

CHAPTER FOUR

MALAYSIA AND THE SOUTH

4.1 Malaysia's Foreign Policy

Malaysia's role in the South will be examined by first, assessing its foreign policy objectives, priorities, determinants, main trends in developments and its perceived challenges. Furthermore, it should be noted that certain elements of continuity, especially of a historical and geographical nature as well as changes in political leadership also served to mould the final shape of its foreign policy. Other significant factors that have shaped the character of Malaysian foreign policy are: the British colonial legacy, a location astride important sea-lanes in Southeast Asia, an abundance of natural resources, a multiracial society, and the position of Islam as the official religion.¹

From independence in 1957, there have been five major phases in Malaysian foreign policy. Phase one was from 1957–1962, when it adopted a pro-West and anti-Communist orientation. Three major factors compelled it to take such a stand: (1) the structure of the colonial economy created by the British, (2) the urgency of defending the country from the perceived communist threat, and (3) the need for continued western involvement in the economy.² This was a formative period in Malaysian foreign policy when the country was Malaya, leaning towards the British and Commonwealth countries. In some respects, Malaya did not set out to be an avowedly pro-western state, but made it categorically clear that it wanted to be on most friendly terms with all countries of the world and consciously avoided joining SEATO. However, the perils of independence led Malaya into a defence treaty with Britain (the Anglo-Malayan Defence and Mutual Assistance Agreement-AMDA) in October 1957 and to concentrate relations with the

Commonwealth countries which were the main market for its primary commodities. It could ill-afford then to make overtures to communist countries while it was battling a communist insurgency at home.³

The second phase 1963–1969 was aimed at coming to terms with its regional neighbours and maintaining a friendly relationship with the rest of the world. This was informed by the lesson it derived from the experience of the region, when Indonesia adopted the policy of confrontation, while Britain began the policy of disengagement from the region. The withdrawal of Britain led to a security vacuum in the region. This led to the formation of ASEAN in August 1967 and ZOPFAN in 1971. Also in order to relate with other nations, Malaysia joined the organization of Islamic Countries and the Non-Aligned Movement.⁴ According to Rajmah Hussain, the third phase was from 1970-1975 when Malaysia's foreign policy experienced the winds of change. This was the regime of Tun Razak which saw Malaysia beginning to assert itself in matters of foreign policy with its formal admission to the Non-Aligned Movement, advocacy of the neutralization proposal and the establishment of diplomatic relations with Communist China in 1974.⁵

The fourth phase, from 1976–1981, saw a period of consolidation of foreign policy. During this period, Tun Hussein Onn's premiership saw Malaysia give further expression to the foreign policy direction set by Tun Razak while responding to new challenges arising from developments in Indochina, in particular the beginning of the

Vietnamese refugee problem following the fall of Saigon to the Communists in 1975, and the security ramifications of the Vietnamese invasion of Cambodia in late 1978.⁶

The fifth phase, from mid-1981 to the present saw assertiveness in the conduct of foreign policy under Dr. Mahathir Mohamad as the country sought to play a more prominent role in international affairs, especially in the United Nations, in the Commonwealth and among developing countries in the context of South-South cooperation. Rajmah Hussain concluded that changes in leadership and shifting priorities, however, do not detract from the importance of certain continuing concerns in Malaysian foreign policy. Based on that, successive prime ministers have been committed to: (a) the question of security, (b) the need to consolidate national resilience, (c) the need to maintain economic well-being and (d) the need for international recognition. Malaysian foreign policy is based on the principles of mutual respect for the independence, sovereignty, territorial integrity and non-interference in the internal affairs of others. In the conduct of its present day foreign policy, Malaysia places priority in its relations with the following: (a) ASEAN countries, (b) Islamic countries, (c) Non-aligned countries, (d) Commonwealth and (e) South-South cooperation.⁷

4.2 Malaysia and ASEAN

The Association of Southeast Asian Nations (ASEAN) was formed in August 1967.⁸ Malaysia is one of the five founder nations together with Indonesia, Philippines, Singapore and Thailand. Brunei, the sixth member, joined in 1984.⁹ Malaysia places emphasis on its relations with the ASEAN countries because it strongly believes in the

importance of regional cooperation and resilience. As national and regional security is of primary concern to Malaysia, ASEAN represents a vehicle for the establishment of a stable and secure environment for Southeast Asia. Therefore, ASEAN has continued to be the cornerstone of Malaysian foreign policy.¹⁰

ASEAN began as an economic, social, and cultural grouping but its cooperation has developed over the years to encompass many areas. Since the invasion of Cambodia in December 1978, political cooperation has become an important facet of ASEAN cooperation. Together with its ASEAN partners, Malaysia has endeavored to establish a zone of Peace, Freedom and Neutrality (ZOPFAN) in Southeast Asia. It has also sought for a comprehensive political solution to the Cambodian problem, dealt with the problem of Vietnamese refugees and worked for the establishment of an ASEAN Free Trade Area (AFTA) to be established by 2003.¹¹ In the observation of Syed Hamid Albar, Malaysia has played a prominent role in the provision of economic and development assistance to needy ASEAN member countries like Cambodia, Vietnam, Laos, and some other developing countries through the human resources and development fund it set up. It has trained language tutors, technicians and diplomats from ASEAN nations and beyond. Malaysia is further enhancing the aid programme to its needy neighbours under the ASEAN Human Resource Development Fund. Malaysia also successfully proposed the idea to the ASEAN ministerial meeting to set up such a fund and use it as a social safety net to strengthen the capacity of some ASEAN nations.¹²

Malaysia participation in the Mekong Basin Development Project is yet another testimony to its role in the re-development of the Indo-China region.¹³ Malaysia undertook a feasibility study on a Trans-boundary railway from Singapore to China through the Mekong Basin. The project has the potential to quicken the pace of change and help the poorer ASEAN countries. Malaysia believes that there is a strong possibility that the trans-Asian railway system may be linked to the European network via the Trans-Siberian railway, thereby producing potential spin-offs for the Southeast Asian economies.¹⁴

In line with the principles of regional cooperation and external assistance, Malaysia translates the bilateral and multilateral defence cooperation into several military activities such as training, exercises, visits, and exchange of information and personnel. Malaysia conducts its defence relations with ASEAN countries on a bilateral basis. Whilst the scope of the defence activities is more or less similar (with the exception of the Philippines), the pattern of cooperation, however, differs due to historical legacy.¹⁵ With regard to Indonesia and Thailand, the security relations are carried out through the General Border Committees (GBC). These committees were set up in the 1970's with the primary aim of combating the communist threat at the border areas shared by both countries. The (GBC) also carried out socio-economic activities at the border areas in the hope of deterring communist influence then on the local population in the area concerned.

