

THE ETHNIC CHINESE VARIABLE IN DOMESTIC AND FOREIGN POLICIES IN
MALAYSIA AND INDONESIA

by

Lauren Carter

B.A., University of British Columbia

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APPROVAL

Name: Lauren Louise Carter

Degree: Master of Arts

Title of Thesis: The Ethnic Chinese Variable in Domestic and Foreign Policies in
Malaysia and Indonesia

Examining Committee:

Chair: Dr. Michael Howlett

Dr. Peggy L. Meyer
Senior Supervisor

Dr. Tsuyoshi Kawasaki

Dr. Jan W. Walls

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ABSTRACT

This thesis examines domestic politics as a major variable in relations between developing countries. Specifically, it will analyse the role played by the ethnic Chinese in Southeast Asia in both the national politics of Malaysia and Indonesia and in relations between these countries and the People's Republic of China.

The disproportionate economic strength of the ethnic Chinese in Southeast Asia has resulted in political and social repression. The local governments need their financial support, but mistrust their loyalties and commitment, perceiving them as agents for Chinese hegemony. Changing relations with the PRC have a major impact on the domestic social, economic, and political environments.

The PRC has presented itself as the patron and sponsor of the overseas Chinese and has shown itself willing to intervene in the internal affairs of other states to protect their compatriots. The overseas Chinese play a role as an instrument of foreign policy for the government in Beijing. Beijing draws upon their financial resources to assist in the economic development of China.

Paradoxically, where the governments in Southeast Asia view the ethnic Chinese as an obstacle to better relations with the PRC, the Chinese government sees them as a potential asset in state-to-state relations. This is currently an irresolvable dilemma, ensuring the ethnic Chinese presence will remain a central factor in both domestic and international relations for some time to come.

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CHAPTER ONE: INTRODUCTION

The ethnic Chinese population of Malaysia and Indonesia occupies an interesting niche in the international arena, for this relatively small group is representative of the constant interplay between national and international politics.¹ In addition to being a constant source of domestic friction, they also constitute a critical factor in relations between their adopted countries of residence and the People's Republic of China. The analysis of the role of this group and their effect on both internal and external politics highlights the reciprocal nature of domestic and foreign policies.

In Southeast Asia, the resident Chinese population makes up roughly five percent of the regional total, but together they reputedly control over 60% of local industry, trade, and commerce.² This economic dominance has made them the target of indigenous nationalistic envy, in the form of continued social and political repression. Both the Malaysian and Indonesian governments have enacted laws to curb the economic power of the ethnic Chinese and to advance the interests of the indigenous populations, while at the same time attempting to tightly control relations with the PRC. Foreign policies are used to augment and reinforce domestic policies. This thesis will examine the internal and external determinants of ethnic Chinese policies and how these policies then affect relations with China. For Malaysia and Indonesia, the ethnic Chinese problem and relations with China are two sides of the same coin, and both

¹ The term 'Chinese' refers strictly to ethnic origin, not nationality. Many of the Southeast Asian Chinese are locally born, with their residence abroad dating back several generations. The nationality question is a separate issue entirely and will be dealt with in detail in Chapter 3.

² For a country by country 'guesstimation' on percentages of ethnic Chinese ownership in different sectors, see "The Chinese Abroad, Rich not Red," *The Economist*, April 28, 1984, 80; "The Overseas Chinese - A Driving Force," *The Economist*, July 18, 1992, 21; and James Mackie, "Changing Patterns of Chinese Big Business in Southeast Asia," *Southeast Asian Capitalists*, Ruth McVey, ed. (Ithaca, N.Y.: Cornell Univ. Press, 1992).

have wide ranging implications: for economics, ideology, politics, societal relations, and national security.

Concurrently, ever since the dawn of Republican China in 1911, successive Chinese governments have appealed to the Chinese abroad for political and financial support. This has meant that the ethnic Chinese are suspected of having dual loyalties, despite having resided in Southeast Asia for generations. The overseas Chinese are seen as pawns to be used by Beijing. In the past, the ethnic Chinese were potentially the vanguard for Chinese communism and a subversive force for internal destabilization. And now, with China's entry into the global marketplace and its concurrent economic expansion, the ethnic Chinese 'problem' has once again surfaced, for the overseas Chinese are now a possible conduit for the economic and political hegemony of the PRC.³ The PRC is perceived as a powerful patron and sponsor of the overseas Chinese, potentially ready and able to intervene in the domestic affairs of other nations to protect their kinfolk. Other economically powerful ethnic minorities exist in other parts of the world, but without the ongoing connections to and the perceived protection of their state of origin. For the governments of Southeast Asia, changing relations with the PRC can have a major impact on their respective domestic social, economic, and political situations. For them, domestic affairs must be considered before and over relations with the People's Republic of China, the regional powerhouse.

