CHAPTER 2

Malaysia's Post-Cold War China Policy: A Reassessment

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Introduction

The emergence of China as a political, diplomatic, economic, and cultural player of great consequence in Asia-Pacific affairs for the last two decades or so has already been widely acknowledged in scholarly and policy circles. Less clear however, is the question of how this emergence has been received in the region, particularly among core ASEAN states, most of whom have historically been close allies of Western powers and who, for a variety of reasons, harboured reservations over a Chinese role in the region. It is in this respect that we note a paucity of scholarship and analysis of post-Cold War Malaysia-China relations. Aside from the work of the present author, a survey of the literature has identified only two other substantive works that have dealt in detail with the topic of Malaysia's policy towards China in the context of the Cold War.[1] J.N. Mak's study in 1991 specifically explores the Malaysian Navy's perceptions of China, while Amitav Acharya's 1999 chapter in Johnston and Ross' volume looks at Malaysia's response to the rise of China through the lenses of international relations theory, specifically, the concept of "engagement."[2] Apart from these studies, other efforts have been confined to the broader limits of Sino-ASEAN relations.

This lack of focused scholarly effort to unpack Malaysia-China relations is unfortunate for several reasons. First, the Malaysia-China relationship is and will likely continue to be a vital component of the Southeast Asian regional security architecture. Malaysia

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[1]   See Joseph Chinyong Liow, "Malaysia-China Relations in the 1990s: The Maturing of a Partnership," *Asian Survey*, vol. 40, no. 4 (July-August 2000); and "Balancing, Bandwagoning, or Hedging?: Strategic and Security Patterns in Malaysia's Relations with China, 1981-2003," in Ho Khai Leong and Samuel Ku eds., *Southeast Asia and China: Global Changes and Regional Challenges* (Singapore: ISEAS, 2005).

[2]   Mak Joon Nam, "The Chinese Navy and the South China Sea: A Malaysian Assessment," *Pacific Review*, vol. 4, no. 2 (1991); and Amitav Acharya, "Containment, Engagement or Counter-Dominance: Malaysia's Response to the Rise of China," in Alastair Iain Johnston and Robert Ross eds., *Engaging China: The Management of an Emerging Power* (London: Routledge, 1999).

is a founding member of ASEAN, and its current leaders – Abdullah Ahmad Badawi, Najib Tun Razak, and Mahathir Mohamad - are all well-respected and key members of the ASEAN policy elite. Also of significance is the fact that Malaysia was the first Southeast Asian country to normalize ties with China (May 31, 1974) and as such has in many ways set the pace and scope for ASEAN's cooperation with China.[3] Second, at a more abstract level, a study of Malaysia's China policy will serve as an important contribution to the security studies canon. Not only does such a study remind security analysts and observers that "small states do matter" in international relations, it might provide some important insights as to how small states conduct their relations with greater powers. This consideration for the role of small states in international diplomacy is important, as they are often the "battlefield" upon which evolving major power rivalries are played out.

With these considerations in mind, this paper seeks to advance the scholarship on Malaysia-China relations by studying Kuala Lumpur's post-Cold War China policy. This paper has three parts. The study begins with an assessment of the underlying assumptions behind prevailing interpretations of Malaysia's China policy, which depicts Malaysia's China policy as falling short of full-fledged engagement because of caution and suspicion in Kuala Lumpur towards Chinese intentions and capabilities. To further flesh out the details of this prevailing interpretation for discussion, the paper extracts from the literature four assumptions which set the parameters for this prevailing interpretation. Second, the study tests these assumptions against the empirical record, and in doing so contends that these assumptions have been wrongly inferred, and hence have led to a flawed view of how Malaysian policymakers perceive China and bilateral relations with China. Finally, the study proceeds to posit alternative suppositions to more accurately explain Malaysia's post-Cold War China policy.

The paper essentially argues that there has been a major turn in Malaysian perspectives on China since the end of the Cold War, to the extent that the relationship has become one of the closest and most stable between an ASEAN country and China. Whereas

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[3]   For example, in 1991, Malaysia convinced ASEAN to extend an invitation to China to attend the annual ASEAN Ministerial Meeting, a move which eventually saw China become one of ASEAN's dialogue partners.

China was viewed as a major threat during the Cold War, in the post-Cold War period, there has been a discernible shift in the foreign and security discourse in Malaysia. No longer is China perceived or articulated as a threat. Rather, Malaysia has become a major political and diplomatic ally as its interests have converged with China's on many fronts. Malaysia's relations with China over the past two decades or so have turned to a convergence of economic, strategic and political perspectives on a range of issues. Economic ties have improved tremendously, exemplified most profoundly by China's "responsible" conduct during the Asian Financial Crisis, to the extent that they now anchor the strategy of engagement of both states towards China. Political ties have also vastly improved. Malaysia has emphatically supported China's espousal of a multipolar regional and international order which hopes to check unbridled US power and influence across the globe. Moreover, China's active, if somewhat belated, participation in regional multilateral processes has further enamored Beijing to regional states, and its careful avoidance of any involvement in affairs of internal politics, particular as they relate to ethnic Chinese minorities in the two countries, has been appreciated by political circles in Kuala Lumpur.

Malaysia-China Relations during the Cold War

While conventional wisdom portrays the Cold War essentially as a bipolar security dilemma, for many of the states in Southeast Asia, not least Malaysia, it was effectively a tripolar security reality where the People's Republic of China had a clear and imposing role.

During the Cold War, a major source of anxiety for a number of Southeast Asian states was the impact of having significant ethnic Chinese minorities within their territorial boundaries. With its sizeable ethnic Chinese minority barely assimilated into post-colonial Malaysia (prior to 1963, Malaya), Kuala Lumpur was particularly cautious when it approached this issue as it assessed the potential impact on relations with China. Additionally, Malaysian leaders were suspicious of China's reluctance to categorically renounce all forms of support for the CPM (Communist Party of Malaya). Because the vast majority of the CPM was ethnic Chinese, the factor of ethnic allegiance loomed as large as ideological predilections in Malaysian perceptions of and outlooks towards China. As a consequence, China's stewardship of Malaysia's substantial ethnic Chinese population based on ethnic affiliation did not

sit well with policymakers in Kuala Lumpur. These concerns were not mitigated by the normalization of ties in May 1974.[4]

Notwithstanding these misgivings on the domestic front, broader geostrategic tectonics that were transforming the regional security landscape ultimately compelled Malaysia to recalibrate its policy towards China in the early 1970s. Malaysian leaders championed the neutralization of Southeast Asia premised on the guarantees by major powers to preserve the neutrality of the region. Furthermore, in order to attenuate the uncertainty arising from these tectonic shifts, Malaysia embarked on a re-assessment of its China policy. This re-assessment began with Kuala Lumpur's support for China's membership in the U.N. in October 1970 (at the same time as the Thai declaration of support) and peaked with Prime Minister Tun Razak's landmark visit to Beijing in May 1974 to establish diplomatic ties. Kuala Lumpur however, remained wary of Chinese intentions and Beijing's continued tolerance of ties between the CCP and CPM. The fact that the CPM membership was largely ethnic Chinese in nature further complicated the situation, for it extended Malaysia's suspicions on the issue of China's stewardship of the overseas Chinese in Malaysia, which until Deng Xiaopeng's 1978 ASEAN tour was in fact given (paradoxically, it should be added) policy expression in Beijing's ambiguity on dual citizenship.[5] Indeed, these suspicions were confirmed in 1984, when the Malaysian government realized that Malaysian Chinese were permitted clandestinely to visit China with special visas issued by the Chinese government in Hong Kong, and that they were treated like returning overseas Chinese and looked after by the Commission for Overseas Chinese Affairs in China.[6]

Despite the turn of events evidently signaled first by the normalization of ties between Kuala Lumpur and Beijing in 1974 and subsequently, China's involvement in the Third Indo-China War, which was welcomed by Thailand, Malaysian policymakers

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[4]   SWB FE/5969/A3/2, November 15, 1978, "Malaysia's Foreign Policy and Teng Hsiao-ping's Visit."
[5]   Until the promulgation of the Nationality Law of 1980 which stipulated, among other things, that "any Chinese national who has settled abroad and who has been naturalized there or has acquired foreign nationality of his own free will automatically loses Chinese nationality," China had treated overseas Chinese as potential returnees. This warranted suspicion on the part of their host governments of the loyalties of the overseas Chinese. See Leo Suryadinata, *China and the ASEAN States: The Ethnic Chinese Dimension* (Singapore: Singapore University Press, 1985), pp. 83-88.
[6]   See Stephen Leong, "Malaysia and the People's Republic of China in the 1980s: Political Vigilance and Economic Pragmatism," *Asian Survey*, vol. 27, no. 10 (October 1987), pp. 1112-1113.

