7.1. Introduction

The resolution of the 27th National Congress of the Communist Party of the Soviet Union (CPSU) in 1986 was significant in terms of its profound effect on the direction of the 6th National Congress of the Communist Party of Vietnam (CPV) in December 1986. Major shifts in Soviet policies since the mid-eighties invariably affected the internal and external orientations of Moscow's allies in the third world. The resolution paved the way for the rapprochement between the Soviet Union and China, and by extension, also encouraged normalisation of Sino-Vietnamese relations. The end result was the final withdrawal of Vietnamese troops from Cambodia in September 1989. The withdrawal signified the removal of the greatest hindrance that had stifled normal relations between Vietnam and Malaysia as well as Hanoi's relations with other Southeast Asian countries.

This chapter hopes to examine the impact of the resolution passed at the CPV 6th National Congress upon the changes that took place, especially in removing mutual suspicions and progressing towards better bilateral relations between Vietnam and Malaysia. In the process, the role of the big powers especially in determining the
The direction of intra-Asian bilateral relations such as the case of Vietnam-Malaysia relations will be evaluated.

7.2. **CPV 6th National Congress**

The 6th National Congress of the CPV was described as "one that marked a great turning point in the history of Communism in Vietnam." Although primarily concerned with internal reform, it did however influence the orientation of Hanoi's foreign policy, which in turn contributed to the improvement of regional international relations.

The Congress reiterated the resolution of the 4th Central Committee in September 1979, stating its firm determination to implement it. The resolution called for a shift from a wartime economic management to a new form of management that emphasized economic liberalization and

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2. Ibid. Many scholars argued that the genesis of change only took place at the 5th National Congress in 1982. It was however clear that the earlier 4th National Congress in 1976 marked the beginning of change only to be overshadowed by the Cambodian Crisis and the publicity given to the Cambodian issue at the 5th National Congress. See Ramses Amer, *The Ethnic Chinese in Vietnam and Sino-Vietnamese Relations*, Forum, Kuala Lumpur, 1991, pp.28-29.
the provision of incentives to foster development. Internal reforms also invariably led to a change of guard in the powerful politburo from wartime stalwarts like Pham Van Dong, Le Duc Tho and Truong Chinh to a younger and reformist group of leaders led by Nguyen Van Linh.

The changes in leadership marked the beginning of the end of the conservative, hardline communists. These leaders who succeeded in leading the Vietnamese people to victory in war against Vietnam’s enemies were at the same time clinging to a strong ideological-dogmatic position in foreign policy. The rise of reformists in the rank of the politburo contributed significantly to the changes in foreign policy. In the political reports of the 6th National Congress, the CPV as in previous congresses, reiterated its steadfastness in continuing membership of the COMECON, and its fraternal relationship with the Soviet Union. The main difference in the new policy was regarding Vietnam’s relationship with China which was


4. Council for Mutual Economic Cooperation, also known as CMEA (Council for Mutual Economic Assistance). Established by Moscow in 1949, the CMEA members include Bulgaria, Czechoslovakia, Hungary, Poland, Romania, East Germany, and Mongolia.

5. Ibid., pp.119-122.
condemned at the 5th Congress in 1982. The 6th National Congress resolved to mend the severed Sino-Vietnamese relationship and to improve ties with the PRC.

Besides following the Soviet Union's footsteps in normalizing relations with China, Vietnam's move in seeking normalization with the latter derived from the fact that it would be beneficial to Vietnam in terms of mending its relations with Malaysia and other ASEAN states. Hanoi held firmly to the view that ASEAN was under the influence of Beijing, especially in regard to the Cambodian conflict -- hence the need to entice the regional grouping away from the grip of the PRC.

Arguably, Vietnam's relationship with China was restored to meet the interests of Vietnam in the light of Hanoi's changed policy towards Southeast Asia. This view was based on the fact that ever since Vietnam's occupation of Cambodia, ASEAN nations have either consciously or unconsciously moved closer to Beijing even though Malaysia and Indonesia perceived a certain degree of threat from China.