Todate, the GBC of Malaysia-Indonesia, and Malaysia-Thailand have gone beyond their initial scope of concern i.e. the border areas, to include other security issues

which are of common interest and benefit. For example, besides the main military operations, the other non-operational activities carried out are exchange of telegrams, information training, exchange of programmes, search and rescue activities as well as procedures to facilitate border crossings.¹⁶ On the other hand, the social and economic activities undertaken, have helped to promote confidence among the people living along these border areas. The expansion of the scope of the GBC activities has undeniably enabled the three countries to bilaterally cooperate in defence activities on a wider scale, and this has further enabled cooperation and understanding. The GBCs have thus proven their worth by playing a dominant role in the general security cooperation. Hence, despite the subdued communist activities, Malaysia still wants this cooperation to continue. Malaysian bilateral defence relations with Singapore stem from the FPDA. Due to its geographical proximity the defence of both Malaysia and Singapore is considered as indivisible. The formation of FPDA was based on the posture of the defence of both countries. From a defence perspective, Malaysia and Singapore have close bilateral relations and have undertaken many activities i.e. in the form of air, land and sea exercises, exchange of officers, individual training in the armed forces colleges of Malaysia and Singapore, and other social activities such as visits. Malaysia views the existing cooperation with Singapore to be working amicably well without a need for any formal documentation.¹⁷

Malaysian defence relations with Brunei was formalized with the signing of a memorandum of understanding (MOU) in February 1992. Although the mechanism of the (MOU) is yet to be activated and operationalised, this has not hampered the existing

bilateral defence activities which are mainly in the areas of training, exercise and visits. Malaysian defence relations with the FPDA's Western partners, i.e Britain, Australia and New Zealand had started even before its independence. Being part of the Commonwealth Strategic Forces, the Australian and New Zealand forces were deployed to Malaya then to protect it against external aggression. The strong bilateral relations however, were further strengthened as a consequence of the FPDA. With Australia for example, the defence activities undertaken include air, land and sea exercises, training exchanges and attachment programmes and bilateral projects. Due to the extensive scope of activities, both countries saw the need to formalize and streamline the bilateral activities under a formal structure i.e. in terms of a Malaysia-Australia Joint Defence Programme (MAJDP). Malaysian bilateral defence activities with New Zealand and Britain are confined to training, attachments and exchanges as well as annual bilateral exercises.¹⁸

4.3 Malaysia and Islamic Countries

As an Islamic country, Malaysia places emphasis on its relations with other Islamic countries in the effort to contribute to Islamic solidarity and the well-being of the Muslim ummah. It maintain links with other Muslim countries through close and cordial bilateral relations and through active involvement in the Organization of Islamic Conference (OIC). The first prime minister, Tunku Abdul Rahman, was one of the prime movers in the formation of the (OIC) following the desecration of the Al-Alqsa mosque in 1969.¹⁹ Malaysia participates in a wide range of OIC activities to promote economic cooperation among Islamic countries and to seek durable solutions to existing political problems besetting Islamic countries. Malaysia's unstinting support for the

Palestinian people in their quest to establish a Palestinian homeland demonstrates its solidarity with the Muslim ummah.²⁰

In demonstrating the spirit of brotherhood with the Muslim ummah, Malaysia sent a team of medical doctors led by Dr. Jemilah Zaman for three weeks to war-battered Kosovo immediately after the end of NATO air strikes. The team quickly set up clinics at places such as Pristin and Pegia. They also ran ambulance clinic services. Malaysia also set up a Fund for the re-habilitation and re-construction of Kosovo. The Fund was set up by the New Straits Times Press (M) Bhd., Utusan Melayu (M) Bhd., Sistem Television Malaysia Berhad, and Malaysian Youth Council to ease the sufferings of Kosovars who had fled from their war-torn country.²¹

4.3.1 Malaysia and the Group of Eight Islamic Developing Countries (D-8)

The D-8 was set up in Istanbul in June 1997 grouping Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey, with the aim of improving economic cooperation through manageable and concrete projects. Dr. Mahathir Mohamad, the Malaysian Prime minister, realizing the importance of collective group effort, promotes projects and propagates the activities of national and international groupings among the South. Recently, Malaysia's efforts to promote *takaful* or Islamic insurance and reinsurance among the group of eight Islamic developing countries (D-8) has been adopted in the Dhaka Declaration issued at the end of the groupings two days summit from 1 - 2 March, 1999.²²

4.4 Malaysia and Africa

Trade and investment between Malaysia and Africa had shown more encouraging results over the last five years. Trade between the country and the region rose from RM881 million in 1993 to RM4.65 billion last year; while investment from Malaysia to Africa had increased from RM12 million in 1992 to RM115 million in 1996.²³ In 1997 Malaysian investments in South Africa amounted to RM133 million, while the main exports to Africa were palm oil, palm stem vegetable oils and fats, plastic products civil engineering and contractors equipment. Malaysian investments in South Africa were mainly in telecommunications, hotels, banking, infrastructure and real estate sectors. Malaysia has always been keen on fostering and enhancing South South cooperation.²⁴

Penang Trade, Business, and Consumer Affairs Committee Chairman, Datuk Dr. Sak Cheng Lum, said that Penang had over the years been involved in setting up Smart Partnership with Africa in the spirit of South-South cooperation in the areas of business and investments as well as technical assistance through constancy services. He said that Penang Development Corporation (PDC), through its 100 percent owned subsidiary DCT Consultancy Sdn. Bhd., had been providing technical assistance to African countries in industrial policy and planning as far back as 1990. DCT has been involved in establishing export processing zones in Kenya, Zimbabwe and Namibia and also involved in infrastructure and transportation studies in Kenya and Zimbabwe. He was speaking at the preliminary meeting of the Africa-Asia business forum in Kuala Lumpur held from October 25 –29, 1997. The forum meant to provide an avenue for

