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ANALYZING MALAYSIA'S CHANGING ALIGNMENT CHOICES, 1971-89

This article analyzes Malaysia's changing policies toward China and other big powers during the period 1971-1989, as a case to illustrate how and why smaller states adjust their alignment choices in the wake of reduced strategic commitment of their big power patrons the way they do. It argues that it was due to the changing distribution of regional power in the face of the British East of Suez policy and the American retreat from mainland Southeast Asia in the late 1960s – in conjunction with domestic political considerations in the post-1969 period – that had compelled Malaysia's ruling elite to replace the country's long-standing pro-West policy with a new posture of "non-alignment" and "regional neutralization". In the view of the elite, in order to get the big powers to recognize and guarantee the region as an area of neutrality, the Southeast Asian states should acknowledge and accommodate each of the major powers' "legitimate interests", while observing a policy of "equidistance" with all the powers. This new alignment posture necessitated the Tun Razak government to adjust its China policy, paving way for the Malaysia-China rapprochement of the early 1970s.

Keywords: *Smaller states, great powers, alignment choice, Malaysia's foreign policy, regional neutralization, Malaysia-China relations*

Introduction

This article discusses Malaysia's changing policies toward China and other big powers during the period 1971-1989, as a case to illustrate smaller states' changing alignment choices in responding to the reduced strategic commitment of their big power patrons. By "alignment choice", I mean a *state's decision to configure (and reconfigure) its overall relations with a big power, as compelled by the ever-shifting distribution of power and interests in the international system, for the purpose of maximizing one's own security, prosperity, and/or autonomy.*[1] By this definition, alignment choices encompasses not only alliance formation, but also all forms of interstate configuration that includes diplomatic rapprochement, political reconciliation, economic collaboration, functional coordination, and foreign policy partnership.

The article first focuses on Malaysia's evolving alignment choices during the period 1971-1975, and then moves on to cover the period 1976-1989. For comparison purposes, the cases of other ASEAN countries will be brought into the discussion

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[1] On "alignment choice", see K.J. Holsti, *Why Nations Realign: Foreign Policy Restructuring in the Postwar World* (London: George Allen & Unwin, 1982); Glenn H. Synder, *Alliance Politics* (Ithaca: Cornell University Press, 1997). Holsti's study is concerned with how and why governments decide to "reorient" their foreign policy. He uses "foreign policy realignment", "foreign policy restructuring", and "foreign policy reorientation" interchangeably, by which he refers to "a type of foreign policy behavior where governments seek to change, usually simultaneously, the *total* pattern of their external relations" (p. 2) – i.e. "the patterns of externally directed diplomatic, cultural, commercial and military relations" (p. 12).

wherever relevant and necessary. The central argument of this article is that, it was due to the changing distribution of regional power in the wake of the British East of Suez policy and the American retreat from mainland Southeast Asia in the late 1960s – in conjunction with domestic political considerations in the post-1969 period – that had compelled Malaysia's ruling elite to replace the country's long-standing pro-West policy with a new posture of "non-alignment" and "regional neutralization." This posture necessitated the Tun Razak government to adjust its China policy, paving way for the Malaysia-China rapprochement of the early 1970s.

Phase I (1971-1975):

Rapprochement with China in the Face of Reduced Western Commitment

This period was characterized by three major features: (a) a reduced strategic presence of the Western powers in the region following the British withdrawal from the east of Suez and the American disengagement from Indochina; (b) the growing salience of China as a third factor in the regional configurations of power in the wake of the growing Sino-Soviet split, U.S.-China détente, and the PRC's admission to the UN; and (c) the regional states' moves to reconcile with Beijing. As will be discussed below, while the third was largely a function of the first two developments, it was domestic factors that determined the *extent* and *manner* in which Malaysia (and for that matter, other smaller states in the region) had sought rapprochement with their giant neighbor.

In 1971, the British began the withdrawal of forces from its bases in Singapore and Malaysia. The Anglo-Malayan Defence Agreement (AMDA) was replaced by the Five Power Defence Arrangements (FPDA) between Britain, Australia, New Zealand, Malaysia, and Singapore. The FPDA obligated all partner states to "consult" each other in the event of external aggression against Malaysia and Singapore; there was, however, no obligation for the partners to act.[2] At around the same time, the U.S. also started to reduce its ground troops in mainland Southeast Asia as enunciated by President Nixon's Guam Doctrine in July 1969.

These two events were watershed moments for Malaysia's defense planners. They effectively deprived the smaller state of the security umbrella of its big power patrons, and convinced the leaders that they could no longer find security in the protective arms of their Western allies as in the past. This realization compelled them to stress more on self-reliance and regionalism in their security planning.[3]

These developments took place amid the new importance of China as a

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[2] Under the FPDA, a permanent Integrated Air Defence System (IADS) was set up in 1971, with headquarters at the Royal Malaysian Air Force (RMAF) Butterworth (located in the Malaysian state of Penang). The IADS, which is staffed by personnel from each of the five partners, functions as the standing operational arm of the FPDA. Each year, it organizes several joint air exercises involving Malaysian and Singaporean forces as well as annual air and naval maneuvers involving some or all of the five partners. See Yap Pak Choy, *Air Power Development: The Royal Malaysian Air Force Experience* (Fairbairn, Australia and Bangi, Malaysia: Air Power Studies Centre and Universiti Kebangsaan Malaysia, 1997); Abdul Razak Abdul Aziz, *Peraturan Pertahanan Lima Kuasa: Sikap Malaysia.* Kertas Berkala UPSK No.2/99 (Bangi, Malaysia: Unit Pengajian Strategi dan Keselamatan, Universiti Kebangsaan Malaysia, 1999).

[3] Muthiah Alagappa, "Malaysia: From the Commonwealth Umbrella to Self-reliance," in Chin Kin Wah, ed., *Defence Spending in Southeast Asia* (Singapore: ISEAS, 1987), pp. 165-93; Lau Teik Soon, "ASEAN and the Future of Regionalism," in Lau Teik Soon, ed., *New Directions in the International Relations of Southeast Asia: The Great Powers and South East Asia* (Singapore: Singapore University Press, 1973), pp. 165-85.

separate centre of power in the course of growing Sino-Soviet rift and Sino-American rapprochement.[4] In March 1969, the deepening Sino-Soviet tensions culminated in a border conflict over Zhenbao (Damansky) island. In June the same year, Brezhnev floated a proposal for an Asian collective security system. The proposal – coupled with the first appearance of a Soviet naval flotilla in the Straits of Malacca in March 1968 – was widely viewed by leaders in the region as a sign of Moscow's growing interest in expanding its presence from the Indian Ocean to Southeast Asia, in filling in the power vacuum, and in rallying regional support to encircle China.[5]

It was against this backdrop that China's wish to break its diplomatic isolation and to use its improved relationship with the U.S. for counter-checking the Soviet threat coincided with Washington's desire to get China's support for a negotiated settlement in Vietnam and to exploit the Sino-Soviet rift for shoring up the American strategic position globally and in Asia.[6] This convergence eventually led to the growing rapprochement between the U.S. and China in the early 1970s. Once a target of U.S. containment policy, Beijing now became a strategic partner with Washington.

Nixon's announcement in February 1972 that he would visit China sent shockwaves around the world. The U.S.' allies and friends in the region were alarmed by the prospect of abandonment by their superpower patron, whereas the Soviets became concerned about the risk of encirclement by Washington and Beijing. These formed the structural basis for the Soviet-U.S. détente and the establishment of diplomatic relations between several developed countries and Beijing in the subsequent years. The net effect was the acceleration of the transition from bipolarity towards a "strategic triangle" between the U.S., the Soviet Union, and the PRC.[7]

In Southeast Asia, the ramifications of these structural changes were particularly pronounced and far-reaching. The U.S. plan to pursue a negotiated settlement and reduce its role in Indochina, in particular, was viewed by many as a turning point in highlighting the limits of American power.[8] In the eyes of the smaller states in the region, the fact that their superpower patron was retreating from Indochina while moving toward a rapprochement with their principal foe plainly revealed the uncertain nature of great powers' intentions and actions. It suggested to the smaller actors that the U.S. was now "slowly changing the nature and the basis of her commitment to Southeast Asia", from one of containing communism to that of safeguarding its own strategic interests by cultivating a favorable distribution of power in the region.[9] In adjusting to such new realities that "the British lion no longer had any teeth, the Australian umbrella was leaking, and the American eagle was

[4] Michael Yahuda, *The International Politics of the Asia-Pacific, 1945-1995* (London and New York: Routeldge, 1996), pp. 77-104.

