

Why the Arctic Matters for Malaysia

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The Arctic, once dismissed as an inaccessible and icy expanse is swiftly emerging as one of the world's most significant geopolitical arenas. Accelerated ice melting due to climate change has unveiled new maritime pathways and access to untapped reserves of natural resources, sparking intense competition among global powers. The United States, Russia, and China are racing to secure influence in this region with each motivated by a mix of strategic, economic, and military interests. For a tropical nation like Malaysia, the Arctic's developments may appear peripheral. However, the shifting currents of power structures and global trade routes bring the Arctic closer to home than ever imagined.

The Danish Dilemma

Greenland's geographical setting has emerged as a focal point in the Arctic. This vast landmass, sparsely populated with about 56,000 inhabitants,¹ holds immense geopolitical and economic potential. As the Arctic ice recedes, Greenland's rich reserves of minerals, rare earth elements, and hydrocarbons become more accessible. Furthermore, its position between North America and Europe establishes it as a key node in the Arctic power struggle. This strategic location has drawn significant attention, particularly from the United States.

During his first presidential term, President Donald Trump controversially expressed interest in purchasing Greenland.² This proposal was met with widespread criticism, particularly from the Danish government. Notably, Denmark announced a significant increase in its defence spending for Greenland just hours after President Trump reiterated his interest in acquiring the Arctic territory.³

Historically, such territorial ambitions are not unprecedented. In 1803, the United States executed the Louisiana Purchase, acquiring vast tracts of land from France for

¹ <https://www.worldometers.info/world-population/greenland-population/>

² <https://time.com/5653894/trump-greenland-history/>

³ <https://www.euronews.com/my-europe/2024/12/25/denmark-to-boost-greenlands-defence-after-trump-repeats-controversial-remarks-seeking-us-o>

\$15 million.⁴ Similarly, the Alaska Purchase was the acquisition of Alaska from the Russian Empire by the United States for a sum of \$7.2 million in 1867 (equivalent to \$129 million in 2023).⁵ Although Trump's proposal was dismissed as audacious, it highlighted the growing strategic importance of the Arctic region.

Arctic Hegemony Nexus

The U.S. interest in Greenland coincides with the island's growing push for independence. With a draft constitution in place and aspirations for self-governance, Greenland's political trajectory could reshape Arctic governance. The United States could exploit this vulnerability and potentially offering financial incentives to Greenlanders to align with U.S. strategic interests. Such a move would mirror Cold War-era tactics, such as Ronald Reagan's intervention in Grenada, aimed at projecting power and distracting from other geopolitical crises.⁶

Russia, for its part, has made significant investments in the Arctic, particularly along the Northern Sea Route (NSR) which runs through its territorial waters. This route offers a shorter transit path between Europe and Asia compared to traditional routes like the Suez Canal. Moscow's development of Arctic infrastructure, coupled with its military presence in the region, accentuates its intent to dominate the NSR and secure access to the region's vast resources.

Despite the fact the U.S. sees control over Greenland as a counterbalance to Russia's dominance in the Arctic, where Moscow has invested heavily in infrastructure and military capabilities. In the same time, China's ambitions in the Arctic, branded as the "Polar Silk Road,"⁷ signify its intent to establish a foothold in this emerging frontier both as a shipping route and a resource hub.

Beijing's growing presence in the Arctic has raised eyebrows globally through its attempt in several investments' projects in Arctic research, partnerships with Russia, and icebreaker fleet development signal a strategic vision. By framing itself as a "near-

⁴ <https://www.americanhistorycentral.com/entries/louisiana-purchase-1803/>

⁵ <https://www.loc.gov/item/2021671101/>

⁶ <https://www.thoughtco.com/grenada-invasion-4571025>

⁷ China's Arctic Policy and the Polar Silk Road Vision:
https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3603710

Arctic state,” China has maneuvered into a position to influence the region’s future. However, this shift also positions China as a competitor which further complicating the Arctic’s geopolitics.

The Arctic Sea Route

The emergence of Arctic Sea routes, particularly the NSR, represents a potential game-changer for global logistics. These routes significantly reduce travel distances between major economic hubs. For instance, the journey from Shanghai to Rotterdam via the NSR is approximately 30% shorter than the traditional path through the Suez Canal.⁸ This reduction translates to savings in fuel costs and transit times, making Arctic routes an attractive option for shipping companies.

