

Malaysia's relationship with the US



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1. Case Study

Tense ambivalence under Mahathir

During Mahathir's premiership (1981-2003), Malaysia enjoyed a cooperative relationship with the US on economic and security front. Politically, however, there has been much tension between the two states.

On the economic front, the US has been one of Malaysia's most important trading partners. In Mahathir's final year as prime minister, the volume of two-way trade amounted to US\$34, 352. 5 million[1], with the balance of trade in Malaysia's favour.

Additionally, Malaysia has traditionally relied on US foreign investments, particularly during the former state's rapid economic mobilisation from the 1970s to the end of the 1990s. Malaysia, a former colonial state which inherited a dwindling, natural resource-dependent economy from the British, achieved unprecedented rate of growth under Mahathir's developmental plans. Malaysia's economic development achieved its zenith in the 1990s, hailed by the World Bank as an 'economic miracle' in the developing world. During this course of development, the US played a pivotal role via its foreign investments. For instance, US investments in Malaysia tripled between 1990 and 2000, from US\$1. 5 billion to US\$6 billion, of which 57% was in manufacturing, 21% in petroleum and natural resources, and 22% in services and related industries.[2]

In terms of security, Malaysia under Mahathir has seen much cooperation with the US in matters of counter-terrorism. Malaysia had become a vital partner in combating terrorism due to Malaysia's leadership role in the

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Association of South East Asian Nations (Asean) at a time when the region was dubbed the `second front' in the war against terrorism due to links between its regional militant groups and Al-Qaeda.[3]Moreover, Malaysia's status as a Muslim nation was crucial as the US was looking for a Muslim ally in Southeast Asia. As Malaysia practices moderate Islam, The US hoped that it could be a good example for other Muslim nations to follow. As such, both countries thought that this security partnership could improve relations between the United States and other Islamic nations, and could greatly help with America's global fight against terrorism.

Politically, however, Mahathir's premiership was marked with bilateral tensions between Malaysia and the US. In 1990, Mahathir proposed the creation of an East Asia Economic Grouping (EAEG), a regional trading bloc similar to the European Union (EU) and North American Free Trade Agreement (NAFTA). In order for Mahathir's proposal to seem less of a trade bloc and more of a forum for discussion, it was officially renamed by Asean as the East Asia Economic Caucus (EAEC) in 1991, at the Asean Economic Ministers' Meeting, before formally endorsing the EAEC in 1992 at its Fourth Asean Summit in Singapore.[4]However, tensions arose regarding the EAEC since membership was accorded only to East Asian countries, therefore excluding the United States and its political presence in the region.

One of the biggest tensions between the two states arose during the 1997/98 Asian financial crisis. Specifically, there were disagreements over the causes of the crisis. US policymakers blamed it on the Asian economies' structural deficiencies, underdeveloped financial systems, strong links between government and business, opaque business dealings, corruption,

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and cronyism. Mahathir, on the other hand, blamed it on international factors, namely international currency speculators and hedge funds.[5] There were also different views on how to respond to the crisis: Mahathir believed in currency and capital controls to jumpstart the Malaysian economy, whilst the US believed in reform proposals by the International Monetary Fund (IMF) and the World Bank, which proposed reforms through fiscal restraints and the cutback of subsidies. Malaysia nevertheless instituted its currency and capital controls and while it did work for Malaysia, Mahathir was criticised by the US.[6]

Bilateral relations were further tested in September 1998 when Mahathir dismissed Anwar Ibrahim, the deputy prime minister and finance minister, on charges of corruption and sexual misconduct. This was because, during the financial crisis and before the implementation of Mahathir's currency controls, Anwar (in his capacity as the finance minister at the time) went against Mahathir by proposing contractionary financial policies which closely resembled the proposals set by the IMF. In November 1998, these tensions were exacerbated following comments by then US Vice-President Al Gore at the Asia-Pacific Economic Cooperation (APEC) meeting in Kuala Lumpur, praising 'the brave people of Malaysia' for seeking reform.[7] Relations would then worsen when Anwar was sentenced to six years in prison for corruption in April 1999. US officials considered Anwar to be a political prisoner in this case as they considered the charges against Anwar to be trumped up. Unsurprisingly, when Anwar Ibrahim was sentenced in August 2000 to an additional nine years in jail for sodomy, a US State Department official stated that the US was 'outraged by Anwar's conviction' and that the 'co-operative

relationship with Malaysia has been impeded by Malaysia's poor record on human rights.'[8]

As a result, an annual human rights report released by the State Department in February 2001, contained criticism of Malaysia's handling of the Anwar case, citing political motivations and questioning the independence of the judiciary. Criticism was also directed to Malaysia's use of its Internal Security Act (ISA), dubbed by the US as 'draconian,' since it allowed for detention without trial. For instance, the Malaysian government had used the ISA in July 2000 after it had prevented an arms heist by a militant group, Al-Ma'unah, which had links to Al-Qaeda terrorists.

