, 2018). In response, MITI launched consultations on sensitive issues. These include government procurement, state-owned enterprises (SOEs), investor-state dispute settlement (ISDS), and intellectual property (IP) (PricewaterhouseCoopers, 2022; Tham, 2019).

After the 1MDB scandal weakened Najib's administration, opposition leader Mahathir Mohamad utilised the issues of sovereignty and racial equity by reframing scepticism on TPP as nationalist defence (Weiss, 2019). After Mahathir-led Pakatan Harapan's (PH) 2018 ousted Najib and his BN coalition, the returning Prime Minister Mahathir called for a review of the CPTPP, citing ISDS asymmetries and corporate power. However, by mid-2018, he acknowledged potential benefits if sensitive sectors were protected (Tham, 2019). In January 2019, Trade Minister Darrell Leiking confirmed that Malaysia would proceed with the negotiations, arguing the U.S. exit had eased key concerns.

To reconcile liberalisation with domestic coalitions, negotiators secured several protective measures. These included transitional SOE arrangements that delayed liberalisation to safeguard Bumiputera corporate interests (Tham, 2019); sectoral carve-outs in areas such as rice, tobacco, automotive, and parts of public procurement to protect key constituencies (PricewaterhouseCoopers, 2022); government-procurement

thresholds that preserved Bumiputera quotas by limiting foreign bids on smaller contracts (Nambiar, 2016); and more flexible IP provisions to protect affordable medicine access and local pharma capacity (Khor, 2018).

Procedural Legitimation: Managing Democratic Processes and Securing Electoral Support

Procedural legitimation reinforced Malaysia's performance and particularistic strategies by underscoring the adaptability and credibility of its negotiation process. While it was not always at the forefront, procedural legitimation became crucial during moments of political tension, especially when public concerns extended beyond ethnic-based interests and touched on broader national issues.

This was particularly evident in the lead-up to the 2018 general election, which coincided with the fallout from the 1MDB scandal. The Mahathir-led opposition leveraged public outrage against Najib's 1MDB financial scandal and certain policies, including the TPP. Once he won the election, Mahathir called for a review of certain provisions of the TPP. In instances like this, procedural legitimation gained prominence, as the trade deal became intertwined with broader concerns over transparency, sovereignty, as well as elite accountability (Daniel, 2018). Procedural safeguards provided the negotiations insulation from backlash.

In addition, MITI launched outreach efforts to enhance procedural legitimation. These included publishing cost-benefit analyses and engaging with civil society, industry, and academia. Strategically, this addressed the public concerns over transparency, pre-empted opposition criticism, and signalled commitment to international partners while preserving domestic flexibility. This then gave confidence to their key constituencies, securing electoral support.

Discussion

Based on the findings, the complex interplay between structural factors and domestic political dynamics shapes Malaysia's pragmatic yet fluctuating approach to the TPP negotiations. Considered as one of the most progressive developing economies in the Southeast Asian region and the broader Asian region, Malaysia is the fourth most open economy in the world with exports and imports making up most of its GDP (Ridzuan et al., 2018). Acting as a driver of growth, trade openness has long played a crucial role in shaping the state's economic development (Kim & Lin, 2009). At the same time, this openness coexists with substantial government intervention, resulting in disagreements over the degree of liberalisation.

At its core, Malaysia seeks to maximise the benefits of globalisation and liberalisation while minimising the risks involved. This recalibration is part of the Malaysian ruling elites' efforts of legitimation-optimisation, an evolving effort by successive governing elites to balance three pathways of elite legitimation, development-based performance legitimation, particularistic legitimation, and procedural legitimation, in shaping Malaysia's engagement with the TPP.

Performance legitimation has been central to Malaysia's development and foreign economic policies, with elites framing the agreement as a catalyst for economic growth, foreign investment, and export competitiveness. The bulk of Malaysia's TPP negotiations and promotion of TPP took place under Najib's administration. The TPP was framed not only as part of economic modernisation, but also as a pathway to achieve high-income country status by 2020, with Najib asserting that participation was necessary to maintain Malaysia's global competitiveness (Chong, 2016). The agreement aligns with Malaysia's objective of transitioning from a resource-based economy to one driven by high-value manufacturing and services. The government emphasised that TPP will open doors for Malaysia to access previously untapped markets, especially the U.S (prior to its withdrawal), Canada, Mexico, and Peru. These projected benefits acted as political tools for the ruling elites, as a deeper involvement in global trade is politically important to Malaysia ruling elites' development-based performance legitimation.

