I certify that this sub-thesis is my own original work and that all sources used have been acknowledged.

Ahmad Mokhtar Selat
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Ahmad Mokhtar Selat, Canberra, April 1987.
<table>
<thead>
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<th>Abbreviation</th>
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<tr>
<td>AMDA</td>
<td>Anglo-Malaysia Defence Agreement</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>ASPAC</td>
<td>Asia-Pacific Council</td>
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<td>CPC</td>
<td>Communist Party of China</td>
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<td>CPM</td>
<td>Communist Party of Malaya</td>
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<tr>
<td>DAP</td>
<td>Democratic Action Party</td>
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<td>FPDA</td>
<td>Five Power Defence Arrangements</td>
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<td>MCA</td>
<td>Malayan Chinese Association</td>
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<td>NEP</td>
<td>New Economic Policy</td>
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<td>NOC</td>
<td>National Operations Council</td>
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<tr>
<td>PERNAS</td>
<td>Perdagangan Nasional (National Trading Corporation)</td>
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<tr>
<td>PKI</td>
<td>Partai Komunis Indonesia (Communist Party of Indonesia)</td>
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<tr>
<td>PRC</td>
<td>People's Republic of China</td>
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<tr>
<td>SEATO</td>
<td>Southeast Asia Treaty Organisation</td>
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<tr>
<td>UMNO</td>
<td>United Malays National Organisation</td>
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<tr>
<td>UN (GA)</td>
<td>United Nations (General Assembly)</td>
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<tr>
<td>ZOPFAN</td>
<td>Zone of Peace, Freedom and Neutrality</td>
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CHAPTER ONE

TUNKU'S CHINA POLICY: INHERITANCE OR EVOLUTION?

...the Chinese Communist Party is attempting to persuade the peoples of the Federation of Malaya, in particular the so-called "overseas Chinese", to look to the Communist regime in China for inspiration and guidance...

Legislative Council Paper No. 23 of 1959.

Historical Overview

Among the many congratulatory messages received by the Government of the Federation of Malaya¹ on its Independence Day on 31st August 1957, were messages from Chairman Mao Zedong and Premier Zhou Enlai who informed Tunku Abdul Rahman that China had decided to give recognition to the newly independent nation. Zhou expressed the desire to see that the "friendly" relations between the two countries "be daily strengthened and developed".² Malaya chose to ignore the diplomatic overture because it was bent on following an

---

1. The term "Malaya" is used to refer to the eleven states of the Malay Peninsula as well as the national unit existing between 1957-1963. "Malaysia" refers to the national unit established on 16 September 1963 comprising Malaya, Sabah, Sarawak and briefly Singapore. References to the total national experience from 1957 onwards will use "Malaysia".

anti-communist policy both at home and on the international plane. It saw no urgency to recognise China or for that matter any other communist countries. This policy was conditioned by many factors. The main ones were: the existing international environment, the demands of the domestic political situation and the black-and-white perception of the Malayan political elite of China's profile in international relations.

Malaya's policy towards China under the Tunku was very much influenced by the "Cold War" and the "containment policy" of the West against Communist China. Though it was not a member of SEATO it indirectly became an adjunct of the Anglo-American alliance system when it signed the "Agreement on External Defence and Mutual Assistance" with Great Britain which was a SEATO member in October 1957. Dr. Mahathir Mohamad aptly described the Tunku's foreign policy as one that was influenced by an "apron-string" complex which was manifested in Malaysia's firm belief in the Commonwealth, the Defence Agreement with its former colonial power and the presence of Australian and New Zealand armed forces on Malaysian soil despite the absence of a formal defence agreement with them.

3. More popularly known as the "Anglo-Malayan Defence Agreement" or "AMDA".

With regard to communism the Malayan political elite were convinced that it was monolithic and ideologically committed to the Zhdanov doctrine of unrelenting hostility between the capitalist and socialist camps of the world. A Legislative Council Paper (White Paper) No. 23 of 1959 stated:

The avowed aims of Communists all over the world is to destroy the existing political and economic systems of non-Communist countries and to replace them by a World Union of Communist Republics. This plan was conceived by the Russian Communist leader, Lenin.5

The Sino-Soviet conflict and the emergence of a group of neutral and non-aligned states did not change the Tunku's bipolar image of the international system. If anything the rift signalled to the Malaysian leaders that the main centre of the communist movement had shifted to Peking, a shift that was more threatening to the security of the region. The invasion of Tibet in 1959 and the Sino-Indian border dispute of 1962 confirmed this suspicion. The outbreak of Konfrontasi (Confrontation) in 1963 and the role of the Partai Komunis Indonesia (PKI) in fermenting it further entrenched Malaysia's pro-West foreign policy. For instance the Tunku warned his fellow Commonwealth Prime Ministers at the London Commonwealth Conference of 1964 that "Communist forces were making a vigorous attempt to encircle Southeast

Asia with the help of Indonesia" and that Soekarno was controlled by the PKI which in turn took orders from China.

In analysing the first decade of Malaysia's foreign policy it is pertinent to note that its content and direction were mainly dominated by the Tunku and a few cabinet colleagues, namely Tun Razak, Tun Dr. Ismail and Tun Tan Siew Sin. They were:

Western-oriented and tend to look to Europe for opportunities for diplomatic initiative ....They are all Westernized, pragmatic and conservative.7

Thus it was quite natural for Malaysia in its early days to adopt a staunch pro-West foreign policy free from the rhetoric of "neutralism".

Domestic Politics

Nevertheless it was the domestic political situation that really shaped Malaysia's external relations, in particular its experience with communist insurgency and the pluralistic nature of its population. Originally the communist movement in Malaysia was inspired and directed by the Communist Party of China (CPC). The first Comintern agent sent to Malaya, Fu Ta Ching,8 was a member of the CPC and the CPM after its formation in 1930 made use of

8. van der Kroef, op. cit., p. 23.
Chinese sentiments to gain grassroots support. The CPM:

...emphasized its Chinese identity, utilizing the pattern of hua ch'iao associations...of ethnic pride, familial responsibility, or business relationships, to advance its interests. Sometimes even Chinese clan exclusiveness served MCP [CPM] purposes.9

This close identity of the CPM with the Chinese, which continued into the post-independence era, helps to explain the uncompromising policy of the Malaysian government in isolating them from China.

With regard to the communist insurgency (1948-1960) the Malayan Government inherited the perception of the British colonial government that the CPM received fraternal advice, inspiration and leadership from the CPC.10 The leaders of the newly independent Malayan nation therefore felt that they could not afford to make overtures to China, while it was waging a war against the domestic communist terrorists. To them recognition would be tantamount to legalising the CPM. The presence of the Chinese minority accentuated the issue further as the Malaysian government felt that:

The Chinese Communist Party...while seeking to extend its influence over the peoples of Southeast Asia gives special attention to the "overseas" Chinese....No effort is spared...to induce "overseas" Chinese by appeals to racial or patriotic sentiment, to accept the new order in China and to co-operate in promoting its programme. By these means also an advance

9. ibid. p.23.

can be made in the Communist indoctrination of "overseas" Chinese and in preparing the way for the development of the Communist movement.11

It is pertinent to note that of all the Southeast Asian countries, apart from Singapore, Malaysia has the largest number of ethnic Chinese in relation to its indigenous population.12 Thus it was not surprising that the Malaysian Government concentrated on isolating such a substantial minority of its citizen from the centripetal influence of China. The government's attitude was also shaped by the legacy of the British colonial perception that the Chinese were "birds of passage", transient in nature who would leave Malaya for their motherland once they had made their money, and that they were "un-Malayan" in their political behaviour as shown by their preoccupation with political issues in China rather than the political future of Malaya.13

It was the result of these factors that made the Malayan government choose not to recognise both China and Taiwan right from Independence Day. Tun Dr. Ismail underlined these facts in the following words:

One of the fundamental principles of our foreign policy is that it should be such as to ensure internal security and stability...the


12. According to the population census of 1957, the Chinese population of Malaya was 2,333,756 or 37.2% of the total population

13. For a detailed study of the political attitude of the Chinese in Malaya between 1900 - 1957 see Ratnam, K.J., Communalism and the Political Process in Malaya, University of Malaya Press, 1965, pp. 6 - 10.
Federation [Malaya] has decided not to recognise either in order that none can influence the people in the Federation in view of the Government's policy to weld the various races in this country into a single nation.14

Underpinning this policy was the fact that then neither Taiwan nor China had categorically dropped the provisions of the Nationality Law adopted by the Kuomintang Government of China in 1929. Neither wanted to abandon their claims on the overseas Chinese for fear of alienating them. Presumably they wanted to keep the issue vague as well as alive so that it could be exploited for their own political and economic ends in the future.

Apart from the policy of non-recognition, the government also took positive steps to limit Peking's influence by introducing the Banking Ordinance of 1958 which prohibited the operation of any foreign bank that was under the effective control of a foreign government. The new law was specifically tailored to the Bank of China as it was the only one affected by the new regulation. Though it was not specifically accused of carrying out propaganda activities the Legislative Council Paper No. 23 which was released in early 1959 did mention the activities of the CPC in indoctrinating the "overseas" Chinese through "commercial intercourse",15 a veiled reference to the activities of the bank. Such activities were neither new nor secret. Beginning

14. Malayan Parliamentary Debates, 22 April 1960, Col. 289,
15. The Communist Threat to the Federation of Malaya, op. cit., p. 9.
in 1950 the overseas branches of the bank established their "Service Agencies". Overtly they were supposed to extend assistance to the overseas Chinese in sending remittances to China; to trace long-lost relatives; to arrange schools for those wishing to study in China; and even to provide services in writing letters for illiterates to their relatives. In reality they were representing the economic and political interests of China.¹⁶

Admission of China to the United Nations

When Malaya joined the United Nations in 1957, in its first vote on the issue of China's admission it chose to oppose the move. The reasons were quite obvious. Malaya was well entrenched in the Western bloc and heavily dependent on the United Kingdom for its external defence. The Tunku also felt that Malaya could not adopt a "neutralist" policy until it was "certain that the peoples in this country [Malaya] have become truly Malayan-minded and have set their minds on making Malaya their only home and their object of loyalty".¹⁷ That China became a matter of concern and not India or Indonesia reflected the suspicion of the Malayan political elite about the loyalty of the Malayan Chinese as well as their political affiliation.


The Chinese invasion of Tibet in 1959 further hardened Malaysia's opposition to China's entry. It made use of the incident to censure China and together with Ireland it co-sponsored a resolution condemning the Chinese act as a "devilish and sinister form of colonialism" that was in violation of "human rights and fundamental freedoms".18 Tun Dr. Ismail, then the Foreign Minister, defended Malaysia's stand and unequivocally stated that Malaysia would never support China's entry to the organisation "so long as we do not recognise China, so long as China is an aggressive nation, so long as the resolution of the UN accusing China stands on the records of the UN".19

In 1960 however Malaysia took a sudden departure from its policy. In supporting China's admission, Malaysia espoused the "two-China" policy. According to the Tunku:

...Communist China must be recognized as an independent sovereign nation, and as China. It is unrealistic to ignore the Peking regime and recognise the government in Formosa [Taiwan] as the Government of China. In the light of the existing situation, with a de facto government on the island, Formosa [Taiwan] should be recognised as a state, not as China but as Formosa [Taiwan].20

The sudden change could be attributed in part to the lifting


of the "Emergency"\textsuperscript{21} and Malaya's newly found confidence in effectively dealing with the threat of communism from within as well as the Tunku's displeasure with the US policy of releasing its rubber and tin stockpiles at the expense of Malaya's economy. It is interesting to note that the Tunku announced his China policy while he was visiting the United States.\textsuperscript{22} The dramatic change however did not in any way compromise Malaya's pro-West policy as the "two-China" formula was not new to most Western bloc countries. Thus at the 1961 UN General Assembly Malaya voted in favour of China's admission with the condition that Taiwan should be regarded as a separate state with her own rights to be a member of the UN. However in 1962 Malaya abstained on the issue. The Sino-Indian conflict and China's opposition to the concept of the Malaysian Federation proposed by the Tunku in May 1961 were the main reasons for the change.

By 1963 Malaysia's stand on China's admission had come to a full circle. Malaysia voted against China's admission because of its non-recognition to the newly formed Malaysia and its support to Indonesia of the "Crush Malaysia" campaign. It was inconceivable for Malaysia to lend support to a country that did not recognise its independence, sovereignty and territorial integrity.

It should be noted that China regarded the newly formed Malaysia as part of a broader "neo-colonialist plot"

\begin{enumerate}
\item The term used to describe the period of communist insurrection of 1948 - 1960. It got its name from the "Emergency Regulation Ordinance of 1948".
\item See editorial \textit{Straits Times}, 16 November 1960.
\end{enumerate}
to encircle and isolate it from the society of states. Perhaps this Chinese perception was spurred by the fact that the establishment of Malaysia was premised on the perceived threat posed by communism to the region. The Tunku was quoted to have said: "We have no territorial ambitions. All we want to do is try to save ourselves from the communist. Otherwise, I won't want Malaysia".  

The immediate effect of "Konfrontasi" was the hardening of Malaysia's pro-West and anti-communist orientation. As it was unprepared to defend itself against foreign intervention it had to invoke the Anglo-Malayan Defence Arrangement of 1957. The termination of Konfronatsi in 1966 with the change of government in Indonesia did not in any way mark the end of China's hostility towards Malaysia. It persistently branded Malaysia as a lackey of the West until the early 1970s and Malaysia continued to regard China with suspicion.

ASEAN - China Confrontation

The establishment of the Association of Southeast Asian Nations (ASEAN) further estranged relations between the two countries. This time it took a different dimension as it involved all the five members of ASEAN. China looked at the Association with misgivings despite protestations made by the ASEAN leaders that it was not a military but a

24. The five founder members of the Association were Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei became a member soon after achieving its Independence in 1984.
socio-economic grouping. Nonetheless China stood to its opinion that ASEAN was a "military alliance" set up by the reactionaries of the five countries "specifically against China" at the behest of "US imperialism". China suspected that the Association could be used by the United States to carry out its anti-Chinese policy in Southeast Asia. As the Chinese perceived that the United States was in collusion with the USSR in encircling China, ASEAN was sometimes also described as a "tool" of "US imperialism" and "Soviet social imperialism". This negative attitude was held by the Chinese leadership throughout the 1960s. Changes took place only in the early 1970s which eventually led to the thawing of bilateral relations except with Indonesia.

