

Malaysia and  
South-South  
Cooperation during  
Mahathir's Era

# Malaysia and South-South Cooperation during Mahathir's Era

Determining Factors  
and Implications

AHMAD FAIZ ABDUL HAMID



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*for my parents and my wife*





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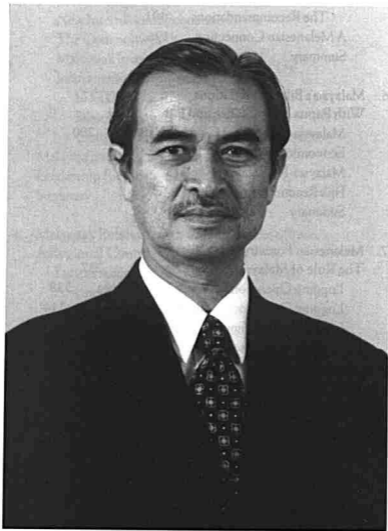
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*Dato' Seri Abdullah Ahmad Badawi*



PRIME MINISTER  
MALAYSIA

## FOREWORD

IT GIVES ME great pleasure to congratulate Dr Ahmad Faiz Hamid, a scholar in international relations and a good friend, on the occasion of the publication of his book, *Malaysia and South-South Cooperation During Mahathir's Era: Determining Factors and Implications*. This book is particularly apt, given that South-South cooperation occupies a position high on the list of priorities in Malaysia's foreign-policy objectives. It is also apt because there was no greater champion for the developing world than Tun Dr Mahathir Mohamad.

Malaysia's active participation in groupings such as the G15, as well as in events such as the Langkawi International Dialogue, are testament of our commitment to the belief that countries of the Third World must work together to forge a credible voice on the global stage. Although we have worked hard to enhance this cooperation, there is much that we still need to do. Conflict and turbulence continue to ravage lives and waste precious natural resources. The income disparity between the North and the South, the rich and the poor, continues to widen and deprivation continues to exact a terrible human toll. The sad truth is that as the world becomes increasingly interconnected, no country is truly immune and isolated from the tribulations of its neighbours. We are a global village, and a fire in one house potentially endangers everyone.

It is therefore imperative that we continue to support initiatives that encourage multilateral dialogue and cooperation, to work hand in hand in resolving issues of mutual concern. Tun Dr Mahathir was a staunch proponent of this principle and as his Foreign Minister from 1991 to 1998, it was a position that I wholeheartedly shared.

I hope that this book will provide useful insights on a key cornerstone of Malaysia's foreign policy to practitioners, policymakers, academics and anyone who has an interest in international affairs. I hope that it will provoke and stimulate further discourse on what we can do, collectively and individually, to develop a world order that is progressive, prosperous and equitable.



Dato' Seri Abdullah Ahmad Badawi

## PREFACE

THIS STUDY focuses on Malaysia's involvement in South-South cooperation from 1986 to 1996. South-South cooperation is defined as the strategy used by developing countries to promote economic independence, to increase self-reliance, and to improve bargaining power with the developed nations. Malaysia, particularly its Prime Minister Dr Mahathir Mohamad, has been actively involved in South-South cooperation for more than a decade. The study attempts to identify and analyse the determining factors and the implications of Malaysia's involvement in South-South cooperation. The significance of this study lies in the fact that there has not been any thorough study on Malaysia's involvement in South-South cooperation.

This study attempts to address four critical issues. What are the factors that influenced Malaysia's interactions with developing countries and the implications of the relationship to both parties? What are the impacts of Mahathir's leadership on Malaysia's involvement in South-South cooperation? What are the factors that influenced Mahathir's involvement in articulating the North-South issues and what are the implications of his actions? Finally, what are the prospects and problems of Malaysia's economic relations with developing countries, particularly with Indochina states and South Pacific countries?



In the context of determining factors, although many factors have contributed to Malaysia's involvement, nation's national interests, external factors and leadership variables are argued to be more significant. The study also argues that Malaysia's high profile in voicing the North-South issues and its private sector involvement in the South has created resentment from several parties, especially from the NGOs, the Western media, the regional powers and local business groups. Finally, the study detected that South-South cooperation is an effective means for Malaysia to enhance its own economic interests.

For the case of Malaysia's relations with the Indochinese states and the South Pacific countries, the study found that Malaysia's economic interests has been a crucial determinant of the depth of the relationship. In terms of economic interests, Indochina states are more promising to the relationship than the South Pacific region. It is hoped this study will be a significant contribution to the study of Malaysian foreign policy, particularly on Malaysia's relations with Third World countries.

## ACKNOWLEDGEMENTS

I AM DEEPLY indebted to many people who have given their help to enable me to finish this study. Special thanks to my supervisor, Associate Professor John H. Beaglehole, who generously guided and encouraged me throughout the whole process of writing this book. His valuable comments and suggestions are most gratefully appreciated. Sincere thanks to Professor Dov Bing and Dr Michael Goldsmith, from the Department of Political Science, University of Waikato, for their comments and encouragement. To Dr Neil Haigh of TLDU, thanks for the insights. My thanks also go to Dey, Musafir, Rani, Busu, Zuki, Maha, Kim, James, Made, Azmi, Along and Adan.

I am indebted to Universiti Utara Malaysia (UUM), Yayasan Aminuddin Baki and Dato' Nazri Hj Abdullah who generously sponsored this project and the trip to the South Pacific region. Without their assistance, the fieldwork to the area would have been impossible. Also, thanks to Shameen of Suva, Abu Bakar Aman of Port Moresby, Rahman Abas of Hamilton and Professor Hood Salleh of Wellington for their generosity. Last but not least, thanks also go to Dr Fawzi Basri and Halim Ahmad of SPS for their understanding and encouragement.

Special thanks to my wife Azizah for sacrificing almost everything to enable me to complete this book. Her support is much appreciated. And to all members of my family, especially to 'Arwah Emak', to which this book is dedicated.



## Chapter 1

### INTRODUCTION

ONE of the important characteristics in Malaysian foreign policy is that significant shifts in policy have been identified with changes in political leadership.<sup>1</sup> Under Prime Minister Tunku Abdul Rahman, the policy was anti-Communist and pro-West. In the early 1970s, the policy shifted to that of non-alignment, neutrality and peaceful co-existence under the leadership of Tun Abdul Razak Hussein. The third Prime Minister, Tun Hussein Onn, consolidated the foreign policy set by his predecessor. But a major shift in Malaysian foreign policy took place in the early 1980s when Dr Mahathir Mohamad became Malaysia's fourth Prime Minister.

Mahathir has sought to play a more assertive role in international relations. From the early days of his premiership, Mahathir had paid special attention to foreign-policy issues. He had given Malaysian foreign policy a new sense of direction and purpose. One of his earlier efforts was to establish an order of priority in Malaysia's relations with the rest of the world, as follows: Asean countries, Islamic countries, Non-Aligned Movement (NAM) countries and the Commonwealth.

This order of priority was a big shift from the early policy under the leadership of Tunku Abdul Rahman, where

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<sup>1</sup> Rajmah Hussain, "Malaysia's Foreign Policy," *Pentadbir*, bil. 1, Jun 1993, p. 5.

Malaysian relations with the Commonwealth and other Western countries were at the top of the list. The new priority demonstrates Mahathir's been interest in regionalism, Islamic solidarity and Third World affairs. In this regard, for 15 years (1981-1996), the thrust of his foreign policy centred on the issues of regionalism (through Asean, EAEC and APEC, for example), Malaysia's connections with the Islamic world and the relationship between Malaysia and other Third World countries especially within the NAM and the Group of 15 (G15). The NAM and the G15 are the major organs of South-South cooperation.

Mahathir's foreign policy of involvement in South-South cooperation is a new phenomenon in Malaysian foreign policy. South-South cooperation is defined as the strategy for the greater mutual use of developing countries' resources in order to promote economic independence, increased self-reliance and improved bargaining power with the developed countries. Among the objectives of the cooperation are the transformation of the unequal international economic relations and the gradual elimination of developing countries' dependence on developed countries. For this purpose, Malaysia has extended its technical aid to the developing countries through the Malaysian Technical Cooperation Programme (MTCP). The programme, although small in terms of value has been widely accepted. At present, more than 90 developing countries benefit from the MTCP. The MTCP offers more than a hundred courses per year and also provides scholarships for overseas students to study in Malaysian universities.

In addition, Malaysia's active participation in the G15 has enabled Mahathir to build a good personal relationship and close rapport with other Third World leaders. The relationships are obviously an asset to Malaysia, particularly

regarding its economic relations with other Third World countries. Currently Malaysian investments widely operate in Latin America, Africa, Central Asia, Middle East, South Asia, South Pacific and the Indochinese states. In 1996, Malaysia's bilateral trade with the G15 countries stood at US\$6,686.50 million.<sup>2</sup>

Malaysia's success in building harmonious multiracial society and its rapid economic growth has also been a model for some of the Third World countries. In addition, Mahathir's outspokenness on human rights, trade protectionism, Asian values, Western domination, the Third World struggle, the Bosnian conflict and his critique of the U.N. has enabled him to be called the "spokesman" of the Third World. However, there have been some cost to be paid for Mahathir's policies. Several Western countries have voiced dissatisfaction with his actions. As a result, Malaysia has suffered "strained relations" with other developed countries, such as with the U.S., Britain and Australia. Furthermore, Malaysian economic involvements in the Third World also face several problems. Several business groups, particularly from developed countries have not been happy with the Malaysian presence, as has happened in Cambodia and Papua New Guinea.

### The Objectives of the Study

The primary objectives of this study are four-fold:

Firstly, to examine Malaysia's involvement in South-South cooperation, covering the period between 1986 and 1996. The focus of the study is to identify the factors that influenced Malaysia's interactions with other Third World countries and the implications of the relationship to the respective parties. Malaysia is a strong proponent of South-South cooperation

<sup>2</sup> Statistics on Malaysia's Trade With the G15, Kuala Lumpur: Malaysia External Trade Development Corporation (MATRADE), 1997, p. 1.

and has played a great role in propagating the close relationship between the countries of the South. It is an active member of the NAM, the G77 and the G15 and also active in articulating South issues such as human rights, environmental politics and the issue of the globalisation of economies. The North, however, has denounced Malaysia's active involvement in South-South cooperation.

Secondly, to explain Mahathir's role in the making of Malaysia's foreign policy, especially in relation to Malaysia's involvement in South-South cooperation. His initiatives in the direction of greater South-South cooperation have been mentioned above.

Thirdly, to explain the factors which influenced Mahathir's involvement in articulating the North-South issues and the implications of his actions on Malaysia. Mahathir's concern to voice the South issues such as human rights, the environment, democracy, restructuring of the U.N. and trade protectionism at the U.N. General Assembly and at other Third World conferences have increased Malaysia's credibility among developing countries. While his speeches might have made him popular with the smaller and poorer nations, his opinions were not always well received in the North. He has been pictured negatively in the Western media and in addition, Malaysia has suffered from several economic restraints imposed by the North.

Fourthly, to identify the prospects and problems of Malaysian economic relations with developing countries, particularly with the Indochinese states and South Pacific countries. The process of globalisation and domestic pressures have influenced Malaysia's economic ventures abroad. Currently Malaysia has vast economic interests in Africa, South America, Central Asia, East Asia and in the South Pacific. The coming of Malaysian capital has been greeted

differently in the host countries. Some governments may have welcomed Malaysian capital as part of its efforts to strengthen South-South cooperation, but some business groups and the opposition have been dissatisfied with Malaysian business operations. Malaysian companies have been accused of being involved in immoral practices, such as corruption and conducting unsustainable logging activities in the host countries, and have thus been labelled as "bad corporate citizens".

So in examining the causes and the impacts of Malaysia's active involvement in Third World countries under the auspices of South-South cooperation, it is argued that Malaysia's participation in South-South cooperation has its pros and cons. Malaysia's strong stance on South's issues such as human rights and environmental issues has increased its credentials among developing countries. However, negative responses came from the West that criticised Malaysia in voicing the issues. The same situation pertains to Malaysia's involvement in developing countries' economic cooperation. Malaysia's investments in developing countries have given economic returns to Malaysia and to the host countries, but some backlash has been felt in certain local opposition and condemnation of Malaysia's business practices.

### Scope and Limitations

This study mainly covers the period between 1986 and 1996—a span of some 10 years. However, several related events which took place in 1997 will also be analysed as well. The period between 1986 and 1996 is especially important to the study for several reasons.

Firstly, in February 1985, the government announced its emphasis on the significant position of economics in Malaysian foreign policy and *Wisma Putra* (the Malaysian



name for its Ministry of Foreign Affairs) became an economics-oriented ministry.<sup>3</sup> The announcement also stated that one of the policy objectives was to encourage South-South cooperation as a means of expanding the overall scope of international economic activities and reducing dependence on the developed countries.

Secondly, 1986 was the beginning of Mahathir's second term as Malaysia's head of government. In the context of South-South cooperation, Malaysia's involvement in the cooperation became more visible in those years. In May 1986, Malaysia was host to the 2nd International South-South Conference, jointly organised by the Third World Foundation and the Institute of Strategic and International Studies, Malaysia (ISIS). Among the various decisions taken was the setting up of a steering committee, chaired by Mahathir, to explore the possibilities of establishing a South Commission that was mooted by Mahathir.<sup>4</sup>

Thirdly, the period has witnessed a number of important changes in Malaysian foreign-policy behaviours, particularly regarding Malaysian involvement in South-South cooperation. Malaysia has developed broad and credible relationships through bilateral and multilateral linkages with new trading partners in Africa, Latin America, Central Asia, Indochina and South Pacific. In addition, Malaysia was involved actively in articulating several global issues such as environmental, human rights, democracy, restructuring of the U.N. and trade protectionism issues. All these efforts have increased Malaysia's credentials among developing countries.

<sup>3</sup> Speech delivered by Tengku Ahmad Rithauden, Minister of Foreign Affairs at the Rotary Club Meeting in Kuala Lumpur on February 6, 1985. See *Foreign Affairs Malaysia*, March 1985, vol. 18, no. 1, p. 21.

<sup>4</sup> Speech delivered by Dr Mahathir Mohamad at the opening of the South-South II Summit in Kuala Lumpur on May 5, 1986. See *Foreign Affairs Malaysia*, June 1986, vol. 19, no. 2, p. 31.

To identify the interactions as well as the implications of Malaysia's involvement in South-South cooperation, the historical approach is important for this study. This perspective stresses the chronological reading of policies during the era of Mahathir's leadership, particularly after 1986. However, other approaches such as the examination of the process of foreign-policy decision-making in Malaysia, the emphasis on the key issues that impact on Malaysian foreign policy and the emphasis on a large-scale interpretation of Malaysia's foreign policy will also be used in this study.

This study especially focuses on Malaysia relations with the Indochinese states and the Melanesian Islands of South Pacific. For the former, Vietnam, Cambodia and Laos are included, while, for the latter, the study concentrates on Papua New Guinea, Fiji, Vanuatu and Solomon Islands. New Caledonia, another Melanesian Island, was excluded.

Three factors influenced this exclusion. Firstly, unlike other Melanesian Islands, New Caledonia's economic growth is low and can hardly be included in the "South Pacific Self-Sufficiency Model" and the "Melanesian Growth Model". The New Caledonian economy has been dominated by the production of nickel and its only agricultural exports are copra and coffee. Due to this position, New Caledonia most probably is in the third group, "Subsistence Affluence Model" (further discussion on Melanesian development model will be found in Chapter 5).

Secondly, Malaysia's economic and political relationship with the island is not as important as its relations with other Melanesian islands. Malaysian logging companies are absent in New Caledonia.

Thirdly, New Caledonia is a French territory and not a fully sovereign state. Due to this position, its activities beyond the border as well as beyond the region are limited. The country is not a member of the South Pacific Forum (SPF), a

major regional grouping, nor of another subregional grouping, the Melanesian Spearhead Group (MSG). New Caledonia's absence from these two regional groupings contributes to its limited role in regional politics.

Malaysia's relationship with the Indochinese states and other South Pacific countries are, however, interesting. Firstly, there are vast differences in term of the size, population and economic growth, in and between the various countries in these two subregions. The former consists of larger countries with a bigger population and vast economic potential, while the latter is made up of smaller countries with smaller populations. Except Fiji, the other islands have limited economic potential. However, Malaysian logging activities are prominent in the region, particularly in Papua New Guinea, Vanuatu and Solomon Islands.

Secondly, Malaysia has sound relationships with all countries in the South Pacific. Malaysia's close relations with the South Pacific countries started in the early 1980s when Mahathir became Malaysia's fourth Prime Minister. The bilateral relationships were strengthened through the Commonwealth's connection. Mahathir came to the region twice in the early 1980s to attend the Commonwealth's Heads of Government Regional Meetings (CHOGRM) held in Port Moresby and Suva. In addition, since the early 1980s, the Malaysian government has offered hundreds of scholarships to South Pacific officers under the Malaysian Technical Cooperation Programme (MTCP). The MTCP has been widely appreciated by the South Pacific governments.

On the other hand, although Malaysia established diplomatic relations with the Indochinese states in the 1960s, due to uncertainty of circumstances in the region, relations with Vietnam, Cambodia and Laos have only become close from the early 1990s. Two factors influenced this new state of affairs. Firstly, is the economic potential of the Indochinese

states, particularly after the U.S. lifted the embargo in 1994. Secondly, the Indochinese states' intention to become Asean members has by necessity brought them into more intense political and economic contact. Mahathir's "prosperity-neighbour" policy has also contributed to a closer relationship between the countries.

### A Note on the Sources

This study relies heavily on published records, especially those which have appeared in newspapers and official publications of all countries. In the case of Malaysia, *The New Straits Times*, *The Star*, *Berita Harian* and *Utusan Malaysia* were consulted. The Singapore *Straits Times* was helpful. In addition, current news has been collected via Reuters textline services.

Governmental reports and publications especially from Malaysia, Papua New Guinea, Fiji, Vanuatu and Solomon Islands were used significantly. The text of Mahathir's speeches, collected from *Foreign Affairs Malaysia* and the *Collection of Mahathir's Speeches* published by the Malaysian government were useful. Mahathir's speeches from the time he became Prime Minister are especially important since many of them have policy implications of one kind or another. In addition, Mahathir's interviews given mainly to the local and foreign media are further good sources for an understanding of Mahathir's worldview.

Interviews were conducted with government officials and people from the private sector during the writer's visits to Papua New Guinea, Fiji, Vanuatu, Solomon Islands, Australia and Malaysia. Furthermore, Malaysian High Commissioners in Wellington, Suva, Port Moresby and Canberra have been very helpful in giving their insights.

### Organisation of the Study

Chapter 1 discusses the methodological aspects of the study, the purpose of which is to give a clear and sound understanding of the whole study.

Chapter 2 analyses Malaysian foreign policy since 1981. The focus of the study is on the policymaking process and the development of Malaysian foreign policy between 1986 and 1996, particularly regarding Malaysia's relations with other developing countries. The purpose of the chapter is to identify the factors that influenced Malaysia's relations with other Third World countries during this time. The chapter examines the geographical, leadership, economic, ethnic, religious and external variables that may have had direct influence on Malaysia's external policy behaviour. The chapter also illustrates the close nexus between leadership, systemic and internal variables which contribute to the nation's involvement in South-South cooperation.

Chapter 3 concentrates on the operational stage of South-South cooperation. Prior to this, a brief historical explanation on the development of cooperation among developing countries is provided. The focus of the chapter is an explanation of Malaysia's strategies in establishing its close with other developing countries. The study also highlights Malaysia's role in the G15. In addition, this chapter seeks to examine the factors that influenced Malaysia's involvement in voicing the North-South issues.

Chapter 4 explains Malaysia's relations with the Indochinese states. Two regional issues, the situation of Vietnamese refugees and the Greater Mekong Subregion (GMR) are discussed. Malaysia's economic relations with Vietnam, Cambodia and Laos are also discussed separately. Furthermore, Malaysia's role in the enlargement of Asean, to include Vietnam, Laos and Cambodia, is also analysed. The

purpose of the chapter is to show the significance of regional cooperation as a contributing factor for the successful South-South cooperation.

Chapters 5, 6 and 7 then proceed to analyse Malaysia's relationship with South Pacific countries. Malaysia's diplomatic and economic relations are significant in the region. Both bilateral and multilateral mechanisms were used in establishing the close diplomatic relations. However, most of the economic relationships were handled by actors from the Malaysian private sector. Malaysian logging companies in particular are prominent in the region. The purpose of the chapter is to identify the factors contributing to the close relationship between Malaysia and the countries, as well as the explaining the problems faced by Malaysian companies operating in the region.

Finally, Chapter 8 concludes the study with the findings drawn from the various chapters to identify the factors which influenced Malaysia's participation in South-South cooperation. It also summarise and recapitulates on the major themes.



## Chapter 2

### MALAYSIA'S FOREIGN POLICY, 1986-1996: A NEW ASSERTIVENESS

MALAYSIA'S foreign policy has changed from one that was markedly pro-Western and anti-Communist to one that is openly identified with Third World concerns and aspirations. This shift has been the result of Malaysian leaders responding to developments in the domestic, regional and international environment.<sup>1</sup> When Mahathir became prime minister in 1981, many analysts sensed a shift in the country's foreign policy, from non-alignment to one that stressed solidarity with Third World countries.<sup>2</sup> Unlike his predecessors, Mahathir had formulated several policies that have brought Malaysia closer to other developing countries. The "Look East" policy that brought Malaysia closer to Japan and Korea, and the "Buy British Last" policy which distanced Malaysia from Britain, its old colonial power, were two such policies formulated in the early 1980s. In addition, under Mahathir's leadership, Malaysia sought to play a more prominent role in international affairs, especially at the U.N., in the Commonwealth and among developing countries in the context of South-South cooperation.

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<sup>1</sup> Rajmah Hussain, *ibid.*, p. 5.

<sup>2</sup> See Chin Kin Wah, "New Assertiveness in Malaysian Foreign Policy," *Southeast Asian Studies* 1982, Singapore: Institute of Southeast Asian Studies, 1982, pp. 273-282.



This chapter aims to trace briefly this shift of Malaysian foreign policy over the four decades from Tunku Abdul Rahman to Mahathir Mohamad. It also discusses Mahathir's foreign policymaking process that encompasses "top-down" and "bottom-up" models, later examines, the determinants of Mahathir's foreign policy, finally it discusses one of Malaysia's popular programmes, the Malaysian Technical Cooperation Programme (MTCP).

### The Shift of Malaysian Foreign Policy

Saravanamuttu traced four distinct phases of Malaysian foreign policy up to 1980: from 1957 to 1963 the dilemma of independence; from 1964 to 1969 confrontation, turmoil and change; from 1970 to 1975 new directions under a new order and from 1976 to 1980, the consolidation of policy.<sup>3</sup> On August 31, 1957, Malaya became an independent nation under the prime ministership of Tunku Abdul Rahman. It was under the Tunku that the emergence of Malayan foreign policy took shape and its basic tenets enunciated. In the early days, the Malayan Foreign Ministry was small and understaffed. Most of Malaya's diplomats were schooled, trained and socialised in Britain.<sup>4</sup> These pioneer diplomats had intellectual and ideological inclinations that were strongly pro-British. In the context of policymaking, foreign policy decisions were greatly influenced by the Tunku with the advice of his close friends who were also educated in the

<sup>3</sup> Johan Saravanamuttu, *The Dilemma of Independence: Two Decades of Malaysia's Foreign Policy 1957-1977*, Penang: Penerbit Universiti Sains Malaysia, 1983, p. 15.

<sup>4</sup> J.H. Beaglehole, "Malaysia's Foreign Ministry: The Development and Problems of Foreign Affairs Administration in a New Nation," *Australian Outlook*, vol. 32, no. 1 (April 1978), p. 41.

Western countries.<sup>5</sup> Because of these factors, Malayan foreign policies from 1957 to 1963 were much dependent on Britain, especially regarding economic relations and defence policies.

The dominant elements of the Malayan foreign policy during that time were pro-British and anti-Communist. In this context, there was an element of dilemma in the conducting of Malayan foreign policy. As an independent nation, it could be thought that Malayan foreign policy should be freed from any overdue influence of its former colonial power. However, due to several constraints, this was not the case. At this early stage of Malaya's foreign policy, the element of élitism had played an important role.

The second phase of Malaysian foreign policy started in 1963, after the formation of the Federation of Malaysia. The formation of a new independent entity, Malaysia, was opposed by Indonesia and later by the Philippines. Indonesia denounced the Malaysian government as "neo-colonialist and neo-imperialist" and announced a policy of "Confrontation". During the Confrontation, Malaysia lost support from Third World countries. The non-aligned countries were not partial to the Tunku's pro-Western orientation. Meanwhile the Philippines laid claims for Sabah maintaining they were rightful heirs to the Sultan of Sulu who had leased the territory to the British North Borneo in 1878.

Domestically, certain quarters in United Malays National Organisation (UMNO) and a group of backbenchers pressured the government to adjust its foreign policy more towards the Third World countries. As a result, Malaysia's foreign policy under the leadership of Tun Abdul Razak

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<sup>5</sup> According to Ott, among Tunku's inner circle were Tun Abdul Razak, Tun Dr Ismail and Tun Tan Siew Sin. See Marvin C. Ott, "Foreign Policy Formulation in Malaysia," *Asian Survey*, vol. XII, no. 3, March 1972, pp. 227-228.

Hussein began to shift towards a strategy of non-alignment and naturalisation. For example, Malaysia established diplomatic ties not only with Asia and the Commonwealth countries, but also with countries in Eastern Europe, Latin America and Africa. Malaysia was also accepted as a member of the Non-Aligned Movement (NAM). The shifting of policy clearly showed the influence of domestic as well as external factors on Malaysian foreign policy.<sup>6</sup>

The third period of Malaysian foreign policy continued this period of change and consolidation. For most of this period, issues of international cooperation and diplomacy tied in closely with issues of national and regional security. Under the leadership of Tun Abdul Razak, Malaysia began to consolidate its relationship in the Southeast Asian region. It played an important role in Asean and in 1971 initiated the proposal for the neutralisation of Southeast Asia through the declaration of an Asean Zone of Peace, Freedom and Neutrality (ZOPFAN). ZOPFAN was accepted by the member states of Asean as the condition for durable peace and stability in Southeast Asia. It was seen as a means of managing crisis or potential crisis in the region.<sup>7</sup> This initiative was influenced by British intentions to withdraw its army from the East of Suez and the U.S. exit from Vietnam.

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<sup>6</sup> Razak's worldview called for an active diplomatic and leadership role for Malaysia in the international arena. Malaysia also aspired to have friendly relations with all states, irrespective of their ideological preferences. See G. K. A. Kumaraseri, *Professional Diplomacy and Foreign Affairs Management: The Malaysia Experience*, Petaling Jaya: Pelanduk Publications, 1992, p. 171.

<sup>7</sup> Zainal Abidin bin Sulong, "Asean and the Management of Crisis or Potential Crisis," *Intan Journal Administration and Development*, vol. 4, no. 1, September 1989, p. 43.

Domestically, the government in 1971 launched the New Economic Policy (NEP) to restructure the economy, so as to eradicate poverty and eliminate ethnic discrimination. This meant in fact the need to upgrade the socioeconomic status of the *Bumiputra* ('son of the soil'). To achieve this goal, Malaysia encouraged foreign investments and at the same time encouraged local businessmen to participate in the domestic as well as foreign economy.

Thus, the decision-making process from 1970 to 1975 was greatly influenced by Tun Abdul Razak's leadership, the Western powers' intention to vacate the region and the need to achieve the nation's new economic goals.

With the death of Tun Abdul Razak in 1976, Tun Hussein Onn took office as Malaysia's third Prime Minister. This period under Hussein saw a consolidation of Malaysian foreign policy. The dominant factors during this phase were regional security situations and domestic pressures. Regionally, the issues widely discussed included the situation of Vietnamese refugees, the Cambodian conflict, illegal immigrants and the Soviet's intervention in Afghanistan.<sup>8</sup>

Domestically, the question of Islamic fundamentalism, the consolidation of the NEP, the 1978 General Election and the containment of Communist insurgencies influenced the policymaking process. For this period, Malaysian foreign policy decision-making was influenced by the external as well as domestic factors.

By the time Mahathir became Prime Minister in 1981, the foundations of Malaysian foreign policy had already been

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<sup>8</sup> Hussein was the first Malaysian Prime Minister to attend the Asean Summit held in 1977 in Bali, Indonesia. In his speech, he stated that he would ensure that Malaysia would contribute to the strengthening and the success of Asean. Since then, Asean has become the cornerstone of Malaysian foreign policy.

laid.<sup>9</sup> By early 1980, the Malaysian economy had expanded and the problem of internal security had pretty much been resolved. These factors enabled Mahathir to devote much of his time to external matters. Under Mahathir, Malaysian foreign policy goes beyond its traditional diplomatic ties. The first change he made when he assumed the office of Prime Minister was to identify Malaysia's foreign policies in the following order of priorities: Asean, the Organisation of the Islamic Conference (OIC), the Non-Aligned Movement (NAM), and the Commonwealth. At the same time, the Malaysian Technical Cooperation Programme (MTCP), a technical assistance for developing countries was launched. In his early days of premiership, Mahathir developed Malaysia's relations on the small island states in the South Pacific and Indian Ocean such as Fiji, Papua New Guinea, Tonga, Maldives and Mauritius.

In addition, Mahathir voiced his displeasure with Britain and the Commonwealth and created new policies such as "Look East" and "Buy British Last". The relationships with other developing countries under the South-South cooperation were strengthened and Malaysia became more active in the South organisations such as the Group of 77, the NAM and the Group of 15 (G15). The end of the Cold War, and the demise of the Malayan Communist Party (MCP) at the end of 1980s, changed Malaysian foreign policy's orientation from geo-political to geo-economical. Malaysia befriended countries in Africa, Latin America, Central Asia, the Caribbean and Indochina which up to them had been less known to Malaysians. In his overseas visits, Mahathir brought

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<sup>9</sup> Mohd Azhari Karim, "Malaysian Foreign Policy," in Mohd Azhari Karim, Llewellyn D. Howell and Grace Okuda (eds.), *Malaysian Foreign Policy Issues and Perspectives*, Kuala Lumpur: National Institute of Public Administration, 1990, p. 14.

along teams of Malaysian businessmen and currently Malaysian investments can be found in developed countries as well as in developing countries. Furthermore, Mahathir as part of his support for South-South cooperation, began to articulate at international fora some of the grievances and issues in North-South relations and to fight against the unjust treatment faced by Third World countries. Because of these innovations and changes, it can be claimed that there was a new assertiveness in Mahathir's foreign policy.

This was not created in vacuum. The nation's own national interests influenced foreign policy decision-making. As a small developing country, Malaysia's national interests are to preserve its independence, territorial integration and sovereignty and also to promote peace and security, particularly in the Southeast Asian region. It also seeks to attain the nation's economic development objectives.<sup>10</sup> The national interests are also reflected in the foreign policy objectives, which covered defence and security as core values, development and trade as possession goals and international cooperation and diplomacy as milieu goals.<sup>11</sup> In this regard, Malaysia's participation in South-South cooperation can be seen as part of the nation's efforts to attain its national economic objectives and also to enhance its international standing and prestige.

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<sup>10</sup> Speech delivered by Dato' Abdullah Ahmad Badawi, Malaysia's Foreign Minister, at the Malaysian International Affairs Forum (MIAF) on May 15, 1996.

<sup>11</sup> Zakaria Hj Ahmad, "Malaysia's Foreign Policy: Looking Back and Looking Ahead, or, Looking Outwards and Moving Inwards," in Mohd Azhari Karim, *ibid.*, p. 125.

### The Policymaking Process

Policymaking is a tool of the power élites. The power élite, according to Mills, is composed of men who are in positions to make decisions having major consequences.<sup>12</sup> Mill explains:

Whether they do or do not make such decisions is less important than the fact that they do occupy such pivotal positions: their failure to act, their failure to make decisions, is itself an act that is often of greater consequence than the decisions they do make. For they are in command of the major hierarchies and organisations of modern society. They rule the machinery of the state and claim its prerogatives.

Almond in his studies on the élites and foreign policy identified four élite groups that share in the process of policy initiation and formation.<sup>13</sup> First, the *political* élites include the publicly elected, high appointees as well as the party leaders. The official political élite is subdivided according to position in the policymaking process and policy subject with which it is charged. Second, the *administrative or bureaucratic* élite includes the professional corps of the executive establishments who enjoy special powers by virtue of their interest in, and familiarity and immediate contact with, particular policy problems. Third, the *interests* élites which include the representatives of the vast number of private, policy-oriented associations, ranging from huge nationwide aggregation to local formations whose organised aims and objectives reflect the economic, ethnic, religious and

<sup>12</sup> C. Wright Mills, *The Power Élite*, New York: Oxford University Press, 1959, p. 3.

<sup>13</sup> Gabriel A. Almond, *The American People and Foreign Policy*, New York: Frederick A. Praeger, 1960, pp. 139-141.

ideological complexity of the population. Fourth, the *communications* élites, which are the owners, controllers, and active participants of the mass media—radio, press and movies. As far as Malaysian foreign policy is concerned, the first three groups—the political, the administrative and the interests élites—have played a significant role in the foreign policymaking. The insignificance of the fourth group is because of its close relationship with the government. The ownership of the mainstream Malaysian media, including TV, radio and press, is closely linked to component members of the ruling coalition, the *Barisan Nasional*.<sup>14</sup> As such, their view, rarely diverge from those of the government, although those higher up in the communications élite may be able to voice their opinions privately.

The organisational structure of foreign policymaking is approximately identical in all governments. At the top of the structure is the head of government—President or Prime Minister—who is directly assisted by the Cabinet. Since independence, Malaysian foreign policy decisions have been the prerogative of the respective prime ministers, who play a significant role in the policymaking process.<sup>15</sup> The prime minister is the person who finally determines what policies are to be implemented.<sup>16</sup> As far as Mahathir's foreign policy is

<sup>14</sup> Ann Munro-Kua, *Authoritarian-Populism in Malaysia*, New York: St. Martin's Press, 1996, p. 124.

<sup>15</sup> Since independence in August 1957 to the death of Tun Abdul Razak in August 1975, the foreign ministry was led by the prime ministers. Only for a brief period from February 3, 1959 to August 31, 1960 Tun Dr Ismail Dato' Abdul Rahman was appointed foreign minister. See *List of the Foreign Ministers 1957-1997*, Prime Minister's Department, 1997.

<sup>16</sup> Tan Sri Ahmad Kamil Jaafar, former Secretary-General of the Ministry of Foreign Affairs, interview with *Mingguan Malaysia*. See *Mingguan Malaysia*, September 29, 1996.



concerned, there have been three distinct phases of the policy decision-making process. First, from 1981 to 1985, Mahathir's leadership dominated the policymaking. Second, from 1986 to 1990, Mahathir shared the policymaking with Wisma Putra (the Ministry of Foreign Affairs) and ISIS, a quasi-government organisation. Third, from 1991 to the present, the role of Malaysian business élites, interests groups and non-governmental organisations (NGOs) have become more prominent. However, the Prime Minister still controls the whole process.<sup>17</sup>

In the early years of Mahathir's administration, particularly from 1981 to 1985, foreign policymaking was dominated by Mahathir's personality, giving importance to what is termed by Rosenau as "idiosyncratic variables".<sup>18</sup> Mahathir's personality, namely his character, professional background, interests and earlier political experience, accounts for his own strong involvement in the foreign decision-making process. He made the government agencies, including Wisma Putra, supportive to his policy recommendations.<sup>19</sup> It is indicative that policy decisions such as the "Look East", "Buy British Last", "No" to Commonwealth Heads of Government Meeting, the issues of Antarctica and the promotion of "South-South" linkages were made without prior consultation with Wisma Putra.<sup>20</sup> Due to this, it was

<sup>17</sup> Zakaria, *ibid.*, p. 131.

<sup>18</sup> Idiosyncratic variables are those relating to the policymaker himself, "his values, talents and prior experiences, that distinguish from those of other decision makers". James N. Rosenau, *The Scientific Study of Foreign Policy*, New York: Free Press, 1971, p. 108.

<sup>19</sup> Muhammad Muda, "Malaysia's Foreign Policy and the Commonwealth," *The Round Table*, no. 320, October 1991, p. 458.

<sup>20</sup> Mohd Yusof Ahmad, "Continuity and Change in Malaysia's Foreign Policy, 1981-1986," Unpublished Ph.D. Thesis Submitted to The Fletcher School of Law and Diplomacy, Tufts University, 1990, p. 351.

claimed that the locus of foreign policy decision-making had effectively shifted from Wisma Putra to the Prime Minister's Department.<sup>21</sup>

In addition, Mahathir's professional background also contributed to this process. Unlike his predecessors who were lawyers and trained in Britain, Mahathir is a doctor trained at the University of Singapore. He has claimed that, as a doctor, he approaches problems with a clinical eye and prescribes solutions directly and frankly.<sup>22</sup>

The extent of the policymaker's interest in international affairs would affect significantly the policymaking process. Jensen argued that the higher the interest of a decision-maker in foreign policy matters, the greater the impact of personality upon foreign policy.<sup>23</sup> In this context, since the late 1940s, Mahathir's interests in international affairs has been clear and his opinion constantly expressed through his writings. His analysis of Malaysia-Singapore relations in his controversial book, *The Malay Dilemma*, published in 1970, is an excellent source to understand the two countries' early relationship.<sup>24</sup> In

<sup>21</sup> Zakaria, *ibid.*, p. 127.

<sup>22</sup> When asked about the differences between a lawyer and a doctor as a politician, Mahathir explained, "A doctor is much better than a lawyer as a politician, because a doctor wants to know the truth. I ask questions of my patients to get the truth. The lawyer asks questions of his client in order to find out how to defend his clients even when he is wrong." *Far Eastern Economic Review*, October 24, 1996, p. 26.

<sup>23</sup> Lloyd Jensen, *Explaining Foreign Policy*, Englewood Cliffs, New Jersey: Prentice Hall, Inc., 1982, p. 14.

<sup>24</sup> Mahathir is a prolific writer. His first writing, "Malays and the Higher Education," was published in the *Sunday Times* on September 26, 1948. Among his early writings on international affairs were "Malays in South Siam Struggle On," *Sunday Times*, January 8, 1950 and "Malaysia and Singapore," in *The Malay Dilemma*, first published in 1970. Khoo Boo Teik, *Paradoxes of Mahathirism: An Intellectual Biography of Mahathir Mohamad*, New York: Oxford University Press, 1995, p. 343.

addition, as a young politician, Mahathir was critical of the pattern and conduct of Malaysian foreign policy under the leadership of the first Prime Minister, Tunku Abdul Rahman. Mahathir was the principal spokesman for a group of younger leaders of UMNO, who in 1966 called for diplomatic relations and trade with communist as well as non-communist countries. In the view of Mahathir and his colleagues, Malaysia's interests were best served by non-alignment.<sup>25</sup> Furthermore, as the Chairman of the Malaysian Afro-Asian People's Solidarity Organisation, Mahathir opposed a defence agreement with Britain signed in 1957.<sup>26</sup>

Following this first, Mahathir-dominated phase, there was a shift of change in foreign policymaking from 1986 onwards. Now, more parties were involved in the process, especially the Economic Planning Unit (EPU) of the Prime Minister's Department, Wisma Putra and the Institute of Strategic and International Studies (ISIS). This continued until the end of the 1980s.

One of the distinct features of Mahathir's administration impacting on the making of Malaysian foreign policy is the frequent change of its foreign ministers. Five foreign ministers had served within the first 16 years of Mahathir's administration.<sup>27</sup> Dato' Abdullah Ahmad Badawi, who served more than eight years, was the longest serving minister under

<sup>25</sup> J. Norman Parmer, "Malaysia: Changing a Little to Keep Pace," *Asian Survey*, vol. VII, no. 2, February 1967, p. 132.

<sup>26</sup> R.S. Milne and Diane K. Mauzy, *Politics and Government in Malaysia*, Vancouver: University of British Columbia Press, 1978, p. 303.

<sup>27</sup> Dato' Rais Yatim served eight months only. He resigned from the government after the Team B faction of UMNO led by Tengku Razaleigh Hamzah failed to defeat Team A led by Dr Mahathir in the party's election in April 1987. See Gordon P. Means, *Malaysian Politics The Second Generation*, New York: Oxford University Press, 1991, p. 205.

Mahathir's administration.<sup>28</sup> Abdullah was also the third longest Asean foreign minister after Prince Mohamed Bolkiah of Brunei and Ali Alattas of Indonesia. As co-chairman of Malaysia's Joint Commission with Asean countries, India and Bangladesh and the chairman of the Asean Standing Committee (ASC) for 1997, Abdullah has put his own personal stamp at regional level. The admission of Laos and Myanmar to Asean in July 1997 was a personal victory for Abdullah, who worked hard in lobbying other Asean members to be receptive to this.<sup>29</sup>

Table 2.1

**Malaysia's Foreign Ministers (1981-1997)**

Name	Years Service	
	Start	End
1. Tan Sri Ghazali Shafie	17.7.1981	16.7.1984
2. Tengku Ahmad Rithaudden Ismail	17.7.1984	10.8.1986
3. Dato' Rais Yatim	11.8.1986	7.5.1987
4. Dato' Abu Hassan Omar	20.5.1987	15.3.1991
5. Dato' Abdullah Ahmad Badawi	15.3.1991	present

Source: The Prime Minister's Department, 1997

Domestically, Abdullah's position in the Ministry is substantial. This is because, as has been argued by Muda, one of the factors which contributed to Mahathir's pre-eminence in foreign policymaking was that he had no foreign minister

<sup>28</sup> However, in the history of the Ministry of Foreign Affairs, Dato' Abdullah is the third longest foreign minister after Tunku Abdul Rahman, who served for eleven and a half years, and Tengku Ahmad Rithaudden, who served for eight years. In early January 1999, Abdullah was elevated to the post of Deputy Prime Minister. He was replaced by Dato' Syed Hamid Syed Albar.

<sup>29</sup> Some other Asean members, namely Thailand, the Philippines and Singapore, were less enthusiastic to admit Myanmar to Asean (*The Economist*, June 7, 1997, p. 30).

who could stand up to him or balance his own impetuosity.<sup>30</sup> Before Abdullah, they were four foreign ministers who served under Mahathir's ten-year premiership. In this sense, based on Malaysia's high profile in its bilateral and multilateral relations, especially since 1991, it could be said that Abdullah has made significant contributions to reduce Mahathir's burden. In this context, it seems that Abdullah's service was not only needed but also has been recognised by his chief executive. In explaining his work, Abdullah said:<sup>31</sup>

The workload is increasing and in terms of role, it continues to expand all the time with an increasing number of missions being set up, trips and summits to attend. The Prime Minister and I will be making many visits. We need to expand relations with countries with which we have already established diplomatic relations.

In addition to Abdullah's leadership, with the guidance of highly professional diplomats such as Tan Sri Ahmad Kamil Jaafar and Dato' Abdul Halim Ali (the Ministry's Secretary-General and Deputy Secretary-General, respectively), and Tan Sri Razali Ismail, who was Malaysia's Permanent Representative to the U.N., Wisma Putra has played substantial role in conducting the nation's international affairs. The appointments of Dato' Abdul Halim Ali as Chief Secretary to the Government on September 17, 1996, the first officer from the diplomatic service to be appointed to the post, and Tan Sri Ahmad Kamil as Special Envoy to the Prime Minister effective on August 27, 1996, proved that the contributions of Wisma Putra have been recognised by the

<sup>30</sup> Muhammad Muda, *ibid.*, p. 458.

<sup>31</sup> *The Star*, February 24, 1997.

government.<sup>32</sup> At the regional level, the appointment of Dato' Ajit Singh, a senior Malaysian diplomat, as the first Asean Secretary-General, further enhanced the credibility of the Ministry.<sup>33</sup>

Furthermore, the election of Tan Sri Razali Ismail as the President of the 51st Session of the United Nations General Assembly (UNGA) on September 17, 1996, the first Malaysian to assume the post, not only showed the increasing influence of Malaysian diplomacy but also was a recognition of Malaysia and its leaders. Due to these positions, it can be claimed that Wisma Putra has regained its role and prestige and Malaysia's interests have been extended at the regional and international level significantly.

Another institution that played a significant role in the formulation of Malaysia's foreign policy in the second half of the 1980s was the Institute of Strategic and International Studies (ISIS). With an initial grant from Malaysian government, ISIS was established in 1983, and is the oldest think-tank group in Malaysia. The role of the think-tank as a policy research body is a new phenomenon in developing countries in general and Malaysia in particular. Under the leadership of Dr Noordin Sopiee,<sup>34</sup> the Institute had

<sup>32</sup> *Malaysian Digest*, August 1996, p. 2.

<sup>33</sup> Dato' Ajit was appointed as the first Secretary-General of Asean to replace the old system in which Secretary-General of the Asean Secretariat was appointed by rotation from member countries.

<sup>34</sup> Dr Noordin was former editor of the *New Straits Times*. He is Chairman of PECC, the Malaysian representative on the Eminent Persons Group of the APEC, panel of Eminent Persons to study the structure and mechanism of Asean and the only Malaysian Member of the Club of Rome. Source: *ISIS Focus*, no. 100, July 1993, p. 5. Dr Noordin is also Mahathir's speechwriter who likes to call himself 'foreign policy entrepreneur,' see "The Good Think-Tank Guide," *The Economist*, December 21, 1991-January 3, 1992, p. 54.

developed to be the largest, best financed and the most influential policy research body in Malaysia<sup>35</sup> and has been described as "kooky, canny and well connected".<sup>36</sup>

Since its formation, ISIS has contributed significantly to the nation's policymaking process. An early contribution was its cost-benefit analysis done in 1986 on the country's participation in the Commonwealth. At that time, Mahathir was not happy with the performance of the organisation. Work done by the Institute and Wisma Putra convinced the government to remain within the organisation.<sup>37</sup>

In the context of South-South cooperation, ISIS together, with the London-based Third World Foundation,<sup>38</sup> organised the 2nd Summit of Third World Scholars and Statesmen held in Kuala Lumpur from May 5-8, 1986. The Conference was attended by 100 scholars and statesmen from 23 countries of the South, and was a watershed in terms of Malaysia's involvement in the issues of South-South cooperation. In his keynote address, Mahathir, as the chairman of the conference, suggested the formation of an Independent Commission on South-South Commission (later known as the South Commission) tasked with reporting on specific proposals for

<sup>35</sup> David Camroux, "The Asia-Pacific Policy Community in Malaysia," *The Pacific Review*, vol. 7, no. 4, 1994, p. 429.

<sup>36</sup> *The Economist*, *ibid.*

<sup>37</sup> Muda, *ibid.*, p. 462.

<sup>38</sup> The Foundation was registered as a Charity in 1978 under the law of England and Wales, has its headquarters in London. The objectives of the Foundation are to work for the intellectual, economic and social advancement of the people of the Third World through publications and research. To assist in the evolution of a fundamentally just and equitable relationship between the Third World and the developed countries and to create greater awareness of the causes of poverty in the Third World. *Third World Quarterly*, vol. 8, no. 1, January 1986.

practical South-South cooperation. Mahathir also hoped that the cooperation between the Third World Foundation and ISIS should spawn a network of Third World research institutes that would collectively do research work on different aspects of South-South cooperation.<sup>39</sup>

In the context of Malaysia's involvement in South-South cooperation, ISIS has made two substantial contributions. First, as coorganiser of the South-South II Conference and as the Secretariat of a Steering Group, ISIS successfully brought Kuala Lumpur closer to Third World cities. Through various forums, Malaysian leaders, particularly its Prime Minister, Mahathir, was exposed to Third World networking such as the Third World Foundation, the South Commission and the South Centre, a South think-tank. Secondly, as a result of the former and with the commitment of Mahathir, Malaysia's foreign policy has undergone drastic changes towards closer cooperation with other developing countries under the auspices of South-South cooperation.<sup>40</sup> In this context, ISIS played a significant role in bridging the countries of the South.

Another significant contribution of ISIS, at the regional level, was the formation of the Asean Institute of Strategic and

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<sup>39</sup> Noordin Sopiee, et al., *Crisis and Response The Challenge to South-South Economic Cooperation*, Kuala Lumpur: The Institute of Strategic and International Studies (ISIS), 1988, p. 8.

<sup>40</sup> In his address at the Malaysian International Affairs Forum in Kuala Lumpur on January 29, 1986, the Foreign Minister said, "Malaysia is an ardent advocate of South-South cooperation not only in trade but also other aspects of economic and technical cooperation". *Foreign Affairs Malaysia*, March 1986, vol. 19, no. 1., p. 33.



International Studies (Asean-ISIS).<sup>41</sup> Asean-ISIS was formalised as a regional non-governmental organisation with the signing of its charter on June 28, 1988. Since its inception, the Malaysian ISIS has acted as the secretariat for this body and became the publisher of its newsletter "Asean-ISIS". The Institute hopes to become a major source of policy inputs for consideration by the respective governments and decision-makers in Asean countries.<sup>42</sup>

Through its various regional and international conferences, Asean-ISIS serves as a significant venue for experts and scholars in strategic studies to exchange and analyse issues and concerns common to Asean and its major partners. One important conference was held in Jakarta from June 2-4, 1992, to discuss proposals for the consideration of the 4th Asean Summit to be submitted by the Asean-ISIS.<sup>43</sup> The conference put forward four proposals: an Asean initiative for an Asia-Pacific political dialogue, an Asean initiative for a new regional order in Southeast Asia, an Asean initiative for the strengthening of Asean and fourth, an Asean initiative for enhancing Asean economic cooperation. One concrete proposal which was accepted was that Asean should held Asean informal meetings involving Heads of

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<sup>41</sup> Various strategic studies institutes have been established in Asean countries such as the Centre for Strategic and International Studies (CSIS) in Jakarta, the Institute of Strategic and International Studies (ISIS) in Kuala Lumpur, the Institute for Strategic and Development Studies (ISDS) in Manila, the Singapore Institute of International Affairs (SIIA), the Institute for Security and International Studies (ISIS) in Bangkok and the Institute of International Relations (IIR) in Hanoi.

<sup>42</sup> Carolina G. Hernandez, "The Role of the Asean-ISIS," *Asean-ISIS*, no. 6, April 1993, p. 1.

<sup>43</sup> *Asean-ISIS Monitor*, no. 1, July 1991, p. 1.

Government and minimal fanfare. The first such Informal Summit was held in Jakarta in 1996.

By the end of the 1980s, Malaysia's foreign policymaking was beginning to involve more and more players. From 1991 onwards, we can see the expansion of these to include other specialist agencies, to corporate élite and some non-governmental organisations (NGOs). One specialist agency that became important is the Malaysian Institute of Maritime Affairs (MIMA) set up by the Malaysian government's National Security Council in July 1993, to deal specifically with national, regional and global maritime issues.<sup>44</sup> MIMA was given the task to conduct policy research on issues relating to the maritime sector with the aim of contributing to a meaningful, comprehensive and cogent national maritime policy.<sup>45</sup> Headed by Dr B.A. Hamzah, a former ISIS Assistant Director-General, MIMA reflected a growing concern in Malaysia over tension in the South China Sea.<sup>46</sup>

At the inaugural meeting of the Malaysian Business Council (MBC) held in Kuala Lumpur on February 28, 1991, Mahathir delivered his keynote address titled "Malaysia: The Way Forward" which later became the basis of Vision 2020.<sup>47</sup> The choice of venue is significant. It shows the importance Mahathir was also giving at this time to leaders from the corporate and public sectors.

The Council had at this time 62 members—10 ministers, 8 leaders from the public service and 44 leaders from the

<sup>44</sup> Camroux, *ibid.*, p. 430.

<sup>45</sup> MIMA Corporate Profile, 1993, p. 4.

<sup>46</sup> *Far Eastern Economic Review*, September 23, 1993, p. 26.

<sup>47</sup> Vision 2020 is Mahathir's vision of Malaysia's future as a fully industrialised country by the year 2020. The speech presents a blueprint for developing Malaysia into an "industrialised country".

private sector.<sup>48</sup> It was chaired by the Prime Minister, with the Deputy Prime Minister as deputy chairman. The Council had (and still has) four primary objectives. First, it aimed to facilitate a free flow of information and ideas between the public and private sectors.<sup>49</sup> Second, it aimed to address problems pertaining to industrial and commercial development and remove impediments to economic growth. Third, it aimed to strive to create better understanding as well as enhance the relationship between the public and private sectors. Finally, it aimed to identify and promote areas of cooperation and collaboration between the public and private sectors.<sup>50</sup> To ensure the necessary administrative back up, the government set up a centre for economic research and services located at the Institute of Strategic and International Studies (ISIS) with adequate staffing.

The contribution of MBC to the policymaking process was that the Council brought together leaders of the public and private sectors, so coopting the private sector into the process of economic policy formulation and development

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<sup>48</sup> At the latest MBC's meeting held on February 29, 1997 the composition of the MBC's members has been changed. The Council's members comprise senior Cabinet Ministers, top civil servants, business leaders, trade unionists, senior editors from media organisations and representatives of non-governmental organisations. *New Straits Times*, March 1, 1997.

<sup>49</sup> The close cooperation between the public and private sectors has its root in Malaysia Incorporated, a policy launched in 1983. The objectives of the policy are to establish close, meaningful and effective cooperation between the private and public sectors in national development to benefit both parties, to eliminate enmity between the two sectors by sharing information and fostering understanding of each other's problems and to increase productivity. *Government Policies*, Kuala Lumpur: Ministry of Information, 1991, p. 41.

<sup>50</sup> Tan Chew May, "For Better Rapport," *Malaysian Business*, March 16-31, 1991, p. 17.

planning. In return, the private sector benefited by having access to complete, accurate and vital information on future government policies and strategies.<sup>51</sup> The members claimed that the Council's meetings were useful for the public and private sectors to get feedback. The meeting mentioned above is an example of the process whereby the private sector get to know the government's stand behind various policies and for the government to access and evaluate private sector ideas.

