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MALAYSIA AND THE UNITED STATES:
REJECTING DOMINANCE,
EMBRACING ENGAGEMENT

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ABSTRACT

This paper explains Malaysia-US relations in terms of national interests derived from the nature of the Malaysian political economy and the salience of Islam in Malay(sian) politics as they interact with US foreign policy postures derived from distinct US grand strategies. The paper compares Malaysia's responses to the US under the Clinton and the first George W Bush Administrations in terms of the following: (a) instances of cooperation and non-cooperation on key US initiatives; (b) pursuit of alternative economic and defence/security relationships; and (c) construction of alternative discourses and coalitions aimed at challenging US initiatives and its hegemony more broadly. Malaysia's responses to the US can be summed up in the phrase, 'rejecting dominance, embracing engagement', evident during both the Clinton and the Bush Administrations and consistent under the Mahathir and the current Abdullah Badawi governments. The Malaysian government's attempts to develop coalitions to challenge US initiatives and its hegemony have not always been successful. The government has, nonetheless, stood firm and rejected US initiatives and actions that directly threatened national interests. The US, on its part, has accommodated itself to Malaysia's positions on a number of occasions since September 11, reflecting Malaysia's valuable role in Washington's fight against terrorism. Both governments also cooperate extensively in economics, defence and transnational crime from which both parties draw benefits.

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1. Introduction[1]

Relations between Malaysia and the United States have been highly charged under Dr Mahathir Mohamad, Malaysia's Prime Minister from 1981-2003. The most serious of these differences were over trade policy, Washington's push for human rights and democratisation, the US liberalisation agenda for the Asia-Pacific Economic Cooperation (APEC) forum and Washington's dismissal of Mahathir's preferred alternative, the East Asian Economic Grouping (EAEG), US and IMF responses to the Asian financial crisis, the Palestine-Israel issue, and more recently, the US 'War on Terror'. Although the present Abdullah Badawi Administration continues to be critical over Washington's prosecution of the 'War on Terror', US-Malaysia relations have proceeded far more smoothly in the last year than at anytime during the previous 24 years (Baker, 2004: 70). It would be misleading, however, to account for Malaysia's tense relations with the US primarily in terms of the personal beliefs and combative personality of Mahathir.[2] Closer examination reveals that Malaysia-US relations during the Mahathir Administration were, in fact, characterised by a 'combination of criticism and cooperation', which continues to date under the current Abdullah Badawi Administration though without the 'edge' that was evident during Mahathir's watch (Baker, 2004: 70). Amidst the factiousness, Malaysia under Mahathir maintained fairly strong economic and defence/security ties with the US. Despite the current Prime Minister's wish for better ties with the US and the marked reduction in combative rhetoric, criticism of the US continues, particularly with respect to the 'War on Terror'. Extensive bilateral cooperation continues, nonetheless.

This account of Malaysia's relations with the US raises three questions. First, what explains the dualism in relations, characterised on the one hand by pragmatic engagement on

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[1] This paper was first presented to the **Symposium on Bush and Asia: America's Evolving Relations with East Asia**, organised by the School of Political Science and International Studies, University of Queensland, Brisbane, Australia, 26 November 2004.
[2] Liow (2001: 121) notes that scholars have tended to over-emphasise the 'Mahathir factor' in explaining contemporary Malaysian foreign policy.

economic, security and defence matters while maintaining, on the other hand, highly critical views of US policies and actions on a number of significant global, regional and bilateral issues. Second, and perhaps the prior question is whether such criticism of the US represents mere rhetoric on the part of Malaysia's leaders, especially Mahathir, or is there any basis based on Malaysian *national* interests, for the highly charged polemics? A third question is the extent to which Malaysia has translated its criticisms of the US into more concrete actions that challenge US policy initiatives and actions more specifically, and its hegemony more broadly. This paper addresses these questions by comparing Malaysia's relations with the US under the Clinton (1992-2000) and the first George W Bush Administrations (2001-2004).

A 'comparative' analysis offers deeper insight into the continuities and shifts in relations between the two countries given that these two US Presidents presided over two different foreign policy postures derived from distinct 'grand strategies'. The paper also argues that any explanation of Malaysia's responses to the US requires an examination of how US foreign policy postures derived from its grand strategy interacts with the imperatives of Malaysian domestic politics and the political economy, given that external events acquire political significance only when they are factored into the interests, strategies and ideologies of dominant domestic coalitions and other significant domestic actors.

While leaders' personality and their subjective worldviews matter, particularly in the case of Mahathir, no Malaysian leader has ever been immune from the domestic political and economic realities of a multi-ethnic developing state, not even Mahathir despite his personalised control over the country's institutions and commanding rule over its polity.[3] To put it another way, the international level does not present itself as some objective structure meaning the same thing to all states, but it depends on how dominant domestic actors interpret and respond to these events in ways that are as much shaped by prior domestic social, economic and political realities as by the personal ideas and worldviews of political leaders (Jacobsen, 1996: 94-5). However, leadership also matters to the extent that a leader enunciates particular strategic directions for the country that may be either facilitated or obstructed by external developments (Liow, 2001). It is in this context that the grand strategy of a hegemonic power like the US, given its global reach, becomes salient,

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[3] Slater (2003) discusses Mahathir's near total control of state institutions and the personalisation of his power since the mid-1980s.

impinging on the chosen developmental trajectory of a small, open economy like Malaysia that is generally a price and rule-taker in the world political economy. The unique state of relations between the two countries is, consequently, related to this interactive dynamic.

Following this introduction, Section 2 outlines key features of Malaysian politics and its political economy, highlighting the central role played by the economy and Islam in legitimating the government and the Malay-centred political order. Consequently, economics and Islam have become central elements in Malaysian foreign policy. They help to shape Malaysia's responses to and interactions with the US. Sections 3 and 4 respectively examine Malaysia's relations with the US during the Clinton and the first George W. Bush Administrations. The discussion explores Malaysia's responses to the US in terms of: (a) instances of cooperation and non-cooperation on key US policy initiatives; (b) pursuit of alternative economic and defence/security relationships; and (c) construction of counter-hegemonic discourses and coalitions aimed at questioning or undermining US policy initiatives more specifically and its hegemony more generally.[4]

The analysis reveals that Malaysia responded more positively to the US during the first two years of the Bush Administration compared to the previous Clinton Administration. Malaysia's tense relations with the US under Clinton were largely due to the latter's 'liberal internationalist' grand strategy when the spread of liberal democracy, human rights and open markets was a stated foreign policy goal and which directly threatened Malaysia's chosen model of political and economic governance. This is in contrast with the early Bush Administration's realist foreign policy that eschewed interfering in the domestic affairs of other countries. In particular, relations were dramatically improved after the September 11 attacks on the US.