Conclusion

Malaysia-China relations in the 1960s were fraught with suspicion mainly because of Malaysia's pro-West foreign policy, the subversive activities of the pro-Beijing CPM, the perceived insidious influence of China on the loyalty of the Malaysian Chinese and China's active support for Indonesia's Konfrontasi policy. In the main, independent Malaysia continued with the policy which it inherited from the British colonial government which believed in containing China and isolating the local Chinese from the racial,

cultural and ideological influence of Communist China. Nevertheless the policy had to evolve to meet changing circumstances. It was only in the early 1970s, when Tun Razak took over the premiership from the Tunku, that Malaysia's policy toward China began to move in a new direction.
CHAPTER TWO

TUN ABDUL RAZAK'S CHINA POLICY: CONTINUITY OR INNOVATION?

Malaysia...accepts the fact that China has a right to play her part in international forums and to have an interest in the affairs of Asia....But we cannot accept or tolerate any form of interference in our internal affairs...we want to see China's response, whether she for her part recognizes and respects our independence and integrity and our legitimate interests in Southeast Asia.


Political Development in Malaysia

The racial riot that took place on 13 May 1969 was an important landmark in Malaysia's history. Following the bloody incident a state of Emergency was declared, parliamentary democracy was suspended and Tun Abdul Razak was appointed by the Yang di-Pertuan Agong (Paramount Ruler of Malaysia) as Director of the National Operations Council (NOC). He enjoyed absolute power through the various provisions of the emergency ordinances.

The incident hastened changes in the political leadership. There were pressures from within the United Malays National Organisation (UMNO) itself for the Tunku to

quit as Premier and President of the party and hand over the reins of leadership to Tun Razak. Besides that the Tunku was badly shaken by the tragedy. He admitted that:

...all my work to make Malaysia a happy and peaceful country through these years, and also my dream of being the happiest Prime Minister in the world were also going up in flames.2

The Tunku resigned in September 1970. Shortly afterwards parliamentary government was restored and the NOC dissolved. Tun Abdul Razak became the Prime Minister and concurrently the Minister of Foreign Affairs. He appointed Tun Dr. Ismail as Deputy Premier as well as Minister of Home Affairs. Tan Sri Ghazali Shafie, the Secretary-General of the Foreign Ministry, resigned from his post and was appointed as a Senator and subsequently made Minister with Special Functions. Later he also assumed the Information portfolio. The three of them became the new "troika" in the formulation of Malaysian foreign policy.

The resignation of Tunku Abdul Rahman saw the re-emergence of Tun Dr. Ismail and the ascendancy of Tan Sri Ghazali Shafie in the making of Malaysian foreign policy. Tun Dr. Ismail in particular felt that, in line with the changing international order, Malaysia had to realign its foreign policy posture. It is interesting to note he was the first Malaysian parliamentarian to articulate the idea of the neutralization of Southeast Asia, guaranteed by the United States, the Soviet Union and China and to be

accompanied by a series of non-aggression pacts among the states of the region, soon after the British announcement in July 1967 of its plan to withdraw its military presence from east of Suez by 1971. The proposal was brushed aside by the Tunku only to be taken up by Tun Razak when he came to power in 1970.

With the resignation of the Tunku, the "new troika" was able to examine old myths and new realities without being inhibited by or having to take into account the Tunku's constraining influence. It was a fact that the first decade of Malaysian foreign policy was dominated by the Tunku. Malaysia's close association with the Commonwealth, its pro-West policy, the formation of Malaysia and subsequently the expulsion of Singapore from the Federation in 1965 were some of the major policy decisions in which the Tunku played a dominant part.

Changes in Malaysian Foreign Policy

Indonesia's Konfrontasi policy against Malaysia to some extent was a blessing in disguise for in the long-run it softened Malaysia's staunch anti-communist and pro-West foreign policy posture. Indonesia with its propaganda that Malaysia was a "neo-colonialist plot" and the "tool of Western imperialism" was able to isolate the latter from the Afro-Asian group of nations. In its counter-offensive Malaysia had to send several "truth missions" to these countries and to lobby support for its membership in the non-aligned movement so as to blunt Indonesia's propaganda from within. Malaysia however failed in its first attempt to
become a member at the Conference of Non-Aligned Nations held in Cairo in 1963. This prompted the Tunku to soften his "anti-neutralism" rhetoric. For example in a letter to Nasser the Tunku for the first time endorsed the five principles of "peaceful co-existence" which was reiterated in the Cairo Declaration. Hitherto they were anathema to him. Subsequently Malaysia stepped-up its lobbying and by the eve of the following non-aligned conference scheduled in Algiers in 1964, twenty-eight countries had already given their commitments to support the resolution co-sponsored by India, Ceylon, Nigeria and Ethiopia, proposing Malaysia's membership. However the conference was indefinitely postponed due to the coup d'état in Algeria. By the time when the next non-aligned conference was held in Lusaka in 1970, Malaysia's membership was more than assured. Malaysia's foreign policy then was fast becoming non-aligned and Konfrontasi had ended.

In fact, the first announcement made by Malaysia of a substantive change in its foreign policy posture was made by Tun Razak at the Lusaka conference, some nine days before he took over the Premiership from the Tunku. In his speech he outlined the goals and principles of Malaysia's new foreign policy. He said:

...with the detente between the two Power Blocs, it is an important responsibility of the Non-Aligned Group to ensure that the

interests of the Big Powers do not converge at the expense of the medium and small powers.... They world today...is at least tripolar with the emergence of China onto the international stage...China and her legitimate role in the world cannot be simply washed away by those who are opposed to her...[T]he non-aligned countries have an important role to play...in...efforts to bring about the harmonisation of international relations on the basis of respect for the independence and integrity of states.4

While expressing his concerned about Vietnam and the security of Southeast Asia he emphasised that:

It is my hope that in reaffirming the right of self-determination and non-interference in the Indochina area, the Non-Aligned Group would at the same time take a positive stand in endorsing the neutralisation of the area and possibly of the entire region of Southeast Asia, guaranteed by the three major powers, the People's Republic of China, the Soviet Union and the United States.5

Thus the Lusaka conference marked the official launching of Malaysia's proposal to create a zone of peace, freedom and neutrality (ZOPFAN) in Southeast Asia, which later became the cornerstone of its foreign policy. It should be underlined that in its subsequent calls for the neutralization of the region Malaysia persistently emphasised the need for China to be brought into the mainstream of world politics, a stark departure from the Tunku's pro-West policy of isolating China from the society of nations. For example at the 1970 UN General Assembly Tun

5. ibid.
Dr. Ismail Ismail reiterated that:

The world today is no longer bi-polar. It is at least tri-polar. Specifically I am referring, of course, to the People's Republic of China, whose absence from this Organisation reflects a serious shortcoming of the UN...the denial to a big power of its proper role cannot be conducive to the establishment of a stable and harmonious world order. I...wish to reiterate...my Government's call for...neutralization...guaranteed by the...PRC, the Soviet Union and the United States.6

At the Commonwealth Heads of Government Meeting in Singapore in 1971 Tun Razak again reminded the international community of the unprofitability of excluding China from the mainstream of international politics. Such action he said resulted in China not accepting the existing international order. To Malaysia, however, there was room for adjustment and accommodation provided that China did not interfere in the internal affairs of Malaysia.7

Finally at the Meeting of ASEAN Foreign Ministers in Kuala Lumpur in 1971, after an enormous effort of personal diplomacy, Tun Razak persuaded his five ASEAN counterparts to agree that the "neutralization of South East Asia" was a "desirable objective" and that they should "explore ways and means" of realizing it. The reasons for the initial reluctance of the other ASEAN countries to endorse the declaration were varied. Thailand and the Philippines were members of SEATO and had American bases in their territories; Indonesia had reservations on China's role in

6. Foreign Affairs Malaysia, op. cit., p. 16.
7. ibid.
guaranteeing the security of the region because of its experience with the Chinese-inspired abortive coup of 1965; and Singapore, who viewed the Guam Doctrine with uneasiness, felt that the declaration would further erode the presence of the Americans in the region. Nevertheless the Declaration was an important landmark in Malaysia-China as well as ASEAN-China relations. It constituted an acknowledgement by all five ASEAN members of the role of China in the maintenance of peace and stability in the region despite their non-recognition (except Indonesia which had only suspended its diplomatic relations since 1967) of the Government of the People's Republic of China.

Malaysia's changed attitude towards China, however, could not be singly attributed to the change in political leadership. Besides the changing world order, as alluded by Tun Razak and Tun Dr. Ismail at all the international fora, there were other interacting determinants. Among them were the development of regional cooperation with the birth of ASEAN and the demands of domestic politics. They could be grouped into two: external and internal determinants.

External Determinants

The transformation of the international system from bipolarity to multipolarity in the 1960s was one of the realities with which Malaysia had to come to grips. However

it was the end of Konfrontasi in 1966, the announcement made by Britain in 1967 to withdraw its military forces from East of Suez, the ascendancy of Nixon in 1968 which brought about a dramatic about-turn in American policy, namely the Guam Doctrine and the beginning of American withdrawal from Vietnam, and the signals given by Nixon to normalise relations with China, that provided the impetus for change.

The experience of Konfrontasi changed Malaysia's foreign policy orientation. However it was not until Konfrontasi actually ended that the rethinking took a more definite shape. Tun Dr. Ismail, soon after the Bangkok peace talks, when speaking to the Foreign Correspondent's Association, indicated the nature of the realignment by outlining that:

We look forward for the day when outside powers...accept our right as a region and as constituent nations of this region, to sustain our distinctive ways of life in freedom and prosperity without interference....We do not oppose the communist system in mainland China so long as it confines itself within its own borders....We look forward to a regional association embracing Thailand, Burma, Indonesia, Singapore, Malaysia, Philippines, Cambodia, Laos and Vietnam....Such a community would not be a military alliance. It would not be an anti-communist alliance...nor...an anti-western alliance. I...envisage an organisation which would be first and last, pro-Southeast Asia, pro-development, pro-regional cooperation and pro-peace.9

The rapprochement with Indonesia which marked the termination of Konfrontasi and the formation of ASEAN removed the most immediate threat from Malaysia's most

populous contiguous neighbour. This perception was further reinforced through the Malaysia-Indonesia Friendship Treaty signed in 1970. The treaty sealed any lingering doubts about Indonesia's intention towards Malaysia as intrinsically it was just one notch below a non-aggression pact. Article 3 of the Treaty states that:

the two High Contracting parties undertake that in case any dispute on matters directly affecting them should arise they will not resort to the threat or use of force and shall at all times endeavour to settle such a dispute through the usual diplomatic channels in the true spirit of friendship and goodwill between neighbours.

Britain's announcement in 1967 to scale down its military commitments and overall defence expenditures east of Suez beginning 1971 naturally had far-reaching consequences on Malaysia which hitherto depended on Britain for its external defence. Arising from that decision Britain was expected to allow AMDA to lapse. Thus Malaysia had to look for an alternative defence arrangement. This culminated in the "Five Power Defence Arrangement" (FPDA) involving Malaysia, Singapore, Britain, New Zealand and Australia. According to the Joint Communiqué issued in London on 16 April 1971 the five countries agreed that "in the event of any form of armed attack externally organised or supported or the threat of such attack against Malaysia or Singapore" the Governments of the five countries "would immediately consult together for the purpose of deciding what measures should be taken jointly or separately in relation to such an attack or threat".
To Malaysia the FPDA was an unsatisfactory arrangement as it markedly differed from the provisions of AMDA under which Britain gave an explicit defence guarantee against external aggression. In contrast the FPDA had a loose framework and was purely consultative in nature. Thus it dawned on the Malaysian leaders that they could no longer depend on Britain or its Commonwealth allies on matters of defence. In fact this apprehension was felt by Malaysia right from the beginning of the talks. Australia, for instance, made it known that it was only willing to commit itself for the defence of "Malaya" because it did not wish to be involved in the Malaysia-Philippines dispute over Sabah.  

The British decision to pull out from east of Suez was followed by the Nixon doctrine of disengagement from Southeast Asia. The message given by Nixon that the United States would reduce its presence in the region and that the Southeast Asian countries had to shoulder the major role in any fight against subversion, together with the loosening of the American "containment of China" policy, which subsequently led to the historic visit of Nixon to Peking in February 1972, further prompted Malaysia to find a more viable alternative to ensure its security. The proposal initiated by Malaysia for the creation of a "zone of peace, freedom and neutrality" in Southeast Asia "free from any form or manner of interference by outside powers" and to be

guaranteed by the super powers themselves should be viewed within the context of this backdrop.

Malaysia's changing foreign policy and its call on the international community to restore China's legitimate role in regional and world affairs naturally became a matter of interest to the Chinese leaders. They were quick to respond to Malaysia's diplomatic move as it provided them with an opportunity to have links with ASEAN. It should be noted that compared to its rivals in the region, the United States and the USSR, China was the only super power that did not have diplomatic and official commercial links with any of the ASEAN countries. China's signal of assent was reflected in the reduction of propaganda against the Malaysian Government; the usage of the term "Malaysia" instead of "Malaya" (thereby giving implicit recognition to Malaysia which it refused to recognise on 16 September 1963); relief supplies for Malaysian flood victims of December 1970, and the despatch of a Hong Kong-based Chinese dance troupe to raise funds for the same flood victims, a tour that would have been hard to imagine during the days of the Tunku. This confidence-building measures were further strengthened by the "ping-pong" diplomacy between China and the United States and the consolidation of power by the "old guards" in the aftermath of the Cultural Revolution. These developments further reinforced Razak's growing confidence in Peking's commitment to peaceful co-existence with all states irrespective of ideology.
Internal Determinants

The 1969 racial riot brought to the fore the bitter reality that national unity was far from being achieved. The Government felt that there was a need to improve the economic well-being of the indigenous people, as the root cause of the racial conflict was the Malay feeling of economic deprivation, and to strengthen the loyalty of the Chinese and the Indians. Several measures were taken by the Government to achieve these objectives. Among them were the adoption of a new development strategy, the New Economic Policy (NEP), and the promulgation of the Rukun Negara (National Ideology). However what was left unsaid was the centripetal influence of China on the loyalty of the Malaysian Chinese. India posed no problem to Malaysia's effort as the Indian government had abandoned the dual nationality principle even before Merdeka (Independence) Day. Thus to effectively overcome the "Chinese problem" the Malaysian political elite felt that it was imperative for Malaysia to have diplomatic relations with China. Though this factor was not stressed when Malaysia made public its policy of rapprochement it is pertinent to note that Tun Razak highlighted it at the rally to welcome him home from


the China visit in 1974. Later in an interview with Newsweek he admitted:

I had a long talk with Chairman Mao and Premier Chou En-lai [Zhou Enlai], and they assured us that as far as Malaysians of Chinese origins were concerned, they belonged to Malaysia and have nothing to do with China .... This assurance was very welcome to us... so as to be able to tell the Chinese here that they are Malaysians and they have no more ties, not even emotional ties, with China and that they must now identify themselves with this country and integrate themselves into the local population... One of our main problems is to form a united nation out of people of different races and origins.