Additionally, the 9/11 attacks on New York's World Trade Center and the US's subsequent 'War on Terror' would further strain Malaysia-US relations. In March 2003, Mahathir vehemently condemned the US and the UK's decision to go to war against Iraq. Bilateral tensions also arose over Mahathir's anti-Jewish remarks at the summit of the Organization of Islamic Conference in Kuala Lumpur in October of the same year. Mahathir had said, 'The Europeans killed six million Jews out of twelve million, but today the Jews rule the world by proxy. They get others to fight and die for them.' The US State Department deemed these comments offensive and inflammatory, stating, 'We view them with the contempt and derision they deserve.'[9]

Moderation Under Abdullah

Under the premiership of Abdullah Ahmad Badawi (2004-2009), Malaysia-US relations saw a continuation of cooperation on economic and security fronts.

Within the economic sphere, bilateral ties remained crucial. In 2004, Malaysia was America's tenth largest trading partner, with more than US\$39 billion a year in bilateral trade[10], whereas the US was Malaysia's biggest single investor and the largest market for Malaysian exports.[11] That same year, Malaysia's GDP grew by 6.8% – its highest rate in four years.

[12] Additionally, to deal with a budget deficit that spanned six years since 1998, Abdullah exercised fiscal restraint which included measures such as the postponement of costly projects.

However, during Abdullah's Prime Ministership, the ringgit peg of RM\$3.8 to the US dollar was removed in July 2005 – seen as a move to make Malaysia more independent and self-reliant vis-à-vis the US. This measure of currency control had been in place for nearly seven years, as part of Mahathir's currency controls to stem capital flight and speculative attacks during the 1997/98 Asian Financial Crisis. The peg was removed after Malaysia became more concerned about the state of the US economy at the time and the instability of the US dollar. Moreover, it was also because the government felt assured enough to make the change due to its own economic growth.

Malaysia's cooperation in the realms of security also continued under Abdullah. A marked difference under Abdullah was Malaysia's enhanced international position, strengthening Malaysia's role as a partner to the US. For instance, from October 2003 to March 2008, Malaysia served as Chair of the 57-member Organization of Islamic Conference (OIC), the largest federation of Muslim nations.[13] This made Malaysia a key partner in the Muslim world at a time when the US was particularly concerned about the

terrorist threat in many Muslim states and valued having a strong Muslim ally in the region.

Abdullah held increased stature as a Muslim leader in his role as the OIC Chair leader and was able to express the OIC's views on the Israel-Palestinian conflict. For instance, he stressed the need for peace brokers to be fair and unbiased to both sides and for Palestinians to present a united front by finding ways to end their internal divisions. In recognition of his enhanced position, Abdullah was featured on the cover of Newsweek magazine's December 2004 and was hailed as a leader who forged a moderate brand of Islam and who was capable of mending the divide instigated by radical Muslim movements in the region.[14] Thus, Malaysia's role as a security partner of the US was solidified over this period.

Tensions on the political front, on the other hand, continued under Abdullah, albeit there was not as much hostility and confrontation as it was under Mahathir. Malaysian opposition to US policy included condemnation of Israel, a country that Malaysia does not share a diplomatic relationship with. When Israel invaded Lebanon in 2006, Abdullah and his Foreign Minister urged the US to push for an immediate ceasefire while UMNO Youth held an anti-Israel protest.