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Thus, with the end of Sino-Vietnamese hostility, Vietnam should be able to move closer to nations like Malaysia and other ASEAN nations. Although Vietnam’s basic policy towards Malaysia and ASEAN remained much the same from the 5th to the 6th National Congress, the removal of the Chinese factor allowed Vietnam to move closer to individual ASEAN nations as well as towards ASEAN as a whole, thus enabling more bilateral contacts. It was in this context that the post-1986 Vietnam-Malaysia relationship evolved, with increasing opportunities for better bilateral relations.

7.3. Issues in Bilateral Relations

7.3.a. The Cambodian Conflict

The Cambodian conflict, unlike most other problems in Vietnam-Malaysia relations, posed greater challenges to bilateral relations after 1979. Hanoi’s firmness in maintaining its army in Cambodia and the persistence of Malaysia and the international community in calling for Vietnam’s withdrawal shaped a cold, if not hostile relationship between Vietnam and Malaysia, although the latter was but a minor actor in the larger ASEAN. However, the resolution of the CPV 6th National Congress, aimed at normalising relations with China in response to internal needs as well as the shift in the international balance of
power, facilitated greater flexibility on the part of Hanoi vis-a-vis the Cambodian conflict.

Vietnam's move was evident when Foreign Minister Nguyen Co Thach announced in May 1987 that Vietnam will carry out a total military withdrawal from Cambodia. The announcement was made following the Soviet Foreign Minister Eduard Shevardnadze's visit to Southeast Asia. Nevertheless, Hanoi denied being pressured into compromise by others, as Co Thach put it:

This is not a promise to others; it is a decision taken in entirely sovereign fashion by Hanoi and Phnom Penh in 1982 and which we have been implementing since 1985.

Despite Co Thach's denial, it was clear that Vietnam's decision was due to the fact that it can no longer afford to maintain its troops in Cambodia. The shift in international power politics as well as economic considerations determined its decision. The Sino-Soviet rapprochement exerted pressure on Hanoi which has been dependent on Soviet aid to act accordingly, that is, to align with Soviet policy in order to ensure continuance of aid from the Soviet Union for its war-ravaged economy. Although initially, the Vietnamese were reluctant to comply with Soviet requests for improving their relations

with China, Hanoi agreed to the Soviet proposal only after Le Duan secured President Mikhail Gorbachev's promise of firm support for Vietnam's independence and national security, thus ensuring containment of what Vietnam regarded as the Chinese threat. This was perhaps the most important point in the foreign policy direction of the resolution, reflecting the direct influence of Gorbachev's reforms as enunciated at the 27th CPSU Congress in February 1986, several months before the CPV 6th National Congress.

Nguyen Van Linh the new Party Secretary General pointed out in his opening speech in the 6th Congress that the "renovation" that was in order for the Communist Party of Vietnam was in line with the "deep essence of Marxism-Leninism that is prominently embodied in the main ideas of the 27th Congress of the Soviet Communist Party, and it is the inevitable current of the time." The influence was evident especially in moving towards the resolution of the Cambodian issue -- the greatest foreign policy obstacle for the Socialist Republic of Vietnam. The Soviet Union pressured Hanoi for a withdrawal from Cambodia in the context of Moscow's effort to normalise relations with China and the US.

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Hanoi's sizable troop presence in Cambodia heavily drained Vietnam's scarce resources that were much needed for its economic reconstruction. The Cambodian conflict disrupted Hanoi's aims in achieving what it regarded as the task of highest priority for the post-Vietnam war era, as stated in the 4th, 5th and 6th National Congress resolutions. Additionally, the crisis also prevented Vietnam from receiving aid from capitalist countries such as Malaysia and the ASEAN states which supported sanctions against Vietnam for its position on the Cambodian conflict.