Malaysia and other emerging African and Asian firms and entrepreneurs to further explore the overseas market. It can also serve as a platform for Malaysia to promote partnership opportunities as well as trade and investment initiatives between the two regions.²⁵

In the name of South-South cooperation, Malaysian companies have steadily expanded their investments into sub-Sahara Africa economies. Many of these investments, according to African economic analysts, involve large-scale corruption.²⁶ In South Africa, Malaysian companies are investing in tourism, leisure and real estates. In Tanzania, Kenya and Zimbabwe they are financing private power plants. In Uganda, they have bought a major share of the Uganda commercial banks, while in Ghana, the Malaysian companies have targeted the national television and telephone companies. In Guinea they are investing in agriculture, poultry, rice, and other cash crops. In Uganda, Malaysian enterprises includes human resources development, scientific and cultural cooperation, telecommunication, furniture, shoes, printed materials, cocoa and coffee. In Mozambique, tourism, petroleum products, agriculture and technical cooperation are target areas, while in Namibia, smart partnership programmes have been initiated. The rapid growth of Malaysian investment throughout Africa in the last few years has been, by African standards, quiet phenomenal. Africa is a continent which finds it very difficult to attract foreign investment. But Malaysian Prime Minister, Mahathir Mohamad has made it possible for Africa to experience investment boom. Ten years ago he was instrumental in setting up the South Commission, a think-tank of eminent persons from the south chaired by former Tanzanian President, the late Julius Nyerere. Both Nyerere

and Mahathir are well known for their strong commitment to the principles of South-South economic cooperation.²⁷

4.5 Malaysia's Foreign Policy Orientation Towards the South

Initially, Malaya remained generally aloof from the movement for Afro-Asian solidarity. In 1958, it joined 23 other Afro-Asian nations to sponsor a resolution in the United Nations General Assembly for placing the Algerian question on the agenda; and thereafter, every year until Algerian independence in 1962, the Malaysian vote on resolutions dealing with the Algerian question tallied with that of most other Afro-Asian countries calling on France to recognize Algerian sovereignty.²⁸ Under the Tunku's initiative, the apartheid issue was raised in the Commonwealth Conference of 1960 which ultimately compelled South Africa to leave the Commonwealth in 1961. Malaysia pursues a non-aligned foreign policy in that it does not allow the conduct of its sovereignty to be subjected to the influence of super-power rivalry. It became a member of the Non-Aligned Movement in 1970 and has since maintained an active interest in the organization. Most importantly, it has come to be respected as a moderating voice in the organization, which is often subject to radical pulls. Of late, with the demise of the Soviet Union and the end of the Cold War, Malaysia and the other members have sought to make the movement relevant to present day realities by seeking to upgrade economic and social cooperation among member countries and to resume the North-South Dialogue with developed countries.²⁹

4.6 Malaysia and the G15

The G15 is a group of countries committed to South development. It is also known as the forum for South-South Consultation and Cooperation. Its members are: Algeria, Argentina, Brazil, Egypt, India, Indonesia, Jamaica, Malaysia, Mexico, Nigeria, Peru, Senegal, Venezuela, Yugoslavia, and Zimbabwe. The group seeks to promote South-South cooperation, discuss and find solutions to problems besetting the South, and to consult, and exchange views and explore the potential, which is largely untapped, for South-South cooperation. Furthermore, it serves as a group to foster dialogue with the North since the failure of the first North-South dialogue. (See Appendix Three). In order to contribute towards the development of South-South economic and trade interaction, Malaysia proposed:

- (a) The setting up of an international financial mechanism to enhance South-South trade cooperation; and
- (b) The establishment of a data bank for information exchange on investment.

Dr. Mahathir, the Malaysian Prime Minister, suggested the setting up of the South Secretariat to carry forward the momentum of tangible economic cooperation. He also proposed the setting up of a Trade Information Network and South Investment Data Exchange Centre to service countries of the South so as to develop cooperation and trade within the markets of the South.³⁰

Malaysia has been utilizing the G15 summits as a forum to make proposals that stimulate the leaders of the developing nations into action. For instance, at the first G15 summit in Kuala Lumpur, 1990, Malaysia proposed three projects namely: the

Bilateral Payments Arrangements (BPA), the Multilateral Payments Arrangements or Developing Countries Payments Arrangements (DCPA), and the South Investment Trade and Technology Data Exchange Centre (SITTDEC). Given the generally positive disposition of the South countries to Malaysia, Malaysian proposals are usually unanimously accepted by the leaders of the South. At the second G15 Summit in Caracas, Venezuela (27-29 November 1991), Malaysia charted new directions not only for Malaysian foreign policy, but also for the pattern of interaction in the developing world. While SITTDEC had made some progress over the three years period since the Caracas Summit, in the areas of investment, trade and technology, the third G15 meeting in New Delhi in March 1994 emphasized the need for political will - or more correctly, a positive mindset and greater pragmatism as demonstrated by Malaysia, if South-South Cooperation is ever to transform the global economic balance in favour of the South.³¹

4.7 Malaysia and South-South Economic Cooperation

Mahathir's administration in Malaysia strongly emphasizes economic diplomacy through his Vision 2020 that targets economic expansion, trading and investment links. The New Economic Policy (NEP) introduced in 1970 reflected the new leadership's desire to restructure the national economy. As Malaysian economy expands, it is inevitable that it would have more links, particularly trade links with the rest of the world. The opening of new markets for its products has broadened Malaysia's interests beyond the immediate vicinity and the region. It is therefore in Malaysian interest that global peace be maintained to actualize this vision.³² The country's rapidly expanding

capacity for international trade is reflected by the numerous agreements signed in conjunction with the Malaysian prime ministers' visits to Africa, South America, the South Pacific, the former Soviet Republics in Central Asia and the Caribbean in addition to its traditional trade partners--that is ASEAN. Dialogue partners (Japan, the United States, Canada, EC, Australia, New Zealand and more recently, South Korea). Malaysia's Vision 2020 envisages the full development of its export potential and the penetration of new markets for Malaysian merchandise, capital and investment. Mahathir's visit in 1991 to Mexico, Chile, Brazil and Argentina were undertaken with a view to expanding Malaysian trade with Latin America while simultaneously mustering international support for Malaysian views on the emerging post-Cold War international order. The building of new economic links with the South countries is among Malaysia's foreign policy strategies for reducing over-reliance on western markets. The Prime Minister's familiarization tour in 1994 itinerary included: Bangladesh, Brunei, Pakistan, the Philippines, Uzbekistan, Iran, Japan, Korea and Thailand.³³