The other important consideration for normalisation of relations was to weaken the morale of the remnants of the CPM. As the Malaysian Government perceived that the CPM received both moral and material support from China, a recognition by China that the Government of Malaysia was the legal and constitutional government could possibly be used to break or at least undermine the morale of the CPM. Though this issue was not forthrightly mentioned in the Malaysia-China Joint Communique of 1974 it was indirectly alluded in the "catch-all" phrase that "the two Governments consider all foreign aggression, control and subversion to be impermissible". Tun Razak however was able to exploit the outcome of his visit by saying that Mao Zedong and Zhou

13. See Straits Times, 3 June 74.
Enlai had categorically assured him:

...that the terrorist problem is our internal affair and that we can deal with the terrorists any way we like...we regard them as bandits. They are not recognized by anybody. The PRC recognizes my government as the legal and constitutional government of Malaysia, so obviously the Communists here are bandits: they are fighting against the government recognised by the countries of the world.15

Aside from political and security considerations, economics also provided a strong motive for re-appraisal of relations. Despite its support for Konfrontasi, China's demand for Malaysia's natural rubber grew from about 20,000 tons in the 1940s to 200,000 tons in the late 1960s.16 To the Malaysian political elite the establishment of bilateral relations would not only increase Malaysia's exports but would also improve direct trade.

One China or Two China?

The change in Malaysia's attitude towards China was accordingly reflected at the the United Nations. Immediately after the termination of Konfrontasi, Malaysia revived its interest to see China playing its rightful role at the UN and world politics. However it did not depart from its two-China policy espoused in the early 1960s. During the debate at the 1966 General Assembly, Tun Razak, then the

15. ibid.

16. Wong, J., The Political Economy of Malaysia's Trade Relations with China, Institute of Southeast Asian Studies, Singapore, 1974, p. 23
Deputy Premier, explained that:

...While my Government believes in the importance of the representation of the PRC in the UN, we strongly feel at the same time that this can only be considered together with the question of the fate of the 13 million inhabitants of Taiwan...Taiwan should be allowed the right to remain a member of the UN while Mainland China should be admitted to this organisation if she so agrees.17

However when Tun Razak assumed the Premiership in 1970 Malaysia's policy towards China experienced a shift. For the first time since 1962, Malaysia voted for the admission of China and abstained on the resolution stipulating that any changes in Chinese representation should be adopted by two-thirds majority. Subsequently when Tun Razak made his major foreign policy announcement in Parliament in July 1971 he declared that Malaysia was following a one-China policy. Regarding Taiwan, Malaysia's stand remained couched in innuendos. Tun Razak said:

...our China policy...is not a two-China policy or a one-China one-Taiwan policy. It is in fact a one-China policy, on the understanding that the right of the people of Taiwan to decide their own future for themselves should not be denied to them.18

Obviously Tun Razak did not want to be seen to be too hasty on the issue and wanted to gauge world's opinion concerning the future of Taiwan before making a definite decision. However by September 1971, just before the UN General Assembly, Malaysia had to accept the changing mood

18. ibid., Vol.4 No. 3, September 1971, p. 20.
at the UN. Its statement on the future of Taiwan became more forthright. Tan Sri Zaiton, then the Secretary-General of the Foreign Ministry, at a special briefing entitled "Malaysia's Policy on China" which was hastily organised for Commonwealth Parliamentarians, unequivocally stated that:

...Malaysia's policy on China is this. We subscribe not to a two China policy or a one China one Taiwan policy but rather I say this quite categorically to a one China policy... The problem of Taiwan... is essentially one for the Chinese people to decide... We do not wish to involve ourselves in the minutiae of the Chinese problem. We recognise that the problem of Taiwan is a problem that must be sorted out by the Chinese people.19

Subsequently, at the 1971 UNGA, Malaysia voted against the procedural resolution calling for a two-thirds majority and supported the Albanian resolution which allowed China's admission and the unseating of Taiwan. The Permanent Representative of Malaysia to the United Nations in his explanation before the vote said that Malaysia would vote in favour of the draft resolution because "the Government of the PRC is de jure and de facto the Government of China and that it alone has the legitimate right to represent China and occupy China's seat in our Organisation".20 Malaysia skirted the thorny question of Taiwan by treating it "as a separate issue which will have to be resolved by the parties concerned".21 Malaysia made its explanation with the twin

19. ibid., pp. 43-44.
20. ibid., Vol.4 No.4, p. 13.
21. ibid.
objectives of (a) swinging the voting pattern in favour of China and (b) clarifying its stand on the issue of Taiwan despite enormous pressure from the United States to continue supporting Taiwan. It should be noted Malaysia and Singapore were the two ASEAN countries that gave unqualified support to China's admission, a fact that was well taken note of by Beijing.

Conclusion

Under the premiership of Tun Razak Malaysia's foreign policy experienced a major transformation. Malaysia became non-aligned and espoused the creation of a zone of peace, freedom and neutrality in Southeast Asia, to be guaranteed by the super-powers. Towards this end it was imperative for Malaysia to recognise China and to join the diplomatic campaign to restore China's rightful role in international relations. Although there was much continuity in Malaysia's concerns in regard to China, there was innovation at the level of policy. Tun Razak subsequently abandoned the Tunku's policy of non-recognition and adopted a "one-China" policy, in contrast to the old "two-China" policy, and in 1971 voted for the unconditional admission of China into the United Nations.
CHAPTER THREE

THE THAWING OF RELATIONS: BREAKTHROUGH AND IMPASSE

Diplomatic relations can only be established between the two countries on the basis of peaceful co-existence, on China's respect for our sovereignty and territorial integrity and non-interference in our internal affairs. We believe that all these should be manifested not only by mere statement but also by deeds.

Tun Abdul Razak, 14 August 1972.

The "Trade and Games" Diplomacy

Despite the ideological differences and Malaysia's non-recognition of the People's Republic of China, direct trade relations between the two were allowed to continue. Between 1957 and 1971 imports from China averaged 15.06% of Malaysia's total imports and exports to China made up 1.4% of total exports. China had always imported natural rubber from Malaysia for its basic industrial needs while Malaysia imported a wide range of Chinese goods: from cement, steel, household hardware to consumer items like toilet soap, fountain pens, sewing machines, bicycles and textiles at very competitive prices. Between 1957 to 1971 the trade balance was very much in China's favour because, unlike Malaysia, China imported only a single commodity from Malaysia — rubber. (See Tables I and II for details of Malaysia-China trade figures and imports by commodities between 1957 - 1971).
<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
<th>Trade Balance</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>$</td>
<td>% of Total Imports</td>
<td>$</td>
</tr>
<tr>
<td>1957</td>
<td>36.0</td>
<td>3.3</td>
<td>28.5</td>
</tr>
<tr>
<td>1958</td>
<td>45.2</td>
<td>4.5</td>
<td>51.6</td>
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<tr>
<td>1959</td>
<td>25.1</td>
<td>2.5</td>
<td>5.7</td>
</tr>
<tr>
<td>1960</td>
<td>35.0</td>
<td>2.7</td>
<td>*</td>
</tr>
<tr>
<td>1961</td>
<td>42.4</td>
<td>3.2</td>
<td>*</td>
</tr>
<tr>
<td>1962</td>
<td>45.5</td>
<td>3.0</td>
<td>0.2</td>
</tr>
<tr>
<td>1963</td>
<td>75.9</td>
<td>5.0</td>
<td>0.2</td>
</tr>
<tr>
<td>1964</td>
<td>106.0</td>
<td>6.7</td>
<td>*</td>
</tr>
<tr>
<td>1965</td>
<td>101.2</td>
<td>6.1</td>
<td>0.1</td>
</tr>
<tr>
<td>1966</td>
<td>173.3</td>
<td>6.6</td>
<td>2.5</td>
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<tr>
<td>1967</td>
<td>192.7</td>
<td>7.4</td>
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<tr>
<td>1968</td>
<td>175.3</td>
<td>6.3</td>
<td>73.1</td>
</tr>
<tr>
<td>1969</td>
<td>174.9</td>
<td>6.2</td>
<td>136.4</td>
</tr>
<tr>
<td>1970</td>
<td>164.8</td>
<td>4.9</td>
<td>66.2</td>
</tr>
<tr>
<td>1971</td>
<td>137.9</td>
<td>4.1</td>
<td>53.4</td>
</tr>
</tbody>
</table>

* Statistically insignificant

Source: As collated by John Wong in, The Political Economy of Malaysia's Trade Relations with China, Institute of South East Asian Studies, Singapore, 1974.
<table>
<thead>
<tr>
<th>Commodity</th>
<th>1971</th>
<th>1967</th>
<th>1958</th>
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</thead>
<tbody>
<tr>
<td>Food</td>
<td>39.4</td>
<td>43.7</td>
<td>45.3</td>
</tr>
<tr>
<td>Meat</td>
<td>1.4</td>
<td>2.7</td>
<td>1.1</td>
</tr>
<tr>
<td>Cereals</td>
<td>12.7</td>
<td>23.2</td>
<td>6.3</td>
</tr>
<tr>
<td>(Rice)</td>
<td>(9.8)</td>
<td>(20.7)</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Fruits &amp; Vegetables</td>
<td>16.0</td>
<td>14.6</td>
<td>14.6</td>
</tr>
<tr>
<td>Manufactured Goods</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paper</td>
<td>4.8</td>
<td>2.7</td>
<td>5.6</td>
</tr>
<tr>
<td>Textiles</td>
<td>9.5</td>
<td>7.6</td>
<td>14.7</td>
</tr>
<tr>
<td>Iron &amp; Steel</td>
<td>2.8</td>
<td>9.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Machinery &amp; Transport</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment</td>
<td>4.3</td>
<td>2.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Miscellaneous Manufactures</td>
<td>8.9</td>
<td>7.8</td>
<td>7.4</td>
</tr>
<tr>
<td>Clothing</td>
<td>2.3</td>
<td>2.3</td>
<td>1.9</td>
</tr>
<tr>
<td>Scientific instruments</td>
<td>0.4</td>
<td>0.3</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>20.2</td>
<td>14.9</td>
<td>14.8</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: *ibid.*
Nevertheless there was an attempt made by Malaysia to curb the growing China trade. In 1958 it banned the importation of white and dyed cotton shirting and sheeting, and dyed and white jeans. The importation of other types of Chinese-origin textiles was also curtailed in the sense that special permits had to be obtained from the government. Malaysia gave two reasons for the adoption of the policy. The first was ostensibly to prevent "dumping" so as to protect Malaysian infant textile industries and the second, which appeared to be the main motivating factor, was the suspicion that China was making use of its commercial network to influence the Chinese in Malaysia. These import controls were followed by the order to close the Bank of China. Beginning from 1958 until 1961 the volume of trade slid down. However the downturn seemed to have been caused more by the economic recession experienced by China, due to the failure of the Great Leap Forward Movement, than the partial ban.

By 1961, as the Chinese economy pulled through the recession, the downward slide was arrested and trade continued to increase during the 1960s. Because of the partial ban China had diversified its exports by adding sugar, rice, iron and steel and cement to its already long list and Malaysia did not make any further attempt to check the trade links. Even during Konfrontasi, when China diverted its rubber purchasing to Indonesia, Malaysia did

not retaliate and allowed direct bilateral trade to go unimpeded. The Tunku, known for his anti-Communist China sentiment, in a rather highly moralistic tone, was forced to defend Malaysia's China trade policy. He maintained that its continuation was beneficial to both and more importantly would alleviate China's internal economic problem. However the main reason behind this was economic pragmatism. Chinese products were cheap. If Malaysia were to import them from the developed countries, the costs would have been greater.

China on the other hand was fully aware of the relative importance of the Malaysian market in the Southeast Asian region. By the late 1960s, when the United States began to give signals suggesting an end to the "containment of China" policy, the relationship also had political implications for Malaysia, besides Singapore, was the only other ASEAN country that had direct trade links with China. Concerned with its international reputation China always tried to maintain its image as a steady buyer as well as a reliable supplier to Malaysia. For example at the height of the rice supply crisis in 1974, China substantially increased its rice exports, supplying 33% of Malaysia's total rice imports. Thus when Tun Razak sent signals of rapprochement,

China made use of the longstanding commercial links to pave the way for the establishment of diplomatic relations. Malaysia's positive response, besides from political considerations, was motivated in part by the desire to penetrate the Chinese market, particularly to export more rubber and to find markets for palm oil, its new export commodity, and thereby correct the trade imbalance.

**Breakthrough: Visits of Tengku Razaleigh and Raja Mohar**

Two months before the announcement of the visit of the American President, Richard Nixon, to Peking in July 1971, Malaysia made its breakthrough to China. In May 1971 Tengku Razaleigh Hamzah, in his capacity as Chairman of PERNAS (National Trading Corporation) and Chairman of the Associated Malaysian Chamber of Commerce, led a 19-member multi-racial trade mission consisting of leading businessmen and four government officials to Peking for an "unofficial visit" in response to a joint invitation extended by the China Export Commodities (Spring) Fair and the National Foreign Trade Corporation of China. The mission, though "unofficial", received the full blessing of the Government. Tun Razak himself prematurely considered the visit as the beginning of a "people-to-people" relationship. That Tengku Razaleigh led the delegation was politically significant too. He was then the rising star in UMNO and had been specially picked by Tun Razak to head PERNAS and Bank

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Bumiputra, two economic institutions that were given the
task to help the Malays in trade, commerce and industries.

Members of the trade mission were well briefed by
government agencies, including the Ministry of Foreign
Affairs. That four government officials were included as
advisers to the delegation lent credence to the importance
given by the government to the visit. Dato Y.T. Lee, an
official member of the delegation, perhaps inadvertently,
before his departure revealed the political significance of
the visit by telling the press: "If there is an opportunity
we shall open the subject of the neutralisation policy of
Malaysia and get the reaction of China". Tengku Razaleh,
being the leader of the delegation, was more guarded in his
statement. He clarified that the main objective of the visit
was to find ways to increase Malaysian exports as the trade
balance was very much in China's favour.