The role of Malaysian business élites in the policymaking thus began to be significant. At this time, it was claimed that the Prime Minister relied on a small group of businessmen to help him shape and implement his vision.<sup>52</sup> Leading this exclusive group was Tun Daim Zainuddin, the government's economic adviser, the Treasurer of UMNO, former finance minister and a key figure in spearheading Malaysia's investment push overseas.<sup>53</sup> Other members were Vincent Tan, the late Yahaya Ahmad, Halim Saad and Rashid Hussain. Four other important figures were Shamsuddin Kadir, Wan Azmi Wan Hamzah, Tajuddin Ramli and Azman Hashim, who, with Yahaya Ahmad, led Malaysia's trade delegations overseas. These corporate leaders frequently participated in the discussion with foreign dignitaries during Mahathir's overseas visits.

One of the outstanding features of the MBC was that the majority of the members were businessmen, numbering more than two-thirds (44 out of 62) of the positions on the MBC. Their input into discussions and decisions is obviously

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<sup>51</sup> C. Sivalingam, "Open Partners in the Business Game," *The New Straits Times*, September 21, 1996.

<sup>52</sup> "The Masters of Mahathir Inc.," *Time*, December 9, 1996, vol. 148, no. 24.

<sup>53</sup> *Asian Business Review*, May 1995, p. 21.

significant, and meant that the private sector became an effective voice through the MBC. In this regard, the government's policy initiatives to make Malaysia a regional centre of excellence in education, its push into high technology and its high profile in foreign trade and investment relations, particularly with developing countries, closely represent the interests of this group.

The role of non-governmental organisations (NGOs) in the policymaking process is a relatively new phenomenon in Malaysia. One of the factors giving rise to increased influence of NGOs was the elevation of Anwar Ibrahim, former President of the Malaysian Youth Council (MYC), to Deputy Prime Minister in 1993.<sup>54</sup> Although few of the NGOs were consistent in their struggle, most of them were rhetorical and seasonal in nature. Included in the former were the Environmental Protection Society of Malaysia, the Third World Network and the Just World Trust. Included in the latter were the Malaysian Youth Council, the Bosnian Action Front, the UMNO Youth and the Centre for Peace Initiatives.

Some examples of NGO actions which arguably helped determine policy can be seen in this period. For example, in early September 1996, 42 NGOs led by the Malaysian Youth Council, presented a memorandum to the U.S. Embassy to protest against the U.S. shelling of Iraq. In another instance, on March 13, 1997, UMNO Youth staged a demonstration against Singapore's Senior Minister Lee Kuan Yew's controversial remarks on Johor.<sup>55</sup> Two days later, the organisation called on the Malaysian government to review its

<sup>54</sup> As a former social activist, Anwar's liberalism bolstered NGO confidence, *Far Eastern Economic Review*, January 30, 1997, p. 20.

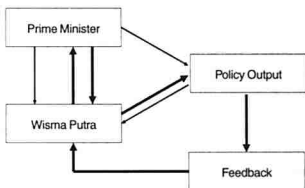
<sup>55</sup> Lee Kuan Yew identified Johor as a place "notorious for muggings, shootings and carjackings", N. Ganeson, "Singapore Entrenching a City-State's Dominant Party System," in *Southeast Asian Affairs 1998*, p. 239.

water agreements with Singapore and asked Malaysian traders to stop using Singapore's port.<sup>56</sup> In the context of policymaking, the participation of several NGO leaders in the MBC's meeting held on February 29, 1997 showed some NGOs' role in national development had at least begun to be recognised by the government.

### The Model of Decision Making

Figure 2.1

#### The "Descending" or "Top-Down" Model of Foreign Policymaking



Source: Mohd Yusof Ahmad, "Continuity and Change in Malaysia's Foreign Policy, 1981-1986," p. 50

In the context of policymaking process, two models, namely the "descending or top-down model" and the "ascending or bottom-up model" (see Figures 2.1 and 2.2) can be seen to have been followed by Mahathir's administration.<sup>57</sup>

<sup>56</sup> *The Straits Times Weekly Edition*, June 7, 1997, p. 14.

<sup>57</sup> Mohd Yusof Ahmad, *ibid.*, pp. 50-56.

The former, dominant in the early 1980s, begins with the chief executive's decision on a new policy line, often without sufficient and prior consultations with for example, *Wisma Putra*, cabinet or legislature. In this context, new policy lines such as the "Look East Policy" and "Buy British Last" were articulated not through *Wisma Putra* but directly through the media. On this point, because of his position of power, the Prime Minister can and often exerts influence on the final shape of the nation's foreign policy output. Furthermore, the chief executive's power is important to Mahathir in order to impose his personal opinion on the policy matters.

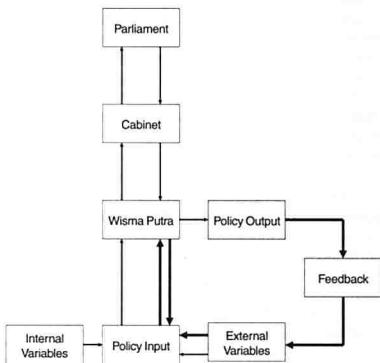
On the contrary, the ascending model is one where the policy outputs are the products of a series of intra- and interdepartmental debates, consultations and discussions held in the Ministry, in other agencies such as *ISIS* and with other interest groups. For *Wisma Putra*, accepted resolutions will be submitted to the Secretary-General who will then forward them to the Foreign Minister. Once approved, it will be handed down to the division concerned to be executed. The Minister will then brief the Prime Minister either immediately or during the weekly cabinet meeting held on every Wednesday. On important subjects, the Ministry will submit the policy paper to the Prime Minister for approval. A clear example of this process concerns the proposals made by *Wisma Putra* and the *ISIS* on the pros and cons of Malaysia's membership in the Commonwealth.<sup>58</sup> The *Wisma Putra*

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<sup>58</sup> In the early 1980s, Malaysia grew disenchanted with the Commonwealth. Mahathir stayed away from the 1981 and 1983 Commonwealth of Heads of Government Meetings (CHOGM) held in Melbourne and New Delhi, respectively. Also, unlike his predecessors who had given priority to the Commonwealth, he listed the Commonwealth as the fourth priority after Asean, OIC and NAM. The Commonwealth's frequent meetings and its closely link to Britain explained Mahathir's displeasure with the organisation.

report emphasised the political benefits as well as those deriving from Commonwealth functional cooperation, which Malaysia obtained as a member. The ISIS paper focused its report on cost-benefit analysis. Both papers had convinced the government that it should stay in the Commonwealth.<sup>59</sup>

Figure 2.2  
The "Ascending" or "Down-Up"  
Model of Policymaking



Source: Mohd Yusof Ahmad, *ibid.*, p. 51

<sup>59</sup> Muhammad Muda, "Malaysia's Foreign Policy and the Commonwealth," *The Round Table*, no. 320, October 1991, p. 462.



Although there was a shift in policymaking process from "top-down" to "down-up" during Mahathir's 15 years in power, there are still cases where the Prime Minister was using his prerogative to make his own policy. For example, his offer for Kuala Lumpur to be the venue for the 1989 CHOGM, made at the CHOGM in Vancouver in 1987, startled many whom knew Mahathir's previous views on the Commonwealth. Mahathir's announcement surprised Wisma Putra which had not been consulted for its views.<sup>60</sup>

Another example was his proposal for an East Asian Economic Grouping (EAEG), which he first enunciated on December 10, 1990 at a banquet for visiting Chinese Prime Minister Li Peng.<sup>61</sup> Again, this was made without any consultation with Wisma Putra. As a consequence, Wisma Putra had to work laboriously to convince the Asean members to support the Prime Minister's idea. In this regard, Malaysian foreign policymaking process was still determined by its chief executive, the Prime Minister.

### Determining Factors of Malaysian Foreign Policy

Malaysian foreign relations were determined by internal, external and leadership sources. The "internal sources" refers to all factors operating within the nation's boundaries that affect, directly or indirectly, the process of foreign policymaking. For this, influx of the immigrants and Islamic Solidarity factor will be discussed. "External sources" refer to factors emanating from outside the nation's territorial

<sup>60</sup> Muhammad Muda, *ibid.*, p. 463.

<sup>61</sup> Mahathir proposed the formation of the East Asian Economic Grouping (EAEG), which was to include the Asean states plus Japan, China, South Korea and Taiwan. The early proposal was "to facilitate consultation and consensus prior to negotiating with Europe or America or in a multilateral for a such as the GATT".

boundaries that may have an impact on the nation's external behaviour. This part discusses Malaysia's efforts to strengthen its economic situation resulted of world's 1986 recession. Meanwhile leadership factors combine the personal attributes of the leader and the government he leads. Discussion on the impact of Mahathir's leadership on Malaysian foreign policy would be found in Chapter 4.

### *Influx of Immigrants*

A major problem caused by Malaysia's geography has been the influx of immigrants. In 1996, there were 1.75 million foreign workers in Malaysia and one million of them were working illegally. Most of the workers came from Indonesia, the Philippines and Bangladesh.<sup>62</sup>

The inflow of the foreign workers was attributed to the nation's rapid industrialisation, higher educational attainment leading to external migration, labour shortages and the hard life in the immigrants' own countries. Economically, Malaysia has been one of Southeast Asia's fastest growing countries. It has been transformed from a country that depended on primary commodities such as tin and rubber into an economy dominated by the manufacturing industry. Malaysia grew at over 8 per cent for a decade after 1988. In a rapid industrialisation process, the country suffered from labour shortages in the plantation, construction and service sectors. Domestic labour supplies were short for two reasons. First, better-educated youth increasingly shunned the so-called 3D jobs—Dirty, Dangerous and Difficult work. Many of them, particularly among the low achievers, prefer to work as supporting staff in the private and public sectors rather than

<sup>62</sup> Government statistics have shown that foreign workers from 28 countries, including Nepal, Albania, Ghana, Nigeria and Somalia, have entered the country illegally.

working at construction sites or in factories. Secondly, about 200,000 Malaysians work in Singapore, including 50,000 who commute daily and many construction workers are employed in Taiwan at higher wages than they could earn in Malaysia.<sup>63</sup>

Despite its positive contribution to the country's development, the influx of foreign workers has brought several problems. From an economic point of view, Malaysia has lost about US\$0.96 billion in foreign exchange annually. In addition, the refugees are blamed for bringing infectious diseases to the country, increasing the crime rate, displacing local traders and marrying local women in order to get legal status. Malaysian displeasure was consistently voiced in the local media and at political meetings. In order to restrain the situation, the Malaysian government announced its long and short-term policies. The Malaysian government instructed the private sectors to change the working environment from labour intensive to capital-intensive industries. In this regard, the use of automation in operations was encouraged. Self-operated petrol kiosks and the termination of the mini-bus services in Kuala Lumpur at the end of 1996, where the majority of the employees were Bangladeshis or Indonesians, were two examples of the effects of this action.

Another important policy introduced by the Malaysian government in order to reduce the entry of illegal immigrants is the "prosper-thy-neighbour" policy. The policy was based on Mahathir's philosophy that if Malaysia's neighbours are prosperous, Malaysia too will become prosperous but if Malaysia is prosperous and its neighbours poor, Malaysia will get illegal immigrants landing on its territory.<sup>64</sup> Based on this

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<sup>63</sup> Philip Martin, "Labor Migration in Asia," *Asian Migrant*, January-March 1996, p. 11.

<sup>64</sup> Statement by former Malaysian Foreign Ministry Secretary-General Tan Sri Ahmad Kamil Jaafar in the *New Straits Times*, October 9, 1996.

## Asia and the Pacific Countries



Source: Pacific Islands  
Yearbook, 1994

assumption, Malaysia became actively involved in several subregional economic zones, such as the SIJORI Growth Triangle, which involves Singapore, Johor (Malaysia) and Riau (Indonesia), the IMT-GT, the Northern Growth Triangle involving West Indonesia, Northern Malaysia and South Thailand, the BIMP-EAGA which involves Brunei, Indonesia, East Malaysia and the Southern part of the Philippines and in the Greater Mekong Subregion (GMS). Malaysia's involvement in regional economic activities were guided by the "Malaysian Incorporated" policy, which enabled close cooperation between the government and the private sector. The latter has been widely involved in the areas concerned. Up to 1995, the amount of Malaysian investment in Indonesia was US\$230 million and in the Philippines US\$65.6 million.<sup>65</sup> The opening of new businesses aimed to provide working opportunities to the local residents and automatically stop them from going abroad.

Several short-term actions were taken by the Malaysian government to control the influx of foreign workers. In 1993, the government banned the entry of unskilled foreign workers. In 1994, 563,000 working permits were issued to Indonesian, Filipino and Bangladeshi workers. These were temporary work passes, valid for two years and renewable for a third year. In October 1996, Mahathir, as Head of the National Security Council, announced that the existing laws were not severe enough. Under new proposed amendments, anyone who employed foreigners entering the country illegally or anyone who brought in foreign workers illegally could be jailed between six months and five years, caned and fined between US\$4,000 and US\$12,000. Foreign workers who had been deported but returned to the country would be whipped. Employers of more than five illegal workers and

<sup>65</sup> *Massa*, November 25, 1995, p. 57.

landlords who rent to them will face mandatory jail terms. Foreigners who married locals would be deported. In this regard, Malaysia is the second country in the region, after Singapore, to impose caning for illegal workers. December 31, 1996 was set as the deadline for the immigrants to be registered. Those who failed to register would be deported.

The Indonesian and Bangladeshi governments responded positively to the actions taken by Malaysia. The Indonesian government agreed to tighten regulations governing the entry of workers into Malaysia. The decision was made at the fifth meeting of the Malaysia-Indonesia Joint Commission held in Penang in June 1996. The Indonesian government also agreed to the deportation of illegal Indonesian workers in Malaysia, including those who had social and mental problems. Both governments also agreed that the illegal immigrants would be sent to Surabaya by boat and not to Dumai in Sumatera as done in the past.<sup>66</sup> In his meeting with the Malaysian Foreign Minister on December 10, 1996 in Jakarta, Bangladesh's Foreign Minister Abdul Hasan Chowdhury expressed regrets over the bad conduct of Bangladeshi workers and left it to Malaysia to take whatever action it wanted against them. The Bangladeshi government also assured Malaysia that the registration of Bangladeshi workers who entered Malaysia illegally was progressing well.<sup>67</sup>

In conclusion, the issues of illegal immigrants will continue to affect Malaysian international affairs in the coming future. There is no indication that the flow of immigrants can be stopped. Malaysia's long beaches, its weak surveillance especially of the land and sea borders, uncooperative employers, an effective networking syndicate and attractive wages are among the factors making the efforts

<sup>66</sup> *New Straits Times*, September 9, 1996.

<sup>67</sup> *New Straits Times*, December 11, 1996.

to stop it unlikely to succeed. In this context, the Malaysian Foreign Workers' Task Force, a unit that was given the special task to handle this matter, had to work hard. At the regional level, Malaysia has to work closely with Indonesia, the Philippines and Thailand. Indonesia's and the Philippine's cooperation are needed to strengthen the control of incoming immigrants. In addition, Malaysia also has to seek cooperation from the Thai government. Thailand has been known as the Bangladeshis' transit point before they come to Malaysia. In October 1996, it was reported that 30,000 Bangladeshis were at the Thai-Malaysia border just waiting to enter the country.

### *Islamic Solidarity*

Another important element in Malaysia's foreign policy is its Islamic solidarity factor. Before Mahathir assumed power in 1981, Islam had never occupied a central position in Malaysia's foreign policy. With the exception of his immediate predecessor, Tun Hussein Onn, who made several visits to Arab countries, the other two premiers put a low profile on Islamic solidarity. Mahathir, on the other hand, during his last years as Deputy Prime Minister, had attended the OIC Summit held in Taif, Saudi Arabia, in January 1981. This experience enabled him to understand the real issues of the *ummah* (Muslim community) throughout the world. In his speech, Mahathir emphasised the role of the OIC, and talked about the Iran-Iraq War, Palestine and Afghanistan and the importance of education, skills and hard work as essential conditions for developing Islamic countries to participate in the world's development. He also called upon Muslim nations to be self-reliant and less dependent on developed countries.<sup>68</sup>

<sup>68</sup> Mahathir's speech on behalf of Asian countries at the closing of the summit on "The Resurgence of Islam" on January 28, 1981, *ibid.*, pp. 69-72.

Mahathir's foreign policy list included a high profile for Islamic solidarity. In 1983 he announced that the Non-Aligned Movement and the Commonwealth were no longer as important as the Muslim bloc. Hence, for the first time, both the Non-Aligned and Commonwealth countries were demoted from the top two positions that they had occupied before.<sup>69</sup> In his speech to the Regional Islamic Dakwah Council of Southeast Asia and the Pacific (RISEAP) in June 1982, Mahathir announced his government's intention to help the struggle of the Muslim *ummah*.<sup>70</sup>

Two factors, internal and external, influenced the shift. Internally, the pressure from the opposition Pan-Malayan Islamic Party (PAS) to safeguard Muslim interests encouraged Mahathir and his government to put a high profile on several Islamic issues. In the early 1980s, PAS was the strongest Malay/Muslim opposition party in the country. Externally, the economic potential of Islamic countries, rich in natural resources, encouraged Mahathir to befriend them. The petro-dollar was needed to finance several government projects such as the Federal Land Development Authority (FELDA) and the International Islamic University (IIUM) which had been established in Malaysia.

Malaysia's external relations regarding Islamic solidarity or Muslim unity were determined by two factors. First, they were influenced by Islamic ideas such as the ethnic conflict involving Muslim minorities throughout the world, particularly in Southern Thailand, the Philippines, Myanmar, Kampuchea and Bosnia. In various cases, Malaysia has been

<sup>69</sup> Hussin Mutalib, *Islam in Malaysia From Revivalism to Islamic State*, Singapore: Singapore University Press, 1993, p. 32.

<sup>70</sup> Murugesu Pathmanathan and David Lazarus (eds.), *Winds of Change: The Mahathir Impact on Malaysia's Foreign Policy*, Kuala Lumpur: Eastview Productions, 1984, p. 126.



involved directly or indirectly in helping the Muslim minorities in those areas.<sup>71</sup> For example, Malaysia has granted asylum to hundreds of Muslims refugees from Mindanao, Kampuchea, Rohingya (Myanmar) and Bosnia.

In the case of the conflict in Bosnia and Herzegovina, Malaysia produced statements condemning the continuing fighting in the country and offered its help in concert with the international community to prevent the continuation of aggression by the Federal Republic of Yugoslavia.<sup>72</sup> On this commitment, Malaysia deployed a military contingent comprising 1,489 officers and men as part of the U.N. under the auspices of the United Nations Protection Force (UNPROFOR). On September 14, 1995, Malaysia hosted a Special Meeting on Bosnia and Herzegovina of the OIC Contact Group and Troop Contributing Countries to UNPROFOR. In his opening address, the Malaysian Foreign Minister announced that Malaysia was prepared to commit itself to help achieve the peace negotiations and peace process in the country.<sup>73</sup> Later, the Conference appointed Malaysia as one of the countries to be involved in an international package for the reconstruction and rehabilitation of the Republic of Bosnia and Herzegovina which involves massive economic and financial assistance.

At the peak of the conflict, which took place in early 1994, Malaysia showed its disappointment at the failures of the U.N. in helping Bosnia. Mahathir in his statement on April 19, 1994 announced that Malaysia no longer believed in

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<sup>71</sup> Mohd Abu Bakar, "Islam in Malaysia's Foreign Policy," in Mohd Azhari Karim, et al., *ibid.*, pp. 77-88.

<sup>72</sup> Situation in Bosnia and Herzegovina, Statement issued by the Ministry of Foreign Affairs on June 4, 1992, *Foreign Affairs Malaysia*, June 2, 1992, p. 85.

<sup>73</sup> *Foreign Affairs Malaysia*, September 3, 1995, p. 27.

the sincerity of the U.N. Security Council, the world body itself and Secretary-General Boutros Boutros-Ghali in helping weak nations and its people. He added that the U.N. only provided assistance to the strong, as was seen in the case of Bosnia and Herzegovina, where the Serbs continued with their elimination of Bosnians. In this matter, Mahathir shared the views of former New Zealand Prime Minister David Lange who criticised the U.N. and the Security Council which had done nothing to help the Muslims in Curazde.<sup>74</sup> Three days later, Mahathir made another statement that Boutros Boutros-Ghali should resign for failing to take any firm action to help resolve the conflict in Bosnia and Herzegovina.<sup>75</sup>

In 1996, Malaysia was the only developing country which did not nominate Boutros-Ghali as the U.N. Secretary-General. Several countries commended Mahathir's firm stand on Bosnia. The U.S. has praised Mahathir for playing a very strong political role, telling the world of the need to counteract the genocide in Bosnia. Malaysia was also praised for a leading role in bringing peace to the Balkans and in the reconstruction of the Bosnia-Croat Federation.<sup>76</sup> One of the positive results of Malaysia's support over the Bosnian crisis was she received "preferential treatment" to reconstruct Bosnia and Herzegovina. The Bosnian Council of Ministers co-chairman Haris Siladjic stated that "Malaysian businessmen will be accorded all possible privileges in efforts to construct Bosnia and Herzegovina". Haris said Malaysia had given Bosnia "preferential treatment" during the war and thus it (Malaysia) would be granted opportunities to be involved in the reconstruction programmes.<sup>77</sup>

<sup>74</sup> *New Straits Times*, April 20, 1994.

<sup>75</sup> *New Straits Times*, April 23, 1994.

<sup>76</sup> *New Straits Times*, August 6, 1996.

<sup>77</sup> *The Star*, February 4, 1997.

Secondly, its economic interests influenced Malaysia's relations with other Islamic countries. Malaysia has economic relations with almost all Islamic countries in the Middle East, Africa, Central Asia, and South Asia and in Southeast Asia. At the regional level, Malaysia's involvement in the Growth Triangle Projects with Indonesia, Thailand, Brunei and the Philippines were motivated by the need to help reduce poverty in a region predominantly controlled by Muslims. In the case of Mindanao, Malaysia stated its readiness to help uplift the socioeconomic status of Muslims in the area following the signing of the peace pact between the Moro National Liberation Front (MNLF) and the Philippine government. Mahathir announced that Malaysia would invest in the region, the home of Filipino Muslims, to help uplift the socioeconomic status of its people.<sup>78</sup>

At an international level, recently Malaysia has been widely accepted in Central Asia. Malaysian investors are engaged in projects worth millions of dollars in Turkmenistan, Tajikistan, Kazakhstan, Kyrgyzstan and Tajikistan. Malaysia also has good economic relations with Iran and Turkey which act as gatekeepers to Central Asia and Europe, respectively. With this relationship, Malaysia hopes that its business people could actively become involved in the region. In addition, as a member of the newly Developing 8 (D8), Malaysia is able to work closely with other members, namely Bangladesh, Egypt, Indonesia, Iran, Turkey, Nigeria and Pakistan.<sup>79</sup>

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<sup>78</sup> Dr Mahathir's statement on September 3, 1996, as reported in the *New Straits Times*, September 4, 1996.

<sup>79</sup> Turkish Prime Minister Dr Necmettin Erbakan initiated the grouping that consists of eight developing Muslim countries. The purpose of the grouping is to identify the areas for economic and technical cooperation as trade, investment, banking, finance, human resource development, communications and transportation.

To sum up, Malaysia's external relations with Islamic nations were to enhance its economic interests as well as to strengthen Islamic solidarity with other Islamic countries.

### *Economic Interests*

Deep global recession in the mid-1980s affected the Malaysian economy. Unemployment increased from 7.6 per cent in 1985 to 8.7 per cent in 1986. Its GDP growth was down -1 per cent in 1985. In addition, the prices of commodities such as oil, palm oil, tin and rubber were falling, which affected the government's revenues. In 1985, the price of rubber fell by a third in a year. Similarly, the price of palm oil declined by two-thirds, tin by about one-half and oil by also one-half.<sup>80</sup> The period also witnessed a drop in private sector investment in the economy from US\$5.32 billion in 1984 to US\$4.36 billion in 1985 and US\$3.56 billion in 1986.<sup>81</sup> In its efforts to resolve the problems, the government on February 6, 1985 announced its new Foreign Economic Policy.<sup>82</sup> The policy's objectives were to look for new markets for Malaysian exporters; to expand and consolidate its existing markets especially with the U.S., Japan and the EEC; to attract more foreign investments and transfer of technology and to encourage South-South cooperation.<sup>83</sup>

Three efforts were identified to implement the policy. First, Malaysia's bilateral relations needed to expand to include the signing of bilateral agreements on trade, investment, shipping, civil aviation and the setting up of joint economic

<sup>80</sup> *The Economist*, March 15, 1986, pp. 39-40.

<sup>81</sup> Mohd Yusof Ahmad, *ibid.*, p. 263.

<sup>82</sup> *Foreign Affairs Malaysia*, March 1985, pp. 21-23.

<sup>83</sup> Speech by Tengku Ahmad Rithauddeen, Malaysia's Foreign Minister at the Rotary Club Meeting in Kuala Lumpur, February 6, 1985. See *Foreign Affairs Malaysia*, March 1985, p. 21.

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commissions. Secondly, Asean's intra-relations and its relations with dialogue partners had to be increased. Thirdly, Malaysia would need to actively participate in international economic institutions such as Multilateral Trade Negotiations (MTN), the General Agreement on Tariffs and Trade (GATT) and the United Nations Conference on Trade and Development (UNCTAD). In addition, Wisma Putra, as well as all Malaysian missions abroad was ordered to become economic-oriented institutions. Currently, Malaysian diplomatic and trade missions abroad are actively involved in promoting Malaysian goods, services, investments and businesses.

Within a decade of the implementation of the Foreign Economic Policy, Malaysia's economic ventures were spread out over five continents. To date, Malaysian trading partners are not only confined to its traditional friends such as the U.S., Japan and the E.U. but also with other developing countries such as Latin America, Central Asia, Africa, the Middle East, Southeast Asia and the South Pacific. For instance, there are Malaysian investments in forestry in Canada, Guyana, New Zealand, Papua New Guinea, Vanuatu and Zimbabwe. Housing and infrastructure projects are to be found in Albania, Tatarstan, South Africa, Indochina, Uruguay and PNG, power generation in Kazakhstan, Zimbabwe and Cambodia, and oil-field development in Iran and Vietnam.

Malaysia's aggressive venture into the world's markets was an attempt to diversify relationships in order to reduce her dependence on the West for markets, investments, capital, technology and managerial skills. Malaysia's ability to extend its business activities into the regions was also the result of its strategy to develop relations and establish friendships with as many countries as possible. It can be seen as part of a principle, that differences in ideology must be set aside for the

sake of economic development. Its emphasis was to strengthen cooperation among countries for the development of trade and the promotion of peace and stability.<sup>84</sup>

In order to safeguard investments, several agreements, such as the Trade Agreement, the Double Taxation Agreement, the Investment Guarantee Agreement and the Bilateral Payment Arrangement, were signed between Malaysia and other countries.<sup>85</sup> Between 1986 and 1995, Malaysia signed 19 Trade Agreements, 14 Double Taxation Agreements, 22 Investment Guarantee Agreements and 21 Bilateral Payment Arrangements. Regarding the Trade Agreement, nine (47 per cent) of them were signed with Latin American, African and Central Asian countries with which

<sup>84</sup> *The Star*, March 30, 1996.

<sup>85</sup> The Bilateral Trade Agreements (BTA) provided a framework within which bilateral trade cooperation could be enhanced and corresponding consultative mechanisms instituted to effect the cooperation. These agreements were concluded on the basis of the most favoured nation (MFN) principles as embodied in the GATT. The Double Taxation Agreements (DTAs) provided for the avoidance of the incidence of double taxation on international income such as business profits, dividends, interest and royalties. The purpose of the Investment Guarantee Agreements was to ensure the protection of investment from non-commercial risks such as expropriation and nationalisation as well as to allow for the remittance of capital and the repatriation of profits. A Bilateral Payment Arrangement (BPA) introduced a system for the settlement of monetary obligations arising from trade between pairs of countries. Under this arrangement, approved authorities, normally the central banks of participating countries that have entered into such an arrangement, will pay each other or guarantee payments for imports undertaken by corporate or individual residents in the respective countries. The objectives of the arrangement were to promote bilateral trade and to foster closer bilateral economic and banking relationships.

Malaysia had no trade relations before.<sup>86</sup> In the case of Europe, Malaysia signed trade agreements with Albania, Bosnia Herzegovina-Croatia and Romania—three non-traditional European friends. As a result of this highly active involvement, the rate of Malaysian investment abroad between 1990 and mid-1996 increased by 46 per cent a year compared to only 6 per cent between 1981 and 1989.<sup>87</sup> Malaysia's overseas investment up to the end of August 1996 totalled US\$8.48 billion.

The role of the external sector in Malaysia's economic development is significant. Being a small country with a population of about 20 million, Malaysia has had to look beyond its borders to market its products and to get capital, inputs and technology. Since independence, and in particular since 1971 and the introduction of the NEP, Malaysia has relied on foreign direct investment (FDI) from the highly advanced Northern countries particularly the U.S., United Kingdom, Japan and other West European countries. In 1982, 54 per cent of Malaysian goods went to Japan, the U.S. and the EEC and with 46 per cent of its imports coming from the same countries.<sup>88</sup> Commenting on the importance of FDI to Malaysia, Mahathir said, "Malaysia has always considered foreign investors as partners in development because they contribute to the growth of the country although they are profit oriented".<sup>89</sup> In 1986, the Malaysian government

<sup>86</sup> The Latin American countries were Argentina, Chile, Venezuela and Peru; Mali, Tunisia, Zimbabwe and Ghana from Africa and Kyrgyzstan from Central Asia.

<sup>87</sup> *Far Eastern Economic Review*, December 12, 1996, p. 70.

<sup>88</sup> Mohd Yusof Ahmad, *ibid.*, p. 219.

<sup>89</sup> Mahathir's speech at the closing ceremony of ESSO's 100 years in Malaysia celebrations in Kuala Lumpur, August 23, 1993 (Alagasari, *ibid.*, p. 28).

announced the Promotion of Investment Act to encourage expansion of foreign investments in the manufacturing sector, to counter the local recession and to speed up the industrialisation process. The investors were also guaranteed their safety by the Investment Guarantee Agreements that gave protection against nationalisation and expropriation, which assured prompt and adequate compensation in the unlikely event of either.

Table 2.2

**Malaysia's Trade Agreement According to Regions, Pre- and Post-1986**

Region	Pre-1986	Post-1986
Africa	-	4
Central Asia	-	1
East Asia	3	1
Europe	7	3
Latin America	-	4
Middle East	5	2
South Asia	1	1
Southeast Asia	1	1
South Pacific	2	2
Total	19	19

Sources: *Malaysia's Trade Policy Review 1993* and *Foreign Affairs Malaysia 1995*

The liberal investment policy encouraged the flow of foreign investment to Malaysia. From 1988 to 1993, the total of the FDI was US\$17,537 million—the third highest in Asia after China and Singapore.<sup>90</sup> The policy also encouraged

<sup>90</sup> *Asia Development Outlook 1995/1996*, Hong Kong: Asia Development Bank, 1995, p. 17.



many foreign investors from developing countries, particularly from East Asia. Between 1986 and April 1992, out of a total of US\$22.7 billion, 62.5 per cent (or US\$14.2 billion) came from the East Asian countries (Taiwan, Japan, Singapore, Republic of Korea, Indonesia, Hong Kong, People's Republic of China, Thailand and the Philippines).<sup>91</sup> Furthermore in 1994, out of seven of Malaysia's top investors, five of them, namely Taiwan, Japan, Singapore, Hong Kong and South Korea, were East Asian countries.<sup>92</sup> Thus the policy successfully reduced the economic dominance of the developed countries in Malaysia and at the same time it created a conducive environment for investors from developing countries.

The greatest contribution of the FDI to Malaysia was to stimulate the nation's economic growth. The economy recovered remarkably from -1 per cent growth in 1985 to 8.5 per cent in 1994. Malaysia's growth domestic product (GDP) grew steadily at an average of 8 per cent from 1989 to 1996. Moreover, the unemployment rate fell to 2.9 per cent in 1994. Its per capita income was US\$3,406 in 1994 compared to US\$334 in 1970. In 1996, Malaysia was one of only two countries in the world where economic growth exceeded 8 per cent per annum and inflation was under 4 per cent. In this regard, in addition to the liberal investment policy, several factors, namely political stability, economic growth, efficient government, good infrastructure and trained manpower also contributed to Malaysia's economic success.<sup>93</sup>

The only negative in this development process was the increased dependence on foreign labour manpower. In 1996 there were some 1.75 million foreign workers, the majority of

<sup>91</sup> *Foreign Affairs Malaysia*, June 1992, p. 117.

<sup>92</sup> *Far Eastern Economic Review*, October 12, 1996, p. 58.

<sup>93</sup> *Berita Harian*, August 18, 1996.

them are working illegally in the country. Due to this problem, the government has been concerned to shift its primary production bases to other developing countries in the South, where climatic conditions and labour situations are favourable. In 1996, Malaysian investments can be found in Albania, Argentina, Bangladesh, Brazil, Chile, China, Czechoslovakia, India, Iran, Mexico, Namibia, Papua New Guinea, Senegal, Tunisia, Uzbekistan, Vietnam and Zimbabwe. Since investment and trade are interrelated, the investments paving the way for trade flows have brought considerable benefits to Malaysia in what is known as "return investments".

**Malaysian Technical Cooperation Programme (MTCP)**  
 The Malaysian Technical Cooperation Programme (MTCP) was launched in 1980 and is aimed at providing technical assistance to developing countries. The MTCP was in response to a decision of the Commonwealth Heads of Government of the Asian and Pacific Regional Meeting (CHOGRM) held in Sydney from February 13-16, 1978. In a joint communiqué issued on February 16, Heads of Government recalled the significant changes that have taken place in the political status in many island countries in the Pacific.<sup>94</sup> The Summit recognised that special measures and relationships were necessary to assist small states particularly the island states to realise their development potential. In this context, the conference agreed that systematic programmes of assistance for these small island countries should be established as a matter of priority.

<sup>94</sup> Seven out of 13 South Pacific Islands became sovereign states in 1970s. The islands were Fiji (1970), Tonga (1970), Niue (1974), Papua New Guinea (1975), Solomon Islands (1978), Tuvalu (1978) and Kiribati (1979).

In response to the CHOGRM resolution, the Malaysian government launched the Malaysian Technical Cooperation Programme (MTCP) in 1980 to assist other developing countries in various technical fields. At the 2nd CHOGRM held in Suva, Fiji in October 1982, Mahathir stated that in a spirit of cooperation Malaysia had launched a technical assistance programme to assist developing countries which were less fortunate.

CHOGRM has always recognised the particular problems and needs of the small island member states especially in the South Pacific .... In the context of the MTCP, Malaysia has provided technical assistance to a number South Pacific Island countries including Fiji, Western Samoa, the Solomon Islands and Papua New Guinea. In view of our own constraints, our technical assistance has to be on a modest scale and confined to those areas where Malaysia has gained some experience and expertise. Malaysia will assist the less fortunate such as the South Pacific Island countries.

At the opening of the 1996 MTCP courses organised by the National Institute of Public Administration (INTAN), the Malaysian Foreign Minister, Dato' Abdullah Ahmad Badawi stated that between 1986 and 1995, 2,394 foreign participants had attended short-term courses in various subjects and disciplines by 15 local training institutions. In the same period, 499 foreign participants attended the long-term academic programmes at five Malaysian universities and the Institute of Medical Research.<sup>95</sup> The participants came from

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<sup>95</sup> *New Straits Times*, April 9, 1996.

90 countries worldwide. The Minister also announced that the Malaysian government had allocated US\$40 million to the MTCP compared to US\$26.8 million under the previous five-year plan. In his statement, the minister proposed that the MTCP should be reviewed with the objective of improving its functioning and effectiveness. The minister hoped that the review would be in the overall context of the MTCP being not only an assistance-provided facility but as an important aspect of Malaysia's foreign policy and relations.<sup>96</sup> In the same way, INTAN alone had trained more than 1,800 participants from 75 countries since its introduction in 1980.<sup>97</sup> In a regional context, 167 participants from ten South Pacific island states attended the short-term courses organised by INTAN from 1981 to 1994.<sup>98</sup>

The Malaysian Technical Cooperation Programme (MTCP) was launched in 1980 with the following objectives:<sup>99</sup>

1. To complement training and manpower development in the cooperating countries;

<sup>96</sup> The main purposes for evaluation of development assistance are to improve future aid policy, programmes and projects through feedback of lessons learned and to provide a basis for accountability, including the provision of information to the public. See OECD, *DAC Principles for Effective Aid*, Paris: OECD, 1992, p. 132.

<sup>97</sup> Statement by INTAN Director, Dr Halim Shafie, *ibid*.

<sup>98</sup> The Institute offered nine courses every year. The courses were in Leadership and Organisational Management, Project Planning and Management, International Training Methodology, Planning and Management of the Urban Environment, Microcomputer Applications for Managers, Human Resource Management in the Public Sector, Integrated Environmental Planning and Management, Strategic Marketing Management and Managing Agricultural Systems.

<sup>99</sup> Hj Hairuddin Harun, "INTAN'S Role in the Malaysian Technical Cooperation Programme," *Bulletin INTAN*, 11:1, p. 9.

2. To share and transfer knowledge and expertise acquired in the various fields by Malaysia to developing countries;
3. To foster a more cordial relationship with certain countries;
4. To improve trade relations in those developing countries; and
5. To assist them without expecting any form of favour

To achieve the objectives, the MTCP offered several programmes as follows:

1. Provision of fellowships and scholarships for degree courses and training at various institutions in Malaysia;
2. Study visits and practical attachments at participating government agencies in Malaysia;
3. Provision of training facilities for participants sponsored by third-party countries or organisations;
4. Secondment of experts; and
5. Other assistance, including projects and equipment on a case-by-case basis.

The MTCP unit is stationed under the Section of External Assistance in the Economic Planning Unit (EPU) of the Prime Minister's Department. The EPU is the central planning agency of the Malaysian government and is responsible for formulating government policies, strategies and programmes for short- and long-term economic development of the country regarding economic issues.<sup>100</sup>

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<sup>100</sup> *Organisation and Functions of the Economic Planning Unit*, Prime Minister's Department Malaysia, Kuala Lumpur: EPU Publication, 1991, pp. 1-2.

The implementation of the MTCP involves two parties: the Malaysian side and the requesting country's side. On the Malaysian side, before the implementation of the programme, the implementing agencies who want to run the programmes must submit their budget proposal to the Economic Planning Unit (EPU), for budget approval. The EPU will then provide grants to the implementing agencies. At the implementation stage, the relevant agencies have to give information about their programmes to the EPU which will then submit it to Wisma Putra. Then, Wisma Putra acting as the "gatekeeper" sends the information to the respective Malaysian embassies. It should be noted that, all assistance under the MTCP is being offered through the respective Malaysian Embassies.

In the case of training programmes, brochures are distributed via the Foreign Ministry of the respective countries. The Foreign Ministry sends the information to the agency in charge of technical cooperation. For example, in Fiji, the Public Service Department (PSD) is the agency in charge; while in the Solomon Islands, the agency in charge is the National Training Unit (NTU). All the information is distributed to the relevant government agencies to locate suitable candidates. All the applications must be endorsed and forwarded through the same channel for onward transmission to the MTCP's Secretariat, the Economic Planning Unit (EPU) of the Prime Minister's Department. Selection of participants for the courses is largely based on merit<sup>101</sup> and

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<sup>101</sup> General requirements needed are that candidates should possess a basic university degree, should have a sufficient command of spoken and written English, should be certified medically fit, should have a working experience of not less than three years, should not be more than 45 years of age and the application must be submitted through the applicant's government.

## Malaysian Missions Abroad, 1994



Source: *Information Malaysia*, 1995

regions.<sup>102</sup> The selection committee consists of representatives from the EPU, Wisma Putra, the Training Division of the Public Service Department and the implementing agency. For academic training, an officer from the Ministry of Education and from the universities will also attend the meeting. The successful candidate will be contacted directly by the implementing agency which also sends fellowship letter by the Public Service Department which states the terms and conditions of the scholarship/fellowship award under the MTCP. The candidate will also be given a Prepaid Ticket Advice (PTA) through the airline serving the participant's country.

The thrust of the MTCP is the development of human resources which is an important factor in the socioeconomic development of developing countries.<sup>103</sup> Given the large population in developing countries, human resources development (HRD) has a significant role to promote growth and development. The MTCP has emphasised the importance of training in its programmes and has offered more than a hundred courses every year to the participants from other developing countries (see Appendix I). Apart from training, Malaysia also provides forty scholarships to the postgraduate students to study at Malaysia's universities. The scholarship includes maintenance allowance, textbook allowance, thesis allowance, practical training allowance, installation allowance, family allowance, travelling allowance, tuition fees and medical and dental facilities. Academic courses are in

<sup>102</sup> The participants will be chosen based on regions, namely Southeast Asia, East Asia, South Asia, the Middle East, Oceania (South Pacific Islands), Europe, Africa (North of Sahara), Africa (South of Sahara), South America and the Caribbean.

<sup>103</sup> Interview with Dato' Seri Abdullah Ahmad Badawi, Malaysian Foreign Minister, on January 26, 1995.

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English and mostly at the postgraduate level. Currently, five out of nine Malaysian universities are involved in this programme.<sup>104</sup>

A number of technical courses are also offered under the MTCP's short courses programme. Most courses involve job training which entails practical work and acquisition of skills relating to specific job areas at the government agencies or private institutions. Besides academic and technical training, there is also a broad range of specialised training courses offered by the MTCP. Public and private sectors offer courses designed to upgrade the skills and knowledge of the participants. The majority of the training under MTCP are under this category. This involves many agencies which offer multifarious disciplines. Two of the agencies that are actively involved in this programme are the National Institute of Public Administration (INTAN) and the Institute of Diplomacy and Foreign Relations (IDFR).

INTAN is the training arm of the PSD, the central personnel agency of the Federal Government of Malaysia. The Malaysian government has allocated US\$0.48 million per year to run the MTCP courses.<sup>105</sup> Since MTCP was introduced in 1980, INTAN has trained 1,084 international participants from 63 developing countries around the world (Table 2.3). For 1994, INTAN offered eight courses under MTCP which ranged between four and eight weeks. The courses were Leadership and Organisational Management, Project Planning and Management, Training Methodology,

<sup>104</sup> The universities are University of Malaya, National University of Malaysia, Agricultural University of Malaysia, Science University of Malaysia and International Islamic University. Because the medium of instruction is English, the International Islamic University Malaysia (IIUM) accepts undergraduates.

<sup>105</sup> Interview with Jaafar Sidek, MTCP Course Coordinator on January 3, 1995.

Table 2.3

**Participants of INTAN's Malaysian Technical Cooperation Programme (MTCP)  
(1981-1994) According to Region**

Region	Country	Participants
Southeast Asia	Brunei, Indonesia, Thailand, Singapore and Philippines, Kampuchea, Vietnam, Laos	362
South Asia	Bangladesh, Bhutan, Sri Lanka, Myanmar, Nepal, Pakistan, Maldives, India	211
Middle East	Bahrain, Iran, UAE, Iraq, Jordan, Oman	115
South Pacific	Cook Islands, Fiji, Kiribati, PNG, Niue, Solomon Islands, Tonga, Tuvalu, Vanuatu, Western Samoa	167
Europe	Turkey, Kyrgyzstan, Turkmenistan, Uzbekistan	15
Africa	Botswana, Gambia, Ghana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Sudan, Nigeria, Senegal, Seychelles, Sierra Leone, Sudan, Swaziland, Uganda, Tanzania, Zambia, Zimbabwe, Egypt	207
South America	Peru, Venezuela	3
Caribbean	Antigua and Barbuda	4

Source: INTAN, 1996

Microcomputer Applications for Managers, Human Resource Management in the Public Sector, Integrated Environmental Planning and Management, Strategic Marketing Management and Managing Agricultural Systems.

With the exception of Training Methodology, other courses are open to local participants with the ratio of 1:3 with the former being the foreign participant.<sup>106</sup> Until December 1994, INTAN had identified 86 developing countries which were eligible to participate in the programme (Appendix II).

**Table 2.4**  
**Participants of IDFR's Crisis Management Course**  
**1989-1994 According to Region**

Region	Countries	Participants
Southeast Asia	Singapore, Thailand, Indonesia, Philippines, Laos, Myanmar, Kampuchea, Vietnam	26
South Asia	Sri Lanka, Myanmar, Bhutan, Pakistan, Bangladesh, Maldives	13
Middle East	Oman, Iran, Iraq	11
South Pacific	Tonga, Fiji, Cook Islands	6
Europe	Turkey	1
Africa	Egypt, ANC, Nigeria, Tanzania, Senegal, Zimbabwe, Uganda	11

Source: INTAN, 1994

In Table 2.4 it can be seen that the Southeast Asian region has sent the highest number of participants for the INTAN's MTCP programme, a total of 344. The reason behind this

<sup>106</sup> Interview with Jaafar Sidek, MTCP Course Co-coordinator on January 14, 1995.

large number of participants is due to the geographical proximity. In contrast, the South American region had the least number of participants. The main reason behind the small number of participants was language problem. Most of the Latin American countries use Spanish instead of English as their official language. Due to this language barrier, the region failed to send large number of participants. Another significant aspect of the programme was the large number of participants from the South Pacific region. The region sent 167 (15.4 per cent) participants to INTAN's MTCP programme.

Another training institution that has played an active role in the implementation of the MTCP is the Institute of Diplomacy and Foreign Relations (IDFR). The IDFR was established on July 1, 1991 with the objective of organising training courses, seminars, workshops, conferences and lectures in the fields of diplomacy and international relations, to conduct research and analytical studies in diplomacy and to provide services in the field of diplomacy and international relations. The IDFR is an agency under the Prime Minister's Department.<sup>107</sup> Until the end of 1994, 68 foreign participants from 29 countries had attended the Crisis Management Course. Like other MTCP programmes all the expenses including maintenance allowance, airfares, tuition fees, medical and dental treatment were borne by the Malaysian government.<sup>108</sup>

<sup>107</sup> Some writers argued that the Institute should be put within the jurisdiction of the Foreign Ministry rather than under the purview of the Prime Minister's Department. See K.S.Nathan, "Vision 2020 and Malaysian Foreign Policy," *Southeast Asian Affairs 1995*, Singapore: Institute of Southeast Asian Studies, 1995, p. 230.

<sup>108</sup> It is estimated that the expenses per person is US\$4,000. Interview Halim Saad, IDFR Course Co-coordinator on January 19, 1995. Funding for these activities could come from one of these four modalities of each case. First, the provision of training places and

The Southeast Asian region has the highest number of participants, totalling 16 participants. Turkey was the only European country that attended the course. Efforts should be made to invite the Commonwealth of Independent States (CIS) officials to the programmes due to the government's intention to penetrate the region. Unlike INTAN's programme where many officials from the South Pacific region participated, only 6 participants attended IDFR's programmes. Furthermore, other important regional actors such as Papua New Guinea, Vanuatu and Solomon Islands were absent.

Two other projects, Training Facilities and Secondment of Experts are also conducted under the MTCP. In terms of the former, the Malaysian government only provides training facilities. Other expenses related to the training are borne by the third country or organisation sponsoring the trainees. In this regard, countries and organisation such as Canada, Australia, Japan and other international organisations such as UNDP, UNESCO and UNICEF have sponsored nationals from developing and least developed countries to be trained in Malaysian institutions. The Japanese government has sponsored the Advanced Skill Training on Fuel Injection System Services at CIAST under the third country programme.

Malaysia within its limited experience and expertise is prepared to share her experiences with other developing

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facilities by the Malaysian government, whilst other costs are to be borne by the countries concerned. Secondly, on the basis of cost-sharing between the Malaysian government and the countries concerned. Thirdly, through sponsorship by third party countries or international organisations such as Japan, Canada, Australia and the United Nations Development Programme (UNDP). Fourthly, the provision of a limited number of scholarships and training awards by the Malaysian government based on the merits.

countries. For this purpose, Malaysia offers the services of experts mainly from the public sector. In this regard, Dr Jaafar Ahmad, Former Adviser of Bank Negara (Central Bank) was seconded as the Governor of Namibia National Bank and Dato' Dr Zakaria Mohd Yatim, a senior judge of the Malaysia Court of Appeal was seconded as International Legal Counsel to Fiji's Constitutional Review Commission. Both of them were seconded under the MTCP. In addition to these types of assistance, the Malaysian government has decided to expand the scope of the MTCP, to cover specific requests. This assistance in kind could take the form of money, food, clothing, medicine, and in certain cases, assistance in establishing socioeconomic projects. In this context, humanitarian assistance was given from time to time to the needy countries. Some of the aid's recipients were the Palestinian Liberation Organisation (PLO), the African National Congress (ANC) and the government of the Republic of Kampuchea.

### Summary

Malaysia's foreign policy has shifted considerably during Mahathir's premiership, from an essentially pro-Western and Asean-based leaning to one with an increasing international profile and identification with Third World countries and problems. This shift occurred in three phases, as outlined above. These phases have also seen a shift from a process in which Mahathir's own personality and preferences were dominant, to one where more and more players have been coopted into the policymaking process. Thus, although at the beginning of Mahathir's leadership the policymaking process was formulated through the "descending" or "top down" process, it has evolved to one where the role of other players such as the think-tank and the private sector élite became

significant. Hence, policy "outputs" became the products of a series of intra and interdepartmental debates, consultations and discussion.<sup>109</sup>

Internal, external and idiosyncratic factors were all significant during the making of Malaysian foreign policy in Mahathir's era. However, in the context of Malaysia's relations with other Third World countries, the global recession in the mid 1980s was of significant impact. The incident had changed not only Malaysian foreign policy orientation but also the role of Wisma Putra. Wisma Putra was changed with the responsibility of expanding economic relations as crucial to its diplomacy. In addition, policy sought to establish new economic ties to countries of the South, including, importantly, Islamic countries. The net result was that Malaysia established strong and close economic relations with other developing countries in Africa, Latin America, Central Asia, Indochina and the South Pacific region. Last but not least, the contribution of the MTCP to developing countries was significant. With its modest operation, the programmes had strengthened Malaysia's relationship with the recipient countries.

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<sup>109</sup> Mohd Yusof Ahmad, *ibid.*, p. 50.

## Chapter 3

### MALAYSIA AND SOUTH-SOUTH COOPERATION

MALAYSIA has become one of the strongest proponents of South-South cooperation, one of the objectives of which is to transform the unequal international economic relationship and, gradually, to eliminate developing countries' dependence on developed countries. Another objective is to cement developing countries' political and economic independence and to increase their collective economic strength.

South-South cooperation has been determined by several factors, namely the need for self-reliance, the failure of the North-South dialogue, an increasing confidence among the Third World and the need to coordinate the Third World's efforts to enhance their economic standing.

Malaysia, in general, and Prime Minister Mahathir, in particular, is one of the most active supporters of South-South cooperation. Malaysia has been involved and participated actively in all South mechanisms, such as the Non-Aligned Movement (NAM), Group of 77 (G77), the South Commission and the Summit Level Group for South-South Consultation and Cooperation (the G15). Malaysia was the host for the South-South Conference II and the 2nd Meeting of the South Commission in 1986 and 1987, respectively. In 1990, Malaysia was the host for the 1st Meeting of the Heads of State and Government of the G15. And in November 1997, Kuala Lumpur was the host of the 6th G15 Summit.



Besides tracing the development of this cooperation among developing countries, this chapter also attempts to trace Malaysia's involvement in South-South cooperation by looking at various programmes initiated by Malaysia to strengthen the status of the South. Also, it discusses the factors which contribute to its involvement in North-South issues.

### Cooperation Among Developing Countries

A traditional starting point regarding cooperation among developing countries was the 1st Afro-Asian Conference held in Bandung, Indonesia in 1955. The decision to convene the Bandung Conference was made at a meeting of the Prime Ministers of Burma, Ceylon, India, Indonesia and Pakistan held in Colombo, Ceylon on April 28 to May 2, 1954. At the opening session, Dr Ali Sastroamidjojo of Indonesia suggested that they should jointly sponsor a high-level conference of the independent states of Asia and Africa, to be held in Indonesia. This conference, according to Indonesia, would contribute to the relaxation of Cold War tensions in the two continents. Indonesia also stressed that the conference would serve as a rallying point for the continuing struggle of Asians and Africans against colonialism. In a second meeting of Colombo Powers held in Bogor, Indonesia, on December 28 and 29, 1954, the prime ministers agreed that the Asian-African conference should be held in Bandung, Indonesia.

Twenty-nine countries attended the 1st Bandung Conference held from April 18-24, 1955.<sup>1</sup> The prime

<sup>1</sup> The Bandung Conference was attended by 29 sovereign countries: Afghanistan, Cambodia, China, Egypt, Ethiopia, Gold Coast (Ghana), Iran, Iraq, Japan, Jordan, Laos, Lebanon, Liberia, Libya, Nepal, Philippines, Saudi Arabia, Sudan, Syria, Thailand, Turkey, North Vietnam, South Vietnam and Yemen. The five sponsoring countries were Burma, Ceylon, India, Indonesia and Pakistan. The Federation of Malaya did not participate because it was not yet independent.

objective of the conference was to promote goodwill and cooperation and to explore and advance mutual interest among the nations of Asia and Africa. The significance of the Bandung Conference was that it was the first time in history that 29 independent nations of Asia and Africa had met and discussed matters relating to themselves.<sup>2</sup> The Conference stressed the solidarity of Asian and African nations. The leaders discussed their common problems and later agreed to provide each other with technical assistance, and to promote trade and joint financial ventures.

The Bandung Conference created a sense of group solidarity and cohesiveness among the leaders of the participating countries. Among the prominent leaders who attended the Conference and later established very close personal relationships were Nasser of Egypt, Nehru of India and Sukarno of Indonesia. The binding factors of their relationship were anticolonial sentiments and the wish to distance themselves from the control of the U.S. and the USSR. On the other side of the world, Joseph Tito of Yugoslavia shared the same sentiment.<sup>3</sup> Before and after the Bandung Conference, several meetings were held between Nehru, Nasser and Tito to discuss global issues and to plan a strategy of action for the benefit of the newly independent countries.