Numerous trade and investment missions are being undertaken to open up new markets for Malaysian goods and services in far-off places like Kazakhstan and Zimbabwe- as well as two specific targets in East Asia with great potential--China and Vietnam. The fostering of stronger economic and political links with African and Latin American countries is yet another component of new thinking in Malaysian foreign policy in the Mahathir era.³⁴ On December 1, 1997, South African president Nelson Mandela, flagged off the Sliverstone Trans African Expedition, made up of Malaysian businessmen, TV and radio journalists, heading from the Cape to Cairo. Organized under

the patronage of the Malaysian prime minister, the expedition sought to generate greater understanding required in the growing business links between the Malaysian and African peoples.³⁵

The Langkawi International Dialogue (LID) 99 offers further evidence that Malaysia is consistent in its stand to promote cooperation especially in the economic sector among the developing countries. It is also an indication that the country does not wish to achieve and bask in success and prosperity alone. Malaysia's effort is indeed in accordance with the international order envisaged by Islam—that is, a Commonwealth of Nations that contributes to world peace by upholding the two Islamic principles of Universal Brotherhood and Tolerance. Ever since the government put forward the concept of enhancing South-South relations through the "prosper thy neighbour" approach years ago, Malaysia has consistently demonstrated that the country has the determination and capacity to carry through these visions. Such efforts to push forward a common agenda of mutual peace and shared prosperity among the less privileged nations of the world has always been the mainstay of Malaysian foreign policy. In addition to providing a platform for smart partnership, Malaysian initiative in bringing together developing countries appears to achieve other not-so-tangible benefits. For example as these developing countries have quite a sizeable Muslim population, they too can look forward to various smart partnership projects. These will indirectly help them attain an enhanced standard of living. In short, LID 99 definitely provided a strategic opportunity for leaders and businessmen of developing countries to come together and share their experiences in dealing with the recent global economic downturn.³⁶ The meeting highlighted the bold and novel efforts of several Malaysian companies to invest in some

of the developing nations. Indeed, stories of Malaysian companies outbidding the more established multinationals for contracts were not unusual. One of the Malaysian participants went a step further to suggest that the benefits of the smart partnership concept could go beyond the two immediate partners. In essence, the win-win effects that dawn upon them can actually snowball onto the other stakeholders, like the local small and medium industries and the public on the whole. For example, Telecom Malaysian Smart Partnership with Ghana Telekom has offered benefits to a third party. This is mainly the Malaysian contractor who now has access to the Ghanaian telecommunications market. The eagerness shown by some of the delegates to participate in LID 99 in Malaysia must have stemmed from their curiosity to find out first, how Malaysia successfully wriggled its way out of the regional economic crisis without having to “kowtow” to international funding agencies. Among others, the dialogue highlighted both the sweet and ugly sides of globalization.³⁷

Malaysia has since 1980, implemented the Malaysian Technical Cooperation Programme (MTCP) with the aim of sharing development experiences with other developing countries. The programme forms part of the Malaysian Government's strategy and commitment to promote technical cooperation and the nurturing of collective self-reliance among developing countries. At present, 104 countries including Malaysia, are listed under MTCP. (See Appendix Four). Besides this, Malaysia is also committed to continue undertaking programmes under the MTCP flag, which will further enhance South-South cooperation. Among the efforts undertaken at the public sector level include study visits, attachment programmes, providing training at local universities and technical

assistance. Private sector initiatives include the establishment of the Malaysian South-South Association and its investment arm, Malaysian South-South Corporation Bhd. (Masscorp). To date, Malaysian companies, through Masscorp, have invested in various development projects in South countries, particularly in African region and Southeast Asian countries. The projects include building infrastructure, housing projects, undertaking privatization, oil and gas exploration and manufacturing projects.³⁸ In addition, Malaysian companies have also invested in service sectors such as banking and telecommunications in some developing nations. According to International Trade and Industry Minister, Datuk Seri Rafidah Aziz,³⁹ the investment in South countries in 1998 totalled USD 0.42 billion, comprising 21.4 per cent of Malaysia's gross investment overseas of USD1.98 billion. She added that total trade, between Malaysia and South countries has increased four-fold from 1990 to 1998. In 1990, bilateral trade was USD5.5 billion while, in 1998, it increased to USD23.78 billion. Rafidah Aziz noted that despite the economic slowdown in the country Malaysian trade with South countries has continued to grow steadily in 1998. Total trade with South countries increased by 27.7 per cent in 1997. In 1998, it was USD10.630 billion. She said Malaysia's trade with South countries for the first six months in 1999 amounted to USD11.71. To facilitate trade and investment in the South countries, Malaysia concluded many bilateral agreements related to trade, avoidance of double taxation programme, investment guarantees, bilateral payment arrangements and Memoranda of Understanding. Rafidah said Malaysia remains committed to South-South cooperation based on a desire to contribute to mutual prosperity. She added that Malaysia will continue to implement technical cooperation as it is a useful tool to promote South-South cooperation. Foreign investment in the

manufacturing sector between July 1998 to May 1999 involved 1008 projects and totalled USD6.67 billion.⁴⁰

4.8 Malaysia and the Commonwealth

By virtue of historical association with Britain, Malaysia became a member of the Commonwealth from independence in 1957 and has maintained close links with Britain and other Commonwealth countries, especially during the early years of nationhood when it needed the protective security umbrella of the Commonwealth. It has also been very vocal and supportive of a number of Commonwealth issues such as the Groups opposition to the apartheid policy of the South African regime. As the Commonwealth is an organization which brings together Britain and her former colonial countries, Malaysia recognizes its potential in promoting the economic and social development of member countries. This recognition has led it to host the 49th Commonwealth Heads of Government Meeting (CHOGM) in October, 1989 and to Dr. Mahathir's acceptance of the chairmanship of a High Level Appraisal Group (HLAG) to study and make recommendations on a revitalized role for the Commonwealth in the 1990's and beyond. Furthermore, Malaysia hosted the Commonwealth Games in 1998, initiated proposals for South-South cooperation, and hosted the first G15 summit from 1-3 June 1990. The higher international profile has indeed, strengthened Malaysia's role in reforming the world order in favour of the interests of the South. As chairman of the High Level Appraisal Group formed at the twenty-eight CHOGM in Harare, Zimbabwe 16-22 October 1991, to monitor the complete termination of apartheid in South Africa via the continuation of trade and economic sanctions. According to K. S. Nathan, Malaysia can rightly claim credit for ending thirty years of racial oppression in South Africa.⁴¹