Figure 1: Arctic Shipping Routes



Source: The US National Aeronautics and Space Administration, NASA © GIS

However, challenges remain. The Arctic’s harsh environmental conditions, including unpredictable ice patterns and extreme cold, necessitate specialized ice-class vessels

⁸ Evaluating the impact of Northern Sea Route fuel costs on bilateral trade between China and the EU: <https://link.springer.com/article/10.1057/s41278-024-00285-1>

and navigation expertise. Additionally, the regulatory frameworks governing Arctic navigation are complex, involving overlapping jurisdictions and environmental concerns. Despite these hurdles, countries like China, Japan, and South Korea are actively exploring Arctic shipping opportunities as part of broader strategies to diversify trade routes and enhance supply chain resilience.⁹

The potential shift in global trade dynamics could diminish the significance of existing chokepoints such as the Suez Canal and the Strait of Malacca. While these established routes have long been critical to international commerce, they remain vulnerable to geopolitical disruptions. The Arctic, by offering alternative pathways, could redistribute the flow of global trade, with profound implications for countries reliant on these chokepoints.

Malaysia's Stakes in the Arctic Debate

Malaysia's geographic location along the Strait of Malacca has long been a cornerstone of its economic and strategic significance. This narrow waterway, one of the busiest shipping lanes in the world, connects the Indian Ocean to the Pacific and facilitates much of the trade between Asia and Europe. However, the rise of Arctic Sea routes threatens to undermine the Strait's centrality in global logistics.

If Arctic routes become viable, a significant portion of Asia-Europe trade could bypass Southeast Asia altogether. This would result in reduced maritime traffic through the Strait of Malacca, impacting Malaysia's port revenues and its broader maritime economy. The Klang and the Tanjung Pelepas Ports which the key hubs in Malaysia's logistics network, could see diminished throughput, affecting ancillary industries such as logistics, bunkering, and ship maintenance.

The geopolitical ramifications are equally significant. Malaysia's role as a strategic player in regional security, particularly within ASEAN, is partly predicated on the Strait of Malacca's importance. A decline in the Strait's relevance could weaken Malaysia's leverage in regional and global forums. Furthermore, the potential shift in global trade

⁹ East Asia (Japan, South Korea and China) and the Arctic: https://doi.org/10.1007/978-3-030-20557-7_20

patterns could exacerbate competition among regional ports, with countries like Singapore and Indonesia vying for a larger share of the diminishing maritime traffic.

Navigating a Polarized Future

Engaging with global powers on Arctic issues is another crucial step. Malaysia can leverage its strategic partnerships with the U.S., China, and the European Union to gain insights and influence regarding Arctic developments. By positioning itself as a mediator or facilitator in Arctic-related dialogues, Malaysia can carve out a niche role in global diplomacy, extending its influence beyond its immediate geography.

While Malaysia is not an Arctic state, it has a stake in the global implications of Arctic developments. By participating in forums such as the Arctic Council and leveraging its ASEAN chairmanship in 2025, Malaysia can advocate for inclusive and sustainable Arctic policies that consider the interests of non-Arctic states. Building partnerships with Arctic stakeholders, including Russia and China, can also position Malaysia as a constructive player in this emerging arena.

Furthermore, Malaysia should diversify its economic reliance on maritime trade. By investing in industries less vulnerable to shifts in global trade routes, such as technology, green energy, and digital services, Malaysia can reduce the economic shock from potential changes in shipping patterns. Developing inland transportation infrastructure and enhancing connectivity within ASEAN can also create alternative avenues for economic growth.

Conclusion

The Arctic's transformation from a frozen frontier to a geopolitical hotspot has far-reaching implications for countries worldwide, including Malaysia. The rise of Arctic Sea routes threatens to disrupt traditional trade patterns, potentially diminishing the strategic importance of the Strait of Malacca. The Arctic may be a distant region, but its emergence as a global nexus highlights the interconnectedness of our world a reality that Malaysia must embrace to secure its place in the evolving global order.