The elimination if not containment of the China threat also meant that Hanoi's argument that China was the root cause of the Cambodian conflict was no longer valid. For Vietnam, therefore, there was no further need to continue its policy of dividing the ASEAN states on a matter which it exploited rather successfully during the 1979-1986 period. The post-1986 scenario compelled Hanoi to make a rational decision in favour of withdrawing its troops from Cambodia. Hanoi's change of policy was primarily based upon the understanding that the Cambodian situation had been stabilized and Vietnam could therefore pursue efforts to improve relations with ASEAN.

Nevertheless, Malaysia and the ASEAN states reiterated their call for a total withdrawal of Vietnamese troops as Malaysia and ASEAN were determined not to tolerate anything less than a total withdrawal. There remained, however, another issue which Hanoi felt it needed to settle prior to the total withdrawal from Cambodia—the elimination of the Pol Pot-led Khmer Rouge.

For the Vietnamese, the return to power of the Khmer Rouge would tantamount to failure in their policy in Cambodia. Although there were two other factions in the ASEAN-sponsored CGDK, the Khmer Rouge was the only faction that Hanoi was weary of, given its large fighting force. Although Foreign Minister Nguyen Co Thach expressed doubts over the Khmer Rouge's return to power in Cambodia, the evidence supported a less optimistic position.

For Malaysia and ASEAN, Vietnam's total withdrawal will create immediate problems of governing Cambodia. Support for the CGDK of which the Khmer Rouge was a part, did not necessarily obviate the possibility of the


15. Ibid.

assumption of power by the Khmer Rouge. Thus, when all the factions in the CORDK including the Khmer Rouge indicated acceptance of Prince Norodom Sihanouk as the leader of the group, Malaysia expressed approval. Kuala Lumpur also hailed the proposal for Vietnam, Laos, and the Hun Sen Government in Phnom Penh to hold a meeting with all Cambodian factions. The proposal, similar to the 'proximity talks' put forward two years earlier by Malaysia, aimed at starting a dialogue among all parties involved directly or indirectly in the Cambodian conflict.

However, Hanoi rejected the proposal as "absurd". The official daily Nhan Dan for instance expressed horror at the thought of having to hold talks with people implicated in genocide and crime, in direct reference to the Khmer Rouge. Although the idea was rejected by Hanoi, it did however materialise in the form of a cocktail party or informal meeting -- a proposal put forward by the Indonesian Government.

A significant development in Vietnam-Malaysia

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18. Ibid.


relations at this juncture was that Kuala Lumpur's role as the preferred channel of communication between Vietnam and ASEAN, as well as the international community was taken over by Jakarta, especially in the effort to find an amicable solution to the Cambodian conflict. Indonesian Foreign Minister Professor Mokhtar Kusumaatmaja's mission to Hanoi in July 1987 marked the beginning of Indonesia's active role as mediator. The 29 July 1987 Vietnamese-Indonesian Joint Communique stated:

On the idea of a cocktail party from Indonesia, an understanding was reached that an informal meeting of the two sides of Kampuchea [Cambodia] be held on the basis of equal footing with no political label, to which at a later stage Indonesia will invite other concerned countries including Vietnam to participate.

The communique indicated Hanoi's willingness to end the Cambodian conflict but in an honourable manner. Thus, an informal meeting that is held without any preconditions should serve the best interests of Vietnam given its predicament in Cambodia. Vietnam's hope was temporarily dented when Malaysia and other ASEAN states suggested an Eight-Point proposal for the CGDK to be used as the basis of discussion at the informal meeting. The proposal

called for Vietnam to undertake a two-stage withdrawal from Cambodia. Under the terms of the proposal, the CGDK agreed to hold talks with the Phnom Penh Government to set up a four-party interim government once Vietnamese forces withdrew to the east bank of the Mekong River. Free elections held under United Nations supervision would follow. Because the proposal did not call for a disarmament of all Khmer factions prior to elections, Hanoi rejected it outright. The Bangkok-based proposal thus impeded efforts to hold a "cocktail party" meeting. Vietnam urged the ASEAN countries to honour the agreement of 29 July 1987. In the widening context of diplomacy over Cambodia, Vietnam-Malaysia relations at this juncture were mainly conducted in the context of a larger ASEAN entity, with no individual initiatives aimed at resolving the Cambodian problem, save for Indonesia's role in acting as an intermediary to the conflicting parties.