One of the important meetings was held at Brioni, Yugoslavia in July 1956. At Brioni, the leaders declared their adherence to the principles agreed by the Bandung

<sup>2</sup> Vijaya Lakshmi Pandit, "India Foreign Policy," *Foreign Affairs*, no. 3, April 1956, p. 436.

<sup>3</sup> Tito's attitude towards the non-aligned movement was conditioned by three factors: (i) his struggle for Yugoslavia's independence against all attempts by the two major powers; (ii) his desire to see non-aligned countries accept socialism; and (iii) his efforts to achieve the transition from a bipolar to a bloc-free world.

Conference, particularly the condemnation of colonialism, the importance of peaceful co-existence, the need for further international cooperation, and the strengthening of the U.N.<sup>4</sup> The idea from Brioni were sharpened through various discussions and one of the most important of these meetings was the preparatory conference of the non-aligned countries held in Cairo, Egypt in June 1961. This conference, attended by the 25 founding members, outlined the criteria for membership in the movement.<sup>5</sup>

At the 1st Summit Conference of the Non-Aligned countries held in Belgrade, Yugoslavia, from September 1-6, 1961, 25 Heads of Government attended representing their countries.<sup>6</sup> Yugoslavia was chosen as a host to avoid any embarrassing rivalry between Africa and Asia. Two issues dominated the Conference: world peace and colonialism. The issue of the economic development of developing countries

<sup>4</sup> Duncan Wilson, *Tito's Yugoslavia*, Cambridge: Cambridge University Press, 1979, p. 124.

<sup>5</sup> The three criteria for membership were set out as follows: first, a country should follow an independent policy based on peaceful co-existence and non-alignment, or should show a trend in favour of such a policy. Secondly, it should consistently have supported movements for national independence. Thirdly, a member country should not be a member of multilateral military alliances concluded in the context of great power conflicts, if it had conceded military bases these concessions should not have been made in the context of great power conflicts, and if it were a member of a bilateral or regional defence arrangement, this should not be in the context of great power conflicts.

<sup>6</sup> Representatives attended the Conference from Afghanistan, Algeria, Burma, Cambodia, Ceylon, Congo, Cuba, Cyprus, Ethiopia, Ghana, Guinea, India, Indonesia, Iraq, Lebanon, Mali, Morocco, Nepal, Saudi Arabia, Somalia, Sudan, Tunisia, United Arab Republic, Yemen and Yugoslavia. Bolivia, Brazil and Ecuador were represented as observers. Indonesia blocked the Federation of Malaya from admission due to the Confrontation.

received little attention at the Conference. However, President Tito of Yugoslavia devoted a substantial section of his speech to the economic issue and called for economic cooperation among all the less developed countries.<sup>7</sup>

Tito believed that the really dangerous division in the world was not the east-west line dividing the Communists from the anti-Communists, but rather the north-south line between the have nots (developing) countries and the haves. He also suggested the calling of a world conference to address these issues, which might be convened by the U.N. He also called for an international conference to discuss the issue of economic development and free determination of the uses of aid. Another significant development from the Belgrade Conference was the formation of participating countries into their own group, the Non-Aligned Movement (NAM). This organisation continues to play an important role in world politics, particularly in the U.N., and it has become one of the more forceful mechanisms for developing countries to promote their cause.

In July 1962, Yugoslavia, the United Arab Republic, India and eight other countries, co-sponsored a conference on the Problems of Economic Development in Cairo in response to the Belgrade Resolution.<sup>8</sup> Thirty-one countries attended the conference with six newcomers present including the Federation of Malaya.<sup>9</sup> The conference discussed the problems facing the developing countries, promotion of economic, technical and trade cooperation and development of transportation among developing countries; economic

<sup>7</sup> Jansen, *ibid.*, p. 312.

<sup>8</sup> The eight were: Ceylon, Ethiopia, Ghana, Guinea, Indonesia, Libya, Mali and Sudan.

<sup>9</sup> The newcomers were the Federation of Malaya, Kuwait, Libya, Mexico, Pakistan and Tanganyika.

development and trade between the developing and developed countries, and economic and technical assistance to the developing countries. The conference issued a declaration strongly recommending the early convening of an international conference on trade and development and requested that the U.N. Conference on World Trade should be held in 1963.<sup>10</sup>

The 1st U.N. Conference on Trade and Development (UNCTAD) was convened in Geneva, Switzerland from March 23 to June 16, 1964 and 120 countries participated in the conference. The theme of the conference was the role of trade in relation to economic development. The aim of this conference was to promote social progress and better standards of life, to seek a better and more effective system of international economic cooperation and to find ways by which the human and material resources of the world might be harnessed for the abolition of poverty everywhere.

On the final day of UNCTAD I, 77<sup>11</sup> participating countries sponsored a Joint Declaration of the Seventy-Seven

<sup>10</sup> The idea of such a Conference was endorsed by the United Nations General Assembly on December 8, 1962 (resolution 1785(XVII)) based on the recommendation prepared by the Economic and Social Council (ECOSOC).

<sup>11</sup> The 77 countries were Afghanistan, Algeria, Argentina, Bolivia, Brazil, Burma, Burundi, Cambodia, Cameroon, Central African Republic, Ceylon, Chad, Chile, Columbia, Congo (Brazzaville), Congo (Leopoldville), Costa Rica, Cyprus, Dahomey, Dominican Republic, Ecuador, El-Salvador, Ethiopia, Gabon, Ghana, Guatemala, Guinea, Haiti, Honduras, India, Indonesia, Iran, Iraq, Jamaica, Jordan, Kenya, Kuwait, Laos, Lebanon, Liberia, Libya, Madagascar, Malaysia, Mali, Mauritania, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Pakistan, Panama, Paraguay, Peru, Senegal, Sierra Leone, Somalia, Sudan, Syria, Tanganyika and Zanzibar, Thailand, Togo, Trinidad and Tobago, Tunisia, Uganda, United Arab Republic, Upper Volta, Uruguay, Venezuela, Yemen and Yugoslavia.

Developing Countries. In the declaration, the developing countries spelled out their common goals for trade reform. The declaration stated that the developing countries regarded their own unity as the outstanding feature of the conference. According to the declaration, the unity among developing countries had sprung out of the fact that they had a common interest in a new policy for international trade and development. The signatories pledged to strengthen their unity and to increase the contacts and consultations amongst themselves. To show their solidarity, 77 developing countries collectively voted for all 15 general principles which was endorsed by the conference.

However, the developed countries headed by the U.S. voted against or abstained from voting for the principles. The U.S. voted against nine out of the 15 principles. The U.S. action was followed by Australia and the U.K. and Ireland which voted against five out of the 15. This "tug-of-war" between two parties contributed in raising the level of group solidarity among developing countries. All 77 signatories of the Joint Declaration later bonded together and formed the Group of Seventy-Seven, better known as G77 and Malaysia was one of the founding members. The aims of the G77 were to provide the means for the developing world to articulate and promote its collective economic interests and to enhance its joint negotiating capacity on all major international economic issues in the U.N. system, and to promote economic and technical cooperation among developing countries.

The G77 which was formally established on June 15, 1964 had expanded to 132 members in 1995. The original name was retained for its historic significance. Malaysia joined the G77 in espousing developmental issues, thus enhancing its developing world image. Thus Malaysia consciously aligned

itself with the "South" in the "North-South conflict", the conflict between rich and poor nations. Malaysia was among the original '75' calling for UNCTAD I to be held in order to press a number of demands on the advanced, industrialised nations.<sup>12</sup>

Soon after the UNCTAD I, Malaysia carried the North-South battle into the arena of tin conferences in bargaining for a higher price range for the 1965 Tin Agreement. Dissatisfied with the outcome of the negotiations, Malaysia, together with Bolivia, refused to accede to the third international tin agreement if a higher price range was not fixed. Announcing Malaysia's refusal in December 1965, Tunku Abdul Rahman, the then Malaysia's Prime Minister called the agreement "retrogressive" and "restrictive" and insisted that Malaysia must think of its own interests first.<sup>13</sup> The Tunku's statement was followed by one from the Ministry of Commerce and Industry which said that Malaysia was acting on the basis that she was not convinced of the circumstances justifying the renewal of the current Tin Agreement.<sup>14</sup>

Malaysia's threats however were withdrawn on December 27 "out of deference to the wishes of Malaysia's friends, Thailand, Nigeria, Bolivia and other tin producing countries, and in the spirit of international cooperation and goodwill". In this regard, if both Malaysia and Bolivia had withdrawn from the Agreement, it would have collapsed, since Malaysia was

<sup>12</sup> Saravanamuttu, *ibid.*, p. 77.

<sup>13</sup> On this point, Malaysia knew that one possible outcome of not signing was the use of the stockpile to lower the price. Hence the Tunku's statement that Malaysia would build her own stockpile if necessary in the national interest (*Far Eastern Economic Review*, January 20, 1966, p. 91).

<sup>14</sup> *Ibid.*, p. 89.

the leading tin producer in the world and Bolivia second.<sup>15</sup> Among the outcomes of Malaysia's threats was at a subsequent Tin Council meeting, the consuming countries conceded to a higher price range and by the time of UNCTAD II in 1968, Malaysia was selected to serve on the Trade and Development Board. At UNCTAD III held at Santiago in April 1971, Malaysia was elected to serve on the Trade and Development Board, which was the governing body of UNCTAD, and the leader of the Malaysian delegation also served as a Vice President of the Conference. This was testimony that Malaysia had become increasingly recognised as a champion of South causes.<sup>16</sup>

#### New International Economic Order

Another significant contribution of developing countries to the development of economic cooperation was the establishment of the New International Economic Order (NIEO), which sought to promote the development of a just and equitable international economic order. The idea of the NIEO, adopted on May 1, 1974, was first raised at the meeting of the Non-Aligned Heads of States in Algeria in 1973. The basic concept, attributed to President Boumeddine of Algeria, stated that producer countries should have absolute control over their own natural resources; primary producing countries should have remunerative returns for their primary produces; and prices of primary products should be tied to the price trends of manufacturers.<sup>17</sup> The demand for a new economic order was set out in the Algiers Declaration which claimed that the International Development Strategy

<sup>15</sup> See Paul P. Bandy, "Storm in the Tincup," *Far Eastern Economic Review*, January 20, 1966, pp. 90-91.

<sup>16</sup> Saravanamuttu, *ibid.*, p. 108.

<sup>17</sup> *Ibid.*, p. 109.



for the Second United Nations Development Decade had failed and that developing countries needed to ensure their growth by being able to control their natural resources. The declaration also stated that the current international economic order was in direct conflict with current developments in international political and economic relations. The declaration listed twenty principles on which the new international economic order was to be based.<sup>18</sup>

A key element of the NIEO was trade. The developing countries called for trade reform and a reduction in tariff barriers. It was also claimed that one of the NIEO's greatest achievements was that it gave the Third World the chance to participate in the decision making processes of the economic affairs of the world. Before the establishment of the NIEO, the Third World had played a minor or insignificant role in the decision making process and as a result their fate was determined by developed countries. In this regard, it was said that the Declaration and Action Programme on the establishment of the NIEO reflected the new sense of power of the Third World.<sup>19</sup>

### The Commonwealth

Another institution that has played a significant role in developing linkages between developed and underdeveloped countries has been the Commonwealth. The Commonwealth is an association of independent sovereign states all of which

<sup>18</sup> Some of the proposals were increased earnings from the exports of raw materials and manufactured goods, acceleration in agricultural development and food production, rapid industrialisation, improved terms for the transfer of technology, regulation of multinationals, increased transfer of resources to the developing countries and reform of the international monetary system.

<sup>19</sup> See Spero, *ibid.*, p. 202.

have been, at some time, British colonies. The contributions by the Commonwealth to the development of developing countries were channelled through its two programmes, the Colombo Plan and the Commonwealth Technical Assistance Programme (CTAP). The Colombo Plan was an instrument for coordinating the preparation of development plans of less developed members and technical assistance from the more developed members.<sup>20</sup>

Since its inception in 1950, the Colombo Plan has made a significant contribution towards cooperation between developed and developing countries and also among developing countries themselves.<sup>21</sup> In the context of cooperation between developed and developing countries, Australia, Britain, Canada, Japan, New Zealand and the U.S. have actively involved themselves in the programmes by giving Official Development Assistance (ODA).<sup>22</sup>

<sup>20</sup> The decision to establish the Colombo Plan was made during a meeting of Commonwealth Foreign Minister held in Colombo, Ceylon in January 1950. The meeting considered the economic and political problems of Southeast Asia.

<sup>21</sup> The Colombo Plan has divided its membership into five categories: first, the developed countries which consist of Australia, Britain, Canada, Japan, New Zealand and U.S.; second, the upper middle-income countries of Fiji, Iran, Rep. of Korea, Malaysia and Singapore; third, lower-middle income countries of Papua New Guinea, Philippines and Thailand; fourth, the low income countries of Cambodia, India, Indonesia, Pakistan and Sri Lanka, and finally, the least developed low income countries of Afghanistan, Bangladesh, Bhutan, Laos, Maldives, Myanmar and Nepal. See *The Colombo Plan Annual Report 1990/1991*, Colombo: Colombo Plan Council, 1991, pp. II-2 and II-6.

<sup>22</sup> However, Britain and Canada withdrew from the Colombo Plan. The former withdrew in July 1992 and the latter in July 1993. Both countries claimed the Colombo Plan's original mandate had been fulfilled. *ibid.*, pp. 3-4.

Table 3.1

**Gross Bilateral ODA by the Developed Countries,  
1989 and 1990 (US\$ million)**

Donor Country	Disbursements 1989	% of Total	Disbursements 1990	% of Total	% Change in 1990 over 1989
Australia	504.1	7.4	508.6	7.1	0.9
Britain	410.3	6.0	451.3	6.3	10.0
Canada	277.8	4.1	313.0	4.4	12.7
Japan	4286.0	62.6	4384.0	61.3	2.3
New Zealand	8.0	0.1	10.0	0.1	25.0
U.S.	1355.1	19.8	1490.0	20.8	10.0

Source: Colombo Plan Annual Report 1990/91

As seen in Table 3.1, the total gross bilateral ODA disbursements by the six developed countries amounted to US\$7,156.9 million in 1990, an increase of 4.4 per cent in nominal terms over total disbursements of US\$6,841.3 million in 1989. In addition, the amount of aid has increased significantly within the last ten years.<sup>23</sup> Until the end of 1980s, the ODA symbolised the significance of the North-South relationship in the Colombo Plan.

One of the most effective mechanisms which contributed towards the development of cooperation among developing countries was the Technical Cooperation Among Developing Countries (TCDC). The TCDC has been the major focus of the Colombo Plan.<sup>24</sup> One of the Colombo Plan's objectives was to foster economic cooperation among fellow developing countries in order to reduce their dependence on the developed countries. The Colombo Plan members believed that technical cooperation between developed and developing member countries would activate the economic growth of the developing countries. The developing member countries also believed that they should contribute to other fellow members when the situation permitted them to do so.

The major component of the TCDC was training, which emphasised on the upgrading of skills at the middle and unskilled levels. From 1978 to 1990, 29,055 trainees participated in the programmes.<sup>25</sup> One of the positive outcomes of the TCDC was the involvement of several

<sup>23</sup> In 1982, the total amount was US\$3,352.6 million, in 1986, the amount was US\$5,015.7 million, while in 1990, it increased to US\$7,156.9 million.

<sup>24</sup> The Colombo Plan was not a multilateral aid organisation, it is an association of donor and recipient countries for the purpose of promoting bilateral aid flows and technical cooperation among the member countries.

<sup>25</sup> *The Colombo Plan Annual Report 1990/91*, p. II-6.

Commonwealth countries, namely India, Pakistan, Singapore and Malaysia, in the program. Pakistan, for example, trained thousands of medical and engineering students from Iran. India, on the other hand, was helping Nepalese students. Malaysia also provided training and education to other neighbouring countries. This assistance was in line with the Plan's objective to encourage developing countries to become donors themselves. In this regard, although the technical cooperation among developing countries was relatively small, the efforts made by several developing countries have been significant.

Another significant effort by the Commonwealth was the Commonwealth Technical Assistance Programme (CTAP). The idea to establish the programme was initiated at the Commonwealth's Prime Ministers' Meeting held in Lagos, Nigeria in September 1966. At the meeting, the Commonwealth leaders agreed that the Commonwealth would continue to provide useful initiatives in international cooperation as it had in the establishment of the Colombo Plan for economics and technical cooperation in South and Southeast Asia and the Special Commonwealth African Assistance Plan. The agreement was based on a proposal by the Commonwealth's Secretary-General that the Commonwealth could make a further distinctive contribution of its own to increase the economic strength and material well-being of Commonwealth countries. To strengthen the activities of the CTAP, the Commonwealth established the Commonwealth Fund for Technical Cooperation (CFTC) in 1971 which works through three main programmes, the General Technical Assistance Programme, Education and Training, and Export Market Development.

The CFTC served two purposes. First, it enhanced the cooperation between developed and underdeveloped

countries. Over 70 per cent of the bilateral aids through the CFTC was given by four developed countries in the Commonwealth, namely Australia, Britain, Canada and New Zealand. Secondly, the CFTC developed cooperation among developing countries. Through TCDC, developing countries helped each other, particularly in the field of training. Although their contribution has been relatively small compared with the contribution provided by developed countries, it has been significant. Up to the end of the 1980s, several developing countries, notably India, Indonesia, Korea, Malaysia, Pakistan, the Philippines, Singapore and Thailand, have become substantial donors. These donor countries spent a total of US\$18.3 million in 1985 and the amount increased to US\$20.5 million in 1986.

The role played by developing countries in developing cooperation amongst themselves was significant for two reasons. First, their efforts were in line, with the objective of the Colombo Plan, to foster economic cooperation among developing countries and thereby reduce their dependence on developed countries. Secondly, increasing cooperation among developing countries gradually replaced the role played by developed countries. In this regard, two key players, India and the Republic of Korea, have played significant roles by contributing assistance to other developing countries. At the close of 1980s, the broad shape of a new "South-South" technical assistance programme was beginning to emerge.<sup>26</sup> Due to this shift, North-South relations which had dominated the Plan for four decades were replaced by the South-South relationship.

One of the countries involved in the technical assistance programme has been Singapore. The country has been involved through by providing aid, loans, technical assistance

<sup>26</sup> *The Colombo Plan Annual Report 1992/93*, p. 1.

and sending volunteers to developing countries. Like Malaysia, Singapore is also a member of the Commonwealth and has received various advantages through its participation in the CFTC. As the most developed country in Southeast Asia, Singapore has been under somewhat of an obligation to contribute to other developing countries, particularly in the field of education, technology and human resources. To fulfil this mission, the Singapore Government launched the Singapore Volunteers Overseas (SVO) programme in 1991. The SVO is run by the Singapore International Foundation (SIF), an organisation that was set up to get Singaporeans to think globally.<sup>27</sup> The objective of the SVO was to give Singaporeans an opportunity to experience life in a developing country while giving technical and humanitarian assistance. This exposure, especially to the young Singaporean, has been important in the fact that Singapore as an industrial and developed country has been different from most of the developing countries.

In addition, under the Singapore Technical Assistance Programme, Singapore has sponsored training and study visits for around 2,000 officials from more than 80 developing countries each year. In 1995, US\$11.6 million was spent on the programme. Areas of technical assistance provided include civil aviation, tax administration and information technology training.<sup>28</sup> Since its inception in 1991, the SIF has sent more than 50 volunteers to the Philippines, Sri Lanka, Indonesia, Botswana, Nepal and Vietnam. Most of the volunteers are sent to teach English, Mathematics and Science subjects. With the SVO programme, Singapore joins established volunteer agencies such as the U.S. Peace Corps,

<sup>27</sup> Suryahti Abdul Latiff, "Exporting the Singapore Volunteer," *Singapore*, May-June, 1995, p. 11.

<sup>28</sup> *Singapore Bulletin*, vol. 25, no. 4, April 1997, p. 2.

Japan Overseas Corporation Volunteers (JOCV), New Zealand's Volunteers Service Abroad and Britain's Volunteers Service Overseas.

### Malaysia's Involvement

Malaysia's early involvement in South-South cooperation was determined by three factors, namely the internal pressure to distance the country from the Western powers, particularly the British, to enhance the nation's economic interests and finally Mahathir's leadership.

For the first, after independence, Malaya's foreign policy under the leadership of Tunku Abdul Rahman was still heavily linked to Britain. This policy was then shifted under Tun Abdul Razak by making radical change of focus the prioritise Malaysia's relationship to the Third World countries. Under the Tun's leadership, Malaysia became an active member of the Non-Aligned Movement (NAM) and the G77.

Several factors influenced the policy changes. First, in the early 1960s, at the time of Indonesia's "confrontation", Malaysia was not invited by the Third World communities to attend the First NAM Conference in Belgrade. Later in February 1963, the Malaysian delegation failed to get a seat at the Afro-Asian Solidarity Conference held in Tanganyika.<sup>29</sup> At the time of "confrontation", Indonesia had good relations with other newly independent countries and President Sukarno was well received by the Movement's members.

The second factor was the internal pressures from the United Malays National Organisation (UMNO) members and the backbenchers who requested the Government to minimise relations with the British. The Malay nationalists in the Parliament, led by Mahathir Mohamad, at that time a

<sup>29</sup> R.S. Milne, *Government and Politics in Malaysia*, Boston: Houghton Mifflin Co, 1967, p. 195.



backbencher, were dissatisfied with Tunku's foreign policy which was heavily dependent on the West. In August 1965, the Alliance Parliamentary Group of Foreign Affairs, consisting of over a quarter of the Alliance Members of Parliament, urged that Malaysia should establish the widest diplomatic representation possible with countries, irrespective of their ideologies.<sup>30</sup> The enlargement of Malaysian foreign relations enabled the country to make close contacts with other developing countries. As a result, by the end of the 1960s, Malaysia was an active member of the NAM, G77 and the Asean.

In relation to the second factor, the desire to enhance its economic interests, Malaysia, as a major producer of primary commodities such as rubber, palm oil, tin and timber, wanted to stabilise prices. For decades, the commodities price was determined by rich countries who controlled the world's market. The developed countries, particularly the U.S., often used its rubber and tin stockpiles to control the market price. Due to this type of action, Malaysia as a major producer of the world's rubber and tin suffered huge losses. To counter the action by the rich countries, Malaysia and other developing countries participated in trade groupings such as the UNCTAD. Malaysia was also active in price stabilisation schemes such as the International Tin Agreement and Rubber Price Stabilisation Scheme.

Thirdly, the final factor of Malaysia's active involvement in South-South cooperation has been Mahathir's leadership. Mahathir has succeeded in bringing Malaysia to the fore, especially among the Third World countries, by voicing forcefully the aspirations and aims of the Third World nations.

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<sup>30</sup> R.S. Milne and Diane K. Mauzy, *Politics and Government in Malaysia*, Vancouver: University of British Columbia Press, 1978, p. 303.

Mahathir has been involved in Third World affairs since the 1960s. As a backbencher, Mahathir often voiced his displeasure about Malaysia-Britain relations, especially on defence agreements.<sup>31</sup> At the peak of the Indonesia's "confrontation" in the early 1960s, Mahathir, as the Chairman of the Malaysian Afro-Asian People's Solidarity Organisation, urged the government to initiate moves for an honourable settlement with Indonesia and to diversify Malaysia's relations with other non-aligned countries.<sup>32</sup> Also in the 1960s, Mahathir was part of Malaysia's delegation to the United Nations Committee on Decolonisation.<sup>33</sup> In the early 1970s, as the Minister of Trade and Industry, Mahathir was very well informed on the global economic structure and the failures of the North-South dialogue. Because of his commitment to the welfare of developing countries, as soon as he became the Prime Minister in 1981, Mahathir introduced several new policies which focused more on the cooperation among developing countries.

In 1982 Mahathir launched the "Look East Policy" which urged Malaysians to study, scrutinise and select the best examples of working culture from Japan and Korea. Mahathir explained that the policy did not mean that Malaysia intended to sever relations with existing trading partners. He stated that the emphasis of "Look East" was to balance the fact that hitherto was looking too fully at the West. With the "Look East", Malaysia now could look both East and West.<sup>34</sup>

A year later, Mahathir introduced the "Malaysia Incorporated" and "Privatisation" policies. The privatisation

<sup>31</sup> Milne and Mauzy, *op. cit.*

<sup>32</sup> Milne, *ibid.*, p. 196.

<sup>33</sup> Khoo, *ibid.*, p. 77.

<sup>34</sup> Mahathir's statement on May 31, 1994 in Kuala Lumpur (Alagasari, *ibid.*, p. 103).

concept was adopted to reduce government involvement in economic activities to enable it to give more attention to administrative responsibilities. The policy would increase private sector participation in national development. Although in the early 1980s, both policies were seen as irrelevant to Malaysian foreign relations, by the 1990s, the partnership between government and private sectors had become one of the effective mechanisms of South-South cooperation. Mahathir's Vision 2020, his intention to make Malaysia a fully developed country and the nation's rapid economic growth had underlined the policies' relevance. The close relationship expanded into foreign relations: close cooperation between the government and private sectors enabled Malaysia to participate in the economic development of Asia, the South Pacific Islands, Latin America and Africa. In this sense, Mahathir's idea on privatisation delivered in August 1983 has been understood and accepted.<sup>35</sup>

As earlier discussed, Mahathir re-prioritised Malaysia's foreign relations into the following categories: first, the Asean countries, second the countries of the Organisation of the Islamic Conference, third, the Non-Aligned Nations, and fourth, the Commonwealth countries.<sup>36</sup> Based on this list, it is obvious that Mahathir has given his government's priorities to the developing countries. In addition, in order to strengthen the relationship between the Third World countries, Mahathir visited Fiji, Sri Lanka, the Gulf States, the Arab States, Bangladesh, Mali, Libya, Maldives and Mauritius in his

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<sup>35</sup> Ibid., p. 91. According to Mahathir privatisation means the opposite of nationalisation. The objective of nationalisation is for government to take over the ownership of private enterprises, while privatisation means the transfer of government services and enterprises to the private sector.

<sup>36</sup> Mohd Azhari Karim, *op. cit.*, p. 6.

early days as premier. Concurrent with his visits, Mahathir offered the host countries Malaysian technical aid programmes through the Malaysian Technical Cooperation Programme (MTCP). The MTCP, launched in 1980, was meant to promote and facilitate technical cooperation amongst developing countries based on the concept of self-reliance.

Mahathir's initiative has brought a new sense of direction in Malaysian foreign policy. Under his leadership, Malaysia has had a high profile in the development of the South-South cooperation. In May 1986, Malaysia was a host of the South-South II Conference which was organised by the Third World Foundation and the Institute of Strategic and International Studies (ISIS) and attended by ninety-nine leaders and scholars from developing countries. The sponsors' reason for choosing Malaysia as the venue was Mahathir's earnest and genuine involvement in problems faced by Third World countries and the practical strategies he had put forward towards overcoming them. Secondly, Malaysia was chosen to underline the importance of interracial relations for political stability in plural societies throughout the Third World. Malaysia was cited as a model nation that had successfully overcome challenges inherent in establishing harmonious interracial relations.<sup>37</sup>

In his keynote address, Mahathir proposed the establishment of an Independent Commission on South-South Commission tasked with reporting to the Group of 77 on specific proposals on the practicalities of South-South cooperation.<sup>38</sup> "The main purpose of the Commission is to try and work out solutions to major economic problems faced by the South," said Mahathir.

<sup>37</sup> Aziz Zariza Ahmad, *ibid.*, pp. 137-138.

<sup>38</sup> *Foreign Affairs Malaysia*, June 1986, vol. 19, no. 2, p. 31.

Malaysia's proposal was accepted and the Conference later appointed Mahathir to be Chairman of the Steering Committee of an Independent Commission on the South-South Commission. The Steering Committee was entrusted with the responsibility of searching for the Third World leader who could lead a Commission on the South-South Commission.

The first Steering Committee Meeting was held in Kuala Lumpur on August 9, 1986.<sup>39</sup> The Meeting then agreed that Dr Julius Nyerere of Tanzania would lead an Independent Commission on South-South Commission, and Mahathir announced the appointment at the 8th Non-Aligned Summit held in Harare, Zimbabwe, on September 2, 1986.<sup>40</sup> Dr Nyerere was President of Tanzania from 1964 to 1985 and was founder-chairman of the country's ruling party, Chama Cha Mapinduzi. He was Chairman of the Organisation of African Unity in 1984 and was a widely respected politician in the South. The choice of Dr Nyerere was based on the fact that it was he who first suggested setting up the Commission in December 1978 at a South-South conference sponsored by

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<sup>39</sup> The Steering Committee members were Sir Shridath Ramphal, Secretary-General of the Commonwealth, Altaf Gauhar, Secretary-General of the Third World Foundation who was also Co-Secretary of the Steering Group, Ambassador Farooq Subhan of Bangladesh and former Chairman of the Group 77; Ambassador Amir Jalal of Tanzania, Dr Nathan Shamuyarira, Minister of Information of Zimbabwe, Ambassador Kenneth Dadzie, Secretary-General of UNCTAD, Dr Reinaldo Figueredo of Venezuela, Ambassador Ranjit Sethi of India, Ambassador Nante Chalobski of Yugoslavia and Dr Noordin Sopiee, Director-General of Malaysia's Institute of Strategic and International Studies (ISIS) who was also Co-Secretary of the Steering Committee. *Foreign Affairs Malaysia*, September 1986, Vo. 19, no. 3, p. 41.

<sup>40</sup> *Third World Quarterly*, vol. 9, no. 1, January 1987, p. 333.

the Third World Foundation in Arusha, Tanzania.<sup>41</sup> Mahathir had headed a steering committee that had been set up, at an international meeting held in Malaysia, to make the preliminary arrangements for the formation of the Commission.<sup>42</sup> To achieve the goal of the South Commission, Mahathir had addressed a personal letter to the heads of some 127 states of the Third World seeking their support and cooperation to chart the economic and development strategy of the South.<sup>43</sup> The Malaysian government and Malaysian private sector donated the sums of US\$400,000 and US\$376,900, respectively, to the South Commission.<sup>44</sup>

In the Kuala Lumpur Declaration which was produced at the end of the Conference, it was asserted that the Commission's key objectives were: to assess the problems facing the 120 or so developing countries; to find solutions and suggest ways of increasing cooperation within the South; to strengthen organisations already working for greater cooperation, and to consider the creation of a South Secretariat; and to raise awareness in developing countries

<sup>41</sup> The purpose of the Arusha Conference was to review of the North-South dialogue on the New International Economic Order. The participants agreed that no visible progress was likely to be made in the North-South dialogue unless the South took concrete steps to organise and strengthen itself. *Third World Quarterly*, vol. 1, no. 2, April 1979, p. 120.

<sup>42</sup> The Commission has functioned as an independent body, with its members serving in their personal capacities for three years. Its work has been supported by financial contributions from developing countries. The Commission's Secretariat was established in Geneva with assistance from the Government of Switzerland and started functioning on August 1, 1987.

<sup>43</sup> *Foreign Affairs Malaysia*, June 1986, vol. 19, no. 2, p. 119.

<sup>44</sup> *The Challenge to the South. The Report of the South Commission*, New York: Oxford University Press, 1990, pp. 302-303.

about their circumstances and the challenges facing them.<sup>45</sup> The Kuala Lumpur Declaration emphasised the need for South-South cooperation and the initiatives that had to be taken. In this regard, the Kuala Lumpur Conference successfully bore the "child of peace" which previous Third World conferences failed to achieve.<sup>46</sup> In this context, Mahathir's own efforts and initiative were significantly responsible for the existence of the South-South Commission.

At its second meeting in Kuala Lumpur from March 1-3, 1988,<sup>47</sup> the Commission adopted its terms of reference that consists of four items. The references were analysis of national development in the South, analysis of the global environment, South-South cooperation for collective self-reliance and South-North relations. For the first one, the Commission had taken a critical analysis of post-World War II development experience and the lessons it held for development planning in the future. For the second one, the Commission had analysed and commented on the evolving global environment, which was influenced by political, economic, and technological changes in the North. For the South-South cooperation, the Commission had assessed the role of South-South cooperation in widening the options for

<sup>45</sup> *Third World Quarterly*, vol. 8, no. 4, October 1986, p. 1419.

<sup>46</sup> Aziz Zariza Ahmad, *ibid.*, p. 147.

<sup>47</sup> After its meeting, the members of the Commission participated in a colloquium on South-South cooperation held in Kuala Lumpur on March 3, 1988 sponsored by the Malaysian Institute of Strategic and International Studies. The following took part: Khatijah Ahmad, Zain Azrai, B.A. Hamzah, Mohamed bin Haron, Asmat Kamaluddin, Noordin Sopia and Hamidah Yusof. Khatijah Ahmad was a member of an 'Independent Commission on International Development Issues' or known as 'the Brandt Commission' launched on September 28, 1977 to present recommendations that could improve the climate for further deliberations on North-South relations.

development strategies. And finally, regarding South-North relations, the Commission sought to rethink, to update and to reformulate the intellectual foundations, the strategy and tactics, and the institutional structure of the South in its dealings with the North. Based on these references, in August 1989 the Commission finally produced *The Challenge to the South: The Report of the South Commission* at the official launching of the final report of the South Commission in Caracas, Venezuela. The Report was to be the manifesto for further action by the developing countries.

The Report reminded the South of their strengths and asked for the South to intensify South-South cooperation. The Report says, "The South as a whole has sufficient markets, technology, and financial resources to make South-South cooperation an effective means for widening the development options for its economies".<sup>48</sup> In this context, intensification of South-South cooperation was urged to become important for autonomous, self reliant development. To follow up the work of the Commission, it was agreed that a South Centre should be established. Mahathir was appointed to the Advisory Committee for South which helped Chairman Nyerere in guiding the work of the South Centre.<sup>49</sup>

To implement the Arusha and Kuala Lumpur resolutions, it was important to establish a close relationship between developing countries. To strengthen this relationship several efforts were needed to work together through economic, social and cultural programmes. The decision to form the G15, a group of 15 developing countries, to discuss and find

<sup>48</sup> *The Challenge to the South*, *ibid.*, p. 286.

<sup>49</sup> *South-South*, June 1991, p. 3.



Table 3.2

**Meetings of the Summit Level Group for  
South-South Consultation and Cooperation (G15)**

Event	Venue	Date
1st Summit Meeting	Kuala Lumpur, Malaysia	June 1-3, 1990
2nd Summit Meeting	Caracas, Venezuela	November 27-29, 1991
3rd Summit Meeting	Dakar, Senegal	November 21-23, 1992
4th Summit Meeting	New Delhi, India	March 28-30, 1994
5th Summit Meeting	Buenos Aires, Argentina	November 5-7, 1995
6th Summit Meeting	Harare, Zimbabwe	November 3-5, 1996
7th Summit Meeting	Kuala Lumpur, Malaysia	November 3-5, 1997
8th Summit Meeting	Cairo, Egypt	May 11-13, 1998
9th Summit Meeting	Montego Bay, Jamaica	February 10-12, 1999

solutions to the problems besetting the South was a practical step to achieve these objectives.<sup>50</sup> The G15 produced two significant outcomes.<sup>51</sup> First, the close and personal relations among the leaders were established by attending the Summits, which were held every year and enabled the leaders to get to know each other personally. Secondly, the Summit meetings were rotated, so allowing leaders to visit other South countries whether in Latin America, Africa or Asia. These visits enhanced the understanding and the cooperation between the member countries. Mahathir was the only G15 leader who has attended nine Summits starting in Kuala Lumpur in 1990. This writer observes that Mahathir has established close and personal relationship with several G15 leaders, particularly, with Robert Mugabe of Zimbabwe, Carlos Menem of Argentina, Alberto Fujimori of Peru and Suharto of Indonesia.

As Chairman of the 1st G15 Summit which was held in Kuala Lumpur on June 1, 1990, Mahathir explained the objectives of the Group:<sup>52</sup>

The decision to form the Group of 15, was announced in Belgrade in September 1989... We have come together to consult, to exchange views

<sup>50</sup> The idea to form the G15 was originally from India. Mahathir then discussed the idea with Dr Julius Nyerere who announced it at the NAM Summit in Belgrade in 1989. Yugoslavia as the NAM Chairman invited Malaysia as one of the G15 members. Interview with Tan Sri Ghazali Shafie on December 14, 1997 in Sintok, Kedah.

<sup>51</sup> The members of the G15 are Algeria, Argentina, Brazil, Chile, Egypt, Indonesia, India, Jamaica, Kenya (new member), Malaysia, Mexico, Nigeria, Senegal, Peru, Senegal, Venezuela and Zimbabwe. The members of the G15 have increased but the name has been maintained.

<sup>52</sup> Alagasari, *ibid.*, p. 247.

and to explore the potential, which is largely untapped, for South-South cooperation. We would also like as a group to foster dialogue with the North, the absence of which has caused the economic gap between North and South to widen further since the first North-South dialogue failed.

At the same place, Mahathir called for setting up of a Secretariat of the South. He argued that the North was well equipped to deal with all eventualities and were going to be even better organised. The South, on the other hand, had nothing even remotely equivalent to the OECD countries.<sup>53</sup> Dr Mahathir also suggested the "Think South" policy must be developed among developing countries. According to Mahathir, the basic problem with the countries of the South was that they continued to look up to the North even though they are rich in population, culture, natural resources and in other fields.<sup>54</sup> He also suggested that, to begin with, South nations must start talking more to each other to better understand and to appreciate each other's needs and requirements. In this regard, Malaysia spearheaded the stimulation of closer relations between countries of the developing world.

### Instruments of Cooperation

Malaysia has contributed significantly to the development of developing countries in general and to the G15 in particular. As well as Mahathir's personal commitment to the G15,

<sup>53</sup> Address by Mahathir at the First Meeting of the Heads of State and Government of the Summit Level Group for South-South Consultation and Cooperation at Parliament House Kuala Lumpur on June 1, 1990.

<sup>54</sup> *Asian Digest*, no. 12, November-December 1992, p. 11.

Malaysia also suggested the formation of the South Investment, Trade and Technology Data Exchange Centre (SITTDEC); the Bilateral Payment Arrangements (BPA), the G15 Centres of Educational Excellence, the Malaysian Technical Cooperation Programme (MTCP) and has been deeply involved in the North-South issues. These are discussed here in more detail.

### SITTDEC

The lack of information sharing among the South-South countries was one of the major obstacles to trade, investment and technology transfer among these countries. To address the issue, Malaysia proposed the setting up of a Trade Information Network and a South Investment Data Exchange Centre at the first G15 Summit held in Kuala Lumpur in June 1990.<sup>55</sup> The proposal was accepted and Malaysia was given the task to study the project. The idea to establish the centre, which was later known as South Investment, Trade and Technology Data Exchange Centre (SITTDEC), was accepted as a project of the G15 at the Second G15 Summit in Caracas, Venezuela in November 1991 and Malaysia was appointed to be the host country for SITTDEC. In that meeting, Mahathir suggested that Centre should be established to collect and disseminate news of economic importance to the South.<sup>56</sup>

SITTDEC was established in Kuala Lumpur in January 1992 from the grant given by Malaysia amounting to US\$4 million. The mission of SITTDEC was stated to be to foster and promote investments, trade and technology flow among

<sup>55</sup> The idea to establish the Centre was first raised by Mahathir at the Second Meeting of the South Commission held in Kuala Lumpur on March 1, 1988.

<sup>56</sup> Koleksi Ucapan Mahathir, *ibid.*, p. 533.

developing countries. The objectives of the Centre were and are to generate investments, trade and to help in the acquisition, transfer and utilisation of technology among developing countries and between developing countries and the rest of the world, to provide a mechanism for the sharing of information on investments, trade and technology among the developing countries and the rest of the world, and to enhance South-South Cooperation, especially in the areas of investments, trade and technology. SITTDEC's membership is open to all developing countries. Up to 1997, 16 countries had signed the Charter on the establishment of SITTDEC, making them members of the Centre. These countries were Algeria, Argentina, Chile, Cuba, Ecuador, Egypt, Jamaica, India, Indonesia, Iran, Malaysia, Nigeria, Senegal, Tunisia, Venezuela and Zimbabwe.<sup>57</sup>

SITTDEC is progressively establishing a global computer network. Several member countries such as Malaysia, India, Indonesia and India are linked on a daily basis while Argentina, Equador, Egypt, Nigeria and Senegal have acquired their computer systems and SITTDEC is arranging to have computer connections with them. Besides network connections to member countries and subscribers, SITTDEC is progressively linked to Chambers of Commerce and Industry, Trade and Industry Associations, Commercial and Technology Networks and Press Wire Services. Up to early 1994, 522 companies and 35 institutions are SITTDEC subscribers. SITTDEC suffers two problems. First, not many developing countries have become members of the Centre. Up to 1994 only 16 countries had signed the Charter on the establishment of SITTDEC. The constraint is that a member country has to pay US\$1.5 million as a one-off payment into a trust fund, the proceeds of which are used to finance

<sup>57</sup> *G15 UPDATE*, November 1997, p. 8.

SITTDEC's capital expenditure and working capital over the five years of the business plan. Secondly, among the members, only Malaysia and India have contributed grants to the Centre. Venezuela has pledged a contribution but other members have neither pledged nor made payments.<sup>58</sup> In this regard, members' commitment is necessary for the survival of SITTDEC.

As far as SITTDEC's contribution is concerned, it is widely claimed that the centre has contributed significantly in increasing trade between the members' countries. Malaysia's own total trade with the G15 and SITTDEC member countries increased significantly from 1992 to 1996. The countries with which Malaysia increased total trade were Argentina (216 per cent), Brazil (101 per cent), Chile (68 per cent), Cuba (11 per cent), Egypt (615 per cent), India (145 per cent), Indonesia (129 per cent), Iran (104 per cent), Mexico (14 per cent), Peru (150 per cent), Senegal (97 per cent), Tunisia (516 per cent), Venezuela (82 per cent) and Zimbabwe (129 per cent).<sup>59</sup>

#### *Bilateral Payment Arrangement (BPA)*

At the G15 Summit Level Group Meeting in Kuala Lumpur in June 1990, the Heads of State/Government of the G15 endorsed Malaysia's project on the Bilateral Payments Arrangements (BPA). The BPA was designed to be another instrument to facilitate and enhance South-South trade. Malaysia was given the task to operate the BPA and the Malaysian government instructed Bank Negara Malaysia (the Central Bank of Malaysia) to initiate the project. The idea of the bilateral payments arrangements between pairs of

<sup>58</sup> Interview with Abd Malek Abdul Kadir, SITTDEC's Administrative Officer, Kuala Lumpur, January 14, 1995.

<sup>59</sup> MASSA, *Malaysia South-South Association Directory 1997*, p. 24.

developing countries was conceived in the basement of the Iranian Central Bank by Iranian and Malaysian officials in early 1988. The root of the problem was that exporters in Iran and Malaysia, being unfamiliar with each other, were not willing to assume the normal credit risks that went with unconfirmed letters of credit. Through BPA, both the Central Banks now entered into an arrangement whereby each side guaranteed payment for its exporters.<sup>60</sup> Through this, total bilateral trade needed foreign currency only for settling the balance of trade between two countries. Foreign exchange earnings therefore became less a constraint to trade. The G15 countries have further refined the original Iranian model. The four categories of the bilateral payments arrangements that Bank Negara have signed are as follows:

Table 3.3  
The Amount of Trade Between  
Malaysia and BPA Signatories

Country	Total Amount of Trade in US\$ (million)	
	1987	1993
Iran	18.4	127.1
Mexico	15.0	154.7
Chile	48.4	109.1
Peru	2.2	31.4
Sudan	8.4	19.2
Algeria	1.5	23.0
Pakistan	187.6	408.6
Vietnam	17.4	241.6
Myanmar	21.6	137.1

Source: *Bank Negara Malaysia Report, 1994*

<sup>60</sup> *Foreign Affairs Malaysia*, December 1991, vol. 24, no. 4, p. 88.

1. **The Iranian Model.** Under this model each central bank will guarantee its own importers.
2. **The Aladi Model.** Under this model each central bank pays its own exporters in the domestic currency and settles, on a periodic basis, the net difference with the other central bank in terms of U.S. dollars.
3. **The Revolving Credit Model.** Under this arrangement, the country of the debtor central bank would be able to import goods up to the credit limit of deferred payment terms.
4. **The Palm Oil Credit and Payment Arrangement (POCPA).** This is part of an overall scheme initiated by the Malaysian government to promote the export of palm oil to developing countries, especially to countries which are willing to purchase a minimum of 200,000 tonnes of palm oil per year from Malaysia. Under this scheme, developing countries were able to import palm oil from Malaysia on deferred payment terms for a period of two years.

Up to 1994, Malaysia had signed bilateral payments arrangements with 19 countries, namely Chile, Peru, Mexico, Venezuela, Zimbabwe, Algeria, Iran, Romania, Tunisia, Botswana, Vietnam, Mozambique, Sudan, Fiji, Pakistan, Iraq, Argentina, Seychelles and Nigeria. According to the Bank Negara Report, the BPA is a very effective and important tool to promote trade among South-South countries. The BPA has increased trade volume among the signatories. An exception is the case of Fiji, which signed the BPA in 1991, and with which Malaysia's trade relations remain low (the discussion in Chapter 6). Up to 1995, the trade between them only US\$26 million, relatively small. Overall, however, the majority of the member countries have gained



from their participation, with few losing. Of course, the amount of bilateral trade is not wholly determined by the BPA system but also depends on several other factors such as infrastructure, technology and information.

#### *Centres of Educational Excellence*

The establishment of centres of educational excellence was one of the recommendations of the South Commission Report. During the Third G15 Summit in Dakar, Senegal, in November 1992, Mahathir raised the need to pursue the idea. As a result, the 15th Meeting of the Personal Representatives of Heads of State/Government of the G15, held in New Delhi on April 18-19, 1993, recommended that Malaysia should be the nodal, catalytic agency to elaborate the proposal, based on inputs from the members of the G15 countries.<sup>61</sup> The resulting consultations that Malaysia undertook with other G15 member states revealed difficulties arising from the varying capacities, systems, cultural and language differences between the G15 countries, as well as issues such as degree recognition.<sup>62</sup> It was proposed that students could enroll at the graduate or postgraduate level, in short or long courses depending on the facilities and options offered by the institutions. It was also proposed that the areas covered by the programme could include education in the basic sciences, engineering, medicine and public health, technical and vocational training, entrepreneur and management skills, public sector management and language training.

The idea to establish centres of educational excellence in the countries of the South was based on two justifications. First, South consciousness should be developed as part of the

<sup>61</sup> *Report of the 4th G15 Summit, 1994*, Ministry of Foreign Affairs, 1994, p. 174.

<sup>62</sup> *Ibid.*, p. 176.

ethos of the developing countries to supplement and strengthen South-South cooperation. For this purpose, countries of the South should develop deeper mutual understanding about their history, culture and values and one way of encouraging this would be through student exchanges. Secondly, the cost of sending students to the North had increased over the years, making educational institutions there expensive. In this context, greater use of cheaper educational facilities in the South could help reduce the expenses incurred by developing countries in educational training.

As far as Malaysia was concerned, until April 1995, there were 1,624 foreign students studying at five Malaysian local universities.<sup>63</sup> The majority of the students were from Asia, Middle East and Africa. Studying at the universities in Malaysia gave several advantages to these students. First, the fees are much lower than in comparative institutions in developed countries.<sup>64</sup> Relatively speaking, the cost of living in developing countries such as in Malaysia is also lower than in developed countries. All round the cost of higher education in the South worked out much less than in the North. Sending students to any developing countries saved a nation's money.

Secondly, due to their similar experiences, the South educational institutions could provide specialised courses unavailable the North's institutions. Most of the developing countries are faces similar tropical experiences such as

<sup>63</sup> 202 studying at the Malaysia National University, 116 at Agricultural University of Malaysia, 214 at Technology University of Malaysia, 99 at Science University of Malaysia and 993 at the Islamic International University (*Utusan Malaysia*, April 11, 1995).

<sup>64</sup> Based on the Malaysian Treasury's estimation in 1993, tuition fees for medical student in the U.K. cost annually about US\$24,000, in Australia about US\$16,000, while in local universities about US\$4,000 (*New Straits Times*, January 12, 1996).

plantations, technology and diseases. The South's institutions have their own expertise in these areas. If developing countries were unable to find relevant training, clearly this would have a harmful on their development. In this context, the knowledge and experience from South countries was a major resource to be mutually shared.

These two issues, the costly education in the North and the availability of the expertise in the South encouraged the South Commission to propose a South Network of Centres of Educational Excellence to provide advanced training for students from other developing countries.<sup>65</sup> The Commission outlined the objectives of the Centres as to build South consciousness and the development of human resources. Regarding the latter, the Commission argued that the movement of students between countries of the South was limited, especially between regions. At the same time, an enormous number of students from developing countries were studying in the North at great expense. The Commission argued that South-South cooperation could ease this constraint through greater use of educational facilities within the South.

From the Malaysian perspective, in order to become one of the South's centres of educational excellence, several national educational policies, such as language and educational system had to be addressed.<sup>66</sup> Several changes to the National Education Act 1961 have resulted. On December 29, 1995, the Education Bill 1995 and Universities and University Colleges (Amendment) Bill were passed to

<sup>65</sup> *The Challenge to the South*, *ibid.*, p. 162.

<sup>66</sup> Under the Education Act 1961, Bahasa Malaysia (Malay Language) should be used as medium of instruction at all Malaysian universities after 1983. The exception is only for the International Islamic University Malaysia (IIUM) which was established under the Company's Act.

achieve a united, democratic, liberal and dynamic education system, paving the way for the corporatisation of universities. According to the Ministry of Education, the corporatisation of the universities was to allow a greater autonomy for local universities to make their own decisions without having constantly to refer to the government for approval.<sup>67</sup>

In summary, in proposing three projects, namely the bilateral payments arrangements (BPA) at the 1st G15 summit in Kuala Lumpur, the South Investment Trade and Technology Data Exchange Centre (SITTDEC) at the 2nd G15 summit in Caracas, Venezuela and Centres of Educational Excellence at the 3rd summit in Dakar, Senegal, Mahathir was charting new directions not only for Malaysian foreign policy, but also for the pattern of interaction in the developing world.<sup>68</sup>

#### Malaysia and North-South Issues

The end of the Cold War in the late 1980s changed the orientation of Malaysian foreign policy. Firstly, the relationship between Malaysia and other countries was determined by North-South relations rather than by East-West contact. This relationship shifted from geo-political to geo-economical. With the end of the Cold War emphasis was now more on economics rather than politics. Secondly, the end of the Cold war signified the collapse of the communist regimes in Europe, which removed the Cold War agenda and introduced space for discussion of liberty and freedom. The North took the opportunity to develop another agenda centring on democracy and human rights.

<sup>67</sup> *New Straits Times*, December 29, 1995.

<sup>68</sup> K.S.Nathan, "Vision 2020 and Malaysian Foreign Policy," in *Southeast Asian Affairs 1995*, Singapore: Institute of Southeast Asian Studies, pp. 234-235.

The Western countries, alarmed by the influx of refugees and immigrants re-emphasised the issues of human rights and democracy at global level. The West believed that the end of the Cold War enabled them to discuss the questions of liberty and freedom and hoped that the countries in the East would follow their social, political and economic systems.<sup>69</sup> Furthermore, many people in the West believed that the end of the Cold War meant the coming of a new era of international relations, the era of a New World order which embodied not only peace but also social justice in an international society.<sup>70</sup> This new era brought about new issues such as globalisation, democracy, human rights and environmental issues, which were seen by the South as an extension of the North's interests. This interest coincided with the growth of international NGOs which assumed a major responsibility for the scrutiny on the records of individual countries on human rights.

Malaysia as an active member of the South has been involved in the current polemic on the North-South issues such as on human rights, democracy, the environment, the restructuring of the U.N., trade protectionism and globalisation. Two internal factors, namely economic interests and economic capabilities have influenced Malaysia's involvement in the articulation of North-South issues. For the former, one of the objectives of Malaysian foreign policy was to find new markets and investment opportunities in the South. In his statement on February 6, 1985, the then

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<sup>69</sup> Yash Ghai, "Human Rights and Governance: The Asia Debate," in Philip Alston (ed.), *Human Rights Law*, Aldershot: Dartmouth, 1996, p. 220.

<sup>70</sup> Yongjin Zhang, "Human Rights and the Post-Cold War International Society," in Rorden Wilkinson (ed.), *Culture, Ethnicity and Human Rights International Relations*, Wellington: New Zealand Institute of International Affairs, 1997, p. 43.

Table 3.4

**Malaysia's Trade by Principal Developed  
Countries (Value as Percentage of World Total)**

Countries	Imports				Exports			
	1993	1994	1995	1996	1993	1994	1995	1996
Japan	28.2	27.4	27.3	24.5	13.0	11.9	12.7	13.4
USA	17.3	17.1	15.5	16.2	20.3	21.2	20.7	18.2
European Union	12.8	14.5	14.4	15.4	12.8	14.5	14.2	13.7

Source: *Malaysian International Trade and Industry Report 1996/97 and International Trade Statistics 1995, Vol. 1, Trade by Country*, New York: United Nations, 1996, p. 626

Malaysia's Foreign Minister, Tengku Ahmad Rithauden, said one of the foreign policy objectives was to support greater South-South cooperation as a means of expanding the overall international economic activities and reducing the South's dependence on the North.<sup>71</sup> At that time, most of Malaysia's major trading partners were developed countries, which account for more than 55 per cent of nation's total exports. In this context, Malaysia's intention to diversify and broaden its markets for both its manufacturers and primary products particularly in the South was part of its strategy to reduce its economic dependence on the North.

To penetrate the South's markets, Malaysia had to establish economic relations with potential countries. To achieve this goal, Malaysia had to imbue business confidence among the host countries' business communities. This effort was important because for decades the Western economic interests had controlled these host countries' economies. Furthermore, due to lack of business information, the local companies had limited contact with overseas markets particularly with the companies from developing countries like Malaysia. Malaysia's involvement in voicing the North-South issues such as human rights, the environment, trade protectionism and the restructuring of the U.N. were part of nation's strategy to increase its international standing.<sup>72</sup>

<sup>71</sup> *Foreign Affairs Malaysia*, vol. 18, no. 1, March 1985, p. 22.