The resulting crackdown on terrorism worldwide lent Mahathir legitimacy, especially internationally. It affirmed Mahathir as the leader of a 'progressive', Muslim nation who had dealt severely with domestic Islamic terrorists, a legitimacy that had been considerably undermined in the last years of the Clinton Administration over the capital controls policy and the Anwar Ibrahim affair. It also legitimised Mahathir's domestic crackdown of alleged Islamic terrorists using the Internal Security Act (ISA) that allows for indefinite detention

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[4] This approach follows Beeson (2004).

without trial. However, the Bush Administration's eventual embrace of a grand strategy of 'primacy' based on neo-conservative thinking led to shifts in US foreign policy, particularly its emphasis on 'pre-emption' and 'regime change', which once again placed Malaysia and the US on a collision course. The government was especially concerned by the manner in which the 'War on Terror' was being prosecuted, notably the invasion of Iraq, the attitude to Islam and Muslim communities and regional initiatives against maritime terrorism.

In both periods, the Malaysian government offered views contrary to those held by the US, and attempted to build like-minded coalitions to oppose or challenge US policy positions and initiatives. During the Clinton period, this took the form of championing an East Asian regionalism distinct from APEC, building a developing country coalition to challenge new global trade rules, as well as articulating a notion of 'Asian Values' distinct from and superior to 'western' values. More significantly, Malaysia's heterodox approach to addressing the Asian financial crisis, notably its capital controls policy demonstrated the viability of alternative approaches to crisis management and economic governance distinct from the neoliberal orthodoxy promoted by the IMF and the US. On the other hand, the government's attempt during 2003 to steer the Organisation of Islamic Conference (OIC) to challenge the legitimacy of the US-installed Iraqi Governing Council was unsuccessful. The dominant presence of the US in the Arab Middle East made it difficult to galvanise a united Arab position against Washington.

Despite Malaysia's inability to challenge the US agenda elsewhere and its overall hegemony, the Malaysian government has, nevertheless, stood firm in rejecting US initiatives when they impinged directly on Malaysia's national interests. Interestingly, the US under the Bush Administration accommodated to Malaysia's position on some of these issues, most notably over US patrols in the Malacca Straits, largely because of the value placed on Malaysia's cooperation in fighting terrorism. Thus, Malaysia appears to possess a degree of bargaining leverage that enables it to secure its interests despite the considerable structural power of the US. Moreover, there are mutual gains to be had from cooperation in economics, defence, security and anti-narcotics activities, with both countries maintaining good working relations in these areas, discussed in Section 5. The final section briefly anticipates the future course of relations given the November 2004 election triumph of the incumbent President.

2. Domestic Politics and Malaysian Foreign Policy

Any discussion of Malaysian responses to US hegemony and Washington's foreign policy postures must take into account the interests of dominant domestic groups and political coalitions in Malaysia, social and cultural (including religious) ideas, as well as prevailing domestic economic and political constraints. Three features are significant in this regard, providing the domestic structural context within which leaders and central decision-makers operate. First, the Malaysian political order after the May 1969 race riots has been based on Malay political dominance, upheld by UMNO, the dominant Malay political party in the ruling *Barisan Nasional* (BN or National Front) multi-ethnic, multi-party coalition that has ruled Malaysia since independence (initially as the Alliance Party until 1969).[5] Nevertheless, a degree of political accommodation takes place between the leaders of the three principle ethnic groups in the country – the Malays, Chinese and Indians – that helps maintain the Malay-centred political order while securing the key interests of the other ethnic groups.[6]

Aside from inter-ethnic elite bargaining and the use of coercive legislation, political stability depends also on the responsiveness of the ruling coalition to *popular* societal interests and demands of the Malaysian electorate including but also going beyond the majority Malay, Muslim community. While a key task for UMNO leaders is to advance the interests, status and the political and economic power of the dominant ethnic Malay community that comprises 55 per cent of the population, the ruling elite has also to ensure that it builds support and legitimacy among the other ethnic groups.[7] Both the economy and Islam have become central to these tasks, though in different ways.

Political legitimacy and the politics-economics interface

The Malaysian government has always had to strike a balance between what are sometimes competing economic policies – interventionist policies to ensure Malay economic development and political consolidation on the one hand, and on the other hand, more liberal economic policies to ensure sustained economic growth. Economic growth, by generating

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[5] UMNO is the United Malays National Organisation, formed in 1946.
[6] Detailed analyses of Malaysian politics are found in Crouch (1996), Case (1996) and Hwang (2003).
[7] The Chinese and Indian communities, considered to be immigrant communities in Malaysia, constitute respectively 27 per cent and 7 per cent of the population, while other indigenous groups in the East Malaysian states of Sabah and Sarawak make up the remaining portion of Malaysia's population. The Malays are regarded as part of the indigenous population.

economic opportunities for Malaysians, helps secure legitimacy for the incumbent government and especially for UMNO (Stubbs, 2001). The political leadership is, therefore, constantly preoccupied with ensuring access to foreign investment capital, technology and export markets, key sources of growth for the Malaysian economy.

On the other hand, interventionist economic policies are equally important as they enable the government to selectively allocate economic opportunities in ways that help meet ethnic equity goals and cement elite coalitions. This dimension of economic policy is intimately tied up with the country's ethnic politics and its affirmative action programme for the Malay community that seeks to promote Malay participation in the modern sectors of the economy, including through creating Malay capitalists. During the 1990s, interventionist policies also helped meet the broader nationalist goals of Prime Minister Mahathir to take Malaysia into the ranks of developed countries by helping to nurture *Malaysian* corporations and capitalists (Khoo 2000: 214). Despite considerable liberalisation of the Malaysian economy during the 1990s, interventionist policies remain important to meet Malay equity goals (Nesadurai, 2004). The government, consequently, has sought a degree of domestic policy autonomy that will allow it to meet these goals, particularly to enable it to maintain interventionist economic policies deemed necessary to address domestic socio-political priorities. This keeps the government vigilant about external encroachments into aspects of domestic policy-making, including matters relating to political governance.

Political legitimacy, Islam and Malay politics

Islam has also become central to Malay politics, a vital means through which the Malay Muslim community strengthens its political-cultural identity, particularly in an increasingly globalised, urbanised and multi-cultural Malaysia (Verma, 2002: 94). Because of its role in providing the Malay community with a focus for its identity and for social solidarity, Islam has also become politicised, with both UMNO and the opposition Islamic party, PAS (*Partai Islam Se-Malaysia*), engaged in a struggle to interpret Islam, define its relationship to Malay society and the Malaysian state, and by extension, establish their respective Islamic credentials.[8]

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[8] UMNO champions a version of Islam considered to be progressive, while PAS has been associated with a more traditionalist and increasingly, a hardline version of Islam.

During the 1980s, in response to the Islamic resurgence in the country, which paralleled the worldwide Islamic revival following the 1979 Iranian Revolution, the Mahathir government initiated an 'Islamization' drive to build UMNO's Islamic credentials in Malay society, particularly vis-à-vis PAS, by introducing Islamic values and practices in government as well as broader Islamic projects such as the International Islamic University and Islamic banking (Khoo, 1995: 174-81). Interestingly, the Islamic credentials of current Prime Minister Abdullah Badawi played a key role in helping UMNO regain the support of the Malay, Muslim community. This support had been lost to PAS following the 1997-98 Asian financial crisis and the predicament sparked by the sacking, arrest, trial and imprisonment of Mahathir's Deputy, Anwar Ibrahim. Incidentally, these credentials place Abdullah clearly in the 'modernist' or 'progressive' camp (Yang Razali, 2004: 2). Islam's cultural-ideational role also galvanises the community as part of a worldwide Muslim *ummah* (or community), especially against developments perceived to be hostile to Islam and Muslim communities worldwide. The most notable of these events are the Palestinian 'problem' and the post-September 11 invasions of Afghanistan and Iraq. The Malaysian government's official position on these issues is driven both by Malaysia's identity as a majority Muslim nation and to reinforce the Islamic credentials of the ruling regime (Nair, 1997: 267-90).