Indonesia's effort resulted in the two Jakarta Informal Meetings (JIMs) which provided Vietnam the face-saving device for pulling out from Cambodia. The JIM machinery also conducted towards the formation of an interim government by the three CGDK factions and the Hun Sen Government while preparing for general elections in the near future.

The result of these JIMs was encouraging as by mid-1988, there remained only 50,000 Vietnamese troops in Cambodia compared to almost 200,000 at the height of the occupation. After the JIM, Vietnam was further pressured by the Soviet Union for a complete troop withdrawal by the end of 1989 instead of 1990. There was no doubt that the Soviet Union, the main supporter of Vietnamese policy in Southeast Asia, was anxious for a settlement and further rapprochement with both China and the United States. Indeed, Moscow began its own troop withdrawal from Afghanistan on 15 May 1988 and completed it in February 1989. The visible moves toward settlement of the Cambodian conflict invariably influenced the course of Vietnam-Malaysia bilateral relations, as will be discussed later.

7.3.b. The Refugee Problem

The failure of Vietnam to halt the exodus of its 'boat people' further carried the refugee problem into another phase of Vietnam-Malaysia relations. However, the period after 1986 witnessed some positive developments to the residual problem that existed since 1975 -- a result of both Malaysia's insistence upon a prompt settlement of

the problem, and Vietnam's willingness to discuss the matter as well as its implementation of the Orderly Departure Programme (ODP), adopted in 1986. Nevertheless, these positive developments were accompanied by immense difficulties and disagreements.

The arrival of a constantly increasing number of Vietnamese 'boat people' to Malaysia was a firm indication that the issue remained a problem in the bilateral relationship. The total number of arrivals in 1987 was 8,030, and soared to a height of 12,316 and 16,718 in 1988 and 1989 respectively, as indicated in the table below.

Table 7.1

Total Number of Indochinese Refugees Arriving in Malaysia: 1985-1989

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>7,394</td>
</tr>
<tr>
<td>1986</td>
<td>7,400</td>
</tr>
<tr>
<td>1987</td>
<td>8,030</td>
</tr>
<tr>
<td>1988</td>
<td>13,316</td>
</tr>
<tr>
<td>1989</td>
<td>16,718</td>
</tr>
</tbody>
</table>


These figures indicate that very little attention was being given by the Vietnamese Government to curb the
outflow. It was also an indication that Hanoi was either
slow, or deliberately refused to implement the ODP as
promised earlier in 1986.

Hanoi's attitude towards the problem remained one of
indifference as it accused the ASEAN states including
Malaysia of deliberately ignoring what it considered as
"the deep-rooted origins of the refugee problem",
referring to the types of people who migrated (as
discussed earlier in chapter five). Hanoi also criticized
Malaysia and ASEAN for:

stubbornly linking a political
question to an economic issue aimed at
bringing pressure to bear upon, and
continuing their hostile policy toward
Vietnam and other Indochinese
countries.

Hanoi felt that the problem, like the Cambodian conflict,
was used by Malaysia and ASEAN to exclude Vietnam from the
international community. Commenting on the ASEAN Foreign
Ministers' Conference in June 1987, the government
-controlled Nhan Dan criticized Malaysia and ASEAN's
demand that Vietnam end the flow of refugees:

...[ASEAN] asserts and welcomes
imperialist and reactionary forces in
sending their ships to cruise off
Vietnam's coast and announce their
readiness to pick up refugees,...to
besmear Vietnam and...slanderosely
accuse it of exporting human

26. Vietnam News Agency in English, 0731 GMT, 21 June
tragedy.

Kuala Lumpur in return, accused Hanoi of breaking its promise to curtail the exodus of refugees. The transit centres in Malaysia like Pulau Bidong for instance has been regarded as a "beacon towards a better life elsewhere" by the Vietnamese boat people and prospective refugees -- an opinion that would not arise if Hanoi had not encouraged exodus, or if it had faithfully implemented the ODP.