Under Malaysia's initiative, the Malaysian Industry Government Group for High Technology (Might) and the Commonwealth Partnership for Technology Management Ltd. (CPTM) jointly organized the launching of the Fourth Langkawi International Dialogue with the theme "Managing Economic Recovery for Shared Prosperity"- The Smart Partnership Approach: LID99. Dr. Mahathir said that past experience indicated that the LID series of dialogues was indeed an excellent forum for the sharing of views and experiences. The LID will see the concept of Smart Partnership translated into a workable paradigm where heads of states and governments of developing nations, and captains of industry will discuss macro-economic matters and strengthening of the corporate sector , and corporate governance among others. He expressed confidence that the four-day LID 99 would provide positive directions to help shape future policies at both regional and international levels on ways to expedite economic recovery and to prevent future crisis . Leaders of emerging economies arrived in Langkawi to learn about Malaysia's experience in managing financial crisis. Botswana's President, Festus Gontabanye Mogae said that developing countries particularly from Africa hoped to learn how Malaysia and other Southeast Asian nations were managing economic recovery. Botswana was particularly keen to learn from Malaysia's experience in managing the crisis since unlike its neighbours it staged a recovery without the help of the International Monetary Fund. Officials accompanying the leaders also expressed a desire to look into Malaysia's capital controls which though, unorthodox, provided a conducive backdrop for Malaysia to implement recovery measures. Furthermore, the leaders of the developing economies expressed their wish to learn from Malaysia on how to ward off speculators and how to avoid a currency crisis which Malaysia seems to have handled well.⁴²

4.9 Malaysia and the United Nations

The United Nations, with its large and diverse membership, has remained an important arena where Malaysia has aimed to foster good relations with all countries of the world irrespective of their political creed and ideology. It is a forum which Malaysia has utilized to fight for the cause of the Third World Nations and demonstrated its credibility in contributing to international efforts to maintain world peace and security and to achieve global development and prosperity. The international community's recognition of Malaysia's sincerity and efforts in this direction has been manifested in its election as a non-permanent member of the Security Council for 1989-1990 and to the Chairmanship of a number of important UN committees. Malaysia has as well been re-elected a non permanent member of the UN Security Council for 1999-2000. The prominent and active role Malaysia played in the Earth Summit in Rio in June 1992, earned it a name in the field of environmental issues and the Chairmanship of the Commission on Sustainable Development which has been tasked to follow up on the Rio recommendations.⁴³

In line with its international commitment to maintain world peace, Malaysia has actively participated in several peace keeping exercises under UN auspices. Its participation in UN peace-keeping operations dates back to 1960 with the dispatch of a Malaysian special force under the UNOC (UN operations in Congo). To date, the Malaysian Armed Forces (MAF) has sent its forces to UNTAG (United Nations Transitional Authority Group in Namibia), UNOMOZ (UN operation in Mozambique), UNIMOG (UN Iran-Iraq Military Observers Group), UNICOM (UN Iraq-Kuwait

Observations Missions), UNOSGI (UN Office of the Secretary General in Iraq), UNAVEM (UN Angola Verification Mission), MINURSO (UN Mission for the Referendum of Western Sahara) and UNTAC (UN Transitional Authority in Cambodia, Bosnia and Kosovo).⁴⁴

As Chairman of the Group of 77 (the largest grouping of developing countries within the United Nations), Malaysia, at the 44th United Nations General Assembly (UNGA) in 1989 , played a major role in the drafting and adoption of UNGA Resolution 44/228, entitled “The United Nations Conference on Environment and Development” (UNCED), or popularly called the Rio Earth Summit. UNGA Resolution 44/228, provided the basic framework for the Earth Summit Process which involved four substantive preparatory meetings. The first meeting took place in Nairobi, the seat of UNEP , the second and third meetings at the Geneva UN headquarters and the fourth and final at the UN headquarters in New York.⁴⁵ Furthermore, K. S. Nathan, in assessing the impact of Malaysia in the United Nations and other international organizations observed that since 1981 when Dr. Mahathir assumed the leadership of Malaysia, he has actively supported the United Nations. Malaysia has also held positions of leadership in several International Organizations and activities. He notes that the dynamic leadership of Dr. Mahathir enabled Malaysia to become leader of the G-77, President of the twenty-fifth UNESCO General Conference, alternating UN Security Council member from 1988-1990; Chairman of the International Conference on Drug Abuse and Illicit Trafficking and Chairman of the International Conference on Refugees. Malaysia also contributed to UN peace keeping operations in the Middle East, Persian Gulf, Namibia, Cambodia and

more recently in Somalia and Bosnia . At the United Nations and other international organizations, Dr. Mahathir, the Malaysian Prime Minister, has displayed a remarkable willingness to confront the West on key economic and political issues , and to expose what he considers to be the double standards practiced by the West on human rights , environmental concerns, free trade ,democracy and press freedom. Malaysia is among developing countries currently lobbying for replenishment of the multilateral fund. Countries like Egypt, Brazil , and Malaysia are front-runners in the phase-out programme for developing countries as their economic standing has improved.