The primacy of economics and Islam in foreign policy

It was after Mahathir took office in 1981 that economics and Islam became central elements in Malaysia's foreign policy. Before this, foreign policy had been markedly anti-communist and pro-western during the 1960s, then based on non-alignment, neutrality and peaceful co-existence during the 1970s. With the 1975 US defeat in Vietnam and the 1976 Vietnamese invasion of Kampuchea (now Cambodia), the Association of Southeast Asian Nations (ASEAN) assumed greater importance in the country's foreign policy.[9] Malaysia, however, emphasised continued ties with western powers, including the US, in order to augment its security and to buttress the counter-insurgency capabilities of its armed forces given that it continued to take seriously the threat of domestic communism and remained suspicious of China's relations with the Communist Party of Malaya (Liow, 2001: 131-3). This approach continued into the first decade of the Mahathir Administration. Despite the personal antipathy of Mahathir towards any external, including US, involvement in the security of

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[9] See 'Malaysia's Foreign Policy', a document of the Malaysian Ministry of Foreign Affairs, accessed from www.kln.gov.my/english/foreignaffairs/foreignpolicy/myforeign.htm on 8 October 2004.

Southeast Asia, the Prime Minister recognised that the US was vital in confronting what was then regarded as Malaysia's primary external threat – China (Liow, 2001: 131).

A more fundamental shift in foreign policy under Mahathir was the emphasis placed on economics. This was not simply to serve *economic* purposes; it also was to meet the domestic socio-political imperatives highlighted in the preceding discussion, with the economy also made a central element in national security thinking. Under the doctrine of comprehensive security, 'national security is inseparable from political stability, economic success and social harmony'.[10] In short, the economy had become a key means to empower and secure the state and regime, with foreign economic policy aimed at ensuring continued access to foreign direct investment (FDI), technology and export markets. The continued salience of interventionist policies, however, also meant that the government remained constantly vigilant in minimising external encroachments into what were considered to be matters of domestic economic and political governance. Moreover, the economics focus in foreign policy was also characterised by a marked anti-imperialist logic based on the 'strong and nationalistic defence of the rights, interests and aspirations of developing countries'.[11]

As for Islam, Malaysia had already begun to identify itself as a 'Muslim' nation by 1970, becoming a founding member of the Organisation of Islamic Conference (OIC) in 1969 with Malaysia's first Prime Minister appointed its first Secretary-General. Under the Mahathir Administration, an Islam-oriented foreign policy became even more pivotal for Malaysia's identity as a majority Muslim nation as well as for more instrumental purposes – to enhance the Islamic credentials of the UMNO-led government in its domestic political struggle with PAS for Malay hearts and minds (Nair, 1997: 83). Islamic diplomacy, based on strengthening ties with Muslim countries and in championing Islamic causes in world politics allowed Malay voters to 'know that government policies are approved of by Muslims outside the country' (Milne and Mauzy, 1999: 143).

Aside from bilateral visits to the Arab world, Mahathir fully embraced the Palestinian cause, an issue that resonated strongly with the Malay community, and increasingly with other Malaysians. Not only did he consistently speak out for Palestinians and against Israel in

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[10] Mahathir Mohamad, 'Keynote Address to the First ISIS National Conference on Security', Institute of Strategic and International Studies, Kuala Lumpur, July 1986.

[11] See 'Malaysia's Foreign Policy', a document of the Malaysian Ministry of Foreign Affairs, accessed from www.kln.gov.my/english/foreignaffairs/foreignpolicy/myforeign.htm on 8 October 2004.

international forums, Malaysia granted Palestine full diplomatic status in 1981, supported UN Resolution 242 on the withdrawal of foreign troops from occupied territories, hosted the 1983 UN sponsored Conference on Palestine, hosted the late Palestinian leader Yasser Arafat's visit to Malaysia, and established a Palestine Peoples' Fund (Liow, 2001). Malaysia's Islamic diplomacy continues to date and the cause of worldwide Islamic unity remains a central element of Malaysian foreign policy.[12] Malaysia, incidentally, is the current Chair of the OIC (as well as the Chair of the Non-Aligned Movement).

How these domestic imperatives have mediated the manner in which Malaysia has responded to the foreign policies and actions of the US under two different US Administrations is addressed in the rest of the paper.

3. Responding to the Liberal Internationalism of the Clinton Administration

In the immediate post-Cold War decade of the 1990s, particularly under the Clinton Administration, the operative US grand strategy is best defined as one of 'liberal internationalism', which favoured an Americanised world order characterised by the spread of liberal democracy and free market capitalism (Dueck, 2004: 516). Key Administration officials and like-minded scholars believed that the policy of 'enlargement', or the expansion of the worldwide community of market democracies, was a prerequisite for a safer and more prosperous world (Alagappa, 1994: 4-6). Washington, consequently, adopted multilateral, regional and bilateral policies in support of democratisation, human rights and open markets. In this regard, four specific policy positions of the Clinton Administration directly threatened the Malaysian interventionist and semi-democratic governance model[13] that the country's ruling elite believed was appropriate and necessary to the domestic context: (a) the attempt to embed liberal economic norms within APEC and turn it into a regional mechanism to liberalise trade and investment; (b) the attempt to institute new global trade rules on what Malaysia and a number of other developing states perceived to be non-trade issues, notably labour standards; (c) the push to implement universal human rights practices; and (d) the

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[12] *Ibid*.

[13] In a semi-democratic system, electoral contestation involving opposition parties regularly takes place although restrictive measures in place prevent the opposition from winning elections and replacing the government. Nonetheless, opposition parties are able to mobilise reasonable levels of popular support that enable them to assume minority roles in parliament, unlike in semi-authoritarian regimes that lack electoral contestation (Case, 1996).

move during the Asian financial crisis to use the IMF to dismantle the statist developmental model and replace it with the Anglo-American liberal market model of capitalism.

Contesting APEC, championing East Asian regionalism

Mahathir's opposition to APEC was primarily based on concern that the US would use APEC as a 'Trojan Horse' through which to remake East Asian economies, including Malaysia, in the image of US-style liberal market capitalism as well as to impose liberal political and social norms (Lim, 2001: 62). Although Malaysia was, by this time, a fairly open economy, state interventionism and market restrictions operated in particular sectors. An APEC designed along US preferences threatened to undermine the ability of the 'ethnic state' in Malaysia to allocate economic resources in accordance with these domestically derived priorities, including for patronage purposes (Lim, 2001: 67). There were further concerns that the premature liberalisation of the economy would undermine the strategic development of domestic industrial and technological capabilities.