<sup>72</sup> Malaysia has served on the U.N. Security Council for a full two-year term and was elected as Chairman of the International Conference on Drug Abuse and Illicit Trafficking, Chairman of the International Conference on Vietnamese Refugees, Chairman of the UNESCO General Conference and Chairman of the G77. In 1989, Malaysia hosted the Commonwealth Heads of Government's Meeting and the pioneering Summit of the G15. These involvements have increased its prestige among the countries of the South. In addition, Malaysia's was also active in voicing several global issues such as the questions of human rights and environment and how it relates to development.

Malaysia's effort in increasing its international credentials was important as stated by the Foreign Minister, Dato' Abdullah Ahmad Badawi, "For a small country like Malaysia it is necessary for her to demonstrate its credibility and seen to be involve in world affairs ... Malaysia has developed broad and credible relationships through a variety of bilateral exchanges and multilateral linkages".<sup>73</sup>

Malaysia's strong involvement in articulating the North-South issues has brought political and economic dividends to Malaysia. Politically, Malaysia's candidates have won substantial posts at the U.N. In 1992, Tan Sri Razali Ismail, Malaysia's permanent representative was elected as the first Chairman of the Commission on Sustainable Development as well as the President of the 51st United Nations General Assembly. While Tan Sri Musa Hitam, Malaysia's representative at the Human Rights Commission was elected as its 53rd Session Chairman. All these appointments showed the generous support that Malaysia received from the South.

Economically, Malaysia's foreign investments in developing countries were well received. At present Malaysia's investment overseas total US\$2.72 billion and most of them were established with its new trading partners in Africa, Latin America, Central Asia, Middle East, the Indochinese states and South Pacific Island countries. Malaysia's exports to the South countries have increased significantly since 1990 reaching US\$12.84 billion in 1995. During this period, Malaysia's exports to the CIS increased by 61.5 per cent, to Indochina by 61.4 per cent, to Africa by 48.5 per cent, West Asia by 28.9 per cent, South Asia by 24.5 per cent and Latin America by 18 per cent.<sup>74</sup> Up until mid-1997, Malaysia was

<sup>73</sup> *Foreign Affairs Malaysia*, September 1991, p. 5.

<sup>74</sup> *Business Times*, September 18, 1996, p. 1.



the single largest investor from Southeast Asia with about US\$2 billion invested in South Africa.<sup>75</sup>

Another internal factor that influenced Malaysia's involvement in North-South issues was its economic strength, which has been used as the nation's political clout. Thirty years ago, Malaysia was a two-commodity economy, depending on rubber and tin. In the early 1970s, Malaysia decided to industrialise by relying totally on direct foreign investment. Malaysia succeeded in its attempts and at present 80 per cent of its exports worth US\$80 billion are made up of manufactured goods. From 1988 to mid-1997, the Malaysian economy grew at 8 per cent plus per annum with inflation held at 3.5 per cent. The nation's per capita income rose from about US\$1,600 in 1970 to US\$5,000 approximately in 1997.<sup>76</sup> Malaysia had joined the ranks of top donors to the Asian Development Fund (ADF) alongside Japan, the U.S., Germany, Australia and Canada. Malaysia contributed US\$10 million to the Asian Development Bank (ADB), the first contributor from Asean.<sup>77</sup> In addition, in 1996, Malaysia was the 13th largest trading nation in the world and was categorised as one of the newly industrialising economies (NIEs). These achievements have contributed to Malaysia's economic and political strength at regional and international levels.

Economic strength is an important bargaining tool for the countries of the South when dealing with the North. For years, economic strength had been used by the North to

<sup>75</sup> Statement by South Africa Central Bank Governor, Dr Chris Stals in Kuala Lumpur on October 6, 1997, *The Star*, October 7, 1997.

<sup>76</sup> Dr Mahathir Mohamad's speech delivered at the 12th International General Meeting of the Pacific Economic Cooperation Council (PECC) in Santiago, Chile, on September 30, 1997, *The Star*, October 2, 1997.

<sup>77</sup> *Malaysian Digest*, vol. 24, no. 5, May 1997, p. 5.

pressure some countries in the South. The threat faced by nations was economic sanctions which would impoverish the people and create internal strife. Weakened, the unfortunate countries would have to submit completely as if they were colonies. Unfortunately, at present many developing countries are still not in the position of having a strong economy. As a result, the majority of the South were not negotiating with the North from a position of strength, or even as equals. The South was negotiating from a very weak position.<sup>78</sup> For Malaysia, its economic achievements increased both the nation's international prestige and the leader's credibility.<sup>79</sup> Prestige or reputation for power can be used as political weapon for a small state like Malaysia. Morgenthau, one of the leading theorists on power argued that prestige has become important as a political weapon in an age in which the struggle for power is fought not only with traditional methods of political pressure and military force, but in large measure as a struggle for the minds of men.<sup>80</sup> In this context, prestige has been used by Malaysia as its political leverage.

One of the forums that Malaysia has played a leading role was the International Tropical Timber Agreement (ITTA) established in Geneva on November 18, 1983.<sup>81</sup> As one of the major producers of world timber, Malaysia was placed third

<sup>78</sup> Mahathir gave this opinion when he was interviewed by Altaf Cauhar from the Third World Foundation in August 1985. See *Third World Quarterly*, January 1986, p. 11.

<sup>79</sup> S. Jayasankaran, "Eye of the Storm," *Far Eastern Economic Review*, October 16, 1997, p. 14.

<sup>80</sup> Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*, New York: Alfred A Knopf, 1985, p. 95.

<sup>81</sup> The objectives of the ITTA are to provide an effective framework for cooperation and consultation between tropical producing and consuming members; to promote the expansion and diversification of international trade in tropical timber and the improvement of

after Indonesia and Brazil and allocated with 126 votes (see Table 3.5). According to Article 10 of the Agreement, the producing members shall together hold 1,000 votes and the consuming members shall together hold 1,000 votes.

**Table 3.5**  
**List of Top 10 Producing and Consuming**  
**Countries of Tropical Forest Resources**  
**and Allocation of Votes in ITTA**

Producing Countries	Votes	Consuming Countries	Votes
Indonesia	139	Japan	330
Brazil	130	U.S.	79
Malaysia	126	France	56
Philippines	43	Korea (Republic)	56
India	32	Germany	44
Myanmar	31	Great Britain	41
Peru	25	Italy	41
PNG	24	Netherlands	35
Cambodia	23	Spain	24
Bolivia	21	Australia	20

Source: Iwona and Osafo, *ibid.*, p. 283

As the third largest producing country, Malaysia was taking an active part in the renegotiations for a successor agreement to the ITTA 1983, to expand the scope of the

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structural conditions in the tropical timber market, to promote and support research and development; to improve market intelligence; to encourage increased and further processing of tropical timber in producing member countries; to encourage members to support and develop industrial tropical timber reforestation and forest management activities; to improve marketing and distribution of tropical timber exports of producing members and to encourage the development of national policies aimed at sustainable utilisation and conservation of tropical forests

agreement to cover temperate and boreal timbers. The expansion of ITTA would ensure all timbers would be subjected to the most stringent criteria of sustainability which are presently foisted on tropical timber only.<sup>82</sup>

Experiencing rapid economic growth, Malaysia felt confident to lead an effort to confront the North in issues, which related to the survival of the South. In this context, Mahathir's announcement in 1994 that Malaysia was ready to use its economic weapon against countries that support the Serbs in their aggression against Bosnia and Herzegovina was relevant to the argument.<sup>83</sup> In summary, two internal factors that are related to one another, namely Malaysia's economic interests and its economic strength have influenced Malaysia's involvement in articulating the North-South issues.

Two other factors, namely the largest number of developing countries in the U.N. and Malaysia's strong position at international conferences, had also influenced Malaysia's participation in the articulation of human rights and environmental issues. For the former, the promising support received from developing countries in the U.N. encouraged Malaysia to express the issues. At present, 135 countries (72 per cent) of the U.N.'s members are developing countries from Asia, Africa and Latin America and Caribbean, all of which command significant number of votes in the General Assembly. With the existence of Third World organisations such as the NAM in 1961, the G77 in 1964 and the G15 in 1989, the role of developing countries in the U.N. became more prominent (Table 3.6). Those three organisations have contributed significantly to Malaysia's close relations with other Third World countries. Every

<sup>82</sup> *Profile Malaysia's Primary Commodities*, Kuala Lumpur: Ministry of Primary Industries Malaysia, December 1993, p. 98.

<sup>83</sup> *Malaysian Digest*, vol. 22, no. 11, November-December 1994, p. 1.

September, Malaysia's Foreign Minister will meet his counterparts at the NAM and the G77 annual meetings, which are usually held in the U.N. Through those meetings, Malaysia's bilateral and multilateral relationship with other South countries have been strengthened.

Table 3.6  
Geographical Distribution of U.N. Membership

African States	53
Asian States	49
Latin American and Caribbean States	33
Eastern Europe States	20
Western Europe and other states	27
USA, Israel and Estonia	3

Source: *United Nations Handbook 1996*, New York: United Nations, 1996

In addition, as one of the senior Asian members of the organisations, Malaysia has always been appointed as the speaker representing Asia. In this context, Malaysia and in particular Mahathir had used this platforms to speak on North-South issues. In addition, in the U.N., Malaysia has been elected as a member of the Security Council and the Economic and Social Council (ECOSOC) agencies (Table 3.7). Through these involvement, Malaysia has contributed significantly in those commissions and has increased its international credentials. In the areas of environmental issues, Malaysia was active in all major international conferences like the Rio Earth Summit, and it is still involved in various post-Rio activities.<sup>84</sup>

<sup>84</sup> Ahmad Kamil Jaafar, "Around the world for Malaysia," *New Straits Times*, October 9, 1996.

Table 3.7

**Malaysia's Participation in the United Nations Commissions**

Commissions	Years of Service
Economic and Social Council	1971-73, 76-78, 83-85, 91-93, 95-97
Commissions for Social Development	1962-65, 84-87
Commission on Criminal Prevention and Criminal Justice	1996
Commission on Human Rights	1993-1998
Commission on Narcotic Drugs	1982-83, 96-99
Commission on Population and Development	1984-87
Commission on Sustainable Development	1993-96
Commission on Status of Women	1967-71, 79-82, 90-97
Security Council	1965, 89-90, 99-2000

Source: *United Nations Handbook 1996*, *ibid.*

Secondly, as has been mentioned earlier, several Malaysian officials have been elected to lead the United Nations agencies. Apart from Tan Sri Razali Ismail and Tan Sri Musa Hitam who were elected as the Chairman of the Commission on Sustainable Development and the Chairman of Commission on Human Rights respectively, the appointment of Khor Kok Peng, Director of Third World Network as Deputy Chairman of Group of Experts on the Right to Development was Malaysia's contribution to the human rights issues. Furthermore, being a member of the Commissions, enabled Malaysia to discuss environment and development issues with the North and South countries.

The significant of these appointments were twofold. First, it showed that Malaysia managed to get significant votes from its colleagues in order to get strategic positions in the U.N. In the U.N. a vote is a valuable commodity which could be traded for prestige, good will and even on occasions hard cash in the form of economic or military aid packages.<sup>85</sup> Malaysian candidates were usually nominated by Asian groups and received support from African, Latin American and East European groups. Based on the fact that all the appointments in the U.N. are based on a quota system and elected on a regional basis, Malaysia's ability to get substantial votes deserved to be praised.<sup>86</sup> By being involved actively in the Commission, Malaysia was able to express opinions and take the lead on several related issues. In addition, Malaysia got a

<sup>85</sup> Peter Calvert, *The Foreign Policy of New States*, Sussex: Wheatsheat Books Ltd, 1986, p. 130.

<sup>86</sup> Membership of the Commission on Human Rights which has 53 member states is based on geographical group. The African group has 15 members, the Asia-Pacific group has 12 members, the Latin American and Caribbean group has 11 members, the Western Group including the USA, Canada, Australia and New Zealand has 10 members and Eastern Europe has five members.

chance to look at national reports submitted by other countries, especially the North, in order to point out the developmental imbalance that had taken place in the past.<sup>87</sup>

As a member of the Commission of Human Rights, Malaysia recognises the need for more international dialogue and cooperation to address the issues of human rights. Malaysia believes that human rights should be the concern of all nations, but the only way forward is through enhanced international cooperation and not through acrimony.<sup>88</sup> In the 1994 session of the Commission on Human Rights, the Canadian delegation submitted a draft resolution stating that trade union freedom was also part of economic, social and cultural rights. Several Asian countries, Malaysia in the lead, sought to block this initiative and claimed that the economic boom of certain countries of the region was inspired by the presence of a cheap and unprotected labour force.<sup>89</sup>

In the 53rd Session of the U.N. Commission on Human Rights, Malaysia's alternate leader, Dato' Hishamuddin Hussein voiced Malaysia's dissatisfaction that the nations of the North and South have diverged on human rights issues and that the adversarial tone of the interaction was in danger of preventing any real progress in the area.<sup>90</sup> In summary, the end of the Cold War which brought the rise of human rights and environmental issues; the significant number of developing countries in the U.N. that supported Malaysia in playing a major role in the world; the country's strong position

<sup>87</sup> Speech by Tan Sri Razali Ismail, "After the Earth Summit: Follow-up by the United Nations," at Universiti Kebangsaan Malaysia on January 5, 1993 (*Malaysian Digest*, January 1993, p. 5).

<sup>88</sup> *Foreign Affairs Malaysia*, vol. 26, no. 4, December 1993, p. 30.

<sup>89</sup> *Human Rights Monitor*, no. 24, p. 15.

<sup>90</sup> Hishamuddin Hussein, "Calm Approach to Rights," *Far Eastern Economic Review*, October 9, 1997, p. 39.



in the U.N. and in international conferences enabled Malaysia to play significant role in voicing the South's interests.

### Leadership Factor

The third factor that influenced Malaysia's involvement in North-South issues was Mahathir's leadership. He has played a significant role in articulating the South's interests at various regional and international forums. Due to his efforts in voicing these issues, he has gained world recognition as a "spokesman of the South", "Third World spokesman" and "spokesman for the New Asia".<sup>91</sup> Mahathir has successfully played a role as the Third World spokesman as his choice of roles which was important for a leader of new state to be known internationally. Calvert argues that several Third World leaders have chosen their choice of roles which have given significant impact on their leadership—Kwame Nkrumah was known as the Redeemer of his people, Jawarharlal Nehru as the World leader and Castro and Gaddafi as revolutionary leaders.<sup>92</sup> These choice of roles would strengthen the leader's image as well as increased their nation's prestige. When asked about his role as the Third World spokesman, Mahathir modestly answered:<sup>93</sup>

I don't perceive myself as a spokesman for anybody except I think legitimately, for Malaysia. But it so happens that many of the things I say seem to coincide with the views of many countries in the South and they have told me they would like to say the same things but they are subjected

<sup>91</sup> "The Spokesman," *Asiatweek*, June 2, 1995, p. 52.

<sup>92</sup> Calvert, *ibid.*, pp. 156-157.

<sup>93</sup> Interview with *Far Eastern Economic Review* Regional Editor V.G. Kulkarni in the *Far Eastern Economic Review*, October 24, 1996, p. 23.

to arm twisting like threats to withdraw aid. We are fortunately, less prone to that kind of arm twisting.

Another factor that influenced Mahathir's involvement in these issues was the lack of "dominant power" among the Third World countries. Since the 1970s, scholars have argued that international cooperation, especially in the economic field, requires leadership by a dominant power. This idea is known as the "theory of hegemonic stability", which argues that strong leadership by a dominant actor is necessary for international cooperation.<sup>94</sup> Iida argues that leadership may take various forms, such as coercion, inducement, persuasion, and unilateral cooperation. Leadership could also explain solidarity. A leader will use political power to make the position of the groups members converge to his own preferred position and to ensure that none defect in open forums by threats.<sup>95</sup>

In his study on the Group of 77, Karl Sauvart argued that although countries like Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jamaica, Mexico, Nigeria, Pakistan, the Philippines, Sri Lanka, Venezuela and Yugoslavia often played an important role in many issues, none of them dominated the group.<sup>96</sup> One of the reasons for the lack of dominant power was the tying aid from the North, which affected the growth of potential powers. In this situation, those countries that were tied by the North's aid would fail to play significant role

<sup>94</sup> Keisuka Iida, "Third World solidarity: the Group of 77 in the U.N. General Assembly," *International Organisation*, vol. 42, no. 2, Spring 1988, p. 384.

<sup>95</sup> *Ibid.*

<sup>96</sup> Karl P. Sauvart, *The Group of 77: Evolution, Structure, Organisation*, Oceania, New York, 1981, p. 9.

for the benefit of the South due to their obligation to the donors.

Thirdly, as argues by Calvert, the highest aspiration of a Third World leader would be to lead a regional power. This argument could be applied to Malaysia. Malaysia's significant role in Asean and its efforts to establish the East Asia Economic Caucus (EAEC) could be seen as Malaysia's efforts to establish itself as a regional power. For the former, Malaysia has been the most vocal member of the Asean in urging the early expansion of the Association from six to ten. While for the latter, the idea to enhance economic cooperation among East Asian states which was mooted in 1990 by Mahathir was expected to be formally launched in the near future. Furthermore, at present there are wide acclamations that Mahathir is the most prominent and visible spokesman for the idea of Asia for the Asians.<sup>97</sup> The ability of Mahathir to play that significant role was due to the leadership vacuum in Asia. The retirement of Lee Kuan Yew of Singapore and Indonesia's internal turmoil suffered by Suharto gave room to Mahathir to realise his dream.<sup>98</sup> At present, Mahathir is the longest Southeast Asian Head of Government. In addition, Malaysia's strong economic growth and its political stability contribute to Mahathir's significant position in the South.

At the international level, the Third World suffered from a leadership's vacuum for nearly two decades. In the early 1970s, Houari Boumedienne of Algeria had played a leadership role in drawing up a New International Economic Order (NIEO) which asked for a new economic relationship between the industrialised and developing nations. Algeria

<sup>97</sup> Lynette Clemetson, "Malaysia's Moment," *Newsweek*, September 1, 1997, p. 15.

<sup>98</sup> Chandran Jeshurun, "Malaysia: The Mahathir Supremacy and Vision 2020," *Southeast Asian Affairs* 1993, p. 215.

was one of the members of the Organisation of Oil Petroleum Exporting Countries (OPEC) which used oil as an economic leverage against the West. Algeria played a role in mobilising the Third World countries especially through the G77. According to Robert Mortimer, "Among the OPEC states, Algeria was most sensitive to the need to retain the diplomatic support of the Third World oil-importers".<sup>99</sup> However, since then there has been no leader from the Third World who took a serious initiative to mobilise the cooperation among the countries of the South.

In the middle of 1980s, Mahathir filled the vacancy left by Boumedienne. At the South-South II Summit held in Kuala Lumpur on May 5, 1986, Mahathir critically discussed the problems of the South which included the debt servicing burden, economic independence, a non-starter NIEO and political instability in most parts of the Third World. Mahathir encouraged the South to strengthen their position. According to Mahathir, "The North believes in strength. They deal differently with the strong and differently again with the weak. Obviously the best results can only be obtained by us if we are strong".<sup>100</sup> In addition, Mahathir suggested the establishment of an Independent Commission on South-South Cooperation which later was known as the South Commission with a limited life span tasked with reporting to the Group of 77 on specific proposals for practical South-South cooperation.

In 1989, Mahathir took an initiative to establish the G15, a group representing the developing countries of the South. And in June 1990, Malaysia played the host to the first Summit of the G15. At the meeting, Mahathir suggested the formation of the South Secretariat. He also encouraged close

<sup>99</sup> Keisuka Iida, *ibid.*, p. 384.

<sup>100</sup> *Foreign Affairs Malaysia*, vol. 19, no. 2, June 1986, p. 26.

economic cooperation between the Third World. Furthermore, Mahathir was involved actively in the discussion of the North-South issues. The diplomatic success could also be seen in terms of Mahathir's own enhanced reputation as a leading statesman of the developing countries.

Khoo affirmed that Mahathir often identified with other developing world and pictured himself to be befriending the lowly, supporting the oppressed, and rallying the underdog. He articulated their sense of grievance, their fear of exclusion, and their aspiration to development. On their behalf, he bristled at every real wrong or imagined slight, at every historical injustice or future threat. Mahathir took the initiative of practising 'South-South cooperation' of a kind and embarked on the diplomatic campaign of befriending and assisting some small countries of the Pacific and Africa. For these, few could equal Mahathir turned Third World spokesman when it came to expressing outrage at historical oppression and contemporary marginalisation.<sup>101</sup> Chin, however argued that Mahathir's often contradictory actions and words must be understood as the actions of a man seeking to maintain his power and a preeminent place in Malaysian political history.<sup>102</sup>

### Summary

Malaysia has been actively involved in the Third World's cause for more than three decades. Although Malaysia was absent at the Bandung Conference due to its sovereign status, Malaysia was among the founding members of the UNCTAD and the Group of 77, which were established in 1964 and 1971, respectively. The driving force for those involvements

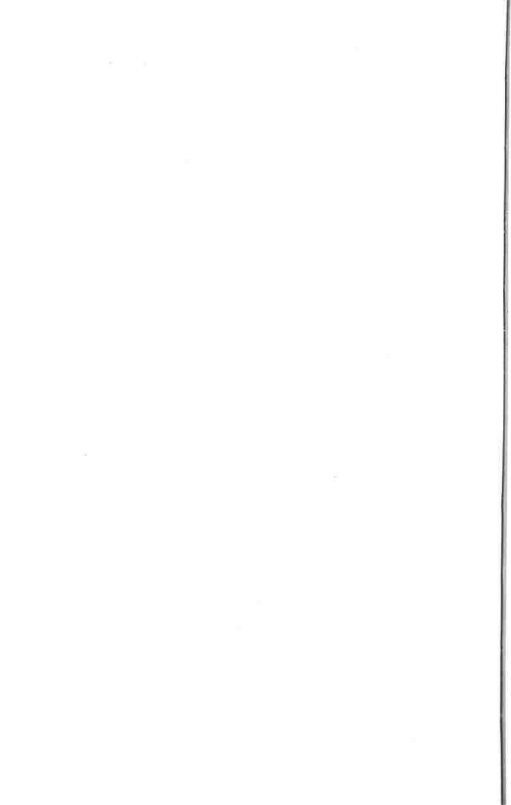
<sup>101</sup> Khoo, *ibid.*, pp. 78-79.

<sup>102</sup> James Chin, "Mahathir and Malaysian Élite Politics," *Asia-Pacific Viewpoint*, vol. 39, no. 1, April 1998, p. 128.

was the anticolonial sentiments and Third World solidarity that were instilled among newly independent countries. Furthermore, the South intention to be free from the economic dependence of the North strengthened the group position.

Three related factors, namely internal factors, external factors and leadership contributed to Malaysia's involvement in South-South cooperation. All three factors are and have contributed significantly to Malaysia's participation in South-South cooperation. However, the leadership factor was most significant. Mahathir had contributed continuously to the cause for more than four decades either as a backbencher, Minister of International Trade, a Deputy Prime Minister and the Prime Minister. Furthermore, Mahathir has established a personal friendship with most of the Third World leaders. Although the 'Nehru-Sukarno-Tito' ties did not exist among the current Third World leaders, Mahathir's close friendship with Suharto of Indonesia, Robert Mugabe of Zimbabwe, Nelson Mandela of South Africa and Alberto Fujimori of Peru, to name a few, had strengthened Malaysia's close relations with the countries of the South.

In the context of South-South cooperation, Malaysia did not only voice the problems of the South but had also suggested practical solutions to it. Malaysia did not approach the Third World problems with rhetorical speeches at international forums but had instead also proposed practical ways to strengthen the position of the South. In this regard, Malaysia's modest technical assistance under the auspices of the MTCP had contributed meaningfully to the issues of South's human capital. In addition, the establishment of SITTEDEC and BPAs had increased trade and economic relations among the South.



## Chapter 4

# MALAYSIA'S RELATIONS WITH THE INDOCHINESE STATES: A REGIONAL CONTRIBUTION

ONE OF THE REGIONS that have significant impact on Malaysian foreign policy is Indochina. Malaysia's involvement in the region has covered a period of more than three decades. However, the relationship between Malaysia and the Indochinese states became closer only after Vietnam withdrew from Cambodia in the early 1990s. Asean's efforts to resolve the Cambodian conflict and its intention to enlarge the membership of Asean which include Vietnam, Cambodia and Laos have contributed to the closeness between Malaysia and the region. Recently, Malaysian presence in Indochina, particularly trade and investment are significant.

This chapter focuses on the factors that influenced the relationship and the importance of the Indochinese states in Malaysian foreign policy. Malaysia's bilateral economic relations with Cambodia, Laos and Vietnam will be studied. In addition, the Greater Mekong Subregion (GMS), an Asean project to develop the whole of the Indochinese states and other surrounding areas will also be focused. Furthermore, the problem of the Vietnamese refugees in Malaysia which dominated Malaysian foreign policy for two decades will also be analysed. It is argued that after the Indochinese states have joined Asean the relationship between Malaysia and the countries of the region would be closer.



### Factors Affecting the Relationship

Three factors, namely geographical, economy and regional integration, have determined the relationship between Malaysia and the Indochinese states. Except for geographical factors, the other two became important after the end of the Cold War.

#### *Geographical Proximity*

Malaysia's earlier relation with Indochina were determined particularly by its physical proximity to it. Although Malaysia does not border on any Indochinese countries, Saigon (Ho Chi Minh City), the former capital of South Vietnam, is closer to Kuala Lumpur than Bangkok or Jakarta. Tan Sri Ghazali Shafie, then the Permanent Secretary of the Malaysian Ministry of Foreign Affairs, pointed this out and added that during the last war, the Japanese attack on the Malay peninsula was launched from that Indochinese peninsula.<sup>1</sup> In addition, the southern part of South Vietnam is close to the beaches of Kelantan and Terengganu, where, in the mid-1970s, thousands of Vietnamese refugees ('boat people') landed.

The security issues is also directly affected by the countries' proximity. The nearer the countries, the more sensitive security issues become. The Cambodian conflict that started in 1978 not only affected Thailand but also affected all Asean's members. The Asean that then consisted of Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand gave significant time to resolve the conflict which it regarded as a "thorn of the region". The Malaysian government believed that the future of Cambodia held the key to the

<sup>1</sup> Ghazali Shafie, *Malaysia International Relations*, Creative Enterprise, Kuala Lumpur, 1982.

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Source: Adelphi Paper 279, August 1993a

future of Southeast Asia.<sup>2</sup> For Asean, its major concern was the involvement of the big powers in the conflict that might potentially affect Asean's Zone of Peace, Freedom and Neutrality (ZOPFAN) and the Southeast Asian Nuclear Weapon-Free Zone, a component concept of ZOPFAN.

Malaysia was involved significantly in the efforts to resolve the Kampuchean conflict and in the reconstruction of Kampuchea by participating actively in the Jakarta Informal Meetings (JIM I & II) in 1987 and the Paris Peace Talks in October 1991. Malaysia was also a member of the International Committee on the Reconstruction of Cambodia (ICORC). In addition, in March 1992, 910 Malaysian soldiers were sent to Cambodia to join the United Nations Advance Mission in Cambodia (UNAMIC) and the United Nations Transitional Authority in Cambodia (UNTAC) forces. In 1992, the Malaysian government donated US\$0.4 million to the Cambodian government for technical assistance.<sup>3</sup>

Another significant problem caused by Malaysia's geographical position its overlapping claims on the Spratly Islands<sup>4</sup> with other regional neighbours such as Brunei, the Philippines, Taiwan, the People's Republic of China and

<sup>2</sup> Address by the Minister of Foreign Affairs to the Council of Foreign Relations in New York on October 1, 1987. See *Foreign Affairs Malaysia*, vol. 20, no. 4, December 1987.

<sup>3</sup> *Foreign Affairs Malaysia*, vol. 25, no. 2, June 1992, p. 137.

<sup>4</sup> The Spratly Islands archipelago is made up of more than 230 land forma, covering an area of approximately 250,000 square kilometres stretching about 1,000 kilometres from the north to the south and situated in the southeast part of the South China Sea. They are about 650 kilometres from China's Hainan Island, 150 kilometres from Eastern Malaysia and Brunei, and 100 kilometres from the Philippines, all to their nearest points. Bob Catley and Makmur Keliat, "The Dispute Over the Spratly Islands," in *Current Affairs Bulletin*, June/July 1996, p. 11.

Vietnam. The situation has made the claims potentially troublesome and a threat to the stability of the region. Malaysia claims seven land forms in the Spratly group, namely Amboyna Cay, Terumbu Layang-Layang, Terumbu Ubi, Terumbu Mantanani, Terumbu Perahu, Terumbu Laya and Terumbu Semarang Barat Kecil. The area is believed to be rich in natural resources, including natural gas and petroleum, and is also important as a vital sea line of communications (SLOC).

The significance of the Spratly's overlapping claim to Malaysia was it has strengthened Malaysia's bilateral and multilateral relations with other claimants, particularly with Asean members. In 1992, Abdullah Ahmad Badawi, Malaysia's Foreign Minister suggested that the best platform to discuss the dispute over the Spratlys would be the annual Asean Ministerial Meeting (AMM). His major reason was that all of the claimants would be there, including Vietnam and China, who would be attending as guests.<sup>5</sup> In the same year, Asean issued the "Manila Declaration on the South China Sea" to encourage all claimants to resolve their differences by peaceful means and to exercise self-restraint.

As far as Malaysian-Vietnam relations was concerned, in June 1992, both governments signed a Memorandum of Understanding (MOU) on the joint exploration of overlapping territories claimed by both parties. In 1995, the Malaysia-Vietnam Joint Commission was formed. The Commission was seen as a useful mechanism to coordinate cooperation in all fields and to resolve any outstanding problems. On his second visit to Vietnam in June 1996, Mahathir announced that all disputes between Hanoi and Kuala Lumpur could be resolved through friendly discussions and added that Malaysia would support security and defense

<sup>5</sup> Lee Lai To, "Asean and the South China Sea Conflict," in *The Pacific Review*, vol. 8, no. 3, 1995, p. 538.

cooperation with Vietnam as a means to solve any problems that may occur from territorial disputes.<sup>6</sup> These two mechanism, the multilateral and bilateral approaches, have been used effectively by Malaysia to enhance confidence building between the two countries.

### *Economic Relations*

One of the factors encouraging Malaysia to expand its relations with other developing countries including with Indochinese countries was the overdependence of its post-independence economy on United Kingdom, USA and Japan. This dependency caused vulnerability to its two major commodities, rubber and palm oil. One solution was for Malaysia to find new trading partners, such as those in the South Pacific, Latin America, Eastern Europe, Africa and Asia. Indochina, with a population of more than 90 million, was not only a potential market for Malaysian goods, but also offered good prospects for Malaysian investments. Its market forces were relatively untapped. Furthermore, all Indochinese states were at this time in the process of reforming and modernising their economies. They wanted to open their markets, encourage foreign investors and export their products.

For example, in 1996, Vietnam committed itself to developing an outward-oriented, open economic reform programme called *doi moi*. Through *doi moi*, the Vietnamese began to open its economy to the global economy by taking advantage of its position the global division of labour.<sup>7</sup> In August 1994, the Cambodian government ratified an investment law to facilitate foreign investment. Several

<sup>6</sup> *Utusan Malaysia*, March 8, 1996.

<sup>7</sup> Zachary Abuza, "International Relations Theory and Vietnam," in *Contemporary Southeast Asia*, vol. 17, no. 4, March 1996, p. 408.

incentives were given including a low 9 per cent tax rate, a corporate tax exemption of up to eight years, and tax exemptions for investment proceeds or dividends. In addition, a 70-year lease option on property was made available to foreign interests, as though land ownership was still confined to Cambodian nationals.<sup>8</sup> Laos too had been engaged in a programme of economic reforms, called the New Economic Mechanism (NEM), since the mid-1980s. The main objective of the NEM is to develop an integrated market economy open to international trade. The law regulating foreign investments was amended to lower profit taxes on foreign investments, lower import duties on equipment and spare parts, and remove limits on periods of investment.<sup>9</sup>

On Malaysia's part, as we have seen, its "prosper-thy-neighbour" policy has had the effect of encouraging its private sectors to be involved in foreign markets. Currently, Malaysia's private sector is one of the largest investors among Asean countries in the emerging markets of Indochina. In 1996, Malaysia was the largest investor in Cambodia, the sixth largest in Laos and the seventh largest in Vietnam, with a total investment value of US\$1.7 billion, US\$188 million and US\$860 million, respectively. Malaysia Airlines (MAS) developed air links to Hanoi, Ho Chi Minh City, Phnom Penh and Vientianne.

### *Regional Integration*

One of the dreams of regional leaders, including Malaysian leaders, is to have one Southeast Asia.<sup>10</sup> For decades, either in

<sup>8</sup> Khatharya Um, "Cambodia in 1994: The Year of Transition," in *Asian Survey*, vol. XXXV, no. 1, January 1995, p. 79.

<sup>9</sup> Yves Bourdet, "Laos in 1995 Reform Policy, Out of Breath?," in *Asian Survey*, vol. XXXVI, no. 1, January 1996, p. 90.

<sup>10</sup> *Foreign Affairs Malaysia*, vol. 25, no. 4, December 1992.

terms of politics or economies, the region has been divided into two. Politically, there are two Southeast Asias, namely the democratic nations and the socialist one, with Myanmar, under military control. Economically, except for Myanmar, Cambodia, Laos and Vietnam, other Southeast Asian countries have market-oriented systems. In addition, glaring income disparity exists. However, efforts have been made to bridge the gap between the rich and the poor.

Recently, countries in the region have become closer either by bilateral relations or through Asean. In addition, Mahathir, in his address at the 1st Asean Congress on October 8, 1992, expressed his hope that by 2017, there could be more than one developed industrial country within Asean, and several NIEs well on the way there. He also hoped that Vietnam, Laos, Cambodia and Myanmar would all have joined Asean by then, and enjoy a common prosperity with reduced economic gaps.

Table 4.1  
Southeast Asian Countries,  
Population and GDP in 1996

Country	Population (m)	GDP (US\$)
Brunei	0.3	16,427
Cambodia	10.7	292
Indonesia	196.9	1,150
Laos	4.9	377
Malaysia	20.6	4,260
Myanmar	45.6	107
Philippines	69.8	1,200
Singapore	3.0	30,860
Thailand	61.3	2,980
Vietnam	75.5	321

Source: *The Economist*, July 19, 1997

As fulfillment of the hope, Vietnam joined Asean in July 1995, Laos and Myanmar followed in July 1997 and Cambodia was admitted on April 30, 1999. With Cambodia's entry, the Asean region now having a total population of about 500 million, a total area of 4.5 million square kilometers, a combined gross national product of US\$685 billion, and a total trade of US\$720 billion.<sup>11</sup>

However, the enlargement of Asean has brought some difficulties to the Indochinese states. Economically, there is a big gap in the level of economic development between them and the more advanced Asean economies. These differences have caused an economic imbalance amongst the Asean members. In this regard, there is some pressure on Asean's new members to speed up their economic growth in order to be equivalent to the others. However, lack of experience with a free market, the need to liberalise their political systems and the lack of English-speaking bureaucrats have been impediments.<sup>12</sup>

Malaysia, has placed a high emphasis on its relations with the Asean countries because of its strong belief in the importance of regional cooperation and self-resilience.<sup>13</sup> Mahathir argued that if Asean wished to be stable and prosperous then its members must help its neighbours to attain prosperity. Above all, it must eschew confrontation.<sup>14</sup> This

<sup>11</sup> <http://www.aseansec.org>

<sup>12</sup> *The Straits Times Weekly Edition*, September 14, 1996.

<sup>13</sup> In his address at the 4th Asean Heads of Government Meeting in Singapore on January 27, 1992, Mahathir suggested that "economic developments and trade with neighbours are highly beneficial. Poor neighbours are no assets to anyone. The problems of the poor are likely to spill over in the form of refugees, smuggling, black markets, etc. Poor countries are not good trading partners. Helping neighbours to become prosperous is therefore mutually beneficial".

<sup>14</sup> *Foreign Affairs Malaysia*, January 1992, p. 33.



meant that Asean must take the initiative to reorganise its relations with the Indochinese countries, so that close and positive relations both bilaterally and as a group be established.

In December 1990, Mahathir proposed the setting up of an East Asian Economic Grouping (EAEG), whose objective was to consolidate the strengths of its members so as to increase trade and investments within the region, thus making it attractive for other countries to trade with and invest in.<sup>15</sup> Another objective of the EAEG (which later became known as the East Asian Economic Caucus [EAEC]) was to form a forum for the nations of East Asia to confer with each other in order to reach agreement on a common stand for a common problem caused by the restrictive trade policies of the rich.<sup>16</sup> The EAEC proposals were based on the assumption that Asian states must unite economically in order to negotiate with the West from a position of strength.

Western countries criticised EAEC as they were afraid that the EAEC would exclude them and would counter the single market concept of the European Community (E.C.), the North American Free Trade Agreement (NAFTA) and Asia-Pacific Economic Cooperation (APEC).<sup>17</sup> Western powers tended to view the EAEC proposals as confrontational and sought, to promote APEC as a primary venue for

<sup>15</sup> A Concept Paper on "East-Asia Economic Group," Ministry of International Trade and Industry (MITI), Kuala Lumpur, 1992, p. 2.

<sup>16</sup> Quoted by Richard Higgot and Richard Stubbs in "Competing Conceptions of economic regionalism: APEC versus EAEC in the Asia Pacific," in *Review of International Political Economy*, Summer 1995, p. 530.

<sup>17</sup> Kenneth Christie, "Concepts of Economic Security in the Asia-Pacific: Conflict or Cooperation," in Dennis Rumley, et al. (eds.), *Global Geopolitical Change and the Asia-Pacific: A Regional Perspective*, Aldershot, Hants: Avebury, 1996, pp. 212-229.

negotiating pan-pacific trade issues.<sup>18</sup> It was also claimed that the objective of the EAEC was to provide a regional force to balance the influence of America over the content and pace of trade policy negotiations.<sup>19</sup>

Mahathir, when asked about the birth of the EAEC, stated that the time would come when 10 Asean and other developed East Asian countries including China will sit together to discuss regional affairs. In this context, the formation of several regional mechanisms, such as the Asean regional Forum (ARF), the Asia-Europe Meeting (ASEM) and the Asean-Mekong Basin Development Cooperation (AMBDC), which was also attended by East Asian countries shows that the context of EAEC is becoming more and more relevant.

### Malaysia-Vietnam Relations

Malaysian bilateral relations with Vietnam have gone through two phases. The first part was lasted up to the fall of Saigon in 1975, and the second part was from 1977 to the present. However the relation was strained due to Vietnam's invasion of Cambodia in 1978. After Vietnam's complete withdrawal in 1991, both countries have tightened relations through visits, the signing of agreements and the intensification of economic relationship.

Early Malaysia-Vietnam relations were determined by two factors, ideology and security. Malaysia perceived the 17th Parallel that divided the North from the South of Vietnam as an ideological line of division. The North was governed by

<sup>18</sup> Gordon P. Means, "Asean Policy Responses to North American and European Trading Agreements," in Amitav Archarya and Richard Stubbs (eds.), *New Challenges for Asean. Emerging Policy Issue*.

<sup>19</sup> Christopher Lingle, *The Rise and Decline of the Asian Century: False Starts on the Path to the Global Millennium*, Hong Kong: Asia 2000, 1997, p. 42.

the Democratic Republic of Vietnam, a Communist regime, whilst the South fought against the North which was trying to invade the country. Malaysia's policy was to support the Republic of Vietnam in the South against continuing aggression from the North. The basis of Malaysia's policy was that the independence and territorial integrity of the Republic of Vietnam should be defended, indeed strengthened, at all costs.<sup>20</sup>

In 1958, Malaya's first Prime Minister, Tunku Abdul Rahman, visited Vietnam and made pledges of solidarity with President Ngo Dinh Diem.<sup>21</sup> The significance of this visit was that it was the Tunku's first official visit to a foreign country. Ngo returned the Tunku's visit two years later. The close relationship between the two countries was inspired by an anti-Communist sentiment. Malaya had fought against communist insurgency in a twelve-year struggle beginning in 1948, while South Vietnam was fighting against North Vietnam which was supported by Communist China.

In addition, the British success in counter insurgency activities in Malaya at the time of the Emergency encouraged the U.S. to attempt to use the same technique in Vietnam. Thousands of American, Vietnamese and Australian soldiers were sent to Malaya to take counter-insurgency courses at the British Jungle Warfare Training School in Kota Tinggi, Johor. However the strategy failed, partly due to sociocultural differences. In Malaya, the communists received support from the minority Chinese, while in Vietnam, the people were much more united in their rejection of Americans. Although the Malaysian government allowed U.S. soldiers to come to Malaysia for "Rest and Recreation" but its declined to send a

<sup>20</sup> Malaysia's Minister of Foreign Affairs speech by Radio Malaysia on October 6, 1966. Quoted from Ghazali Shafie, *ibid.*, pp. 94-95.

<sup>21</sup> J. Saravanamuttu, *ibid.*, p. 28.

contingent of soldiers to help in the war in Vietnam.<sup>22</sup> It maintained its stand that it did not want to align openly with the U.S. in the Vietnam War.

After a period of uncertainty following Vietnam's invasion of Cambodia, the Malaysian-Vietnamese relationship began to take off in the early 1990s. Now, as well as formal diplomatic ties, trade and investment became crucial focus. This was very much in line with Malaysia's emphasis in its foreign policy, an economic orientation. In January 1992, Premier Vo Van Kiet visited Malaysia, where an Investment Guarantee Agreement was signed between the two parties.<sup>23</sup> The purpose of the agreement was to ensure protection of investments from non-commercial risks, such as expropriation and nationalisation, as well as to allow for the remittance of capital and repatriation of profits. Kiet also visited Petronas, Malaysia's state-owned company, with a view to noting its experiences and involving Petronas in Vietnam's emerging oil and gas industry led by Petrovietnam.<sup>24</sup> After Kiet's visit, contacts between the two countries have been frequent.<sup>25</sup>

In April, Mahathir led a large delegation to Vietnam, including four ministers, 20 officials and 107 businessmen. During his six-day official visit, two agreements and a Memorandum of Understanding were signed. Mahathir's visit

<sup>22</sup> Ibid., p. 45.

<sup>23</sup> The agreement was signed on January 21, 1992 by the Malaysian International Trade and Industry Minister, Rafidah Aziz, and by Vietnam's Chairman of the States Committee for Cooperation and Investment, Dau Ngoc Xuan.

<sup>24</sup> Vietnam's state oil firm Petro Vietnam has signed contracts with oil companies from Japan, Taiwan, Britain Switzerland, Holland, France, Belgium, Sweden, Canada and Australia. See Gary Klintworth, *Vietnam's Strategic Outlook*, Canberra: The Research School of Pacific Studies, Australian National University, 1990, p. 8.

<sup>25</sup> Kiet visited Malaysia again in July 1992 as a guest of Mahathir.

made a tremendous impact on the intensity of relations. The visit helped open up business opportunities for Malaysian entrepreneurs and led to the members of private sectors returning to explore further ventures. On August 11, 1992, a Trade Agreement was signed between the two countries, providing framework within which bilateral trade cooperation could be enhanced and corresponding consultative mechanisms are instituted to effect cooperation. This agreement was concluded on the basis of the most favoured nation principles as embodied in the GATT. A Bilateral Payments Agreement (BPA) was also signed by both parties on March 29, 1993. This underpinned the settlement of monetary obligations arising from trade between pairs of countries. As a result, Malaysia's trade value with Vietnam jumped to US\$49.4 million in 1992 compared to US\$19.2 million in 1989.

In his three-day working visit to Hanoi from March 7 to 9 1996, Mahathir discussed issues of the Vietnamese refugees and overlapping territorial claims with his counterpart, Kiet. In relation to the first issue, Vietnam's government agreed to accept the return of the 3,789 immigrants still in Pulau Bidong who would be sent back by boat. On the issues of overlapping claims, Mahathir stated his belief that they could be resolved through friendly discussions. The Prime Minister also officiated in several Malaysian projects—a bank, hotel, export processing zone, and a Petronas representative office, besides visiting several Malaysian companies.

In his meeting with Malaysian businessmen, Mahathir urged them to seize the opportunities that were offered in Vietnam to ensure mutual benefits. He said that Malaysia was willing to share its experience in all areas including economy, commerce, investment, tourism, infrastructure and technology. Mahathir advised investors to grab the

opportunities as well as to follow local procedures, and to proceed with ventures that are long lasting rather than merely concerned with short-term gains.<sup>26</sup>

Table 4.2  
Foreign Investments in Vietnam  
(September 1996)

Investor	(US\$)
Taiwan	4.0 billion
Japan	2.4 billion
Singapore	2.4 billion
Hong Kong	2.3 billion
South Korea	2.0 billion
U.S.	1.3 billion
Malaysia	931 million

Source: The Vietnam Planning and Investment Ministry, 1996

Malaysia is currently the seventh largest investor in Vietnam with investments totalling some US\$931 million.<sup>27</sup> Among the Asean nations, Malaysia is the second largest investor, after Singapore, which has investments of US\$2.4 billion.<sup>28</sup> Malaysia has opened a commercial office in Ho Chi Minh City. According to Malaysian Ambassador Cheah Sim Kit, Malaysian investment in Vietnam before 1990 was zero, in 1992 was US\$27 million and in early 1996 exceeded US\$344 million. Bilateral trade also increased from US\$22 million in 1990 to almost US\$108.8 million in 1994, and more than US\$140 million in 1995. In terms of investment, most of Malaysian involvement was in the form of joint ventures with

<sup>26</sup> *New Straits Times*, March 18, 1996.

<sup>27</sup> *Business Times (Malaysia)*, September 18, 1996.

<sup>28</sup> *Business Times (Malaysia)*, July 21, 1995.

Vietnamese companies. In this context, Malaysian investors were advised to use the built-operate-transfer (BOT) mode as an investment vehicle for long-term projects. Under BOT, foreign investors would undertake projects using their capital, equipment and expertise. They would then operate the projects for a pre-determined period to allow to retrieve their investment capital with a certain profit. The projects would then be transferred to the Vietnamese government.

Three important factors helped the entry of Malaysian trade and investment to Vietnam. First, the European Union (E.U.) and Canada granted Vietnam most favoured nation (MFN) status in August 1992. According to the General Agreement of Tariffs and Trade (GATT), countries were encouraged to grant MFN status to trading partners. Previously, due to the invasion of Cambodia, the E.U. and Canada had refused MFN status to Vietnam and had continued to discriminate against Vietnamese imports.

Secondly, the lifting of trade sanctions by the U.S. in February 1994 also contributed to the incoming of foreign investments.<sup>29</sup> The US had imposed economic embargoes and denied help for Vietnam through its dominance of the World Bank, IMF and the ADB. The U.S. action crippled Vietnam's economy. However, the lifting of embargoes and the normalisation of relations between Washington and Hanoi opened up Vietnam to the world economy. Foreign investments mainly from Western Europe, Canada, South Korea, India, Taiwan, Hong Kong, Australia, Japan and other Asean countries, began to flow to Vietnam. Areas of interest

<sup>29</sup> During my visit to Hanoi in November 1992, I found that the Vietnamese were waiting for the lifting of the ban. They believe that once the Americans lift the sanctions, a flow of foreign investments would come through. Young Vietnamese were preparing themselves by learning foreign languages, especially English. They view English as a passport to a livelihood.

include hotels, tourism, petroleum, textiles and clothing, car assembly, transport services, telecommunications and agro-based industries.<sup>30</sup>

Thirdly, Vietnam's association with Asean became much closer, culminating in its admission as a full member on July 28, 1995. Vietnam had started to become closer after the International Conference on Cambodia in Paris in 1991. A year later in July 1992, Vietnam was able to accede to Asean's Treaty of Amity and Cooperation in Southeast Asia (TAC) and was granted observer status at the annual meetings of Asean's foreign ministers. In July 1993, at a meeting in Singapore, Vietnam became a founder member of a new 18-member Asean Regional Forum intended to provide a wider Asia-Pacific structure for multilateral security dialogues. At the Admission's Ceremony of Vietnam to Asean, Vietnam's Foreign Affairs Minister Nguyen Manh Cam mentioned that the admission of Vietnam would help in promoting economic and trade cooperation in the region for the prosperity of each country and for the whole region of Southeast Asia.<sup>31</sup> In recent years, economic cooperation has steadily become the most important area in Asean's relationship with all its dialogue partners particularly in the field of trade and investment.<sup>32</sup> In this regard, Vietnam's accession to Asean enhanced its economic cooperation and development, and helped encourage Malaysian access to it.

To conclude, various factors have contributed to the closer relationship between the two countries. Vietnam's *doi moi* policy liberalised the state's economy has had a positive

<sup>30</sup> Klintworth, *ibid.*

<sup>31</sup> 28th Asean Ministerial Meeting, Post-Ministerial Conferences with Dialogue Partners, and Second Asean Regional Forum, Jakarta: Asean Secretariat, 1995, p. 19.

<sup>32</sup> *An Overview Asean*, Jakarta: Asean Secretariat, 1995, p. 27.



impact on the entry of foreign investments into the country. This was especially after Vietnam was accorded the MFN status by the European Union and Canada. In addition, Vietnam's accession to Asean enable the country to work closely not only with Asean members but also with Asean's friends. On the other hand, Malaysia's intention to become a fully developed country by the year 2020 became a driving force for the Malaysian private sector to be involved in foreign markets.<sup>33</sup> This was also encouraged by Malaysia's foreign policy context of "prosper-thy-neighbour".

### Malaysia-Cambodia Relations

Cambodia has a special position in Malaysian foreign policy. The Kampuchean conflict, which resulted from the Vietnamese invasion of Cambodia in 1978 invited the involvement of the international community including Malaysia. The foreign powers' involvement was regarded by the Malaysian government as being against the principles of the ZOPFAN, the Malaysian proposal which was endorsed by Asean's Kuala Lumpur Declaration of 1971. To Malaysia, the Kampuchean conflict had to be resolved urgently in order to establish peace in the region. Towards this, Malaysia, together with its Asean partners, made a number of efforts at regional and international levels to effect a Vietnamese withdrawal from Cambodia.

One of these efforts was a meeting between Dato' Hussein Onn, the then Malaysian Prime Minister and President Suharto of Indonesia in the East Coast town of Kuantan which issued a joint statement later known as the "Kuantan Statement of 1980". A joint statement indicated concern over Asean's policy of confronting Vietnam following its invasion

<sup>33</sup> K.S. Nathan, "Vision 2020 and Malaysian Foreign Policy," in *Southeast Asian Affairs*, 1995, pp. 233-234.

and occupation of Cambodia in December 1978. A particular anxiety was the way in which that policy had arisen from Thailand's developing association with the People's Republic of China, which both Malaysia and Indonesia regarded as being a greater source of external threat than Vietnam.<sup>34</sup> The statement reflected long standing interests by both Indonesia and Malaysia in persisting with the proposal to make Southeast Asia a ZOPFAN, free from outside powers.

Vietnam's withdrawal resulted in the infighting between four warring Kampuchean factions and this attracted the attention of the U.N. In September 1990, the U.N. Security Council instituted a mechanism to prepare for national democratic elections. As a result, some 15,000 U.N. troops from nearly 30 countries, including Malaysia, were deployed in Cambodia to help rebuild the country's infrastructure, disarm the rebel factions, resettle thousands of refugees from Thailand and supervise the May 1993 elections.<sup>35</sup> The U.N. on September 30, 1991 established the U.N. Advance Mission in Cambodia (UNAMIC) to assist the four warring Kampuchean factions maintain the ceasefire and to initiate a mine-awareness training for the civilians.<sup>36</sup> On February 28, 1992, the U.N. Security Council established the United Nations Transitional Authority in Cambodia (UNTAC).<sup>37</sup>

<sup>34</sup> Leifer, *ibid.*, p. 135.

<sup>35</sup> Derek Maitland, *Insider's Vietnam, Laos and Cambodia Guide*, Les Anceles, France: Novo Editions SA, 1995, p. 39.

<sup>36</sup> From 1960 to 1994, the Malaysian Armed Forces committed personnel in 13 countries involving 16 missions. The first participation dated back from 1960-1963 in the United Nations Operation in Congo (ONOC).

<sup>37</sup> When UNTAC became operational on March 15, 1992, UNAMIC was absorbed into UNTAC.

On March 16, 1992, Malaysia deployed a military contingent comprising 910 officers and men to serve for a period of 12 months.<sup>38</sup> The Malaysian Rangers were based in the Battambang province about 300 kilometres from Phnom Penh and 100 kilometres from the Cambodia-Thailand border. Eight Royal Malaysian Air Force (RMAF) helicopters were also sent to support the conduct of the elections under the supervision of UNTAC in Cambodia. The U.N. and the Cambodian leaders commended Malaysian involvement. The UNTAC Chief, Yasushi Akashi, praised the Malaysian Ranger Battalion for its excellence in security arrangements. The King of Cambodia, Norodom Sihanouk, also sent a similar message saying that Cambodia appreciated Malaysia for its noble role under the auspices of UNTAC, stating it was valiant, beneficial and exemplary.<sup>39</sup> This contribution by the Malaysian Armed Forces was a bridge leading to a closer relationship between the two governments.

Mahathir's first two-day official visit to Cambodia in April 1994 was accompanied by a business delegation led by the Chairman of the Malaysia South-South Association (MASSA), Tan Sri Azman Hashim. In his speeches, Mahathir pointed to two important issues.<sup>40</sup> First, regarding Asean, he hoped that Asean would ultimately comprise all ten countries in Southeast Asia. Mahathir urged Cambodia to participate in Asean of which Laos and Vietnam had already become observers. Second, on bilateral cooperation, Mahathir emphasised Malaysia's willingness to help Cambodia in its

<sup>38</sup> Dato' Nordin Yusof and Abdul Razak Abdullah Baginda (eds.), *Honour and Sacrifice. The Malaysian Armed Forces*, Kuala Lumpur: Ministry of Defence, 1994, p. 177.

<sup>39</sup> *Ibid.*, p. 179.

<sup>40</sup> *Malaysian Digest*, vol. 22, no. 3, March/April 1994, p. 1.

reconstruction and development efforts, adding that the two countries should aim towards a regional partnership.