Another change under Abdullah Badawi was that he removed a predominant strain in Malaysia-US relations since 1998 — the Anwar Ibrahim issue. After the ruling National Front coalition won a landslide victory in the 2004 national elections, Abdullah — confident of his position and not wanting to remain in Mahathir's shadow — was emboldened to go against his

predecessor's wishes about freeing Anwar. Hence, in September 2004, Malaysia's highest court reversed Anwar's convictions of sexual misconduct and freed him after nearly six years in jail. However, tensions on this matter resumed in June 2008. This time, there was criticism by the US over allegations that Anwar had sodomised one of his male aides. By then, Anwar was no longer barred from entering politics and he had won re-election in a by-election in August 2008, allowing him to return to Parliament as the opposition leader. The US government maintained their stance on the issue, believing that the sodomy charges were politically motivated – especially as they appeared so soon after Anwar's gains in the March 2008 general elections.

With Anwar's comeback in Malaysian politics coinciding with the National Front's substantial losses in the March 2008 general elections, Abdullah faced mounted criticism from within his own party – especially after the party lost its hold over five states and its two-thirds majority in parliament. Abdullah's predecessor, Mahathir, was particularly critical as he had started finding fault with Abdullah long before the general elections. Hence, calls for Abdullah to step down escalated, from both within the National Front and from opposition parties. At first, Abdullah said that he would do so in 2010 but brought the date forward to early April 2009 after facing surmounting pressure from within his party.

To summarise Malaysia-US relations under Mahathir, there has been a continuation, if not an increase, in cooperation on economic and security fronts. Although there were lingering political issues between the two (such as the Anwar Ibrahim issue and conflicts in the Middle East) a marked

change in the US-Malaysia relationship was Abdullah's different brand of leadership. While Mahathir was blunt, confrontational, and often anti-West in his rhetoric, Abdullah was mainly calm and diplomatic – allowing for a more amiable relationship. The US welcomed this change. As a secret US Embassy cable unveiled by Wikileaks, revealed: ' Prime Minister Abdullah Badawi is a breath of fresh air after the long serving and ituperative Mahathir Mohamad, who retired in late 2003.' The cable also added that Abdullah was ' publicly committed to fighting corruption and reining in costly mega-projects, though his government's follow-through has been disappointing.' [15]

Pragmatism under Najib

Since assuming the Prime Ministership in 2009, Najib Abdul Razak's policy has been implemented in a broader and more sensible way, with marked improvement in Malaysia-US relations within the spheres of economy, security, and politics.

On the economic front, the Najib government has made efforts to increase bilateral trade and investment flows. During a week-long working visit to New York in April 2010 for a Nuclear Security Summit hosted by Obama, Najib had his first ever meeting with the US president on the side-lines of the summit. He also held discussions with key officials of the administration in Washington, and met with American business leaders to promote his newly-launched New Economic Model (NEM). [16]

Najib returned to the city on 17 May 2011 to attend the New York Invest Malaysia 2011 held at the New York Stock Exchange, before returning on 20 May 2012 to meet with business leaders of various Fortune 500 companies

at the prestigious Harvard Club.[17]This is largely a continuation of the amicable economic relationship between Malaysia and the US as the United States has consistently been an important economic partner for decades and has been Malaysia's largest foreign direct investor. In 2011, even though America was experiencing slower growth, it remained Malaysia's top foreign investor.[18]Hence, bilateral trade was robust, with total trade between the two countries totalling to US\$33. 68 billion in 2009, before increasing to US\$39. 98 billion in 2010 and US\$39. 99 billion in 2011.[19]

On the security dimension, the Najib administration has pursued a deepening of Malaysia's military partnership with the United States. For instance, Malaysia upgraded its participation in the Cobra Gold multilateral military exercises[20]from an observer to a participant. Malaysia's Defence Minister Zahid Hamidi commented in June 2010: " As a participant of the exercise, Malaysia can obtain valuable experience on defence strategy, technology, training and operating sophisticated equipment." [21]In February 2011, Malaysia was involved in the Cobra Gold as a participant for the first time in February 2011.