remained apprehensive about Chinese ambitions. Indeed, the fact that Kuala Lumpur did not share Bangkok's sanguinity at Beijing's recrimination and military action against Vietnam was made clear from its response to Chinese actions. In a bilateral meeting at Kuantan in May 1980 between Indonesian President Suharto and Malaysian Prime Minister Hussein Onn, the Indonesian and Malaysian governments issued a statement declaring that for Southeast Asia to be a region of peace, Vietnam must be freed from Chinese (and Soviet) influence.[7]

Conventional Wisdom on Malaysia's Post-Cold War China Policy

Most commentaries on Malaysia's post-Cold War China policy have recognized some positive change in Malaysian attitudes towards China since the beginning of the 1990s. By and large, the parlance of engagement has been the favoured characterization of the relationship today, and this perception hinges on the upturn in economic ties between both countries.[8] In explaining this logic of engagement to the US, former Malaysian Foreign Minister Abdullah Badawi commented: "Close relations and cooperation between Malaysia and China would alleviate any attempt by China to resort to military action because that would also be detrimental to China…If there is no cooperation, there is a possibility China may resort to military action (against Malaysia) or cause a conflict here because it will not lose anything. We want to create a choice (for China)."[9]

However, the prevailing viewpoint also sees that Malaysia's China policy seems to have fallen short of successful, full-fledged engagement. A central concern here is that Malaysia tacitly remains suspicious of Chinese offensive capabilities and hegemonic intentions, and as a result Kuala Lumpur's post-Cold War China policy has in effect been a dichotomous formula of apprehensive engagement.[10] For much of the period of normalized relations (since May 31, 1974), Malaysia's attempts to engage China have in fact been thwarted by much suspicion and distrust, sparked

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[7] Michael Leifer, *ASEAN and the Security of South-East Asia* (London: Routledge, 1989).
[8] See for example, Jusuf Wanandi, "ASEAN's China Strategy: Towards Deeper Engagement," *Survival*, vol. 38, no. 3 (Autumn 1996). See also "Engagement Seen as Best China Policy," *Asian Wall Street Journal*, May 15, 1995.
[9] FBIS-EAS-93-159 19 August 1993 BK1708110293.
[10] This is a recurrent theme that runs through Amitav Acharya, "Containment, Engagement or Counter-Dominance: Malaysia's Response to the Rise of China," in Johnston and Ross, eds., *Engaging China*.

by the fundamental political and strategic differences between both parties. Put differently, while economic opportunities availed themselves, they have had to be pursued with simultaneous consideration for the imperatives of security. Indeed, this has been reflected in the nomenclature chosen to describe the relationship, with terms such as "cautious interchange," "controlled relationship" and "counter-dominance" based on "hedged engagement" being used to describe Malaysia's approach to China.

Among the more rigorous espousals of this logic of caution and suspicion in Kuala Lumpur's China strategy comes in the form of Acharya's 1999 study. In his analysis, Acharya suggests that Malaysia has had difficulty fully engaging China, and that Malaysia's China policy is in fact located between engagement and containment.[11] In summary, Acharya's explanation of the nature of Malaysia's strategy and policy towards China rests on four assumptions: 1) Malaysia's perceptions of China have been, and continue to be, marked by a significant degree of uncertainty on the part of Kuala Lumpur toward Beijing's military modernization and this uncertainty has hampered the potential of bilateral relations;[12] 2) Malaysia and China have little in common in terms of their respective understandings of regional security as a result of China's intentions and behaviour;[13] 3) especially since the end of the Cold War, Malaysia has preferred to engage China through multilateral means, while China has been reluctant to be engaged through multilateral approaches, which Beijing suspects are actually balancing mechanisms;[14] and 4) Malaysia's formulation of a policy toward China is intimately linked to the racial makeup of Malaysian domestic politics, and hence the volatile nature of Malay-Chinese relations on the home front can affect and be affected by the government's policymaking on China.[15]

These four assumptions are representative of conventional interpretations of the premises of Malaysia-China relations and Kuala Lumpur's China policy. For example, Mak's explication of Malaysia's suspicion of the Chinese naval buildup and Beijing's territorial claims in the South China Sea rests on his opinion that China's naval capabilities and territorial ambitions pose serious concerns to Malaysia, and this

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[11] Ibid., p. 145.
[12] Ibid., pp. 131-132.
[13] Ibid., p. 133.
[14] Ibid., pp. 138-143.
[15] Ibid., pp. 134-135.

runs congruent with Acharya's first two assumptions.[16] Similarly, Jusuf Wanandi's proposal of a deeper ASEAN engagement of China echoes Acharya's opinions on the role of multilateral approaches to engaging China.[17] In addition, scholars have also drawn attention to the domestic dimensions of Malaysia-China relations, where Malaysia's large ethnic Chinese minority seems to always play one role or another in the determination of Kuala Lumpur's China policy.[18] Because of the pervasiveness of these assumptions, they need to be elaborated upon in greater detail and investigated.

Malaysian Perceptions of China's Increasing Military Capabilities

First and foremost, uncertainties surrounding China's ambitions and capabilities are seen to have blocked concerted attempts in Kuala Lumpur to constructively engage Beijing. A key feature of this during the Cold War years was China's reluctance to disavow support for the CPM despite repeated appeals from Malaysian leaders for Beijing to do so.[19] While Chinese leaders did attempt to placate the concerns of their counterparts in Malaysia by reiterating their stand that support of the CPM was necessary in order to prevent Soviet influence being exerted on the party and was limited only to moral support, Malaysian leaders remained unconvinced. Instead, to this, former Malaysian Foreign Minister Ghazali Shafie retorted sharply: "I would like to state very categorically…that the Chinese global position is circumscribed and should not be construed to include a role by China as the sole restraining hand for the security of Southeast Asia. I say this with the firm conviction that China has dangerous ambitions of her own in the region which she has refused to renounce."[20]

The fact that the CPM membership was largely ethnic Chinese in nature further complicated the situation, for it extended Malaysia's suspicions to the issue of China's stewardship of the overseas Chinese in Malaysia. Indeed, these suspicions were confirmed in 1984, when the Malaysian government realized that Malaysian

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[16] See J.N. Mak, "The Chinese Navy and the South China Sea: A Malaysian Assessment," *Pacific Review*, vol. 4, no. 2 (1991).

[17] See Jusuf Wanandi, "ASEAN's China Strategy: Towards Deeper Engagement," *Survival*, vol. 38, no. 3 (Autumn 1996).

[18] See for example, Kuik Cheng-Chwee, "The Essence of Hedging: Malaysia and Singapore's Response to a Rising China," *Contemporary Southeast Asia*, vol. 30, no. 2 (2008).

[19] See Stephen Leong, "Malaysia and the People's Republic of China in the 1980s: Political Vigilance and Economic Pragmatism," *Asian Survey*, vol. 27, no. 10 (October 1987).

[20] Ghazali Shafie, keynote address at the Conference on "ASEAN: Today and Tomorrow" at the Fletcher School of Law and Diplomacy, Tufts University, Boston, USA, November 11, 1981.

Chinese were permitted clandestinely to visit China with special visas issued by the Chinese government in Hong Kong, and that they were treated like returning overseas Chinese and looked after by the Commission for Overseas Chinese Affairs in China.[21]

While Malaysia's concern over China's support of the communists and stewardship of the ethnic Chinese had dissipated by the end of the Cold War,[22] the general perception of a China threat was still not abated, for it morphed into an external threat: "The Malaysian perception of China as a threat has however, over the last ten years, increasingly externalized to the point where the Chinese navy is currently considered as a serious, direct military threat in the South China Sea."[23] While the commentator might have been overly pessimistic in his swift indictment of China, his comment is nevertheless noteworthy for its interpretation of Malaysian perceptions of China in the post-Cold War era.

Malaysian security planners are seen to be particularly concerned with China's military modernization programs, and especially China's naval capabilities. Indeed, a report in the government media in 1991 saw the Chinese navy as "still a threat" to the security of the region.[24] To that end, Acharya has identified a security dilemma at work, rationalizing Malaysia's recent military modernization and buildup as a response to China's increasing capabilities.[25] The implicit assumption here then, is that the fear of China provides the raison d'être for Malaysia's military buildup as an "internal balance" against the possibility of Chinese provocation in the future.

Malaysian Perceptions of China's Intentions

A correlate of these uncertainties surrounding Malaysia's perceptions of China's military capabilities is the difference in Kuala Lumpur and Beijing policy circles regarding their respective views on the security climate of the region and their

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[21] See Leong, "Malaysia and the People's Republic of China in the 1980s," pp. 1112-1113.
[22] The end of the Cold War also marked the end of the communist insurgency in Malaysia. On December 2, 1989, CPM leader Chin Peng signed an agreement with Thai and Malaysian officials which marked the laying down of arms of the Malaysian communists. Also, in 1989, China passed the Law on Citizenship, which effectively severed China's ties with overseas Chinese.
[23] Mak, "The Chinese Navy and the South China Sea," p. 150.
[24] "China Still Seen as a Threat to Our Security," *New Straits Times*, December 7, 1991.
[25] Acharya, "Containment, Engagement, or Counter-balance," in Johnston and Ross eds., *Engaging China*, pp. 131-133.

respective strategic interests.[26] In turn, this has been presented as another problem for the strategy of engagement. With the increase in Chinese capabilities coinciding with hints of expansive Chinese territorial ambitions, these differences take on great significance.