A significant aspect about the refugee problem in the context of Vietnam-Malaysia relations was that it encouraged contacts and also cooperation between the two countries in the midst of trying to find a mutually satisfactory solution. In November 1988 for instance, both Vietnam and Malaysia agreed to exchange information on illegal migration of Vietnamese to Malaysia and to cooperate more effectively to prevent such departures. Hanoi also further informed Malaysia through Nguyen Duy Kinh, Director of the Consumer Department in Vietnam of measures taken by Hanoi to reinforce the prevention of illegal departures through education, information, and legislation, as well as expanding the implementation of

27. Ibid.
the ODP as the sole channel for Vietnamese migrants.

Earlier, during the visit by Malaysian Deputy Prime Minister Ghafar Baba to Vietnam, the two countries agreed on (a) the closure of Pulau Bidong to refugees, (b) repatriation to Vietnam of 'boat people' who wish to return to Vietnam, and (c) extension of the ODP programme. Vietnamese officials also, at Malaysia's request, met with representatives of the Pulau Bidong refugee community to reassure them that they would be welcomed back in their homeland. Hanoi also pledged to the Malaysian Deputy Prime Minister to attend the preparatory meeting of the International Conference on Indochina Refugees (ICIR) in Kuala Lumpur in March 1989.

The preparatory meeting for the ICIR in Kuala Lumpur was attended by Vietnam which seemed surprised to learn that Malaysia and other ASEAN first asylum countries were insisting on repatriating the remaining Vietnamese refugees in their respective countries. The Assistant Minister for Foreign Affairs Vu Khoan commented, "I do not see how force can be used, for that would be violation of human rights."

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Vu Khoan believed that a comprehensive solution to solve the problem would comprise of five elements:

a) Stopping clandestine departures,
b) Stopping those who promote clandestine departures,
c) Increasing departures under the ODP,
d) Promoting voluntarily repatriation, and
e) Increasing resettlement of refugees in third countries.

Evidently, Vu Khoan's statement was not received favourably by Malaysia and other ASEAN states for they announced their decision to set 14 March 1989 as the cut-off point for automatic resettlement for all Indochinese refugees. From that date new arrivals will be screened to determine their status as either belonging to the category of genuine refugees, or that of economic migrants who would be repatriated to Vietnam.

Malaysia's implementation of this new policy was criticized by both Vietnam and the United States. The Associated Press (AP) reported in June 1989 that Malaysia has begun pulling a total of 886 "boat people" in 16 boat-loads back to sea, forcing them to land instead in Indonesia. Malaysia was also accused of implementing the new policy without notifying the UNHCR. The truth of

34. Associated Press as reported in Bangkok Post, 15 July 1989.
such reports was difficult to determine, but the huge increase in the number of "boat people" arriving in Malaysia after 14 March 1989 could probably have precipitated the Malaysian response. Between 14 March 1989 and 31 December 1989 alone, a total of 11,000 "boat people" landed on Malaysian shores, that is, refugees arriving in Malaysia even after the policy announcement on 14 March 1989. The refugee problem temporarily constrained the flow of bilateral contacts, especially in terms of finding a permanent solution to the "boat people".

7.3.c. Spratly Disputes

The disputes over the Spratly Archipelago continued into the late 1980s when most claimants remained firm in their stand over their respective occupation of certain islands. Indeed, with the Cambodian conflict nearing towards resolution, the conflict over the Spratlys was considered by analysts as the next most important security concern in the region of Southeast Asia.