To counter these possibilities, the Malaysian Prime Minister proposed an alternative, exclusively Asian regional grouping comprising the ASEAN states, China, Japan and South Korea whilst excluding APEC's western members – the US, Canada, Australia and New Zealand. Mahathir had three aims in mind for the EAEG: (a) develop East Asian market power through enhancing intra-East Asian trade and investment relations, which would then balance the market power of North America and the European Community; (b) sustain state-centric approaches to economic development common in East Asia; and (c) minimise clashes over domestic political arrangements that departed from the liberal democratic model (Lim, 2001: 68). The EAEG initiative was never formally realised for various reasons, including hefty opposition by the US although a modified version, the East Asian Economic Caucus (EAEC) was endorsed by ASEAN, largely as a gesture to Malaysia. Notwithstanding the defeat of the EAEG initiative, the Malaysian foreign policy establishment continued to champion the idea of East Asian regionalism throughout the 1990s,[14] even as Mahathir criticised Washington's rejection of his initiative (Mahathir, 2002: 58) and consistently resisted a formal trade liberalisation role for APEC (Ravenhill, 2001: 110-1).

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[14] See 'Malaysia's Foreign Policy', a document of the Malaysian Ministry of Foreign Affairs, accessed from www.kln.gov.my/english/foreignaffairs/foreignpolicy/myforeign.htm on 8 October 2004.

Mahathir's concerns about US intentions for APEC were based on the growing aggressiveness of US trade policy since the mid-1980s and its unilateralist character, revealed in the use of 'Super 301' provisions against states perceived by Washington to be violating *fair* trade rules. Mahathir interpreted these protectionist moves as attempts by the US to keep at bay the economic competition posed by the late industrialising countries of East Asia, Malaysia included, by rewriting trade rules and claiming unfair East Asian trade practices. Mahathir articulated these criticisms at a variety of forums, including in the developing world,[15] which helped when Malaysia sought to build a developing country coalition against the new trade agenda, particularly on labour standards that the US under Clinton was championing. The Malaysian government provided a platform for scholars, policymakers and selected civil society representatives during a special conference of developing countries organised in July 1996 in preparation for the first WTO Ministerial in December 1996. At this meeting, Malaysia successfully obtained a developing country commitment to challenge the 'new' trade issues, especially on labour standards, that these states believed was a protectionist guise to undermine their comparative advantage.[16]

'Asian Values' as a counter-hegemonic discourse

The rejection of the neoliberal market model was also related to the debate on Asian Values that emerged in the early to mid-1990s, its most notable exponents Mahathir and Singapore's Lee Kuan Yew. Much of the debate focused on rejecting western liberal democracy and the western conception of human rights in favour of what was regarded as a superior Asian version of political governance based on strong leadership, respect for consensus and social harmony, and concern with socio-economic well-being rather than civil liberties and human rights (Khoo, 2002: 51-3). The Asian Values discourse was partly triggered by the World Conference on Human Rights in 1993 in Vienna, where delegates from Asia and Africa challenged US delegates over the definition of human rights and what constitutes its abuses (Verma, 2002: 170).

The Clinton Administration's push for democratisation and human rights worldwide challenged key features of political governance in Malaysia. Although Malaysia has adhered to the formal tenets of democracy, selective restrictions on democratic practice exist, notably

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[15] Documented in Khoo (1995: 54-102) and Lim (2001).
[16] See the Summary Report of the Proceedings, *Conference on the World Trade Organisation: Perspectives from the South*, 9-10 July 1996, Kuala Lumpur, Institute of Strategic and International Studies (ISIS) Malaysia (mimeo).

through laws restricting freedom of speech and assembly, as well as the Internal Security Act (ISA) that allows for detention without trial for indefinite periods; hence, Malaysia's characterisation as a 'semi-democracy'.[17]   These restrictions were argued by the political elite to be necessary to preserve social and political order in a multi-ethnic, multi-religious society.

The 'Asian Values' counter-discourse, thus, sought to ideologically de-legitimise American, or western models and practices of human rights and liberal democracy, while it also helped to legitimate the interventionist approach to economic development based on communitarian end-goals rather than the maximisation of individual self-interest.   The region's economic success story, at least until the financial crisis, seemed to validate the 'Asian Values' message, with actors beyond the state championing the role of these values in producing the East Asian economic 'miracle' (Khoo, 2002: 51-2).   The financial crisis, however, undermined the notion of a superior East Asian approach to political and economic governance.   Nonetheless, it has not ended the values debate.   Other counter discourses have emerged in the region, some of which reiterate liberal western norms and practices, but others promote indigenist and, in Malaysia and Indonesia, articulate Islamic approaches to political and economic governance.   The PAS challenge to UMNO involves one such counter-discourse, with Islam gaining ground amongst the Malay community in providing precepts for an alternative model of economic, social and political organization (Hilley, 2001).

Financial crisis: bucking the trend
The Asian financial crisis (AFC) of 1997-98 highlights a similar point of tension in Malaysia's relationship with the US during the Clinton Administration, this time over Washington's attempt to dismantle the Asian developmental state and impose its preferred model of development on regional states by using the IMF.[18]   The narratives articulated during the height of the crisis by IMF and US officials, and constantly reiterated in the media and by academics of a neo-liberal persuasion, had far greater potential to de-legitimate both Malaysia's interventionist development strategy and the Mahathir-led government than at

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[17] See note 13.
[18] See Khoo (2000) for a discussion of the causes and consequences of the Asian financial crisis as it related to Malaysia.

anytime in the past.[19] The Malaysian government strongly rejected the official Washington and IMF explanation that the crisis was caused by lack of good governance and transparency, 'crony capitalism' and a flawed development model, with Mahathir insisting, on the contrary, that the unregulated power of global financial players, especially the hedge funds, was primarily the cause of the crisis and had undermined the development success of Malaysia and the region.[20] The Prime Minister managed to stave the economic and political challenges of the AFC by a combination of counter-narratives and by mobilising domestic financial resources and the government's administrative and technical capacity to craft a home grown recovery strategy that eventually included selective exchange controls on the free convertibility of the Ringgit, and all this without unduly alarming real sector investors in Malaysia and undermining the economy (Nesadurai, 2000).

Although the Malaysian heterodox experiment was initially castigated, prominent economists soon began questioning the orthodox wisdom and suggested that capital controls might be sensible for emerging markets under certain circumstances (Mastanduno, 2000: 502). Germain (2001: 13) argues that the Malaysian experiment not only undermined the IMF standard prescription for development and crisis-management and 'continues to hold out the prospect of pursuing a more traditional Asian developmental strategy', it has also 'helped to shift the consensus view on the merits of unfettered capital mobility' and 'challenges the way in which capital account liberalisation can be held out as a panacea to financial crisis and development'. Although the emerging global financial architecture does not, at this point, seem to depart radically from the neoliberal framework of capital mobility, transparency and good governance (Best, 2003), the AFC and Malaysia's capital controls strategy, nonetheless, have re-opened political debate on what was once considered long-settled questions about global financial governance.