Nonetheless the delegation was given the opportunity to
explain Malaysia's neutralisation policy and the desire to
have friendly relations with China on the basis of the five
principles of coexistence when Zhou Enlai, in an unscheduled
programme, met Tengku Razaleh. The meeting was politically
significant because it was the first ever held by a ranking
Chinese political leader with a Malaysian politician. At the
meeting Zhou referred to the country as "Malaysia" and not
"Malaya". What transpired at the meeting was narrated to the

7. ibid., p. 6.
press by Razaleigh in the following words:

He [Zhou Enlai] informed us that he followed the statement made by Tun Abdul Razak on the concept of neutrality, and he told us that it was also the policy of China to maintain a policy of non-interference and mutual respect for territorial sovereignty and integrity. I could only feel or think that this reaction to neutrality was quite favourable.8

Zhou also requested Tengku Razaleigh to convey to Tun Razak that China had no intention of intervening in Malaysia's internal affairs on behalf of insurgents, immigrants or any other group.9 After being briefed by Tengku Razaleigh immediately after his arrival home from Peking, Tun Razak enthusiastically expressed his view that China's response:

to our policy (neutralisation of Southeast Asia) together with her policy of non-interference in the internal affairs and her recognition of the sovereignty and independence of other nations is very encouraging....The words of Zhou Enlai bear great significance to the countries in this region....I am confident that the success of the Malaysia trade mission will pave the way to a better relationship between the two countries and their people.10

Resulting from the first Malaysian trade mission, China agreed to buy the entire rubber stock of the Rubber Fund Board, in addition to the commitment to purchase 150,000 tons a year at average market price.11 The Malaysian mission also invited the China Committee for the Promotion of

International Trade (CCPIT) to send a delegation to Malaysia. An invitation for a Chinese ping-pong team and a badminton team was also extended, heralding a series of "sports diplomacy" between the two countries.

The CCPIT sent its trade delegation to Malaysia in August 1971. A contract was signed with PERNAS whereby the delegation agreed to buy 40,000 tons of rubber, 5,000 tons of palm oil and 50,000 cubic metres of timber.\(^\text{12}\) China proved itself a ready buyer for Malaysian primary products especially when the price of rubber had fallen to its lowest level in twenty-two years. It also showed its goodwill by agreeing to the proposition made by the Malaysian government, for reasons of security and the implementation of the NEP, that bilateral trade be carried out through PERNAS. During the talks both sides also agreed to promote direct trade which hitherto had been partly carried out indirectly through Hong Kong and Singapore. It was agreed that:

- all Malaysian exports to China would be handled by the ships of the Malaysian International Shipping Corporation (MISC) and Malaysian ports;
- all Malaysian imports would be handled by Chinese ships or ships chartered by them;
- China would create an account with a locally-incorporated bank and Malaysia would create an

account with the Bank of China in Peking for the purpose of the direct trade; a local agent would act for the China Travel Agency to facilitate visits to China by Malaysians.

To further help boost direct trade between the two countries the Malaysian government established a Commission (Consulate) in Hong Kong at the end of 1971. The Commission also served as Malaysia's window to China prior to the establishment of formal diplomatic relations.13

The second visit from Malaysia that was politically significant was the one led by Tan Sri Raja Mohar, the Economic Adviser to the Prime Minister, in November 1972. The six-man delegation was treated as an official trade delegation by the Government of Malaysia. Therefore when Raja Mohar was given the opportunity to call on Zhou Enlai the essence of the message passed to the Malaysian government became the substance of negotiation between the two countries for the establishment of formal diplomatic relations.

With Raja Mohar, Zhou Enlai discussed two primary issues that were of paramount importance to Malaysia, namely the overseas Chinese and the communist insurgency. Zhou assured Malaysia that China considered all overseas Chinese who have taken up foreign citizenship as having given up their Chinese nationality. With regard to the activities of the

CPM, China considered the issue as Malaysia's own domestic problem. As a sovereign and independent nation Malaysia was free to deal with them. He also alluded that China did not believe in exporting its revolution or exploiting the sentiments of the overseas Chinese to create political instability because such acts were tantamount to sabotage and "impermissible" in conducting relations among sovereign nations.14

Normalisation of Relations: The Obstacles

Despite the breakthrough in 1971 and the euphoria caused by US-China detente, negotiation for normalisation of diplomatic relations began only in June 1973. Malaysia realised that assurances alone could not easily overcome the "accumulation of years of bitterness, frustration and fear".15 Thus right from the moment when Malaysia gave the signals to China, Tun Razak assured the Malaysian public and his ASEAN colleagues that: "We will need to move step by step, feeling our way carefully in matters which so far as the countries of Southeast Asia are concerned, involve our very survival".16 He said:


16. ibid.
...we should keep one another informed of developments in regard to our official contact with China in order to ensure that we act as a group on the question of having diplomatic relations....17

Among the considerations which made Tun Razak move "step by step" were: Malaysia's 12-year struggle during the Emergency against predominantly Chinese communist terrorism; the refuge given to CPM leaders in China; the daily barrage of hostile propaganda from the "Suara Revolusi Malaya" (Voice of the Malayan Revolution) which was operated by the CPM from China; and the experience faced by Indonesia and Burma in the late 1960s in handling their Chinese population in the face of direct Chinese interference. At the same time words of caution from its ASEAN partners also contributed to Malaysia's guarded stand. It is pertinent to note that the ASEAN countries shared common fears as well as problems with China and they expected Malaysia, as agreed at the 1971 ASEAN Foreign Ministers Meeting, to pave the way to the best political solution pertaining to these problems prior to the establishment of diplomatic relations.

Thus to Malaysia normalisation of relations was not a simple exercise. It involved both political and security considerations as some of the issues were fundamental to the survival of Malaysia in the modern states system. Tun Razak himself, in announcing Malaysia's "one China" policy, specifically assured the people that the questions of

China's support for the underground movement of the CPM, the continuous hostile propaganda towards Malaysia and its leaders through the "Suara Revolusi", and the presence of the leaders of the so called "Malayan Liberation Movement" in China should be "considered and resolved" before the establishment of diplomatic relations. On the issue of Taiwan, which was of political importance to China, Malaysia had no problem in conceding to China's requirement. Even at the time of opening its Consulate in Taipei in 1965 Malaysia made it amply clear that there was a difference between the opening of a Consulate and the setting up of an Embassy. The Consulate was established purely to look after trade, investment and Malaysian students studying in Taiwanese universities and in no way meant Malaysia's diplomatic recognition of Taiwan. Hence Tun Razak was able to make the forthright statement at the 1971 United Nations General Assembly that it was "beyond doubt that the Government of the People's Republic of China was de jure and de facto the Government of China". Thus when Malaysia formally announced the establishment of diplomatic relations with China in 1974, the Consulate in Taiwan was closed down with immediate effect. Accordingly the Taiwanese Consulate in

18. Ibid., p. 113.
19. Ibid.
Kuala Lumpur was asked wind up its operation. Nevertheless, with the tacit understanding of China, people-to-people relations with Taiwan continued. The Malaysian Airline System and the Malaysian Industrial Development Authority (MIDA) continued to maintain their offices in Taipeh. They also took over the consular functions of the Consulate that was closed down while Taiwan continued to have informal representation in Kuala Lumpur.

Negotiations for the normalisation of relations finally commenced in New York in June 1973. The first move was made by Malaysia and China responded positively as then it was actively expanding its diplomatic representation in the Afro-Asian countries. The Malaysian delegation was headed by Tan Sri Zakaria Ali and China by Huang Hua who were then Permanent Representatives of their respective countries to the United Nations. The UN was chosen as the venue because it was the most neutral ground to hold such talks. Furthermore as both the leaders were stationed in New York, time would not be a constraining factor for both sides to go into the finer details to the preconditions of normalisation.

The talks were suspended in July because of China's reluctance to include issues pertaining to the fraternal links between the CCP and CPM and the overseas Chinese in the agenda of work. China insisted that the talks should be confined to the general principles on which Sino-Malaysian relations should be premised and that the contentious issues
should only be dealt with after the establishment of formal diplomatic relations. To Malaysia the Chinese proposition to merely reaffirm each others adherence to the basic principles of co-existence, without reference to the CPM and Chinese issues, were nothing more than diplomatic niceties and therefore politically unacceptable. Malaysia's insistence was mainly dictated by domestic considerations: the presence of a very large number of overseas Chinese among its citizens, in absolute terms as well as in proportion to the indigenous population, and its long experience against the subversive activities of the "China inspired" CPM which was bent on toppling the legally elected government of Malaysia. In addition, the Malays who constituted the political base of Tun Razak and his party could never wholeheartedly accept the establishment of diplomatic relations without Malaysia obtaining some form of assurance that China would not interfere in the internal affairs of Malaysia either through the the CPM or on the pretext of protecting the rights of its citizens (the overseas Chinese). The stereotype among the Malays that the Chinese were racial chauvinists was still strong. Furthermore the memory of the victory procession and the arrogance shown by some Chinese after the 1969 general elections was still fresh in the minds of many Malays. Even UMNO members cautioned the government at its General Assembly in January 1973 to be wary of the impact of having relations with China. They warned that if the government
were not careful, recognition could make the Malaysian Chinese "become too proud"\(^22\), a somewhat inaccurate translation of the Malay word "sombong" which means something between "proud", "arrogant" and "swollen headed".

**Reasons for Malaysia's Insistence**

The links maintained by the CPC with the CPM had always been a source of irritation and concern both to the colonial government and to the government of independent Malaysia. Leaders of the outlawed CPM were given sanctuary in China and at the propaganda level the CPC never failed to send lengthy congratulatory messages to the CPM on its birthday anniversary or to highlight skirmishes against Malaysian security forces. For example on the 40th anniversary of the CPM in 1970, the CPC quoting the teaching of Mao Zedong that "the people who have triumphed in their revolution should help those still struggling for revolution", reaffirmed its "internationalist duty" and resolutely supported "the revolutionary struggle of the Malayan people".\(^23\) The messages and the activities of the CPM in smashing the "suppression" of the "reactionary authorities" were given prominence by the government-run media like the People's Daily and Radio Peking. In addition, in November 1969 the CPM members in China started broadcasting the "Voice of the

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Malayan Revolution" (Suara Revolusi Malaya). That the subversive calls made by the "Suara Revolusi" were also publicised by the Chinese media did not help to dispel the suspicion that the station was established with the connivance of the Chinese government. Thus before the establishment of formal diplomatic relations Malaysia wanted some form of assurance that China would sever its party-to-party relations and cease interfering in Malaysia's internal affairs through the CPM.

With regard to China's attitude towards the status of the overseas Chinese, Malaysia was not the only Southeast Asian country that doubted China's intention. China had always kept this issue vague. The constitution adopted in 1954 did not allay the suspicion as it did not contain any Articles that clearly defined who really constituted the citizens of China. Malaysia therefore needed clarifications from the Chinese as it was generally perceived that China's policy towards the overseas Chinese was similar to that of the Kuomintang Nationality Law of 1929 which subscribed to the principle of *jus sanguinis*. It states that any person born of a Chinese father, or of a Chinese mother where the nationality of the father was


unknown or indeterminate, is a Chinese citizen regardless of the place of his birth.\textsuperscript{26} Stephen Fitzgerald in his study on China's attitude towards the overseas Chinese also observed that:

At no time did the CCP [CPC] actually state that it rejected the concept of \textit{jus sanguinis} on which the Kuomintang law was based; and the evidence suggests that for public purposes at least the Party accepted a very broad interpretation of nationals of the People's Republic of China. The criteria on which this interpretation was based were never stated and the outer limits of China's overseas population never defined... [the CPC]...was prepared to claim the broad undifferentiated mass of Overseas Chinese as nationals of the People's Republic of China, irrespective of their own attitudes or the attitudes of the governments of the countries of residence... \textsuperscript{27}

Malaysia's suspicion, and for that matter the suspicions of the other ASEAN countries, was further strengthened by the provisions of Article 23 and 98 of the 1954 constitution. Article 23 states:

\begin{quote}
The National People's Congress is composed of deputies elected by provinces, autonomous regions, municipalities directly under the central authority, the armed forces and Chinese who live abroad;
\end{quote}

and Article 98 guaranteed that The People's Republic of China would "protect the just rights and interests of Chinese residents abroad". Thus Malaysia could never leave this issue unresolved lest China would feel justified to intervene in its internal affairs on the pretext of

\textsuperscript{26} For details see Leo Suryadinata, \textit{China and the ASEAN States}, Singapore University Press, 1985, pp. 152-157.

protecting the rights and interests of its citizens.

Besides what were stipulated in the provisions of the 1954 constitution, China also had a notorious record of explicitly carrying out subversive activities among the overseas Chinese in Indonesia\(^{28}\) and Burma\(^{29}\) despite the commitment it made in Bandung in 1955 to adhere to the five principles of coexistence. The posture taken by China in these two countries further entrenched the common perception that the overseas Chinese were a potential "Fifth Column", ready to be exploited by China for its political and revolutionary goals.

Thus, given its big Chinese population and the fraternal links maintained by the CPC with the MCP it was imperative for Malaysia to obtain from China: (a) China's stand on the status of the Malaysian Chinese who had taken up Malaysian citizenship (b) the status of the 200,000 "stateless" Chinese permanently residing in Malaysia and; (c) China's recognition that the CPM was Malaysia's own domestic problem and that the CPC should cease interfering in Malaysia's internal affairs through the CPM. With regard to the Malaysian Chinese who had taken up Malaysian citizenship, either by their own free will or by operation of law, Malaysia wanted China to categorically state that


this group of Chinese people had automatically forfeited their Chinese citizenship. As such, Malaysia as an independent sovereign nation was free to deal with them within the framework of Malaysian laws. China in the future would therefore have no right to interfere in the internal affairs of Malaysia on the pretext of protecting the interests of this particular group of people. With regard to the 200,000 "stateless" Chinese who were permanently residing in Malaysia the Malaysian government needed China to recognise the fact that "they must abide by Malaysian laws". It is pertinent to note that they were classified as "stateless" because they were neither citizens of Malaysia nor possessed the legal documents to prove that they were citizens of another country. However under the principle of jus sanguinis, China could always claim that they were Chinese citizens and therefore entitled to Chinese protection.