[5] Lau Teik Soon, *Singapore, ASEAN and Regional Security,* Occasional Paper Series No. 16 (Singapore: Department of Political Science, University of Singapore, 1975), p. 13; Hari Singh, "Malaysia and the Communist World, 1968-81" (Ph.D. Dissertation, La Trobe University, Australia, 1988).

[6] David Shambaugh, "Patterns of Interaction in Sino-American Relations," in Thomas W. Robinson and David Shambaugh, eds., *Chinese Foreign Policy: Theory and Practice* (Oxford: Clarendon, 1994), pp. 197-223; Harold P. Ford, "Calling the Sino-Soviet Split," *Studies in Intelligence* (Winter 1998-1999), pp. 57-71.

[7] Ilpyong J. Kim, ed., *The Strategic Triangle* (New York: Paragon House, 1987).

[8] Yahuda, *The International Politics of the Asia-Pacific, 1945-1995,* p. 88; Robert J. McMahon, *The Limits of Empire: The United States and Southeast Asia since World War II* (New York: Columbia University Press, 1999).

[9] Zain Azraai, "Neutralization and Southeast Asia," in Lau, *New Directions in the International Relations of Southeast Asia,* p. 131.

winging its way out of Asia"[10], the smaller countries like Malaysia realized that they now had to "prepare themselves to face the consequences of firstly, a disengaged U.S. in the region and secondly, a communist victory in Vietnam, which was bound to have major implications for regional security."[11]

This called for major adjustments in the smaller states' external policies. Different states, however, chose to make different adjustments, mainly due to the vagaries of their own domestic politics as well as their differing expectations and preference for the role of great powers in regional affairs.

A Shift to Regional Neutralization

In Malaysia, the changing structural conditions had compelled the ruling Alliance elites – now under the leadership of Tun Abdul Razak – to abandon the country's long-standing pro-West stance, and to replace it with a posture of non-alignment and regional neutralization (that was first enunciated by Tun Dr Ismail in 1968). This shift of policy was formalized in April 1970 when Ghazali Shafie, the foreign ministry's permanent secretary called for the endorsement of the neutralization "not only of Indo-China area but of the entire region of South East Asia, guaranteed by the three major powers, the People's Republic of China, the Soviet Union and the United States, against any form of external interference, threat or pressure."[12] This call was reiterated in September by Tun Razak on the eve of his assumption of premiership, when he presented the idea of "neutralization of Southeast Asia" as a key element of Malaysian foreign policy at the Non-Aligned Summit Conference in Lusaka.

One might wonder: why the Razak government had opted for the idea of "regional neutralization", and not other arrangements like a regional collective security pact. A 1972 speech made by Zain Azraai, the then principal private secretary to Tun Razak, offers an explanation as to why Malaysian policy elites had cast doubts on the effectiveness and suitability of other alternative arrangements:

> Various suggestions for a new framework have been made from time to time. These range from the creation of a balance of power, with or without American support, to the strengthening of internal order, the pursuit of a more adroit diplomacy, and the development of greater military self-reliance. A balance of power with American off-shore air power, which is what the Nixon Doctrine may eventually evolve into, is unlikely to be effective in assisting the countries to defend their territorial integrity because air power cannot stop or prevent subversion much less ensure victory, as the war in Vietnam illustrates. A purely Asian balance of power, if meant to counter-balance the emerging power of China or other major powers, is unlikely to prove

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[10] Noordin Sopiee, "Towards a 'Neutral' Southeast Asia," in Hedley Bull, ed., *Asia and the Western Pacific: Towards a New International Order* (Sydney: Nelson, 1975), pp. 132-58.

[11] Abdul Razak Baginda, "Malaysian Perceptions of China: From Hostility to Cordiality," in Herbert Yee and Ian Storey, eds., *The China Threat: Perceptions, Myths and Reality* (London: RoutledgeCurzon, 2002), p. 234.

[12] Ghazali Shafie, Statement to the Preparatory Non-Aligned Conference at Dar-es-Salam on 15 April 1970; later published in Ghazali, *Malaysia: International Relations*, p. 157. Elsewhere, Ghazali makes a distinction between "neutralization" and "neutrality". Neutrality refers to "a declaration of non-involvement by a state" and "pertains to the rules a neutral country should follow in time of war"; whereas neutralization refers to "the act which brings about a state of neutralism, and neutralism refers to the foreign policy of a state, either alone or in concert with other states, in times of peace." Specifically, neutralism is "a policy of non-alignment with the two power blocs in the Cold War." See his "Neutralisation of Southeast Asia," *Pacific Community* (October 1971).

> credible, even if it could be constituted. An Asian collective security pact has also been mooted. Although there is no certainty about the details, it is surely not likely to succeed if the intention is to contain or check the legitimate interests of any one of the big powers in Southeast Asia. Finally, the strengthening of internal order, the pursuit of a more adroit diplomacy, or the development of greater military self-reliance cannot be regarded as alternatives because they are in any event essential and indeed they are necessary concomitants of neutralization.[13]

For the policy elites in Kuala Lumpur, the idea of regional neutralization provided a more viable strategic option to safeguard the interests of smaller states like Malaysia in a fluid external environment. Through the three provisions of the idea – signing nonaggression treaty among the Southeast Asian states, declaring a policy of coexistence, and obtaining a guarantee of Southeast Asian neutralization by the three big powers (i.e. the U.S., the USSR, and China) – regional neutralization was viewed as an optimal approach to protect Malaysia's territorial integrity and sovereignty amid an uncertain future.[14] Specifically, while the first two provisions were aimed at promoting regional cooperation and freezing the status quo within Southeast Asia, the third element was hoped to reduce the risks of interference by external powers.[15]

The Malaysian elites reckoned that, in the light of an uncertain power structure and an increased communist influence, the bottom line strategies for smaller states would be to influence the big powers "to re-define their role" and to set up "clear ground rules" for inter-great power interactions, as a way "to insulate the countries of Southeast Asia from being a theatre in which the big powers manoeuvre for a preponderance of interest and influence", and thus to insure a degree of peace and stability in the region.[16] In their view, in order to get the great powers to "recognize, undertake, and guarantee Southeast Asia as an area of neutrality", the smaller states in the region should acknowledge and accommodate each of the big powers' "legitimate interests", while observing a policy of "equidistance" with all the powers.[17] Malaysia's stance was strategically logical. As observed by Morrison and Suhrke, neutralization "provided a framework within which Malaysia could orient its relations with the great powers on the basis of evenhandedness. Unlike most other Southeast Asian countries, Malaysia had no close ties to any of the great powers."[18]

Rapprochement with China

This new external orientation necessitated Malaysia to adjust its China policy because neutralization "required formal relations between the neutralized and the guarantor."[19] Tun Ismail – now the Deputy Prime Minister of the Razak government – said it plainly: "We cannot ask Communist China to guarantee the neutrality of Southeast Asia and at the same time say we do not approve of her."[20] That China had now shown a more sober and moderate external posture – as indicated by Beijing's

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[13] Zain, "Neutralization and Southeast Asia," p. 134.
[14] Ghazali, "Neutralisation of Southeast Asia".
[15] Morrison and Suhrke, *Strategies of Survival,* p. 156; Murugesu Pathmanathan, *Conflict Management in Southeast Asia: A Neutralized Malaysia?* Occasional Papers on Malaysian Socio-Economic Affairs No. 7 (Kuala Lumpur: Faculty of Economics and Administration, University of Malaya, 1977).
[16] Zain, "Neutralization and Southeast Asia," pp. 129-36.
[17] Ghazali, "Neutralisation of Southeast Asia".
[18] Morrison and Suhrke, *Strategies of Survival,* p. 159.
[19] Noordin, "Towards a 'Neutral' Southeast Asia."
[20] Quoted in Morrison and Suhrke, *Strategies of Survival,* p. 160.

move to send its ambassadors who were recalled at the beginning of the Cultural Revolution back to their posts, as well as its consent to reconvene the Warsaw talks with the U.S. – made it easier for Malaysia to explore reconciliation with the giant neighbor.

The first clear sign of Kuala Lumpur's changing policy towards Beijing was discernable on January 1971, when Razak openly expressed Malaysia's desire for a rapprochement with the PRC, and urged the latter for a response to his overtures: "Malaysia … accepts the fact that China has a right to play her part in the international forums and to have interest in the affairs of Asia … But we cannot accept or tolerate any form of interference in our internal affairs … (We) await to see China's response, whether she for her part recognizes and respects our independence and integrity and our legitimate interests in South-East Asia."[21] Four months later, in part because of the goal of creating direct trading relations with China, and in part because of the need to establish some form of communication line with the Chinese side in the absence of official links, an officially-sanctioned trade mission was dispatched to Beijing. There, the head and key members of the mission were given a private audience with Chinese Premier Zhou Enlai.