An important dimension of these diverging interpretations of the post-Cold War regional order was evidently apparent in the early 1990s when Malaysia, a staunch proponent of Southeast Asia's neutrality and the detachment of the region from superpower politics, viewed China's intentions in the South China Sea as de-stabilizing and "very much more than settling old scores with Vietnam…its ultimate aim is to replace the US and Russia in the region."[27]

Shedding further light on this, Acharya highlights the variance between Malaysian political elites and security planners in their statements regarding China. While Malaysian politicians "downplay the potential of China as a threat to Malaysia's national security," Acharya finds that defence and security planners "are much more forthcoming" with their opinions of China.[28] According Acharya's understanding, security planners in Kuala Lumpur are suspicious of China's role and interpretation of the geopolitics and regional order of the Asia-Pacific, fearing that China's territorial claims in the South China Sea are aimed at transforming it into an "internal lake."[29] Indeed, the South China Sea seems to be the clearest evidence for Malaysian and Southeast Asian apprehension toward China's intentions. To that end, Ang Cheng Guan further noted that "the prevailing sentiment seems to be that China is 'the threat' to the status quo, peace and stability of the South China Sea region," and he justified this with a quote from Zakaria Ahmad, a Malaysian strategic analyst: "Don't forget, they (the Chinese) have a track record of using force in that part of the world."[30] Later, after the 1995 Mischief Reef incident, it was surmised that for Malaysia, "it is China

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[26] See Herbert Yee and Ian Storey eds., *The China Threat: Perceptions, Myths, and Reality* (London: RoutledgeCurzon, 2002); and Bronson Percival, *The Dragon Looks South* (Westport: Praeger Security International, 2007).

[27] "China's Strategy," *Far Eastern Economic Review*, August 13, 1992.

[28] Ibid.

[29] See B.A. Hamzah, "Jurisdictional Issues and the Conflicting Claims in the Spratlys: What Can be done in Enhancing Confidence-building Measures," paper presented at the *Workshop on Managing Potential Conflicts in the South China Sea* in Bali, January 22-24, 1990.

[30] See Ang Cheng Guan, *The South China Sea Dispute Re-visited*, IDSS Working Paper No. 4 (Singapore: Institute of Defence and Strategic Studies, 1999), p. 2. Ang quotes Zakaria Ahmad from "China's Warning on Spratlys Raises Spectre of Armed Clashes," *The Straits Times*, March 11, 1992.

which is perceived as the likely belligerent at some point in the future." [31]

Thus, the underlying issue here is that Malaysia and China have a different understanding of what the security environment of the region is like and the former views the latter as a potentially de-stabilizing force.

Multilateral vs. Bilateral Approaches to Security

A third dimension of the problem of engagement concerns the differences between Kuala Lumpur's and Beijing's views of the role of multilateral approaches to security. Acharya notes that "dealing collectively with China through regional institutions… runs parallel to Malaysia's bilateral dealings with China."[32] Underscoring Malaysia's preference for a multilateral approach toward engaging China is the logic of security in numbers. By virtue of its sheer size and the potential of its aggregated national capabilities (both military and economic), China is a looming presence for any of her neighbours in Southeast Asia. Hence, as the logic goes, a united, aggregated front through ASEAN or at the ASEAN Regional Forum toward China would provide greater leverage and generate greater benefit for Malaysia than if Malaysia was to engage China bilaterally. Furthermore, as Acharya further highlights, multilateral approaches are important to Malaysia's engagement strategy as China "may not be seriously interested in being engaged by Malaysia" on a bilateral basis.[33] In contrast to Malaysia's preferences for multilateral approaches to security, China is seen to subscribe more to bilateral approaches. This view has been put forth by Gerald Segal: "It is in China's interests to deal with its neighbours bilaterally, and to seek to reduce any efforts to 'internationalize' aspects of foreign policy that would result in more actors being capable of working together to balance China."[34] At issue here is the notion of power imbalance. Acharya suggests that successful engagement requires a certain degree of power and status equality among the respective players.[35] In

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[31] Derek Da Cunha, "Southeast Asian Perceptions of China's Future Security Role in its 'Backyard'," in Jonathan Pollack and Richard Yang eds., *In China's Shadow: Regional Perspectives on Chinese Foreign Policy and Military Development* (Washington DC: Rand Corporation, 1998), p. 116.

[32] Acharya, "Containment, Engagement, or Counter-balance," in Johnston and Ross eds., *Engaging China*, p. 138.

[33] Ibid., p. 145.

[34] Gerald Segal, "East Asia and the Constrainment of China," *International Security*, vol. 20, no. 4 (Spring 1996), p. 114.

[35] Acharya, "Containment, Engagement, or Counter-balance," in Johnston and Ross eds., *Engaging China*, p. 145.

doing so, he implicates what he sees to be Malaysia's unwillingness to engage China bilaterally for fear of being politically and diplomatically overwhelmed.

Malaysia's China Policy and the Domestic Impediments

A fourth consideration that has made the operation of Malaysia's policy of engagement toward China difficult is the relationship between formulating China policy and Malaysian domestic politics.[36] During the Cold War, the ethnic Chinese factor formed a central impediment to Malaysia's attempts at engaging China. This was because of the apparent correlation between Malaysian communism and Malaysia's Chinese community.[37] Further, China's stewardship of Malaysia's substantial ethnic Chinese population based on racial identification did not sit well with policymakers in Kuala Lumpur either. In more recent times, it has been postulated that the political and economic imbalance between the Chinese and Malay communities in Malaysia serve as new dimensions to a domestic political discourse which holds exogenous repercussions, especially with regards to Malaysia's relations with China. Here, Acharya argues that "the fear of China continues to serve as a device for shoring up Malay unity and hence a basis of regime legitimization in Malaysia."[38] Central to this argument is the supposition that any particular position on China taken in Kuala Lumpur will have racial implications that carry important domestic political consequences, and Malaysian leaders have had to be sensitive to this correlation in their formulation of foreign policy towards China.

Reappraising the Four Problems of Engagement

To varying degrees and from various angles, the four assumptions highlighted above have been viewed as stumbling blocks to the engagement of China and the improvement of bilateral ties. The result of their impact has been that Malaysia's China policy has been predicated less on the full-scale engagement of China, but

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[36] Much of the scholarship on this dimension has been limited to the Cold War period. See for example, Leo Suryadinata, *China and the ASEAN States: The Ethnic Chinese Dimension* (Singapore: Singapore University Press, 1985); and Jay Taylor, *China and Southeast Asia: Peking's relations with revolutionary movements* (New York: Praeger, 1974). Acharya tries to extend this dimension into the post-Cold War years. See Acharya, "Containment, Engagement, or Counter-balance" in Johnston and Ross eds., *Engaging China*.

[37] A large majority of the membership of the CPM were ethnic Chinese.

[38] Acharya, "Containment, Engagement, or Counter-balance" in Johnston and Ross eds., *Engaging China*, p. 134.

more on a cautious diplomatic approach which has most recently been described as "counter-dominance."[39] To that end, Acharya elaborates: "For Malaysia…the preferred way of dealing with the rise of China is to steer a middle course somewhere between containment and engagement. It implies a generally cooperative posture on the part of the weaker state toward a rising power; but is also backed up by a range of political, diplomatic (especially multilateral), and military instruments aimed at discouraging threatening policies and actions by the rising power. Moreover, such a posture requires that to the extent possible the weaker state does not take sides in the bilateral conflicts between the competing great powers unless they seriously threaten the stability of the region as a whole. It also means not providing unconditional support to either side which may encourage their unilateral and extremist behaviour. Finally, this strategy places considerable emphasis on multilateralism."[40] Before accepting this assessment however, this paper urges a reconsideration of each of the four assumptions against the empirical record in order to determine if indeed these assumptions are sound representations of the factors that influence China policy-making in Kuala Lumpur.

Assessing China's Capabilities: An Alternative Perspective on Kuala Lumpur's Response

The first problem that has impeded Malaysia's engagement strategy has been identified as the uncertainties that have resulted from China's military modernization programs. This in turn has been taken to rationalize Malaysian attempts to balance against a potential Chinese threat through an arms modernization program of their own.