However, the starkest changes in Malaysia-US relations have been political. Soon after assuming his post in 2009, Najib articulated his resolve to enhance Malaysia-U. S. relations. In June 2009, approximately two months after taking office, Najib took the opportunity to offer an olive branch when he responded positively to Obama's speech in Cairo, where the new president discussed ' new beginnings' between the US and Muslims all over the world. Recognising the U. S. leader's reference to Malaysia as among the ' progressive and developed Muslim nations', Najib praised the US

president's for reaching out to Muslims and offered to assist his administration in forging better ties with the Muslim world.[22]

Additionally, a closing of these political ties has resulted in more regular visits by leaders and key officials of Malaysia and the US. In September 2010, Najib and Obama met again at the second ASEAN-U. S. meeting during the United Nations General Assembly in New York. On 2 November of the same year, U. S. Secretary of State Hillary Clinton visited Malaysia for three days in an official visit – a significant milestone as it marked the first visit by a U. S. secretary of state to Malaysia since Warren Christopher in 1995. Clinton's maiden trip was followed up by the visit of U. S. Secretary of Defence Robert Gates on 9th November 2010.[23]

The frequency of high-level exchanges and meetings was maintained up by both sides the following year, witnessing a number of visits by senior US officials to Malaysia, including the Commander of the U. S. Pacific Command Admiral Robert Willard in June 2011, and the Deputy Secretary of State William Burns in December 2011. At a roundtable in Kuala Lumpur organised by the Institute for Strategic and International Studies (ISIS), Burns defined America's relationship with Malaysia as a vital part of U. S. strategy to engage the Asia-Pacific, remarking: “ For decades, this relationship did not realise its potential. We all too often found ourselves on different sides of geopolitical fault lines, and at times, in the past, have struggled to rise above mistrust. And yet today, this relationship has become one of America's most promising in all of Southeast Asia.”[24]

In summary, it is evident that Malaysia's policy towards America has undergone considerable changes since Najib assumed the Prime Ministership in 2009. Whereas Mahathir often adopted a rhetorically confrontational and politically controversial approach towards the US, Najib's policy is centred on increased cooperation and more pragmatism.

[1]The Statistical Abstract of the United States, 1990-2011 (Washington D. C.: U. S. Census Bureau)

[2]Sodhy, P. (2012).

[3]Gershman, J. (2002) ' Is Southeast Asia the Second Front?' *Foreign Affairs* , 81: 4.

[4]Sodhy, P. (1998) ' The East Asia Economic Caucus (EAEC) Controversy in ASEAN-US Relations,' *Western Pacific Journal* , 4.

[5]Ping, L. P. & Tham S. W. (2007) ' Malaysia Ten Years After the Asian Financial Crisis', *Asian Survey*, 47: 6, University of California Press.

[6]Jayasankaran, S. (2002) ' Malaysia Turns Around,' *Far Eastern Economic Review* .

[7]Sodhy, P. (2012).

[8]Ibid

[9]Sipress, A. (2003) ' Malaysians Calls on Muslims to Resist Jewish Influence', *The Washington Post* , 17th October, A21.

[10]The Statistical Abstract of the United States, 1990-2011 (Washington D. C.: U. S. Census Bureau).

[11]Sodhy, P. (2012).

[12]UN Data (2014)

[13]Sodhy, P.(2012)

[14]ibid

[15]<http://www.malaysia-today.net/us-viewed-pak-lahs-reform-a-failure/>

[16]Samad N. (2010), ' Najib set for talks with Obama,' *New Straits Times* , 11th April 2010, p. 12.

[17]<http://www.1malaysia.com.my/en/speeches/new-york-invest-malaysia-2011/>

[18]Damodaran, R. (2011) ' U. S. investment trend in Malaysia to remain strong,' *New Straits Times* , 23rd August 2011, p. B4.

[19]The Statistical Abstract of the United States, 1990-2011 (Washington D. C.: U. S. Census Bureau).

[20]A command post exercise aimed at cooperation in building regional readiness for future missions.

[21]David A. (2010) ' Lifeline for our Nuri copters,' *New Straits Times* , 4th June 2010, p. 15.

[22]Kuik, C. C. (2012) ' Malaysia's U. S. Policy under Naib: Ambivalence No More?' *RSIS Working Papers* , S. Rajaratnam School of International Studies Singapore.

[23]ibid

[24][http://iipdigital.usembassy.](http://iipdigital.usembassy.gov/st/english/texttrans/2011/12/20111215111225su0.7890393.html#axzz25xvpdcp8)

[gov/st/english/texttrans/2011/12/20111215111225su0.7890393.](http://iipdigital.usembassy.gov/st/english/texttrans/2011/12/20111215111225su0.7890393.html#axzz25xvpdcp8)

[html#axzz25xvpdcp8](http://iipdigital.usembassy.gov/st/english/texttrans/2011/12/20111215111225su0.7890393.html#axzz25xvpdcp8)