Within the region, the very rapid US move to quash the Japanese suggestion for an Asian Monetary Fund (AMF) to provide liquidity to crisis-affected states led to further tensions between the US and Malaysia, which had also actively promoted the need for such a fund independent from an IMF seen to be an American tool (Mahathir, 2002: 39-40 & 102). Despite the failure to establish the AMF, the ASEAN states and their three Northeast Asian neighbours of Japan, South Korea and China came together to establish the ASEAN Plus

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[19] See Hall (2003) for a discussion of these narratives.
[20] See the remarks by Mahathir Mohamad, reported in *Asiaweek*, 27 March 1998.

Three (APT) forum, which was effectively an East Asian self-help mechanism to help avert future crises (Ba, 2005). The APT's most notable project to date is the Chiang Mai Initiative, a network of bilateral swap arrangements aimed at providing liquidity to its members in the event of a future crisis, while an Asian Bond Market initiative is in the pipeline. The APT is significant because it heralds closer East Asian regionalism, its intellectual heritage Mahathir's EAEG (Ba, 2005). In many ways, then, the APT represents the 'de facto realisation' of Mahathir's EAEG/EAEC (Beeson, 2002: 197). It also signals a closer engagement between Malaysia and China, a marked shift from the previous decades when China was viewed with some suspicion due primarily to its real or perceived links with the Malayan communist insurgency. Malaysia's East Asian diplomacy took a further move forward with Prime Minister Abdullah Badawi proposing an *East Asian* Summit in 2005 to be organised outside the auspices of ASEAN and hosted by Malaysia.[21] To help the process along, the Malaysian government organised an East Asian Conference, inviting senior government officials, former leaders and businesspersons from East Asian states to Kuala Lumpur in December 2004 to debate on the concrete steps to be taken to make an East Asian Community a reality rather than merely 'a theoretical construct'.[22]

The Anwar crisis and the US

A far more serious challenge to US-Malaysia relations during the last years of the Clinton Administration came from Washington's response to the sacking, arrest, trial and imprisonment of Mahathir's former deputy, Anwar Ibrahim on charges of sodomy and corruption, charges that Anwar maintains were fabricated. At the personal level, Mahathir was incensed at the blatant snub delivered by Vice President Al Gore who walked out of a dinner hosted by Mahathir on the eve of the 1998 APEC Leaders' Summit in Kuala Lumpur, but not before praising the call for reformation (*Reformasi*) by Anwar supporters and other Malaysians.

More seriously, the US under Clinton regarded the Anwar affair as a human rights issue, while a resolution (H.Res 658) tabled in the US House of Representatives on 27 October 2000 warned the Malaysian government that its actions with regard to Anwar 'represented a breakdown in democracy and the rule of law in Malaysia' and had 'the potential to harm

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[21] The call was made during the November 2004 ASEAN Summit in Laos. See *International Herald Tribune*, 'Beijing signs pack for ASEAN trade', 30 November 2004.
[22] *New Straits Times (hereafter NST)*, 'Abdullah spells out 'milestones' for EAC', 7 December 2004.

relations' between the two governments.[23] The Congressional move led to some concerns in the Malaysian government that economic sanctions and the suspension of defence assistance might result.[24] Although relations were never downgraded, the episode represented yet another point of tension between Malaysia and the US, this time far more ominous because it constituted a direct attack on Mahathir's authority and on the country's institutions, both of which were already being challenged by Malaysian citizens. It was no surprise to find that Mahathir did not cherish the prospect of an Al Gore victory at the 2000 US Presidential elections.[25]

4. Malaysia and the George W. Bush Administration (2001-2004)

The Malaysian government's positive response to the incoming George W Bush Administration was a marked contrast to Malaysia's strained relations with the outgoing Clinton Administration.[26] While Mahathir's personal dislike of Al Gore was certainly a factor here, this is only part of the story. In reality, Malaysia was more comfortable and less threatened by the realist grand strategy of the early Bush Administration that refocused foreign policy on core US national interests and away from concerns with democracy and human rights.[27] Although there was some disquiet with the new Administration's characterisation of China as a threat, its endorsement of theatre missile defence, and its sceptical approach to multilateral institutions, Malaysia, nevertheless, indicated to then US Ambassador to Malaysia, Lynn Pascoe in April 2002 its desire for improved relations, a sentiment also conveyed to US Secretary of State, Colin Powell.[28] Relations continued to be fairly low-key, however, although functional cooperation in economics, business and defence continued.

September 11 and the upsurge in Malaysia-US relations

The September 11 attacks on the US, however, marked a crucial turning point in US-Malaysia relations, and took them to new heights. Mahathir had not only unequivocally condemned the attacks, which the US appreciated, but Washington was also aware of the

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[23] The Resolution is available at www.freeanwar.net/news/hres658ih.html. (accessed 12 November 2004)
[24] *Straits Times*, 'US legislators want new Anwar trial', 2 November 2000.
[25] Abdullah Ahmad, 'George W Bush for US President', *New Straits Times*, 7 November 2000.
[26] Ministry of Foreign Affairs, Press Release, 9 January 2001 (www.kln.gov.my/KLN/press.nsf).
[27] See Dueck (2004: 523) on the incoming Administration's realist approach to foreign policy.
[28] Abdullah Ahmad, 'Malaysia-US Relations: Improving or Not?', *NST*, 9 April 2001.

Malaysian government's strong actions against suspected Islamic militants, seen in the arrest of 12 alleged members of the Islamist group, KMM (*Kumpulan Mujahideen Malaysia,* later termed *Kumpulan Militan Malaysia*) even before September 11. This group was arrested on suspicion of plotting to overthrow the government by armed means and create an Islamic state (Mak, 2004a: 149-50). Malaysia's arrests of alleged militants were, in fact, conducted in a series beginning in August 2000 against the group, *Al Maunah*,[29] who allegedly stole weapons from military depots in order to topple the government, and a year later, by the arrests of the alleged KMM members, both using the ISA. These detentions had led to domestic and foreign accusations that the arrests were politically motivated, especially since among those arrested were members of the Muslim opposition that had made political inroads in a number of key Malay constituencies at the expense of UMNO in the 1999 general elections. Complicating the issue further were the arrests in April 2001 of political activists working for the opposition on the grounds that these individuals had been accumulating explosives.[30]

September 11, however, proved to be a turning point for the ruling elite. It helped to vindicate Mahathir and his government, especially internationally, with respect to the ISA and of the detentions of suspected militants. Further arrests were made after September 11 of individuals with alleged ties to the regional militant group, *Jemaah Islamiah* (JI). Detentions under the ISA have continued under the Abdullah Badawi Administration, with 15 suspected JI members arrested between November 2003 and January 2004, although many detainees have also been released.[31] Washington has ceased questioning the use of preventive detentions, unlike previously. The upsurge in relations culminated in an official working visit by Mahathir to the US in May 2002. From a country very recently regarded as something of an outcast for introducing capital controls and for its treatment of Anwar Ibrahim, Malaysia became regarded as a 'modern, moderate and prosperous Islamic state' that was an important example to Southeast Asia and the rest of the world, in the words of George W Bush.[32]

While Malaysia's star seemed to be rising in the US, galvanised by 9/11, political analysts warned that Malaysia's warming relations with the US had the potential to undermine the

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[29] See Suhakam (2001).
[30] See the website of Suaram, a human rights NGO in Malaysia (www.suaram.net).
[31] 'A Report Card of the ISA under Prime Minister Abdullah Badawi' issued by Suaram (www.suaram.net).
[32] Quoted in Hardev Kaur, 'Ties with US much better', *NST,* 16 May 2002.