Finally in October 1973 China agreed to include these three contentious issues in the agenda of the talks. How far China could accommodate Malaysia's requirements will be analysed in the following chapter.
CHAPTER FOUR

ESTABLISHMENT OF DIPLOMATIC RELATIONS: ONE-TIER OR TWO-TIER RELATIONSHIPS?

I should naturally not be able to comment at this Press Conference on any matters of substance affecting Malaysia-PRC relations whether it is the question of Taiwan, permanent residents in Malaysia, the Malayan Communist Party....I shall do so when I meet you again on my return from China.

Tun Abdul Razak
27 May 1974.

Visit of Tun Razak to Beijing

When Tun Razak took over the premiership in September 1970 he ordered the reorientation of Malaysia's foreign policy. Consonant with his policy of creating a zone of peace, freedom and neutrality in Southeast Asia, Malaysia adopted a non-aligned and neutral foreign policy. Basic to this was the need to maintain an equidistant relationship with the super powers. In this connection it was imperative for Malaysia to recognise China. Recognition of the United States had taken place automatically on Independence Day in 1957 and diplomatic relations were established with the USSR in 1967 following the signing of a trade agreement and the decision by the Russians to buy rubber and tin direct from Malaysia.
Moves toward the establishment of diplomatic relations with China went "step by step" according to the pace set by Tun Razak. The first step was to loosen Malaysia's anti-communist foreign policy. In March 1973 Malaysia withdrew from the Asian and Pacific Council (ASPAC) because it was a grouping established by the pro-West countries of the Asia-Pacific region in 1966 as an instrument to contain China. Then in June 1973 Malaysia established diplomatic relations with North Korea and North Vietnam. With the recognition of the latter Malaysia then became the second ASEAN country, after Indonesia, that had relations with all the non-ASEAN Southeast Asian countries.

Finally in March 1974 Tun Razak revealed that "the accord for diplomatic ties will be successfully concluded soon", confirming the rampant speculation that he himself would visit Beijing for the occasion. A belated official announcement was made by the Foreign Ministry on 21 May 1974 which confirmed that "the Governments of Malaysia and the People's Republic of China have agreed in principle to establish full diplomatic relations and that on the invitation from Premier Chou Enlai, Tun Razak would pay an official visit to the PRC from May 28 to June 2, 1974" to formalise the agreement on the establishment of diplomatic relations.

It is interesting to note that Tun Razak's visit could

have taken place much earlier as the agreement had been concluded in December 1973. However it was timed in such a way as to immediately precede the general elections held in August 1974, the first to be held after the 1969 general elections when most of the candidates of the Malaysian Chinese Association (MCA), UMNO's partner in the ruling Alliance Party, were humiliated by trounced in Chinese-dominated constituencies by Chinese candidates from the opposition Democratic Action Party (DAP) and Gerakan Rakyat Malaysia (Gerakan) who in the main claimed that the MCA (which was now part of the new Barisan Nasional, the successor to the old Alliance) was neglecting the non-Malays by towing UMNO's policy. Thus the timing of the visit was also predicated on domestic political considerations: to prop up the image of the MCA and to some extent to weaken the perception among the Chinese community that Tun Razak was anti-Chinese. During the election campaign, posters of Tun Razak shaking hands with Chairman Mao with the slogan "Barisan Nasional is for Racial Harmony" were fully exploited by MCA candidates to win Chinese votes.

Outcome of Visit

The joint communique signed by Tun Razak and Zhou Enlai in essence covered two broad areas. The first dealt with the

3. The issues raised by the non-Malay opposition parties revolved around the special rights of the Malays contained in Article 153 of the Federal Constitution. For details see Means, G., *op. cit.*, pp. 391-397.
principles of Sino-Malaysian relations and the second concerned agreements on the question of the nationality of people of Chinese origin residing in Malaysia – the "stateless" Chinese and those who had become Malaysian citizens by operation of law, naturalization or registration.

The principles of Sino-Malaysian relations were covered in the communique by operative paragraphs one to four (see Appendix A). They dealt first of all with mutual recognition and the decision of the two governments to establish diplomatic relations from the date of the signing of the communique – 31 May 1974. The second paragraph referred to mutual adherence to the five principles of peaceful co-existence, namely mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference, equality, mutual benefit and peaceful coexistence. In the third paragraph China recognised the Government of Malaysia and respected the independence and integrity of Malaysia while in turn Malaysia recognised the Government of the People's Republic of China and acknowledged that Taiwan was an "inalienable" part of its territory. These were also basic general principles which as far as Malaysia was concerned, needed further elaboration. Hence the inclusion in the agreement that:

The two governments consider all foreign aggression, interference, control and subversion to be impermissible. They hold that the social system of a country should only be chosen and decided by its own people. They are opposed to any attempt by any country or group of countries to establish hegemony or create spheres of influence in any part of the world.
Malaysia's insistence on the inclusion of this paragraph stemmed from China's reluctance to abandon its party-to-party relations with the CPM. Malaysia hoped that the inclusion of this additional principle would restrict China's links with the CPM. Anything that went beyond moral support could be construed as "subversion and aggression" and therefore "impermissible" in the conduct of foreign relations. Tun Razak at the rally welcoming him home from the China visit, emphasised the significance of these principles. He said:

The...principles have far reaching implications for our internal as well as external affairs. Chairman Mao and Premier Chou [Zhou]...have categorically assured that they regard the remnant terrorists...as our internal problem which it is for us to deal with as we think best. The PRC has unequivocally stated that the social system in any country is for the people of that country alone to choose and decide. Our social system has been freely chosen by our people based on our national ideology, the Rukun Negara....The struggle of the terrorists [CPM] to impose by force another system which has been rejected by our people is hopeless and futile. The PRC recognises Malaysia and its independence and sovereignty. The PRC rejects foreign aggression, interference, control and subversion. The terrorists cannot claim that they are fighting for freedom.4

Thus the CPM was Malaysia's own internal problem and it could take any action against them without affecting the cordiality of bilateral relations. Tun Razak further underscored this point when he told the crowd welcoming him home that Mao Zedong had told him that the CPM

"is a matter for you to solve in whatever way you think fit".5

With regard to the law of nationality both the Governments declared that they did not recognize dual nationality. Based on this principle the "Chinese Government considers anyone of Chinese origin who has taken up of his own free will or acquired Malaysian nationality as automatically forfeiting Chinese nationality". As for the non-Malaysian Chinese residing in Malaysia the Chinese Government "acting in accordance with its consistent policy, will enjoin them to abide by the law of the Government of Malaysia, respect the customs and habits of the people there and and live in amity with them".

Malaysia's insistence that agreement on the issue of nationality should be clearly stated was dictated by two main considerations. Firstly, it wanted to remove the possibility of Chinese interference in its internal affairs on the pretext of protecting the interests of its nationals. The majority of the ethnic Chinese were Malaysian citizens and therefore aliens to China. As for those who chose to remain Chinese nationals, China admitted the need for them to abide "by the law of the Government of Malaysia", thus removing the possibility of a repeat of the experience faced by Burma and Indonesia where Chinese nationals were incited by the Chinese Embassy not to obey local laws on the excuse that they were non-citizens. Secondly, Malaysia

needed this definite clarification so that the Chinese in Malaysia would not have any doubts regarding their status and future. Thus when Tun Razak arrived home from China he forthrightly told the Malaysian Chinese that:

People of Chinese origin who have taken up Malaysian nationality are automatically not Chinese nationals. It will therefore be absolutely clear that there would be no future in Malaysia for fence sitters, for people whose loyalties are divided...We are all Malaysians and our...future lies...in Malaysia. As Malaysians we should view our new relationship with the PRC as a logical development of our foreign policy. The PRC mission should be regarded as no more than one other foreign mission functioning in Kuala Lumpur.6

It was for this reason that the nationality issue dominated most of the schedule of the negotiations in New York and was the main cause of the negotiation being suspended for several months when China insisted that the issue be resolved only after the establishment of formal diplomatic relations. China's reluctance should be viewed within the context of China-Taiwan rivalry to gain the allegiance of the overseas Chinese. Since its birth in 1950 the PRC had kept the issue ambiguous so that if the need arose the issue could be exploited to its advantage. Thus in its negotiations with Malaysia, China preferred to skirt the issue for fear of being accused by Taiwan of having compromised the interests of the overseas Chinese. Malaysia on the contrary wanted a specific agreement to be accepted and initialled in advance which would be formalised after the

normalisation of relations. The deadlock was overcome when China accepted that for Malaysia the settlement of the nationality issue was the key condition to normalisation. Consequently it was agreed that the general principles regarding the issue would be included in the Joint Communique although not in the formal agreement that Malaysia sought. This was the main reason why Malaysia insisted that the Joint Communique be signed by both the Prime Ministers; Tun Razak and Zhou Enlai. Though the Communique lacked the legal force of a treaty, Malaysia took the view that morally it would be difficult for China to go against its commitment.

The inclusion of the issues relating to the overseas Chinese and China's adherence to the five principles of coexistence in the Joint Communique was a breakthrough not only for Malaysia but all the ASEAN countries which in varying degrees harboured similar suspicions regarding China's intentions towards the region. Basically their suspicions stemmed from China's ambiguous attitude towards the overseas Chinese, the presence of China-inspired communist insurgencies, and the question of integrating the overseas Chinese with the indigenous population. To most of the ASEAN countries these issues were viewed as complex and inter-related. However in its negotiations Malaysia was able to reach separate agreements on each of these issues which served as models for the other ASEAN states. Thus when Thailand and the Philippines normalised their relations with
China the negotiations were both brief and smooth. They used the Tun Razak-Zhou Enlai communique as the basis for their negotiations and in fact the paragraph on non-recognition of dual nationality was adopted word for word by both in their joint communiques.

In the Joint Communique Malaysia got nearly all the commitments it wanted from China except an explicit assurance that it would sever its fraternal links with the CPM. Instead Malaysia obtained a general assurance in the second operative paragraph declaring that "all foreign aggression, interference, control and subversion to be impermissible". Zhou Enlai in his speech at the banquet honouring Tun Razak in no uncertain term explained the reason for this stand:

The Chinese people consistently support the just struggles of all oppressed nations and peoples. **This is our internationalist duty.**  

However in the same speech Zhou Enlai envisaged the possibility that the support could be moral rather than material when he said that:

We hold at the same time that the social system of a country can only be chosen and decided by its own people and cannot be imposed by other countries.  

Nevertheless Malaysia obtained verbal assurances both from Chairman Mao and Premier Zhou that the CPM was Malaysia's own internal problem and it could deal with it as

8. ibid.
it pleased. Tun Razak amplified this in a special press conference to Malaysian journalists in China. He explained:

Then I brought up the question of the terrorists. The majority of Chinese in Malaysia, of course, are loyal to the country but there is a small group of terrorists which is causing trouble in our country....The existence of this group may hinder the progress of our diplomatic relations and our good relationship....Chairman Mao said no, this is a matter for you. The terrorists are an internal matter for Malaysia and you can do what you like....9

With regard to the future of the 200,000 "stateless" Chinese residing in Malaysia, China did not make any commitment beyond what was stated in the Joint Communique, "that they should abide by the law of the Government of Malaysia". Only Tun Razak elaborated on this issue by saying that:

This matter should be examined after relations have been established. As far as China is concerned, if these people want to become Chinese nationals, China is prepared to issue them with Chinese passports. They say that if these people want to become citizens of China they will accept them.10

However after the establishment of diplomatic relations Malaysia did not pursue the issue further. China, true to Tun Razak's observation, were "not particularly anxious to have them".11 This attitude could be attributed to the following factors: that they were elderly people who were

10. ibid.
11. ibid.
well beyond their prime age; the strong sentiments against returned overseas Chinese which reached its climax during the Cultural Revolution; and the assurance by Tun Razak that the "permanent residents who have not acquired Malaysian nationality may continue to stay in Malaysia".\textsuperscript{12}

Malaysia on the other hand felt that in the long-run the issue would die a natural death and there was no need to push it further. Furthermore, taking the experience of Indonesia it was believed that sorting out this issue would create more problems than it solved. For security reasons Malaysia could not afford to give an opportunity for the Chinese Embassy to have unimpeded access to the Chinese community. It should also be borne in mind that Malaysia's insistence that the issue be agreed upon in the communiqué was motivated more by the desire to obtain the assurance from the Chinese Government that this group of people should not enjoy extraterritoriality. Also the 200,000 or so stateless were mostly elderly people and were in fact a dying breed. The status of their children posed no problem as most of them would have acquired Malaysian citizenship either by operation of law, naturalisation or registration. It should be noted that a child born in Malaysia could become a citizen by operation of law if either of the parents was a Malaysian. If children of stateless people

\textsuperscript{12} ibid.
failed to qualify by this provision they could always apply for citizenship by registration or naturalisation as virtually all would have more than fulfilled the residential qualification - an aggregate of not less than ten years out of the previous twelve years.\(^{13}\)

Conclusion

In the joint communique signed by Tun Razak and Zhou Enlai the issue pertaining to the severance of fraternal links between the CPC and CPM was not explicitly mentioned. Zhou nevertheless alluded to China's belief that it would be against China's "internationalist duty" to sever links with another non-revisionist communist party. Thus after the establishment of diplomatic relations China followed a dual-track policy, simultaneously maintaining government-to-government and party-to-party relations which in no time became an irritant in Malaysia–China relations.

\(^{13}\) For details see Articles 125, 127, 131 of the Federal Constitution of Malaysia.
CHAPTER FIVE

THE LINGERING IRRITANTS IN BILATERAL RELATIONS

...the People's Republic of China adheres to a policy of maintaining government-to-government relations while at the same time maintaining party-to-party relations with the communist insurgents in the region. Insofar as this dichotomy exists, it will be difficult to envisage any further progress in our relations.

Ghazali Shafie,
12 October 1981,

The two main issues that on the surface seemed to have been solved with the establishment of diplomatic relations — agreement on nationality and the mutual adherence to the five principles of coexistence — kept on haunting Malaysia-China relations. The posture taken by China to dichotomise Government-to-Government and party-to-party relations became a perennial problem. China's reluctance to sever its relation with the CPM caused Malaysia to restrict its relations with China to the Government-to-Government level. Nevertheless there were other underlying reasons. The predominantly Chinese character of the CPM and the peculiar nature of the Malaysian demographic composition underpinned its policy.