To further enhance cooperation, Mahathir suggested that a number of bilateral agreements be signed. Four months later, in Kuala Lumpur at a dinner in honour of HRH Prince Norodom Ranariddh, the First Prime Minister of Cambodia, Mahathir expressed his welcome and support of Cambodia's desire to become a member of Asean. Mahathir also stressed Malaysia's commitment to increase trade with Cambodia and to enhance relations and cooperation in various fields.

By the end of 1995, close relations had been established between the two countries. According to the Malaysian Ambassador to Cambodia, Deva Mohd Ridzam, apart from Ariston, which was involved in the US\$0.5 billion airport and other development projects in Sihanoukville, there were 25 other Malaysian companies with investments worth some US\$168 million. Malaysia was also the largest provider of employment to Cambodians, with the various projects accounting for between 6,000 and 7,000 jobs. However, several problems occurred. For example, Ariston faced bureaucratic problems and criticism on one of its casino projects. The company was asked to stop the project, which later necessitated the involvement of the highest Cambodian authority.<sup>41</sup> In a meeting with Mahathir in March 1997 in Kuala Lumpur, Prince Ranariddh gave an assurance that the problems that had caused delays in Malaysian investment projects could be resolved. In this regard, the signing of the agreements between the two governments was a useful mechanism to ensure a successful cooperation.

<sup>41</sup> In his letter to the Malaysian Prime Minister, the second Prime Minister of Cambodia, Hun Sen said that Cambodia would honour all business agreements signed with Malaysia, whether in respect of Malaysian companies or any other investors. *Business Times (Malaysia)*, June 3, 1996.

Malaysia's rapid involvement in Cambodia had other effects. The Malaysian government claimed that certain quarters<sup>42</sup> were envious of Malaysia's big investments in Cambodia, and described the kingdom as Malaysia's 14th state.<sup>43</sup> The other parties' envy of Malaysia's involvement in Cambodia was justified. From January to June 1995, Malaysia was the fourth largest investor with a total investment of US\$5.2 million, after Singapore, Britain and Thailand. It was followed by France, Taiwan, Hong Kong, U.S., China and Australia.<sup>44</sup> But by early March 1996, Malaysia was the biggest foreign investor in Cambodia with over US\$0.4 billion worth of approved projects.

Malaysian-Cambodian relations were cemented by diplomatic cooperation. In the middle of February 1993, a 16-member delegation comprising senior representatives of some political parties in Cambodia arrived in Malaysia to study the country's experience in electoral processes, including the workings of multiparty pluralism and parliamentary democracy.<sup>45</sup> Cambodia praised Malaysia's strong support in facilitating Phnom Penh's entry into the regional grouping and the Cambodian Foreign Minister Ung Huot thanked the Malaysian government for helping

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<sup>42</sup> Mahathir said that Prince Ranariddh told him that France had accused Cambodia of favouring Malaysia, particularly in terms of investments, because Ranariddh's wife was of Malay origin.

<sup>43</sup> The Federation of Malaysia consists of 13 states: Johor, Melaka, Negeri Sembilan, Selangor, Perak, Kedah, Pulau Pinang, Perlis, Kelantan, Terengganu, Pahang, Sabah and Sarawak.

<sup>44</sup> *Far East Economic Review*, October 12, 1995, p. 54.

<sup>45</sup> Malaysia also donated US\$0.4 million for the rehabilitation and economic construction of Cambodia. In addition, the Malaysian government donated US\$20,000 to the Secretariat of the Supreme National Council (SNC). *Foreign Affairs Malaysia*, vol. 25, no. 1, Jan. 1992, p. 54.

Cambodia in its bid to join Asean by providing training to 25 Cambodians on Asean matters.<sup>46</sup>

Malaysia's large involvement in Cambodia was also helped by the close relationships between the leaders of two countries. High-level diplomacy and the leaders' personal relationship again were important in building the relationship. In this regard, Mahathir's style of diplomacy is significant. As with other world leaders, Mahathir was able to build close personal relations with Cambodian leaders, particularly with President Norodom Sihanouk and with Premiers' Ranarridh and Hun Sen. Frequent meetings between Cambodian leaders and Malaysian authorities enabled them to learn and adapt Malaysia's development experience.<sup>47</sup>

### Malaysia-Laos Relations

In early 1992, a group of Malaysian officials and businessmen led by the Minister of Primary Industries, Dr Lim Keng Yaik, visited Laos to explore business prospects in the country. In the following December, Laotian Prime Minister Khamtay Siphandone arrived in Kuala Lumpur for a three-day official visit. During his visit, three agreements on economic, scientific and technical cooperation, air, and the investment guarantees were signed.<sup>48</sup> A year later, the Laotian President Nonhak Phoumsavanh and his 12-member delegation visited Malaysia and in April 1994, Mahathir and his entourage visited Laos for another three-day official visit.

<sup>46</sup> *Bernama News Service*, May 15, 1996.

<sup>47</sup> Prince Ranarridh has attended the 2nd Langkawi International Dialogue on Smart Partnership held in Langkawi, Kedah, Malaysia from July 20-29, 1996. On October 9, 1996, the Prince and Premier Hun Sen had attended the opening ceremony of the United Malays National Organisation (UMNO) General Assembly held in Kuala Lumpur.

<sup>48</sup> *Foreign Affairs Malaysia*, vol. 25, no. 4, December 1992, p. 73.

Malaysia's involvement in Laos took the form mainly of technical and economic cooperation. Malaysia offered several courses to Laotians through its MTCP. Up to 1994, INTAN trained 9 Laotian through its MTCP compared to 5 and 4 to Kampuchea and Vietnam, respectively. In March 1995, a group of officials from the Laos Education Ministry attended a five-week English course at INTAN in Kuala Lumpur. Malaysia also helped Laos reforest 120,000 hectares of land destroyed by "slash-and-burn cultivation" techniques practised by Laotian nomadic tribes. In this context, Laos followed the system used by the Malaysian Federal Land Development Authority (FELDA) for agricultural development.<sup>49</sup>

Foreign investment is important for Laos's economic development. As the only land-locked state in the dynamic region of Southeast Asia, Laos badly needs foreign money. In this regard, Malaysia's involvement in the country has been significant. Malaysia was the fifth largest investor in Laos with investments totalling US\$136.4 million.<sup>50</sup> Mahathir's visit in April 1994 paved the way for Malaysian investors to enter the country. They became involved in agriculture, textiles, process industry, wood processing, mining, trade, hotel and tourism, banking, consultancy, construction, energy, telecommunications and transport. Malaysia Airlines (MAS) began its twice-weekly flights via Phnom Penh on July 1, 1996.

Two factors, namely the Bilateral Payment Arrangement (BPA) and Laos's involvement in Asean helped Malaysian

<sup>49</sup> FELDA was established on July 1, 1956 to develop new land into agricultural areas and resettle the rural poor. Up to 1995, FELDA had developed 891,986 hectares of land and had settled 114,159 settler families in 309 land schemes.

<sup>50</sup> *Business Times (Malaysia)*, June 5, 1996, p. 20.

involvement in Laos. The BPA between Malaysia and Laos was signed in Vientiane on April 16, 1994, during Mahathir's visit. This secured monetary settlements.

With regard to Laos's participation in Asean, its accession to Asean's Treaty of Amity and Cooperation in Southeast Asia in 1992 brought Laos closer to it. Laos announced her intention to join Asean in 1997. As an Asean observer, Laos began to take part in some Asean meetings and projects of functional cooperation.<sup>51</sup> For example, Laos was invited to attend regular meetings of Asean such as the Meeting of the Asean Heads of Government, Asean Ministerial Meeting (AMM), Asean Economic Ministers (AEM), Asean Regional Forum (ARF) and Asia-Europe Meeting (ASEM). By attending the meetings, Laos was exposed to Asean's colleagues and enabled her to discuss economic and diplomatic matters with Asean's friends.

### The Refugee Issue

An issue that dominated Malaysian foreign policy for twenty years was the issue of Vietnamese refugees. The influx of Vietnamese refugees to Southeast Asian countries, including Malaysia, was caused by forty years of Indochina's suffering. It started with the First Indochina War against the French, followed by the Second Indochina War against the Americans, then the Khmer Rouge and finally Vietnam's occupation of Cambodia.

The first wave of refugees started in 1975, when thousands of them landed in Hong Kong, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Macau. In 1978, at the height of the influx, Bataan in the Philippines, Galang Island in Indonesia and Bidong Island in Malaysia

<sup>51</sup> *An Overview Asean*, *ibid.*, p. 31.



were converted into on-loading refugee centres. In Malaysia, about 258,300 refugees came into the country after 1975, who were placed into two transit camps, namely Bidong Island in Terengganu and Sungei Besi Camp in Selangor.<sup>52</sup> The Malaysian foreign policy objective regarding this issue was to contain the problem of Vietnamese refugees before they undermined the social and political stability of receiving states. The government's views were that these refugees should be resettled in third countries or voluntarily repatriated to their countries of origin.<sup>53</sup>

The international community recognises three solutions to such a predicament: voluntary repatriation, local settlement, and their country resettlement.<sup>54</sup> Voluntary repatriation means refugees choose to return to their original country. In the case of the Vietnamese refugees, many studies showed that the majority of the refugees were reluctant to be repatriated. Osborne's study found that only 10 out of 205 respondents without any qualification agreed to be repatriated.<sup>55</sup> Most of the refugees noted the "fear of fighting, fear of the Vietnamese and fear of Communism" as dominant factors in their reluctance to return. With voluntary repatriation not seen as an option, the best solution for the refugees themselves was to seek local settlement in their country of first asylum. However, not many countries were willing to accept them due to their own domestic constraints.

<sup>52</sup> *Utusan Malaysia*, June 26, 1996.

<sup>53</sup> *Foreign Affairs Malaysia*, vol. 20, no. 2, June 1987, p. 60.

<sup>54</sup> Peter A. Toma and Robert F. Gorman, *International Relations Understanding Global Issues*, Belmont, California: Brooks/Cole Publishing Company, 1991.

<sup>55</sup> Milton Osborne, "Kampuchean Refugees: The Continuing Evolution of a Humanitarian and Political Problem," in Milton Osborne, et al., *Refugees: Four Political Case-Studies*, Canberra: Australian National University, 1981.

Malaysia was reluctant to accept the Vietnamese refugees due to its ethnic composition. Gordon Lawrie's study on Hong Kong Refugees showed that approximately 80 per cent of 80,000 Vietnamese refugees in Hong Kong camps were ethnic Chinese.<sup>56</sup> In this regard, Malaysia feared that giving a home to a large number of refugees would upset its already difficult ethnic balance.<sup>57</sup> This left the need to find third country resettlement.

Although about 1.5 million Vietnamese refugees were placed in third countries, the process was not an easy one. Asylum was offered only to those who had qualifications, working experience and skills and who already had relatives in the asylum country. Due to these factors many refugees failed to be listed and were finally stranded in the transition camps waiting for the time to go back to Indochina.

Compared to other Southeast Asian countries, Malaysia suffered much from the incoming of the refugees. It became the prime target for the refugees because of its close proximity to Vietnam. The East Coast states of West Malaysia, especially Kelantan and Terengganu, were the closest landing points for the refugees. Kelantan and Terengganu are two specifically Malay-based states and had been the heartland of Malay nationalism. In terms of domestic politics, these two states were ruled alternately by the ruling National Front (NF) and the Malay opposition party, the Pan Malaysian Islamic Party (PMIP).

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<sup>56</sup> During the 1970s, Malaysia faced socioeconomic imbalance among its three major ethnic groups: Malays, Chinese and Indians. At that time, the Chinese, who made up of about 30 per cent of the population, controlled the country's economy.

<sup>57</sup> Toma and Gorman, *ibid.*, p. 388.

Table 4.3

**Placement of Refugees in a  
Third Country from Malaysia**

Country	Total
The U.S.	142,376
Australia	48,631
Canada	33,273
France	7,056
Germany	3,700
Switzerland	2,736
New Zealand	1,924
Holland	1,817
Other countries	5,073

Source: *Utusan Malaysia*, June 25, 1996

The influx of the refugees became a big political issue for the opposition, especially at the time of elections. Two points were raised. First there was resulting destabilisation of the market price of daily goods as sugar, rice and fish. It was also claimed that the government paid a higher price to get the supplies to the transit camp at Bidong Island. The increase in price was a burden to the local people. Secondly, it was claimed that the placement of the refugees at Bidong Island deprived the chances for fishermen to go fishing in the surrounding areas because the island had been declared as restricted area. This situation affected the income and the economy of the local fishermen. The Malaysian government with the help of the Malaysian Red Crescent Society (MRCS) and the United Nations High Commissioner for Refugees (UNHCR) have tried to place the refugees into a third country or send them back to their own country. Malaysia also sought cooperation from the Vietnamese government.

In August 1988, a high-level Malaysian delegation led by the then Deputy Prime Minister Abdul Ghafar Baba went to Vietnam to discuss the issue with the state's leaders, meeting with Vietnam's Deputy Prime Minister and Foreign Minister Nguyen Co Tach.

In a joint communiqué, Malaysia stated that it would close Pulau Bidong and that it would not accept any more boat people.<sup>58</sup> Throughout this process, Malaysia managed to place 246,586 refugees in a third country (see Table 4.3). The U.S. accepted about 58 per cent of Vietnamese refugees from Malaysia and about 400,000 refugees from all transit camps in Southeast Asia. The U.S.'s involvement was due to her commitment to assist the Indochinese states. The U.S. was involved in Indochina's conflict for about 15 years and only withdrew from the country in 1975 when Saigon fell to the communists.

Since the 1980s, Malaysia has hosted various international conferences to resolve the refugee problem. A major preparatory meeting of the International Conference on Indochinese Refugees (ICIR) was held in Kuala Lumpur from March 7-9, 1989. In that meeting, a draft of the Comprehensive Plan of Action (CPA) was discussed. The draft called for more active screening process and the resettlement of the refugees away from the countries of Southeast Asia. According to the CPA, a person who wanted to go to a third country had to register his name in his country and at the country that he wanted to go to.<sup>59</sup> The CPA was later signed in Geneva on June 14, 1989.<sup>60</sup>

<sup>58</sup> Sail, *ibid.*, pp. 68-69.

<sup>59</sup> Those with higher qualifications and from the professional group were given priority by the third country.

<sup>60</sup> The major points of the CPA included: (i) countries of asylum were permitted to screen all asylum-seekers to determine who qualified for refugee status, (ii) donor governments agreed to resettle

In the case of Malaysia the CPA has contributed in reducing the number of immigrants. From 1989 to 1991, only 31 illegal immigrants from Vietnam came to the country, and after 1991 there were none. The CPA also succeeded in helping Malaysia send back 8,210 the Vietnamese Illegal Immigrants (VII): 7,489 refugees were sent back through the Volunteer Repatriation Programme (VOLREP) and 721 through the Orderly Departure Programme (ODP). The Orderly Departure Arrangement (ODA) was successful in placing nearly 700,000 refugees in other third countries especially in the U.S.

Malaysia faced several problems in implementing the CPA. According to statistics, 90 per cent of the refugees that were stationed in Malaysian camps were categorised as "screen out refugees". The term was referred to those who were not eligible to be sent to a third country. There were two problems. Firstly, many of the refugees were reluctant to be sent back voluntarily to Vietnam. They were afraid that they would be discriminated against and would even be executed when they arrived in Vietnam. Due to this position, the Malaysian government had to send the refugees via the ODA. The ODA was a mechanism which provided a safe and legal alternative to the Vietnamese immigrants and reduced the incidence of discrimination and risk when they arrived back in Vietnam.

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expeditiously all individuals found to meet the refugee status, (iii) all individuals were screened out; that is, those who did not meet refugee status, were subject to deportation to Vietnam, (iv) Vietnam agreed to accept the principle of voluntary repatriation and to accept back its citizens who had previously fled, and (v) Vietnam agreed to take steps to reduce the pressures that caused people to flee by boat and to facilitate more orderly emigration through the Orderly Departure Programme (ODP).

The second problem faced by the Malaysian government was the reluctance shown by the Vietnamese government in accepting the refugees back in a big group. This issue arose when Malaysia was trying to send back 4,000 refugees due to domestic pressure. In August 1995, the Vietnamese government turned down the request. Two months later the Malaysian government put forward a counter proposal suggesting that the returning process be made in various stages and in smaller numbers. In January 1996, the Vietnamese government approved the Malaysian proposal. On June 25, 1996, the Sungai Besi Camp, which had housed 12,460 Vietnamese refugees was officially closed. Malaysia thus became the first Asean country to complete the U.N.-initiated Comprehensive Plan of Action, having played central role in CPA's creation in 1989.<sup>61</sup>

### The Greater Mekong Subregion (GMS)

Another important step taken by Asean was to develop the Greater Mekong Subregion (GMS) under the Asean-Mekong Basin Development Cooperation (AMBDC). The GMS comprised of Cambodia, Laos, Myanmar, Thailand, Vietnam and the Yunnan Province of the People's Republic of China. The GMS had a population of about 230 million and was rich with timber, agricultural land for rice production, oil and gas, precious stones and rivers suitable for hydropower generation.<sup>62</sup> There was also a huge pool of young, industrious, and trainable labour in the six countries. The total GDP of the subregion was about US\$184 billion in 1994. If

<sup>61</sup> After June 30, 1996, the UNHCR stopped all financial assistance to the Southeast Asian transit camps.

<sup>62</sup> The subregion in the words of the Asian Development Bank is a natural economic area whose complementary in natural resources, labour and capital, if exploited, could generate more vigorous growth.

the economies continued to perform well, the total GDP of the subregion was estimated to reach US\$345.2 billion by 2010. The idea of the AMBDC was proposed at the 5th Asean Summit in Bangkok in December 1995 when the Asean leaders exchanged views on the initiative with the Heads of Government of Cambodia, Laos and Myanmar (CLM countries). The meeting agreed to pursue the initiative and requested Malaysia to study the idea and convene a ministerial meeting to discuss findings of the study.

Another idea borne by the 5th Asean Summit was that of rail links for high-speed electric trains running between Singapore and Kunming in Yunnan, China, via Kuala Lumpur and Bangkok. The idea, proposed by Malaysia, was that such rail links would bring people in Asean and in the Mekong Basin closer together.<sup>63</sup> Malaysia allocated US\$328,000 to study the rail links idea. Asean Heads of Government believed that the cooperation would help expedite the long cherished dream of a "one Southeast Asia under one Asean".<sup>64</sup>

Malaysia and Singapore have been strong proponents of the AMBDC. Mahathir in his statement in Hanoi in March 1996 stated that Malaysia would play a role in the development of the Mekong Basin and conduct a study on its potential. Among the areas that would be researched were tourism, use of water for irrigation purposes and for hydroelectric generation, and the use of the river for communication and as an artery in the Mekong area. Malaysia's strong support of the idea was driven by its intention to establish the East Asian Economic Caucus (EAEC), which was first enunciated on December 10, 1990.

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<sup>63</sup> At the first Asia-Europe Meeting (ASEM) in Bangkok in March 1996, Mahathir proposed that the line should be extended westwards to Europe.

<sup>64</sup> *Asean Update*, vol. 1/96, January-February 1996, p. 6.

Malaysia believed that the GMS which was supported by all Southeast Asian countries, and PRC would be a stepping stone to establish the EAEC. From Singapore's point of view, the participation of Asean in the GMS projects enabled all Asean members to participate actively in the region hence hindering monopoly by any state in the region's economy.<sup>65</sup>

### Summary

Malaysia's involvement in the development of Indochina is significant. Malaysia worked continuously to develop a close relationship with the Indochinese states either by bilateral or multilateral approaches, particularly after the end of the Cold War. The pull out of the Vietnamese from Cambodia in the late 1980s was the starting point for Malaysia in initiating closer political and economic relations with the Indochinese states.

Although several factors influenced the attachment between Malaysia and other regional states, the regional integration factor under the umbrella of Asean was the most significant. The Indochinese states' intention to join Asean forged a closer relationship among all the Southeast Asian countries. The relations between government to government was strengthened. In addition, the changes in the political and economic systems of the former socialist countries of Indochina brought confidence not only to the Malaysian government but also to the private sectors.

Malaysia's economic relations with the Indochinese states were more visible than any other form of relationship. The Indochinese states had all the ingredients to become successful economic powers. Huge markets with abundant natural resources were not only good for Malaysian investors

<sup>65</sup> Thailand was the biggest investor in Laos and Cambodia with a total investment of US\$221.6 million and US\$104 million respectively.



but also beneficial for regional growth. However, Malaysia's involvement in the Indochinese economy had created discontent in certain groups. They were not happy with Malaysia's economy involvement in the region. They felt deprived by the regional advantage gained by Malaysia.

## Chapter 5

### MALAYSIA-SOUTH PACIFIC RELATIONS: A RENEWING COMMITMENT

THE SOUTH PACIFIC COUNTRIES, particularly Papua New Guinea, Fiji, Tonga and Western Samoa had established close contact with Malaysia since the early 1980s. Mahathir Mohamad visited Suva and Port Moresby, the capitals of Fiji and Papua New Guinea in 1982 and in 1984, respectively, when he attended the Commonwealth Heads of Government Regional Meetings (CHOGRM). In 1991, Mahathir made a brief stop at Suva while he was on the way to and from South America. In 1994, Carlot Korman, the Prime Minister of Vanuatu visited Malaysia, followed a year later by Sir Julius Chan and Gen. Sitiveni Rabuka, the premiers of PNG and Fiji, respectively. These frequent exchanges of visits between the leaders of Malaysia and the South Pacific countries which also involved senior officials and foreign ministers, maintained a constant impetus to the countries' relations.

This chapter explains some of the characteristics of the South Pacific islands, particularly the Melanesian Islands of Papua New Guinea, Fiji, Vanuatu and the Solomon Islands. It also examines Malaysia's multilateral relations through the Commonwealth, South Pacific Forum, Asean and APEC and explains the pattern of the relationship in these organisations. In addition, Malaysia's strong support of the region's protest on French nuclear testing will also be discussed. It is argued that Malaysia's involvement in the Commonwealth, Asean

and APEC, as well as its support on several regional issues had strengthened its relations with South Pacific countries. Here, the multilateral relations played a significant role in ensuring a close linkage between Malaysia and South Pacific countries.

### The South Pacific Islands: An Overview

The South Pacific region stretches 17,000km longitudinally from Papua New Guinea in the west to South America in the east, and 7,000km latitudinally from the equator to the Antarctic Ocean. There are 22 island countries that are vastly different in size and population situated in the area.<sup>1</sup> Papua New Guinea in the west is the biggest and the most populated country with a land area of 461,690 sq km and a population of 3,963,000. On the other hand, Tokelau in the north is the smallest island country with a land area of 12.1 sq km and Pitcairn in the east is the least populated with only 100 people.

Politically, the Pacific Island countries, except Tonga, have been ruled by such colonial powers as Great Britain, France, Germany, Spain, the U.S., Australia and New Zealand. In 1564 Spain acquired Guam and the Northern Mariana Islands, which were the earliest colonies in the region. In terms of political status, 14 of the islands are sovereign states. Western Samoa was the first independent country when she was freed from New Zealand in 1962. On the other hand, Palau which was freed on October 1, 1994, became the last trusteeship in the world.<sup>2</sup> American Samoa,

<sup>1</sup> The countries are American Samoa, Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Nauru, New Caledonia, Niue, Northern Mariana Islands, Palau (Belau), Papua New Guinea, Pitcairn Islands, Solomon Islands, Tokelau Islands, Tonga, Tuvalu, Vanuatu, Wallis and Futuna, Western Samoa and Easter Island.

<sup>2</sup> Arnold H. Leibowitz, *Embattled Island Palau's Struggle for Independence*, Westport, Connecticut: Praeger, 1996, p. xiii.

Guam and the Northern Mariana Islands are American territories, French Polynesia, New Caledonia, Wallis and Fortuna are under French administration, the Pitcairn Islands are under Britain, the Tokelau Islands under New Zealand and Easter Island is under Chilean control. Although the decolonisation processes had been taking place since the early 1960s, Western influences, particularly through the U.S. and Australia, are still visible in the region.

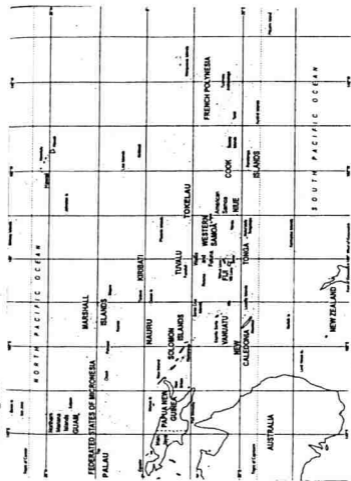
During the Cold War, the Soviet Union tried to gain political influence in the South Pacific area. In the mid 1980s, Vanuatu and Kiribati signed fishery agreements with the USSR. The agreement allowed Soviet boats to fish within the 200-mile EEZ. In addition, the Soviet allies such as Libya,<sup>3</sup> Vietnam, China and North Korea were also trying to penetrate the region. Of all the South Pacific Islands states, Vanuatu was the closest to the Soviet regime and its allies. This is because Vanuatu was the only non-aligned movement (NAM) member in the region and its foreign policy orientation was directed towards Third World solidarity.

From a security perspective, the South Pacific region was relatively stable. This was due to its geographical remoteness and its insignificant economy. Apart from the Bougainville crisis in Papua New Guinea<sup>4</sup> and the issue of race relations in

<sup>3</sup> Libya's involvement in the South Pacific has been discussed by Denis McLean, "The Other External Powers," in F.A. Mediansky (ed.), *Strategic Cooperation and Competition in the Pacific Islands*, Sydney: The University of New South Wales, 1995, pp. 357-363.

<sup>4</sup> Bougainville, or North Solomons Province of PNG, has been the scene of secessionist rebellion when since late 1988 the Bougainville Revolutionary Army (BRA) managed to overcome the PNG Defence Force. In March 1997, the PNG Defence Force protested the Government's intention to hire international mercenaries to fight against the BRA. The protest brought the downfall of Sir Julius Chan who was replaced by John Ciheno as caretaker prime minister.

## Pacific Islands Region



Source: Pacific Human Development Report, 1999

Fiji,<sup>5</sup> which dominated regional politics, on the whole, the region was secured. However, France's detonation of a nuclear device on September 5, 1995, at Mururoa Atolls in French Polynesia invited protests not only from regional neighbours but also from all over the world.

Culturally, the South Pacific region is divided into three areas: Melanesia, Polynesia and Micronesia. The boundaries between these three major cultural areas are not precise, and there is a great deal of overlap. A clear example is Fiji that can be regarded as part of Melanesia or Polynesia or both.<sup>6</sup>

Melanesia, consisting of Papua New Guinea, Vanuatu, the Solomon Islands, New Caledonia and Fiji, is the largest and most populated area in the region. It contains 95 per cent of the land and over 70 per cent of region's population. In addition to the islands' indigenous peoples there are significant numbers of Indians in Fiji, Chinese in Vanuatu and the Solomon Islands and Europeans in New Caledonia. Included in the Polynesian region are Tonga, Samoa, Niue, Tuvalu, Cook Islands and Tahiti, as well as Marquesas, New Zealand, Hawaii, Tokelau, Wallis and Fortuna and Easter Island.

Unlike Melanesian cultures, Polynesian cultures have much in common. In terms of language, there is a close relation between the Malay language that is used in Malaysia, Singapore, Brunei and Indonesia and the languages used in this region. Linguists classify the family as Malayo-Polynesian. Micronesia, on the other hand, is a series of small

<sup>5</sup> The Labour/National Federation Party coalition led by Dr Timoci Bavadra defeated the Alliance Government led by Ratu Sir Kamisese Mara in the 1987 election. A military coup led by Rabuka then declared Fiji as a republic. Since then the issue of constitution review has been dominant in local politics.

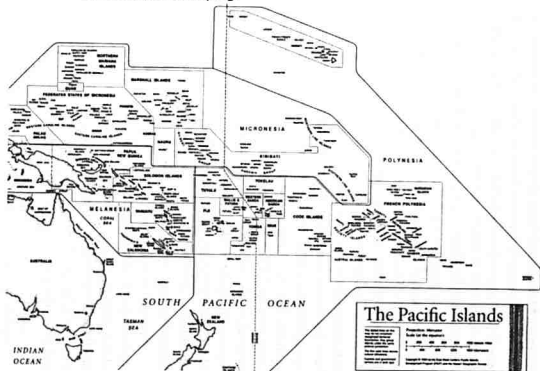
<sup>6</sup> Ron Crocombe, *The South Pacific An Introduction*, Auckland: Longman Paul Ltd, 1983, p. 14.

**Table 5.1**  
**The South Pacific Islands: Basic Data**

Country	Population	Land Area (sq km)	Capital
American Samoa	54,600	197	Pago-Pago
Cook Islands	19,100	240	Avarua
Easter Island	2,700	180	Hanga Roa
Federated States of Micronesia	105,900	701	Palikir
Fiji	777,700	18,272	Suva
French Polynesia	218,000	3,265	Papeete
Guam	146,700	541	Agana
Kiribati	78,300	690	Tatawa
Marshall Islands	54,069	176	Majuro
Nauru	10,600	21	Yaren
New Caledonia	182,200	19,103	Noumea
Niue	2,100	259	Alofi
North Marianas	56,600	471	Saipan
Palau	16,500	494	Koror
Papua New Guinea	3,951,500	462,243	Port Moresby
Solomon Islands	367,400	28,369	Honiara
Tokelau	1,500	10	
Tonga	98,300	747	Nuku'alofa
Tuvalu	9,500	26	Funafuti
Vanuatu	164,100	12,190	Port Vila
Wallis and Fortuna	14,400	255	Mata Utu
Western Samoa	163,500	2,820	Apia

Source: Donald Denoon, Stewart Firth, Jocelyn Linnekin, Malama Meleisea and Karen Nero, *The Cambridge History of the Pacific Islands*, Cambridge University Press, Cambridge, 1997, p. 369

# The Pacific Islands: Ethnic Groupings





islands lying mainly north of the equator. Seven countries are included in Micronesia, namely the Federated States of Micronesia, Guam, Kiribati, Marshall Islands, Nauru, Northern Mariana and Palau (Belau). In terms of population, the five countries of Melanesia have an estimated 5,531,300 people, the seven countries of Micronesia 471,800 people and the ten countries of Polynesia 580,900 people.<sup>7</sup>

Economically, there is a wide disparity between the three areas. Due to geographical factors, all the Melanesian islands are rich in natural resources. They have fertile land, timber and minerals. They have extensive forest areas that have been the sources of sizeable export timber production. In addition, these countries actively promote manufacturing and service industries such as textile, fishing, timber and tourism. They have developed away from their traditional base of tropical agriculture towards rapid industrialisation. The Melanesian economy has the potential to achieve economic vibrancy and independence.<sup>8</sup> The Polynesian economy on the other hand depends on the fishing industry, agricultural products and tourism. Timber can only be found in Western Samoa. The Micronesian economy is the least developed in the region. Apart from Nauru which is rich in phosphate, other islands depend on agricultural products such as copra and vegetables.

Economically, most of the countries in the South Pacific region depend on foreign aid. For almost all the Pacific islands, foreign aid has played a vital role in meeting developmental needs, government budgets and in providing foreign exchange. The region is one of the most heavily aid-assisted regions in the world, with an estimated US\$1,114

<sup>7</sup> *Islands Business*, December 1995, p. 33.

<sup>8</sup> Peter Bauer, Savenaca Siwatibau and Wolfgang Kasper (eds.), *Aid and Development in the South Pacific*, Australia: The Centre for Independent Studies, 1991, p. 21.

million in 1990, or US\$174.1 per capita.<sup>9</sup> Most of the aid to the Pacific countries comes from France, the U.S., Japan, Australia, New Zealand and the EEC. Aid from France and the U.S. flows mainly to their former colonies or dependent territories such as New Caledonia, French Polynesia and Micronesia and is largely in the form of budgetary grants. Most of Australia's aid goes to Papua New Guinea. Total Australian aid to PNG in 1992-1993 was US\$227 million, and its aid to the other South Pacific islands was only US\$81.2 million.<sup>10</sup> Australia's aid to PNG has been determined by historical, strategic and economic factors.

Foreign aid is given for many reasons. These include the ties to potential trade, ex-colonial links, political solidarity, self-interest, peace promotion, strategic interests, political, social and economic change, and humanitarian reasons. The first six reasons have been relevant. Aid has been given to enable the donors to trade with the recipients or because the donors feel obligated to help the recipients because they used to be one of their colonies. Donors have also felt that if they didn't assist the recipients, there would be disruptions to recipient trade and way of life and /or the donors believed that their aid could promote good relationships in their region. Or, where strategic interests are concerned, it may be suggested that aid should be concentrated on countries closer to home. With regards to this, it is obvious that Australia, France and the U.S. aid to the region has been encouraged by the ex-colonial factor, the EEC and Japan aid is influenced by the

<sup>9</sup> Te'o I.J. Fairbairn, "Pacific Islands Economies: Structure, Current Developments and Prospects," in Norman Douglas and Ngaire, *Pacific Islands Yearbook*, 17th edition, Suva: Fiji Times Ltd, 1994, p. 18.

<sup>10</sup> Cooperation Australia's Overseas Aid Programme 1993-94, Canberra: Australian International Development Assistance Bureau (AIDAB), 1994, p. 5.

Table 5.2  
**Pacific Islands Economies: Primary Products**

Country	Principal Products
American Samoa	Canned fish and other fish product
Cook Islands	Fresh fruit and vegetables, pearl shells clothing, copra
Federated States of Micronesia	Copra
Fiji	Sugar, garments, gold, coconut oil, molasses, fish, timber products
French Polynesia	Coconut oil, culture pearls, fruit
Guam	Transshipped goods
Kiribati	Copra, fish
Nauru	Phosphate
New Caledonia	Nickel ore, non-ferrous metals
Niue	Coconut cream, lime
Northern Mariana Islands	Vegetables
Palau	Copra
Papua New Guinea	Gold, copper, coffee, cocoa, palm oil, forest products, coconut products
Solomon Islands	Copra, canned fish, forest products, palm oil, cocoa
Tokelau	Copra, handicrafts
Tonga	Vanilla, coconut oil, clothing, water melons, squash
Tuvalu	Copra, handicrafts, fish
Vanuatu	Copra, beef products, cocoa, logs
Wallis and Fortuna	Troches
Western Samoa	Tara, coconut products, timber

Source: Te'o I.J. Fairbairn, et al, *The Pacific Islands: Politics, Economics and International Relations*, East-West Center, Hawaii, 1991, p. 47

potential trade factor and Australia and New Zealand aid to the countries of South Pacific is motivated by strategic interests.

Aid from Australia and New Zealand is proportionally higher in the South Pacific than in other areas of the world. In 1994/95, most of New Zealand's bilateral aid went to the South Pacific region. New Zealand allocated US\$39.7 million for the South Pacific region, US\$5.83 million for Asean countries and US\$11.4 million to non-Asean members including China and Mongolia.<sup>11</sup>

Although Australian and New Zealand's aid is somewhat dispersed among all the island countries, the bulk of their aid has gone to their dependent and associated states, such as Papua New Guinea, Cook Islands and Niue. In 1990/91, Papua New Guinea received US\$228 million, almost one-quarter of Australia aid, while the Cook Islands and Niue received US\$11.9 million equivalent to one-third of New Zealand aid to the South Pacific region in 1994/95.

One of the donor's stated aid objectives is often to instill self-reliance among the recipients. Australia for example hopes that its aid will promote growth and development to the South Pacific countries, so in the long run the South Pacific islands could manage themselves without dependence on their richer neighbouring countries. In this regard, Australia has its own categorisation of regional states in terms of their economic potential. Usually the selection of the recipient is based on this categorisation. The grouping of states is as follows:<sup>12</sup>

<sup>11</sup> *Profiles Programme 1994/95*, Wellington: Ministry of Foreign Affairs and Trade, 1994, p. 18.

<sup>12</sup> *Australia's Relations With the South Pacific*, Canberra: Australian International Development Assistance Bureau (AIDAB), 1987, p. 5.

**"South Pacific Self-Sufficiency Model"**

characterised only by Fiji. Fiji is considered to be viable. Viability means a reasonable degree of economic independence, minimum aid dependence and the prospect of growth in a number of sectors.

**"Melanesian Growth Model"** containing PNG, Solomon Islands and Vanuatu. They have large, underdeveloped agriculture sectors and mineral resources with good prospects of raising income to the point where they can stand independent of aid if appropriate policies are adopted.

**"Subsistence Affluence Model"** characterised by Western Samoa and Tonga. They have a natural resource endowment adequate to sustain the population well above minimum subsistence, but possibly not to levels to which they aspire.

**"Microstate Model"** containing Kiribati, Tuvalu, Cook Islands and Niue. These are characterised by extremely small populations and land areas, dispersed islands and remoteness from world markets, making it virtually impossible to increase income to meet aspirations through domestic production.

**"Expiring Resource Boom States Model"** characterised only by phosphate-rich Nauru where aid would be required if appropriate investment policies are adopted.

According to the above categorisation, the first two models "South Pacific Self-Sufficient Model" and the "Melanesian Growth Model", which involve Fiji, Papua New Guinea, Vanuatu and the Solomon Islands, have economic potential. All these Islands have abundant natural resources and a strong base in agriculture, forestry and fisheries. Papua New Guinea operates two of the largest gold and copper mining complexes in the world. Fiji has a good manufacturing base in food processing, garments, wood products and tourism. Vanuatu and the Solomon Islands have more potential in timber industry and tourism.

Malaysia has good economic and diplomatic relations with these four island states. Malaysian businessmen have been in the islands since the 1980s. Currently, Malaysian logging companies are actively involved in timber activities in Papua New Guinea, Vanuatu and the Solomon Islands and, in Fiji, Malaysians are active in tourism, the mining industry and the financial sectors. Malaysian missions are situated in Suva and Port Moresby and accredited to other South Pacific islands. PNG set up its commission in Kuala Lumpur in 1986 and Fiji opened its mission in 1988.

Malaysian relations with PNG have been strengthened by its participation in regional organisations such as the Association of Southeast Asian Nations (Asean) and the Asia-Pacific Economic Cooperation (APEC). These interactions have increased multilateral cooperation between Southeast Asia and the South Pacific.

In the case of Asean, unlike the South Pacific Forum (SPF) which consists entirely of governments in the region, Asean has allowed a non-member, the government of PNG, to send an observer. PNG became Asean's observer in 1976 and in 1981 its position was upgraded to the status of "special observer" to the annual Asean Foreign Minister's meetings. In

1989, PNG became a party to Asean's Treaty of Amity and Cooperation in Southeast Asia (TAC), so becoming the first non-Asean country participant to the treaty and the only non-Southeast Asian country which has been granted such status. The Asean's special observer status allowed PNG to participate in the annual Asean Ministerial Meeting (AMM), the Post-Ministerial Conferences With Dialogue Partners (Asean-PMC) and the Asean Regional Forum (ARF).<sup>13</sup> By its presence in these meetings, PNG has been widely regarded as representing the interests of the South Pacific region, specifically the South Pacific Forum (SPF). On this point, the PNG could be considered a link between the South Pacific and Southeast Asia.

The PNG government has recognised the importance of Asean and the Southeast Asia. A government White Paper stated that:<sup>14</sup>

Close cooperation amongst member countries of Asean with PNG has been very beneficial. A stable Southeast Asia is likely to contribute to a favourable climate in PNG. More bilateral relations between PNG and countries of Southeast Asia are considered as positive means of enhancing stability in the region.

<sup>13</sup> The AMM is responsible for the formulation of policy guidelines and coordination of Asean activities. The Asean-PMC serves as a forum between Asean and its Dialogue Partners (Australia, Canada, European Union, Japan, New Zealand, South Korea and the U.S.) to exchange views on political and security issues in the Asia-Pacific region. The ARF serves as a multilateral consultative forum aimed at promoting preventive diplomacy and confidence building among the states in the Asia-Pacific region.

<sup>14</sup> *Defence Policy Paper 1989*, *ibid.*, p. 4.

In 1991, Asean's members collectively supported the nominee of Sir Michael Somare, the former PNG Prime Minister, for the post of president of the 46th United Nations General Assembly. Somare failed by 83-47 to get the post which was won by Samir Shihabi from Saudi Arabia. However, he managed to get significant votes from Japan, Australia, New Zealand, Asean and the South Pacific countries. In 1996, PNG and the other South Pacific countries voted for Tan Sri Razali Ismail, Malaysia's Permanent Representative to the U.N., as the 51st President of the U.N. General Assembly. In 1993, Malaysia supported PNG's application to join APEC which was proposed by Indonesia.<sup>15</sup> In his 1996 visit to Malaysia, Sir Julius Chan sought Malaysia's support for his proposal that an APEC forum centre for the South Pacific be set up at Port Moresby. The purpose of the centre was to enable developing non-member APEC nations in the Asia-Pacific to benefit from programmes implemented by APEC. Malaysia was supportive of this proposal.<sup>16</sup>

### Diplomatic Relations

Malaysia's relations with South Pacific countries were established through two mechanisms, bilateral and multilateral. Bilaterally, the relations were managed through the establishment of diplomatic missions, visits and sign of agreements. Multilaterally, the relations were conducted through the countries participation in governmental organisations. For example, Malaysian relations with PNG have been strengthened by its participation in regional organisations such as the Association of Southeast Asian Nations (Asean), the Asia-Pacific Economic Cooperation

<sup>15</sup> *Background Notes on Malaysia-PNG Relations*, Kuala Lumpur: Ministry of Foreign Affairs, 1993.

<sup>16</sup> *New Straits Times*, April 3, 1996, p. 25.



(APEC) and the South Pacific Forum. These interactions have increased multilateral cooperation between Southeast Asia and the South Pacific.

As far as diplomatic relations was concerned, Malaysia had four diplomatic missions in the Pacific region, namely in Suva, Port Moresby, Canberra and Wellington. These missions were accredited to other South Pacific countries. In 1982, Malaysia opened its mission in Port Moresby, the earliest Malaysian mission in the region and followed by Suva's mission in 1984. With the establishment of the Malaysian High Commission in both capitals, there was a steady exchange of bilateral visits at ministerial level between the two countries.

#### *The Commonwealth Connection*

Another multilateral mechanism which links Malaysia and the other Melanesian countries (excluding New Caledonia) is the Commonwealth. As members of the Commonwealth, countries' senior officials, foreign ministers and the chief executives frequently meet at the Commonwealth's forums to discuss regional and international matters.<sup>17</sup> Fiji became a member on October 10, 1970 but was suspended after the second coup on September 25, 1987. In the early 1980s, being members of the Commonwealth, both Malaysian and South Pacific leaders were able to meet each other frequently at the Commonwealth's regional and international meetings such as the Commonwealth Heads of Government Regional Meeting (CHOGRM) and the Commonwealth Heads of Government Meeting (CHOGM).

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<sup>17</sup> Malaysia joined the Commonwealth on September 16, 1963, Fiji on October 10, 1970, Papua New Guinea on September 16, 1975, Solomon Islands on July 7, 1978 and Vanuatu on July 31, 1980.

In 1982, Mahathir attended the Second CHOGRM in Suva, the first Commonwealth meeting attended by him after he became Prime Minister in 1981. A year later, Mahathir and other Commonwealth leaders attended the CHOGRM meeting held in Nassau in 1983<sup>18</sup> and in 1984 Mahathir attended the Third CHOGRM held in Port Moresby. Through frequent meetings, the relationship between Mahathir and Sir Ratu Kamisese Mara of Fiji and Sir Michael Somare of PNG developed. These meetings cemented personal relationships between the leaders and contributed to a closer relationship between the countries.

One of the important issues among the Commonwealth members is that of small states which are vulnerable to territorial, political and economic threats. This issue is of particular interest to the Commonwealth because thirty two out of fifty one Commonwealth members are small states. These include 12 states in the Caribbean, 9 (including Fiji) in South Pacific, 3 in the Indian Ocean, 2 in the Mediterranean, 1 in Asia and 5 in Africa. Commonwealth concern with small states was first given formal expression at the Meeting of Finance Ministers in Barbados in 1977. At the Meeting, the Ministers urged the international community to adopt special measures to assist the countries.

The following year, at the CHOGRM held in Sydney from February 13-16, 1978, the issue regarding special problems of small states was also discussed. The joint Communiqué produced by the leaders, issued on February 16, 1978, stated that special measures and relationships were

<sup>18</sup> While attending the CHOGRM at Nassau, Dr Mahathir developed good relationship with fellow Third World leaders such as Robert Mugabe, Kenneth Kaunda and the late Rajiv Gandhi. See Muhammad Muda, "Malaysia's Foreign Policy and the Commonwealth," in *The Round Table*, no. 320, October 1991, p. 463.

necessary to assist small states to realise their development potential. The meeting was significant to the future of the small states because the developed and industrially advanced developing countries such as Australia, Britain, Canada, New Zealand, India, Malaysia and Singapore agreed to examine ways of meeting the needs of the islands. The question of how to develop technical and professional skills among the peoples of the small states was also discussed.

The leaders also agreed that the Commonwealth Senior Officials meeting on special Commonwealth programmes to assist small states should be held in Malaysia.<sup>19</sup> Dato' Hussein Onn, then Prime Minister of Malaysia, in his speech suggested that technical and educational assistance could be expanded further to develop human resources in the region.<sup>20</sup> The small states issues had become important since the Sydney meeting in 1978. A year later it was discussed at the Commonwealth Heads of Government Meeting (CHOGM) in Lusaka and its importance was reaffirmed at the 1981 Meeting held in Melbourne.

In the Second CHOGRM, held in Suva in 1982, the issue of the small states once again was discussed. Mahathir Mohamad who had just been appointed as Malaysia's Fourth Prime Minister attended the meeting.<sup>21</sup> In his address Mahathir pledged Malaysian assistance to reduce the problems of the small states in the region:<sup>22</sup>

<sup>19</sup> *Foreign Affairs Malaysia*, vol. 11, no. 1, March 1978, p. 23.

<sup>20</sup> *Ibid.*, p. 10.

<sup>21</sup> Dr Mahathir was the first Asian leader who had made direct overtures to the newly independent nations in the South Pacific region. Statement by Michael Somare, the Prime Minister of Papua New Guinea. *PNG Foreign Affairs Review*, December 1983, p. 36.

<sup>22</sup> *Koleksi Ucapan Mahathir*, *ibid.*, pp. 76-77.

CHOGRM has always recognised the particular problems and needs of the small island member states especially in the South Pacific. We in Malaysia see the need for the injection of greater assistance to the South Pacific island countries so as to enable them to build up their national resilience and independence. We have provided technical assistance to a number of South Pacific island countries including Fiji, Western Samoa, the Solomon islands and Papua New Guinea.

#### *French Nuclear Testing*

One of Malaysia's diplomatic involvements in the South Pacific was its protest against French nuclear testing in Mururoa Atoll in French Polynesia.<sup>23</sup> French President Jacques Chirac announced on June 13, 1995 that eight tests were planned in Mururoa to test the country's nuclear capability and to obtain computer simulation for future use. On June 17, 1995, Wisma Putra issued a statement<sup>24</sup> condemning the French Government, stating that:<sup>25</sup>

The French decision to resume nuclear tests in the South Pacific runs counter to the ongoing negotiations for the conclusion of a

<sup>23</sup> French President Jacques Chirac announced on June 13, 1995 that eight tests were planned in Mururoa to test the country's nuclear capability and to obtain computer simulation for future use.

<sup>24</sup> *Foreign Affairs Malaysia*, vol. 28, no. 2, June 1995, p. 8.

<sup>25</sup> France launched its six out of eight nuclear tests on September 5, 1995, October 1, 1995, October 27, 1995, November 21, 1995, December 27, 1995 and January 27, 1996. Except the second and the sixth launched at Fangataufa, the rest launched at Mururoa Atolls. *Pacific Research*, August 1995, p. 28 and November 1995 and February 1996, p. 37.

Comprehensive Test Ban Treaty (CTBT). It also contradicts the principles and objectives embodied in the South Pacific Nuclear Weapon-Free Zone Treaty (SPNWFZ).

The SPNWFZ, known as the Treaty of Rarotonga, was adopted by the 16th Summit of the South Pacific Forum in Rarotonga, in Cook Islands on August 6, 1985. It became effective on December 11, 1986. The Treaty gives institutional expression to the desire of all countries in the South Pacific to live in peace in a region which is free of nuclear weapons and nuclear testing. Australia, the Cook Islands, Fiji, Kiribati, Nauru, New Zealand, Niue, PNG, the Solomon Islands, Tuvalu, Vanuatu and Western Samoa signed and ratified the treaty. The governments of France, the U.S. and the United Kingdom signed the three protocols to the South Pacific Nuclear Weapon-Free Zone (SPNWFZ) at the South Pacific Forum Secretariat, Suva, on March 25, 1996.

On September 26, 1995, all Malaysian political parties set aside their rivalry and ideological differences to join hands against France's nuclear testing. Organised by UMNO, the gathering that was held for the first time was united in taking a stand on France's nuclear testing, and the possession of nuclear weapons by other countries. Describing the meeting as historic, Mahathir noted that "the meeting shows Malaysia's grave concern over the French nuclear tests in the South Pacific and the danger posed by nuclear weapons".<sup>26</sup> He added that the memorandum also carried a resolution that called on all nuclear powers to cease nuclear testing of any form and to stop upgrading their nuclear weapons. Instead they should be reduce and eventually eliminated. The memorandum was sent to the French government and other nuclear powers.

<sup>26</sup> *Business Times (Malaysia)*, October 27, 1995, p. 1.

Two months later, speaking at a press conference before leaving for home after attending CHOGM in Auckland, Mahathir said that Malaysia condemned entirely the possession of nuclear arms at this stage in the world's development. He added that if the French insisted on testing their nuclear weapons, the North Sea would be a very fine place to do so.<sup>27</sup> In this regard, all the statements given by Malaysian leaders on the issue of France's nuclear testing on Mururoa Atoll showed Malaysia's concern on the security development in the South Pacific region and the spirit of South-South cooperation.

Malaysia's strong support on this issue was based on its conviction that every state has the right to lead its national existence free from outside interference in its internal affairs as this interference will adversely affect its freedom, independence and integrity as stated in the Zone of Peace, Freedom and Neutrality (ZOPFAN) Declaration. The ZOPFAN that suggested the "neutralisation of Southeast Asia" was proposed in 1968. It was regarded as the most important of Malaysia's foreign policy strategies in the area of defence and security.<sup>28</sup> In the ZOPFAN Declaration, the Asean Heads of Government recognised the importance of the nuclear free zone as a means to achieve world's peace.<sup>29</sup> In this context, the Asean proposal for a SEANWFZ, was in part inspired by the Rarotonga Treaty, although it followed logically from the concept of the ZOPFAN.<sup>30</sup>

<sup>27</sup> *Business Times (Malaysia)*, November 14, 1995, p. 19.

<sup>28</sup> Saravanamuttu, *ibid.*, p. 95.

<sup>29</sup> *An Overview*, Jakarta: Asean Secretariat, 1995, p. 46.

<sup>30</sup> Jusuf Wanandi, "Asean Relations with the South Pacific Island Nations," in John C. Dorrance (eds.), *The South Pacific Emerging Security Issues and U.S. Policy*, Cambridge: Massachusetts: Institute for Foreign Policy Analysis, Inc., 1990, p. 60.

Commenting on French President Jacques Chirac's announcement to end France's nuclear weapons tests after six underground blasts in the previous five months,<sup>31</sup> Mahathir said that Malaysia still strongly condemned France for carrying out the series of nuclear tests in the South Pacific despite repeated appeals from the international community to end it. He said that although Paris had halted the nuclear tests, France's action would not be forgotten. He added "The people will never forget that France has decided to ignore the opinions of the rest of the world. France has already exploded six nuclear bombs and they have caused a lot of damage".<sup>32</sup>

#### *The South Pacific Forum*

Another venue that enabled Malaysia to interact multilaterally in the South Pacific region was the South Pacific Forum (SPF). In early 1997, at the suggestion of the Solomon Islands, Malaysia was accepted as the 9th South Pacific Forum Dialogue Partner joining Canada, the European Union, France, Japan, China, South Korea, the United Kingdom and the U.S.<sup>33</sup> Malaysia is the only Southeast Asian country to become a SPF dialogue partner. The Solomon Islands suggestion was forwarded by its Deputy Prime Minister and

<sup>31</sup> In announcing the resumption of testing at Mururoa, President Chirac made three concessions: testing would cease after eight new tests, France would sign a Comprehensive Test Ban Treaty (CTBT), and no new weapons systems would be developed. Ramesh Thakur, "A U.N. Strategy to Counter French Testing," in *Pacific Research*, August 1995, p. 3.

<sup>32</sup> *Bernama News Service*, January 31, 1996.

<sup>33</sup> The Solomon Islands established formal diplomatic relations with Malaysia on May 10, 1983. Both countries have had a long and friendly relation. They are members of the Commonwealth of Nations as well as the U.N. and its agencies. The Solomon Islands has established a trade mission in Kuala Lumpur in 1996.

Foreign Minister, Danny Philip, to Malaysia's Permanent Representative to the U.N., Tan Sri Razali Ismail, when they met at the 1995 U.N. General Assembly in New York.<sup>34</sup> At the meeting, Razali said he would put the suggestion to his Prime Minister and Foreign Minister for consideration.

However, Malaysia only accepted the Solomon Islands government's suggestion after Howard replaced Keating as head of Australia's government. In explaining this position, the Malaysian Primary Industries Minister, Dr Lim Keng Yaik said, Malaysia was keen to become a Dialogue Partner with the South Pacific Forum but would not have stood chance while Paul Keating was Prime Minister of Australia.<sup>35</sup> According to Dr Lim, by becoming a Forum's Dialogue Partner, Malaysia could counter all the allegations against Malaysia. For years, Malaysian companies logging in Papua New Guinea, Vanuatu and the Solomon Islands were criticised for unsustainable logging practices and involvement in corrupt practices not least by Keating's government.