Mahathir government domestically, particularly from segments of the Malay, Muslim population that had 'deep reservations about the role that the US had played internationally and in the Arab-Muslim world in particular'.[33] September 11, however, proved costly to the Islamic opposition in Malaysia, especially when PAS defied the government in declaring a jihad against the US following the attack on Afghanistan and gave its members permission to fight alongside the Taliban forces. This led to condemnation of PAS by other opposition figures and by the Malaysian public, Malays included. September 11, thus proved a turning point not only in Malaysia-US relations, it also enhanced the domestic fortunes of Mahathir and UMNO that had suffered due to the financial crisis and the Anwar Ibrahim affair.

Divergent paths: neo-conservative ideology, the Iraqi invasion and pre-emption

Despite the warm relations between Malaysia and the US, Malaysia's position on terrorism was at odds with that of the Bush Administration. The Malaysian government took the view that the key to addressing the global terrorist threat posed by Al-Qaeda was to work towards resolving the Israel-Palestine issue, which contributes to the 'bitterness and anger' of Muslims that Al-Qaeda exploits.[34] Moreover, Mahathir defined terrorism as acts of violence consciously committed against civilians by any actor, including states, which thus required firm US condemnation of *both* Palestinian suicide bombers targeting Israeli civilians and Israeli security forces targeting Palestinian civilians.[35] It was the Bush response to Iraq, however, that sent relations back into a downward spiral.

For the post-September 11 Bush Administration, a 'realist' grand strategy was gradually exchanged for one based on a neo-conservative inspired ideology of 'American primacy' with two new controversial themes, namely 'regime change' and 'pre-emption' (Dueck, 2004: 527-34). For the neo-conservatives, September 11 provided a window of opportunity to introduce their political ideas into American policy, namely the worldwide promotion of democracy, including by force, if necessary, in order to make the world safer for Americans. Moreover, unilateral, pre-emptive attacks were part of the new US security strategy aimed at 'rogue' states harbouring or sponsoring terrorists and to prevent weapons of mass destruction

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[33] According to Malaysian political commentator, Farish Noor, writing in the online newspaper, *Malaysiakini*, 2 November 2002 (www.malaysiakini.com).
[34] Mahathir Mohamad, 'Speech to the Extraordinary Session of the Islamic Conference of Foreign Ministers on Terrorism', Kuala Lumpur, 1 April 2002 (www.pmo.gov.my).
[35] *Ibid.*

(WMDs) from being transferred to terrorists.[36] The invasion of Iraq in March 2003 was justified in precisely such terms.

The Malaysian government was concerned on two counts. First, it saw the Iraq invasion as undermining key norms of international politics, and second, it saw it as a Muslim issue, as an attack on a Muslim society notwithstanding the rhetoric about getting rid of the dictator Saddam Hussein. Thus, by early 2003, tensions between Malaysia and the US had emerged once again over the Iraq invasion. Later, the Prime Minister went on to describe the invasion and the US in very hostile terms,[37] which provoked the US Ambassador to Malaysia, Marie T. Huhtala, to warn that bilateral ties might suffer.[38] Ties were further strained by Mahathir's opening speech to the Tenth Session of the OIC in October 2003 when portions of his speech that dealt with how Muslims could unite to help themselves and defeat their enemies were seen as highly provocative (Simon, 2004a: 69). The critics, however, missed those portions of the speech where Mahathir castigated Muslims for their hasty recourse to violence at every turn.[39] In any case, the speech invited condemnation from the western world, including the Bush Administration (Simon, 2004a: 69).

Malaysia's relationship with the US seemed to be at a very low ebb, worsened by US immigration and visa restrictions which placed Malaysia on a watch list of 26 predominantly Muslim countries targeted for stringent immigration scrutiny. This led to a growing impression in Malaysia that the US was waging a war on Islam and Muslims (Simon, 2002: 29). The Iraq invasion reinforced these perceptions. Limaye (2004: 80) notes that 'unfortunate wording used at times by the administration' gave credence to the perception that the US was 'casting the struggle against terrorism as a struggle against Islam'. Malaysia also regarded the strategy of 'pre-emption' to be highly threatening to its sovereignty, because that meant the US might be tempted to intervene in any way it saw fit if the Malaysian government was seen to be incapable of acting against terrorists and other actors who threaten US security.

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[36] President Bush, 'State of the Union Address', 29 January 2002 (www.whitehouse.gov/news/releases.2002/01/20020129-11.html).
[37] *Associated Press*, 'Malaysia-US relations: smiles over anti-terrorism have turned into barbs over Iraq', 31 May 2003; and *Far Eastern Economic Review*, 'What do you think of America now?', 13 April 2003.
[38] Marie T. Huhtala, 'Address to the ASLI Strategic Issues Forum', Asian Strategy and Leadership Institute, Kuala Lumpur, 23 May 2003.
[39] Mahathir Mohamad, 'Speech to the Opening of the Tenth Session of the Islamic Summit Conference', Putrajaya, Malaysia, 16 October, 2003. (www.pmo.gov.my).

This concern became very real in April 2004 when US Pacific Command Chief, Admiral Thomas Fargo remarked without prior consultation that US marines and special forces would patrol the Straits of Malacca to reduce the threat of maritime terrorism (Mak, 2004b). The US proposal for patrols in the Malacca Straits was part of its Regional Maritime Security Initiative (RMSI) aimed at addressing terrorist threats in the region. The Malaysian authorities emphatically rejected the suggestion for US patrols in the Straits (Mak, 2004b). The US later claimed the Admiral had been misquoted. The US, however, appears to have drawn back on this issue, at least for the present, although Washington continues to regard the RMSI as a vital tool in fighting regional maritime terrorism. In a visit to Malaysia in June 2004, Admiral Fargo emphasised that US involvement in the Straits would only take place in consultation with the littoral states, Malaysia included, and would be confined to financial and technical assistance and intelligence sharing (Baker, 2004: 76). A month earlier, Assistant US Secretary of State for East Asia and the Pacific, James Kelly had emphasised that Indonesia and Malaysia were more than capable of safeguarding the Straits (Baker, 2004: 75).

A similar accommodative stance was taken towards Malaysia when the US discovered that a Malaysian firm, Scomi Precision Engineering, had manufactured and shipped high-quality centrifuge components destined for Libya. Senior US Administration officials initially rejected the claims by Scomi officials and the Malaysian government that they were in the dark about the final use of the centrifuge components, with Bush even citing the Malaysian link when he described the clandestine nuclear network of Pakistani scientist Dr A.Q. Khan in a February speech to the US National Defence University (Simon, 2004b: 60). The Malaysian government protested the allegations, claiming Malaysia was unfairly accused because it was a Muslim country. Soon after, US Undersecretary of State, John Bolton absolved Malaysia of any official involvement in Khan's 'rogue' nuclear network, although the government has refused to further tighten export controls and accede to the Proliferation Security Initiative (Simon, 2004b: 60-6). The interesting point about these two episodes is the apparent shift by Washington from its initial position on these matters. Why would the US shift its position on two issues that it regards as vital to its national security in a post-9/11 world – maritime terrorism and non-proliferation?