The uneasiness over the fraternal links between the CPC and the CPM continued to be felt by Malaysia even during the premiership of Tun Razak when the euphoria caused by the China visit was still at its peak. The fall of Phnom Penh
and Saigon to the communists in May 1975 boosted the sagging morale of the CPM. Consequently, apparently to prove the point that the establishment of diplomatic relations with China did not in any way affect their morale and will-power to wage terror, there was a sudden upsurge of communist guerilla activities in Malaysia. Tun Razak termed the sudden resurgence as the "New Emergency". The CPM launched a number of successful terrorist attacks including the bombing of the National Monument in the heart of Kuala Lumpur, the assassinations of the Inspector-General of Police and the Chief Police Officer of Perak in broad daylight, and sporadic grenade and rocket attacks on Police Field Force headquarters and police stations all over Malaysia. The number of police and security forces killed rose and there was a growing fear that the government could not contain the guerilla activities.

Despite protests made by Malaysia, no attempts were made by China to close down the clandestine broadcasting station, "Suara Revolusi". In fact it became more virulent in its attacks against the Razak "clique". When the CPC, in 1975, sent a congratulatory message to the CPM on its 45th anniversary which was given wide coverage by the "Suara Revolusi" and also in the journal "Peking Review", Tun Razak ordered an official protest to be made to the Chinese

ambassador in Kuala Lumpur.² It became evident to Malaysia that despite the establishment of diplomatic relations and the mutual adherence to the five principles of coexistence, China would not downplay but continue with its moral support to the CPM. Possibly internal political struggle in China itself made it difficult for the Chinese government to appear to be falling down in its "internationalist duty".

After the establishment of diplomatic relations the ban on visits to China by Malaysians and the stateless Chinese residing in Malaysia was slightly relaxed. Social visits, besides trade, were allowed. Nevertheless the conditions remained stringent. Only those who could meet one or more of the following conditions could be given permission:

- be 65 years of age or more, in which case the applicant may make only one visit;
- to visit close relatives;
- to seek medical treatment;
- to attend a trade fair;
- on official duty either representing the Malaysian government or international organisations.³

The official reason given by the government for the continuance of the restriction was China's insistence on maintaining its links with the CPM.⁴ However factors like

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the Chinese-character of the CPM, the cultural pull of China towards the ethnic Chinese and the anti-communist policy of the Government at the domestic level should not be discounted as the primary reasons for the Malay political elite adopting such a policy.

Problems Inherited by Hussein Onn and Mahathir

A further complication arose due to internal political developments in Malaysia. The untimely death of Tun Razak in January 1976 and the power struggle that ensued within UMNO helped to further magnify the contradiction in Malaysia-China relations. The deep anti-communist sentiments among the Malays were exploited by UMNO members who were jockeying for power. Close associates of Tun Razak were accused of being communist moles in the Government and three of them, two Deputy Ministers and the editor of the UMNO-owned newspaper - the New Straits Times - were detained under the Internal Security Act. Datuk Harun, the controversial and charismatic ex-Menteri Besar (Chief Minister) of Selangor challenged the leadership of Tun Razak's successor, Hussein Onn. In the midst of the power struggle and anti-communist furore, the UMNO General Assembly called on the government to be uncompromising in its anti-communist policy. The virulent criticism of China

by the new leadership for maintaining party-to-party relations should be viewed within the context of the power struggle and the anti-communist bogey that was made use of by rival groups to prevent Tun Razak's supporters, purportedly leftist in their thinking, from gaining political prominence. Nevertheless, in contrast to Tun Razak's use of the China issue to his political advantage in 1974, the new UMNO leadership had no domestic political incentive to push for closer ties with China.

Under the premiership of Hussein Onn Malaysia's controlled relationship became more cautious in nature. In the context of the heightened anti-communist atmosphere in UMNO Hussein, who had a military and legal background and was not personally responsible for the normalisation of relations, had no qualms in castigating China for its moral support to the CPM. Unlike Tun Razak, who accepted the fact that China would continue its fraternal links and believed that Malaysia should solve the problem itself through more aggressive counter-insurgency activities, Hussein Onn clung to the "catch-all" phrase of the communique which declared that "all foreign aggression, interference, control and subversion are impermissible". He publicly took China to task when Deng Xiaoping, the first high level Chinese dignitary to visit Malaysia since the normalisation of relations, was in Kuala Lumpur in November 1978. Deng, whose visit was to counter the earlier ASEAN tours of the Vietnamese Premier, Pham Van Dong, and the Russian Deputy
Foreign Minister, Nikolai Firyubin, was told that Malaysia "would like to be left alone in peace, free from any form of interference, subversion or incitement"\(^6\), a blunt message for China to cease support to the CPM. He went on to say that:

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\text{If I sound to be concerned, it is because the stability and safety of my country are being threatened... I cannot afford to be indifferent when there is so much at stake for my country.}^7
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Hussein's blunt statement could be attributed to Deng's insensitivity to Malaysia's (as well as ASEAN's) feeling. Prior to his arrival in Kuala Lumpur, Deng made a statement in Bangkok that China could not afford to disassociate itself from supporting local communist insurgents.\(^8\) While in Kuala Lumpur Deng turned down a Malaysian proposal to include a wreath-laying ceremony at the National Monument in his official programme.\(^9\) The Monument was erected to honour the police and soldiers who had died fighting the CPM during the Emergency. Deng's attitude contrasted sharply with that of Pham Van Dong who not only visited the Monument but publicly came out with a statement that Vietnam had ceased giving support to the CPM and that it would not interfere in the internal affairs of Malaysia.

Malaysia was bitterly disappointed when Deng Xiaoping

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7. *ibid*.
8. *ibid*.
did not give any assurance to cease giving moral support to the CPM. In his meeting with Hussein Onn, Deng said that the maintenance of fraternal relations "was an important point of principle" that could not be changed "without serious international implications". Malaysia did not accept Deng's rationale that China had to continue to espouse the cause of the CPM lest the Soviet Union or Vietnam would take over China's role. Tan Sri Ghazali Shafie, then the Home Minister, dismissed such possibilities as the CPM was not only predominantly Chinese but staunchly pro-Beijing in outlook. Hussein Onn went even further by questioning the usefulness of having diplomatic relations with China. He commented:

> It takes two to have an agreement. If we cannot agree what does the other do? Do we have no diplomatic relations at all or do we have diplomatic relations? Or do we say we understand what to us sounds a bit illogical but to them is logical.¹²

Deng's statement on party-to-party relations and the rationale for maintaining such links received sharp criticisms from the ASEAN members.¹³ Lee Kuan Yew during his visit to China in November 1980, expressed ASEAN's uneasiness to Premier Zhao Ziyang. In fact Lee intended to make the issue the main theme of his speech at the banquet hosted by Zhao. However at the request of the Chinese that

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11. *Asian Almanac*, *op. cit.*
12. *New Straits Times*, *op. cit.*
Chinese that the issue be kept away from public arena, Lee had to forgo the speech-making tradition. Instead he was given the opportunity to raise it in an unscheduled meeting with Deng Xiaoping. To prove its good intention China promised to discontinue the clandestine "Suara Revolusi". It was closed down in June 1981 only to be resumed the following day under a different name - "Voice of Malayan Democracy" - from a different wave-length operating somewhere in southern Thailand. To Malaysia and the other ASEAN countries the change was cosmetic and did not mark any progress in relations. In fact, before its closure, the "Suara Revolusi" announced its broadcasts would be resumed on another wavelength, thus strengthening the suspicion that China had a role not only in relocating the station but also in its operation.  

Chinese support for the CPM continued to hamper the improvement of relations between the two countries. In 1981 the Foreign Minister described Malaysia's relations with China in the following words:

Insofar as this dichotomy [government-to-government and party-to-party] exists, it will be difficult to envisage any further progress in our relations...Premier Zhao was not able to convince us that China was prepared to give up her party-to-party links. In this respect therefore there has been little progress since the visit of Vice Premier Deng Xiaoping.  

14. For an account of the visit see Asiaweek, 21 November 1980, p.20.


In fact throughout the 1980s - until the visit of Malaysia's fourth Premier, Dr. Mahathir to Beijing in November 1985 - Malaysia continued to show its displeasure over China's dual track policy. When the Chinese Foreign Minister, Huang Hua, visited Malaysia in March 1980, Malaysia sent to the gallows three CPM members convicted for various terrorist acts, a stern message to China that the communist menace was real and Malaysia would not relent in its efforts to decimate them. In January 1981 when the Chinese Minister of State Farms and Land Reclamation was in Kuala Lumpur, the Malaysian government took the opportunity to publicise the statement of Musa Ahmad, the disaffected former Chairman of the CPM who was allegedly smuggled out of his exile in China by the Malaysian authorities. It should be noted that since the banning of the CPM in 1948 most of its leaders were given refuge in China by the Chinese government. Prominent among them were the Chin Peng (Secretary-General), Chin Tien, Abdullah Che Dat (CD) and Rashid Mydin. In his statement Musa Ahmad warned that China's willingness to stop overt support to pro-Peking insurgent communist movements in the region was merely a tactical ploy to win favour. It was only a matter of expediency for the CPC had promised the CPM moral and material support and had vowed that the struggle would continue even if there were only two or three

guerillas left in Malaysia. This statement, whether it was doctored by the Malaysian authorities or otherwise, was to convey to the Chinese that Malaysia still regarded China as a threat to its security.

In this regard Prime Minister Mahathir stirred the diplomatic community when he said that he did not believe that Vietnam had either the capacity or immediate motivation to invade the ASEAN countries, confirming the statement made earlier by his Foreign Minister, Tan Sri Ghazali Shafie, that "We see China as a bigger danger regionally...because the Chinese have links with the CPM". Subsequently Malaysia even brought the issue of the CPC and CPM links to the 1981 UN General Assembly. Tan Sri Ghazali said:

...We in Southeast Asia...face a rather bizarre situation when our hands are being shaken by a government in the name of friendship, yet the political party from which the government is formed, as if there is a real dichotomy, declares openly to us in our faces, of their commitments to continue to support albeit morally and politically, illegal and terroristic groups that are striving daily to overthrow by violent means our respective governments....We...regard this as a policy of rotten fish being served in the specialized recipe of sweet and sour dish.

18. For the full statement of Musa Ahmad see Sabda & Wahba, Musa Ahmad Kembali Kepangkuan, Penerbitan Tra Tra Kuala Lumpur, 1981, pp. 191-205.
A second problem is the Chinese attitude to Chinese Malaysians. With regard to the strict limitations on travels to China, Hussein Onn, with his straight-forward interpretation of the 1974 Joint Communique, continued with the restriction policy. In 1979 he informed the Malaysian parliament that:

The Malaysian relationship with PRC was still based on the joint communique signed in 1974. The government had no intention of lifting restrictions on social visits to China as it continues to support the communist group operating within Malaysia. The matter would be reviewed from time to time in accordance with changes taking place in China.22

However in the 1980s, especially during the premiership of Mahathir, the question of social visits became an additional irritant. It was discovered that Malaysian Chinese were able to circumvent the restriction with the connivance of the Chinese authorities. They would travel to Hong Kong or Macao and from these places proceed to China on Chinese travel documents. The suspicion of the Malaysian government was first aroused with the discovery of unexplained gaps between the date of the Hong Kong or Macao exit stamp and the entry stamp made on the return trip. It was the air crash in Guangdong province in September 1983, involving the death of 16 Malaysians, that confirmed the suspicion. Two of the victims were discovered to have travelled to China without the permission of the Malaysian

the permission of the Malaysian authorities but were issued by the Chinese authorities with Chinese travel documents. 23

Malaysia registered its displeasure at this attitude of the Chinese when the Foreign Minister, Wu Xueqian, visited Malaysia in February 1984. Musa Hitam, then the Deputy Prime Minister and Minister of Home Affairs, warned Wu of the implications of China giving special treatment to Malaysian Chinese and issuing them with entry permits which were exclusively meant for overseas Chinese returning to China. Musa argued that this in effect meant that China still recognised Malaysian Chinese as Chinese nationals, thus making them "less Malaysian and sabotaging the government's efforts towards national integration". 24 More importantly it ran counter to the agreement embodied in 1974 Joint Communiqué by which China declared that it did not recognise dual nationality and that the overseas Chinese who had taken or acquired Malaysian nationality would automatically forfeit Chinese nationality.

Although Wu denied the existence of such a policy he did not deny the possibility of slip-ups made by immigration officials at border posts and promised to look into the complaint. However this issue should not be viewed in isolation. It should be seen within the framework of China's ever-shifting policy towards people of Chinese descent

24. ibid.
overseas. It should be noted that in 1978 the Office of the Overseas Chinese Affairs (OACA) was established to take over the role of the Chinese Affairs Commission that was dissolved during the Cultural Revolution. Its main function was to attract overseas Chinese contributions to the Four Modernisations Programme irrespective of whether they were Chinese nationals or otherwise. The statements made by Liao Chengzhi, the Director of the OACA, who was also a member of the Central Committee of the CPC, and the provision of the 1982 Constitution of China further strengthened the suspicion that China had not totally abandoned the jus sanguinis principle. Liao considered that all overseas Chinese who had taken up foreign nationalities were still "our kinsfolk and friends" and constituted  

"a force we should rely on...The majority of them are patriotic and eagerly wish to see a strong motherland with a higher international status...We should work energetically among them...and strive to form the broadest patriotic united front among the overseas Chinese."  

Meanwhile the 1982 Constitution stipulates that "China protects the lawful rights and interests of returned overseas Chinese and of the family members of Chinese nationals residing abroad". The interpretation of this  

Article was never defined by the Chinese, thus adding further suspicion about China's real attitude.

Given Malaysia's displeasure with China - its party-to-party relations and the accordance of special treatment to Malaysian Chinese - Mahathir sidestepped the official invitation delivered by Wu Xueqian for him to visit China to celebrate the 10th anniversary of the establishment of Malaysia-China diplomatic relations. Instead Mahathir sent his Foreign Minister, Ghazali Shafie.
CHAPTER SIX

THE DILEMMAS OF THE MAHATHIR ADMINISTRATION: TRADE OR SECURITY?

In analysing the reasons behind the lack of sustained progress in our bilateral relations, we must face squarely the inescapable conclusion that our inability to completely resolve certain core bilateral issues to mutual satisfaction have had the effect of impeding the overall growth of relations.

Mahathir Mohamed,
20th November 1985.