³ The author of this thesis does not wish to appear to be making a value judgment by use of the word 'problem' in conjunction with the existence of an overseas Chinese community within Southeast Asia. However this is how the issue is referred to by a number of authors, beginning with the Indonesian government. See Leo Suryadinata, "Appendix 6: Text of the Instruction of the Cabinet Presidium No. 37/U/IN/6/1967 concerning The Basic Policy for the Solution of the Chinese Problem," in China and the ASEAN States: the Ethnic Chinese Dimension, (Singapore: Univ. of Singapore Press, 1985) 173 - 177. Wang Gungwu refers to Indonesia as "... the largest country in the world with a Chinese 'problem,'" in Community and Nation: China, Southeast Asia, and Australia. (St. Leonards, Aust.: Allen & Unwin, 1992) 287. See also Pan Yi Ning. "The Development of China-Malaysian Relations By the Year 2000: The Chinese Dimension." China Asean Relations: Political, Economic and Ethnic Dimensions Theresa C. Carino, ed. (Manila, De La Salle Univ. 1991). p. 127; and Rodney Tasker's article, "The roots of the problem" Far Eastern Economic Review, (May 5, 1983) 21-24.

The People's Republic of China looms over Southeast Asia. Its immense size in both population and territory, its military strength, and its mushrooming economy all present amorphous threats to the small and medium-sized countries of Southeast Asia. The PRC historically views Southeast Asia as being within its sphere of influence, and often plays an active role in influencing events in the region. And despite its protestations of having severed any ties with the overseas Chinese, the Chinese government regularly draws on their resources and expertise, and taps into their capital and investment networks. Now more than ever, the overseas Chinese business community is being deliberately courted by the government in Beijing as a source of capital, skills, technology, and entrepreneurial expertise.

China's recent economic successes and the involvement of overseas Chinese have once again brought the issue of local economic dominance by the overseas Chinese to the forefront. It is feared that the ethnic Chinese, with their cultural and linguistic advantages, will benefit disproportionately over the indigenous business people in any economic transactions with China. In addition, China is in direct competition with the developing economies of Southeast Asia for the investment dollars of the overseas Chinese. Many of the governments of Southeast Asia want the benefits of expanded economic links with China, but have difficulty balancing these against domestic political needs. Ironically, where China views the overseas Chinese as a potential asset in state-to-state relations, as they could be used to bring together the different economies, the countries of Southeast Asia see the ethnic Chinese as an obstacle to better relations, fearing their utilization as a force for Chinese hegemony.

China's persistent contact with the overseas Chinese is seen as undermining local attempts at nation building and slowing internal assimilation.⁴

These developing states have authoritarian-style regimes, without the trappings of pluralistic democracies. Lobbyists are not permitted and what interest groups that do survive operate only with the approbation of the government, within carefully proscribed confines. But this does not preclude the existence of a variety of competing interests. As well, national objectives of the less developed countries and perceptions of their role in the global order differs from those of the industrialized states. In the south, security concerns and territorial integrity can often be explicit, constant concerns. Threat perceptions can come from within, arising from disenfranchised minority groups, as well as from external sources. Negotiators often try to insulate sources of domestic unrest to prevent them from becoming international issues. The political elites in Southeast Asia try to prevent the PRC from exploiting situations of communal friction between indigenous populations and the ethnic Chinese populations.

There are ethnic Chinese communities in all of the countries of Southeast Asia. And the existence of a non-indigenous, economically powerful, visible minority has had both national and international ramifications for many of the national governments of the region. However, the degree to which a recognizable Chinese 'problem' exists varies greatly by country. Some of the factors which help determine the degree of the 'problem' include: the actual size of the ethnic Chinese population, both as a whole and as a proportion of the indigenous population; the colonial legacy which in turn can influence the degree of assimilation/acclturation; the level of acceptance by the

⁴ Chang Pao-min "China and Southeast Asia: The Problem of a Perceptual Gap," Contemporary Southeast Asia, Vol. 9, No. 3 (Dec., 1987) 191.

indigenous population and that of the national government; and the existence of communal discord and repressive government policies.