Two factors, namely the anti-Australian and pro-Asian policy of Mamaloni's government and Malaysia's high reputation among the Third World countries, influenced the Solomon Islands government to propose Malaysia as South Pacific Forum's Dialogue Partner.<sup>36</sup> Regarding the former,

<sup>34</sup> *Pacific Report*, vol. 8, no. 19, October 23, 1995, p. 4.

<sup>35</sup> The Forum's decision to accept a new dialogue partner is based on consensus. In this regard, Malaysia had to postpone its decision to become a Forum dialogue partner in fear of rejection by Australia's previous government. Malaysia had strained relations with Keating's Ministry (see further discussion in Chapter 7).

<sup>36</sup> The South Pacific Forum used a format developed by the Asean which invited representatives of the major donor states to meetings following the annual Forum summit gatherings. This started in 1989. Richard W. Baker, *The International Relations of the Southwest Pacific: New Visions and Voices*, Honolulu: East-West Center, 1992, p. 15.



Mamaloni was labelled by the Australian media as a maverick and a vocal critic of Australia's role in the South Pacific region, particularly regarding the Bougainville crisis.<sup>37</sup> He was also widely regarded by his regional counterparts as recalcitrant<sup>38</sup> because of his reluctance to attend the regional meetings of South Pacific Forum Heads of Government.<sup>39</sup> Mamaloni is a proponent of logging who regarded logging activities as part and parcel of Solomon Islands development. In addition, in 1994, Mamaloni criticised Australia's support for the Hilly Government's forestry reforms and the special "debt for nature" swap agreed to by Keating and Billy Hilly at the South Pacific Forum in Brisbane.<sup>40</sup> Concerning the latter, Malaysia's role played by Dr Mahathir and Tan Sri Razali Ismail was highly regarded by the Solomon Islands government.<sup>41</sup> According to Bata'anisia, who used to work at the U.N. in the early 1990s, Mahathir was praised for his efforts to mobilise the cooperation among developing countries particularly within the context of South-South cooperation. Bata'anisia added, "Tan Sri Razali was highly praised by all parties at the U.N."

Dialogue partners are chosen on the basis of their major and constructive contributions to the region's affairs. By inviting them to its annual meeting, the Forum signalled its recognition of their importance and the value it placed on their continuing commitment to regional well-being and

<sup>37</sup> *The Age* (Melbourne), June 19, 1993.

<sup>38</sup> When Mahathir failed to attend the APEC's Informal Summit at Seattle in 1993, the Prime Minister of Australia, Paul Keating labelled him as "recalcitrant".

<sup>39</sup> *Australian Financial Review*, December 29, 1995.

<sup>40</sup> Detail discussion in Chapter 7.

<sup>41</sup> Interview with Bernard Bata'anisia, Chief Desk Officer—Pacific, Ministry of Foreign Affairs in Honiara on April 19, 1995.

support for issues of regional concern.<sup>42</sup> Announcing the Forum's move, Forum Secretary-General Ieremia Tabai said Malaysia was an important member of Asean as well as a committed business partner in many countries of the Forum.<sup>43</sup> The Secretary-General invited the Malaysian government to participate at an appropriate level at the Post-Forum Dialogue in the Cook Islands in September 1997. So, Malaysia's diplomatic, technical and economic contribution to the South Pacific region was recognised. It was believed that as the South Pacific Forum Dialogue Partner, Malaysia would play a greater role in the future.

#### The MTCP-South Pacific Response

The Malaysian Technical Cooperation Programme (MTCP) has been an effective mechanism in strengthening cooperation among developing countries. Malaysia's assistance under the MTCP is essentially in the form of training conducted either by Malaysian universities or other training institutions such as at INTAN, IDFR, Institute of Medical Research, Bank Negara, National Institute of Valuation, Telecom Training Centre and Cooperative College of Malaysia. Other forms of assistance include study visits, the services of experts, and the provision of supplies and equipment for socioeconomic projects.

The position of South Pacific countries in MTCP's programme was significant. Although, geographically the region was small and underpopulated, its participation in the programme was important. Malaysia missions in the Pacific region, namely in Suva, Port Moresby, Canberra and Wellington functioned as regional gatekeepers of the MTCP.

<sup>42</sup> *The South Pacific Forum Regional Cooperation at Work*, Information Bulletin no. 48, June 1994, Wellington: Ministry of Foreign Affairs and Trade, 1994, p. 24.

<sup>43</sup> *Pacific Report*, vol. 10, no. 1, January 17, 1997, p. 5.

Since it was launched in 1980, hundreds of MTCP scholarships have been given to South Pacific governments. Almost 15 per cent of all participants came from South Pacific countries. From 1981 to 1994, 167 officers from South Pacific countries had attended INTAN's courses. Ninety-eight (58.7 per cent) participants came from Melanesia, 55 (33.0 per cent) from Polynesia and 14 (8.3 per cent) from Micronesia. Melanesia was represented by almost 60 per cent of participants because of its long relationship with Malaysia. Fiji and Papua New Guinea were the earliest recipients of the programme when it was launched in 1980.

However, Cook Island's participation in this programme was unique. The island which has a population of only 20,000 and a small government was represented by 31 officers (18.5 per cent), a number almost similar to Papua New Guinea which had sent 33 participants to attend INTAN's courses. Two factors may have influenced the situation. Firstly, excellent relations had been established between Kuala Lumpur, Wellington and Rarotonga. Without outstanding relationships between these three parties it was hard for Cook Island to send many of its officers to attend the courses. Secondly, Malaysia's mission to Wellington might have played a significant role in the process of sending the participants. Unlike other countries, Cook Island always sent candidates to attend INTAN's courses.<sup>44</sup>

The MTCP has been recognised as one of the effective bilateral mechanisms between the two countries as it is able to mobilise cooperation among developing countries.<sup>45</sup> A senior officer from Fiji's Ministry of Foreign Affairs who participated

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<sup>44</sup> Interview with Jaafar Sidik Ibrahim, INTAN'S MTCP Programme Coordinator in Kuala Lumpur on December 18, 1996.

<sup>45</sup> Interview with Mataio Rabura, Minister-Counselor, Papua New Guinea High Commission in Kuala Lumpur on January 24, 1995.

**Table 5.3**  
**Participants of INTAN's MTCP Programme**  
**From South Pacific Region 1981-1994**

Area	Country	Participants	Total
Melanestia	Fiji	42	
	PNG	33	
	Vanuatu	11	
	Solomon Island	12	98
Polynesia	Cook Islands	31	
	Tonga	6	
	Western Samoa	13	
	Tuvalu	4	
	Niue	1	55
Micronesia	Kiribati	14	14

Source: INTAN, 1994

in the International Crisis Management Course organised by the Institute of Diplomacy and Foreign Relations (IDFR), told the writer that she was impressed with the course which gathered the officers from developing countries. She said "It got together representatives from the developing countries. It was really a Third World conference".<sup>46</sup>

#### *The Programme Performance*

During the writer's field trip to the region, brief questionnaires were distributed to the participants of the MTCP's programmes with the help of the Malaysian High Commission offices at Suva and Port Moresby.<sup>47</sup> The questionnaire contained two parts. The first part was about programme evaluation. This contained five questions regarding the overall results of the programmes. The respondents' answer were based on his opinion on the administration of the programme. The respondents had to answer by marking a suitable box which was ranked from "strongly agree" (5) to "strongly disagree" (1). In the second part, the respondent had to answer five questions regarding his or her opinion and beliefs about international relations. Like part one, the respondent had to answer by marking a suitable box which was ranked from "strongly agree" (5) to "strongly disagree" (1). The respondents were also given three open-ended questions on the successes and the failures of the programmes and lessons learned from the programmes. Forty-two respondents were involved in the evaluation

<sup>46</sup> Interview with Alefina Vuki, Fiji Foreign Affairs Officer in Suva on April 7, 1995.

<sup>47</sup> The Malaysian Mission at Suva is accredited to Fiji, Kiribati, Tonga, Tuvalu and Western Samoa and the Malaysian Mission at Port Moresby is accredited to Papua New Guinea, Nauru, the Solomon Islands and Vanuatu.

process, 14 participants from Fiji, 10 from Papua New Guinea, 6 from Vanuatu and 2 from the Solomon Islands. These respondents had attended the short-term courses at INTAN, IDFR, the National Archives, the Aminuddin Baki Institute, the Department of Veterinary Services and the Department of Civil Aviation, while the attachments were held in Malaysian Prisons.

In addition, the open-ended questions regarding the implementation of the programmes were forwarded verbally to the participants as well as to the officers of the donor (Malaysia) and the recipient countries of the South Pacific islands. The interviews took place in Kuala Lumpur, at the Malaysian High Commissions in Wellington, Suva and at Port Moresby, and at all the capital cities of Suva, Honiara, Port Villa and Port Moresby. The interviews in Malaysia took place in January 1995 while the interviews in the Pacific Islands took place in April and May 1995.

All questions in Part A which dealt with programme evaluation were answered by the respondents. On whether the programme had achieved most of its objectives, 20 respondents (63 per cent) strongly agreed, 11 respondents (34 per cent) agreed and 1 respondent (3 per cent) was neutral. The second question concerned the effectiveness of the overall programme management, 20 respondents (63 per cent) strongly agreed the management was effective, 11 (34 per cent) agreed and 1 (3 per cent) disagreed with the statement. On question three, as to whether the overall quality of the programme was excellent, 19 respondents (59 per cent) strongly agreed with the statement, 12 (38 per cent) agreed, and 1 respondent (3 per cent) was neutral. On question four, as to whether the programme had greatly benefited the respondent in terms of skills and knowledge, 19 (59 per cent) respondents strongly agreed, 11 (34 per cent)

**Table 5.4**  
**Respondent's Opinions on the Programme Performance**

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. The performance has achieved most of its objectives	20 (63%)	11 (34%)	1 (3%)	-	-
2. The overall management of the programme was very effective	20 (63%)	11 (34%)	1 (3%)	-	-
3. The overall quality of the programme was excellent	19 (59%)	12 (38%)	1 (3%)	-	-
4. The programme has benefited the respondent greatly in terms of skills and knowledge	19 (59%)	11 (34%)	1 (31%)	1 (3%)	-
5. The course has provided with great knowledge relating to job	21 (66%)	9 (28%)	2 (6%)	-	-

agreed, 1 (3 per cent) was neutral and another 1 (3 per cent) disagreed. Finally, on question five, as to whether the course had provided the respondent with great knowledge relating to his or her job, 21 (66 per cent) respondents strongly agreed, 9 (28 per cent) agreed and 2 (6 per cent) were neutral about the statement. On average, 62 per cent of the respondents strongly agreed that the courses had achieved their objectives, were handled effectively and were greatly beneficial to them. The respondents' feedback showed that the MTCP's courses have contributed positively to the needs of the course participants and to the development of their careers.

Part II of the questionnaire contained five questions about the respondents' opinion on international relations, particularly the importance of international cooperation in world affairs. Like Part I, all five questions in Part II were answered by the respondents. Referring to Table 5.5, 22 respondents (69 per cent) strongly believed that being friendly with other nations was a real help in solving international problems and 10 respondents (31 per cent) agreed. Nineteen respondents (59 per cent) strongly believed that they should try to help all nations whether they got anything out of it or not, and 13 (41 per cent) agreed, 25 respondents (78 per cent) strongly agreed that being friendly with other countries would do more good than harm, and 7 (22 per cent) agreed. Seventeen respondents (53 per cent) strongly disagreed that helping foreign countries was a waste of money, 14 (44 per cent) of the respondents disagreed and only 1 (3 per cent) respondent agreed. Finally, 23 participants (72 per cent) strongly agreed that international goodwill was essential to the welfare of any country and 9 (28 per cent) agreed. The respondents' feedback showed that 70 per cent of them strongly believed that cooperation among nations was essential in international relations.



Table 5.5

## Respondent's Opinions on International Cooperation

Statements	Strongly Agree	Agree	Disagree	Strongly Disagree
1. Being friendly with other nations was a real help in solving international problems	22 (69%)	10 (31%)	-	-
2. We should try to help other nations whether we get anything special out of it or not	19(59%)	13 (41%)	-	-
3. Being friendly with other countries would do more good than harm	25 (78%)	7 (22%)	-	-
4. Helping foreign countries was a waste of money	-	1 (3%)	14 (44%)	17 (53%)
5. International goodwill was essential to the welfare of any country	23 (72%)	9 (28%)	-	-

Among the strengths of the programme was that it enabled the participants from developing countries to sit together and discuss their countries' problems (Third World forum), so enabling friendships between participants from various countries and regions. It also enabled the participants to learn about Malaysia's development experience. The weak points included language problems (some handouts were written in Malay), the duration of the courses (slightly too long), minimal follow-up on individual participants' progress (in the field), insufficient study tours to factories, no written assignments by participants on the subject studies and very short notice given to the successful candidates attending the programme. Participants' suggestions included travel arrangements from the participant's country to Malaysia and vice versa would be better jointly organised by Malaysia and the participant's travel agent and that the participants' course reports should be sent back through their superiors and followed up to check on their progress by the organisers. But, generally, all respondents were satisfied with their participation in the MTCP programme.

#### *The Recommendations*

During the fieldwork to the Islands, the writer gathered some opinions from the officials who dealt with the Malaysian technical assistance. The opinions can be divided into three parts. One part is the issue of pre-training which includes the information and applications system, transportation and the institutions involved. Another is the type of training which should be given to the Islands and the technical aspects of training. The last, regarding the follow up system.

One major problem faced by the writer was in getting the actual number of the MTCP's participants. The problem arose due to the fact that each training institution had their own

information. There was no one-stop agency which acted as the coordinator of the MTCP programmes. Although four main agencies—Wisma Putra, the Economic Planning Unit, the Public Service Department and the Ministry of Education—were involved in the policymaking process at the implementation stage, the training was handled by individual agencies. With the exception of INTAN and the IDFR, which kept proper records, other agencies situated under various ministries run their own programmes. Their training information was sent directly to the Malaysian Missions, and the applications were returned to them without informing the EPU, which acts as the Secretariat of the MTCP. In this regard, it is suggested that Wisma Putra should be appointed as a one-stop agency which handles all the MTCP's affairs. This suggestion is based on the argument that all the information from Malaysian authorities and the applications submitted by the recipient governments would be channelled through Wisma Putra and it would then have all the information regarding the MTCP training programmes. The problem currently occurred because Wisma Putra only acts as a gatekeeper and not as a programme coordinator.

Another complaint regarding the information was that there was no comprehensive information about the MTCP's activities. Although the EPU has produced a booklet on the programme, which contains the requirements and procedures for applications as well as programme components there was no complete information about all of the MTCP. To produce this would need a joint effort of the various departments handling parts of the MTCP, but it would help the recipient countries plan more accurately their needs and their human resource capability. Without complete information, response to the MTCP's programmes would be on an ad-hoc basis rather than as a long-term and well-planned investment.

All the Pacific Islands governments have a limited pool of government officials. This is due to the fact that the islands, with the exception of Papua New Guinea, have a small number of government servants because of small sized governments. This limited number of public servants are subject to transfer to any of the departments within a very short time. The frequent changes of the states' governments also influences the selection of a successful candidate for the MTCP's programmes. Sometimes, the ruling government has its own candidate and denies the application which was submitted by the officers from the former government. The complaint arises when the selection committee invited the candidate who submitted his application in the previous year.<sup>48</sup> This invitation is seen as not proper by the recipient's authority. In this regard, it is advisable for the organiser to invite those who submitted new applications and ignore any waiting list of the previous year's candidates.

There were also complaints that the MTCP's programmes were not known to the public and that they were only known to a few government servants in the Islands.<sup>49</sup> Due to this situation, Malaysia's efforts to build a good linkage with the local people were ignored. To overcome this situation, there was a suggestion that Malaysia's government should change the form of the activities to more visible programmes.<sup>50</sup> Malaysian assistance should not be limited to the training programmes but also to infrastructure projects such as those initiated by Japan, Australia and New Zealand. To follow this

<sup>48</sup> Interview with Steve Kara, Chief Administration Officer of National Training Unit, Honiara, April 19, 1995.

<sup>49</sup> A New Zealand Foreign officer who stayed in the Solomon Islands for three years did not know that Malaysia had its own assistance programme under the MTCP for the Islanders.

<sup>50</sup> Interview with Ng Bak Hai, Malaysian High Commissioner to Fiji, Suva, April 4, 1995.

argument means that the philosophy and the strategy of the MTCP has to be changed. Knowing that the Malaysian government's intention is to address the human resource problem in the developing countries, the suggestion is unlikely to be accepted. However, with the implementation of the privatisation policy and the Malaysian Incorporated policy since the early 1980s, it may be that the MTCP's programmes should be revised. The involvement of the Malaysian private sectors in Papua New Guinea and in South Africa is a model which could be followed. In both countries, the private sectors are involved in housing construction for the armed forces. The agreements to build the houses were signed under the Malaysian technical assistance programme to both countries. In this context, the writer strongly believes that the MTCP's programmes should be reviewed in order to give more opportunity to the private sectors to be involved in the implementation of the programmes.

On the other hand, there was an opinion that the public's ignorance was due to the fact that the MTCP's programmes lacked publicity.<sup>51</sup> Limited effort has been taken by the Malaysian side to publicise the programmes in the local media, unlike the efforts by, for e.g., the Embassy of Israel, which publishes the *Israel Review* monthly which publicises Israeli assistance in the South Pacific region. In this regard, the Malaysian High Commissions in Suva and Port Moresby should be given the role to inform the public about the programme. It means that extra money is needed. In addition, the programme organiser should send the participant's ticket through the Malaysian High Commission rather than direct to the participant. Before the departure, the candidate could be

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<sup>51</sup> Interview with Haniff Rahman, First Secretary, Embassy of Malaysia, Suva, April 5, 1995.

called to the Mission to collect the ticket and at that time the MTCP's programme could be publicised by the local media.

Another complaint by the participants was there was no follow-up from the organiser. The participants have not been contacted either by the organiser or by the Malaysian missions.<sup>52</sup> It has been suggested that once in a while, a reunion of the participants should be held at the Malaysian mission to enable them to strengthen relationships with the Malaysian authorities. It is believed that by this effort, the relationship which has been developed could be strengthened for the benefit of both countries. In addition, the participants suggested that the organiser should send them some information such as the INTAN newsletter.

It is also suggested that the flow of information about the MTCP's programmes should be addressed. There were complaints that sometimes the information did not reach the relevant agencies and that it was stuck at the recipient country's Ministry of Foreign Affairs. In this regard, it is hoped that the information will be sent directly to the country's agency which handles the public servants' training. In the case of the Solomon Islands, it was suggested that the information should also be sent to the National Training Unit.<sup>53</sup> Malaysian Missions abroad should study the flow of information in the recipient countries. Understanding the information process of the country will enhance the programmes.

Finally, there was a request that Malaysian technical assistance should be given to private sector workers.<sup>54</sup> The problem of manpower, particularly the supply of the

<sup>52</sup> Interview with Nigel A.B. Quai, Chief Inspector Vanuatu Police Force, Port Vila, April 14, 1995.

<sup>53</sup> Interview with Holoti Panapio, Permanent Secretary of Public Service, Office of the Prime Minister, Honiara, April 21, 1995.

<sup>54</sup> Interview with Mataio Rabura, First Secretary, Papua New Guinea High Commission, Kuala Lumpur, January 24, 1995.

semi-skilled workers in the South Pacific region, was and is significant. In this context, it is suggested that the Malaysian government should ask its private sectors, particularly those companies which are involved in the host countries' business plan, to train that category of workers. It is believed that if the opportunity was given to the Malaysian private sectors to participate in the programme, as has been discussed before, this request could be addressed.

### A Melanesian Connection

Recent studies by Crocombe, Pheyses and Australian government officials showed that Malaysian influence over South Pacific countries is increasing. In 1996, Ron Crocombe, a prominent South Pacific scholar argued that Malaysia took a very active diplomatic and commercial interest in Pacific Island affairs. The government of Malaysia gave more scholarships to students from Independent Pacific Islands than the U.S. government except in the U.S.-Associated States. He affirmed that much of the business interaction between Southeast Asia and the Pacific was by ethnic Chinese who were citizens of Malaysia and Indonesia in particular, while the diplomatic interaction was by indigenous Southeast Asians. He added that throughout the Pacific Islands, the main new owners and managers are Northeast Asians especially ethnic Chinese, including citizens of Malaysia.<sup>55</sup>

Pheyses in 1996 wrote that Malaysia was gradually challenging not only Indonesia but also even Australia as the regional hegemonic power.<sup>56</sup> He claimed Malaysia was

<sup>55</sup> Ron Crocombe, "Geopolitical Change in the Pacific Islands," in Dennis Rumley, et al. (eds.), *Global Geopolitical Change and the Asia-Pacific*, Brookfield: Ashgate Publishing, 1996, pp. 292-298.

<sup>56</sup> See Carlos Pheyses, "Oceania Searches for New Friends," *New Zealand International Review*, vol. XXI, no. 3, May/June 1996, pp. 24-27.

already engaged in vast logging enterprises which affected the Islands' fragile environment badly and invited social unrest and political backlash. He also stated that Malaysian companies alternately bribed and threatened Island politicians and landowners into submission while failing both to report the amount logged and to pay reforestation taxes. In July 1997, a group of Australian officials from the Treasury, Foreign Affairs department and security agencies prepared a briefing report for the Treasurer, Peter Costello. This paper was jointly prepared for a summit of South Pacific Forum economic ministers in Cairns. The document warned of impending economic disaster in several island countries, citing mismanagement and corruption while detailing the personal habits of political leaders. As far as Malaysia was concerned, the report said that Malaysian influence over South Pacific countries was increasing as its timber firms helped to prop up some regional rulers, while other states looked to Kuala Lumpur to counter Australian dominance. The paper claimed that Malaysian logging interests helped the Solomon Islands leader, Solomon Mamaloni, to remain as a political force and had also supported Sir Julius Chan of Papua New Guinea, who was ousted in the national election. In addition, the report stated that Fiji had sought closer ties with Malaysia in a bid to counter Australia dominance of the South Pacific.<sup>57</sup>

All three papers contained two interrelated issues. Firstly, Malaysia's economic presence in the South Pacific region was quite significant. Malaysia's economic involvement, particularly logging activities, were prominent in the Melanesian areas, especially in Papua New Guinea, Vanuatu and the Solomon Islands. In Fiji, Malaysia had business interests in banking, tourism and manufacturing. Secondly,

<sup>57</sup> *The Straits Times Weekly Edition*, July 27, 1997, p. 11.



the papers reported that several Malaysian businessmen in the region had close connections with regional politicians. This "business-political" linkage benefited the Malaysian business circle and displeased other groups. Further discussion on Malaysia's economic interests in the region would be found in Chapter 7.

### Summary

Malaysia relations with South Pacific region developed slowly in the 1980s but from 1990s, Malaysia increased her commitment to participate in the South Pacific regional development. Two factors influenced this. First, the relationship was strengthened multilaterally through the Commonwealth, Asean, APEC and the South Pacific Forum. National leaders and their senior officials meet regularly at international and regional forums to discuss mutual interests. Secondly, the participation of Malaysian private sectors in the region also contributed to a closer relationship between Malaysia and the regional member countries.

The South Pacific Island countries were among the earliest recipients of the Malaysian Technical Cooperation Programme (MTCP). Initially, the idea of the MTCP was instituted to cater to the problems of the small island states that were members of the Commonwealth. In this regard, the study found that the MTCP programmes that focused on human capital development were well received by the governments of the recipient countries. Furthermore, the study also found that the participants of the MTCP programmes were satisfied with the programmes which they had attended.

## Chapter 6

### MALAYSIA'S BILATERAL RELATIONS WITH PAPUA NEW GUINEA AND FIJI

MALAYSIA established bilateral relations with Papua New Guinea and Fiji in the early 1980s. However, for the ensuing ten years, most of the relations were actually conducted on a multilateral basis through the Commonwealth, the Asean, the South Pacific Forum and the APEC. In this regard, Suva and Port Moresby have played an important role in developing the relationship. In the case of Suva, its strategic position and its functions as a hub of the region contributed significantly to this.<sup>1</sup> As a host of the South Pacific Forum Secretariat and other regional organisations, Suva has successfully associated itself with the external world, including Kuala Lumpur. Port Moresby has also played a significant role as a centre of the Melanesian Group. In addition, due to its close proximity with Southeast Asia, Papua New Guinea is regarded as a bridge which links the two subregions, South Pacific and Southeast Asia.

In terms of Malaysia's external relations with the South Pacific, the significant feature in this first decade was Malaysia's assistance through the Malaysian Technical Cooperation Programme (MTCP). Not much trade occurred and few Malaysian investors were involved in the region's

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<sup>1</sup> Suva became the regional centre due to its position as the host of the University of the South Pacific and the Secretariat of the South Pacific Forum.

business activities. However, Malaysia's South-South initiative that strengthened the relationship between developing countries contributed to the intimate relationship between the two parties. Mahathir's brief visits to Fiji in 1991, and the trade mission led by the Minister of International Trade and Industry, Dato' Seri Rafidah Aziz, to Papua New Guinea, Vanuatu and Fiji in 1993, had paved the way for the entry of Malaysia's private sectors in the region.

These visits began the second phase of Malaysia's relationship with South Pacific countries, in which Malaysian private sectors were increasingly involved in the region's economic activities, particularly in the timber industry. Following this involvement of Malaysian private sectors, negative responses towards Malaysian participation began to be voiced. Malaysian companies were accused of being involved in corruption, unsustainable logging and underpricing activities. Other than this, however, Malaysia's diplomatic relations with both countries have on the whole been cordial. This chapter will examine the implications of Malaysia's economic relations with Papua New Guinea and Fiji, especially in the 1990s.

### Malaysia-Papua New Guinea Relations

Diplomatic relations between Malaysia and Papua New Guinea were established in July 1976.<sup>2</sup> Wisma Putra announcing that the governments of the Independent State of Papua New Guinea and Malaysia, were convinced that the establishment of diplomatic relations would contribute to better understanding and cooperation between their

<sup>2</sup> Prior to this, on September 16, 1975, Dato' Lee San Choon, Minister of Labour and Manpower represented the Malaysian government at the celebration of the attainment of Independence of Papua New Guinea. *Foreign Affairs Malaysia*, September 1975, vol. 8, no. 3, p. 64.

respective peoples. They resolved to enter into diplomatic relations. The two governments also agreed to exchange diplomatic representatives at the High Commissioner level. For this purpose, R.V. Kumaina was appointed as the first Papua New Guinea High Commissioner to Malaysia and Dato' Zainal Abidin bin Sulong was appointed as the first Malaysian High Commissioner to Papua New Guinea.<sup>3</sup> In July 1976, immediately one week after the establishment of diplomatic relations, a group of high-level PNG officials, led by Deputy Prime Minister, Sir Maori Kiki, visited Malaysia. The purpose of the visit was to expand the existing friendly ties and close cooperation between the two countries.

Four factors influenced Malaysia's bilateral relationship with PNG. They were Malaysia's strategic and economic interests, the South-South Cooperation, interregional cooperation and PNG's "Look North" policy. Malaysia had a strategic interest in PNG due to the latter's geographical position as the immediate neighbour of Indonesia, one of Asean's members. Malaysia had always placed great importance on developing warm, friendly and close cooperation with countries in Southeast Asia and the immediate neighbourhood such as Papua New Guinea in the South Pacific region and Vietnam, Laos and Cambodia in Southeast Asia. In the case of PNG, Malaysia recognised the country as Malaysia's closest neighbour immediately outside the Asean circle.<sup>4</sup>

In 1982, Malaysia opened its mission in Port Moresby, the earliest Malaysian mission in the region. The opening of the mission paved the way for close relations between the two

<sup>3</sup> *Foreign Affairs Malaysia*, September 1976, vol. 9, no. 3, p. 45.

<sup>4</sup> Mahathir's speech at a dinner hosted by the Prime Minister of PNG, Michael Somare, in Port Moresby on October 19, 1982. *Papua New Guinea Foreign Affairs Review*, vol. 2, no. 4, January 1983, p. 12.

countries. With the establishment of the Malaysian High Commission in Port Moresby, there was a steady exchange of bilateral visits at ministerial level between the two countries. However, a closer relationship started after Sir Hugo Bergusher, Minister of Lands and Physical Planning, and David Mai, Minister of Trade, visited Malaysia in the middle of 1992. During Mai's visit, an Investment Guarantee Agreement (IGA) was signed. In January 1993, the Prime Minister, Paias Wingti, made an official visit to Malaysia. He was on his "Look North" trip which brought him to Indonesia, Singapore and Malaysia.

Four months later, Dato' Seri Rafidah Aziz, the Malaysia's Minister of International Trade and Industry, led a trade mission to PNG where she signed a Double Taxation Agreement (DTA). The DTAs provide for the avoidance of incidence of double taxation on international income such as business profits, dividends, interests and royalties. In April 1996, Sir Julius Chan, Prime Minister of PNG, accompanied by several ministers and 30 representatives from the private sector, visited Malaysia. During the visit, the Air Services Agreement (ASA) was signed to pave the way for direct air links between Kuala Lumpur and Port Moresby. Malaysia Airlines (MAS) and Air Niugini undertook the air service.<sup>5</sup>

In addition to political and diplomatic relations, Malaysia also developed defence relations with PNG. In November 1989, PNG submitted its quest for ongoing formal defence relations with Malaysia, Singapore and Indonesia. Malaysia was the first to respond.<sup>6</sup> The request by PNG was presaged on its new defence policy, which proposed the diversification of defence relations and military sources of assistance, so that equipment compatibility with potential allies would be

<sup>5</sup> *New Straits Times*, April 3, 1996.

<sup>6</sup> *Papua New Guinea Defence Report 1990*, p. 2.

developed.<sup>7</sup> Malaysia and PNG signed a Memorandum of Understanding (MOU) on Defence Cooperation in 1991. The MOU provided for cooperation between the two defence forces in two areas, namely in military cooperation and equipment and technology cooperation.<sup>8</sup>

With regard to military cooperation, Malaysia agreed to provide PNG with a loan of US\$50.5 million and a grant of US\$5.5 million to help provide and upgrade housing for police, defence and correctional institutions personnel throughout PNG.<sup>9</sup> The Malaysian government also helped to organise a commercial package to which the Development and Commercial Bank of Malaysia contributed US\$10.1 million, Bank Bumiputra Malaysia Bhd US\$10.1 million and Bank Industri Malaysia Bhd US\$8.1 million. The funds were drawn in four tranches over the four years of the project with repayment due in ten years. Interest rates were as low as 4.2 per cent. Commenting on this cooperation, the Premier Paias Wingti said that all three services suffered from an acute shortage of housing and the new housing programme would help to improve morale.<sup>10</sup>

The project faced strong opposition from a wide range of senior officials. It was claimed that the project was not put to tender, had been awarded to a company unknown in PNG and correct procedures had not been followed. The officials also argued that the costs were excessive, local content low, and that the Malaysian contractor, which the funding institutions had been allowed to select, would pay no taxes, fees or import duties. However, because the contract had been

<sup>7</sup> *Papua New Guinea Defence Policy Paper 1989*, p. 5.

<sup>8</sup> Interview with Sharifuddin Sulaiman, Policy Division, Ministry of Defence in Kuala Lumpur, on January 17, 1995.

<sup>9</sup> *Pacific Report*, vol. 5, no. 9, May 14, 1992, p. 6.

<sup>10</sup> *Pacific Report*, vol. 6, no. 11, June 14, 1993, p. 2.

executed, the state was under obligation to go ahead with the project.

Bilateral military cooperation between Malaysia and PNG also covered training, exchange of military personnel, exchange of information as well as the use of facilities pertaining to transit, service and maintenance of aircraft. Cooperation in technology and equipment included the procurement of defence equipment and technology by one party from the other. As far as training was concerned, some PNG's army officers had undergone high-level military training at the Malaysian Armed Forces Staff Training in Kuala Lumpur.<sup>11</sup> In addition, several of PNG's Defence and Police officers had undergone an anti-insurgency and drug control training in Malaysia. Several PNG senior security forces officers believed that Malaysia's Defence and Police Forces offered the best modelled to be followed by the PNG Defence Forces in order to inculcate a highly disciplined and controlled force.<sup>12</sup> The PNG Government expected the closer defence cooperation would lead to closer relations in general, especially in the economic field.<sup>13</sup> As part of Malaysia's effort to promote defence cooperation, Cabinet agreed to the setting-up of a Defence Adviser's office in Port Moresby. Two

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<sup>11</sup> Interview with Siume, PNG's Ministry of Defence in Port Moresby on April 25, 1995.

<sup>12</sup> Bill Standish, 'Papua New Guinea: The Search for Security in a Weak State,' in Alan Thompson (ed.), *Papua New Guinea Issues for Australian Security Planners*, Canberra: Australian Defence Force Academy, 1994, p. 68.

<sup>13</sup> The statement was given by Peter Ipu Peipul, the then Secretary for Defence at the First Defence Cooperation Joint Working Committee (JCW) held in Port Moresby from May 4-6, 1992.

posts, one Lieutenant Colonel and one staff Sergeant, were approved for the office.<sup>14</sup>

### Economic Relations

Malaysia's economic relations with PNG were an adjunct to the modest assistance offered under the MTCP. According to Dr Mahathir, what Malaysia could not provide by way of grants or loans under the MTCP, would hopefully be made up with investments, sharing of expertise in certain fields and a willingness to work as equal partners.<sup>15</sup> To achieve these goals, the Malaysian government made two significant efforts to encourage the participation of Malaysia's private sectors in the development of the PNG economy.

Firstly, in August 1983, a Trade and Investment Mission led by the Deputy Secretary-General of the Ministry of Trade and Industry, Ahmad Phamy Abd Rahman, visited PNG. The visit's objectives were to promote trade and investment and also to explore opportunities for joint venture investment in PNG.<sup>16</sup> The visit took place from August 21-26, 1983, and was the first Malaysian trade and investment mission to PNG since Dr Mahathir's first visit in October 1982.

Secondly, almost a decade later, the Minister of International Trade and Industry, Dato' Seri Rafidah Aziz, led a 40-member trade mission to PNG from May 17-21, 1993.

<sup>14</sup> During this writer's visit to Port Moresby in April 1995, the two approved posts were still vacant. The writer was told by the Defense's Adviser at the Malaysian High Commissioner in Canberra, Australia that Canberra's office temporarily monitored all the security development in the areas. Interview in Canberra on May 4, 1995.

<sup>15</sup> Dr Mahathir's speech at the dinner in honor of Prime Minister of Papua New Guinea, Sir Julius Chan in Kuala Lumpur on April 2, 1996.

<sup>16</sup> *Papua New Guinea Foreign Affairs Review*, vol. 3, no. September 1983, p. 47.



This visit was a follow-up to the PNG Prime Minister, Paias Wingti's visit to Malaysia in January 1993. Included in the mission were several successful entrepreneurs such as Tan Sri Wan Azmi Wan Hamzah, Chairman of Land and General Bhd, Dato' Tiong Hiew King, Chairman/Managing Director of Rimbunan Hijau Sdn Bhd, Ismail Shahudin, General Manager (Corporate Banking) of Malayan Banking Bhd and Yeoh Seok Kah, Executive Director of YTL Corporation Bhd.<sup>17</sup> The objectives of the mission were to acquaint Malaysian businessmen with the PNG market and to find out the potential for the expansion of trade and economic activities. According to Rafidah, the PNG Government invited the Malaysian private sector to participate in downstream activities like sawn timber and manufacturing of furniture, mining and housing sectors. She added that Malaysia had also been offered a US\$51.6 million project to build houses for Papua New Guinea military personnel. She announced that the Malaysian Business Council in Papua New Guinea would set up an Endowment Fund which would invest money by offering scholarships and training to Papua New Guinea.<sup>18</sup> Rafidah's visit was significant to Malaysia-PNG economic relations because it managed to penetrate PNG's market, particularly in timber and canned industries.

The major outcome of the mission was that it was the beginning of Malaysia's rapid involvement in the country's economy. Although several Malaysian companies, such as Rimbunan Hijau and Cakara Alam had come to PNG earlier, the support of the Minister had secured their presence in

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<sup>17</sup> *Malaysian Trade Mission To Papua New Guinea*, Ministry of International Trade and Industry (MITI) Malaysia, 1993. The booklet contains trade mission itinerary and the names of government representatives and private sector participants.

<sup>18</sup> *Malaysian Digest*, May 1993, p. 6.

PNG. In this regard, the Land and General Bhd via its subsidiary Cakara Alam (PNG) Pty Ltd secured long-term contracts to develop three landowner companies in Arawe, West New Britain with logging rights covering nearly 200,000ha of forest. Rimbunan Hijau a subsidiary of Ting Tho Sing Holdings was described as the largest timber company in the country, controlling more than 70 per cent of Papua New Guinea's logging leases.<sup>19</sup> The company also owned a daily, *The Nation*. Malayan Banking Bhd established two commercial banks in Port Moresby and Lae. The bank was the first Asian bank to operate in the country. Meanwhile YTL Corp Bhd secured a US\$50.5 million contract to build the National Defence Housing in Port Moresby. The project was funded by the Malaysian government under the Defence Cooperation Agreement and a consortium of Malaysian banks.<sup>20</sup>

Table 6.1  
Bilateral Trade between Malaysia and PNG,  
1989-1992 (US\$ million)

Year	Export	%	Import	%	Balance of Trade
1989	12.46	0.05	2.36	0.01	10.1
1990	7.63	0.03	1.97	0.01	5.66
1991	21.19	0.06	5.43	0.01	15.76
1992	23.62	0.06	9.73	0.02	13.88

Source: Ministry of Foreign Affairs, 1994

<sup>19</sup> "Melanesia in Review: Issues and Events, 1993," in *The Contemporary Pacific A Journal of Island Affairs*, vol. 6, no. 2, Fall 1994, p. 450.

<sup>20</sup> Interview with Siume, *ibid*.

Malaysia's economic involvement in PNG was significant to PNG's development. Up to 1995, there were 65 Malaysian companies operating in PNG with total investments of US\$509 million. Malaysian firms made up 70 per cent of the permit holders and contractors of PNG's forest industry.<sup>21</sup> Although PNG was Malaysia's third largest trading partner in Oceania after Australia and New Zealand, trade between them was still small. Bilateral trade between the two countries had always favoured Malaysia. In 1994, it amounted to US\$81.8 million, accounting for 0.07 per cent of Malaysia's global trade. From 1989 to 1992, Malaysia's surplus was US\$45.4 million.

Malaysia's main export items were civil engineering plant equipment, specialised machinery or parts and toiletries, while its main imports were gold, sawn timber and vegetable oil. Approximately 3,000 Malaysians now live and work in the South Pacific islands nations, especially in Papua New Guinea. Malaysian companies have provided employment to about 20,000 PNG nationals. According to the PNG Investment Promotion Authority (IPA), 35 per cent of Malaysian investments in the country were in the forestry sector and 41 per cent in the trading and services sector.<sup>22</sup>

By the third quarter of 1994, Malaysia ranked behind Australia as a major investor in PNG. Australia recorded 36 per cent in the beneficial ownership of foreign investment and Malaysia 20 per cent.<sup>23</sup> In his meeting with Dr Mahathir in

<sup>21</sup> Nearly 70 per cent of these companies are wholly owned by Malaysians, 20 per cent are joint ventures in which PNG parties hold a minority interest and 20 per cent, are joint ventures in which Malaysians hold minority equity.

<sup>22</sup> *Business Times (Malaysia)*, April 5, 1996.

<sup>23</sup> *Investment Promotion Authority (IPA), Certification Report Quarter Ending September 1994*, Port Moresby: Certification and Research Division, 1994, p. 10.

April 1996, Sir Julius Chan, stated his hope that more Malaysians would become involved in the development of his country, particularly in the areas such as oil and gas, agriculture, forestry and exploration of minerals.<sup>24</sup> With regards Malaysian involvement in the country, Dr Mahathir, as he had done for investment elsewhere advised the Malaysian private sector to go for long-term relationships and to abide by local customs, laws and practices.<sup>25</sup> His encouragement of private sector involvement was in line with Malaysia's belief that the more advanced South countries should provide economic help to encourage and foster the development of the other countries of the South.<sup>26</sup>

In the context of Malaysia-PNG relations, both countries have two characteristics in common. These characteristics influenced Malaysian foreign relations with PNG and also with other developing countries. First, both countries were still developing, where much effort was needed to upgrade the countries' social and economic status. Malaysia believed that through close economic and technical cooperation, the people standard of living could be improved. For this purpose, the Malaysian government was fully committed to the concept of cooperation among developing countries, or South-South cooperation. To achieve this goal, Malaysia extended modest offers of technical cooperation under the MTCP programmes to fellow developing countries, including PNG. Secondly, Malaysia and PNG were producers of world commodities. Malaysia was a leading producer and exporter of several primary commodities and their resource-based

<sup>24</sup> *New Straits Times*, April 3, 1996.

<sup>25</sup> *Business Times (Malaysia)*, April 3, 1996.

<sup>26</sup> Speech by Dato' Seri Abdullah Ahmad Badawi, Minister of Foreign Affairs at the Malaysian International Affairs Forum in Kuala Lumpur on May 15, 1996.

products, namely palm oil, natural rubber, cocoa, timber, pepper, gas, petroleum and tin. These primary commodities contributed US\$9,382 million (23 per cent) to total export earnings in 1992.<sup>27</sup>

Papua New Guinea, on the other hand, was rich in natural resources such as gold, silver, copper, oil, gas and timber. In 1993, PNG's total exports earnings from oil, gold, timber, copper and tree crops was US\$2,412 million. As producers of world commodities, both countries have a certain economic clout, although facing some disadvantages. For example, they suffered from market manipulations by industrialised countries, where they sold cheap raw materials and bought expensive manufactured goods. To counter these manipulations, Malaysia encouraged the formation of producer associations, such as the Tin Producers Association and regional groupings such as Asean.<sup>28</sup> In this regard, Dr Mahathir invited PNG and other developing countries to work together to resolve the problems of market manipulations.<sup>29</sup>

Another important factor which encouraged the coming of Malaysian investors to PNG is the latter country's "Look North" policy, launched after Paias Wingti's accession to power in the middle of 1992. The thrust of the policy was that PNG should look to the dynamic countries of Asia for trade and investment and at the same time lessen the country's heavy dependence on the former colonial power, Australia. This was not only in term of trade and investment, but also for technical assistance and advice.<sup>30</sup> The shift of PNG's political

<sup>27</sup> Profile Malaysia's Primary Commodities: Ministry of Primary Industries Malaysia, Kuala Lumpur, 1993, p. 4.

<sup>28</sup> *Winds of Change*, *ibid.*, p. 213.

<sup>29</sup> *Foreign Affairs Malaysia*, December 1983, vol. 16, no. 4, p. 352.

<sup>30</sup> "Melanesia in Review: Issues and Events, 1993," *ibid.*

leadership from Rabbie Namaliu of Pangu Party to Paias Wingti of the People's Democratic Movement was the reason for the changes of policy. During the premiership of Rabbie Namaliu, the relations between PNG and Australia, PNG's oldest ally, remained cordial.<sup>31</sup> However, relations between the two countries changed during Wingti's leadership. Wingti's government blamed Australia for its omission from the first rounds of discussions in the Asia-Pacific Economic Cooperation (APEC),<sup>32</sup> and the government was also not satisfied with Australia's move to cut US\$204.1 million from the annual project aid.<sup>33</sup> In addition, the Prime Minister's office during Wingti's Administration was known for its "pro-Asean" attitude.<sup>34</sup> The rationale of the "Look North" policy can be traced in Wingti's statement:<sup>35</sup>

PNG is strategically located, bridging the Asian region and Australia and New Zealand. Our traditional relationship with Australia is important, but PNG is in a position where it can learn from many of the surrounding countries. Malaysia, Singapore, Thailand, Indonesia, Taiwan, these are very important countries which are going to become very powerful. It is important that PNG looks towards these countries because we can learn a lot.

<sup>31</sup> *Asia 1992 Yearbook*, Hong Kong: *Far Eastern Economic Review*, p. 178.

<sup>32</sup> *Asia 1994 Yearbook*, Hong Kong, *Far Eastern Economic Review*, p. 189. PNG was accepted as an APEC member in 1993.

<sup>33</sup> *Ibid.*, p. 190.

<sup>34</sup> Norman Mac Queen, "New Directions for Papua New Guinea's Foreign Policy," in *The Pacific Review*, vol. 4, no. 2, 1991, p. 168.

<sup>35</sup> *Pacific Islands Monthly*, July 1993, p. 24.

In early 1993, Wingti visited Indonesia, Singapore and Malaysia in his efforts to promote his policy. In all three countries, Wingti stressed it would be in the area of economics that PNG stood to reap the greatest benefits in an increased relationship with Asia.<sup>36</sup> Wingti's "Look North" policy however, was undermined by Sir Julius Chan, his successor, when Chan stressed that, in the search for trading and investment partners, companies should look 'everywhere'. He also urged his country to "Work the Pacific", meaning the island nations in particular.<sup>37</sup> Around this time, Malaysia-PNG economic relations began to face several problems.

First, there were allegations that Malaysia's logging companies particularly Rimbunan Hijau were exploiting the country. Some of the allegations were that the Malaysian companies practised unsustainable logging, misidentified species, under measured logs and engaged in transfer pricing. In this matter, Malaysia's Primary Industries Minister Dato' Seri Lim Keng Yaik said, "if Malaysian companies do not follow the rules, the host country can revoke their business licenses or ask them to leave. But do not bring the matter to international forum and hammer Malaysia".<sup>38</sup>

<sup>36</sup> Commenting on Wingti's policy, the president of Malaysia-PNG Business Council (MPBC), Timothy Lim, said an increased economic and trade alliance with nations in the Asian region was the right step in the interest of PNG whose economy is young and fast growing. The policy should not mean PNG should do away with its traditional and long time trading and business partners, but that it should look actively towards "large supermarket" of countries in Asia. *Pacific Islands Monthly*, April, 1993, p. 15.

<sup>37</sup> *Asia 1995 Yearbook*, Hong Kong: Far Eastern Economic Review, 1995, p. 191.

<sup>38</sup> *Business Times (Malaysia)*, November 8, 1994, p. 20.

The second problem concerned the lack of a communication infrastructure.<sup>39</sup> There were no direct shipping connections between Malaysia and PNG. Most of Malaysia's trade to PNG had to go through Singapore or Australia. Domestically, only two major towns were linked by a road that took five hours to cover by car. Port Moresby was isolated like most of the major towns. The principal means of transport was by air. This limitation created extra cost and time delays.

The third problem was of political stability. Investors normally looked at political stability as the first condition before moving into a foreign country. In this regard, in the past 20 years there had been major political changes in the country. There were eight changes of prime ministers, of whom five were removed and three by a no-confidence vote. Governments did not last their full term. Frequent changes of government influenced the implementation of policy.

Fourthly, Malaysian logging firms allegedly logging unsustainably provoked considerable protest from the Australian government. Canberra considered that its development-assistance to PNG was being undermined by the loggers' activities.<sup>40</sup>

### Malaysia-Fiji Relations

Malaysia's relations with Fiji have been influenced by four factors, namely the Malayan Emergency, ethnicity, religion and economic relations. The Fiji Infantry Regiment (FIR) involvement in the battle against Communists in Malaya in the early 1950s was a starting point of Malaya's early relations

<sup>39</sup> Interview with Abu Bakar Aman, First Secretary of Malaysian High Commission in Port Moresby on April 25, 1995.

<sup>40</sup> Ken Ross, 'Asia and the Security of the South Pacific's Island State,' in *Survival*, vol. 38, no. 3, 1996, p. 136.



with Fiji. The FIR joined other Commonwealth Military Forces in the battle against the Communist insurgency that started in 1948 when the negotiations to form a Federation of Malaya were bitterly opposed by the Malayan Communist Party.<sup>41</sup> This party, who during the Japanese Occupation had cooperated with the British, had been declared illegal and so launched and armed guerrilla war. In order to combat this, Britain assembled colonial forces such as King's African Rifles, the Rhodesian African Rifles, the Gurkhas and the Fijians.

The FIR left in January 1952 to join other Commonwealth Military Forces in the battle against the insurgency. Its involvement although small in number was probably the most spectacular.<sup>42</sup> As stated by a Malayan Commander, "Of all the troops of many races who have been for a long time fighting the menace of the Communist terrorists in Malaya, none have gained greater respect, admiration and affection than the First Battalion, Fiji Infantry Regiment".<sup>43</sup>

The four-year experience in Malaya had given several advantages to the Fijian soldiers. Firstly, many talented soldiers who had served as officers had grown into national

<sup>41</sup> The FIR involvement in Malaya from 1952 to 1955 was part of the Commonwealth's defence arrangements in Southeast Asia. The arrangement, known as ANZAM, derived from Australia, New Zealand and Malaya and was established to aid consultation and planning among Australian, New Zealand and British armed services. At that time, Malaya was still a colony of Britain and the main British military forces in the region were based in the country.

<sup>42</sup> The FIR had killed 175 communists, captured three and taken one prisoner. Some members of the Regiment were awarded medals: two Orders of the British Empire, one Member of the British Empire, one British Empire Medal, two Military Crosses, two Distinguished Conduct Medals, five Military Medals, and 24 Mentions in Dispatches.

<sup>43</sup> Brij V. Lal, *Broken Waves: A History of the Fiji Islands in the Twentieth Century*, Honolulu: University of Hawaii Press, 1992, p. 150.

leaders—the Malayan experience produced many future leaders for Fiji.<sup>44</sup> Included in the list were Ratu Edward Cakobau and Ratu Sir Penaia Ganilau, both of whom held the post of Commanding Officer of the First Battalion Fiji Infantry Regiment in Malaya. In the years that followed, both officers became prominent leaders of the country and held very important posts. Ratu Cakobau was former Fiji Governor General and Ratu Ganilau was former Deputy Prime Minister and the first President of Fiji. He was also Governor-General before the 1987 coup. Secondly, the four-year experience in Malaya, provided good exposure to the young Fijian soldiers. For most of them, Malaya was their first overseas posting. Success in killing or defeating the communists resulted in receiving medals which had enhanced not only the country's image but had also increased their personal glory and satisfaction. They were very proud of their involvement in Malaya.<sup>45</sup> As manifestations of their pride they performed *meke* or actions-songs about the Royal Fiji Military Forces' killing communist insurgencies in Malaya and created a special song "Bola Malaya Kei Viti Talega" (Halo Malaya-Fiji As Well).

Thirdly, Malaya's experience increased the political awareness of 850 Fijian soldiers. In the early 1950s, Malaya and Fiji faced similar problems. Both countries were still under the British colonies and were having race-relations problems. In Malaya, the Chinese and Indians almost outnumbered the indigenous Malay, while in Fiji, Indians outnumbered Fijians. As has been noted, several Fijian officers such as Ratu Cakobau and Ratu Ganilau were paramount Chiefs of Fiji. They were traditional leaders and widely respected in Fijian

<sup>44</sup> Ian Thomson, *Fiji in the Forties and Fifties*, Auckland: Thomson Pacific, 1994, p. 159.

<sup>45</sup> Interview with Haniff Abd Rahman, Chancellery of Malaysia's Embassy in Suva on April 4, 1995.

society. While in Malaya, these leaders observed how Malay aristocratic leaders such as Dato' Onn, Tunku Abdul Rahman and Tun Abdul Razak organised local politics on an interracial basis. These the United Malays National Organisation (UMNO) leaders managed to put politics firmly under their control in the Alliance Party which consisted of UMNO, the Malayan Chinese Association (MCA) and the Malayan Indian Congress (MIC) which represented the Malays, Chinese and Indians, respectively. Malaya's political organisation gave positive lessons to some of the Fijian soldiers. For instance, in 1956 several Fijian politicians including Ganilau had formed the Fijian Association, the Fijian-based party which was an equivalent to UMNO in Malaya. Ten years later, the Alliance Party, a coalition of several parties was formed. The Alliance Party was an equivalent of Malaya's Alliance Party which was a multiracial coalition dominated by the indigenous party and its leaders.<sup>46</sup> The Fijian Infantry Regiment contribution was (still, later) greatly appreciated by Malaysia. At two different places, Dr Mahathir commended the role of the FIR by saying that Fiji and Malaysia enjoy a long association, forged in the troubled days of the Emergency in Malaya. You have helped us in the time of difficulty. We are indebted to you.<sup>47</sup> Malaysians recall with appreciation the courage and valour of Fijian soldiers fighting alongside our own in the Malayan jungles in the defence of freedom and democracy. Stemming from this involvement there exists deep affection and goodwill among Malaysians for Fijians.<sup>48</sup>

<sup>46</sup> Hugh Tinker, et al. (eds.), *Fiji*, London: The Minority Rights Group, 1987, p. 4.

<sup>47</sup> The speech was delivered during his first visit to Fiji in June 1982, *Foreign Affairs Malaysia*, vol. 15, no. 2, June 1982, p. 107.

<sup>48</sup> The commandment was given at the official dinner in honour of Ratu Sir Kamisese Mara, Prime Minister of Fiji in Kuala Lumpur on November 26, 1990. *Koleksi Ucapan Mahathir*, *ibid.*, p. 692.

The second factor that influenced Malaysia's relations with Fiji was ethnicity. Ethnicity is a central issue in Malaysia's domestic politics. In 1993, 56 per cent of people in Malaysia were Malays and other indigenous people, 34 per cent were Chinese, 9 per cent were Indian and 1 per cent others.<sup>49</sup> Because of this ethnic composition Malaysia was always interested in racial issues in foreign countries. Malaysia always supported the efforts made by some parties to reduce socioeconomic imbalance between the citizens as had happened in South Africa, Palestine, Bosnia and Herzegovina and Fiji. Malaysia believed that communalism and racial prejudice could be resolved through policy intervention and equal participation in socioeconomic programmes.

In this context, in November 1987, almost one and a half months after the second coup, Dr Mahathir sent Foreign Minister Dato' Abu Hassan Omar to Fiji. The Minister's visit was seen as a symbol of Malaysia's support of Fiji's declaration as a republic after a military coup led by Colonel Sitiveni Rabuka.<sup>50</sup> The Malaysia Foreign Minister's visit from November 28-30, 1987 was the first official delegation from a foreign government to visit Fiji since it became a republic.<sup>51</sup> In Suva, the Minister promised that Malaysia would do all in its power to help Rabuka's regime and urged other countries to understand and not impede the regime's efforts at consolidation. He added that Malaysia understood the regime's desire to entrench the political domination of the

<sup>49</sup> Anthony van Fossen, "Race, ethnicity and language," in Richard Maidment and Colin Mackerras (eds.), *Culture and Society in the Asia-Pacific*, London: Routledge, 1998, p. 91.