4.10 Malaysia and APEC

The Asia Pacific Economic Cooperation (APEC) forum was inaugurated in Canberra-Australia in November, 1989 and groups the economies of Australia, Canada, China, Japan, New Zealand, the six Asean states of Brunei, Malaysia, Indonesia, Philippines, Singapore and Thailand. Others are the USA, Chile, Hong Kong, South Korea, Mexico, Papua New Guinea and Taiwan. On November 1998, the economies of Peru, Russia, and Vietnam joined the fold to bring the number to 21.⁴⁶ Its aims are to liberalize and facilitate trade and investment, as well as to promote economic and technical cooperation between members. Since international interactions do not take place in a vacuum, Malaysia as a South nation utilizes the APEC forum to advance the cause of the other weaker developing nations. For instance, at the Fifth APEC Leaders Summit in Vancouver in November, 1997, Dr. Mahathir urged the leaders of APEC to reach agreement in regulating currency trading in view of the currency turbulence that has rocked a number of Asian economies. He called for more transparency in currency

trading, suggesting that traders be registered and become members of the market so as to know who the traders are and how to control them. He also proposed that market exposure to foreign exchange trade be restricted to twice the capital invested to minimize currency volatility. According to Mahathir, currency traders should be limited to raising only 100% more than what they are putting in by way of capital, as the contest will be fairer.⁴⁷ Mahathir also attacked the World Trade Organization for not regulating forex trading which he said was 20 times bigger than global trade and makes up 95% of world trade. He asserted, "when you regulate world trade without taking into consideration currency trading, you are only regulating 5% of world trade, 95% is made up of currency trading which is outside the ambit of WTO. "What kind of WTO are we having if we only control 5% of World trade."⁴⁸

In response to Malaysia's call, APEC adopted a private sector report calling for some form of mechanism to be put in place to prevent the currency crisis engulfing a good part of the region from recurring. The report of the APEC Business Advisory Council had among others, called for an easy detection mechanism to trace emerging macroeconomic problems in member economies ; as well as cooperation among APEC finance ministers to eliminate situations where financial market manipulations could occur. Under the APEC forum , Malaysia also laid emphasis on science and technology. In terms of economic and technical cooperation, Malaysia took the initiative in 1998 to launch a Development Action Plan . The philosophy of this project is how to promote technology transfer from Malaysia to the less technologically advantaged South countries.⁴⁹

4.11 Malaysia and Smart Partnership/ Langkawi Dialogues

The Smart Partnership mooted by Malaysia and a few African nations encompass not only economic interaction among participants but presumably instills respects, trust, transparency and tolerance. The objective of the dialogues is to get emerging economies to work together and instill the spirit of contributing on an equal basis for further development among the participating developing countries. The International Langkawi Dialogue (LID) and the Smart partnership it promotes brings together various stakeholders:- heads of state and government, first ladies, politicians, businessmen, entrepreneurs, special interest groups, unions, religious leaders, professionals and media representatives who sit at the same table to discuss issues as equals. Based on the win-win and prosper thy-neighbour concept, the LID and the Smart Partnership concept has been emulated by other sub-regional groupings.⁵⁰ The overall objective of the practice is to synchronize perceptions, unify positions and work towards cooperative action for the benefit of all stakeholders. This is the essence of South-South cooperation because it makes nations, organizations and individuals within the South to share experiences through interaction. Coming together for exchange of views and ideas is one of the options for the developing countries but most times the coping poor among them do not show interest in such togetherness. Hence most of the developing nations prefer to cooperate with the developed ones instead of the members of their rank and file. Furthermore, most times the proposals initiated by the South are hardly translated into practical reality. As such the South should learn to translate proposals into action.

Since the first LID in 1995 in Malaysia, the Smart Partnership programme has evolved at various levels—international, regional, national and local. These include the Southern Africa International Dialogue (SAID) and Caribbean International Dialogue (CID). In addition to the regional level dialogues, a number of national Smart Partnership hubs have emerged in participating countries. These include those in Botswana, Malawi, Malaysia, the New South Africa and Zimbabwe within a span of four years. Aimed at internalising the practice of smart partnership at national level in all Governments, industries, companies and communities are encouraged to adopt the programme because it serves as focal points for extra national activities besides acting as links with other national hubs and the Commonwealth Partnership for technology Management (CPTM) hub in London. At the regional level the smart partnership such as Southern Africa International Dialogue (SAID) and Caribbean International Dialogue (CID) enable participants to work on developing a common stand on, and participation in decision making on global issues, as well as fair and equitable participation in the global market.⁵¹

The fifth edition of the Langkawi International Dialogue (LID) ended with a proposal by the Heads of State and Government of smart partnership members to set up an alternative news source to counter distortions by the western media, provide accurate balance and objective report of local events and developments from the local perspectives. Participants also agreed to cooperate in training journalists through attachments to media organizations in various countries, and sharing experiences for capacity building⁵². Furthermore, the fifth LID gathering effectively generated more

awareness and understanding about the concept and virtues of smart partnership among the participating countries. As Dr. Mahathir Mohamad notes, “with a better understanding of the smart partnership, leaders are moving beyond “talking” and beginning to cooperate in the implementation of several projects. Some of the joint projects have achieved notable success while others are at different stages of implementation”. These include cross-border tourism ventures, joint development corridors, strengthening of business and economic links and consolidation of national smart partnership hubs. The business community is working towards compilation of a business directory while the media is working towards setting up direct links between Malaysia and Africa.⁵³

Nevertheless, the grim reality is that while the more enlightened leaders of the South are pushing for Southern solidarity, some are at war with their neighbours. While some are looting the treasuries of their subjects, some became a source of instability and misery to their people. In acknowledging the effort of Malaysia in moving the South forward, Dr. Moses Ayiku, a Ghanaian solicitor and delegate to the Fifth Langkawi International Dialogue said “in fact we are grateful to Malaysia for its willingness to share its experience and expertise in managing its economy.”⁵⁴

4.12 Criticisms of Malaysia's Practice of South-South Cooperation

In Padayachee and Valodia's view, since the end of Apartheid, Malaysian companies have been the second largest source of foreign direct investment in South

Africa after the United States.⁵⁵ Sectors targeted include telecommunications, property, tourism and leisure. Malaysian investment in South Africa has in some cases been dogged by controversy. The most controversial has been that of Renong's involvement in Durban where the site for the Hilton Hotel and state land earmarked for the development of Durban's Point waterfront were sold to Renong at a substantial discount on the market value, in spite of higher bids from other developers. In these cases, prominent businessman, Mzi Khumalo, is alleged to have played a prominent role. In Kenya, President Daniel Arab Moi's right-hand man, Nicholas Biwott, was named as a shareholder in a 1996 power generation deal involving a Malaysian company, Sabah Shipyard. According to Padayachee and Valodia,⁵⁶ other shareholders in Westmont Power Company (the joint venture running the project) include, Kamlesh Pattni-a key player in the famous Goldenburg scandal which "fleeced" the Kenyan treasury of well over USD100 million dollars through fake gold and gemstone exports to other Kenyan Asian businessmen, the chairman of the Kenyan Power and Lighting Company and the Principal Secretary in the Ministry of Energy.⁵⁷ Kenyan Energy Minister Kirugi M'Mukindia admitted that the government had deposited nearly (over USD 13 million) with Westmont as a sign of good faith, which Westmont then invested in the Grand Regency Hotel, formerly owned by Mr. Pattni and his associates. Biwott, former Minister of Energy and dollar billionaire in his own right, was likely to make up to USD 20 million on the Westmont-Grand Regency deal. The Sabah Shipyard group also controls all palm oil imports into Kenya. Biwott is a player here too, receiving a cut on every shipment of Malaysian oil reaching Kenya. Sabah Shipyard is blacklisted by all major merchant banks in Europe and the US on account of its reputation for shady

business practices across the World.⁵⁸ Claims of irregularities in tender procedures by donor agencies and opposition politicians were investigated by accountants Price Waterhouse, who concluded that the tender was “broadly in line with good practice using international norms and taking into account all the circumstances prevailing at the time.”⁵⁹