New Realism in Relations with China

The first decade of Malaysia-China relations was dominated by political polemics revolving around China's insistence on maintaining fraternal links with the CPM and to some extent the special treatment accorded to Malaysians of Chinese descent by the Chinese government. They in the main impeded the overall growth of bilateral relations. Unhappy with the fact that Malaysia was not taking the fullest advantage of China's economic liberalisation policy, Mahathir ordered the formation of a special task force in May 1984\(^1\) with the objective of reviewing Malaysia's guarded and arms-length relationship with China. Thus when

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he visited Beijing in November 1985 he sidestepped the perennial contentious issues and impressed upon the Chinese leadership that economic cooperation could offer "exciting possibilities" and expressed the desire to see the tempo of bilateral relations in the second decade dominated by economic cooperation.

Mahathir's pragmatic approach was spurred by several factors. Firstly, Malaysia realised that little could be achieved by going over old ground, particularly on the CPC-CPM links. The ASEAN countries have concertedly tried to prevail on the Chinese but with little success. Secondly, Malaysia was concerned with the lack of sustained growth in trade and economic ties which in part emanated from Malaysia's stringent policy of confining its relations to the Government-to-Government level. Restrictions on business visits, particularly the tedious process of obtaining authorisation, were part of this. Despite being the first ASEAN country to have diplomatic relations as well as having a long history of uninterrupted trade links with China, Malaysia's export growth was minimal as compared to the performances of the other ASEAN countries. For example between 1980-1984 Indonesia's exports grew from US$ 14 million to US$ 214 million, the Philippines from US$ 70 million to US$ 82 million whereas Malaysia's exports plummeted from US$ 240 million in 1980 to a low of US$ 120

million in 1981, reaching a figure of US$ 193 million in 1984 (see Table III). Mahathir's concern about trade was motivated by Malaysia's urgent need to arrest the decline in its balance of payments. With the slump in the prices of its primary commodities, beginning from 1980, Malaysia for the first time since independence faced a trade deficits problem. Thus, a more practical China policy, without compromising Malaysia's security needs, would be economically beneficial for it would not only help rectify the ever-growing trade imbalance (see Table IV) but would also provide Malaysian entrepreneurs ample opportunities to invest and participate in China's development projects.

Prelude to Dr. Mahathir's China Visit

The Foreign Minister, Ghazali Shafie, who was in China in May 1984 to celebrate the tenth anniversary of the establishment of diplomatic relations, essentially paved the way for Mahathir to concentrate more on economic discussions by raising all the contentious issues with the Chinese leaders - the CPC-CPM fraternal links; the special treatment accorded to Malaysian Chinese who travelled to China without authorisation from the Malaysian government and China's preference to conduct trade through Chinese middlemen rather than PERNAS.

On the question of CPC-CPM links Ghazali unequivocally underscored Malaysia's concern and suggested three ways for China to cut off its ties: either to abandon the CPM without more ado or force it to dissolve itself as most
### TABLE III

**CHINA'S TRADE WITH SOUTHEAST ASIA**  
(In US$ million)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDONESIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imports</td>
<td>21</td>
<td>54</td>
<td>46</td>
<td>49</td>
<td>70</td>
</tr>
<tr>
<td>Exports</td>
<td>14</td>
<td>63</td>
<td>151</td>
<td>150</td>
<td>214</td>
</tr>
<tr>
<td>Total Trade</td>
<td>35</td>
<td>117</td>
<td>197</td>
<td>199</td>
<td>284</td>
</tr>
<tr>
<td><strong>MALAYSIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imports</td>
<td>184</td>
<td>191</td>
<td>181</td>
<td>186</td>
<td>196</td>
</tr>
<tr>
<td>Exports</td>
<td>240</td>
<td>120</td>
<td>156</td>
<td>215</td>
<td>193</td>
</tr>
<tr>
<td>Total Trade</td>
<td>424</td>
<td>311</td>
<td>337</td>
<td>401</td>
<td>389</td>
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<td><strong>PHILIPPINES</strong></td>
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<tr>
<td>Imports</td>
<td>258</td>
<td>256</td>
<td>236</td>
<td>143</td>
<td>233</td>
</tr>
<tr>
<td>Exports</td>
<td>70</td>
<td>117</td>
<td>137</td>
<td>45</td>
<td>82</td>
</tr>
<tr>
<td>Total Trade</td>
<td>328</td>
<td>372</td>
<td>373</td>
<td>188</td>
<td>315</td>
</tr>
<tr>
<td><strong>SINGAPORE</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Imports</td>
<td>421</td>
<td>658</td>
<td>648</td>
<td>567</td>
<td>1209</td>
</tr>
<tr>
<td>Exports</td>
<td>190</td>
<td>113</td>
<td>103</td>
<td>114</td>
<td>141</td>
</tr>
<tr>
<td>Total Trade</td>
<td>611</td>
<td>771</td>
<td>751</td>
<td>681</td>
<td>1350</td>
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<tr>
<td><strong>THAILAND</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Imports</td>
<td>312</td>
<td>228</td>
<td>168</td>
<td>195</td>
<td>251</td>
</tr>
<tr>
<td>Exports</td>
<td>140</td>
<td>154</td>
<td>347</td>
<td>135</td>
<td>188</td>
</tr>
<tr>
<td>Total Trade</td>
<td>452</td>
<td>382</td>
<td>515</td>
<td>330</td>
<td>439</td>
</tr>
</tbody>
</table>

Source: IMF *Direction of Trade Statistics*.  
Data based on Chinese trade figures.

### TABLE IV

**MALAYSIA–CHINA TRADE**  
(in M$ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Volume</th>
<th>Deficits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>251</td>
<td>509</td>
<td>760</td>
<td>-258</td>
</tr>
<tr>
<td>1979</td>
<td>397</td>
<td>487</td>
<td>884</td>
<td>-90</td>
</tr>
<tr>
<td>1980</td>
<td>471</td>
<td>551</td>
<td>1022</td>
<td>-80</td>
</tr>
<tr>
<td>1981</td>
<td>204</td>
<td>632</td>
<td>836</td>
<td>-428</td>
</tr>
<tr>
<td>1982</td>
<td>258</td>
<td>640</td>
<td>898</td>
<td>-382</td>
</tr>
<tr>
<td>1983</td>
<td>364</td>
<td>626</td>
<td>990</td>
<td>-262</td>
</tr>
<tr>
<td>1984</td>
<td>283</td>
<td>811</td>
<td>1056</td>
<td>-283</td>
</tr>
</tbody>
</table>

Source: Malaysia *Yearbook(s)*, 1977–1975.  
Data based on Malaysian trade figures.
of its leaders were in China or to issue a statement repudiating "movements advocating armed struggle against a government with which China has proper relations". Malaysia would accept any of these moves as a sign of good faith on the part of China. However China stood firm to its oft-stated position and the Malaysian leadership at last drew the conclusion that it was futile to seek Chinese cooperation in eradicating the problem. Perhaps in deference to Malaysia's sensitivities, China reduced the profile of the fraternal relationship between the CPC and CPM through the non-publication of party-to-party fraternal messages in government-run media.

Regarding the special treatment accorded to Malaysians of Chinese origin through the issuance of special travel documents by the Chinese authorities, China was responsive to Malaysia's concern and assured that no further unauthorised visits would be entertained in the future. Wu Xueqian impressed on Ghazali that consistent with Hu Yaobang's speech in Tokyo in December 1983, distinctions would be drawn between overseas Chinese and Chinese who are nationals of China. Hu Yaobang in his meeting with Ghazali also pledged that China would "never ask people of

3. ibid.
5. For details of the statement see Xinhua News Agency Weekly Issue, 1 December 1983, pp. 18-19.
Chinese origin to do things detrimental to the interests of their countries of residence".  

On economic relations Malaysia registered her dissatisfaction with China's preference to conduct her trade with either Malaysian Chinese or Chinese middlemen in Hong Kong or Singapore rather than through the state corporation, PERNAS. Malaysia explained that such actions would exacerbate the apprehension about China's attitude towards the overseas Chinese as well as undermine Malaysia's efforts for a balanced distribution of wealth under the New Economic Policy. He impressed on the Chinese that Malaysia would like to see China adopting a multi-ethnic approach in conducting its trade with Malaysia. While appreciating Malaysia's concern, China pointed out to Ghazali that the shortcoming was partly caused by Malaysia's stringent business travel restrictions which forced China to depend more on its traditional commercial contacts in Singapore and Hong Kong who were invariably people of Chinese descent. China also hinted to Ghazali that the relaxation of travel restrictions could enhance direct trade. It also expressed interest to import more rubber and a few Malaysian-made "Proton Saga" cars on a trial basis. Indeed China was serious about buying the "Proton Saga" and the first ten of the twenty units ordered were delivered during Mahathir's visit.

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Though Ghazali's visit did not achieve any breakthrough, it in fact led to some rethinking on the part of Malaysia. It strengthened Malaysia's view that China's modernisation programmes coupled by its adoption of a market-oriented economic system provided both economic and political opportunities. It was felt that Malaysia should take advantage of China's economic liberalism and while it was preoccupied with its "Four Modernisations" Malaysia should take the opportunity to strengthen its national resilience to meet the perceived long-term threat from China. Significant too was the fact that Ghazali was the first Malaysian official, after the historic visit of Tun Razak in 1974, to have made a visit that was essentially businesslike in nature.

Managing a Controlled Relationship with China

On his return from Beijing, Ghazali made several concrete recommendations to the Government to ensure that Malaysia was not left behind in the economic opportunities offered by China. Consequently the Government strengthened the task force that was formed in May 1984 by transforming it into a more powerful inter-ministerial committee with the twin objectives of putting Malaysia's relationship with China on a more stable footing and to facilitate trade and investments.

The inter-ministerial committee came out with a comprehensive paper entitled "Managing a Controlled
Relationship with the PRC with inputs from all the economic and security-related government agencies and the various Chambers of Commerce. The paper was considered and adopted at a special Cabinet meeting on 6 June 1985, some five months before Mahathir's visit in November 1985. Among the most important recommendations adopted by the Cabinet were:

- Streamlining the procedures of obtaining Malaysian travel documents to visit China for business purposes. A one-stop processing agency comprising representatives from the Foreign Ministry, Home Affairs and Trade was to be established. Bona fide applicants would be given the security clearance within a time frame of not more than two weeks and would be allowed to apply for multiple-entry visas from the Chinese authorities. Hitherto the procedure was rather cumbersome. Applicants were allowed to apply only for single-entry visas on a case-by-case basis and the applications were referred to the various agencies which at times took months to process;

- To have closer government-to-government links through economic-related agreements namely The Avoidance of

Double Taxation Agreement; Investment Guarantee Agreement and Shipping Agreement. It was perceived that these government-to-government agreements could facilitate economic and trade collaboration;

- Promotion of direct trade by encouraging private sector involvement in trade which had hitherto been solely handled by PERNAS. In an effort to undercut China's tendency to have business dealings only with Malaysian Chinese the Government was to encourage direct trade to be handled by the Sino-Malay Joint Chambers of Commerce;

- In the realm of security the paper also underlined the possibility of a recurrence of Chinese support for insurgent movements. It recommended that Malaysia had to continue building up its national resilience - including economic strength. However the paper was not totally pessimistic in tone for it did not totally foreclose the possibility of China discarding its former destabilising policies. Malaysia felt that rapid economic progress would make China behave more responsibly in conducting its foreign relations especially with the Southeast Asian region which it regards as its sphere of influence in its rivalry with the Soviet Union.

Visit of Dr. Mahathir

Arising from the new pragmatism and the mandate given by the cabinet decision of 6 June 1985 Mahathir, during his China visit in November 1985, focussed his discussions more on economic issues. The fact that he spent six days out of
his nine-day schedule touring the provinces and special economic zones reflected his desire to see Malaysia taking the maximum advantage from the opportunities offered by China's economic liberalism.

Although Mahathir did not raise the contentious issues in his discussions with the Chinese leaders, he did remind the Chinese that the growth of overall relations had been impeded by the inability of both sides "to completely resolve certain core bilateral issues to mutual satisfaction", a reference to the CPC-CPM links and the special treatment given by China to Malaysians of Chinese descent. He went further to register Malaysia's uneasiness by commenting at the state banquet that:

...leaders of China have assured us on many occasions that some of these issues are "leftovers from history and that time will resolve them". While admittedly [sic] that time is a great healer, I hope we will not allow history to hold the progress of our relations to hostage.10

In underscoring the irritants Mahathir told China not to be "mired and shackled to historical legacies and fidelities".11

10. ibid.
11. ibid.
Economic Cooperation

As the visit of Mahathir was arranged months ahead of schedule, including the adoption of the "controlled relationship" concept, the private sector had ample time to secure business deals which could be concluded during the visit. In fact, for the trip Mahathir was accompanied by a contingent of more than 150 businessmen and to give significance to his economic emphasis several contracts were signed by the Malaysian entrepeneurs on the occasion. Some of the major ones were:

-the signing of a Memorandum of Understanding by Sabah Gas with the China Metallurgical Import and Export Corporation to supply the latter with hot briquetted iron over a period of two years;
-a contract signed by the Sino-Malay Joint Chambers of Commerce for the construction of villas and office blocks in Fujian province;
-a joint venture agreement signed by the QBS System (Malaysia) Sdn. Berhad for the construction of a trade and science technology centre and a luxury country home project for expatriates just outside Beijing.¹²

All in all during the visit the private sector concluded sales contracts amounting to M$57 million and construction and interior design contracts worth M$480 million.¹³

¹³ New Straits Times, 5 December 1985, p. 7.
At the government-to-government level the visit saw the conclusion of the Avoidance of Double Taxation Agreement which was meant to encourage entrepreneurs from both sides to trade and enter into joint-ventures without being taxed twice. On balance, however, the agreement would benefit the Malaysians more as they were the ones who have the capital and expertise to invest in China rather than the reverse. Nonetheless, to China the agreement constituted another facet of its policy in attracting more foreign investments.

The other agreement was on direct trade signed between the Sino-Malay Joint Chambers of Commerce and the government-owned China Council for the Promotion of International Trade. These two agencies were also given the monopoly on barter trade. China welcomed this arrangement as it would save her much needed foreign exchange for her development efforts while it fitted nicely into Malaysia's policy of encouraging trade with China to be conducted on multi-ethnic basis.

Another promising area of cooperation broached by Mahathir was shipping, including the cargo-sharing concept by which the respective national shipping lines would reserve some space for each other's cargo, so as to minimise overhead costs. In connection with shipping cooperation and direct bilateral trade Malaysia also requested COSCO (China Ocean Shipping Company) to appoint more agents in Malaysia as then it had only one sub-agent with its headquarters in Singapore, to service the five COSCO ships calling monthly at Port Klang and Penang. China showed some interest in the
proposal of having a shipping agreement but at the same time expressed dissatisfaction with the discriminatory policy of the Malaysian authorities for not allowing Chinese sailors to come ashore when their ships berth at Malaysian ports. Notwithstanding this progress, the Government is yet to conclude the full complement of agreements that are essential for the steady growth of economic ties, especially within the context of Malaysia's "controlled relationship" concept, namely agreements on Trade, Shipping and Investment Guarantee. The last two that were initiated during Mahathir's visit are still being negotiated.