No doubt, China is larger and its military power far greater in quantitative terms than Malaysia, or the rest of Southeast Asia for that matter. Consequently, considering the likely maritime nature of China's potential territorial expansion, a Malaysian naval buildup would be an obvious response and likewise a clear manifestation of Malaysia's acute threat perceptions towards China. Indeed, this is the logic that

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[39] This strategy of counter-dominance is premised on four principals: No single-power regional domination; no great power concert; the primacy of national and regional autonomy; and multilateral frameworks of engagement. See ibid., pp. 146-147.

[40] Acharya, "Containment, Engagement, or Counter-balance," in Johnston and Ross eds., *Engaging China*, p. 145.

underpins arguments presented earlier. To the extent that the Malaysian Armed Forces had indeed focused on enhancing their maritime capabilities in the early 1990s, this logic seemed to hold true. However, more recent arms procurement trends have not really reflected this wisdom.

While a naval buildup was evident in the late 1980s and early 1990s,[41] it has been scaled down recently even as tensions in the South China Sea persist.[42] For instance, by the late 1990s analysts of Malaysian defence spending have in fact noted that: "Under the 6MP (Sixth Malaysia Plan), it was clear that the RMAF and RMN benefited from increased defence spending to a far greater extent than the army. The distribution is likely to be reversed or at least become more balanced in the late 1990s."[43]

The introduction of the Seventh Malaysia Plan in 1996 saw defence expenditures focused on artillery, air-defence systems, armoured fighting platforms and logistics equipment. In other words, the army's prerogatives, not the navy's or the air force's, was given prominence in the defence budgets of the late 1990s, a period that coincided with heightened Chinese naval activity in the South China Sea. Likewise, in the Eighth Malaysia Plan (2001), acquisition was focused on Adnan Armour Vehicles, medium caliber guns, multiple launch rockets systems (MLRS), tactical bridge, and operational flight simulators. The government has thus far rationalized the purchase of most of this equipment as part of an upgrading process and to support Malaysia's heavy UN peacekeeping commitments in Namibia, Somalia, Cambodia and Bosnia. To the extent that these procurements were in fact made with a threat in mind, it would be interesting to note that the platforms that formed the focus of the latest military buildup seem more appropriate for fighting land-based threats rather than maritime threats. In essence then, Malaysia's military buildup does not seem commensurate to an acute perception of a Chinese threat. To be sure, Malaysian naval capabilities have also been upgraded over time. Nevertheless, it is also quite clear that its immediate preoccupation is less with a Chinese blue water navy than with piracy in the Malacca

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[41] See Richard Stubbs, "Malaysian Defence Policy: Strategy vs. Structure," *Contemporary Southeast Asia*, vol. 13, no. 1 (June 1991).
[42] Defence spending in general was reduced from the Sixth Malaysia Plan, even as economic growth had increased. See International Institute of Strategic Studies, *The Military Balance 1997/1998* (London: Oxford University Press, 1997), p. 168.
[43] See "Malaysia's Armed Forces in the Late 1990s: Aiming for Credible Conventional Capability," *Asian Defence Journal*, April 1996.

Straits and the threat, however remote, of maritime terrorism. In any case, akin to Khong Yuen Foong's analysis of Singapore's defence capabilities vis-à-vis China, however strong Malaysia's defence posture, it is not likely to be an effective deterrent against China if undertaken unilaterally. Khong hints that in Singapore's case, the deterrent against China will most likely be undertaken multilaterally with the US-Japan Alliance, and possibly even ASEAN.[44] In Malaysia's case however, there is significantly less evidence of the potential practice of such "external balancing" postures to deter China; nor are there clear "allies" to which the Malaysians can turn to if such an approach was taken.

Malaysia has not partaken in any military alliance. Furthermore, Malaysia had in fact opposed the relocation of American military bases in the region after the US departure from the Philippines, and remains the most vocal critic of the US forward presence in Southeast Asia. While the US is the most obvious "balancer" for many Southeast Asian countries where China is concerned, Malaysian leaders have instead taken the view that the US is no greater a threat than China. Before one assumes that these claims of a US "threat" are made merely for domestic consumption, one should take into account the fact that this "threat" perception has been heightened with recent developments in American policy with the Bush administration's tendencies towards pre-emption. Moreover, while Malaysia is a member of the Five-Power Defence Arrangement, thought by some to be applicable in confronting a potential China threat, the grouping is not a binding military alliance and does not guarantee Malaysia assistance in times of crisis. In addition, Malaysia also has border disputes with several of its neighbours. Unlike China, however, where the potential for conflict might only be aggravated by factors relating to geographic proximity, Malaysia's sometimes turbulent relations with several of its Southeast Asian neighbours carry a great deal of historical baggage, and hence the animosity is likely to be more deep-seated and differences harder to resolve.

In sum, the causal link between the Malaysian Armed Forces' modernization drive and Malaysian threat perceptions of China are neither clear nor decisive, and the link between the armed forces buildups of the Malaysian Armed Forces and the

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[44] Khong Yuen Foong, "Singapore: A Time for Engagement," in Johnston and Ross eds., *Engaging China*, p. 111.

People's Liberation Army cannot be conclusively inferred. Essentially then, there is no indication that China's military buildup has adversely affected Malaysia's policy of engagement.

The Uncertainty of China Intentions – Kuala Lumpur's Response

Another issue that has been raised on a regular basis, not just for studies of Malaysia-China relations, but Chinese relations with Southeast Asia in general, is the issue of China's intentions toward the region and all the constituent uncertainties that flow from it.

Indeed, during the Cold War years, the issue of China's intentions was a primary concern for Malaysian security planners. Beijing's persistence in maintaining ties with the communist movement in Malaysia was a fundamental barrier for bilateral relations, and viewed as a clear threat by Malaysia. To that end, Ghazali Shafie provided some insight into the preoccupation among Malaysian security planners regarding the China threat of the Cold War years, and in the process painted a clear picture of how Malaysian security planners had envisaged this Chinese threat taking shape:

Should China, for example, in a conflict scenario with Japan, find that the declared policy of Malaysia was neutral, China might surmise, because of big Japanese investments, Malaysia was in fact siding with Japan. In such circumstances, China may be tempted through her International Liaison Department, a wing of the COC, to revive subversive activities in Malaysia using the CPM.[45]

With the end of the Cold War and the dissolution of the CPM in December 1989, it has been argued that the China factor has transformed into an exogenous security issue for Malaysia. Here, the South China Sea has consistently been taken to be the testing ground for the ongoing polemic on China's capabilities and intentions, and Malaysian policy-makers themselves have admitted that the South China Sea is a potential cause for the breakdown of regional order.[46]

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[45] Ghazali Shafie, speech entitled "Formation and Future Development of ASEAN," delivered at the French Institute for International Relations Seminar, Paris, October 20, 1992. See *Foreign Affairs Malaysia*, vol. 25, no. 4, December 1992, pp. 21-27.
[46] See "Prelude to Disaster," *Business Times Malaysia*, November 2, 1999.

Though a discernible shift from the hawkish positions of the Cold War era, Malaysia's China policy in the early 1990s has admittedly been ambiguous owing to the inability to convincingly identify and codify aggressive Chinese intentions. This situation has been further obscured by the fact that the post-Cold War world remained a fluid and uncertain political environment, especially in East Asia. Yet while Malaysia's security priorities in the South China Sea may have become a priority in 1990, the multiple number of claimants and the general complexity of the South China Sea geopolitical dynamics means that one should be cautious about inferring from this that Malaysia is unequivocally concerned about China.

To be sure, it should come as no surprise that Malaysian policy makers factor China into their security policy equation. China is, after all, an emergent power which regional states have to learn to live with. That said, the extent to which China is considered a threat, and a greater one compared to Malaysia's other neighbours, however, is something that as yet cannot be convincingly confirmed. This is true as much for Malaysian policy-makers themselves as it is for analysts of Malaysian security policy, and this certainly accounts for much of the ambiguity that Malaysia and many Asian states in general encounter in their formulation of security policies. The politics of the South China Sea clearly illustrate this ambiguity.

Some observers have suggested that China's claims in the South China Sea were indicative of Beijing's "long term goal of being a regional power."[47] In addition to that, it is clear that China has evoked the greatest amount of suspicion among the claimants to the South China Sea islands. Curiously enough, this suspicion does not take into account the fact that apart from Brunei, Beijing was the last of the claimants to have established a physical presence in any of the disputed islands. Neither has much consideration been given to the possibility that South China Sea tensions can and in fact have on numerous occasions arisen from incidents which have not directly involved China.[48] Most of these have gone unreported, possibly at least in part because they did not involve China!

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[47] Wayne Bert, "Chinese Policies and US Interests in Southeast Asia," *Asian Survey*, vol. 33, no. 3 (March 1993), p. 327.
[48] For example, more recent incidences involving Vietnam's firing at Philippine reconnaissance planes, and the alleged stand-off between Malaysian and Philippine aircraft over Investigator Shoal.

Moreover, while China has no doubt developed a track record of aggression in the South China Sea, Chinese aggression has so far only been targeted at Vietnam, with which China has a long track record of animosity as a result of a difficult history. As for Malaysia, it must be recognized that China's response to Kuala Lumpur's counter claims have been much more benign.