<sup>50</sup> Zakaria Haji Ahmad, "Malaysian Foreign Policy and Domestic Politics: Looking Outward and Moving Inward?" in Robert A. Scalapino, et al. (eds.), *Regional Dynamics*, Jakarta: Centre for Strategic and International Studies, 1990, p. 110.

<sup>51</sup> *Foreign Affairs Malaysia*, vol. 20, no. 4, December 1987, p. 126.

native Fijians.<sup>52</sup> A year later, Fiji established its mission in Kuala Lumpur, the first in the region. Furthermore, Dr Mahathir's brief stop in Suva following his trip to Latin America in July 1991 marked the close relations which had been established between two countries.

In his speech in honour of Fijian Prime Minister Kamisese Mara in Kuala Lumpur on November 26, 1990, Mahathir reminded his counterpart that in managing a multiracial nation, a continuous balance has to be made in meeting the opposing demands of different communities.<sup>53</sup> Fijian Prime Minister Sitiveni Rabuka, in his meeting with Dr Mahathir in Kuala Lumpur on August 5, 1996, expressed Fiji's interest in learning from Malaysia's experience. Fiji was seeking Malaysia's assistance in improving the socioeconomic status of its indigenous people who lagged behind the Indian community in the country. According to Rabuka, the Fijians suffered three drawbacks—educational under achievement, economic backwardness and under representation in white-collar jobs. In these three areas, the Indians were ahead of the Fijians. Furthermore, the situation was worsened by the fact that majority of the Indian students were studying in the critical and important disciplines such as Sciences, Engineering and Medicine while the Fijians were enrolled at the Social Sciences and Liberal Arts courses.<sup>54</sup>

While in Malaysia, Rabuka visited the Mara Institute of Technology (ITM) in Shah Alam, Selangor, which was established to provide higher education to the Bumiputra in various professional fields based on technology and centred

<sup>52</sup> Michael C. Howard, *The Cold War and Political Alignment in the South Pacific*, Burnaby, B.C.: Simon Fraser University, 1991, p. 31.

<sup>53</sup> *Koleksi Ucapan Mahathir*, *ibid.*, p. 692.

<sup>54</sup> Interview with Dr Vijay Naidu, Pro Vice Chancellor of the University of the South Pacific in Suva on April 10, 1995.

on entrepreneurship.<sup>55</sup> Rabuka was impressed with the institution and hoped to create a similar institution in Fiji. The ITM concept according to Rabuka was of relevance to Fiji.<sup>56</sup> Mahathir also suggested that Fiji could emulate Malaysia's efforts to encourage business participation among the Malays by setting up Permodalan Nasional Bhd, a national capital fund which gave financial assistance to potential indigenous traders.

Rabuka also thanked the Malaysian government for its assistance in training Fijian military officers,<sup>57</sup> civil servants, school principals<sup>58</sup> and most recently, the secondment of the Federal Court judge, Dato' Dr Zakaria Yatim, to examine the report of the Fijian Constitution Review Commission. Rabuka offered Malaysia, Fiji's expertise in sports, especially rugby, and also said it was ready to offer its English teachers to serve in Malaysian schools.<sup>59</sup> In early 1997, the Fijian Government accepted a Malaysian offer to establish a joint-venture between the Malaysian government and Yasana Holdings Ltd, a government-sponsored ethnic Fijian company, in the areas

<sup>55</sup> ITM was started as the RIDA Training Centre in 1958 to produce Malay professionals. The name changed to ITM in the early 1970s when it was upgraded to the present status. In 1996, ITM offers 127 professional courses. Since its formation, ITM produced 91,287 graduates in various level.

<sup>56</sup> *New Straits Times*, August 14, 1996.

<sup>57</sup> Up to early 1994, twelve Fiji Military Forces officers had graduated from the Malaysia Staff College. Since 1990 two candidates from Republic of Fiji Military Forces have been selected each year for a one-year course. Interview Major NJB Evans, one of the graduates of the Malaysia Staff College, in Suva on April 7, 1995.

<sup>58</sup> In 1994, 30 secondary school principals attended School Management Course at Institute of Aminuddin Baki at Genting Highland. Source: List of Successful Fiji Participants Under the MTCP 1982-1994, Malaysian High Commission, Suva, 1994.

<sup>59</sup> *New Straits Times*, August 6, 1996.

of business and tertiary education.<sup>60</sup> Malaysia was prepared to help ethnic Fijians by setting aside places for them in tertiary institutions in Malaysia in science, mathematics, accounting, engineering and tourism studies. In return, the Fijian government would recognise the graduates from Malaysian institutions that had not been recognised before.

Religion is another factor to the close relationship between Fiji and Malaysia. The majority of the Fijian are Christians while the Indians are divided into two main groups, the Hindus and other minority groups, including Christians, Sikhs and Muslims, with a small number of Bahai's. The Muslims represent some 15 per cent of the total Indian population, but play an important role in socioeconomic fields. Many of them had done well in business and others hold strategic positions in careers such as doctors, lawyers and accountants. In addition, some of them have succeeded in the public sector. One of the prominent Muslims, Dr Ahmed Ali, former Fijian Ambassador to Malaysia and was previously the Chief Policy Analyst in the Prime Minister's Office.

The existence of the Muslim minorities attracted the Malaysian government's attention. We have traced Malaysia's concern with the fate of Muslim minorities as in Bosnia and Herzegovina, Myanmar, South Philippines, Cambodia and South Thailand. Malaysia's foreign policy, particularly under Mahathir, has given a special place to these issues, demonstrating that his own leanings towards the "Muslim World" were even more pronounced than his predecessors.<sup>61</sup>

In the case of Fiji, a non-Islamic country, Malaysia's involvements in supporting Islam were via non-governmental organisations (NGOs) such as Regional Islamic Dakwah

<sup>60</sup> *New Straits Times*, January 30, 1997.

<sup>61</sup> Hussin Mutalib, *Islam in Malaysia from Revivalism to Islamic State*, Singapore: Singapore University Press, 1993, p. 32.

Council of Southeast Asia and the Pacific (RISEAP)<sup>62</sup> and the Fiji Muslim League (The League) in Fiji. In addition, several Fijian Muslim students enrolled at the International Islamic University Malaysia (IIUM) in Kuala Lumpur for degree courses in fields like accountancy, business studies, economics and law. In 1992/1993, nine Fijian Muslim students were studying at the IIUM under the sponsorship of the MTCP.<sup>63</sup> In December 1992, a 17 member delegation of principals and Muslim teachers from Fiji visited Malaysia for a study visit and an orientation programme. The three week visit was organised by the RISEAP with the support of the International Islamic University.<sup>64</sup>

For years, the League had made an arrangement with Tabung Haji Malaysia, (the Malaysian Haj Fund) for pilgrims from Fiji. However, in 1992, the Saudi Arabian authorities disallowed pilgrims from Fiji the opportunity to perform the Haj with the Malaysians. The Fiji group of pilgrims were required to make private arrangements for accommodation during the Haj. However, as a result of negotiations made by the Malaysian government, the Saudi Arabian authorities had allowed the Fiji group under the Fiji Muslim League, to continue to perform the Haj with the Malaysians.<sup>65</sup>

The fourth factor which influenced the relationship between Malaysia and Fiji was that of economic relations, including trade, investment and aid. Although Malaysia's trade with Fiji has been relatively modest in comparison with other

<sup>62</sup> The role played by RISEAP, the regional body for carrying out the work of *dakwah* (propagating Islam) within the South Pacific was prominent. The organisation, based in Kuala Lumpur acted as a link between the Muslim communities in the Asia-Pacific region.

<sup>63</sup> *Fiji Muslim League Annual Report 1993*, p. 18.

<sup>64</sup> Interview with Khifayat Hussein Shah, The Fiji's Muslim League Executive Secretary—Education in Suva on April 6, 1995.

<sup>65</sup> *Fiji Muslim League Annual Report 1992*, p. 18.



countries in the region, it has been significant. Malaysian exports to Fiji included building materials, household products, tyres, light industrial, engineering components and machines. Malaysia's national car, the Proton, has made some inroads into the Fijian market. Its imports included sugar and coconut.

Malaysia's trade with Fiji in 1995 stood at US\$38.6 million, which comprised of mostly sugar imports. Sugar made up 99.6 per cent of Malaysia imports from Fiji. Malaysia has bought Fiji's sugar since 1969 under a preferential long-term agreement which stated that Malaysian would buy approximately 100,000 tonnes annually. However, a new agreement came into effect on January 1, 1995, stated that Fiji's sugar quota to Malaysia from the beginning of 1995 would be reduced by 20,000 tonnes.

Table 6.2  
Fiji Sugar Exports Destination, 1994

Countries	Tonnes	%
European Union	173,100	44.01
Malaysia	106,886	27.17
Japan	46,500	11.82
Canada	38,000	9.66
Korea	20,422	5.19
U.S.	8,453	2.15

Source: *The Review*, January 1995, p. 71

Instead of exporting 110,000 tonnes, Fiji would now only export 90,000 tonnes. Under the new agreement Malaysia would buy Fiji's sugar at a price of between 11 cents and 11.5 cents a pound.<sup>66</sup> Fiji sold its sugar to the E.U., Malaysia, U.S.,

<sup>66</sup> *Fiji Focus*, December 1994, p. 5.

Korea, Canada, Japan and Pacific islands. The E.U. is the largest buyer of Fiji sugar, followed by Malaysia. In the case of Malaysia, Fiji's sugar exports to the country are weighted in favour of Fiji and contributed to its trade surplus (see Tables 6.2 and 6.3).

The trade imbalance between Malaysia and Fiji should be addressed. One of the factors that has influenced the situation has been the lack of air and shipping links between Fiji and Kuala Lumpur. As in the case of PNG, Malaysia has no direct flight to Fiji.<sup>67</sup> This means those who want to go to Fiji or vice versa have to go through a third country, i.e. Australia or New Zealand.<sup>68</sup> This route incurs extra time and cost.

Table 6.3

**Balance of Trade Between Fiji and Malaysia,  
1993-1995 (US\$)**

Year	Total Exports	Total Imports	Trade Surplus
1995	14.028	1.924	12.103
1994	24.131	7.581	16.550
1993	23.737	6.401	17.336

Source: *The Review*, April 1995 and February 1996

In the case of shipping there was no direct shipping line between Port Klang and Fiji before August 1993. Malaysian exports to Fiji were transhipped via Singapore and Australia. However, with the joint ventures efforts between Prima

<sup>67</sup> An Air Services Agreement to provide for direct flights between Kuala Lumpur and Suva signed in Kuala Lumpur on November 26, 1990. However, the agreement not yet been acted on.

<sup>68</sup> Dato' Abdullah Ahmad Badawi said that major problem faced by the South is lack of direct communication between them. "In order to go to South, we have to go to North first" he responded to the writer's question. Interview in Kuala Lumpur on January 6, 1995.

Mutiara, a subsidiary of Malaysia's Halim Mazmin Group, and the Fiji National Shipping Line, a direct service from Port Klang to Fiji has been established. The agreement to establish the direct line between two countries was announced by Malaysian Transport Minister, Dato' Seri Dr Ling Liong Sik after he met the Fijian Deputy Prime Minister Felipe Bole in Kuala Lumpur on July 26, 1993. In his statement the Minister said that the service offered the fastest transit time of 22 days to the South Pacific island states.<sup>69</sup> On the part of Fiji, they hoped that the service would provide the opportunity for Malaysian and Fijian businessmen to expand trade.<sup>70</sup> It may be that Fiji can also act as springboard for Malaysian goods to reach other South Pacific island states and South America.

Another factor that affected trade imbalance is Fiji's small market. With a population of less than a million it is hard for Fiji to develop a viable domestic market. In this context, efforts to study local needs, particularly in food products, are needed. There is the possibility that Malaysia could export processed food to cater to the needs of Fijian Indian and Muslim people, who form almost half of the population.

One of the South's mechanisms to boost trade between pairs of countries is the Bilateral Payments Arrangement (BPA) initiated by Malaysia in 1990. On October 12, 1991 Bank Negara Malaysia (the Central Bank of Malaysia) signed payments arrangements with Fiji Central Bank. Tan Sri Jaafar Hussein Governor of Bank Negara Malaysia (BNM) and Fiji Central Bank Governor Ratu Jone Yavala Kubuabola during the annual International Monetary Fund and World Bank meetings signed the agreement in Bangkok.<sup>71</sup> In connection

<sup>69</sup> *Business Times (Malaysia)*, July 27, 1993, p. 2.

<sup>70</sup> *Investment Factors 1995*, Embassy of the Republic of Fiji in Kuala Lumpur.

<sup>71</sup> *Pacific Islands Monthly*, November 1991, p. 22.

with Fiji, the BPA signed between Malaysia and the country follows the Iranian Model. Under this model, each central bank will guarantee its own importers. The issue arise here is it seems that the BPA failed to encourage bilateral trade between Malaysia and Fiji. Unlike other BPA's signatories that benefited from the Agreements, Malaysia and Fiji got minimum advantage from the BPA which had been signed in 1991 (discussed in Chapter 3).

The problem of small amount of trade between Malaysia and Fiji is more an attitudinal rather than structural one. On the Malaysian side, the traders must respond to the Government's order to encourage export to reduce country's deficit. There are many Malaysian products that can be exported to the South Pacific region but due to the small market and the communication problem, traders are reluctant to venture into this area. The efforts made by the Malaysian Borneo Finance (MBF) which bought the Carpenters retailing company and then set up MBF Carpenters Supermarkets all over the country are positive efforts to be followed. Malaysian and Fijian private sectors should be encouraged to make closer interaction and collaboration. They should be aware that both countries have signed Double Taxation Agreement and Bilateral Payment Arrangements.<sup>72</sup>

In addition, Malaysian business organisations such as the Malaysia South-South Association (MASSA) and National Chamber of Commerce and Industry Malaysia (NCCIM) should establish a working linkage with Fiji's business organisation such as Fiji Manufacturers Association and Fiji Chamber of Commerce. Added to that, effort should be made to establish the Malaysia-Fiji Business Council (MFBC). The

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<sup>72</sup> Ironically, not many peoples in Fiji including high rank civil servants knew of the existence of the BPA whose function is to promote trade between two countries. This opinion based on interviews in Fiji.

Council is expected to work at promoting bilateral trade and investment as well as business cooperation in other South Pacific countries. In addition, an Indian factor in the Fiji business communities should be recognised. It is difficult for Malaysian traders to establish and get positive response from their Indian counterpart which control Fiji's economy if they fail to establish business contact with this group.<sup>73</sup>

Efforts must be made to reach this significant group of traders. Joint venture activities between Malaysian companies and some of the Indian companies should be established. In addition, Malaysia External Trade Development Corporation (MATRADE) based in Sydney, whose task is to promote, assist and develop Malaysia's external trade, must actively to encourage trade in the South Pacific. MATRADE must work together with Malaysian missions in Port Moresby and Suva to promote Malaysian business.<sup>74</sup> In addition, MASSA, the Malaysia South-South Association and its investment arm, Malaysian South-South Corporation (MASSCORP), should be involved in South Pacific business affairs to encourage Malaysian traders to do business in this region.

On the Fijian side, the establishment of the joint business activities between indigenous Fijian and Indian following the model of economic cooperation between the Malays and the Chinese will help to create indigenous entrepreneurs. The practice is known as the Ali-Baba ventures, in which the Malay (Ali) heads the company in name, while the real work and control rests with the Chinese partner (Baba). Dr

<sup>73</sup> Some Indian origins particularly the Hindus felt uncomfortable with Malaysia's support for the Rabuka government.

<sup>74</sup> There was a complaint from the Malaysian High Commission in Suva that regional MATRADE office base in Sydney did not inform the mission when they made an arrangement to meet local business people. Interview with Haniff A. Rahman, First Secretary High Commission of Malaysia in Suva on April 5, 1995.

Mahathir first proposed the idea in 1981 with the objectives to forge genuine and successful joint ventures in trade and industry and to overcoming doubts and suspicions among the races.<sup>75</sup> In Malaysia today, there is a more meaningful relationship, where the Malays and the Chinese play a role to ensure the success of the company. Malay businessmen have emerged to own large successful corporations, either on their own or in partnership with others. There are now Malay companies engaging Chinese managers and executives, as well as successful Chinese-owned companies employing Malay managers and executives.

In the case of Fiji, although at the beginning, the Fijian may get little benefit, they will find the advantages. The Fijian businessmen who lack business skills, capital and adequate advice and support will be helped from these joint-ventures. Through these efforts, it is hoped that political differences between the Fijians and the Indians will be solved through economic cooperation.

In addition, the Fijians, including the Fijian Indian businessmen, must make an effort to penetrate the huge markets of Southeast Asia by treating Malaysia not only as a market destination but also as the springboard into Southeast Asia. The Southeast Asia region is one of the dynamic regions in the world. With a total population of about 500 million, the region is an excellent market not only for Fiji but also for other South Pacific countries. Fiji has potential in manufacturing industries such as wood-based, textile and leather industries.<sup>76</sup>

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<sup>75</sup> *Malaysian Digest*, March 1996, p. 6.

<sup>76</sup> When asked on Fiji's possibilities for penetrating Asean's markets, a high ranking officer at the Ministry of Industry, Trade and Public Enterprises responded by saying that he was not confident of Fiji's products' quality compared with those from the Southeast Asian region.

What are needed are the self-confidence and the will to venture to penetrate into big and promising Asean markets.

On the other hand, Malaysian businessmen should realise that Fiji could become the springboard not only for the regional markets but also to Australia, New Zealand, European countries and the U.S. Fiji is a member of SPARTECA,<sup>77</sup> the Lome Convention<sup>78</sup> and a beneficiary of GSP<sup>79</sup> which grants advantages has facilities to trade with those countries. Basically all exports from Fiji enter Australia and New Zealand duty free and without quantitative restrictions except for certain specified products which receive concessional treatment in the form of some duty or quantitative limits. On this point, the remarks of Fiji's Reserve Bank Governor, Jone Kubuabola, regarding these facilities seem relevant. He said, "Perhaps foreign investors from Southeast Asia don't realise the potential of Fiji as a base for

<sup>77</sup> SPARTECA is the acronym for "South Pacific Regional Trade and Economic Agreement" between Australia, New Zealand on one hand and the South Pacific Forum Island countries on the other. The agreement was signed on July 14, 1980 and came into force on January 1, 1981. It is a preferential non-reciprocal agreement that seeks to enhance economic, commercial, industrial, agricultural and technical cooperation among the signatory nations with a view to accelerating the development of the Forum Island countries.

<sup>78</sup> The Lome IV signed on December 15, 1989 at Lome, capital of Togo, between the member states of the African, the Caribbean and the Pacific (ACP group) which includes Fiji and 12 member states of the European Community (E.C. group), 142 with a view to coordinate aid flows and trade concessions made available to the ACP group. In the field of trade cooperation, Lome IV permits products "originating" in the ACP states to be exported to the E.C. free of customs duty and other similar charges and also not be subject to any quantitative restrictions.

<sup>79</sup> GSP refers to "Generalised System of Preferences", whereby industrialised nations grant preferential treatment to imports from developing countries, called beneficiary countries, which include Fiji.

sales into the U.S. and Europe as well as Australia and New Zealand".<sup>80</sup> Malaysian traders should take heed of this.

In Fiji itself, there was a steadily increasing and significant Malaysian commercial presence. In 1988, Tan Sri Vincent Tan, who owns the Berjaya Corporation, set up the South Pacific Textile Industries and in the early 1990s his company operates Berjaya Inn in Suva. The Malaysian Shangri-la chain, owned by Tan Sri Robert Kuok, also operates two major hotels, the Mucambo and the Fijian Resort, which are considered among the top ten in Fiji. Halim Mazmin Corporation under the name of Prima Mutiara, established a direct shipping link between Fiji and Southeast Asia region. Inter-Pacific Trading Sdn Bhd was another Malaysian firm specialising in the distribution of goods including office equipment, durable and non-durable consumer goods and furniture.

The Malaysian Borneo Finance (MBF) Group owned by Tan Sri Dato' Loy Hean Heong became involved in banking, stock markets and retailing under its subsidiary, MBF Finance Bhd. The MBF had bought W.R. Carpenter Group, the biggest Australian Company in the island, for US\$50.6 million and moved the Carpenter headquarters from Sydney to Suva. In banking services, the MBF Group entered into a joint venture with the National Bank of Fiji (NBF) to form National MBF Finance (Fiji) Ltd. Control was split 49 per cent and 51 per cent respectively. In banking services, the MBF developed financial products such as MasterCard, Viticard and the Countdown discount card, hire purchase, leasing, factoring and general insurance.<sup>81</sup> The significance of MBF's contributions was that it introduced modern banking services to the Fijian. Those services were the first of that kind for the

<sup>80</sup> *Asiamoney*, September 1993, p. 7.

<sup>81</sup> *The Review*, October 1994.



country.<sup>82</sup> In 1995, Tan Sri Wan Azmi Wan Hamzah, the Chairman of Land and General, bought a significant number of shares in Emperor Mines Ltd, the biggest gold mine in Fiji.<sup>83</sup> Recently, the Sateras Group has become involved in the country's tourism industry.

During his visit to Malaysia in August 1996, Fijian Prime Minister Sitiveni Rabuka invited more Malaysian businessmen to invest in his country, particularly in the manufacturing, agricultural, fishing and forestry sectors. He welcomed Malaysian participation to build more hotels and resorts to cater for the growing tourism business in the country. He hoped to see Malaysian investors enter his country's agro-based and mining industries.<sup>84</sup>

One of the major problems faced by foreign investors in Fiji is the issue of "Customary Landowners". As in any other Melanesian states, most of the Fijian land is "customary" and this means the right to stay on land is dependent on membership of a group, by descent or by adoption, and through participation in-group activities.<sup>85</sup> In Fiji there are 1,822,921 hectares of land spread over many islands, which

<sup>82</sup> Interview with Josai Maivusaroko, Deputy Secretary for Commerce, Industry, Trade and Public Enterprises in Suva on April 6, 1995.

<sup>83</sup> *The Review*, October 1995.

<sup>84</sup> In his address to a luncheon hosted by Malaysia South-South Association in Kuala Lumpur on August 6, 1996, the Premier stated "Malaysia and Fiji have enjoyed an extremely good relationship over a long period of time and we are thankful for the cooperation between the countries. We would very much like to see more Malaysian investors coming to Fiji and we are looking forward to forge closer cooperation with Malaysia as well as other Asian countries". *The New Straits Times*, August 7, 1996.

<sup>85</sup> Peter Larmour, "Sharing the Benefits: Customary Landowners and Natural Resource Projects in Melanesia," in *Pacific Viewpoint*, vol. 30, no. 1, June 1989, pp. 56-57.

83.4 per cent is held under the restricted Native land, 8.4 per cent Government land and 8.2 per cent freehold.<sup>86</sup> Fijian land is owned collectively by native *mataqali* or clan groups. All customary land rights in Fiji have been codified and standardised, and the boundaries between groups surveyed and mapped. By law the Fijian land cannot be sold, even to other Fijians but areas not needed by the owners are leased out on their behalf by the Native Land Trust Board (NLTB).<sup>87</sup>

In this situation, in order to get the land for commercial purposes, investors have to deal directly with the group's chiefs. According to the group's tradition, the group's members must follow a decision made by the chief. Not many problems have occurred as long as the chief is still in power or still alive. But when the chief dies and is replaced by the new leader, all the grievances that were previously suppressed come out. In Fiji, one of the ways in which this is expressed is to set roadblocks to the new rejected projects.<sup>88</sup> In the first ten months of 1996, it was reported there had been 60 reported cases of roadblocks, halting road works, electricity supply and affecting tourism in Fiji.<sup>89</sup> These disturbances contributed to a sense of unease and uncertainty among foreign investors. In his meeting with the Great Council of Chiefs on January 29, 1997, Prime Minister Rabuka warned that foreign joint ventures, particularly between the Malaysian government and Yasana Holding Ltd, would only be successful if Fijians

<sup>86</sup> The NLTB was established in 1940 to protect Fijian control over land and to administer all Fijian land, including all leases. The Board oversaw leases, collected and distributed rents and monitored land use. KPMG Peat Marwick Fiji, *Investment in Fiji*, 1991, p. 10.

<sup>87</sup> *Asiamoney*, September 1993, p. 29.

<sup>88</sup> Roadblocks as a means of indigenous protest first came into existence after two 1987 military coups, and in recent years landowners have resorted to erecting them during disputes with developers.

<sup>89</sup> *New Straits Times*, January 30, 1997.

refrained from their practice of setting up roadblocks at every grievance.<sup>90</sup>

### Fiji's Readmission

One of the immediate effects of the 1987 coup in Fiji was the rejection by the old Commonwealth members such as Australia, New Zealand, India and Britain of the new government under the leadership of Rabuka. The Australian, New Zealand and Indian governments voiced out strong criticism and called their High Commissioners home for consultations and suspended relations. Following the second coup, after Rabuka declared Fiji a republic, the 1987 Commonwealth Heads of Governments Meeting held in Vancouver, urged by the Indian and New Zealand prime ministers, declared that Fiji's membership had become void.

For years the issue of Fiji's readmission to the Commonwealth became CHOGM's hot topic. There were two competing parties to this issue. First, India and the other developed Commonwealth countries such as Australia, New Zealand and Canada were reluctant to accept Fiji as long as the country failed to review its constitution. For these countries, readmission to the Commonwealth would depend on Fiji liberalising its 1990 constitution to satisfy the Commonwealth members as a whole, meeting their criteria of democracy or to make it acceptable to all the people of Fiji.<sup>91</sup> India in particular firmly opposed Fiji's readmission until ethnic Indians in Fiji regained their full political rights.<sup>92</sup> The second group, which included Malaysia, Singapore and other South Pacific countries, suggested that Fiji deserved to be

<sup>90</sup> Ibid.

<sup>91</sup> Roger Barltrop, "Fiji, Crown and Commonwealth," in *The Round Table*, no. 337, 1996, p. 83.

<sup>92</sup> *Asia 1994 Yearbook*, p. 121.

re-admitted to the organisation because it had done something to improve the country's race relations.<sup>93</sup>

In this regard, as far as Malaysia was concerned, Dr Mahathir was a strong supporter of Fiji's readmission to the Commonwealth. Dr Mahathir's earliest effort to bring back Fiji back into the organisation was in Vancouver when he attended the CHOGM Summit in 1987. Since then, at every Commonwealth meeting, Malaysia has repeated its support for Fiji's admission to the Commonwealth. At the CHOGM's meeting held in Auckland in November 1995 Dr Mahathir repeated his support by saying "I would like to re-admit them now because they have done quite a lot, but others have a different view. I think by re-admitting them we would be able to exert more influence and help them with their problems".<sup>94</sup>

By the end of 1980s, Fiji became vulnerable to punitive measures by Australia and New Zealand, its main trading partners, which resulted in declining tourists arrivals and boycotts of Fiji's products. These strained relations forced Fiji to find new friends who could provide foreign investment and technical assistance.

Crocombe argued that the coups by ethnic Fijians in 1987 led their government to seek military support, training and supplies from Malaysia, Taiwan, Indonesia and Pakistan (as well as from France) and to promote trade and other interaction with Asia.<sup>95</sup> In this regard, Fiji's foreign policy post-coup were as follows: to maintain and, where possible,

<sup>93</sup> Ratu Mara said that he pursued the question of Fiji's Commonwealth status with several heads of government and international political colleagues. He was greatly heartened by support for Fiji's readmittance from Singapore, Malaysia, Pacific nations, other members of African, Caribbean and Britain.

<sup>94</sup> *Business Times (Malaysia)*, November 15, 1995, p. 4.

<sup>95</sup> Crocombe, *ibid.*, p. 295.

strengthen, bilateral relations with friendly countries, with increasing focus on new friends within the wider Pacific rim, particularly in Southeast Asia, and to attract foreign investment and technical assistance from sources other than Australia and New Zealand.<sup>96</sup>

Malaysia-Fiji relations entered a new era after the 1987 coup. Malaysia had become one of Fiji's closest allies in the region. The main contributing factor to this close relationship was Mahathir's sympathy with the issue of race relations. On the Fijian side, the country badly needed economic assistance from the Southeast Asian countries, particularly Malaysia and Singapore, to replace assistance from Australia and New Zealand who boycotted the country. However, due to the global recession Malaysia's business ventures overseas were limited. Only few Malaysian companies came to the South Pacific region, more particularly to Papua New Guinea. Towards the end of 1980s, Malaysia's contributions to Fiji were limited only to diplomatic and technical assistance. The failures of Malaysia was replaced by Australia and New Zealand, two regional powers who realised the importance of Fiji to their strategic and economic interests.

### Summary

Malaysia-PNG bilateral relations have been strengthened through Asean. As a long-time Asean special observer, PNG has had close relations with all Asean member countries including Malaysia. Furthermore, both countries were members of the Commonwealth and the APEC. Through these involvement's, the leaders and the senior officials of the two countries met regularly and established friendships. At the highest level, Dr Mahathir established a personal relationship with Sir Michael Somare, the PNG's former

<sup>96</sup> Steve Headily, *ibid.*, p. 99.

Prime Minister. In addition, Premier Wingti's "Look North" policy contributed to the closer relations between two countries.

Economically, Malaysia regarded PNG as a bridge to the South Pacific region and PNG considered Malaysia as a stepping stone to penetrate the huge market of Asean. Currently, PNG is the third largest Malaysia's regional trading partner after Australia and New Zealand. In addition, Malaysian business interests, particularly its logging companies, have become prominent in the country. This has led to severe criticism from some quarters, including the accusations of uncontrolled logging activities and corruption discussed above.

The Malaysia-Fiji relationship began with the involvement of the Fiji Infantry Regiment in Malaya during the Communist insurgency in the 1950s. The relationship developed further through the countries' participation in the Commonwealth. Frequent meetings at the CHOGRM and the CHOGM enabled Dr Mahathir to establish a personal relationship with Sir Kamisese Mara, the then Fiji's Prime Minister and currently the President of Fiji. Malaysia was also a strong supporter of Fiji after the 1987 coup and in its battle for readmission to the Commonwealth.

Malaysia's close relations with Fiji were determined significantly by eco-historical factors. Both countries were British ex-colonies and suffered with the problems of a multiracial society. Both countries faced the problem of indigenous peoples lagging behind an immigrant community. In Malaysia's case, the Malays were economically behind the Chinese, while in Fiji, the Indians controlled more than the Fijians. In this regard, the Fijian Government hoped to follow Malaysia's efforts to uplift the status of the indigenous peoples through education and economic development programmes.



## Chapter 7

# MELANESIAN FORESTRY: THE ROLE OF MALAYSIA'S PRIVATE SECTOR

BACKED by rapid economic development following eight continuous years of 8 per cent annual economic growth, from 1989 to 1997, Malaysian investors and entrepreneurs began to venture into foreign markets. Their involvement was in line with Malaysia's globalisation policy that encourages them to relocate industries to countries of the South, where viable and appropriate.<sup>1</sup> Driven by this policy, Malaysia's firms have "gone global" to Latin America, Africa, Middle East, Central Asia, East Asia, the Indochinese states and the South Pacific. Malaysian timber-based companies have been awarded concessions by several countries, including Gabon, Congo and Zimbabwe in Africa, Brazil, Guyana and Suriname in South America, Myanmar, Laos and Cambodia in Indochina, and Papua New Guinea (PNG), Vanuatu, the Solomon Islands and Marshall Islands in the South Pacific.<sup>2</sup>

In the early 1990s, Malaysian logging companies came to the South Pacific region and started to operate in Vanuatu, the Solomon Islands and PNG. The coming of the companies to the region was influenced by the shift in foreign policy of the host countries. These shifts in foreign policy of PNG, Solomon Islands and Vanuatu led to influx of Malaysian

<sup>1</sup> *Business Times (Malaysia)*, July 20, 1996, p. 1.

<sup>2</sup> *Malaysian Companies Having Logging Operation Overseas*, Ministry of Primary Industries, 1994.



private sector investment, particularly from its timber companies, to these islands.

The logging practised by Malaysian companies in the South Pacific islands has become highly controversial. At the South Pacific Forum Summit held in the Gold Coast, Brisbane in early August 1994, for example, Australian Prime Minister Paul Keating alleged that Malaysian, Korean and Indonesian logging companies were ripping off the Solomon Islands by paying too little for valuable and limited forest products. In a joint statement issued at the end of the Summit, the leaders agreed to introduce uniform legislation and management practices and an independent monitoring system to help control logging.

This chapter seeks to explain the role of the Malaysian private sector, particularly Malaysian companies logging in PNG, the Solomon Islands and Vanuatu. It will also discuss the impact of the involvement, the local reaction and the regional power responses. For example, as a major regional power, Australia has its own political, strategic and economic interests in the region. From Australia's perspective, the existence of Malaysian logging companies in the region may therefore be seen to have undermined its regional interests. The Malaysian government's reaction to its critics will also be analysed.

### Logging Operations in Papua New Guinea

Timber is a prime area of interest in economic relations between Malaysia and PNG. According to the PNG Investment Promotion Agency, 35 per cent of Malaysian investments in the country are in the forestry sector. Also, Malaysian firms made up 70 per cent of the permit-holders and contractors in PNG's forestry industry in 1994.<sup>3</sup> Malaysia's

<sup>3</sup> *Business Times (Malaysia)*, April 5, 1996, p. 1.

involvement in PNG's forestry industry has taken place in two phases: the first, in the middle of 1980s, and the second, more significantly from the early 1990s.

The first Malaysian logging company which operated in PNG was in 1986, when Malaysian Overseas Investment (PNG) Pty Ltd (MOI) received pre-registration by the PNG Forests Department on October 17.<sup>4</sup> The MOI has its origin in the Malaysian Overseas Investment Corporation (MOIC) established jointly by Malaysian government subsidiaries and the private sector, to encourage Malaysian overseas investment.<sup>5</sup> MOIC was Malaysia's first *sogoshoba* (Japanese-style general trading house). It was launched in January 1983 to establish "South-South" trading links with other developing countries. Its genesis lay in Mahathir's visit to Fiji in December 1982 to attend the CHOGRM, during which the representatives of the principal holders accompanied him.<sup>6</sup> The managing director of the MOIC was Mohamad Abdullah Ang.<sup>7</sup> When MOIC began experiencing financial difficulties in late 1985, Abdullah resigned and registered a company of the same name in Singapore.<sup>8</sup> Angus

<sup>4</sup> Sean Dorney, *Papua New Guinea: People, Politics and History Since 1975*, Random House, Sydney, 1993, p. 230.

<sup>5</sup> MOIC's shareholders were Pernas Sime Darby Trading, Kumpulan Guthrie, Malaysia Mining Corporation (MMC), Malayan United Industries (MUI), Multi Purpose Holdings, Kuok Brothers, United Motor Works (Malaysia) Holdings (UMW), and MAA Holdings of which Ng was the chairman. Nick Seaward, "High-flier crashes," in *Far Eastern Economic Review*, September 4, 1986, p. 47.

<sup>6</sup> *Ibid.*

<sup>7</sup> Abdullah Ang was a friend of former Foreign Minister Tan Sri Ghazali Shafie. He accompanied him in an official visit to PNG in 1984.

<sup>8</sup> Abdullah Ang, the former MOIC's managing director, was arrested in Singapore on a Malaysian warrant alleging criminal breach of trust involving US\$135,552 on April 9, 1985.

(PNG) Pty Ltd had appointed Ted Diro, a leader of Papua Action Party (PAP), former Forest Minister and Minister Without Portfolio in the Wingti's cabinet, as its founding Chairman.<sup>9</sup> Diro was a representative of a local landowners company, Magi Woptenk in the Gadaisu area, where MOIC Investments had applied for a Timber Resource Permit. The application was rejected. However, when he became Foreign Minister, Ted Diro had granted the permit to Angus when it resubmitted MOIC Investment's application.<sup>10</sup>

In 1987, the Commission of Inquiry chaired by commissioner Mr Justice Thomas Burnett found Ted Diro guilty of 83 counts of corruption, including gifts and benefits he allegedly received from Angus (PNG) Pty Ltd. Ted Diro's scandal had an impact in Malaysia.

The MOIC-Angus involvement was the first Malaysian effort (although the company was registered in Singapore) for involvement in the forestry industry in South Pacific.<sup>11</sup> Due to this event, the Malaysian private sector image, particularly in the timber industry, was badly injured.

In the early 1990s, among the biggest Malaysian logging companies in PNG were Rimbunan Hijau Sdn Bhd, Land and General Bhd, Damansara Realty, Construction and Supplies House (CASH) and Coral Quest. With more than 10 years

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<sup>9</sup> Ted Diro was a close friend of Abdullah Ang, Charlie Koh, F.C. Chea. They were on the board of directors of Angus (Singapore).

<sup>10</sup> Ted Diro renounced his connection with Angus but privately retained his 35 per cent interest in Angus. He also obtained an executive Jaguar XJ6 saloon from MOIC (Singapore) and Angus, *ibid.*

<sup>11</sup> The MOIC's Market Research Executive, Samuel Lourdes was a participant of Malaysia's Trade Mission to the South Pacific Islands including PNG, Fiji and Solomon Islands in August 1983. It was the first Malaysia's trade mission to the South Pacific region. *Malaysia Trade Mission to the South Pacific Islands*, Ministry of Trade and Industry, 1983.

experience in PNG, Rimbunan Hijau owned 17 subsidiary companies and had five main operating companies in PNG, in 1997.<sup>12</sup> It was the single biggest timber company in PNG and controlled 70 per cent of PNG logging leases. The Group was operating in 20 different concessions with a total area of 1.3 million hectares.<sup>13</sup> In addition to their forestry interest, they had also diversified into other businesses, in trading and real estate and also owned *The National*, one of two English dailies, that had a circulation of around 23,000. Some critics feared that *The National* would become a vehicle to promote the company's commercial interests.<sup>14</sup>

In 1994, the company was widely criticised when an Australian Broadcasting Corporation (ABC) programme highlighted the company's logging practices in PNG. The 40-minute programme, *Malaysian Invasion*, featured an interview with Sim Kwang Yang, the Democratic Action Party (DAP) member of Parliament for Kuching, Sarawak. Sim criticised the Government's logging policies and accused the company of being involved in severe environmental abuse in the island. Sim also referred to Rimbunan Hijau practice in Sarawak—no different from elsewhere. Sim was quoted by the ABC as saying that Rimbunan Hijau had a tenacious spirit and would stop at nothing to protect its own interests.<sup>15</sup> Dr Lim Keng Yaik, Minister of Primary Industries, criticised Sim for allowing himself to be used by the Australian media to

<sup>12</sup> *Business Times (Malaysia)*, March 1997, p.20.

<sup>13</sup> Letter from Cyril Pinso, Forestry Consultant of Innopries Corporation Sdn Bhd, to Director-General, Forest Research Institute of Malaysia (FRIM), dated January 12, 1995.

<sup>14</sup> A good study has been written by David Robie in his article, "Ownership and Control in the Pacific," in David Robie (ed.), *Nius Bilong Pasifik (Mass Media in the Pacific)*, Port Moresby: University of Papua New Guinea Press, 1994, pp. 28-33.

<sup>15</sup> *Business Times (Malaysia)*, November 8, 1994, p. 20.

condemn Malaysia and tarnish the country's image. Dr Lim claimed that it was more proper for Sim to discuss the issue in the Malaysian Parliament which he had done many times rather than through the foreign media.

In September 1993, the Papua New Guinea Minister for Forests, Tim Neville, said foreign logging companies operating in PNG had been told to move out if criticism continued over the government's new forest laws which would underpin logging operations in PNG. Prior to this, in July 1993, the Minister told Rimbunan Hijau to leave if it did not like the laws. The minister said many groups were against the government's new strict forestry laws because foreigners had bribed them.<sup>16</sup> It was implied that Rimbunan Hijau had developed a good relationship with top national leaders and might have bought some influence over them.<sup>17</sup>

In 1993, Sir Julius Chan, then Deputy Prime Minister, commented on logging companies' malpractice by saying, "Previously, PNG dealt only with countries like Australia and Britain. Now we are coming into contact with other places with different ways of investing, not necessarily corrupt, but something we were not exposed to before".<sup>18</sup> While attending the APEC's leaders meeting in Jakarta in November 1994, the PNG Prime Minister, Sir Julius Chan, told Dr Mahathir that he welcomed Malaysian businessmen into his country and defended their presence and activities there. Chan said, "Malaysians are helping to provide social amenities and

<sup>16</sup> *Pacific Islands Monthly*, September 1993, pp. 12-13.

<sup>17</sup> Rimbunan Hijau's newspaper, *The National*, was launched by then Prime Minister Paias Wingti on November 10, 1993, and in April 1996, Sir Julius Chan, the Prime Minister led 60 officials and business people to Sibu, Sarawak, the home town of Dato' Tiong Hiew King, the owner of Rimbunan Hijau.

<sup>18</sup> *Islands Business Pacific*, January/February, 1993, p. 30.

assisting in the development of PNG. But there will be those who will want to find fault".<sup>19</sup> According to M. Santhananaban, Malaysian High Commissioner for Papua New Guinea, "Malaysia should not be worried about the publicity given to Rimbunan Hijau by the ABC television programme which tried to build a perception amongst the people that Malaysians are exploiting the country. The PNG Government does not share the perception, neither do most people in PNG".<sup>20</sup>

Any logging company in PNG is required to comply with "sound forest management practices" which cover the project, roads and bridges, infrastructure and forest-working plan. The operating companies have to follow the conditions as stated in the "Timber Permit Condition Relevant to the Auditing Exercise" issued by the Ministry of Forests. One of the companies which earned a good reputation on environment audit ratings was Cakara Alam (PNG) Pty Ltd, a subsidiary of Land and General Company owned by Tan Sri Wan Azmi Wan Hamzah.<sup>21</sup> Cakara Alam has secured 15-year contracts as developer to three landowner companies in Arawe, West New Britain with logging rights covering close to 200,000ha. The concessions were in West Arawe 68,1ha, Central Arawe 61,600ha and East Arawe 63,500ha. Since the inception of its operations in October 1991, the company produced over half-a million cubic metres of log. The company initiated a two-bench sawmill operation in West Arawe and 226km of road have been completed, linking the major areas in the West and the East Arawe.

<sup>19</sup> *Business Times (Malaysia)*, November 15, 1994, p. 1.

<sup>20</sup> Interview with M. Santhananaban, Malaysia High Commissioner for Papua New Guinea in Port Moresby on April 24, 1995.

<sup>21</sup> *Business Times (Malaysia)*, April 29, 1995, p. 7.

Guided by the regulations on forest exploitation and under the strict surveillance of forestry authorities, the company managed to comply with forest management practices and the environmental plans. In addition, the company initiated training programmes for graders and surveyors, and also on-the-job training for various skills. The company did not encounter much of a problem in observing the rights and privileges of the landowners in its concessions. The only problem was some of the landowners developed the habit of approaching the company for funds and assistance.<sup>22</sup>

In addition, good cooperation exists between government and forest officers and Cakara Alam. Furthermore, the parent's group, Land and General planned to set aside 1 per cent of its pre-tax profit for charitable purposes. Tan Sri Wan Azmi said, "We intend to incorporate this into the memorandum of association, so as to institutionalise it. It will not be restricted to Malaysia as we intend to do the same for those countries where our operations show a profit".<sup>23</sup> Wan Azmi added, "Malaysian operations have attracted international libel and slander, but we have taken our own steps in caring for the environment".

### Logging Operations in the Solomon Islands

By 1994 the presence of Malaysian companies in logging activities in Solomon Islands was significant. Kumpulan Emas Bhd were given 466,143ha in four concessions in the islands of Vangunu, Makira and Isabel. Another Malaysian company, Berjaya Group Bhd, was given permission by two provincial governments to log in 600,000ha of forest concessions and another 45,000ha in the Makira province. On alienated land

<sup>22</sup> Interview with Lockman M. Sirin, Cakara Alam General Manager, in Port Moresby on April 27, 1994.

<sup>23</sup> *Business Times (Malaysia)*, *ibid.*

in Pavuvu Island, Marvin Bros. Timber Company was given permission to log one million cubic metres of forest. Although Malaysian relations with the Solomon Islands had been established in 1986, there had been little substantial contact. Only in 1994, when Solomon Mamaloni replaced Billy Hilly as its ninth prime minister, did the Solomon Islands policy towards Asian countries change. The country is now paying more attention to its Asian contacts as sources of foreign investment and employment. The Mamaloni government planned to increase trade with Asian countries and lessen dependence on Australia.

In his visit to Malaysia in November 1996, Danny Philip, the Solomon Islands Deputy Prime Minister, said that the Solomon Islands was concentrating on establishing investment partners from newly industrialised countries, especially Malaysia. Philip added that the Solomon Islands was keen to encourage foreign companies with interests in timber to diversify into other areas such as oil palm plantations under the post-logging programme. In this context, he added that the initiative by Malaysia's Kumpulan Emas to venture into 30,000ha of oil palm plantation was encouraging.

In early 1995, during his visit to Solomon Islands, Malaysia's non-resident High Commissioner, M. Santhananaban, told the Solomons' Government that Malaysia wants to expand the scope and content of its bilateral cooperation with Solomon Islands. Santhananaban added that in recent years the bilateral relationship between the two countries has been given added significance because of the active participation of the private sector. In reply, the Solomon Islands Governor General, Pitakaka, said that the Solomon Government appreciated the important role of Malaysian nationals in the Solomon Islands development



process and, in particular, their active participation in the Island's private sector. He added the Solomon Islands wanted to increase the volume of trade and economic cooperation between the two countries.<sup>24</sup>

Trade and economic links between Malaysia and the Solomon Islands have been relatively limited. In 1995, the total trade between Malaysia and the Solomon Islands amounted to US\$4.9 million or 0.03 per cent of Malaysia's global trade. Malaysia's imports from the Solomon Islands came to US\$1.76 million. They consisted mainly of raw materials such as cocoa, oilseeds and oilcan. On the other hand, Malaysian exports to the Islands amounted to US\$3.2 million and comprised tractors, civil engineering and contractor transport plant and equipment, palm oil, motor vehicles for the transport of goods and rubber products. Between January and June 1996, Malaysia exports totalled US\$2.22 million and imports, US\$0.57 million.<sup>25</sup>

As far as the forest industry was concerned, two major issues dominated the relationship between Malaysia and the Solomon Islands. First, Premier Billy Hilly alleged at the South Pacific Forum in early August 1994 that the Malaysian company Kumpulan Emas had consistently breached the conditions of its licences by carrying out illegal forestry practices. Billy then announced the suspension of the licence. Secondly, Joses Tuhanuku, the Minister of Commerce, Employment and Trade, alleged that the Malaysian company, the Berjaya Group, had tried to bribe him in order to get approval for a takeover of the Star Harbour Logging in Makira-Ulawa Province. Tuhanuku rejected the offer and the executive was deported one day after the incident.

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<sup>24</sup> *Solomon Nius*, vol. 7, no. 2, February 1995, p. 1.

<sup>25</sup> *Business Times (Malaysia)*, November 7, 1996, p. 2.

**Table 7.1**  
**The Kumpulan Emas Forest Concession in the Solomon Islands**

Concession	Location	Area (ha)	Concession Expiry Date
Sylvania Product	Vangunu	10,299	May 30, 1999
Integrated Forest Product	Makira	158,174	March 9, 2099
Rural Industries	Makira	63,760	December 17, 2012
Isabel Timber Co.	Isabel	234,000	October 29, 2021

In June 1993, Kumpulan Emas acquired 466,143ha under China International Forest Products Ltd for US\$142 million. The company's production value was about 500,000 cubic metres annually and the logs extracted were and are mostly exported to Japan, Taiwan, Hong Kong and the Philippines. The company's activities in the Islands invited several criticisms.

At the South Pacific Forum held in Brisbane in early August 1994, Prime Minister Billy Hilly announced the suspension of Sylvania Product which operated 10,299ha in the Marovo Lagoon area. Billy Hilly's accusation was made after the Prime Minister of Australia Paul Keating announced a "debt-for-nature swap" in which Australia agreed to pay the Solomon Islands US\$1.36 million to halt logging in the Marovo Lagoon in the area of Vangunu. In the joint statement with Prime Minister Keating, Hilly announced the suspension of the Kumpulan Emas, a moratorium on all new logging licences in the Islands and a decision to employ Swiss based Societe General de Surveillance to monitor the activities of logging companies.<sup>26</sup> On August 12, Josep Tuhanuku, the Minister of Forest, Environment and Conservation, announced the company's suspension.

Tuhanuku noted that the suspension of the logging license should stand as a warning for other timber companies operating on the island, that the Government would not permit traditional landowners to be fleeced by a handful of fake promises.<sup>27</sup> However, the suspension was lifted on 24 October 1994 when the company received a letter from the Solomon Island's Ministry of Forests, Environment and Conservation.<sup>28</sup> The suspension, which was imposed because

<sup>26</sup> *Australian Financial Review*, August 29, 1994, p. 14.

<sup>27</sup> *Business Times (Malaysia)*, August 13, 1994, p. 7.

<sup>28</sup> *Business Times (Malaysia)*, October 26, 1994, p. 5.

the company had failed to gravel roads in its concession on the islands, had embroiled Sylvania and its parent, the Kumpulan Emas, in controversy.

Another of the Malaysian companies' concerns in the islands related to the interference of the Australian government, particularly in its labelling the Asians operating in the area as unscrupulous (discussed later). According to Kumpulan Emas, the Australian government was using as an excuse the fact that their concession area was located in the Marovo Lagoon area, which was said to be the world's longest lagoon and earmarked for World Heritage status.<sup>29</sup> The Group claimed that the suspension of the Sylvania Product Ltd (SPL) had been politically motivated and had little to do with the company's logging practices. Kumpulan Emas's managing director, Lim Fung Chee, said, "The logging issue has been totally politicised by the Australian government. They don't want to see loggers in the Pacific Islands and want to undo us at any cost".<sup>30</sup>

Furthermore, the Australian effort to link aid to environmental reform has aroused several criticisms from regional leaders. Australia had poured substantial amounts of aid into helping the Solomon Islands to come to grips with many issues in the forest sector. One example was the setting up of the Timber Control Unit (TCU), established by the Australian International Development Assistance Bureau (AIDAB) with the purpose of helping the Solomon Islands Government to try to control trade malpractice. Regarding Malaysian logging activities, there was a complaint by the TCU project director, Philip Montgomery, that the

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<sup>29</sup> Letter dated on December 12, 1994 from Dato' Lim Fung Chee, Kumpulan Emas Group Managing Director, to Director-General FRIM, p. 2.

<sup>30</sup> *Asianweek*, August 24, 1994, p. 27.

harvesting of logs, chiefly by Malaysian companies, was three times the sustainable yield on a 50-year cycle.<sup>31</sup> On several occasions, the Australian government also made it clear that future aid to the region might be jeopardised if development of South Pacific nations did not take measures to curb environmental degradation.

One of the distinct features of the Solomon Island's forestry policy was that the policy was determined by the Prime Minister. In this regard, the changes of national leadership crucially influenced the direction of the state's forestry policy. Former premier Billy Hilly<sup>32</sup> was known for his anti-logging attitude while Prime Minister Solomon Mamaloni was known as pro-logging and has forestry interests.<sup>33</sup> The latter was also known for his critical stance towards Australia and the NGOs and closeness to Asian countries.<sup>34</sup> His policy towards the forestry industry has been that the industry is part and parcel of the total development

<sup>31</sup> *Australian Financial Review*, November 29, 1995, p. 3.

<sup>32</sup> Hilly had been PM since June 1993 when he won by single vote over Mamaloni. However, following a series of defection from the governing coalition, in early September 1994, Mamaloni was appointed as prime minister. Roger Bartrop, "Constitutional Crisis in the Solomon Islands," in *The Round Table*, no. 335, 1995, pp. 343-351. Mamaloni was Prime Minister from 1974 to 1976, 1981 to 1984, 1989 to 1993 and from 1994 to the present (1997).

<sup>33</sup> *The Round Table*, no. 336, October 1, 1995, p. 402.

<sup>34</sup> Solomon Mamaloni lashed out at Australia, saying it had failed as a Pacific power by refusing to intervene to stop the escalating Bougainville war. He claimed Australia was "double faced" in its criticisms of the PNG Government for sending African-based mercenaries to Bougainville. Mamaloni added that if half the population of Bougainville were white, the world would be up in arms about the arrival of mercenaries to wipe out the leadership of the secessionist Bougainville Revolutionary Army (BRA). *The Age* (Melbourne), March 5, 1997, p. 6.

plans for the Solomon Islands.<sup>35</sup> Mamaloni argued that the Solomon Islands is entitled, as applied to any developed country, to use its natural resources for national development.<sup>36</sup>

As soon as he became Prime Minister, Mamaloni announced his government would review an existing moratorium on new logging licences and the proposed national forestry legislation as a matter of priority. In addition, he promised constructive relations with foreign countries.<sup>37</sup> The Solomon Islands National Unity, Reconciliation and Progressive Party (SINURPP), led by Mamaloni, began dismantling all the reforms introduced by the National Coalition Partnership (NCP) led by Billy Hilly. He reduced the export duty on round logs, halted work on the National Forest Coalition Partnership and new forestry legislation and rejected any need to improve monitoring of logging operations and surveillance of log shipments.<sup>38</sup> Australia was displeased with Mamaloni's attitude and announced on December 28, 1995 its withdrawal of more than US\$1.02 million a year in aid as a protest against Mamaloni's forest environmental policy. The Australian development cooperation minister, Gordon Bilney stated that a continuation of unsustainable logging in the Solomon Islands left Australia no choice but to cut its aid to that sector.<sup>39</sup> The last time Australia cut a South Pacific aid programme was in 1987, after the coups in Fiji.

<sup>35</sup> Ibid.

<sup>36</sup> Kathleen Barlow and Steven Winduo, "Introduction," in *The Contemporary Pacific*, vol. 9, no. 1, Spring 1997, p. 7.