The conflict over the Spratlys between Malaysia and Vietnam generally centred on the islands located South-West of the archipelago, namely An Bang (Amboyna) which

was occupied by the Vietnamese in 1976, Terumbu Layang-layang, Terumbu Ubi, Terumbu Mantanni and Terumbu Perahu -- all of which fell within the continental shelf claimed by Malaysia, with the last two claimed by the Philippines as well.

The Spratlys became the centre of conflict in March 1988 when the Chinese navy clashed with the Vietnamese navy near the island of Sinh Cow, at the centre of the archipelago, thus, adding a new dimension to a latent dispute characterized by the mere stationing of garrisons over the years. Hanoi's reaction to the March 1988 clash was two-fold: first, it officially denounced the use of force in settling conflicting claims over the Spratlys, and called for dialogue to settle the various overlapping claims. Secondly, as a defensive measure, Hanoi moved to strengthen its forces on the Spratlys to fend off further Chinese intrusions to islands occupied by its troops. In an article by Admiral Giap Van Cuong a year later, Hanoi reiterated the resolution of the 6th National Congress calling for strengthening the navy to defend the Spratlys and the Paracels. The resolution stated:

Let us strengthen organizing the defense of our sovereignty and safeguarding our borders, air space,

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36. This was disclosed by Do Ngoc Son, spokesman at the Vietnamese Embassy, Kuala Lumpur. See New Straits Times, 1 June 1988.
waters and islands.

Hanoi’s claims over the Spratlys concentrated mainly on groups that are beyond the continental shelf boundary claimed by Malaysia except for An Bang (Amboyna Cay) which it occupied since 1976. Therefore the issue remained a low priority in the agenda of Hanoi’s leaders vis-a-vis bilateral relations. The threat of the Chinese navy to the various major islands in the centre and northwest of the archipelago further diminishes the importance of its overlapping claim with Malaysia on Amboyna Cay.

After the March 1988 clash with the Vietnamese, Chinese warships were reported to be cruising near the waters around the Spratlys in October 1989. China was also reported to be building an air base on one of the islands in the Spratlys. All these activities reflected the potential for major conflict around the area. Hanoi accused China of violating Vietnam’s sovereignty and stressed that "pending negotiations for settlement, the


38. It was reported that the Chinese action was prompted by the taking over of three more atolls and shoals by Vietnamese troops. See Straits Times, 6 October 1989.

Map Five: Vietnam-Malaysia Position at the Spratlys in Relation to Other Claimants.

Note: Occupied islands have been given the name used by the occupying country.
parties concerned should not do anything to further 40
complicate the situation."

The wider dimension of the conflict over the Spratlys 41
lies in the fear of a major armed clash in the 41
archipelago which could greatly endanger regional peace, 41
especially when the Cambodian conflict is nearing a 41
settlement. The eruption of armed conflict on the 41
islands which straddle major sea-lanes could also 41
jeopardize the maritime passages thereby endangering 41
trading activities in the region. A specialist on the 41
Spratlys disputes, Mark Valencia suggested "the 41
internationalizing of the Spratlys" i.e. the adoption of a 41
collective/multilateral approach to achieve the idea of 41
ZOPPAN -- a proposal that received approval by most 41
claimants including Vietnam, Malaysia and China. Valencia 41
also further suggested that the issue should be delinked 41
from "extraneous political issues, such as Cambodia, the 41
US-Soviet rivalry and the Philippines' claim to Malaysia's 41
eastern state of Sabah."


41. The withdrawal of Vietnamese troops from Cambodia can 41
be looked upon as a concrete step towards the 41
solution of the Cambodian Conflict, although there 41
remain several other residual problems.