When the Vietnamese Army chief of staff and vice president of the Council of State made inspection tours of the Vietnamese-held Spratlys in May 1989, Beijing sternly condemned this "flagrant provocation" of China's territorial integrity. However, it remained silent over the visit to the Malaysian-occupied atoll of Terumbu Layang-Layang by Malaysia's Sultan Azlan Shah and Queen Bainun in May 1992. China had launched a strong protest against Vietnam's "illegal" construction of a "Science, Technology and Economic Zone" on some Spratly islands and reefs in mid-1989, but when Malaysia started to develop Terumbu Layang-Layang into a tourist resort in 1991…China's reaction was conspicuously moderate.[49] Furthermore, in a leaked confidential speech to the PLA general staff, President Yang Shangkun stated that China was prepared to use military means to settle its South China Sea disputes with Vietnam. No mention of other claimants was made in the text.[50]

On their part, Malaysian leaders, at least in declaratory terms, have openly denied that China is a threat. More interestingly, they have often come to Beijing's defence repeatedly by arguing that China had never made incursions into foreign soil. Reflecting this, Mahathir commented in 1994 that "…historically China has not exhibited any consistent policy of territorial acquisitiveness…full invasion and colonisation has not been a feature of Chinese history."[51] This sentiment is particularly interesting in the overall context of the historical evolution of Malaysia's China policy, for it was only in 1984 that Malaysian policy makers warned that a strong China could well "*revert*" to hegemonic policies, a move which, "*from a historical perspective*," was a concern

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[49] See Chen Jie, "China's Spratly Policy – With Special Reference to the Philippines and Malaysia," *Asian Survey*, vol. 34, no. 10 (October 1994), p. 901.
[50] See "Reports Show China To Develop Strong Navy," *Periscope Daily Defense News Capsules United Communications Group*, December 16, 1992.
[51] See, for example, Mahathir Mohamad's speech entitled "The 1994 China Summit Meeting," Beijing, May 11, 1994, paragraphs 48 and 49.

for Southeast Asia.[52] Clearly, Kuala Lumpur's threat perceptions toward Beijing have changed.

Responding to a question on China's intentions in the Spratly Islands, Syed Hamid, in his capacity as Defence Minister in 1996, has observed: "China's claims in the South China Sea have been looked upon by extra-regional powers as the greatest destabilizing factor in Southeast Asia and have provided the seemingly irrefutable evidence for their China threat theory. But we in Southeast Asia generally feel that China has so far been a sober and responsible regional player. Its advocacy of joint exploitation of South China Sea resources with other regional states and its recent indication of readiness to abide by the international law in resolving the Spratlys issue have made us feel that it wants to co-exist in peace with its neighbours."[53]

Of course, it is possible for one to attribute such comments from Malaysian leaders to diplomatic rhetoric. Yet even so, one should keep in mind that traditionally, Malaysian leaders such as Tunku Abdul Rahman, Ghazali Shafie and Mahathir Mohamad have had no qualms publicly criticizing China and labeling it a "threat" if indeed their perceptions of China led them to such conclusions.[54] Indeed, in his early tenure, Mahathir was a firm believer in the China threat theory, and often made this known publicly. To the extent that this is true, such statements could be more telling than they are given credit for, and might yet provide further insight into Malaysian attitudes toward China.

Of further interest is the fact that opinions of forthcoming Malaysian analysts themselves seem to have shifted since the mid-1990s. J.N Mak noted in 1991 that "no matter what twists and turns Sino-Malaysian relations may take, it can be argued that Malaysia has, and will in the foreseeable future, regard China as its greatest threat in

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[52] "Malaysia, Seeing a Threat, Urges US to Stop Building Up Power of China," *New York Times*, July 10, 1984.
[53] "The ADJ Interview: Dato Syed Hamid Albar, Malaysia's Defence Minister," *Asian Defence Journal*, April 1996.
[54] For example, throughout much of the 1980s, Mahathir Mohamad was adamant that China's intervention into the Cambodian crisis by invading Vietnam was a clear signal that China was a threat to the region. See "Malaysians Depict China as a Threat," *New York Times*, August 23, 1981. See also "Threat? What Threat? Mahathir Causes Diplomatic Stir by Implying that Vietnam is not the Biggest Danger to ASEAN," *Far Eastern Economic Review*, August 21, 1981.

one form or another."[55] By 1996, Mak and B.A Hamzah had somewhat conceded to a Malaysian strategic volte face vis-à-vis China when they acknowledged that "China is no longer regarded as a direct and immediate threat."[56]

Rather than glaring differences in the points of view on regional security in Kuala Lumpur and Beijing, what seems to be emerging is, in fact, evidence of convergence. Malaysia has consistently supported China's proposals for joint development in the South China Sea, and both have acceded to the ASEAN Declaration of the South China Sea. Likewise, after initially reacting nonchalantly to a proposed code of conduct for the South China Sea, both parties subsequently agreed to adopt an open approach to the code, which subsequently resulted in the signing of the South China Sea Declaration in 2002.[57] On broader issues pertaining to the region's security architecture, both have criticized the hegemonic aspects of American involvement in the region.

Multilateralism in Malaysia-China Relations: Malaysia's Preferred Mode of Engagement?

Acharya has identified a problem for Malaysia's engagement strategy toward China stemming from the fact that Malaysia's preference for a multilateral approaches does not sit well with China, which prefers to conduct relations through bilateral channels.[58] Implicit in Acharya's position is the assumption that Malaysia and China have taken divergent positions on multilateralism. However, a close investigation into Malaysia's practice of multilateralism will lead one to less sanguine conclusions about Malaysia's preference for multilateral approaches in general, and with regard to relations with China in particular. Malaysia has in fact often chosen bilateral modes of engagement with China. In fact, Prime Minister Mahathir has gone on record with his preference for bilateral approaches to foreign policy dealings, opining that this

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[55] Mak, "The Chinese Navy and the South China Sea," p. 150.

[56] J.N. Mak and B.A. Hamzah, "The External Maritime Dimensions of ASEAN Security," in Desmond Ball ed., *The Transformation of Security in the Asia-Pacific Region* (London: Frank Cass, 1996), p. 128. Mak and Hamzah were quick to add that China remains a factor in regional security, a fact that this author does not dispute.

[57] See "Malaysia-China Accord on Key Issues," *New Straits Times*, August 19, 1999; and Ralf Emmers, "ASEAN, China, and the South China Sea: An Opportunity Missed," *IDSS Commentaries*, November 2002.

[58] See Acharya "Containment, Engagement, or Counter-balance," in Johnston and Ross eds., *Engaging China*, pp. 138-143.

"allowed for greater intimacy, understanding and results than multilateral relations." [59]

It is by now common knowledge that Malaysia, especially during the Mahathir administration, has always tried to blaze an independent foreign policy path. A significant dimension of this style of Malaysian foreign policy has been Malaysia's willingness to put national interests above those of multilateral organizations. This is hardly a novel approach to foreign policy making, and is so especially when the objectives of multilateralism are in opposition to Malaysian national interests as defined by its leaders. The fact that Malaysia is a member of a large number of multilateral organizations cannot be denied. In fact, it is among the most active Third World members in the United Nations. That having been said, Kuala Lumpur's participation in these multilateral bodies has never been at the expense of national interest. When national and institutional interests clash, Kuala Lumpur's policymakers have not hesitated to scale down their support of institutions, if not abandon them altogether. One needs only to look at Malaysia's participation in APEC and the Commonwealth to find evidence of this. Certainly, Malaysian leaders have had no qualms publicly criticizing multilateral organizations of which they are members to. The boycott of meetings and outright withdrawal from organizations has also become central to the practice of Malaysian multilateral diplomacy.

Malaysian opinions of the utility of multilateral frameworks with regard to their strategy of engaging China can further be inferred from their dealings with China over the South China Sea. Indeed, the South China Sea dispute is a good test case for Malaysia's genuine attitudes toward multilateralism, as it presents a scenario in which the fundamental Malaysian interests of sovereignty are involved, and where the potential adversary of greater strength may well be.