These factors are not mutually exclusive. Nor are they the only determinants. One factor can in turn influence other factors. For example, the oppressive policies of the Vietnamese army and the Khmer Rouge led to the exodus of large numbers of Sino-Vietnamese and Sino-Cambodians during the late 1970s. Those that remained had their economic livelihoods severely reduced. In Vietnam, Cambodia, Burma, and Laos, the Chinese now make up less than 2% of the population. (For the population figures for all of the countries of Southeast Asia, see Appendix I.) The ethnic Chinese in the Philippines and Thailand appear to be more fully assimilated.⁵ In Singapore, the Chinese are the ruling majority, at 76% of the population. While this situation brings with it its own unique set of problems in foreign affairs, affecting Singapore's relations with its immediate neighbours and with the PRC, the Singaporean government is certainly not troubled by the investments of the local Chinese entrepreneurs nor by their connections to China.⁶ The Singaporeans have had to de-emphasize the ethnicity factor in their relations with China to minimize the "Sinophobia of the neighbours."⁷

⁵ Leo Suryadinata calls them "... culturally indistinguishable from the locals," in Pribumi Indonesians, the Chinese Minority, and China: A Study of Perceptions and Politics. 2nd ed. (Singapore: Heinemann Asia, 1986) 190. However, it is interesting to note that despite the allegedly high level of assimilation in Thailand and the Philippines, business articles on both generally include some reference to those companies which are controlled by ethnic Chinese businessmen. So although culturally assimilated, they still appear to be a distinct, and distinctive, minority, easily identified. For example, see James Mackie; and Louise do Rosario, "Network Capitalism," Far Eastern Economic Review, Dec. 2, 1993, 17; and "The Chinese Abroad - Rich not Red," 80.

⁶ Singapore has always maintained trade and economic relations with China, but publicly announced that it would be the last ASEAN nation to reestablish diplomatic relations with the PRC, "... acting out of respect for Indonesia." John Wong, "An Overview of ASEAN-China Economic Relations." ASEAN-China Economic Relations: Trends and Patterns, Chia Siow-Yue and Cheng Bifan, eds. Singapore: Institute of Southeast Asian Studies, 1986. 8. Singapore was also bound by treaty that it could not recognize China without the prior consent of Kuala Lumpur. Shee Poon Kim, "Singapore's Foreign Policies Towards the People's Republic of China Since 1965," Theresa C. Carino, ed. 102.

⁷ Shee Poon Kim, "Singapore's Foreign Policies Towards the People's Republic of China Since 1965," Theresa C. Carino, ed. 109.

This thesis focuses, in particular, on two countries in Southeast Asia, Malaysia and Indonesia. Of all of the countries of Southeast Asia, Malaysia and Indonesia appear to be the most affected domestically by the presence of a minority Chinese population. It is within these two countries that the ethnic Chinese community has been an ongoing target of communal violence, discriminatory national policies, and other repressive measures. Both governments have also tried to undercut the economic power of this ethnic minority, and to win political support through affirmative action programs favouring the indigenous population. In both states there is also a strong ideological motive. The local communist parties have been troublesome for two reasons: an ethnic Chinese membership and the apparently direct links to the Chinese Communist Party in Beijing. Malaysia and Indonesia have also shared a common hostility towards the PRC, which is exacerbated by the presence of the local Chinese population. In this they have been at odds with their fellow ASEAN partners, especially Thailand and the Philippines, which have both assumed a generally more positive pro-China stance.

Malaysia and Indonesia are respectively a consensual "limited" democracy and a praetorian authoritarian regime, but with many similarities. Political power since independence has been controlled by a small group of elite statesmen. Both countries suffered a political crisis with a strong ethnic element, which triggered a new social, political, and economic order imposed by the political elite within each state. Each government supports the idea of an organic state, with stability and unity prized above all. Consensual decisions are promoted as cultural characteristics of the indigenous group. Both countries are having to contend with rising Islamic fundamentalism and calls for an Islamic state. Both Indonesia and Malaysia have an ethnic Chinese population of just over four million. But it is not so much the size of the population, but their actual percentage of the population that is a major determinant of their role and status in societies. In Malaysia, where they constitute 33.1% of the total, they retain a

strong cultural identity, with limited assimilation into the larger Malay group. Whereas in Indonesia, at 4% of the population, repression has been much greater, as has assimilation. But complete assimilation in both countries is slow due to political, cultural, and religious barriers. Chapter Two will examine the determinants of domestic ethnic Chinese policy in Indonesia and Malaysia, and how this then influenced their foreign policies towards China. Conversely, we will also examine how relations with China affected policies governing the local Chinese.