In 1994, a similar private power project was initiated in Tanzania by MechMar Corporation, whose main shareholders include HICOM, one of Malaysian largest industrial conglomerates, which is half-owned by government holding companies. The Tanzanian minority partner in the joint venture is an Asian owned trading company: VIP Engineering. Most of the project finance consists of commercial loans from Bank Bumiputra and Sime Bank, both of which are partly government-owned through the investment company, Permodalan Nasional Berhad. According to Moody-Stuart the civil works for the project was undertaken by Swedish, Danish, Japanese and South African sub-contractors. The state of the art generators are being made in the Netherlands by a subsidiary of the giant Finnish power company Wartsila.⁶⁰

The World Bank has threatened to pull out of Tanzania's power sector if the MechMar project is commissioned. Issues raised by critics include the size of the project in relation to Tanzania's unmet electricity demand, the cost (over USD 160 million) and the logic of tying future power generation to imported diesel fuel when large amounts of natural gas are about to be commercially exploited. The MechMar project, which was initiated during the final year of former President Ali Hassan Mwinyi's government, has

been personally underwritten by the Malaysian Prime Minister.⁶¹ The Ugandan government in 1998, sold 49% of its shares in Uganda Commercial Bank to Westmont (Asian) Land Berhad. A three-year management agreement was also signed. Westmont have the option to buy a majority share of UCB equity. President Museveni appears to have convinced reluctant legislators in the Ugandan parliament on the importance of selling the state-owned bank to private investors.⁶²

In Ghana, Malaysian companies have taken major share holdings in the national telecommunications and television companies. An article in the Accra Chronicle (3 February 1997) claimed that thirty percent of Ghana's Telecom shares were picked up cheap by Telecom Malaysia. After obtaining a management contract, the Malaysians went on a spending spree, shelling out USD 1.4 million of Ghana Telecom money on twelve Mercedes Benz saloons and up market accommodation for its managers (Chronicle, 29 September 1998 p.3). Another Malaysian company, TV-3, took a 70% share of the Ghanaian national television network (Chronicle, 22 August 1998, p. 2) . A similar deal in Malawi, in 1995, turned sour allegedly, because the company was supplying secondhand equipment to set up Malawi's first television station, and TV-3 were thrown out of the country.⁶³

The pattern of Malaysian investment just described is consistent throughout Africa. Other similar examples both large and small, could be quoted from Zanzibar to Zimbabwe although there may well be some bona fide Malaysian investments coming in to Africa with a clean slate. In the view of Brian Coosey, routinely targeted by Malaysian

businessmen are state-owned enterprises in the process of privatization.⁶⁴ Underwritten by World Bank sponsored privatization programmes, these may be bought up cheaply by manipulating tender procedures. Malaysian companies rarely lose "competitive" tenders. The government agrees to take over debts owed to local and foreign creditors. Nebulous performance agreements are signed with indecent haste, putting all the risk on the African side and guaranteeing often unbelievable rates of return to the investor. Monopoly "rents" can be earned for years to come by being on the right side of the official regulators of privatized "natural" monopolies. In this way, bankrupt state-owned companies may be turned into super-profitable private companies. But all this is very high risk, given Africa's political instability and unpredictable policy regimes—hence the high returns required by the Banks underwriting the investment. A constant headache will be how to repatriate profits in hard currency from impoverished countries with huge balance of payment deficits and unmanageable foreign debts. To reduce risk, investors often plan to recoup their investment within a year or two, after which "all further profits are just cream on the cake".⁶⁵

A key factor in the Malaysian strategy is the ease and cheapness with which African governments can be bought. Deals which, potentially, may cost national and donor countries' tax payers hundreds of millions of dollars, secreted out of Africa over many years, involve one-off bribes which are only a minute fraction of the expected profits. Even the cynical Chinese must be surprised to see how cheaply African governments sell off their family silver. By the time the World Bank and other aid

agencies promoting the virtues of foreign direct investment wake up to the implications of the trends described above, the damage will have already been done.

4.13 Malaysia's Advantages in Promoting South-South Cooperation

Malaysia represent the achievement of a harmonious multi-racial and multi-religious society, with a juxtaposed settlement pattern which does not apportion a particular state or section to be inhabited by a particular race. Hence, no one race has entirely a base of its own to take off and fight a war against any other group. The nation enjoys a relative peace, except for the racial riots of May 13th 1969, which is a reminder for the need to be tolerant, moderate and understanding.

Malaysia's popularity over other Asian countries such as Thailand and Indonesia is because of the widespread use of English. An educated workforce that is easily trained makes it attractive for companies to relocate their manufacturing base. Furthermore, Malaysia's legal system is based on the British legal system which makes operations easier. It has an infrastructure system that is largely complete such as rail, sea ports, air ports and the stable political system which proves attractive to investors. Malaysia is recognized as an important voice in the international arena and in its support of the developing world, and due credit has to be given to Prime Minister Dr. Mahathir Mohamad for paving the way. It achieved and sustained economic breakthrough by moving from agrarian to an industrial economy through mechanization. Malaysia is a nation rich in natural and human resources. As such, the economic cake is large enough for everyone to share.