Subsequently, the shift in Malaysia's China's policy became even clearer. This was perhaps best reflected by the reversal of its stance on the PRC's admission to UN. In October 1971, Malaysia voted in favor of the Albanian resolution, which called for the PRC's membership and the expulsion of the Republic of China from the world body. Soon after the vote, Malaysia began to initiate contacts to engage China, with an eye for normalization.[22] These contacts paved the way for a series of dialogues and negotiations between the two countries' representatives in New York, which, in turn, led to Razak's historic visit to China and the joint communiqué announcing the establishment of diplomatic relations in May 1974. Zakaria Ali, the then Malaysian Permanent Representative to the UN who conducted negotiations with his Chinese counterpart Huang Hua during the 1973-1974 period, recalls in a 2006 article that normalization with China "was a bold and courageous step, given the prevailing uncertainty, suspicion and mistrust borne out of a perceived communist threat."[23]

The turnabout in Malaysia's China policy was not only induced by structural pressures, but also motivated by the ruling elites' desire to promote their security, political, and economic interests. In terms of security, the Malaysian elites calculated that, given the pending departure of their Western patrons, establishing relations with Beijing was an imperative move to reduce or neutralize the threat of the MCP guerillas, who were now restricted mainly to the Malaysia-Thailand border. According to journalist Harish Chantola, the Malaysian government "has absolutely no confidence that after Indo-China, Thailand will try to resist the mounting pressure of communist insurgency and suspects that Thailand might make a compromise with them. The next country to face the problem of communist hostility will be, it feels, Malaysia. It, therefore, calculates that if Malaysia establishes relations with China,

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[21] Prime Minister's remarks at the annual meeting of Commonwealth Prime Ministers, Singapore, 1971. In *Foreign Affairs Malaysia* 4:1 (March 1971), pp. 14-5.

[22] The initial contact took place in late October 1971, when three Malaysian officials who were sent to "accompany" the country's table tennis team to China were invited to a "surprise" meeting with China's Acting Foreign Minister. This was followed by a large trade delegation to the Canton Spring Fair in April 1972, during which Razak's advisor Raja Mohar Raja Badiozaman was secretly arranged to meet with Zhou Enlai. See Chandran, *Malaysia: Fifty Years of Diplomacy,* pp. 106-7.

[23] Zakaria Mohd Ali, "Normalisation of Relations with China," in Fauziah Mohamad Taib, ed., *Number One Wisma Putra* (Kuala Lumpur: Institute of Diplomacy and Foreign Relations (IDFR), Ministry of Foreign Affairs, 2006), p. 120.

then China might not be in a hurry to activate the Malaysian communist fighters and its support to them might not be overt, which it is bound to be if there are no diplomatic relations between the two countries."[24] This observation is echoed by Malaysian veteran diplomat Zakaria Ali, who notes that normalization was a desirable and logical option in order to severe the line of support "given by the PRC, certainly by the Chinese Communist Party, to the MCP."[25]

This security imperative was further reinforced by the prevailing domestic political calculations in the wake of the ruling Alliance coalition's unprecedented electoral setback in May 1969, as well as the grave communal riots (between the two major ethnic groups, the Malays and Chinese) that followed. The electoral outcomes and the racial riots were seen as a clear indicator that UMNO was losing legitimacy from its core Malay constituency. In order to reestablish its political authority and to restore internal stability, the new leadership in the UMNO-led coalition government was in need of *formulating new directions for the country.*

Internally, the new government sought to reclaim its political legitimacy among its traditional Malay constituency by introducing the pro-Malay affirmative action program in the form of the New Economic Policy (NEP) in 1971. The policy set out to reduce poverty, to restructure Malaysian society, and to assure inter-ethnic peace, chiefly by ensuring that the Bumiputeras[26] gained privileged access to education, to scholarship, to employment in public sector, and to corporate wealth (by setting the holdings of corporate assets by the Malays to 30 percent by 1990).[27] In addition, Razak government also moved to consolidate UMNO's dominance within the ruling coalition by co-opting most opposition parties, thereby transforming the Alliance into the enlarged Barisan Nasional (BN, the National Front) in 1973.[28] These political changes dramatically limited the role of the non-Malays' (especially the Chinese) in Malaysia's political and economic life.[29] In order to balance the situation and allay the fears of the Chinese voters, Razak decided that "a move towards rapprochement with China would help to pacify the ethnic Chinese."[30]

Hence, externally, the Razak government decisively redirected the country's foreign policy posture towards non-alignment and neutralization, as mentioned. This move served to appeal not only to Malay nationalists and leftist groups. Given that neutralization required the government to drop its earlier anti-Chinese stance and make overtures to Beijing, the new posture had the effect of alleviating the alienation of ethnic Chinese, winning over their support for the Razak government, and

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[24] Harish Chandola, "Changes in Foreign Policy," *Economic and Political Weekly,* December 12, 1970, p. 1996.

[25] Zakaria, "Normalisation of Relations with China," pp. 124-5.

[26] The term literally means "sons of the soil." In practice, it is applied principally to the Malays, but also the indigenous people in Sabah and Sarawak.

[27] Gordon P. Means, *Malaysian Politics: The Second Generation* (Singapore: Oxford University Press, 1991), pp. 23-7.

[28] Scholars like Chee and Crouch see this as a watershed event in Malaysian politics, which marked the end of the consociational model that had served as the foundation of inter-communal compromises and domestic political order in the multi-ethnic country for the past two decades. See Stephen Chee, "Consociational Political Leadership and Conflict Regulation in Malaysia," in Stephen Chee, ed., *Leadership and Security in South East Asia: Institutional Aspects* (Singapore: Institute of Southeast Asian Studies, 1991), pp. 53-86; and Harold Crouch, *Government and Society in Malaysia* (Ithaca: Cornell University Press, 1996), pp. 20-7.

[29] Means, *Malaysian Politics: The Second Generation,* pp. 19-32; James V. Jesudason, *Ethnicity and the Economy: The State, Chinese Business, and Multinationals in Malaysia* (Singapore: Oxford University Press, 1989).

[30] Razak Baginda, "Malaysian Perceptions of China," p. 235.

improving inter-ethnic reconciliation in the post-riot environment. As observed by Saravanamuttu, the vast majority of local Chinese saw the rapprochement as the willingness on the part of a Malay-dominated government to acknowledge their ancestral home. In addition, with the resolution of the nationality issue for the 200,000-odd stateless Chinese in Malaysia, the rapprochement also helped to clarify the community's status and situation in the country. It was for these reasons that the ethnic Chinese "could now look more favourably and confidently on the Razak Government coming into power in the aftermath of the traumatic May 13 riots."[31] Shafruddin Hashim adds that the rapprochement with China served to promote inter-communal conciliation, chiefly by enabling the Malays "to view the PRC, communism, and the local Chinese as separate entities."[32] In the general elections that were held little more than two months after Razak's China visit, the BN coalition won an overwhelming victory. This significantly boosted the government's authority.

Economic considerations also played an important part in driving Razak's decision to pursue regional neutralization and to normalize Malaysia's relations with China. Heiner Hanggi suggests that the Malaysian government's move was driven by "an urgent need for a peaceful environment that would enable the country to concentrate on national development especially in the economic field. Furthermore, it was hoped that regional neutralization would reduce the defence burden hitherto borne by the British and thus avoid the emergence of a 'guns-versus-butter' dilemma."[33] These economic needs were reinforced by the government's desire to increase and diversify Malaysia's commercial links beyond the major industrialized countries. Being one of the largest rubber producing countries in the world, Malaysia was particularly keen in capturing the potentially huge rubber market in China. Driven in part by these economic incentives, a trade delegation was sent to Beijing as early as May 1971 to establish direct trade links with China, as noted. The 19-person delegation was led by Tengku Razaleigh Hamzah, chairman of Perbadanan Nasional Berhad (PERNAS), a newly-created national trading company designed to promote Malay entrepreneurship. Three months later, China sent a trade mission to Malaysia, which resulted in a purchase of 40,000 tonnes of rubber, doubling the amount of the preceding years.[34]