42. Mark Valencia, "All For Everyone Solution", *Far 42
Although Vietnam stationed troops on the islands claimed by it, Hanoi nevertheless preferred a negotiated settlement to the issue and opposed the use of force. Hanoi's attitude stemmed from its overall political and economic programme set out at the 6th National Congress. It refrained from antagonizing Chinese positions in the Spratlys although that presence threatened Vietnam's sovereignty. At the same time it did not react to the Malaysian occupation of two more islands in 1986, despite the fact that Hanoi claimed the whole archipelago while still keeping possession of Amboyna Island.

Hanoi's flexibility on the Spratlys was proof of its willingness and seriousness in normalizing relations with China, while at the same time viewing the matter with low priority in relations with Malaysia and other ASEAN states. This conciliatory attitude was aimed at ultimately securing Malaysia's and ASEAN's cooperation in opening up avenues to normalize relations with western nations.

Hanoi's policy of down-playing the dispute and emphasising a negotiated settlement did contribute towards a more positive atmosphere for Vietnam-Malaysia relations despite the potential tensions that exist with respect to the dispute. Thus, while the Spratlys dispute complicated bilateral relations between Vietnam and Malaysia, it was also one of the avenues through which the relationship
could move towards a positive direction.

7.4. 1989 and Beyond

The events between 1986 and 1989 which culminated in the final withdrawal of Vietnamese troops from Cambodia coincided with what was regarded as the end of the Cold War at the global and regional levels. President Mikhail Gorbachev's policies based on Glasnost and Perestroika moved the Soviet Union towards openness and economic reconstruction. The conclusion of the Intermediate Nuclear Forces (INF) Treaty between the Soviet leader and President Ronald Reagan of the United States in December 1987 marked the beginning of the end of the Second Cold War -- a development which subsequently culminated in the withdrawal of Soviet forces from Afghanistan in February 1989, and at the regional level, the withdrawal of Vietnamese troops from Cambodia by September 1989. All these changes had a profound impact upon the hitherto officially frozen Vietnam-Malaysia relations. The withdrawal of Vietnamese troops from Cambodia removed the greatest stumbling block in relations since 1978 in favour of a better bilateral relationship between the two Southeast Asian nations.

The internal problem faced by the Vietnamese especially in managing a war-torn economy was a tremendous
one. When President Nguyen Van Linh assumed office, he promised to "renovate" the system in order to revive Vietnam's virtually bankrupt economy. In the latter part of the 1980s Vietnam was experiencing severe economic difficulties with the inflation rate rising from 700 percent in 1986 to as high as 1,000 percent in 1987.

The internal problems faced by the Soviet Union in its own effort to reform its economy led to the decrease in Soviet aid to Vietnam, thus forcing Vietnam to explore other alternatives such as aid from the capitalist countries to rehabilitate its economy. With the removal of the Cambodian conflict as a stumbling block, Vietnam looked towards Malaysia and other ASEAN countries to strengthen economic cooperation.

In September 1988, Malaysian Prime Minister Mahathir and his Thai counterpart Chatichai, "agreed to give Vietnam economic assistance if it shows sincerity in solving the Cambodian problem." In early 1989, Mahathir acclaimed Vietnam's decision to pull out all its troops from Cambodia by September, and underscored the need for Malaysia and Vietnam to coordinate their action in

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guaranteeing a non-return of the Khmer Rouge to power in Cambodia. He also stressed the importance of boosting direct trade ties for the benefit of both countries, and promised Malaysia's willingness to share experience with Vietnam in the fields of foreign investment and cooperation, oil and gas exploitation and processing, and rubber plantation.

Thus, when the problem was finally solved, Malaysia honoured its promise when Malaysian Airlines decided to open scheduled air links with Vietnam by late 1989. This air agreement could well assist Vietnam's economic reform especially in transporting foreigners to Vietnam for investment purposes. In fact, private Malaysian businessmen took the initiative in signing several joint-venture agreements with Vietnam thus resulting in the opening of textile factories in Ho Chi Minh City and Nha Thrang. Additionally, a joint company "Malayina" was formed between Malaysia and Vietnam to undertake joint-venture projects. The availability of cheap labour in Vietnam was a major factor stimulating joint enterprises between the two countries.