Previously, Malaysia did seem to subscribe to the multilateral approach toward engaging China on this matter. In 1995, when China was discovered to be building structures on Mischief Reef, Malaysia's immediate response was to partake in the consolidated concern expressed by ASEAN. Reflecting Malaysian views at that time, the late Noordin Sopiee, former Director-General of the government-linked Institute of Strategic and International Studies (ISIS) in Kuala Lumpur, acknowledged that

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[59]   As cited in Shanti Nair, *Islam in Malaysian Foreign Policy* (London: Routledge, 1997), p. 95.

the February 1995 discovery of Chinese structures on Mischief Reef "had a very substantial impact on how we (ASEAN) look at China."[60] Subsequently, ASEAN's collective response calling for restraint was seen by Jawhar Hassan as "a collective response which in no uncertain terms will register with China that there are certain rules of the game."[61] In hindsight however, it has become evident that this may well have been more a knee-jerk reaction to the suddenness of the Mischief Reef incident rather than the crystallization of a united ASEAN stand in response to China.[62] The fact that China's move in regards to Mischief Reef caught Malaysia and the rest of ASEAN by surprise explains the alarmist response in Kuala Lumpur and capitals throughout Southeast Asia. Since the Mischief Reef incident however, it has become clear that the various members of ASEAN have different opinions as to how to confront China on the South China Sea issue. Some like the Philippines call for ASEAN to take a more pro-active position on China, whereas other non-claimant countries prefer to take a lower profiled and more cautious approach. As for Malaysia, they have since the Mischief Reef episode shown signs that they intend to "go-it-alone" in engaging China. As a result, subsequent Chinese activities in the area have not sparked any kind of concordant response from ASEAN reminiscent of 1995.

Malaysia has clearly preferred and pursued bilateral engagement of China in general, and on the South China Sea in particular, even as they continue paying lip service to the cause of multilateralism.[63] At track two (non-governmental) level discussions on the South China Sea, Malaysian representatives have regularly stonewalled multilateral initiatives. At the track one (official governmental) level, Malaysia has recently openly rejected the multilateral approach to the issue. At the 1999 ASEAN Ministerial Meeting in Singapore, Malaysian Foreign Minister Syed Hamid Albar, in a move that surprised many, categorically rejected Filipino requests to discuss recent South China Sea issues at the ASEAN Regional Forum (a regional security dialogue set up precisely to deal with security issues such as South China Sea contingencies),

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60 "ASEAN Taking a More Active Role in Spratlys Dispute," *The Straits Times*, April 8, 1995.
61 "Neighbors Challenge Beijing's Claim – ASEAN Presents a United Front to China in Ocean Boundaries Dispute," *Asian Wall Street Journal*, April 17, 1995.
62 To substantiate this, one needs only to look at the number of intra-ASEAN disturbances that have occurred over the Spratlys since 1995.
63 See for example, Rajmah Hussain, "A Southeast Asian Perspective: View from Malaysia," in Michael Everett and Mary Sommerville eds., *Multilateral Activities in Southeast Asia* (Washington, DC: National Defense University Press, 1995), pp. 53-62.

opining instead that it was "a bilateral issue to be discussed bilaterally."[64] In doing so, Syed Hamid had echoed a statement made earlier by the Chinese, that "the South China Sea issue should be settled through bilateral negotiations…It would only make a bilateral issue of dispute more complicated if the issue is internationalized. Therefore, China holds that the ARF is not an appropriate occasion to discuss the South China Sea issue."[65] Much in the same vein, Kuala Lumpur's subsequent lukewarm response to a proposed code of conduct for the South China Sea mirrored Malaysian attitudes toward China.[66] Malaysia's nonchalant attitude toward ASEAN and the ARF on this matter was not lost to fellow ASEAN members, especially the Philippines, whose Foreign Secretary Domingo Siazon disclosed that "among the ASEAN members, it is really just Malaysia now that has some second thoughts."[67]

This difference of opinion between two of ASEAN's founding members carried important implications. First, Syed Hamid's response was nothing less than an echo of China's long-held preference for bilateral approaches to the South China Sea problem. Second, Malaysia's response was also a conspicuous contradiction of ASEAN's common stand on the importance of multilateral dialogue with China. Third, in making this statement, Syed Hamid had in fact publicly slighted a fellow ASEAN member, an act that was uncharacteristic of ASEAN-style diplomacy. Indeed, this entire episode has led many observers, including those from within ASEAN, to speculate that Malaysia and China were "cutting a deal."[68]

Domestic Determinants of Malaysia's China Policy

Domestic politics often play a vital role in determining Malaysian foreign policy. In view of this, scholars are right to identify the strong influence of domestic concerns on the conduct of foreign policy in Malaysia.[69] That having been said however, testing the domestic politics hypothesis requires careful historical interpretation.

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[64] "Hamid: Spratlys Issue not for ARF Discussion," *New Straits Times*, July 23, 1999.
[65] FBIS-CHI-1999-0715 15 July 1999 OW1507143899.
[66] See "Regional Code of Conduct now Referred to Working Group," *New Straits Times*, July 21, 1999.
[67] FBIS-EAS-1999-0723 23 July 1999 BK2307075799.
[68] SWB/FE/3594/B/5 22 July 1999. See also "ASEAN Security Forum Support Talks on Spratlys Row," *Businessworld*, July 23, 1999.
[69] See Johan Saravanamuttu, *The Dilemma of Independence: Two Decades of Malaysia's Foreign Policy, 1957-1977* (Penang: Penerbit Universiti Sains Malaysia, 1983).

Traditionally, the domestic influence on Malaysian foreign policy towards China was shaped by strong ideological and communal imperatives, owing to the fact that the Malaysian government's main security concern stemmed from local communist insurgencies and racial tensions between the Chinese and Malay communities. To the extent that the China factor did influence both issues, formulating China policy in Kuala Lumpur was strongly linked to domestic imperatives. Hence, for example, there has been little doubt that in 1974, Tun Abdul Razak's visit to China was pivotal to his coalition's ability to win over the Chinese vote in elections held later that year. [70]

With 1974 clearly in mind, observers have been quick to draw connections between ministerial visits to China and domestic political objective. For instance, Mahathir Mohamad's visit to China in 1999 was equated to that of Tun Razak's, speculating that a strong domestic political impetus lay behind this visit. These observers note that Mahathir's trip was "a political mission aimed at a domestic constituency."[71] There are, however, several fundamental differences between the two episodes, and the many others that followed, which are worthy of attention, for they raise doubts as to the particular relationship between China policy and communal politics in Malaysia.

First and foremost, one must realize that the Malaysian Chinese electorate of today is different from that of the 1970s. Malaysia's Chinese population today is more aware and confident of their status as Malaysian citizens, and the primordial links with the homeland feature little, if at all, to them.[72] Rather, it should be recognized that that "sort of political appeal to ethnic interests may have become outdated. Since the 1970s, the attachment of Malaysian-Chinese to their ancestral homeland has waned: Many older Chinese have visited China as tourists, while many younger Chinese have studied in the West. For younger Chinese, China is no longer a political question. Younger Chinese view themselves as more Malaysian than Chinese."[73]

Second, Beijing itself has since 1989 sought to severe its own ties with the overseas

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[70] As the Chinese vote was of great significance in localities such as Penang, Terengganu, Selangor and Perak, the visit was seen to have contributed to the resounding success of the National Front in that election.

[71] "Playing the Chinese card," *Far Eastern Economic Review*, August 26, 1999.

[72] In fact, one could even suggest that communal ties with the Chinese in Singapore are stronger than those with China.

[73] *Far Eastern Economic Review*, August 26, 1999.

Chinese communities of Southeast Asia. By 1990, the dissipation of communist insurgency and Beijing's formulation in 1989 of the Law on Citizenship, which saw the Chinese government relinquish authority over Southeast Asia's Chinese and finally revoke their citizenship, effectively cut the umbilical cord between Beijing and its overseas Chinese diaspora.

In 1990, then Prime Minister Mahathir was given a mandate to introduce not only several years of phenomenal economic growth, but also a nationalist project to create a new Malaysian polity and identity (popularly known as Vision 2020). This nationalist project was targeted at breaking Malaysia away not only from the legacy of colonialism (which Mahathir believed had impoverished Malaysia), but also communalism (which has always been a central feature of Malaysian politics).

Whether or not Mahathir's nationalist project has succeeded, or whether it has survived his departure from the premiership, is a subject for another study and cannot be taken up here. Nevertheless, for the purposes of this paper, the key point to note here is that these changes in Malaysia's domestic socio-political contours point to the fact that the ideological and communal imperatives of the past have given way to nationalistic imperatives. Hence, the argument that the domestic determinants of foreign policy today still stem from either communal or ideological bases, where "the fear of China continues to serve as a device of shoring up Malay unity and hence as a basis for regime legitimization in Malaysia" is misplaced.[74] Even as communalism arguably still features in varying degrees in Malaysia's domestic socio-political polemic, the fundamental basis for the domestic impetus of foreign policy formulation is no longer communalism, it is nationalism. Hence, in extending this logic, to the degree that Malaysia's nationalist rhetoric is anti-West and seeks to plot out a national identity which stands antagonistic to Western social and moral values, such domestic objectives would in fact benefit from the engagement of China, which shares much of the same nationalist visions. In other words, nationalistic and domestic political concerns may well encourage more activism, not restraint, in Malaysia's engagement of China.[75]

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[74] See Acharya "Containment, Engagement, or Counter-balance," in Johnston and Ross eds., *Engaging China*, p. 134.