Malaysia's shifting China policy and its keenness to push for the regional neutralization initiative was greeted with caution by its ASEAN partners, including Singapore. This became apparent when Malaysia embarked on a diplomatic bid in 1970-1971 to obtain regional support for its neutralization proposal. The response from the ASEAN countries was skeptical at best. Indonesia's Adam Malik, for instance, expressed his reservations in September 1971: "it seems to me still a rather distant possibility to ever get the four major powers, given their divergent interests and designs toward the area, voluntarily to agree to its neutralization."[35] Singapore held a similar view. At the ASEAN Conference of Foreign Ministers in Kuala

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[31] J. Saravanamuttu, "Malaysia-China Ties, Pre and Post 1974: An Overview," in Loh Kok Wah, Phang Chung Nyap, and J. Saravanamuttu, *The Chinese Community and Malaysia-China Ties: Elite Perspectives* (Tokyo: The Institute of Developing Economies, 1981), p. 29.
[32] Shafruddin Hashim, "Malaysian Domestic Politics and Foreign Policy: The Impact of Ethnicity," in Karl D. Jackson, Sukhumbhand Paribatra, and J. Soedjati Djiwandono, eds., *ASEAN in Regional and Global Context* (Berkeley: Institute of East Asian Studies, University of California, 1986), p. 159.
[33] Heiner Hanggi, *ASEAN and the ZOPFAN Concept,* Pacific Strategic Papers No. 4 (Singapore: ISEAS, 1991), p. 13.
[34] Xia Ming, "Sino-Malaysian Trade Ties and Its Prospects," *Economic Quarterly* (April 1990), p. 22.

[35] Quoted in Dick Wilson, *The Neutralization of Southeast Asia* (New York: Praeger, 1975), p. 53.

Lumpur in November 1971, its representative submitted an elaborate paper questioning the feasibility of the Malaysian proposal.[36] In 1973, Lee Kuan Yew said it rather bluntly that "it was a fact of life both for the present and for the near future that big power guarantees would not be forthcoming."[37]

According to Dick Wilson, Singapore was probably aware that Malaysia's proposal might have to do with the China factor. He quotes an editorial in *The New Nation* that was published in Singapore just before the Kuala Lumpur conference:

> Malaysia's strategy seems to be to offer a bait to China's regional neutralization – which, its officials have now admitted, implies the eventual abrogation of the Commonwealth five-power defense agreement and will also presumably mean an end to SEATO and the American bases in both Thailand and the Philippines. 'If you live up to the U.N. charter,' the ASEAN line to Peking could be, 'and stop this overt interference in our affairs, then we will gradually disengage from our Western military entanglements. But we must do it in step, and we want to see something from your side, some evidence of change in your patronage of our local Communist minorities, before we take the risk of sending our Western friends home.' If this is a correct interpretation of Tun Razak's proposal, then it seems on the face of it to be a good strategy. It would put the ball in Peking's court.[38]

Phase II (1976-1989):

Anchoring on ASEAN and Keeping Links with the West, While Adopting Economic Pragmatism towards China

Regional security in Southeast Asia entered a new phase in the mid-1970s. After the stunning victories of the Soviet-backed communist troops in Phnom Penh and Saigon by April 1975, the ASEAN states now found themselves directly exposed to the risks of revolutionary forces from the north. By July 1976, the U.S. had withdrawn all its forces from Thailand. These developments altered the balance of power between the Moscow-backed Hanoi and the non-communist regional states, and aroused concerns about America's will to come to the defense of ASEAN countries should they face external aggression. In addition, they also intensified the Sino-Soviet rivalry as they vied to fill the power vacuum in Indochina.[39] All these took place at a time when Australia and Britain had just pulled out their remaining troops from Singapore. These events combined to create a grave uncertainty in the external environment of the smaller countries.

Such structural changes brought tremendous pressures on Malaysia and its ASEAN partners, forcing them to rethink their external relations. Realizing that they now shared a common destiny in the face of a growing communist threat from the north, the smaller states had begun *to anchor on ASEAN* as a platform to converge and coordinate their diplomatic efforts, *while working to keep their ties with the U.S. and other dialogue partners* as a source to strengthen their strategic position vis-à-vis the

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[36] Hanggi, *ASEAN and the ZOPFAN Concept*, p. 17. As a result of the differences among the ASEAN states, Malaysia's neutralization scheme was water-downed to a Declaration of Zone of Peace, Freedom and Neutrality (ZOPFAN) at the Conference.

[37] Wilson, *The Neutralization of Southeast Asia*, p. 81.

[38] Ibid., p. 83.

[39] See K.K. Nair and Chandran Jeshurun, eds., *Southeast Asia and the Great Powers* Kuala Lumpur: Malaysian Economic Association, 1980); Robert J. McMahon, *The Limits of Empire: The United States and Southeast Asia Since World War II* (New York: Columbia University Press, 1999), pp. 182-217.

communist powers.

ASEAN as the Cornerstone of External Policy

In response to the deteriorating situation in Indochina, the leaders of the ASEAN states met in Bali, Indonesia in February 1976. This historic meeting – the first ever summit since the inception of the regional body a decade earlier – produced a number of key documents that set the direction for ASEAN's future development. These included a Declaration of ASEAN Concord, a Treaty of Amity and Cooperation in Southeast Asia (TAC), and an agreement to set up a permanent secretariat in Jakarta. These documents were important in that, in addition to holding out an olive branch to Vietnam by expressing ASEAN's willingness for peaceful coexistence, they also spelt out the principles of conduct governing inter-state relations for the promotion of "collective political security" in the region.[40]

With the adoption of these core documents, the role of ASEAN had effectively moved from one of seeking regional reconciliation in the aftermath of *Konfrontasi*, to one of building "regional resilience" through closer political *and* economic cooperation among the non-communist countries, as a way to safeguard them from the growing communist threat.[41] The term "regional resilience" was extended from the concept "national resilience" (as coined by Indonesian elites), which stresses on the importance of state-led economic development as the "first line of defense" against internal subversion and external aggression.[42] These internal efforts were seen as a foundation, and indeed, the *sine qua non* for regional collaboration under the framework of ASEAN, which, by way of enabling the regional countries to avoid intra-mural conflict and focus on developing their own economy, was in turn expected to beef up the individual governments' capacity to rule.[43]

Retaining the U.S. Strategic Presence

Besides making these internal and regional endeavors, the leaders of the ASEAN countries – particularly Singapore but also other regional states – also took steps to retain the continuing regional role of the U.S., whom they viewed as best serving their interests in balance of power terms.[44] As noted by Chin Kin Wah, even though some ASEAN countries "may be less disposed to express their interests in an American military presence in the region, all of them are favorably inclined towards

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[40] Donald E. Weatherbee, *International Relations in Southeast Asia: The Struggle for Autonomy,* 2nd edition (Lanham, MD: Rowman & Littlefield, 2009), pp. 76-7.

[41] Derek Davies, the editor of the *Far Eastern Economic Review,* observed in 1976 that Indonesian elites have argued that "after Vietnam, every nation must erect its own defences against internal subversion by achieving economic independence – a process which would develop into regional resilience within the framework of ASEAN." See his article "The Region," *Far Eastern Economic Review Asia 1976 Yearbook,* p. 22. On the conception of national and regional resilience, see Dewi Fortuna Anwar, "National versus Regional Resilience? An Indonesian Perspective," in Derek da Cunha, ed., *Southeast Asian Perspectives on Security* (Singapore: ISEAS, 2000), pp. 81-97.

[42] On the nexus between development and security, see Chai-Anan Samudavanija and Sukhumbhand Paribatra, "Development for Security, Security for Development: Prospects for Durable Stability in Southeast Asia," in Kusuma Snitwongse and Sukhumbhand Paribatra, eds., *Durable Stability in Southeast Asia* (Singapore: ISEAS, 1987), pp. 3-30.

[43] See Ghazali, "National Developments in South East Asian Countries: Towards National Resilience," in his *Malaysia: International Relations,* pp. 272-84.