The Malaysian success story was dubbed a miracle by many observers who were impressed by the phenomenal change in the social, economic and technological fabric of the country, especially its quick shift from agrarian nation into an industrial nation. Furthermore, in the words of a prominent Malaysian strategic analyst, Malaysian success in South-South cooperation is based on its fearless attitude in taking up initiatives in pursuit of economic success. Malaysia's interest in South-South cooperation is driven by the urge to find markets for its manufactured goods, coupled with the availability of the wealth and articles for trade. However good administration is the secrete of Malaysian success.⁶⁶

4.14 Challenges Faced by Malaysia as a South Nation

Malaysia implemented the Malaysian Technical Cooperation Program (MTCP) from 1980 with the aim of sharing development experience with other developing countries and to promote technical cooperation and the nurturing of collective self-reliance. At the public sector level, Malaysia organized study visits, attachment study programmes, providing training at local universities and technical assistance. Through Masscorp, Malaysian companies have invested in various development projects in South countries--building infrastructure, housing projects, undertaking privatization of utilities, oil and gas exploitation as well as manufacturing projects. In addition, Malaysian companies have invested in service sectors such as banking, telecommunications and agriculture in many African and Asian nations.

One significant phenomenon that will strongly bear on Malaysia's foreign policy as it moves into the next millennium, is globalization and information technology (IT). Its greatest challenge would be to extract the best from the process of globalization and to give its best to the system in return. The demise of the Cold War did not ensure a safer World. The expected friendly global village has not materialized. Old conflicts either refuse to die or simply have a way of resurging to haunt the world. In the meantime, new conflicts, at times, more bloody and brutal than the old ones, continue to emerge and rage. Bosnia and Herzegovina, Kosovo, East Timor and conflicts in certain states in Africa provide clear examples. The issues of Palestine, Afghanistan and Jammu / Kashmir remain unresolved. Added to this, two other issues of concern also remain, namely: terrorism and the proliferation of weapons of mass destruction, which brings forth the prospect of nuclear, chemical and biological warfare. It is imperative therefore, that Malaysian foreign policy be geared at ensuring that more and more nations sign and ratify the relevant International Conventions such as the Nuclear Non-Proliferation Treaty (NPT), the Comprehensive Test Ban Treaty (CTBT) and the Convention on Land Mines (CLM).

The economic dimension of globalization has been even more disappointing. The financial crisis that descended upon Southeast Asia in 1997 brought about not only social misery and economic disaster but also political instability. In some nations, it brought about massive unemployment, negative growth, stock market crashes and severe currency devaluation that pulled down millions of people below the poverty line. The severity of the situation calls for the whole business of economic globalization and financial trade

liberalization to be seriously addressed. Malaysia's biggest foreign policy challenge in the next decade lies in this area, and its success would certainly advance the cause of the South.

Reforming the international financial architecture to insure against massive currency attacks, manipulators and excessive fluctuations is no small task, particularly if it has to persuade those who have been benefiting from the existing system. The years ahead therefore, would see Malaysia's foreign policy especially oriented towards not only ensuring its economic recovery internally, but also its role as an influential geopolitical player in this field at the global level. The sustenance of the domestic order appears to be one of the greatest challenges facing most developing nations.

4.15 Conclusion: The Way Forward for Malaysia as a South Nation

Apart from promoting positive interstate relations and regional cooperation, Malaysia has also been pro-active at the multilateral level. Coalitions or caucuses such as the Non-Aligned Movement and the Organization of Islamic Conference will continue to be relevant, at the global level, to provide clout for countries in the developing world. Indeed, "multilateralising" an agenda and building coalitions with like-minded parties may be the only option forward to build momentum for reforms which can cater for the needs of small countries like Malaysia. In this endeavour, Malaysia will need the support of allies from the South countries--through ASEAN and other South groups such as the Group of 15 and the Group of 77 and , of course , sympathetic voices from the developed world. Malaysia will continue to remain strongly committed to South-South cooperation.

In the 1990s, Malaysia significantly increased its diplomatic presence in Africa and in Latin America. Malaysian businessmen have already availed themselves of some trade and investment opportunities in Latin America. Such interaction will be progressively increased when businessmen begin to know more about each other's region and potentialities. It will remain Malaysia's chosen direction to forge strong links with South countries, not only at the bilateral but also the multilateral level. The number and range of issues coming before international organizations and specialized agencies will also increase. Nevertheless, due to the complexities of issues and parties involved, Malaysia would need to be more circumspect regarding what could be achieved through multilateralism. Limited national resources require that priorities be established and that Malaysia focuses on those issues which matter most to it and other small developing countries. Foremost among the world bodies will be the United Nations itself and the World Trade Organization. The World Bank will remain important as a source of multilateral funding for development. The International Monetary Fund, which will continue to influence the international financial system, must be reformed if it is to serve the interest of all countries. Malaysia will continue to use the platforms available to speak on global issues such as development, mobilization of additional and new resources, environmental degradation, democracy, non-proliferation issues, reform of the United Nations and the need to bring into being a new international financial architecture. Malaysia will continue to advocate that the UN be allowed to function in a just and equitable manner, to deal effectively with subjects such as global development matters, issues of peace and security, humanitarian activities, violations of the UN Charter and principles of international law. The role of the UN should be enhanced, not diminished.

Malaysia accepts that international relations in general and multilateral diplomacy in particular will increasingly need to take cognizance of the role played by non-state actors, especially the NGOs. Malaysia acknowledges that NGOs can exert considerable influence on the shape of policies on specific issues. Governments and international bodies have in fact, recognized their expertise and competencies in specific areas. Malaysia will cooperate with NGOs, in particular indigenous NGOs, to advance national as well as global interests. A more open attitude and a readiness to understand national objectives on the part of the NGOs will go a long way in facilitating this collaboration.

A prerequisite for achieving developed-nation status is for Malaysia to develop abilities to compete in a globalised economy. Principally, this will require on the part of Malaysia a strengthening of its capabilities, not only at the national but also at the international level, in the areas of trade, investment and finance. Diplomacy in the 21st century is bound to be driven by economic and social issues because the new focus of global attention will be the well being of the human person. At the bilateral level, Malaysian trade policies and export strategies will have to be geared towards further enhancing exports, in both traditional and non-traditional markets. Continuous efforts will have to be made to secure the most advantageous terms and conditions for the access of Malaysian products into overseas markets. At the multilateral level, in the WTO in particular, Malaysia will have to ensure that its interest be properly protected in matters relating to market access, unfair trade practices as well as the use of trade leverages to

advance non-trade issues such as the environment for greater foreign direct investment in sectors which are high value-added, as well as technology and capital intensive.

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