<sup>37</sup> *The Age (Melbourne)*, November 8, 1994, p. 9.

<sup>38</sup> Ian Frazer, "The Struggle for Control of Solomon Islands Forests," in *The Contemporary Pacific*, vol. 9, no. 1, Spring 1997, p. 66.

<sup>39</sup> *BBC Monitoring Service: Asia-Pacific*, December 29, 1995.

Adding to the controversy affecting Malaysian logging companies was the allegation by the then Solomon Islands Minister of Commerce, Employment and Trade, *Joses Tuhanuku*, that *Tony C.T. Yeong*, managing director of *Berjaya Group Bhd* subsidiary *Star Harbour Timber Co*, offered him US\$3,064 to secure a timber deal.<sup>40</sup> The Minister alleged that *Yeong* had demanded a personal assurance that *Berjaya* would get Foreign Investment Board approval to launch a *Star Harbour Timber* processing operation.<sup>41</sup> *Tuhanuku* claimed that, after he declined to accept the bribe, *Yeong* said to him that it was the accepted practice in the South Pacific and indeed around the world for a large company such as *Berjaya* to show its appreciation to those in government who assisted the company.<sup>42</sup> *Tuhanuku* also mentioned that the incident only highlighted the endemic corruption which surrounded the timber industry in the Solomon Islands. He added, "Sadly this problem has only got out of control in the Solomon Islands in the last five year or six years, a period which coincides with the big influx of foreign companies into the country".

*Yeong* denied the allegation and said he intended to take legal action to clear his name. *Yeong* contended that *Tuhanuku* initiated the meeting for the purpose of soliciting a bribe and the Minister was then using the episode to score political points against the administration's opponents.<sup>43</sup>

<sup>40</sup> *The Asian Wall Street Journal Weekly*, July 25, 1994, p. 19.

<sup>41</sup> The *Berjaya Group* has offered to buy a 100 per cent stake in *Star Harbour*, a company with logging rights to 45,000 hectares of forest concessions on the Solomon Islands. *Star* also planned to set up a US\$40.8 million integrated timber processing complex. *Reuters New Service*, July 20, 1994.

<sup>42</sup> *Pacific Islands Monthly*, August 1994, p. 16.

<sup>43</sup> *The Asian Wall Street Journal Weekly*, August 1, 1994, p. 2.

According to Yeong, the meeting focused on several aspects of Star Harbour's application to the Solomon Island's Foreign Investment Board to start up its US\$40.8 million timber-processed venture. The parent company, Berjaya Group, said it has no knowledge of any such unlawful act by Yeong, adding that if a bribe was offered it was done without the instruction, authorisation or sanction of the company or its management. When asked about corruption in the Islands, Tuhanuku responded by saying that:<sup>44</sup>

In the logging industry corruption seems to be something that has been practised for so many years in the region. This question is something that will have to be addressed as a separate issue. It's something to do with the individuals, it involves not only Ministers, but officials.

Bribery or corruption is not a new phenomenon in the South Pacific.

According to the report on "Corruption in Government: A Case Study" published in 1982, corruption develops through four stages.<sup>45</sup> In stage one, corruption begins and is localised at top—at the level of political leadership. In stage two, it filters down to the senior public servants where it is condoned and tolerated, of necessity, by the political leadership. By stage three, corruption has become pandemic throughout all layers of the bureaucracy and it becomes the norm for the public to have to pay something. Finally, stage four begins when the military, seizing upon the opportunity created by public disenchantment with widespread political corruption, takes power amid rhetoric of righteousness and morality. By the

<sup>44</sup> *Pacific Islands Monthly*, October 1994, p. 45.

<sup>45</sup> Dorney, *ibid.*, pp. 220-221.



early 1990s, the writer had an opinion that corruption in the South Pacific especially in the timber industry had reached stage three in which public office became the gateway to personal fortune.

Historically, the forests of the Pacific Islands started to be logged in the beginning of the 19th century by English and German businessmen by bribing the local chiefs with tobacco and rifles. In modern days, money and other facilities have been widely used as a means of corruption. In this regard, it is hard to deny that money whether licit or illicit was used to foster logging activities in Solomon Islands and elsewhere. The timber industry is one of the most expensive economic activities in the region and is heavily dependent on money.

The issue of corruption in the Solomon Islands timber industry was of great concern to several non-governmental organisations (NGOs). Chairman of the South Pacific and Oceania Council of Trade Unions, David Tuhanuku, said the level of corruption in Solomon Islands had become comparable with some countries in Africa, in which it is a big problem. He said it would be the ruination of society if the church, unions and NGOs continued to ignore it.<sup>46</sup> Josep Tuhanuku, Commerce Minister in the Hilly's cabinet and now Opposition spokesman on forestry, blamed corruption by stating that, "I believe the greatest enemy of most people in the Third World is corruption. For a foreign company, corruption can be the quickest and cheapest road to large profits. It's easier to bribe a Minister than to comply with a country's law".<sup>47</sup> On this point, it so happened that most of the Malaysian logging activities were operated by the Chinese companies who regarded giving money (*angpow*) not as corruption or wrongdoing. For them, giving money is a form

<sup>46</sup> BBC Monitoring Service: Asia-Pacific, September 13, 1996.

<sup>47</sup> Australian Financial Review, October 12, 1995, p. 54.

of business culture. However, in a wider context, any form of corruption is not only against the business ethics but also could damage the company's image and the country's reputation.

The protests and concerns of the local NGOs in the Solomon Islands need some comment. Among the active groups were Greenpeace, the Solomon Islands Development Trust, Soltrust and the Solomon Island churches. The NGOs are on the rise in the Solomon Islands due to their success in getting young forestry officers from the Forestry Ministry to work with them.<sup>48</sup> Unlike some of the NGOs in other countries which merely act as pressure groups, local NGOs are involved in rural development. Soltrust, for example, formed a commercial arm in 1993 called lumi Tugetha Holdings Ltd, with the aims of assisting small producers to improve the quality of their timber and helping to find export markets.<sup>49</sup> In this regard, there was a clash of interests taking place between small-scale forestry and multinational corporations.

One incident occurred in the Pavuvu Islands, where the government had given permission for a Malaysian company Marvin Brothers Timber Company Ltd to log 895 thousand cubic metres of timber, in return for resettling the islanders by building them new villages, complete with water, roads and schools.<sup>50</sup> This land was formerly owned by the joint-venture company Levers Solomon Ltd. When Levers decided to sell up and withdraw from the Solomons, the land was transferred to the government. The land is claimed by the indigenous Russell Islanders, and the government is promising it will

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<sup>48</sup> Interview with Eddie Dolaino, Senior Timber Controller, Ministry of Forestry in Honiara on April 21, 1995.

<sup>49</sup> Frazer, *ibid.*, p. 59.

<sup>50</sup> *Vanuatu Weekly*, April 8, 1995, p. 11.

return it to them in due course. The Islanders are supported by non-governmental organisations, including Greenpeace and Soltrust.

Paul Daokalia, special secretary to the Prime Minister who led the fact-finding mission to examine the logging dispute in Pavuvu Islands, explained that the logging of the resettlement areas was a prerequisite to agricultural development and that Marvin Bros. had been licensed to undertake that work. Under the resettlement scheme, land would be divided into ten hectare blocks that would be allocated to each family unit of Russell Islanders, whose islands were already overpopulated.<sup>51</sup>

On the other hand, according to Joses Tuhanuku, who led a fact-finding mission of Opposition politicians, journalists and NGO representatives to Pavuvu, the Russell Islanders were totally opposed to the Government's scheme for logging and resettlement.<sup>52</sup> He added the Russell Islanders wanted the Government to return the alienated land on Pavuvu to them with its forestry resources intact and for them to resettle on these lands at their own pace.<sup>53</sup> Deputy Head of Greenpeace in Solomon Islands, Lawrence Makili, had jointly called on the government to halt and cancel all plans to log Pavuvu Island. He added that it was a national disgrace that the government supported a Malaysian company's interest ahead of customary landowners of Russell Islands.<sup>54</sup> In early 1996,

<sup>51</sup> *Pacific Report*, vol. 8, no. 8, May 22, 1995.

<sup>52</sup> Fifty-six Russell Islanders armed with knives, axes, chains and spears approached the company's camp on April 1995. The villagers attempted to raid the company's newly built logging camp on the island and threatened to burn any logging equipment taken to the island. Three days later, they were forced to surrender by the Police Field Force. *Solomon Star*, April 21, 1995, p. 1.

<sup>53</sup> *Pacific Report*, *ibid.*

<sup>54</sup> *Solomon Star*, *ibid.*

the Government defended Marvin Bros. against claims that it had sold protected species of trees by saying the felling and milling of protected species was within the law because the timber utilisation regulations only restrict log exports in unprocessed form.<sup>55</sup> This statement was released because of the pressure of protest by the NGOs, which claimed Marvin Bros. had illegally destroyed protected species of trees.

### Involvement in Vanuatu

During his visit to Malaysia in November 1994, the Prime Minister of the Republic of Vanuatu, Maxime Carlot Korman, said Vanuatu welcomed the involvement of Malaysian companies in downstream timber industries such as furniture making, as helping to enhance the economic performance of the country. Korman also suggested that Malaysia set up an investment fund of US\$10 million to support investment activities and economic projects in Vanuatu. In addition, Korman proposed that an honorary consul for Vanuatu be appointed in Malaysia.<sup>56</sup> In his meeting with Malaysian businessmen, Korman said his government was ready to formalise a bilateral arrangement with Malaysia that could further enhance economic and trade relations. The arrangement according to Korman would also encourage Malaysia's private sector participation in Vanuatu's economic development. He added that his government welcomed Malaysia's private sector to invest in the country, especially in tourism, agriculture, fishery, banking and timber related industries.<sup>57</sup>

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<sup>55</sup> *BBC Monitoring Service: Asia-Pacific*, March 2, 1996.

<sup>56</sup> *Bernama News Service*, November 8, 1994.

<sup>57</sup> *Bernama News Service*, November 9, 1994.

At an official dinner for his Vanuatu counterpart,<sup>58</sup> Mahathir announced that Malaysia was keen to develop closer ties with Vanuatu. Malaysia saw an encouraging prospect to enhance bilateral trade and economic cooperation. Mahathir promised that, where necessary, Governmental support and guidance could be extended to enable the respective private sectors to pursue economically viable business ventures. Mahathir also expressed Malaysia's happiness to cooperate with Vanuatu under the Malaysian Technical Cooperation Programme, under which 31 officials had undergone training at various administrative and specialised training institutions in Malaysia. He added that Malaysia would continue to work closely with Vanuatu within the context of South-South cooperation, the Non-Aligned Movement, the Commonwealth, the Asia Development Bank and ESCAP with a view to further promoting the interest of the developing world.

In his speech, Mahathir reminded those in the private sector involved in the development of Vanuatu's natural resources that they should establish long term economic collaboration rather than involve themselves in ventures aimed at merely short-term gains. He also asked for fair and just treatment from the host country to be accorded to Malaysian entrepreneurs. In this regard, he said Malaysia looked forward to the proposed conclusion of an Investment Guarantee Agreement between the two countries. To Korman's proposal that an honorary consul for Vanuatu be appointed in Malaysia, Mahathir proposed that a Malaysian be appointed for the post.

Vanuatu banned log exports on July 1, 1994, thus becoming the first country in the region to do so. The Cabinet's decision taken on May 26, 1994 was announced by

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<sup>58</sup> *Foreign Affairs Malaysia*, vol. 27, no.4, December 1994, p. 5.

the Minister of Forestry, Thomas Faratia, on June 13, 1994 during a meeting with four logging companies, namely Parklane Industries Ltd, Pacific Veneers Ltd, Erromango Lumber Ltd, and Kingwood Timber.<sup>59</sup> In the meeting, the Minister outlined additional measures, that the annual allowable cut would be reduced to 30,000 cubic metres per year for every company in Erromango, and that the total number licenses in Erromango would be reduced to three, Kingwood Timber's license being cancelled.<sup>60</sup> The Government's decision to reduce logging in Erromango was taken following pressure from the E.U. and the Australian diplomatic mission.<sup>61</sup> Parklane Industries Ltd, Erromango Lumber Ltd and Pacific Veneers Ltd however survived.

The Malaysian logging companies operating in Vanuatu had two main concerns. First, timber rights had been signed before the government announced its ban on export logging. As can be seen from Table 7.2, all Malaysian companies secured their logging rights before July 1, 1994. In this regard, several companies, particularly Parklane Industries, which operates in the islands of Erromango and Malekula, suffered great loss due to their failure to export unprocessed logs. On June 18, 1994, the company received a letter from the Ministry of Forestry which refused to issue the airport permit for the export of 4,000 cubic metres of logs to Japan, even though the company had a prior written agreement.

<sup>59</sup> Parklane Industries Ltd, a Malaysian company with export license, Pacific Veneers Ltd, Malaysian company with milling license, Erromango Lumber Ltd, local people as licensee but contracted to a Malaysian company, and Kingwood Timber, owned by people from the People's Republic of China.

<sup>60</sup> Interview with Joshua Ling, Director, Parklane Industries Ltd in Port Vila on April 14, 1995.

<sup>61</sup> Patrick Decloitre, "Logging Dilemma," in *Pacific Islands Monthly*, August 1994, p. 18.

Table 7.2  
**Malaysian Logging Companies in Vanuatu in Early 1995**

Company	Signed	Expired	Quota (cu. m.)	Islands
Parklane Industries	19.7.93	1.7.2003	210,000	Erro/Mal
Erromango Lumber Ltd.	29.4.94	1.5.2004	5,000	Erro/Mal
Pacific Veneers Ltd.	9.1.90	1.12.1999	20,000	Erro/Mal
Veneers	5.4.93	15.4.1995	30,000	Santo
S.K. Logging	27.1.94	1.1.2004	70,000	Malekula

Source: *Company Information, Ministry of Forestry, Vanuatu, 1994*

However, after the companies' meeting with the Prime Minister on June 20, 1994, Parklane's log shipment was given permission to leave Vanuatu.<sup>62</sup> Due to the government's log ban policy, Parklane has suspended its logging operation, retrenched most of its local workers and about 10,000 cubic metres logs were stranded and left to decay in the log yard.<sup>63</sup> It was felt that the Vanuatu government had made a sudden change of industrial policy without giving any transitional period for phasing out the export quota.

Secondly, there was an incident where the government issued two licences for the same island to different companies without specifying the different region. This incident created disputes and problems for licence holders. On July 19, 1993, Parklane Industries were given a timber license by the Minister of Forestry to log nearly every part of Malekula Island (140,000 cubic metres). After issuing the timber licence to Parklane, the Minister issued another timber licence for Malekula Island to Sato Kilman or S.K. Logging Company for 5,000 cubic metres. Sato Kilman was given two permits, one was issued on September 24, 1993 for a cutting volume of 5,000 cubic metres for one and the half year's duration, from October 30, 1993 to April 15, 1995. The second was issued on January 27, 1994 for a cutting volume of 70,000 cubic metres for ten years from February 1, 1994 to February 1, 2004.<sup>64</sup>

<sup>62</sup> During the meeting the Prime Minister agreed verbally to give exclusive rights to Parklane to operate a logging operation in Malekula Island, another island with vast virgin rain forest. "Information of Log Export Ban in Vanuatu", briefing note from David Ting to Johnny Ho, Parklane internal circulation, dated June 28, 1994.

<sup>63</sup> Interview with Joshua, *ibid.*

<sup>64</sup> *Chronicle*, Parklane Industries Ltd, 1994.



After several complaints by Parklane, the Minister advised Sato Kilman by letter on February 28, 1994 that its timber licence was invalid and void due to the banker's guarantee not being submitted within the stipulated time and the absence of a negotiation certificate for signing agreements with landowners. However, in May 1994, the Minister once again signed a timber right agreement with Sato Kilman for a 10-year timber concession to fell and extract timber in Malekula for an area of 139,663ha.<sup>65</sup> During a meeting with the Prime Minister on June 20, 1994, Parklane raised the Malekula issue. The Hon. Prime Minister assured them that there was only one international company for Malekula, that is Parklane, except for one small landowners' company to be operated by the landowners, not to be sold to foreign investor.<sup>66</sup> However, what concerned Parklane was the S.K. Logging's concession had indeed been sold to a foreign company.

### Regional Responses

In the Australian government's 1987 Defence White Paper, the South Pacific is placed within the country's "region of primary strategic interest". Included in this list are the Melanesian countries: Papua New Guinea, the Solomon Islands, New Caledonia, Vanuatu and Fiji. PNG, Australia's immediate neighbour, is seen as a potential "stepping stone" for any future military aggressor against the country.<sup>67</sup>

<sup>65</sup> The owner of S.K. Logging was former Police Commissioner Sato Kilman. S.K. Logging is a joint venture between local people and Malaysia's Woodhouse Holdings Ltd, a subsidiary of Kuala Lumpur Industries Holdings (KLIH).

<sup>66</sup> *Our Claim and Argument*, Parklane internal circulation, 1994.

<sup>67</sup> Ross Babbage, "Australian Interests in the South Pacific," in Henry S. Albinski, et al. (eds.), *The South Pacific Political, Economic and Military Trends*, Virginia: Bresssey's (U.S.) Inc., 1989, p. 63.

**Table 7.3**  
**Total Australian Aid Flows by Region,**  
**1990/91 to 1993/94 (US\$m)**

Regions/Country	1990/91	1991/92	1992/93	1993/94
Papua New Guinea	225.2	227.8	227.0	230.0
South Pacific	74.6	80.7	81.0	84.1
Southeast Asia	2.9	194.3	231.0	251.4
Other Regions	160.5	5.4	1.1	190.1

Source: Australia's Development Cooperation Program, 1994-95

Politically, Australia is a close ally of the South Pacific. The country is one of the founding members of two important regional organisations, the South Pacific Commission (SPC) and the South Pacific Forum (SPF). Australia has also diplomatic missions in each independent state and most dependencies.<sup>68</sup> Australia's aid programme to the South Pacific Island countries, valued at more than US\$230 million in 1993, was the largest in the region (Table 7.3). PNG receives the largest single share of Australia's bilateral aid, at around 22 per cent of the aid budget.

The Australian Government under the leadership of John Howard regarded the South Pacific as a region of great importance.<sup>69</sup> Under this government, responsibility for the South Pacific was returned to the Minister for Foreign Affairs to give greater focus to Australian policy in the region.<sup>70</sup>

In his Ministerial Policy Paper and Third Annual Report to Parliament on Australia's Overseas Development Cooperation Program 1992, Minister John Kerin mentioned that one of Australia's aid objectives was to serve its commercial and foreign objectives.<sup>71</sup>

Through its aid program, Australia takes a strategic approach to maximising both the benefits to developing countries and the returns to Australia. These aims are not incompatible and the achievement of one does not require the neglect of the other.

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<sup>68</sup> Hoadley, *ibid.*, p. 34.

<sup>69</sup> *Pacific Report*, vol. 9, no. 11, June 12, 1996.

<sup>70</sup> Previously it was under the Ministry for Development Cooperation and Pacific Island Affairs.

<sup>71</sup> Ariane Rummery, "Australian Aid to Papua New Guinea," in *Current Affairs Bulletin*, vol. 69, no. 12, May 1993, p. 13.

In this connection, for years Australia has been, and remains, the biggest trading partner for most of the South Pacific Islands. Regional products are given free entry to Australia by the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA)<sup>72</sup> and encouraged by the South Pacific Trade Commission, funded by the Australian government. PNG is an important Australian development cooperation partner.<sup>73</sup> In addition, Australia is PNG's main business partner.<sup>74</sup> Most of the Australian investments have been in real estate, trading, manufacturing and construction industries. In the case of Fiji, Australia remained the main source of Fiji's imports in 1996, accounting for more than 44 per cent (US\$417 million). Fiji's trade deficit with Australia was US\$224.2 million in 1996, rising from US\$180 million in 1995.<sup>75</sup> There is a large imbalance in Australia's favour regarding trade flows with the Solomon Island. Around 50 per cent of the Solomon Islands imports emanate from Australia but only 5 per cent of its exports go to Australia.<sup>76</sup>

The Australian government has devoted much concern about the management of the South Pacific economies and

<sup>72</sup> The Agreement's objectives are to remove duty and other restraints on goods from South Pacific Forum countries entering the Australian and New Zealand markets.

<sup>73</sup> On May 24, 1989, the Prime Minister of Australia and PNG signed the Treaty of Development Cooperation. The Treaty allows PNG the benefit of forward planning, and provides for an agreed program of cooperation that contributes to the development and self-reliance of the country. See *Australia's Development Cooperation Program 1994-95*, Canberra: Australian Government Publishing Service, 1994, p. 19.

<sup>74</sup> *Certification Report Quarter Ending December 1994*, Port Moresby: Investment Promotion Authority (IPA), 1994, p. 7.

<sup>75</sup> *The Review*, April 1997, p. 39.

<sup>76</sup> *Australia and Solomon Islands Development Cooperation Country Strategy Paper*, Canberra: AIDAB, 1994, p. 7.

their natural resources. In a Budget Related Paper No. 2 circulated by Minister for Development Cooperation and Pacific Island Affairs, Gordon Bilney stated that a major program had begun in PNG to support key agencies responsible for environmental protection and the management of natural resources. This assistance would strengthen the Department of Environment and Conservation and other land resource management agencies to ensure the sustainable and equitable use of resources and the preservation of the natural environment.<sup>77</sup> Later in February 1995, Bilney announced in Parliament that:<sup>78</sup>

In the lead-up to the 1994 South Pacific Forum, and drawing on the conclusions of the Global Conference on Sustainable Development in Small Island States, held in Barbados in April 1994, I strongly urged Pacific Island countries to improve the management of their economies and their natural resources, especially in fisheries and forestry.

Political parties and pressure groups play a significant role in the formulating of Australia's foreign policy, as they do in other countries. In the case of the environmental issue, both actors have been involved in making the issue a foreign policy matter. The role of the Australian Labor Party (ALP) and the Australian Conservation Foundation (ACF) were significant in influencing the Hawke and Keating governments to formulate the rules and regulations on environmental issues in the South

<sup>77</sup> *Australia's Development Cooperation Program 1994/95*, *ibid.*, p. 20.

<sup>78</sup> *New Directions in Australia's Overseas Aid Program*, Ministerial Policy paper and Fifth Annual Report to Parliament on Australia's Development Cooperation Programme, Canberra: AIDAB, 1995, p. 3.

Pacific. The ALP is the oldest existing party in Australia, dating back to 1890. In the early 1990s, the party's membership changed from uneducated blue-collar workers to include educated professionals.<sup>79</sup>

This growth of middle-class elements in the ALP has influenced the future direction of the party. One of the changes that has taken place has been the party's high profile on environmental issues. This was to increase media attention to issues like the greenhouse effect, soil degradation and the depletion of the ozone layer, from the early 1980s. Public awareness of the issues of development and the environment were heightened, and they became hot issues during general elections. There was considerable debate between the proponents of economic growth and "development" and those argued the greater protection and sustainability of the environment.<sup>80</sup>

Since then the Labor Party and the Conservation Foundation have become close partners. In the early 1990s, one of the ALP leaders Ms Caswell was appointed as director of the ACF.<sup>81</sup> Furthermore, the former Australia Prime Minister Bob Hawke played an important role in raising funds

<sup>79</sup> Rodney Smith and Lex Watson, *Politics in Australia*, Sydney: Allen and Unwin, 1989, p. 112.

<sup>80</sup> Mahathir used to say, "We are fully aware of the role that the tropical forests are playing in preserving the delicate balance in the environment. But we are also conscious that we are a developing country, which needs the wealth afforded by our forests". His statement clearly shows the dilemma faced by some developing countries regarding conflict between development and environmental issues. The statement cited in *The West Australian*, June 2, 1992, p. 9.

<sup>81</sup> *Kegiatan Pertubuhan Bukan Kerajaan (NGOs) Yang Menjalankan Kempen Anti-Kayu Tropika, Alam Sekitar dan Hak Asasi Manusia, Kementerian Luar Negeri*, 1993, p. 30.

for the ACF. Other important NGOs at this time included the Wilderness Society Inc. based in Sydney and the Australian Rainforest Action Group, which was supported by several members of the Democratic Party.

Table 7.4  
Policy on Logging and Voting (%)

	Labour	Liberal	National	Democrat
Ban Logging	55	35	25	69
Neutral	31	37	43	21
Allow Logging	14	28	32	10
Total	100	100	100	100
(N)	772	714	102	240

Source: Elim Papadakis, "Minor Parties, the Environment and the New Politics," in Clive Bean, Ian McAllister and John Warhurst (eds.), *The Governing of Australia's Politics: The 1990 Federal Election*, Melbourne: Longman, 1990, p. 43.

In the 1990 election, the environment ranked high as a priority. With the support from the environmentalist groups, particularly from the Australian Conservation Foundation, Labor won the election. With the appointment of Senator Graham Richardson, a leader of the environmental lobbyists, as Minister for the Environment, a new cabinet became committed to environmental issues.<sup>82</sup> Since then, the environmental issue has become an ideology of the Labor Party. Table 7.4 shows the contrast between supporters of different parties on environmental policy. Support for a logging ban ran at only 35 per cent among those who voted for the Liberal Party (Howard Ministry) compared to 55 per

<sup>82</sup> Clive Bean, Ian McAllister and John Warhurst, *The Governing of Australian Politics*, Sydney: Longman Cheshire, 1990, p. 36.

cent among those who voted for the Labor Party (Keating Ministry).

The role of non-governmental organisations (NGOs) in propagating the environmental issue in Australian politics was significant. In the 1983 election, the most active Green movement group, the Australian Conservation Foundation (ACF), supported the ALP.

### The Forum's Decision

In the past few years, various campaigns have been launched by some NGOs, including through the international media, to draw attention to the exploitation and destructive activities undertaken by Malaysian logging companies in the South Pacific region. The environmental groups have alleged that the coming of Malaysian logging companies to the region resulted from the lack of timber and the ban on deforestation in Malaysia. In addition, allegations and accusations of environmental piracy, rip-off, corruption, unscrupulous dealings, illegal activities and non-compliance of the laws, rules and regulations have been summarily labelled against these companies. The concern about Malaysian companies received significant attention at the 25th Meeting of the South Pacific Forum held in Brisbane from July 31 to August 2, 1994. The forum is an annual gathering of heads of government of the 15 island states of the region including Australia and New Zealand. The Australian Prime Minister Paul Keating, the Chairman of the Summit, alleged Malaysian, Korean and Indonesian logging companies were ripping off the Solomon Islands by paying too little for valuable and limited forest products. In his statement, Keating warned that:<sup>83</sup>

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<sup>83</sup> *New Straits Times*, August 3, 1994.



Unless the environmental piracy of foreign logging companies operating in the South Pacific is controlled, the future for the region will be bleak. The important thing is that Pacific Island countries are exploited by unscrupulous companies who then not only pay inadequate rates of return but also carry out logging practices which would not be tolerated in a developed forestry culture.

In a joint statement issued at the end of the Summit, the leaders of the 15-member South Pacific Forum gave Keating full backing. The leaders agreed to introduce uniform legislation and management practices and an independent monitoring system to help control logging. The Forum Communiqué expressed concern at the way in which forests throughout the region and the world were being harvested in a highly destructive manner.<sup>84</sup> It welcomed initiatives being taken at the national level with the aim of achieving sustainable forestry practices and noted international negotiations on the subject. The Forum warmly welcomed the agreement between the Prime Ministers of Australia, Fiji, New Zealand, Papua New Guinea, Solomon Islands and Vanuatu to work towards a common code of conduct governing logging of indigenous forests and to increase monitoring of logging and exports of timber.

Prior to the Brisbane Summit, there was an annual Melanesian Spearhead Group summit held at Auki, capital of Malaita Province, Solomon Islands. The leaders discussed regional issues such as Bougainville, fishing and forestry. Regarding forestry, the leaders announced that they would be

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<sup>84</sup> Forum Communiqué Twenty-Fifth Pacific Forum, SPFS(94) 14, Brisbane, Australia, July 31-August 2, 1994, p. 2.

working towards formulating a single regional body of law and practice to regulate the forestry industry. They instructed their officials to continue to work in developing mechanisms for closer cooperation in addressing resources development and management including the examination of uniform sets of legislation, procedures and practices particularly in forest resources within the MSG region.<sup>85</sup>

Reaction from Malaysia's regional friends differed. The Solomon Islands Opposition leader Solomon Mamaloni said that the view held by Australia was that the Solomons was still an Australian colony, to enhance their imperialist and paternalistic attitude. He asked Keating to "shut up and stop interfering in domestic affairs".<sup>86</sup>

On October 26 and 27, 1994, the Regional Forestry Meeting was held in Port Vila, Vanuatu, to develop a code of conduct logging activities in the region. The meeting was attended by the Senior Officials of Australia, Fiji, New Zealand, Papua New Guinea, Solomon Islands and Vanuatu and joined by representatives of Niue and Western Samoa. The meeting issued three statements; a Senior Forestry Official Statement, a Vision Statement and "Guiding Principles". Based on the "Guiding Principles", logging activities in the region must accord with the code of conduct which would protect the environment and promote forest development consistent with the principle of ecologically sustainable development, protect sites of cultural, historical, spiritual or archaeological significance, maintain forest regenerative capacity.<sup>87</sup>

However, Australia failed to secure the signing of a regional code of conduct for forestry when PNG and

<sup>85</sup> *Islands Business Pacific*, August 1994, p. 56.

<sup>86</sup> *New Straits Times*, August 5, 1994.

<sup>87</sup> *Guiding Principles*, Port Vila, Vanuatu, October 27, 1994.

Solomon Islands pushed it off the agenda at the South Pacific Forum Summit at Madang, PNG in September 1995. Both countries were not ready to sign the code because they had not yet finalised domestic legislation.<sup>88</sup>

Australia's harsh attitude towards Malaysia and other foreign logging activities in the region is understandable. Australia for a long time has had strategic and political interests in the region. Australia has contributed various forms of aid to the South Pacific countries, especially to PNG, the Solomon Islands and the South Pacific Forum. In this context, Australia regards the Melanesian countries as within its sphere of influence.<sup>89</sup> The penetration of Malaysian business ventures in the region may be said to have displeased their Australian counterparts. There are examples where Australian business interests were displaced. For example, in Fiji, the Malaysian Borneo Finance (MBF) bought Carpenters, one of the biggest Australian retailing companies in the region, which had branches in Tonga, PNG and Vanuatu. The intervention by the Land and General, owned by Tan Sri Wan Azmi Wan Hamzah, in Emperor, the biggest gold mining corporation in Fiji, also affected Australia's business presence in the country. In November 1993, Rimbunan Hijau, the biggest Malaysian logging company in PNG, began publishing the daily, *The National*.<sup>90</sup> Although the newspaper's circulation is small, unlike the *PNGPost Courier* owned by Australian Rupert Murdoch, the existence of *The National* is significant. The

<sup>88</sup> *The Age* (Melbourne), September 14, 1995, p. 4.

<sup>89</sup> *Islands Business Pacific*, October 1994, pp. 51-52.

<sup>90</sup> Rimbunan Hijau is owned by Senator Dato' Tiong Hiew King. The company also owns one of Malaysia's largest Chinese-language daily, *Sin Chew Jit Poh*. See David Robie (ed.), *Nius Bilong Pasifik (Mass Media in the Pacific)*, Port Moresby: University of Papua New Guinea Press, 1994, pp. 19-20.

paper would help to boost Paia's Wingti's "Look North" policy to get closer to Asian countries.

### The Malaysian Government's Reaction

The Malaysian government has somewhat acknowledged the truth of some of the allegations, but mainly argued that the criticism were prompted by jealousy (for example, of Australia) and instigation by misguided non-governmental organisations (NGOs). The allegations made against its logging companies clearly have badly damaged Malaysia's reputation abroad. Malaysian logging companies have been labelled as "the ugly side of Malaysia", "two sides to the Malaysian coin", "the new colonisers", "economic colonialists", "a Malaysian invasion" and "environmental piracy".<sup>91</sup> These allegations have invited reaction from the Malaysian government.

The government did urge the Malaysian companies to follow local procedures and maintain long-term collaboration. For example, on November 7, 1994, at an official dinner for his Vanuatu counterpart, Carlot Korman, Dr Mahathir reminded Malaysian entrepreneurs involved in the development of Vanuatu to establish a long-term presence rather than secure merely short-term gains.<sup>92</sup> Dr Mahathir also advised Malaysians that they should behave themselves and they should abide by the rules and regulations of the host country. He reminded that if they violated the laws, rules and regulations of the host country they should accept the consequences of their actions.<sup>93</sup> In this regard, the Investment Guarantee Agreements with foreign partners often served as

<sup>91</sup> *The Economist*, August 6, 1994, p. 24.

<sup>92</sup> *Business Times (Malaysia)*, August 8, 1994, p. 20.

<sup>93</sup> *Business Times (Malaysia)*, February 11, 1997, p. 4.

guidelines by setting out procedures and courses of action and which could minimise the consequences.

When asked to comment on complaints by Malaysian investors facing problems in South Pacific countries, Mahathir said that Malaysian investors overseas should not run away from the challenges that the environment or competition in those countries posed. He added that, "A successful race is one that is willing to face and overcome challenges. Those who run away from challenges will never be successful".<sup>94</sup> Mahathir also advised the investors that problems were to be expected when one invests in another country. Malaysian investors, he added, could not expect situations in those countries to be the same as in their own country where they could see their members of Parliament and ministers directly to ask for help.<sup>95</sup> Furthermore, he warned that, "If we want to only do business in Malaysia, being protected by the Government and ask for preferential treatment for our goods, that is not doing business; rather that shows we do not know how to do business unless we are protected".<sup>96</sup>

At the press conference on November 7, 1994 to clarify the ABC programme which highlighted Rimbunan Hijau logging practices in Papua New Guinea, the Primary Industries Minister Dr Lim Keng Yaik said that if Malaysian logging companies did not follow the rules, the host country could revoke their business licences or ask them to leave.<sup>97</sup>

<sup>94</sup> Mahathir's statement at the end of his three-day visit to New Zealand in March 1996.

<sup>95</sup> *Business Times (Malaysia)*, March 29, 1996, p. 1.

<sup>96</sup> Mahathir has a good reputation as an entrepreneur. He operated MAHA Clinic in Alor Star, Kedah in 1957 and wrote a book on how to start and maintain business, *Guide for Small Businessmen*, first published in 1972.

<sup>97</sup> *Business Times (Malaysia)*, November 8, 1994, p. 20.

The Malaysian government, however, was also concerned to go on the offensive. Prime Minister Keating's statement at the South Pacific Forum Summit in August 1994, for example, met such a response from Dr Mahathir. He stated that Australia's allegations against Malaysia, South Korea and Indonesian logging companies in the Solomon Islands were only to be expected. He argued that the involvement of investors from other countries naturally angered Australia as it was used to dominating the Island's economy.<sup>98</sup> "Of course, Australia will not like others to come in. They think those territories are theirs and we go in. Naturally, they'll be angry".<sup>99</sup>

Malaysia also has attacked the "debt-for-nature swap" by which Australia agreed to pay the Solomon Islands US\$1.36 million to protect the Morovo lagoon. Dr Mahathir commented on this issue, by saying that:<sup>100</sup>

When Asean timber companies expand their operations to the South Seas and other regions they are equally careful not to destroy the forest they log. Unfortunately, the activities of Asean loggers to help the economy of many developing countries have aroused resentment among some regional powers. Suddenly money was offered to these developing countries to persuade them to stop Malaysian investors.

Mahathir added, "We do not know what to call such aid, but it is questionable whether ecology has anything to do

<sup>98</sup> Mahathir gave his comments after launching the National Occupational Safety and Health Campaign in Kuala Lumpur on 4 August 1994.

<sup>99</sup> *Business Times (Malaysia)*, August 5, 1994, p. 1.

<sup>100</sup> *Foreign Affairs Malaysia*, vol. 27, no. 3, September 1994, pp. 14-15.

with it." He went on to call into question the sincerity of the Australian prime minister, saying that the Australian government had not offered to pay for environmental damage caused in the South Pacific by Australian mining companies.<sup>101</sup>

In Harare, in August 1994, Mahathir told Malaysian journalists that there was a conspiracy in the West against Malaysian businessmen doing business abroad. He claimed that there were some people, especially those from European countries, who were not happy with Malaysian businessmen going to their turf. Mahathir added when Malaysian businessmen went into Papua New Guinea, there was opposition from Australia, and likewise from France in Cambodia. Malaysian businessmen in Zimbabwe also met with opposition from some local media and Western countries.<sup>102</sup> In addition, Mahathir reminded Malaysian businessmen that they must expect this kind of opposition and that's why they must be good corporate citizens abroad.

Malaysian Primary Industries Minister Dato' Seri Dr Lim Keng Yaik claimed that the Australian allegation that Malaysian firms were resorting to illegal logging practices in the Solomon Islands might be a ploy to give Malaysian firms operating there a bad reputation. "The Australians, who are losing out in vying for timber concessions are now using half truths to 'jumble up environmental facts' to compete against Malaysian and other foreign countries".<sup>103</sup> Lim added that the Australians were jealous of Malaysian logging companies' success in the South Pacific islands. Lim criticised Australia by

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<sup>101</sup> *Business Times (Malaysia)*, August 26, 1994, p. 1.

<sup>102</sup> Mahathir gave his remark to Malaysian journalist just before the close of the three-day C15 Summit in Harare, Zimbabwe on August 5, 1996. *Bernama News Service*, November 6, 1996.

<sup>103</sup> Minister's statement at the Malaysian Panel-Products Manufacturers Association annual dinner in Kuala Lumpur on August 3, 1994.

saying that, "What is the business of Australia anyway to criticise the presence of Malaysian or other foreign logging companies in the region?".<sup>104</sup> In addition to the statements to counter the allegations on Malaysian logging companies in the South Pacific region, the Malaysian Cabinet decided that:

<sup>105</sup>

- Investigative reporting be undertaken by Malaysian journalists and correspondents on the activities of Australians and Australian companies in the Pacific Islands with the view to exposing and disseminating their misdeeds and exploitation of the native people on the islands.
- A meeting be arranged by Ministry of Primary Industries with Malaysian investors in the South Pacific region to provide them some useful advice. The investors should be informed that while the Malaysian government would be supportive of their investment activities overseas, they should be sensitive to the issues that have been raised and should conduct their business in accordance with the laws, rules and regulations of the countries concerned. The investors should always uphold the good name and image of Malaysia by extending the practice of sustainable forest management to these countries and implementing silvicultural treatment and reforestation of the areas they have logged.

The Ministry of Primary Industries has appointed the Forest Research Institute of Malaysia (FRIM) Director-

<sup>104</sup> *Business Times (Malaysia)*, August 4, 1994, p. 1.

<sup>105</sup> *Brief on South Pacific Logging*, Ministry of Primary Industries, January 17, 1995, p. 6.



General, Dato' Dr Salleh Mohd Nor, as coordinator for timber-based companies investing abroad.<sup>106</sup> Dr Salleh's task was to work out proposed solutions to the problems that those companies face in their logging activities in the host countries. Dr Salleh was given the responsibility of producing a working paper following his discussions with those firms, for submission to an international task force made up of Malaysian government.<sup>107</sup> The purpose of the international task force was to outline a strategy to counter allegations and smear campaigns that could cripple the country's logging practices abroad.<sup>108</sup>

One of the suggestions made by the international task force was the need to visit Papua New Guinea, Vanuatu and Solomon Islands where members could meet Malaysian logging companies and government officials. A large delegation of government and private sector representatives led by Minister of Primary Industries Dr Lim Keng Yaik, did indeed visit the Islands in March 1996. In Honiara Dr Lim told reporters that the purpose of his visit was to interact and to offer whatever technical help Malaysia can to the forestry department.<sup>109</sup> Dr Lim also met Malaysian timber companies that were operating in the islands and told them to follow the

<sup>106</sup> Dr Salleh has been appointed as coordinator in a meeting between Dr Lim and some of the Malaysian companies which are involved in logging activities overseas. Among them that attended the meeting were the Berjaya Group of Companies, CASH, Idris Hydraulic, Kumpulan Emas and Rimbunan Hijau Sdn Bhd and a representative from the Malaysian Timber Industry Development Council (MTIDC).

<sup>107</sup> *Business Times (Malaysia)*, November 5, 1994, p. 24.

<sup>108</sup> Interview with Tan Sri Dato' Othman Yeop Abdullah, Secretary-General Ministry of Primary Industries in Kuala Lumpur on January 19, 1995.

<sup>109</sup> *Pacific Report*, vol. 9, no. 5, March 20, 1996, p. 2.

rules of the countries they operate in and that if they have an image problem they should explain themselves better.<sup>110</sup> In December 1996, the Malaysian Cabinet directed the Primary Industries Ministry to hold a meeting with Malaysian companies that have overseas timber concessions to work out a strategy to counter foreign attacks on the country's logging practices abroad. The meeting stressed the need for these companies to practice sustainable forest management in the host countries as well as to always project a good image of Malaysia abroad.

### Summary

The coming of the Malaysian logging companies into the South Pacific was influenced by the shift in foreign policy of the host countries and the need to relocate timber industries to countries of the South. In the middle 1990s, Malaysian timber companies operated extensively in Papua New Guinea, Vanuatu and the Solomon Islands.

The logging methods and practices of some of the Malaysian companies had become highly controversial. There was an allegation that those companies were involved in unethical practices such as uncontrolled logging, forest destruction, unscrupulous logging methods and corrupt practices. According to the Malaysian government, the allegations were prompted by jealousy of the third country, i.e., Australia, who were instigated by non-governmental organisations and poor practices of the Malaysian timber companies. These allegations had negative impacts on Malaysia and the unethical aspects of the practices had tarnished the country's image.

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<sup>110</sup> Ibid.



## Chapter 8

### CONCLUSION

#### Determining Factors

This study has shown that although many factors have contributed to Malaysia's participation in South-South cooperation, national interests, external factors and leadership variables are argued to be most significant in sustaining that participation. National interests refer to what is best for national society. In regard with international affairs, the state's national interests would determine the nature and extent of international cooperation that it seeks with other countries.

As a small developing country, Malaysia's national interests were aimed at preserving its independence, territorial integrity and sovereignty and also to promote peace and security in the region around it. It also seeks to attain the nation's economic development. In this context, Malaysia's participation in South-South cooperation can be seen as part of nation's efforts to attain its national economic objective and high international standing and prestige.

Malaysia's involvement in international economic activities was related to the emergence of Malaysia as a newly industrial country in the early 1990s. The emergence of Malaysia as the 'fifth tiger' resulted in the rising of dynamic and adventurous Malaysian business communities. The growing of this new breed of Malaysian business groups, particularly the Malays, were very significant. It was a

country's new phenomenon as a result of the implementation of the NEP in 1970.

Malaysia's economic relations with other Third World countries were represented by the companies owned by various ethnic groups. Under the auspices of the Malaysia South-South Association (MASSA), those companies joined together to invest and operate their business in the South. There was a renewed sense of national solidarity among the groups. They went to the South to strengthen cooperation among developing countries for the development of trade and the promotion of peace and stability at home.

One of the elements that encouraged Malaysia to be involved in South-South cooperation was its Vision 2020. The Vision aims to create Malaysia as a fully industrial developed country in the next 30 years started in 1991. To achieve this goal Malaysia has to reduce its over reliance on Western markets and diversify its trading and investments links to other parts of the world. In this regard, Malaysia's economic foreign policy encouraged Malaysian business communities to explore new markets for Malaysian capital, investments and merchandise. This policy has brought Malaysian business groups to Latin America, Africa, Central Asia, Middle East, South Asia, South Pacific and the Indochinese states.

External sources which emanate from a state's external environment, have played a significant role in enhancing Malaysian relationship with other developing countries. The end of the Cold War in the late 1980s had shifted the pattern of world relationships had given more focus on economic relations rather than political. These changes coordinated with Malaysia's foreign economic policy which emphasised economic cooperation with non-traditional economic partners. In addition, the changes in the political and economic systems of the former socialist countries of

Indochina and Central Asia had enabled Malaysia to participate in economic activities in the areas.

The role played by several Third World organisations such as the Non-Aligned Movement, the Group of 77, UNCTAD, the Third World Foundation and later by the G15 was significant. The organisations have successfully mobilised the awareness and planned strategies and actions over the South's problems. Malaysia's active involvement in those organisations encouraged the country to participate in most of the South's activities. Through various involvements, Malaysian leaders and officials have chanced to interact with their counterparts and these were beneficial to the countries' relationship.

Chief Executive involvement in state's foreign policy was not a new phenomenon. Malaysia's constitutional framework gave the Prime Minister freedom into foreign policy affairs. In his foreign policy, Dr Mahathir gave high profile to Malaysia's interaction with developing countries. In his visit to Fiji in 1982 he had emphasised that Malaysia was strengthened its links with the Third World rather than with Europe and the U.S. Prior to that, in 1970s when he was a Deputy Prime Minister he had discussed extensively on Third World problems at international forums. In this sense, it seems that Dr Mahathir was consistent with his commitment on the Third World struggles.

Dr Mahathir's belief that development must be shared equally by world communities. He articulated on the fate of the oppressed, the minority and those who have been manipulated by the rich and powerful countries. On this basis he suggested the formation of the South Commission which to work out solutions to major economic problems faced by the South. Later, when the G15 was established to become meaningful mechanism of the South, Malaysia joined the Group and participated actively.

Dr Mahathir was a believer of cooperation for mutual benefit among all countries of the South. He was a proponent of the "prosper-thy-neighbour" policy that stated prosperous neighbour should help its neighbours. He believed that a neighbour which was prosperous was a prosper and friendly neighbour. He urged that mindset of "prosper-thy-neighbour" should be extended beyond the regions and continents and hope that advance South countries should provide vital economic underpinnings that would engine and foster the development of the South. This was a basic viewpoint of Malaysia's involvement in South-South cooperation.

### Implications

South-South cooperation have several implications on global politics, developing countries and Malaysia. At international level, the cooperation means closer relationship between developing countries. For so long, the Third World countries have been colonised and stayed apart from one another. In a time of post-independence, most of the interactions among newly independent countries took place only at continent and regional levels and contacts with other countries beyond that were limited.

The South-South cooperation gradually changed the pattern of global interactions. The countries of the South at present have already become a political and economic force. They have played significant role in NAM, G77 and the U.N. As a result, the North-South conflict slowly diminished and the North-South dialogue began. At present extensive dialogues between the North and the South took place mostly at regional levels such as at ASEM and between Asean and South Pacific Forum with their dialogue partners. It is believed that in the future there would be dialogue between the G7 represents advanced countries with the G15.

South-South cooperation had great impact on developing countries. In the 1980s, it was argued that the end of the Cold War contributed to the irrelevance of the G7 and NAM. However, post-Cold War global interactions which given more emphasis on economic relations had changed the state of affairs. At present, the Third World countries have become closer than ever. Frequent meetings among the leaders, officials and business communities particularly among the G15 members had arisen sense of brotherhood. There was a renewed sense of Third World solidarity among them.

South-South cooperation was very significant to Malaysia. It had become one of the important pillars of Malaysian foreign policy. On one hand, Malaysian economic involvement abroad had contributed to the national income termed as 'return investment'. The participation had also increased nation's international prestige. Most Third World countries praised Malaysia's racial harmony, high economic growth and its intention to involve in their countries' development. Some of them wanted to follow Malaysia's style of development.

On the other hand, Malaysia's participation in South-South cooperation had left several setbacks. The leaders' argument on North-South issues had contributed to the disagreement with many groups. As a result, it adds to the strained relationship between Malaysia and parties' concerned. In addition, unethical business conduct done by some Malaysian companies abroad had tarnished the country's image. Furthermore, some parties did not happy with Malaysian economic presence. They regarded it as interference in their sphere of influence.





## Appendix I

### DEVELOPING COUNTRIES ELIGIBLE FOR TECHNICAL ASSISTANCE UNDER THE MTCP (AS OF JANUARY 1995)

- A. **Asean**
  - 1. Brunei
  - 2. Indonesia
  - 3. Philippines
  - 4. Singapore
  - 5. Thailand
  
- B. **Indochina / Far East**
  - 6. Kampuchea
  - 7. Laos
  - 8. Mongolia
  - 9. Vietnam
  
- C. **Indian Subcontinent**
  - 10. Bangladesh
  - 11. Bhutan
  - 12. Maldives
  - 13. Myanmar
  - 14. Nepal
  - 15. Pakistan
  - 16. Sri Lanka
  
- D. **Arab States**
  - 17. Algeria
  - 18. Bahrain
  - 19. Egypt
  - 20. Iran
  - 21. Iraq
  - 22. Jordan
  - 23. Kuwait
  - 24. Morocco
  - 25. Oman

26. Palestine
27. Qatar
28. United Arab Emirates

**E. Pacific Islands**

29. Cook Island
30. Fiji
31. Kiribati
32. Nauru
33. Niue
34. Papua New Guinea
35. Solomon Island
36. Tonga
37. Tuvalu
38. Vanuatu
39. Western Samoa

**F. Europe**

40. Albania
41. Bosnia and Herzegovina
42. Croatia
43. Turkey

**G. Commonwealth of Independent States (CIS)**

44. Kazakhtan
45. Kyrgztan
46. Tajiistan
47. Turkmenistan
48. Uzbekistan

**H. Africa**

49. Angola
50. Benin
51. Botswana
52. Gambia
53. Ghana
54. Lesotho
55. Malawi
56. Mauritius
57. Mozambique
58. Namibia
59. Nigeria
60. Senegal
61. Seychelles

## MALAYSIA AND SOUTH-SOUTH COOPERATION

62. Sierra Leone
63. Somalia
64. South Africa
65. Sudan
66. Swaziland
67. Tanzania
68. Uganda
69. Zambia
70. Zimbabwe

### I. South America

71. Argentina
72. Chile
73. Peru
74. Venezuela

### J. Caribbean

75. Antigua and Barboda
76. Bahamas
77. Barbados
78. Belize
79. British Virgin Islands
80. Cayman Islands
81. Dominicia
82. Grenada
83. Guyana
84. Jamaica
85. Montserrat
86. St. Kitts
87. St. Lucia
88. St. Vincent and The Grenadines
89. Trinidad and Tobago
90. Turks and Caicos Islands



## Appendix II

# MALAYSIA'S INVOLVEMENT IN REGIONAL AND THIRD WORLD GROUPINGS

1. **Association of Southeast Asian Nations (Asean)**

Brunei	Myanmar
Cambodia	Philippines
Indonesia	Singapore
Laos	Thailand
Malaysia	Vietnam
  
2. **Asia-Pacific Economic Cooperation (APEC)**

Australia	Mexico
Brunei	New Zealand
Canada	Papua New Guinea
Chile	Philippines
China	Singapore
Hong Kong	South Korea
Indonesia	Taiwan (Chinese Taipei)
Japan	Thailand
Malaysia	United States
  
3. **East Asian Economic Caucus (EAEC)**

Brunei	Malaysia
Cambodia	Philippines
China	Singapore
Indonesia	South Korea
Japan	Thailand
Laos	Vietnam
Myanmar	
  
4. **Asean Regional Forum (ARF)**

Asean member states	Japan
Australia	New Zealand
Canada	Papua New Guinea
China	Russia

MALAYSIA AND SOUTH-SOUTH COOPERATION

European Union	South Korea
India	United States

5. **South Pacific Forum Dialogue Partners**

Canada	Malaysia
China	United Kingdom
European Union	United States
France	
Japan	

6. **The Group of 15 Developing Countries (G15)**

Algeria	Malaysia
Argentina	Mexico
Brazil	Nigeria
Chile	Peru
Egypt	Senegal
India	Sri Lanka
Indonesia	Venezuela
Jamaica	Zimbabwe
Kenya	

7. **The Group of 8 Islamic Nations (D8)**

Bangladesh	Turkey
Egypt	Malaysia
Indonesia	Nigeria
Iran	Pakistan

8. **The Group of 77 (G77)**

Afghanistan	Libyan Arab Jamahiriya
Algeria	Madagascar
Angola	Malawi
Antigua and Barbuda	Malaysia
Bahamas	Maldives
Bahrain	Mali
Bangladesh	Malta
Barbados	Marshall Islands
Belize	Mauritania
Benin	Mauritius
Bhutan	Micronesia
	(Federated States of)
Bolivia	Mongolia
Bosnia and Herzegovina	Morocco
Botswana	Mozambique
Brazil	Myanmar

MALAYSIA AND SOUTH-SOUTH COOPERATION

Brunei Darussalam	Namibia
Burkina Faso	Nicaragua
Burundi	Niger
Cambodia	Nigeria
Cameroon	Oman
Capa Verde	Pakistan
Central African Republic	Palestine
Chad	Panama
Chile	Papua New Guinea
China	Paraguay
Columbia	Peru
Comoros	Philippines
Congo	Qatar
Costa Rica	Romania
Cote d'Ivoire	Rwanda
Cuba	St. Kitts and Nevis
Cyprus	St. Lucia
Democratic People's Republic of Korea	St. Vincent and the Grenadines
Democratic Republic of the Congo	Samoa
Djibouti	Sao Tome and Principe
Dominica	Saudi Arabia
Dominican Republic	Senegal
Ecuador	Seychelles
Egypt	Sierra Leone
El Salvador	Singapore
Equatorial Guinea	Solomon Islands
Eritrea	Somalia
Ethiopia	South Africa
Fiji	Sri Lanka
Gabon	Sudan
Gambia	Suriname
Ghana	Swaziland
Grenada	Syrian Arab Republic
Guatemala	Thailand
Guinea	Togo
Guinea-Bissau	Tonga
Guyana	Trinidad and Tobago
Haiti	Tunisia
Honduras	Turkmenistan
India	Uganda
Indonesia	United Arab Emirates
Iran (Islamic Republic of)	United Republic of Tanzania



## MALAYSIA AND SOUTH-SOUTH COOPERATION

Iraq	Uruguay
Jamaica	Vanuatu
Jordan	Venezuela
Kenya	Vietnam
Kuwait	Yemen
Lao People's Democratic Republic	Yugoslavia (suspended)
Lebanon	Zambia
Lesotho	Zimbabwe
Liberia	

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