[44] Leifer, *Singapore's Foreign Policy,* p. 102.

an American underpinning of their political and economic viability."[45] Despite the Vietnam debacle, ASEAN states had continued to see Washington as an indispensable actor in upholding regional order and assisting them to complement, augment, and strengthen their position to deal with the outside world.[46]

While Malaysia and Singapore's security position was augmented to some extent by the existence of the FPDA, the leaders of the two states knew full well that the efficacy of such arrangement was subject to the U.S. role. As observed by Obaid Ul Haq, "The value of the Five Power Defence arrangements lay primarily in its psychological import. By the late 1970s even this psychological value was seen as a function of the overall American policy and interests in South-East Asia. In 1978 Lee Kuan Yew said, 'Whether it [FPDA] will continue to have any relevance depends not simply on Australia and New Zealand, but on the US, her policies and postures in the Pacific and Indian Ocean. … As long as the US is seen clearly to be a force in the region, these residual token forces are not irrelevant as tokens.'"[47]

Despite the fact that the Carter administration (1976-1980)'s new foreign policy agenda in championing human rights, in placing more emphasis on Africa than on Asia, and in planning to withdraw troops from South Korea had agitated Washington's Asian partners who became more concerned about the possibility of American retreat from the region, Singapore and other Southeast Asian leaders had continued to advocate for a sustained American presence in the region.[48]

Beyond individual countries' diplomatic endeavors, the effort to retain the U.S.' involvement was also made at the regional level.[49] In 1977, the U.S. became ASEAN's dialogue partner, along with Japan, Canada, and the United Nations Development Programme (UNDP). ASEAN's other dialogue partners were: the European Economic Community (since 1972), Australia (1974), and New Zealand (1975).[50] In 1978, ASEAN's consultation with its partners was institutionalized as the Post-Ministerial Conference (PMC), a collective forum held after the annual ASEAN Ministerial Meeting (AMM) and attended by foreign ministers from all ASEAN countries and their dialogue partners.

The dialogue mechanism was important for both economic and non-economic

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[45] Chin Kin Wah, "The Reawaking of U.S. Interest in Southeast Asia," in K.K. Nair and Chandran Jeshurun, eds., *Southeast Asia and the Great Powers* (Kuala Lumpur: Malaysian Economic Association, 1980), p. 123.

[46] These included Malaysia, whom, despite its pronounced stance of non-involvement in big power rivalry, continued to see the value of American power in complementing Malaysia's foreign policy actions. This can be discerned from the writings and speeches of the country's policy elites during that time. See, for instance, Ghazali, *Malaysia: International Relations,* p. 280.

[47] Quoted in Obaid ul Haq, "Foreign Policy," in Jon S.T. Quah, Chan Heng Chee, and Seah Chee Meow, eds., *Government and Politics of Singapore,* revised edition (Singapore: Oxford University Press, 1987), p. 287.

[48] In his memoirs, Lee recounted how he took the initiative to raise the subject to President Carter during their meeting in October 1977, by emphasizing to the latter "how important America was for the stability and growth of the region, and how it should not lose its focus as it might weaken the confidence of non-confidence of non-communist countries who were its friends." See *From Third World to First*, p. 524.

[49] The first US-ASEAN consultation was held in Manila in September 1977. See Pamela Sodhy, *The US-Malaysian Nexus: Themes in Superpower-Small State Relations* (Kuala Lumpur: ISIS, 1991), p. 346.

[50] In 1977, at the second ASEAN Summit in Kuala Lumpur, the heads of governments of three non-member states from outside the region – i.e. Japan, Australia, and New Zealand – respectively took part in dialogue sessions with the ASEAN leaders. See ASEAN Secretariat, "Linkages Outside the Region," http://www.aseansec.org/11849.htm

reasons. It facilitated ASEAN states' efforts to obtain more investment opportunity and technical assistance from the developed world, while allowing them to discuss regional security issues with their non-communist partners on a regular basis.[51] More importantly, the involvement of the extra-mural powers (especially the U.S.) in this dialogue mechanism also served to showcase their solidarity with ASEAN and to "restore some sort of strategic balance in the region."[52]

Responding to the Cambodian Conflict

The need for such a policy reorientation – i.e. giving a greater emphasis on ASEAN as the cornerstone of their foreign policy while continuing to look upon the U.S. and other dialogue partners as the principal source of external assistance – was reinforced in the late 1970s, after Vietnam invaded Cambodia in December 1978 and after Soviet troops marched into Afghanistan in December 1979. The latter marked the breakdown of the superpower détente and the advent of the second Cold War.

For the elites in the non-communist ASEAN capitals, these events had the effect of swinging the gravity of their policy attention back to military security issues. The Vietnamese invasion and occupation of Cambodia, in particular, put an end to ASEAN states' hope for peaceful coexistence with communist Indochina.[53] Hanoi's act was seen as a blatant violation of the sanctity of national sovereignty as stressed in the TAC.[54] According to Michael Leifer, the ASEAN states could not afford to endorse such a violation because doing so "would have indicated tolerance for a precedent with disturbing implications for the security of all member states."[55] They saw the risks of greater regional instability if the present conflict spilled into the neighboring areas.[56]

The non-communist states were thus forced to oppose the Soviet-backed Vietnamese aggression openly. They rallied behind ASEAN and began to act as a "diplomatic community"; while at the same time closing ranks with their Western partners in what was later called the Third Indochina War.[57] Largely due to the activism of Thailand (a frontline state because of its proximity to Cambodia) and Singapore (who was always concerned about the danger of aggression by a larger neighbor), the ASEAN states mounted a collective diplomatic campaign to deny international recognition to the Hanoi-installed regime in Phnom Penh, and demanded the withdrawal of all foreign forces and the restoration of Cambodian sovereignty.[58]

These diplomatic efforts were augmented by a strategic endeavor of working with the Western powers, particularly the U.S., who, out of its need to curb Soviet expansion after Afghanistan, had "rediscovered" the strategic significance of

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[51] B.A. Hamzah, *ASEAN Relations with Dialogue Partners* (Kuala Lumpur: Pelanduk Publications, 1989).
[52] Michael Antolik, *ASEAN and the Diplomacy of Accommodation* (London: M.E. Sharpe, 1990), p. 141.
[53] Donald E. Weatherbee, *Historical Dictionary of United States-Southeast Asia Relations* (Lanham, MD: Scarecrow Press, 2008), p. 19.
[54] Lee Poh Ping, "The Indochinese Situation and the Big Powers in Southeast Asia: The Malaysian View," *Asian Survey* 22:6 (June 1982), p. 517.
[55] Leifer, *ASEAN and the Security of South-East Asia,* p. 10.
[56] K.K. Nair, "Great Power Politics and Southeast Asia," in K.K. Nair and Chandran Jeshurun, eds., *Southeast Asia and the Great Power* (Kuala Lumpur: Malaysian Economic Association, 1980), p. 13.
[57] Leifer, *ASEAN and the Security of South-East Asia*; Antolik, *ASEAN and the Diplomacy of Accommodation,* pp. 108-54.
[58] Amitav Acharya, *Constructing a Security Community in Southeast Asia,* 2nd edition (London and New York: Routledge, 2009), pp. 99-109.

Southeast Asia.[59] The U.S. increasingly saw ASEAN as a "potent diplomatic coalition" that was instrumental in handling the Cambodian crisis.[60]

The congruence of strategic interests between ASEAN and the U.S. in the post-1979 milieu thus led to a closer military relationship between the two sides. While carefully avoiding any direct military involvement this time around, Washington had moved to provide military assistance – in the form of military grants, arms supply, and training of military personnel – to the ASEAN states in order to build up indigenous military capability. These included not only Thailand and the Philippines who remained the formal U.S. allies through the 1954 Manila Pact, but also the Malacca Strait littoral states of Indonesia, Malaysia, and Singapore. On the part of the ASEAN countries, they mostly welcomed a firmer American security commitment, including its pledge to come to Thailand's defense in the event of Vietnamese invasion. They also viewed the U.S. presence in the Subic Bay and Clark Air Force bases in the Philippines as serving the functions of deterrence and preserving the balance of power in the region. This positive assessment was subsequently reinforced by the U.S. ability to accept and accelerate the intake of the "boat people" – hundreds of thousands of Vietnamese refugees (predominantly ethnic Chinese) who fled the communist takeover – from the overcrowded camps in the ASEAN countries.

Consequently, for the period 1979-1989, as the Cambodian conflict continued to drag on, the ASEAN states had, on the whole, become more aligned with and more dependent on the U.S. for their external security.[61] In the case of Malaysia, although its leaders at the formal level still stressed on regional neutralization and equidistance with the big powers, the expansion of Vietnamese and Soviet influence as well as the intensification of Sino-Soviet rivalry in Indochina had compelled Kuala Lumpur to follow the American lead on security issues.[62]

It must be noted that the closer ASEAN-U.S. ties since the late 1970s were not merely a result of their overlapping security interests, but also a product of growing economic intimacy. In part because of the growing trade volume between the two sides, and in part because of the ASEAN states' ongoing efforts to expand and diversify their economic structure, the smaller states' economic performance had become more and more tied up with that of the U.S. and other developed countries, who remained the major source of capital and technology to the ASEAN region.[63] Singapore's efforts since the mid-1970s to develop its service sector in the areas of international finance, tourism, transport and other services, for instance, had the effect of increasing the economic importance of the U.S. to the city-state. Similarly, the Malaysian government's export-led industrialization policy since the 1970s – as accentuated by the 1971 Free Trade Zone Act that was aimed at attracting foreign

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[59] Chin, "The Reawakening of U.S. Interest in Southeast Asia,"

[60] Karl D. Jackson, "U.S. Policy, ASEAN, and the Kampuchean Crisis," in Robert A. Scalapino and Jusuf Wanandi, eds., *Economic, Political, and Security Issues in Southeast Asia in the 1980s* (Berkeley, CA: Institute of East Asian Studies, University of California, Berkeley, 1982), pp. 124-39.