[75] This case is similar to Kuik's suggestion that it is regime legitimization, not from a communal perspective but from a nationalist perspective, that functions as the domestic political impetus to China policy. See Kuik, "The Essence of Hedging."

The above discussion has enunciated four key assumptions which appear to inform conventional understandings of Malaysia's China policy premised on what Acharya terms "counter-dominance." In the main, these assumptions have been identified as conceptually and empirically flawed, and have led to mistaken conclusions that Malaysia "feared" China and hence has been cautious to "hedge" their engagement policy.

Explaining Malaysia's Post-Cold War China Policy

The track record of Malaysia's post-Cold War China policy indicates that rather than responding to a rising China with heightened caution and hence hedged engagement, Malaysia has gradually reacted more to the opportunities that a rising China offers, and this has resulted in a more active, not less active, engagement strategy. To that extent, Malaysia's relations with China in the post-Cold War can better be explained by virtue of a gravitation of policy towards Beijing that is underscored by following assumptions: (1) The strategic environment of Southeast Asia is relatively stable, and there is no convincing evidence that China is an immediate threat; (2) Malaysia's recent policies toward China have been premised on extracting material and ideational gains from a major power; (3) The policy is also based on a strong identification on international affairs between leaders in Kuala Lumpur and Beijing; and (4) Malaysia's active and successful engagement of China supports its domestic political and nationalistic aims.

This paper argues that the exploration of Malaysia's post-Cold War China policy along the parameters of these four assumptions better illustrate the realities of this bilateral relationship.

Regional Stability and Threat Perception

This first assumption sets the conditions for improved bilateral relations. The problems arising from caricatures of a China "threat" have already been discussed at length earlier. Indeed, the so-called China "threat" remains a topic of intense debate among scholars of international relations; even if China is portrayed as a likely threat, to what extent it is a greater threat for Malaysia than Singapore, Indonesia or the Philippines (all of whom Malaysia has long-standing disputes with, but nevertheless are fellow ASEAN members) is another issue that further clouds the place of China in

Malaysian scenario-planning. What is clear nonetheless, is that it is not the constraints of crisis that inspires contemporary China policy-making in Malaysia. Malaysia is not faced with an impending conflict with China. In fact, one could argue that Kuala Lumpur's pursuit of closer relations with Beijing is taking place in a relatively benign strategic environment in Southeast Asia (compared to the turbulent Cold War years). While South China Sea tensions may be highlighted as an area of concern, these tensions are far from crisis levels and have been attenuated recently with various bilateral agreements for joint exploration, most notably between the Philippines, Vietnam, and China.

Further attesting to this is the fact that declaratory remarks on Malaysian perceptions of Chinese intentions and capabilities have changed markedly since the mid-1990s. While Malaysian policy makers were still apprehensive toward China in the immediate aftermath of the Cold War, after several years, it has become evident that these policy-makers in Kuala Lumpur are beginning to favour viewing China through more benign strategic lenses.[76] Most recently, the Abdullah administration in Malaysia openly criticized attempts by the US and Japan during their US-Japan Security Consultative Committee meeting in February 2005 to portray China as a growing military power with threat potential.[77] Abdullah has been equally categorical, perhaps more so than even his predecessor, Mahathir Mohamad, in his dismissal of the China threat theory. Consider, for instance, his remarks made at the opening of the Asia-Pacific Roundtable in Kuala Lumpur in June 2005, where it was reported that "Badawi declared that China has no hegemonic ambitions and had 'never been openly declared [by the region] as a military threat or potential threat'. Badawi also labelled security and defence alliances in the Asia Pacific region as both 'unnecessary' and 'destabilizing'. To him, the present and future China is and will be 'a force for peace and stability'."[78]

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[76]   See the earlier discussion in the section titled "The Uncertainty of China Intentions – Kuala Lumpur's Response."

[77]   "Badawi Raps US-Japan View of China as a Threat," *China Daily*, June 2, 2005.

[78]   Lam Peng Er and Lim Tin Seng, *Malaysia's "Look East" Policy: Tilting from Japan to China? EAI Background Brief No. 302* (Singapore: East Asian Institute, National University of Singapore, 2006), p. 5.

Material Rewards and Bilateral Relations

Moving on to the second assumption, a profit-seeking dimension clearly drives Malaysia's policy towards China. Evidence of this can be found, among other things, in Malaysia's approach to the South China Sea issue. With China insisting on its unquestioned sovereignty over the Spratly Islands, Malaysian policy makers are keenly aware of the fact that only three options exist for them as far as their interests in the Spratlys are concerned; they can either abandon their claims, prepare to fight the Chinese (either unilaterally or multilaterally) politically, diplomatically and militarily should the latter chose to press their claims, or align themselves with Beijing in the hope that the latter will be less adamant about its claims in future.

For reasons of sovereignty and national pride, the first option, Kuala Lumpur's abandonment of their claims, is not likely to materialize. As far as the second option is concerned, the chances of accruing political and/or military success from a confrontation with China are also slim. Recent tensions in the South China Sea have uncovered as many fractures in ASEAN as they have inspired a congruence of strategic objectives. Furthermore, with some ASEAN members themselves involved as counter-claimants, the chances of a united ASEAN bringing any significant political weight to bear against China on the issue is highly unlikely. This has been demonstrated in the much-diluted South China Sea Declaration of 2002. Much in the same vein, without the patronage of a major power, the potential of a successful collective ASEAN military response in the event of Chinese aggression is also remote at best. Even then, such conjuncture pre-supposes that ASEAN would be able to come together as a military alliance in the first place. That itself is also a highly unlikely proposition. Simply put then, and in view of China's unwavering claims of ownership to the islands, should China decide to pursue their claims militarily, the option of military or political confrontation would likely entail substantial costs for Kuala Lumpur, probably more than it can, or is willing to, bear.

In view of such circumstances, the prudent option for Malaysia's interests may well be to draw closer to China now, when the opportunity avails, and the major power bandwagon is still responsive. Indeed, Malaysia's most recent reactions to the developments in the South China Sea seem to indicate that that is precisely the strategy Kuala Lumpur is pursuing vis-à-vis China. Malaysia has chosen bilateral dialogue as the basis of its South China Sea dealings with China, in full realization

that this may well be a better means of securing Malaysian interests.

Of course, the incentives of an improved bilateral relationship are not confined merely to the hope of securing its interests in the South China Sea and minimizing Chinese opposition. There are also economic and political benefits that Malaysia can accrue from such a strategy. Malaysia saw the rise of China and the attendant economic potential as an important consideration towards its recalibration of foreign policy in the post-Cold War era. Economic cooperation between the two countries grew significantly during this period. For instance, Malaysia's trade with China from 1990 to 1998 alone surged by 369%.[79] Dr. Mahathir's visit to China in August 1999 further strengthened trade relations between the two countries when China signed a Memorandum of Understanding in which it committed investments into a pulp and paper plant in Sabah, the cost of which was 1 billion US dollars.[80]

An important dimension in economic cooperation between Beijing and Kuala Lumpur has been the formation of the East Asia Economic Caucus (EAEC), an initiative that also belied major improvements in political ties. The EAEC proposal, introduced by Dr. Mahathir in 1990 on the occasion of Premier Li Peng's visit to Malaysia, stemmed from Malaysia's belief that the organization could act as a counter to the Asia-Pacific Economic Cooperation (APEC), which Mahathir feared would be dominated by the US Mahathir's enunciation of his EAEC proposal came at a time when China was harboring its own reservations about APEC.[81] Furthermore, Mahathir's choice of Li Peng's visit as a platform for announcing the EAEC was curious given his earlier assertions that Japan should assume leadership of the organization. In response to the initiative, Chinese President Yang Shangkun declared in 1992 that it (EAEC) was "of positive significance for the promotion of regional economic development."[82] Chinese and Malaysian congruence on the EAEC stemmed from a number of other factors. First, a central motivation behind Mahathir's proposal and China's support

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[79] *Business Times Malaysia*, August 23, 1999.
[80] Cited in Joseph Liow's "Strategic and Security Patterns in Malaysian's Relations with China," in Ho Khai Leong and Samuel C.Y. Ku. *China and Southeast Asia: Global Challenges and Regional Challenges* (Singapore: ISEAS, 2005), p. 288.
[81] APEC was then discussing the admission of Hong Kong and Taiwan together with China as part of a "Three China" policy. See Yoichi Funabashi, *Asia-Pacific Fusion: Japan's Role in APEC* (Washington DC: Peterson Institute for International Economics, 1995), pp. 73-76.
[82] "Chinese President Yang Says EAEC Will Benefit Region," *Japan Economic Newswire*, January 11, 1992.

was both parties' desire to plot out a regional economic agenda that was independent of American influence. Second, both Kuala Lumpur and Beijing were of the opinion that APEC, which was East Asia's alternative economic integration model, was moving at a pace faster than they were comfortable with.[83]

China is currently Malaysia's fourth largest trading partner, and according to some sources bilateral trade between Malaysia and China is expected to hit the 50 billion US dollar target within the next five to 10 years. Trade between Malaysia and China has been growing by 15 per cent to 30 billion US dollars by the end of 2005 from 26 billion US dollars in 2004.[84] Tourism has also expanded significantly between China and Malaysia and the number of Chinese tourists visiting Malaysia has increased steadily.[85] Just as Dr. Mahathir did before him, current Prime Minister Abdullah Badawi has corralled Beijing's backing for its latest attempts at institutionalising Asian regionalism; the East Asian Summit (EAS). In pushing for the EAS, Malaysia supported China's position that it should be confined to the states currently participating in the ASEAN+3 dialogue process, that is, the ten states of ASEAN together with China, Japan and South Korea. Tellingly, Kuala Lumpur's move to align with Beijing on the constellation of the EAS spoke to the significance of Beijing's voice on matters of regional diplomacy, and was a marked departure from the earlier inception of the EAEC, where Malaysia had championed Japanese leadership of regional trade institutions.