Alongside performance legitimation, Malaysia's ruling elites also pursued nationalistic, identity-based particularistic legitimation. Ruling elites boosted their legitimation by securing carve-outs, exemptions, and extended transition periods for sensitive sectors, especially in relation to Bumiputera contractors, SMEs, and state-owned enterprises (SOEs). This particular strategy ensured that economic liberalisation did not, in any way, threaten Malaysia's Bumiputera affirmative action policy, particularly in politically sensitive areas such as government procurement, intellectual property rights (IPRs), rice and tobacco. The Bumiputera policy,

which grants preferential treatment to the ethnic Malay majority and other indigenous groups in many areas such as education, housing, public sector jobs and positions within government-linked companies, and business loans, are integral to the country's socio-political landscape. Realising the threat of the non-discrimination clauses in the TPP, especially those affecting government procurement, to this framework, elite attempted to secure exemptions through negotiation safeguards (Ahamat & Rahman, 2017; Nambiar, 2014). Mahathir, a sharp critic of both Najib and the U.S., became the leading voice of oppositions against Najib's push for the TPP. In 2013, at a forum jointly organised by the Malay Economic Action Council and the Perdana Leadership Foundation, Mahathir expressed concern that the TPP would strip the government of its power to implement socio-economic policies, such as an affirmative action program for ethnic Malays under the New Economic Policy.

Procedural legitimation also shaped Malaysia's TPP negotiations. While less visible than performance or particularistic pathways, procedural legitimation especially gained prominence during political contestation, such as the 1MDB scandal and 2018 general election, when public demands for transparency, accountability, and fairness surged. Having criticised the trade deal from the start, Mahathir called for a review of certain TPP provisions once he was elected, arguing their potential threat to Malaysia's sovereignty and unfairness towards smaller economies. Despite that, Mahathir did not fully reject the TPP, recognising that the trade deal could still bring benefits to the country. This reflects elites' continuous adjustment to domestic political environment to appeal to their key constituencies for electoral votes and support.

From a neoclassical realist perspective, Malaysia's TPP negotiation strategy highlights how ruling elites balance economic imperatives at the structural/systemic level and domestic political concerns at the unit level. While pursuing trade liberalisation proactively to drive economic growth, Malaysia's pursuit of carve-outs, exemptions and transitional periods reflects the strong need to preserve and protect Bumiputera privileges, which hinders liberalisation efforts. This resulted in Malaysia's pragmatic yet fluctuating approach to TPP negotiations.

The choice of neoclassical realism (NCR), a mainstream IR approach, enables the inclusion of intervening variables that often used to discuss power and security in relation to major powers. For this study, the framework is modified to explain Malaysia's strategic approach to trade negotiations, which is an IPE event. This modification emphasises economic structural factors as independent causal variables and domestic political legitimation dynamics as the intervening variable. This framework offers a nuanced explanation of how a Southeast Asian state navigate liberalisation amidst political constraints. This contributes to the IR literature by extending NCR's applicability to smaller states and to the political economic issues that are often overlooked in IR and NCR analyses, as they are generally focused on security and political power issues.

To sum it up, Malaysia's engagement with the TPP would best be described as a strategic compromise between economic ambition and domestic political need. While scepticism and opposition posed challenges in forcing reconsideration and recalibration, especially during Mahathir's administration, R. Rasiah noted that the perceived long-term advantages of the agreement prevailed, as the elites decided they have nothing to lose by staying in the trade pact (personal communication, Dec 23, 2024).

Conclusion

In conclusion, Malaysia's negotiations of the TPP were a complex process of balancing the external need of signalling compliance and alignment with global agendas and maintaining internal regime legitimacy. The ruling elites' combination of performance-based, particularistic, and procedural legitimation ultimately shaped Malaysia's negotiation strategy. This strategy has helped Malaysia stay in the negotiations and navigate its way through intricate trade-offs that could threaten its plural and Bumiputera-centred economy. This allowed elites to adapt liberalisation without compromising political authority and at the same time, handle controversies and public opposition resulting from decisions related to the trade deal.

As this study is limited to a single country, further studies could be conducted in terms of comparative analysis with the other Southeast Asian states in the TPP, such as Brunei, Singapore, and Vietnam, to shed more light on how domestic imperatives of politics influence trade negotiation behaviour. The different economic and political structures of the other states would provide valuable additional insights into trade

negotiation behaviour. For instance, Brunei's absolute monarchy, characterised by centralised decision-making and limited public contestation; Singapore's technocratic yet democratic PAP-led regime; and Vietnam's VCP-led socialist, one-party political system, present a stark contrast to Malaysia's largely democratic system, where elite legitimisation requires balancing competing ethnic, business, and bureaucratic interests. These differences may yield contrasting negotiation behaviours.

Additionally, greater attention to ASEAN's collective role in shaping trade norms would enhance understanding of regional trade governance. Given ASEAN's consensus-based and minimal intervention approach, future research could explore how this mechanism facilitates either convergence or divergence in member states' trade strategies. Investigating whether shared regional identity or institutional frameworks influence negotiation stances would also greatly contribute to broader debates on regionalism, especially in the Global South, as well as illuminate how institutions like ASEAN shape formal trade outcomes.

Ultimately, Malaysia's experience in the TPP provides valuable insights into how smaller Southeast Asian states engage in mega trade agreements, contributing a much-needed Southeast Asian perspective that is often overshadowed by the experiences of larger and more advanced East Asian economies. This study highlights that trade negotiation strategies cannot be entirely explained by structural economic variables alone. Rather, they are highly mediated by domestic political factors.

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