[61] Jusuf Wanandi, "The United States and Southeast Asia in the 1980s," in Scalapino and Wanandi, *Economic, Political, and Security Issues in Southeast Asia in the 1980s*, pp. 111-23.

[62] Hari, "Malaysia and the Communist World," pp. xxv-xxvii.

[63] John H. Holdridge, the then U.S. Assistant Secretary of State for East Asia and Pacific Affairs, noted that: "from the beginning, a central element of strength in the U.S. relationship with ASEAN countries has been economic interest and commerce." Since 1980, ASEAN had emerged as the U.S. fifth largest trading partner, and a main destination of American investment. See Holdridge, "The U.S.-ASEAN Relationship: A Status Report," in Scalapino and Wanandi, eds., *Economic, Political, and Security Issues in Southeast Asia in the 1980s*, pp. 140-4.

direct investment in the country's export-oriented manufacturing sector – had resulted in a marked increase in the participation of U.S. MNCs in producing electronic and semiconductor products for export purposes.[64] In 1977, the American Business Council of Malaysia was established in Kuala Lumpur.

Strengthening Economic Links with Japan

A similar dynamic also underpinned the ASEAN states' ties with other trading partners, especially Japan. The Fukuda Doctrine of 1977 – as enunciated by Prime Minister Takeo Fukuda during his Southeast Asian tour in August that year – was a watershed in ASEAN-Japan relations. By rejecting any military role for itself in Southeast Asia, by emphasizing its intent to promote ties based on the principle of "heart-to-heart" understanding, and by expressing its commitment to be "an equal partner" of ASEAN, the doctrine served to reassure the Southeast Asian leaders who until then had perceived Japan in a negative light, largely because of their memory of Japanese aggression in the Second World War and their present concerns about Japanese "economic over-presence" in Southeast Asia.[65] To demonstrate its commitment, Japan pledged to increase its financial and technical aid to ASEAN countries under its Official Development Assistance (ODA) program. This served as a catalyst to forge closer economic cooperation between the two sides.[66] Despite some controversies over the terms of Japanese aid, the ASEAN leaders had in the main welcomed Japan's increased role, seeing it as a positive factor for their efforts to build up national and regional resilience. The ASEAN-Japan economic ties were further enhanced after the mid-1980s, following the Plaza Accord of 1985 that caused the Japanese yen to appreciate against the U.S. dollar and ASEAN currencies. This development, along with the shift in the Japanese manufacturing structure toward high-tech production and an increase in the wage rate in the more developed economies in Asia, combined to make ASEAN countries an attractive destination for investors from Japan as well as the Newly-Industrialized Economies (NIEs).[67] The 1980s thus witnessed a boom in Japanese (and NIEs) investment and the relocation of Japanese export-oriented industries to the region. The net result was the growth of a dense regional production network and the emergence of the so-called "flying geese" pattern of industrial development in East Asia.

Economic ties aside, the ASEAN countries and Japan also forged cooperation in political and regional security spheres. Upon the suggestion of Japanese foreign minister Sunao Sonoda, the ASEAN-Japan Foreign Ministers' Meeting was held in June 1978.[68] The ASEAN-Japan political cooperation was enhanced after Vietnam's invasion of Cambodia in December 1978. Japan terminated its aid to Hanoi, threw its support for ASEAN's position on Cambodia, launched a quiet diplomacy to act as an intermediary between ASEAN and Vietnam, and endeavored to include the

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[64] Shakila Yacob, *The United States and the Malaysian Economy* (London: Routledge, 2008), p. 155.

[65] William W. Haddad, "Japan, the Fukuda Doctrine, and ASEAN," *Contemporary Southeast Asia* 2:1 (June 1980), pp. 10-29; Franklin B. Weinstein, "Japan and Southeast Asia," in Scalapino and Wanandi, eds., *Economic, Political, and Security Issues in Southeast Asia in the 1980s*, pp. 184-94.

[66] Sueo Sudo, "Japan-ASEAN Relations: New Dimensions in Japanese Foreign Policy," *Asian Survey* 28:5 (May 1988), pp. 509-25.

[67] Narongchai Akrasanee and Apichart Prasert, "The Evolution of ASEAN-Japan Economic Cooperation," in Japan Center for International Exchange, *ASEAN-Japan Cooperation: A Foundation for East Asian Community* (Tokyo: Japan Center for International Exchange, 2003), pp. 63-74.

[68] Sueo Sudo, *International Relations of Japan and South East Asia* (London: Routledge, 2002), pp. 50-5.

Cambodian issue in the G7 Summit Statement in 1981.[69] According to Glenn Hook, Tokyo also moved to "increase its burden-sharing efforts for US security strategy in the region", by increasing its strategic aid to American allies and countries bordering the areas of conflict.[70]

The convergence of geostrategic and economic interests in the aftermath of 1979 thus caused the ASEAN states and their extra-mural dialogue partners – spearheaded by Washington – to align with each other throughout the second Cold War period. This de facto alignment – cemented by their common opposition to the Soviet-backed Vietnamese presence in Cambodia and dictated by a growing economic congruence among them – constituted the basis of the regional order in Asia Pacific for the next decade or so. By the mid-1980s, the U.S. had emerged as both the de facto principal security patron *and* the main economic partner for the ASEAN countries, including Malaysia.

Despite this positive trend, some bilateral irritants did exist between the U.S. and individual ASEAN states. In the case of Malaysia-U.S. relations, Kuala Lumpur was unhappy about Washington's increasing protectionist tendency and its actions that resulted in a fall in the price of tin and rubber, which severely affected Malaysia's source of income. In addition, Malaysia was also disturbed by U.S. growing overtures to the PRC, particularly the Reagan administration's decision to sell lethal weaponry to China, whom Malaysian elites had persistently perceived as the largest long-term threat to Malaysia and Southeast Asia.[71] Kuala Lumpur's apprehension over Washington's growing military ties with Beijing was also shared by Indonesia, and to some extent, Singapore. Prime Minister Lee Kuan Yew remarked: "a well-armed China may become a greater problem for South-East Asia."[72]

Significantly, in addition to worrying about the longer-term ramifications of the emerging U.S.-China alignment as well as the uncertainty surrounding the U.S.' commitment to their security, the smaller countries in the region also feared that their closer strategic cooperation with the U.S. might invite negative responses from the Soviet camp. As noted by Chandran Jeshurun, while the ASEAN states had to different degrees desired an American role in the preservation of Southeast Asian security, they were nonetheless concerned about "the manner in which the United States could fulfill such a role without appearing to be obstructive and thus attracting a negative response from both the Indochina states as well as the Soviet Union."[73] This observation was echoed by Hari Singh:

> "Although Malaysia had sought to offset the disequilibrium in power by seeking closer security ties with the other pole of superpower, the American decision to invoke the 'China card' in the strategic triangle forced Malaysia into an informal alignment with China. Ironically, this aggravated Malaysia's security dilemma. First, partiality in the Sino-Soviet conflict invited Soviet retaliation in Malaysian domestic politics, the possibility being that Moscow would aid a splinter group of the Communist Party of Malaya (CPM). Second, the prospects of Vietnam's collapse under US-China-ASEAN pressure would have meant unfettered Chinese influence in Southeast Asia. Finally, the possibility of the Soviet Union invoking its treaty

[69] Glenn D. Hook, *Japan's International Relations: Politics, Economic and Security,* 2nd edition (London: Routledge, 2005), p. 222.
[70] Ibid.
[71] Sodhy, *The US-Malaysia Nexus,* pp. 401-2.
[72] Cited in Lee Poh Ping, "The Indochinese Situation and the Big Powers in Southeast Asia," p. 520.
[73] Jeshurun, "The Southeast Asian Perspective of Great Power Interests," p. 63

> commitments to Vietnam had the potential of a great power war being fought in Southeast Asia."[74]

The Problem of Uncertainty and the Need to Diversify Strategic Links

Malaysia and Singapore's concerns over the drawback of aligning too closely with the U.S., as noted above, reflect a recurring strategic dilemma facing all smaller states. As the Lilliputians constantly sandwiched between competing giants, smaller actors tend to be acutely aware of the possible consequences of *the uncertainties at the structural level* – i.e. how *the capricious nature of the big powers' commitment* as well as *the changeability in the distribution of capabilities among the giants* might have an adverse impact on their own survival. Given that no one could be sure of how the big powers' relations might evolve in the future, the smaller states know that they cannot afford to completely antagonize any of the big powers, especially those who are in the position of hurting them if they wanted to. Besides, there is also a deep-seated fear that they might be unnecessarily drawn into a big-power war.