Malaysia – an exemplar Muslim nation and valued US 'ally'?

The most plausible answer is that Malaysia, despite being a thorn in the side of the US, is valuable in Washington's fight against terrorism, irrespective of whether Mahathir or Abdullah Badawi is at the helm. First, Malaysia is an economically successful moderate Muslim majority country with democratic credentials, rising living standards and a government that 'harshly suppresses terrorists', which is exactly what the US wishes to see in other Muslim countries (Simon, 2004a: 72). In congratulating Abdullah Badawi on assuming the premiership in November 2003, Bush again referred to Malaysia as a moderate Muslim state that 'sets an important example for the region and the world', exactly the words used to describe Malaysia at his meeting with Mahathir in 2002.[40]

More importantly, however, Malaysia has cooperated extremely closely, if quietly, with the US on anti-terrorism activities. The arrests of suspected Islamic militants and JI members attest to this partnership, and include the May 2004 arrest of the central figure in the Khan nuclear network, B.S.A. Tahir under the ISA. Malaysia had also agreed to a US suggestion in 2002 to host a regional counter-terrorism centre in Kuala Lumpur to be run jointly by the US and Malaysia. Although the Southeast Asia Regional Centre for Counter-Terrorism that was finally launched on 1 July 2003 was placed under the purview of the Malaysian Foreign Ministry, and its mission explicitly excludes it from functioning as an operations or intelligence agency, the Centre nonetheless works closely with foreign security agencies in a range of activities, including information exchange.[41] A number of its programmes have been organised with US collaboration.[42]

James Kelly affirmed the value of Malaysia's cooperation on terrorism at a June 2004 Senate hearing on US policy in East Asia and the Pacific.[43] Kelly also acknowledged Malaysia's role in helping the Philippine government negotiate a peace deal with Muslim separatists in southern Philippines, which 'will cut back the Jemaah Islamiyah … and the Abu Sayyaf …

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[40] *New Sunday Times*, 'Malaysia welcomes Bush's message', 9 November 2003.

[41] Syed Hamid Albar, 'Speech at the official launching of the Southeast Asia Regional Centre for Counter-Terrorism', Putrajaya, Malaysia, 1 July 2003. [www.domino.kln.gov.my].

[42] Syed Hamid Albar, 'Statement presented to the Regional Ministerial Meeting on Counter-Terrorism, Bali, Indonesia, 4 February 2004. Available at the website of the Australian Department of Foreign Affairs and Trade, [www.dfat.gov.au/icat/2004_conference/yb_menteri_luar_negeri.html].

[43] Response by James Kelly, US Assistant Secretary of State for East Asia and the Pacific, at the 2 June 2004 hearing before the Subcommittee on Asia and the Pacific under the House International Relations Committee. See the official transcript of the hearing, 'US Policy in East Asia and the Pacific' (Serial No. 108-124), p. 21, available at www.house.gov/international_relations).

[and] has been a very helpful act'. Kelly also assured the hearing that Malaysia's strong opposition to the Iraq War had not prevented the Malaysian government from cooperating actively with the US on a variety of efforts, even under Mahathir's premiership. He further noted that while cooperation continues under the new Malaysian leadership, Malaysia remains 'a respectful critic' under Abdullah Badawi.[44] In fact, Paul Wolfowitz, US Deputy Defence Secretary acknowledged the high value of such cooperation in 2003, at a time when relations were extremely tense (Limaye, 2004: 82).

Notwithstanding the active cooperation with the US on terrorism, the Malaysian government also sought to develop stronger coalitions, particularly in the Muslim world, to challenge US actions in the Middle East. It tried to do this through the OIC, whose chair Malaysia would assume for three years from October 2003. The government also intended revitalising the OIC through major reform of the 57-member grouping to make it more effective in championing the Muslim agenda and to prevent its marginalisation in important decisions affecting the Muslim world.[45] However, the Malaysian stand on a number of key issues was not adopted by the organisation. In particular, the government's very strong position that the Iraqi Governing Council (GC) would not attend the Tenth OIC Summit to be hosted by Malaysia in October 2003 as the official Iraqi representative was rejected.[46] Arab League members who had recently accepted the Iraqi GC into the League clearly did not share Malaysia's position that inviting the interim Iraqi government to the OIC Summit, as it would be tantamount to legitimising the US occupation.[47] Clearly, any attempt by Malaysia to develop a Muslim coalition against the US, even a discursive coalition, was proving to be a difficult task. This is not surprising, given the geo-political realities in the Middle East where the US maintains both military operation centres in a number of Middle-Eastern states and close ties with many Arab governments.

5. Malaysia and the US: Functional Cooperation Continues Unimpeded

Despite the quite rancorous criticisms levelled against Washington, and its opposition to key US initiatives, the Malaysian government has continued to maintain active defence ties with

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[44] *Ibid.*

[45] *Bernama* (Malaysian National News Network), 'Malaysia aims to revitalise the OIC', 5 October 2003. See also Mahathir Mohamad, 'Speech to the Extraordinary Islamic Summit Session of the Organisation of Islamic Conference', Doha, Qatar, 3 March 2003. (www.pmo.gov.my).

[46] *Bernama*, 'Iraq seat to be left vacant at OIC Summit – Syed Albar', 11 September 2003.

[47] *NST*, 'Iraq's seat at OIC summit to remain vacant', 12 September 2003.

the US as well as robust economic and business links under both the Mahathir and the present Abdullah Badawi Administrations. This reflects pragmatism on the part of both parties. For Malaysia, the US is a highly valuable export market and a source of FDI and high technology, key sources of growth for the Malaysian economy and a means to achieve its goal of reaching developed country status. As highlighted in Section 2, securing access to key sources of growth is a constant preoccupation of Malaysia's leaders, given also the crucial role of economic growth in legitimating the government, ensuring political stability and maintaining the Malaysian political order. Concerted efforts by the government to diversify Malaysia's economic relations, especially with its Northeast Asian neighbours and the developing South has not altered the continued dominant role of the US in Malaysia's economy.