Conclusion

While Mahathir had laid the foundation for greater economic and trade relations between the two countries, the future depends very much on the private sector. The Government could only facilitate the private sector's role by relaxing its regulations and signing agreements that are necessary to encourage trade and investment. Preliminary research done by the Institute of Strategic and International Studies (ISIS) of Malaysia showed that neither the Sino-Malay Joint Chambers of Commerce (SMJCC) nor PERNAS has lived up to the Government's expectations. The SMJCC failed to carry out follow-up action and it was unable to provide services to would-be Malaysian importers and exporters while PERNAS, which has been handling the China trade since 1971, appeared not to go beyond collecting
commission fees from its clients. This made the Government's effort to promote multi-ethnic trade links with China a difficult task to achieve. It is envisaged that the Malaysian Chinese, with their expertise and traditional commercial network, will continue to dominate the China trade for many years to come. At the individual level very few of the Malay businessmen were able to speak Mandarin let alone knowledgeable about Chinese rules and regulations. Furthermore, they lacked perseverance and were more inclined to go for quick profits offered by business deals with Malaysia's major trading partners in the West, Japan, Korea and Taiwan.

While Mahathir's visit, according to an editorial of the New Straits Times, "has supplanted decades of brooding distance with a more positive and forward-looking approach towards doing business with a China that is obviously more open to do business - and more capable - than it was in 1974" nevertheless the perception that China is the long-term threat to Malaysia's security still looms. Though Malaysia feels comfortable with the policy of the present Chinese leadership, Malaysia believes that the political

14. ISIS Mimeograph still in draft form written by Zainuddin Bahari and made available to the writer.

situation is still fluid. Mahathir commented:

[We]...still feel that it is possible for changes to take place. We have to maintain this attitude, this scrutiny of our relationship at all the time to make sure that if there is any change, we will not be caught napping...16

In his address to the students of Qing Hua University in Beijing, Mahathir also spoke of Malaysia's concern about China's intentions towards Southeast Asia and the long-term implications of its military modernisation. He said:

Historically small countries in the peripheries of big and powerful state have always had reason to be wary. In this connection, we welcome the many assurances that China will never seek hegemony and will never do anything to harm us...I ask that you understand us, if despite these assurances some concerns linger on, for...trust does not come easily to us in view of our past experience.17

CHAPTER SEVEN

CONCLUSION: THE CONTINUING THREAT

While China does not as yet possess the capacity to wage war far beyond its borders, it does have the capacity to strike at the core of our vulnerability - internal subversion through its support for the insurrectionist Communist Party of Malaya and national cohesiveness through its wooing of ethnic Chinese in Malaysia.

Ghazali Shafie
3rd May 1985

Malaysia's Threat Perception

Although Malaysia's attitude towards China has changed markedly since 1957 suspicions still persist. The publicity given to the return to Malaysia from China of the Chairman of the CPM, Musa Ahmad, in 1981 and the adoption of the "controlled relationship" concept were a few of the many manifestations of Malaysia's assertion that China constitutes a long-term threat to its security. However with China's preoccupation with the Four Modernisations Programme Malaysia perceived that China is unlikely to be an immediate threat to its security as the successful implementation of the programme entails a period of internal stability as well as maintaining cordial and friendly relations with the countries of the region. Furthermore, in its desire to check the influence of the Soviet Union - within the context of the Hanoi-Moscow axis - it is imperative for China to maintain its existing posture towards the ASEAN nations.
Though Malaysia feels comfortable with the policy of the present Chinese leadership there are many imponderables that make the Malaysian political elite apprehensive. The commitment of the second echelon leaders to Deng's pragmatism and economic liberalism remains suspect. China's past support for communist insurrection in the Southeast Asian region is a grim reminder of its past belligerent behaviour and it has a worrying record of sharp reversals of policies. Moreover, the success of the modernisation programmes could produce an even bigger threat in the long-term as China's policy after obtaining economic and military strength is still a matter for conjecture. It was in the context of these imponderables that Mahathir made the statement that Malaysia would always be wary of the China threat and would not like to be caught "napping".

As far as Malaysia is concerned the Chinese threat could emanate both from within and without but concern for the internal threat is most worrying. The ex-Foreign Minister of Malaysia, Ghazali Shafie, in underscoring this perception, once said:

...the Chinese threat could manifest itself from within. To us this is even more dangerous. Clear-cut foreign aggression is easily identifiable and world reaction to it is predictable. Foreign-backed subversion ...has always been a grey area in international politics. Apart from this, China has extensive territorial claims in the South China Sea to almost 30 miles off the coast of East Malaysia.¹

In the main a possible Chinese threat could originate from the Beijing-oriented CPM insurgent movement; the Malaysian Chinese minority; spillover from the Kampuchean conflict and China's claims in the South China Sea.

CPC's Links with the CPM

The double-faced diplomatic strategy of China, by differentiating government-to-government and party-to-party relationships, has generated suspicions about China's real intention towards the region. While Malaysia is able to contain the CPM, the dimension of the threat would be markedly destabilising should the CPM receive material support from without. It is perceived that the dual-track policy of China is a matter of political expediency whereby it would give it the option to use the CPM as a source of leverage if the need should arise. As most of the top CPM leaders are now residing in Beijing and their political propaganda is being tacitly supported by the Chinese Government, either through the Voice of the Malayan Democracy (formerly known as Voice of the Malayan Revolution) or the government-owned "People's Daily", China could try to revitalise the subversive activities of the CPM as and when it liked. The situation becomes more complex with the unique racial mix of the Malaysian population and the domination of the CPM by Malaysians of Chinese descent. Thus China could simultaneously exploit ideological, racial and cultural issues to subvert Malaysia.
The Presence of Malaysian Chinese Minority

The overseas Chinese are both an asset and a liability to China in its dealings with the Southeast Asian nations and over the years it has shown a substantial ability to shift positions. They have been treated as part of the Chinese nation and "patriotic national front" as well as foreign nationals who "are still our kinsfolk and friends". China has sometimes been prepared to abandon them, as in the case of Pol Pot's genocidal policy, but on the other hand became their champion overnight when they were discriminated against in Vietnam. China appears hesitant whether to treat them either as (i) its citizens or (ii) foreign capitalists or (iii) useful source of foreign capital and expertise in its modernisation programmes or (iv) an "expendable bargaining commodity to extract concessions on more important issues."

As far as Malaysia is concerned doubts continue to exist about China's real attitude towards the Malaysian Chinese. Despite its declaration that it does not recognise dual nationality in the Joint Communique of 1974, it continues to giving treatment that was reserved only for Chinese citizens to Malaysian Chinese. The issuance of "returned overseas

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Chinese travel documents unearthed in 1984 and the invitation to prominent Malaysian Chinese to go to China to celebrate "our" anniversary (communist takeover) in late 1984 created doubts that China had not totally abandoned the jus sanguinis principle. Being a multi-racial nation Malaysia has to be wary of China's attitude for:

However integrated Chinese Malaysians are within the body politic, one hundred percent success cannot be counted upon. A few can do a great deal of harm. To do this harm, China would require no substantial military capability and would not need to make a substantial commitment of resources. To set off dynamite, all one needs is a box of matches.

Spillover from the Kampuchean Conflict

The Kampuchean factor appeared in Malaysia's threat perception soon after its occupation by Vietnam in 1978. ASEAN's declared solution to the conflict seems in congruence with that of China, that is the withdrawal of Vietnamese troops from Kampuchea and the Kampuchean people being allowed to choose their own government. However Malaysia (and Indonesia) is not prepared to go along with China's policy of bleeding Vietnam white as it would like to see a viable Vietnam that would rely less on Soviet support, thus reducing super-power rivalries in the region. Secondly,


the presence of a strong Vietnam could be expected to dissuade China from viewing Southeast Asia as a backyard for the spread of its influence. In the main, Malaysian security planners would like to see a viable Vietnam as a buffer between ASEAN and China.  

Although Malaysia has strongly opposed the Vietnamese occupation of Kampuchea, it does not want to see either the restoration of the pro-China Pol Pot regime or the acceptance of the legitimacy of the Vietnamese-backed Heng Samrin regime. Malaysia prefers a political solution as opposed to the existing military conflict, for it will (i) deny China the chance of weakening Vietnam, (ii) restore the independence of Kampuchea as it entails the withdrawal of foreign troops from Kampuchean soil and (iii) minimise the possibility of China or Vietnam dominating Kampuchea thus removing the direct threat to the security of the ASEAN nations. On the other hand, should the conflict escalate Vietnam in the long-run might be weakened, leaving the Indochina region open to Chinese hegemony.

Conflicting Claims in the South China Sea

The South China Sea is another source of conflict between the ASEAN states and China. In 1975 China produced its official map claiming some 127 scattered and largely

8. See Nair, K.K., ASEAN-Indochina Relations, Strategic and Defence Studies Center, Australian National University, Canberra, 1984, pp. 171-181.
uninhabited coral, cays and sandpits (see Map I) including the Paracel Islands and the Spratly Islands, as well as the Tseng-mu Reef, which is in Malaysian waters, lying just 20 miles off the coast of the state of Sarawak. Thus disputes have broken out between China and the ASEAN states of Indonesia, Malaysia and the Philippines. The complexity of these claims and counterclaims have increased with the adoption of the Exclusive Economic Zone (EEZ) by the littoral states (see Map II).

To China the importance of these islands is twofold. The South China Sea represents one of the world's most strategic shipping routes as trade from the Straits of Malacca pours into the South China Sea. Equally important is the oil potential of the basin. From Peking's point of view, the strategic importance of the islands in the South China Sea has grown tremendously since the withdrawal of the US from Vietnam as underlined by the Peking Review in 1975:

The South China Sea is an important junction for navigation and an important maritime gateway from China's mainland and nearby islands. The South China Sea Islands are very important geographically as a key link on the arc shipping lane between Kwangchow, Hong Kong, Manila and Singapore.9

So far China has not shown any tendency to use force against the ASEAN countries to strengthen its claim or negotiating position. The possibility that it would use it, in the manner that she took over the Paracels from Vietnam

MAP II

DISPUTED AREAS IN THE SOUTH CHINA SEA

in 1974, should not be discounted once it acquires real super power status. Chinese occupation of these islands would threaten the security and economic well-being of the littoral states as their strategic locations would make infiltration of men, material and general supplies to these states a much easier exercise.

Outlook for the Future

Given Malaysia's demographic composition and the continued existence of the pro-Beijing CPM as well as the dominance of Malay political power, Malaysia will continue to view China with apprehension. While Malaysia is likely to continue to consolidate its relations at the government-to-government level, it seems unlikely that it will cease to perceive China as a threat or drastically change the existing "controlled relationship".
APPENDIX A

JOINT COMMUNIQUE OF THE GOVERNMENT OF MALAYSIA AND THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA

At the invitation of His Excellency Chou En-lai, Premier of the State Council of the People's Republic of China, His Excellency Tun Abdul Razak bin Hussein, Prime Minister of Malaysia, visited the People's Republic of China from May 28 to June 2, 1974. His Excellency Prime Minister Tun Abdul Razak was accompanied by representatives of political parties in the Government and government officials.

During his visit, Prime Minister Tun Abdul Razak called on Chairman Mao Tsetung and conveyed to him the best wishes of the Malaysian Government. They had friendly and frank talk.

Premier Chou En-lai, Vice Premier Li Hsien-nien and Prime Minister Tun Abdul Razak had wide-ranging talks on various subject matters of bilateral, regional and international nature. These talks were held in a frank and friendly atmosphere. The two Prime Ministers agree that in recent years the situation in Asia has undergone deep changes favourable to people of all countries. It is in conformity with the interests of the people of China and Malaysia to normalize the relations between the two countries. To this end, the two Prime Ministers have decided to announce the normalization of relations between their two countries by issuing this joint communiqué.
1. The Government of the People's Republic of China and the Government of Malaysia, with a view to promoting the traditional friendship of the two peoples, have decided upon mutual recognition and the establishment of diplomatic relations as from the date this communique is published.

2. The two Governments hold that although the social systems of the People's Republic of China and Malaysia are different, this should not constitute an obstacle to the two Governments and peoples in establishing and developing peaceful and friendly relations between the two countries on the basis of the principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful co-existence. The two Governments consider all foreign aggression, interference, control and subversion to be impermissible. They hold that the social system of a country should only be chosen and decided by its own people. They are opposed to any attempt by any country or group of countries to establish hegemony or create spheres of influence in any part of the world.

3. The Government of Malaysia recognizes the Government of the People's Republic of China as the sole legal Government of China, and acknowledges the position of the Chinese Government that Taiwan is an inalienable part of the territory of the People's Republic of China. The Malaysian
Government decides to close down its consulate in Taipei.

4. The Government of the People's Republic of China recognizes the Government of Malaysia and respects the independence and sovereignty of Malaysia.

5. The Government of the People's Republic of China takes note of the fact that Malaysia is a multi-racial country with people of Malay, Chinese and other ethnic origins. Both the Government of the People's Republic of China and the Government of Malaysia declare that they do not recognize dual nationality. Proceeding from this principle, the Chinese Government considers anyone of Chinese origin who has taken up of his own will or acquired Malaysian nationality as automatically forfeiting Chinese nationality. As for those residents who retain Chinese nationality of their own will, the Chinese Government, acting in accordance with its consistent policy, will enjoin them to abide by the law of the Government of Malaysia, respect the customs and habits of the people there and live in amity with them. And their proper rights and interests will be protected by the Government of China and respected by the Government of Malaysia.

6. Premier Chou En-lai and Prime Minister Tun Abdul Razak agree that the two Governments, in conformity with international practice, will provide each other with all necessary assistance for the establishment and performance of the functions of embassies in their respective capitals,
and that ambassadors will be exchanged as soon as practicable.

Sgd.

TUN ABDUL RAZAK BIN
DATUK HUSSEIN
Prime Minister of Malaysia.

Sgd.

CHOU EN-LAI
Premier of the State Council of the People's Republic of China.


Source: Siaran Akhbar, Jabatan Penerangan Malaysia, PEN. 5/74/183 (HALUAR)
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