It was largely due to such high-uncertainties and high-stakes that although the ASEAN states had all continued to align with Western countries throughout the second Cold War period, they had also conspicuously *avoided placing all their bets on one single option.* Instead of completely taking side with one power, the smaller actors had carefully moved to cultivate a degree of independence by seeking some form of détente with the communist powers.

Malaysia, for instance, in the wake of Western military disengagement from Southeast Asia, had sought to explore and establish closer working relationships with the communist powers. After normalizing its ties with the Soviet Union in November 1967, the Malaysian government ventured to establish diplomatic relations with Vietnam and China in March 1973 and May 1974, respectively. Although Kuala Lumpur's effort to attain détente with the communist world began to lose steam in the latter half of the 1970s largely as a result of the developments in Indochina, Malaysia continued to accommodate and maintain some form of "correct relations" with each of these communist powers throughout this period.[75]

Malaysia's relations with the communist powers, however, were structurally limited by the underlying ideological divisions and political distrust. Malaysian-Soviet relations were badly affected not only by Moscow's invasion of Afghanistan that angered Malaysia's Muslim population, but also by two exposes of KGB-related espionage activities in 1976 and 1981. According to Malaysian scholar K.S. Nathan, these incidents strengthened the Malaysian government's view that "Communist embassies should be under close surveillance, and that contacts between their personnel and the Malaysian populace should be discouraged as far as possible."[76] The Malaysian-Vietnamese relations were similarly constrained by a clear divergence in their political and security interests. Hanoi's invasion of Cambodia and the dramatic influx of Vietnamese refugees into Malaysia in 1978 made Vietnam an immediate policy focus for elites in Kuala Lumpur. The invasion not only reinforced Malaysian leaders' perceptions of the Vietnamese threat, but also deepened their concern about the escalating risks of the Sino-Vietnamese and Sino-Soviet conflicts.

Malaysia's relations with Communist China, in comparison, were more intricate. Throughout the period 1976-1989, the bilateral relations had remained

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[74] Hari, "Malaysia and the Communist World." p. 8.
[75] Ibid.
[76] K.S. Nathan, "Malaysia and the Soviet Union," *Asian Survey* 27: 10 (October 1987), p. 1072.

ambivalent. While the growing desire on the part of the smaller states to tap into China's market – after the latter's reform policy since 1978 and after the global economic recession in the mid-1980s – had increasingly driven Malaysia to develop its economic cooperation with China, the smaller state's political ties with the giant had remained cool well into the late 1980s. It is to this aspect that I now turn.

Malaysia's China Policy after the Rapprochement: Between Lingering Political Distrust and Growing Economic Pragmatism

1976 was an eventful year for Malaysia. The dramatic shift in external environment coincided with a change in the country's leadership, when Prime Minister Tun Razak who died of leukemia in January 1976 was succeeded by his deputy Hussein Onn. Under Tun Hussein's tenure from 1976 to 1981, Malaysia's China policy was marked by an ambivalent mixture of lingering political distrust and growing economic imperative. This pattern persisted into the early years of Dr Mahathir Mohamad's premiership, who replaced Tun Hussein in July 1981 when the latter stepped down for health reasons. While Mahathir's 1985 visit to China had the effect of deepening the dynamics of economic pragmatism, it did not remove Malaysia's distrust of Beijing, which lingered on throughout the final decade of the Cold War.

Despite the rapprochement with China in 1974, Malaysian leaders from Razak to Hussein had continued to view Beijing with distrust and apprehension. They were upset over China's continuing ties with the banned Malayan Communist Party (MCP), which sought to overthrow the BN government by force. Leaders in Kuala Lumpur repeatedly protested over China sending fraternal greetings to MCP, and vehemently objected to Beijing's dual-track policy of separating government-to-government relations and party-to-party ties (which meant the relationship between the Chinese Communist Party and the communist parties elsewhere were separate from government-to-government relationship).[77] Joseph Liow observes that while Chinese leaders attempted to placate the concerns of Malaysian leaders by reiterating that their support of the MCP was necessary in order to prevent Soviet influence being exerted on the party and that the support was limited only to moral support, the latter remained unconvinced.[78] In addition, the leaders were also concerned about Beijing's policy of treating the ethnic Chinese in Malaysia as "returned Overseas Chinese."

Largely due to these problems, Malaysian leaders had remained wary of China's intentions. The visit by Chinese Vice-Premier Deng Xiaoping (who had just emerged as China's paramount leader after the death of Mao and the purge of the Gang of Four) to Malaysia in November 1978 as well as Tun Hussein's trip to China in May 1979 did not alter this. In fact, Beijing's large-scale "punitive" war against Vietnam in February-March 1979 further convinced Malaysian policymakers of China inclination to use force in solving inter-state problems. They thus perceived China rather than Vietnam as the greater threat to Southeast Asia. According to one observer, the media event staged in January 1981 on the occasion of the return of Musa Ahmad, the former chairman of the MCP, in which he openly condemned China's role in supporting the movement, clearly demonstrated that the Malaysian

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[77] Robert O. Tilman and Jo H. Tilman, "Malaysia and Singapore 1976: A Year of Challenge, A Year of Change," *Asian Survey* 17:2 (February 1977), p. 153.

[78] Joseph Chinyong Liow, "Malaysia's Post-Cold War China Policy: A Reassessment," in Jun Tsunekawa, *The Rise of China: Responses from Southeast Asia and Japan* (Tokyo: The National Institute for Defense Studies, 2009), p. 53.

government "was not reluctant to seize the opportunity to reassert its conviction that the PRC constitutes a long-term threat to Malaysia."[79]

Indeed, Malaysia's apprehension about China's long-term ambitious was earlier evidenced by a statement jointly issued by Premier Hussein and Indonesian President Suharto at a bilateral meeting in the Malaysian east coast town of Kuantan in March 1980. In what was later known as the Kuantan Doctrine or Kuantan Principle, the two countries declared that Vietnam must be freed from the influence of both China and the Soviet Union. Amitav Acharya observes that the doctrine highlighted "an intra-ASEAN divide" over the Indochina conflict, with Malaysia and Indonesia on one side holding the view that "China posed the real long-term threat to Southeast Asia, and that Vietnam could be a bulwark against Chinese expansionism", and Singapore and Thailand, on the other side, insisting that the Soviet-backed Vietnam was the main threat to regional peace and security.[80]

These political and security apprehensions notwithstanding, Malaysia's policy towards China during this period was also driven by a growing desire on the part of the BN government to gain economic benefits from China. This was evidenced by an 8-day economic mission led by the then Malaysian primary commodities minister Musa Hitam to China in October 1976. The mission resulted in China's agreement to purchase 5,000 tons of palm oil from Malaysia, which marked the first consignment of the commodity between the two countries.[81] It also brought home China's assurance to increase its purchase of natural rubber and timber from Malaysia, as well as a pledge to refrain from taking action that might adversely affect the price of tin in the international market (of which Malaysia was the main exporter).[82]

China's economic reform and open-door policy in 1978 added further momentum to Malaysia's economic pragmatism. Developing closer bilateral economic cooperation was clearly one of the major goals underlying Tun Hussein's 1979 visit to China. During his trip, the premier remarked: "Trade and economic ties have always been and should continue to be the strongest basis for the development and strengthening of bilateral relations between the two countries. We should therefore make further endeavor to extent our trade ties. As China moves ahead with her modernization programs, and as Malaysia increases the pace of her industrialization and production of primary products, there will be increasing opportunities for this expansion."[83]

Economic rationale continued to guide Malaysia's China policy after Mahathir took over the country's reign in 1981. While the new premier had clearly placed more emphasis on strengthening the country's economic ties with Japan under his Look East Policy,[84] he had also sought to develop closer economic ties with other big economies such as China, especially after the mid-1980s. Indeed, as shall be made clear shortly, it was during the first decade of Mahathir's tenure as the country's fourth premier that economic pragmatism was consolidated and made a central theme

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[79] Tilman, *The Enemy Beyond*, p. 11.