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47. Straits Times, 14 April 1989.
Vietnam responded positively to these developments. In an interview with the Sudestasie, Foreign Minister Co Thach pointed out the need for Vietnam to open its doors to foreign countries as 'no country can live any longer turned in on itself.' The need to take advantage of abounding economic opportunities in a changed international and regional atmosphere was given as the 'other reason for Hanoi's positive response. There was no doubt that Hanoi realized the difficulties it created for itself through its intervention in Cambodia. In promoting the New Investment Law adopted after the 6th National Congress, Hanoi cited the Soviet Union's increasing contacts with non-socialist countries including ASEAN as an example for Vietnam to emulate.

For Hanoi, trade was more important in rehabilitating its economy than merely receiving aid. Vo Khoan, the Deputy Minister of Foreign Affairs stated that Vietnam would not spurn development aid, but felt that trade and joint ventures would make for a more "solid and stable relationship" with non-socialist states. Earlier, Hanoi allowed Kuala Lumpur to set up a trade mission in Ho Chi


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Minh city to help Malaysian businessmen to make inroads into the country. When General Vo Nguyen Giap, the Hero of Dien Bien Phu and also the Deputy Prime Minister of Vietnam visited Kuala Lumpur (the highest ranking official to do so since Premier Pham Van Dong's visit in 1978), he commented:

With the war behind us, we are now opening our door to others and we hope to develop further our relations with Malaysia in various fields.

Giap also assured Malaysia and other countries that Vietnam's open door policy towards foreign investment to rebuild its economy would continue. Giap's visit also resulted in Malaysia's promise to help Vietnam develop its rubber and oil sectors. Malaysia's Government-owned oil corporation Petronas also agreed to train 40 Petro-Vietnam technicians for Vietnam's petroleum industry.

The post-1989 developments resembled the type of bilateral relations that characterised the 1975-1978 period (post-Vietnam War and pre-Cambodian conflict). The main difference was that the Vietnamese were more serious in rehabilitating their country's economy than in the

51. Straits Times, 5 June 1990.
52. Straits Times, 9 July 1990.
53. Ibid.
54. Ibid.
earlier period. Furthermore, increasing Soviet reluctance to assist Vietnam in light of internal preoccupation with domestic political and economic reforms was a compelling factor in Hanoi's policy review. Thus Vietnam-Malaysia relations moved towards a more optimistic phase, and bilateral ties are likely to improve further as mutual perceptions on the benefits of economic cooperation are reinforced by current levels of progress.

7.5. Conclusion

The foreign policy of the SRV changed drastically after the 6th National Congress in December 1986, especially in its relations with China. Vietnam's policy towards Malaysia, a part of ASEAN and Southeast Asia, however experienced little or no change throughout the entire period from 1979 to 1986. The notable change was the visible moves towards resolution of the Cambodian conflict where the withdrawal of its army from Cambodia won the approval of the international community, and enabled Hanoi to renew official relations with ASEAN and other nations. However, Indonesia's role in hosting and leading the JIM I and JIM II dialogues overshadowed Malaysia's position as Vietnam's most favoured nation in ASEAN -- a status which Malaysia maintained throughout the period from 1979 to 1986.

Vietnam's relations with Malaysia and other nations
were greatly affected by the ongoing process of international detente stimulated by the Sino-Soviet rapprochement and the US-Soviet detente. These changes in turn significantly influenced Vietnam's relations with regional neighbours like Malaysia. Nevertheless, there remained certain residual items in the bilateral relations, such as the refugee problem and the Spratlys dispute which may directly affect future bilateral relations, even without the intervention of external factors or forces.

In a more positive sense, Vietnam-Malaysia relations during the period between 1986 to 1990 can be regarded as a continuation of relations that prevailed in the 1979 to 1986 period.