Bilateral Relations and Convergences of Strategic Outlook

An impetus in Malaysia's attempts to build strong ties with China is its shared perspective on the nature and trajectory of the current international order. The unipolar world that has emerged from the rubble of the Cold War pushed Malaysia and China closer. The US penchant for linking foreign relations to human rights, democracy and environmental issues irked the Mahathir administration profusely. To counter the influence of the US in the region, Malaysia advocated strongly for China to be included as an ASEAN dialogue partner in 1994. At the same time, Malaysia

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[83] The pace of liberalization being pushed by the US through APEC would make heavy demands on the economies of Malaysia and China, both of which had adopted state-driven corporatist models in plotting national development.
[84] "Malaysia-China Trade on Track to Hit Target," *Business Times*, May 25, 2005.
[85] Yow Cheun Hoe, "China-Malaysia Relations: Expanding Common Interests," September 9, 2004, EAI Background Brief, p. 6.

also encouraged the integration of China into the ARF, which would have the double effect of forcing China to work within the prevailing framework while at the same time countering the hegemony of the US in the region. Chinese leaders, in turn, voiced support for Mahathir's attacks on international financial circles that Mahathir blamed for the Asian Financial Crisis. During Premier Li Peng's visit to Malaysia in September 1997, Li and Mahathir further articulated a joint vision for other centres of power to emerge in Europe and Asia to balance US predominance.

Indeed, the worldviews of both Malaysian and Chinese leaders are becoming increasingly convergent. Mahathir's government has consistently sought to challenge the prevailing Western-dominated international political and economic orders. This position was continued under the Abdullah Badawi administration against the backdrop of America's ill-defined "global war on terror," which was met with deep reservations in Kuala Lumpur circles. The fact that China shared many of these reservations which have facilitated a close relationship with China based on this shared opposition to the current international order is an appealing proposition for Malaysia. Indeed, the words and deeds of Malaysian leaders indicate their alertness to the utility of courting China for such purposes. While in 1985, Prime Minister Mahathir spoke of how "much more needs to be done before common ground is reached (on issues of common concern)," in 1990, he stated candidly that "mutual confidence and trust," terms never before used to describe Malaysia's relations with China, had enabled both countries to take a "common stand" on a host of multilateral and bilateral issues.[86] Lending further substance to these institutions, the leaders of both countries have also substantially increased the number of high-level contacts in the post-Cold War period.

Through these bilateral linkages, both parties further refined their support for each other's international political initiatives such as Malaysia's proposal to establish an EAEC, China's entry into the WTO, the creation of a new international financial order and collective proposals for the restructuring of the UN Security Council. This agenda against the prevailing order became acute during the regional financial crisis

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[86] For his 1985 comment, see Mahathir Mohamad, speech entitled "The Return Banquet in Honour of H.E. Premier Zhou Ziyang," Beijing, November 22, 1985. For his 1990 comment, see Mahathir Mohamad, speech entitled "Majlis Makan Malam Meraikan Tuan Yang Terutama Li Peng, Perdana Menteri Republik Rakyat China," Kuala Lumpur, December 10, 1990.

of 1997-1998, which brought Malaysia's economy to a standstill and constituted a fundamental threat to the economic security of the nation. To that effect, Mahathir Mohamad had been appreciative of China's unilateral decision not to devalue the renminbi, whilst being highly critical of the US and Europe's reluctance to assist the stricken Asian economies and their continued nonchalance toward the activities of their hedge fund traders. In a move with symbolic undertones, Chinese President Jiang Zemin met with Mahathir Mohamad on the sidelines of the 1998 APEC Summit in Kuala Lumpur, after the latter was snubbed by the leaders of the US, Canada and Australia.[87]

China Policy and Malaysian Domestic Politics

This assumption argues that there is a strong domestic political impetus behind Malaysia's move to improve relations with China. To the extent that Malaysian leaders have defined Malaysian national identity on self-reliance and ability to take an active role in a Western-dominated international political stage, an improving relationship with China can accrue political "points" on the home front.[88]

The historical record further sheds light on this. In 1974, upon returning to Kuala Lumpur after his monumental visit to Beijing, Prime Minister Tun Abdul Razak related Malaysia's normalization of ties with China to Malaysia's nation-building project: "We can be justifiably proud of what we have achieved by this visit to the People's Republic of China…The success of our foreign policy is internationally recognized."[89] 25 years later, in a timely comment made in support of Prime Minister Mahathir's administration, Chinese Vice Premier Li Lanqing was quoted as saying "Malaysia has scored remarkable successes in achieving social stability, ethnic harmony and economic development under Prime Minister Mahathir."[90]

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[87] "Jiang to Meet Snubbed Dr. Mahathir," *South China Morning Post*, November 17, 1998.
[88] See the earlier discussion in the section "Malaysian Domestic Politics and China Policy: A Re-appraisal."
[89] See "Abdul Razak's statement on his return to Kuala Lumpur from China, 2 June 1974," quoted in R.K. Jain, *China and Malaysia, 1949-1983* (New Delhi: Radiant Publishers, 1984), document 248.
[90] This excerpt was taken from Li's speech at the 3rd Malaysia-China Forum in Beijing, August 18, 1999, and was quoted in "China Praises Mahathir's Courage," *Bernama Malaysia National News Agency*, August 19, 1999.

For a country that prides itself on neutrality then, Malaysia's ability to pursue a foreign policy which is seen as independent of any reliance on the West will no doubt be greeted positively by the domestic political audience.[91]

Conclusion

China is an emerging power that for all intents and purposes should be engaged actively by the region. Nevertheless, the combination of historical distrust and contemporary security concerns stemming from the uncertainty of Chinese intentions have been viewed as impediments to the improved relations between China and the countries of Southeast Asia.

Through a detailed study of one Southeast Asian country's post-Cold War policy towards China, this paper has refuted this prevailing interpretation, and has presented an alternative view on the impetus behind China policy-making in Malaysia. Whereas China was viewed as a major threat during the Cold War, in the post-Cold War period there has been a discernible shift in the foreign and security discourse in Malaysia. No longer is China perceived or articulated as a threat. More significantly, policies towards China on Kuala Lumpur's part have witnessed substantive shifts which give further expression to the changing rhetoric. Economic ties have improved tremendously, exemplified most profoundly by China's responsible conduct during the Asian Financial Crisis, to the extent that they now anchor the strategy of engagement of both states towards China. Political ties have also vastly improved. Malaysia has emphatically supported China's espousal of a multipolar regional and international order which hopes to check unbridled US power and influence across the globe. Moreover, China's active, if somewhat belated, participation in regional multilateral processes have further enamored Beijing to regional states, and its careful avoidance of any involvement in affairs of internal politics, particularly as they relate to ethnic Chinese minorities in the two countries, has been appreciated in Kuala Lumpur political circles.

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[91] Notwithstanding the political turmoil in Malaysia at that time, the Malaysian public was outraged by US Vice President Al Gore's comments supporting the Malaysian reform movement, made at an APEC Summit dinner meeting. Even the Malaysian opposition parties distanced themselves from Gore's statements.

In the final analysis then, it is clear that the driving force behind Malaysia's approach to China has not been suspicion and caution. Instead, Malaysian policymakers have seen that there is much to gain from improved relations with China, and the faster relations are improved, the more there is to gain. Malaysia has, in effect, factored out the ambiguity surrounding Chinese intentions from the bilateral equation, and has focused primarily on pushing engagement further, rather than having engagement hampered by these ambiguities. Hence, the prevailing interpretation of Malaysia's post-Cold War China policy, that Kuala Lumpur's engagement strategy remains hampered by suspicion and caution, is not accurate. In actual fact, Malaysia's engagement of China has been more successful than it has been given credit for, and Malaysia has actively pursued a China policy premised on attaining material, ideational and political rewards from the bilateral relationship.