[80] Acharya, *Constructing a Security Community in Southeast Asia,* p. 104.

[81] Author's interview with Tun Musa Hitam, the former Malaysian Deputy Prime Minister, Kuala Lumpur, February 8, 2010.

[82] "Economic Mission to China: Press Statement by Dato Musa Hitam in Kuala Lumpur on 10 November 1976," in Bruce Gale, *Musa Hitam: A Political Biography* (Petaling Jaya: Eastern Universities Press, 1982).

[83] Datuk Hussein Onn, speech at the banquet given in his honor in Beijing, May 3, 1979. In *Foreign Affairs Malaysia* 12:2 (June 1979).

[84] Khadijah Md. Khalid and Lee Poh Ping, *Whither The Look East Policy* (Bangi: Penerbit Universiti Kebangsaan Malaysia, 2003).

in Malaysia-China relations. In part due to the new leader's desire to reduce Malaysia's dependency on the West, and in part due to the prevailing view among Malaysian policy elites that Deng's economic reform in the post-Mao China was a trend that was unlikely to be reversed, the Malaysian government had since the mid-1980s determined to tap into the potential of the giant neighbor's growing market.[85] This determination was reinforced by the mid-1980s world economic recession, which exposed Malaysia's vulnerabilities as a result of the country's heavy dependency on the American and European markets. It was against this backdrop that Mahathir made a historic visit to China in November 1985.

Mahathir's 1985 visit to China was in many ways a watershed moment for Malaysia-China relations. The trip was significant not only because it was Mahathir's first visit to the country (he subsequently made six more visits during the period 1993-2001), but more importantly it was also because the trip signaled Mahathir's pragmatism in concentrating on economic matters as a way to manage what was then considered to be the "most sensitive foreign relationship" for Malaysia.[86] This top-down pragmatism cleared bureaucratic hurdles and smoothed the path for the signing of a series of important documents that were aimed at facilitating bilateral trade and investment. These documents were: the Avoidance of Double Taxation Agreement (inked during Mahathir's 1985 trip), the Maritime Transport Agreement (signed in September 1987), the Direct Trade Agreement (April 1988), the Investment Guarantee Agreement (November 1988), and the Air Services Agreement (Mac 1989). In addition, the two governments also agreed in 1988 to establish the Joint Committee on Economic and Trade Cooperation. These arrangements laid important groundwork for subsequent economic cooperation between the two countries. Significantly, these arrangements were made in conjunction with several policy adjustments on the part of the Malaysian government. These included the 1988 moves to abolish the requirement for Approved Permits to import Chinese products and to abolish the 5% administrative charge, which were targeted at fostering greater direct trade links between the two countries.[87]

Nevertheless, despite the growing pragmatism to forge closer economic ties, political vigilance remained.[88] Malaysian government's suspicions of China's overseas Chinese policy were confirmed in 1984, when it discovered that Chinese Malaysian were allowed to visit China clandestinely with special visas issued by the Chinese authority in Hong Kong, and that they were treated like returning overseas Chinese and looked after by the Commission for Overseas Chinese Affairs in China.[89] The overlapping territorial claims in the South China Sea between China and Malaysia (along with Vietnam, the Philippines, Brunei, and Taiwan) further added to the bilateral mistrust.[90]

Malaysian leaders' lingering suspicions about China were clearly evident in

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[85] Author's interview with Dato Abdul Majid Ahmad Khan, Puchong, November 4, 2009. Majid served as the Political Counselor at the Malaysian Embassy in Beijing during Mahathir's historic visit in 1985, and subsequently became the Malaysian Ambassador to China from 1998 to 2005. He is currently the President of the Malaysia-China Friendship Association.

[86] See James Clad, "An Affair of the Head," *Far Eastern Economic Review,* July 4, 1985, pp. 12-4.

[87] Shee Poon Kim, *The Political Economy of Mahathir's China Policy: Economic Cooperation, Political and Strategic Ambivalence,* IUJ Research Institute Working Paper 2004-6 (Tokyo: IUJ Research Institute, 2004).

[88] Stephen Leong, "Malaysia and the People's Republic of China in the 1980s: Political Vigilance and Economic Pragmatism," *Asian Survey* 27:10 (October 1987), pp. 1109-26.

[89] Ibid.

[90] Ibid.

Mahathir's speech to students and faculty at Qinghua University during his 1985 visit:

> … we welcome the many assurances of your leaders that China will never seek hegemony and will never do anything to harm us. We also note your assurances that China`s developing military capacity is purely for its own defence. We appreciate the enormous burden of self-restraint and responsibility that this entails. I ask that you understand us, if despite these assurances, some concerns linger on, for we are extremely jealous of our sovereignty and trust does not come easily to us in view of our past experiences. Our experiences with China have not entirely been free of problems and it would take time and mutual efforts for us to put to rest some of the things left over from history.[91]

Because of its lingering distrust of China, the Malaysian government had continued to pursue a "managed and controlled" policy throughout the 1980s.[92] Under this policy, which was designed to insulate the local Chinese from China's influence and reduce the risk of subversion, all interactions between Malaysia and China were subject to certain rules and controls. Not only were all visits to China (personal or economic reasons) and all publications from China put under strict security control, all economic and trade activities were also tightly monitored.[93] For instance, Malaysian businessmen who wanted to travel to the Canton Trade Fair and participate in the trade shows organized by the Associated Chinese Chamber of Commerce and Industry of Malaysia or the Kuala Lumpur-Selangor Chinese Chamber of Commerce and Industry (but led by PERNAS and the Ministry of International Trade and Industry) had to seek approval from the Ministry of Interior and be interviewed.[94] Although the government eventually relaxed the measures in the late 1980s by lifting the restrictions that limited the visits of Malaysian businessmen to the Canton Trade Fair and by issuing multiple exit permits that allowed Malaysian traders to longer stay in China to facilitate Malaysian firms doing business in the country, deep-seated political mistrust continued to characterize the Malaysia-China relations throughout the 1980s. It was not until 1989 when the MCP signed a peace agreement with the Malaysian government that genuine normalization was reached between Malaysia and China.

Conclusion

The discussion above indicates that, the structural pressures in the wake of reduced Western commitments since the late 1960s – along with Malaysia's domestic political development after May 1969 – had pushed the country's new leader to respond by pushing for regional neutralization and making rapprochement with China, which culminated in the establishment of the diplomatic relations in May 1974. Despite its formal rapprochement with China, however, Kuala Lumpur had continued to perceive Beijing as the largest long-term threat, largely due to China's

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[91] Dato Seri Dr Mahathir Mohamad, "Regional Co-operation: Challenges and Prospects," speech at the Qing Hua University, Beijing, 22 November 1985. Available at http://www.pmo.gov.my/ucapan/?m=p&p=mahathir&id=846

[92] Chai Ching Hau, "Dasar Luar Malaysia Terhadap China: Era Dr Mahathir Mohamad [Malaysia's Foreign Policy towards China: The Mahathir Mohamad Era]" (M.A. Thesis, National University of Malaysia, 2000).

[93] Ibid.

[94] Institute of Developing Economies – Japan External Trade Organization (IDE-JETRO) and Socio-Economic and Environmental Research Institute (SERI), *Trade, Investment & Economic Cooperation between China and ASEAN: Case Study on Malaysia* (Tokyo: IDE-JETRO and SERI, 2004), p. 15.

continuing support for the outlawed MCP as well as its overseas Chinese policy. Consequently, in spite of its desire to gain economic benefits from China's growing market, the Malaysian government had continued to pursue a "manage and control" policy throughout the 1980s, which was aimed at limiting the people-to-people interactions between the two countries. This reflected the leaders' concerns to strike a balance between a lingering political distrust and a growing economic pragmatism toward Beijing.

It can be inferred from the above analysis that Malaysia's alignment choice during this period was *not* a case of classic or pure balancing. This is because notwithstanding Malaysia and its ASEAN partners' efforts to align strategically with the Western powers, the smaller states clearly did not place their entire bets in their partners. Rather, instead of completely closing ranks with the West and completing confronting the Communist power, the smaller states had adopted a counteracting move by simultaneously striving to develop a working relationship with the source of security concerns, in an apparent attempt to hedge the risk of uncertainty. Such a hedging approach has largely persisted into the post-Cold War era.

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