The US has remained among the top three export markets for Malaysia, receiving close to a fifth of Malaysia's exports, with the trade balance consistently in Malaysia's favour since 1992.[48] During the 1990s, the US was the fourth largest investor in Malaysia, moving to top spot in 1999-2000 and sharing top position with Japan since 2001. The US is also an important site for *Malaysian* investors going abroad, becoming the largest host economy in 2000-1 (Tham, 2004: 38-44). Moreover, American corporate figures and scientists play a key advisory role in Mahathir's flagship project, the Multimedia Super-Corridor (MSC) that is aimed at building an advanced information technology hub in the country.[49] The Malaysian government also maintains a close consultative relationship with US business organisations, particularly the US-ASEAN Business Council. For the US, the economic/business relationship with Malaysia is significant, with Malaysia currently the tenth largest trading partner of the US, up from twelfth position, with 200,000 export-related jobs created from trade with Malaysia.[50] That the US-ASEAN Business Council lobbied the US government to conclude a trade and investment framework agreement (TIFA) with Malaysia as a precursor to a US-Malaysia free trade agreement attests to the value placed by the American business community on economic relations with Malaysia.[51]

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[48] Data obtained from the Malaysian External Trade Development Corporation (www.matrade.gov.my/economy-trade/bilateral-archives/usa.htm).
[49] See the list of members of the International Advisory Panel for the MSC at www.msc.com.my/msc/iap.asp.
[50] Ambassador Designate to Malaysia, Christopher LaFleur, 'Statement submitted to the US Senate Committee on Foreign Relations', 10 September 2004. (http://usembassymalaysia.org.my/wf/wf0910_ambLaFleur.htm).
[51] *Bernama*, 'US-M'sia trade ties vital and right on track, says US-ASEAN trade chief', 15 April 2003.

In fact, Malaysia and the US successfully concluded their initial negotiations on the TIFA during the period when relations were at their worst, in mid-2003.[52] Interestingly, initial negotiations for the TIFA took place under the Mahathir Administration, although the TIFA itself was formally signed during Abdullah Badawi's official visit to the US in May 2004. With Malaysia on board, the US now has either framework agreements (Brunei, Indonesia, Malaysia, the Philippines, Thailand) or full-fledged free trade agreements (Singapore) with the six original ASEAN member states. These achievements represent a significant step forward in bringing to fruition President Bush's Enterprise for ASEAN Initiative announced in October 2002 that aims for free trade agreements with individual ASEAN states. For the US, the TIFAs help anchor the US economically in a region that is being actively courted by China. An additional notable detail is that despite the importance accorded to government procurement in Washington's TIFAs with other countries, the US has agreed to exclude this issue area from the Malaysian TIFA, another instance of Washington's accommodation to Malaysian interests.[53] Because government procurement is an important instrument to achieve Malay equity goals, the Malaysian government consistently rejects its inclusion in any international trade agreement, including at the WTO.

Aside from economics, which one can argue is driven by market forces, the two countries also maintain extensive cooperation in defence, despite the fact that Malaysian defence planning since 1986 has been based on a 'no external threat' scenario.[54] Nevertheless, defence planning was based on a 'contingency' scenario, which made defence cooperation with the US (and Australia) valuable to buttress the capabilities of the Malaysian Armed Forces and to ensure it kept abreast of new technologies and doctrines relevant to Malaysian needs. Despite not being a formal defence ally of the US, defence cooperation takes place through the US Foreign Military Sales (FMS) credit programme, the International Military Education Training (IMET) programme, bilateral military training exercises, access for US naval vessels to the Lumut naval dockyard in Malaysia for repair and maintenance, US military ship visits (more than 75 since 2002) and US military overflights in Malaysian airspace (with permission, and averaging over 1,000 annually, increased since 9/11), training for US Navy SEALs in Malaysia (bi-annually) and military equipment purchases. Thus far,

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[52] *Bernama*, 'KL and Washington's negotiations on TIFA going well', 17 July 2003.
[53] *US-ASEAN Business Council*, 'The US-Malaysia TIFA'. Document available at (www.us-asean.org/Malaysia/TIFA.doc); accessed 17 November 2004.
[54] See Mak (2004a) for a comprehensive discussion of Malaysia-US defence ties.

Washington has not turned down any Malaysian request for weapons purchases, while the US has excellent access to Malaysian intelligence (Mak, 2004a: 148).

The extent of Malaysia-US defence cooperation led Malaysia's Defence Minister (currently the Deputy Prime Minister) to describe the relationship as 'an unsung story' and 'a special relationship', one that has been sustained since the 1970s.[55] Malaysia's defence relationship with the US was, in fact, upgraded and institutionalised during the Mahathir Administration, through the 1984 Bilateral Training and Consultative Group (BITACG) agreement. Since September 11, this relationship has strengthened. For the US, Malaysia forms a crucial link in Washington's web of bilateral defence relationships in East Asia as well as in America's anti-narcotics operations in Southeast Asia, in addition to the Malaysian government's role in helping Washington in its fight against terrorism. For the Malaysian government, US cooperation in these areas is valued for its role in enhancing Malaysian capabilities in defence, security and policing.

6. Conclusion

The Malaysian government's responses to the US can be summed up in the phrase, 'rejecting dominance, embracing engagement', evident during both the Clinton and the Bush Administrations. Although the relationship between Malaysia and the US is clearly one between unequal states given the unrivalled structural power of the US, the Malaysian government does not accept a subordinate position to the US, and has stood its ground especially when Malaysian national interests were threatened. The US, on its part, has also accommodated itself to Malaysia's positions on a number of occasions, particularly since September 11, reflecting Malaysia's rather valuable role in Washington's fight against terrorism.

There is certainly disquiet on the part of Malaysia over unrivalled US hegemony, and the purposes to which its preponderant power is put (or not), particularly in the global and regional arenas. The Malaysian government's embrace of East Asian regionalism, and its now close relations with China, may be seen as an attempt not only to link more closely with

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[55] Najib Tun Razak, Lecture to the Heritage Foundation – Centre for Strategic and International Studies, USA, 3 May 2002.

a prosperous East Asian region and especially a booming Chinese economy and to reduce Malaysia's dependence on the US market, but perhaps to even re-calibrate hegemonic structures in the region. However, this is not to suggest some form of crude balance of power politics on the part of Malaysia, which is a firm exponent of strategic non-alignment. The Malaysian government has consistently maintained an 'independent and non-aligned', or equidistant, foreign policy that enables the government to exercise 'flexibility in safeguarding the national interest'.[56] This also accounts for the dualism in Malaysia-US relations. The Malaysian government has attempted to develop counter-hegemonic discourses and like-minded coalitions to challenge US initiatives that either directly threatened the country or that the government felt were counter-productive to regional, global and/or Muslim interests, though with differing degrees of success. The government, nevertheless, has maintained close cooperation with the US in a range of endeavours, including economics, defence and security, and transnational crime. Both parties draw benefits from these efforts. The pragmatic engagement between the two countries will, therefore, continue during the second Bush Administration.

However, both the Malaysian government and the opposition hope for a more consultative US over the next four years, and especially to move away from policies of 'regime change' and 'pre-emption'. Prime Minister Abdullah Badawi has called on the US to listen to and work with other leaders and organizations such as the NAM, the OIC and the UN, especially on matters involving Iraq and Palestine.[57] Whatever the global policy posture of the second Bush term, the Malaysian government will continue to reject US initiatives and actions that directly threaten the national interest. With Malaysia a key player in the fight against terrorism in the Southeast Asian theatre, the US may not be too inclined to alienate Malaysia in this regard, especially since the 'war' against terrorism has become Washington's primary security concern.

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[56] Abdullah Badawi, 'Speech to the Conference of Malaysian Heads of Missions', Putrajaya, Malaysia, 5 July 2004. (www.pmo.gov.my).
[57] *Berita Harian*, 'Dengar kata NAM, OIC (Listen to NAM, OIC)', 4 November 2004.

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