Chapter Three analyses China's treatment of the Overseas Chinese in Southeast Asia, and their role as an instrument in China's foreign policy formation. For this chapter the focus has been enlarged to include China's overseas Chinese policies and China's relations with all of Southeast Asia. Often events involving another country in the region and China will influence and inspire the policies of Malaysia and Indonesia. Zhou Enlai, Beijing's Foreign Minister in the early 1950s, was one of the originators of the Five Principles of Peaceful Coexistence, the creed by which the non-aligned nations could enjoy harmonious relations with one another. One of these principles is non-interference in the internal affairs of other nations. However, lofty principles do not always survive the test of realpolitik. The government in Beijing either does not understand or simply disregards the domestic politics of its neighbours to the south and the socioeconomic role played by overseas Chinese.

In the past, with the PRC and ASEAN at opposite ends of the ideological spectrum, the overseas Chinese were a convenient foreign policy tool for the bureaucrats in Beijing. Today, with improving regional relations, the role of the overseas Chinese in PRC foreign policy is now more ambiguous. Part of China's expanding presence in the global economy is due to its reliance on its former compatriots as investors and contributors, leading to new areas of friction. China is

trying to promote good relations with the region to the south, but its overseas Chinese policies undermine these intentions.

The Chinese government has officially classified the overseas Chinese into two main sub-groups: a) overseas Chinese living abroad; and b) domestic overseas Chinese living mainly in south China, including dependents of Chinese abroad, overseas Chinese who have returned to live in China, and overseas Chinese students. For the overseas Chinese abroad, their changing status is attributed to both their potential contribution to the economic and technical development of mainland China, and their role in China's evolving foreign policy objectives. The fate of the domestic overseas Chinese has been linked to the major stages of socialist transformation and to different periods of upheaval in PRC history. For the overseas Chinese abroad, their level of involvement and investment in China is directly related to the treatment of the domestic overseas Chinese. Policies governing the treatment of these two groups have intertwined, with the overseas Chinese as a whole impacting both foreign and domestic policies. This chapter will examine the differing factors governing China's changing position on each sub-group, and the effects of their changing status on China's policies towards the host countries of Southeast Asia.

The overseas Chinese population is not the only barrier to improved relations between the PRC and the countries of Southeast Asia. Conflicting territorial claims reaffirm suspicions of China's hegemonic aspirations and other problem areas, such as trade friction and ideology, involve an element of suspected ethnic Chinese solidarity. Chapter Four will review some of these other bilateral and multilateral problems faced by the governments of Malaysia and Indonesia in the formation of their China policy. Areas of common concern also are highlighted, notably their antecedent interactions with the global community, and North-South relations.

The ethnic Chinese are not a homogenous, unified group. They come from many different linguistic and socioeconomic backgrounds. Nor are they uniformly wealthy and powerful. They are not formally or informally organized, and they do not bear any resemblance to the traditional lobbyists or interest groups of the Western democracies. Demographics and government policies have curbed any political power they might wield locally. The small measure of political influence that they do have is not commensurate with their economic strength, and most of this influence occurs through informal and/or illegal channels. Regardless of the degree of assimilation or the number of generations the Chinese have lived in Southeast Asia, they are still regarded as aliens, a visible minority group.

Both the PRC and the states of Southeast Asia view the overseas Chinese with some apprehension. For the PRC, they could be a potential source of alien influence for the citizens within China. For the governments of Southeast Asia, the overseas Chinese could be a possible conduit for PRC interference into domestic affairs. The status of the overseas Chinese with both their host governments and with the PRC has been through many different incarnations. In turn, their presence continues to play a major role in affecting relations between China and the countries of Southeast Asia. The overseas Chinese problem, having recently resurfaced, is not easily resolved.

CHAPTER TWO: THE ETHNIC CHINESE IN MALAYSIA AND INDONESIA AND THEIR IMPACT ON DOMESTIC AND FOREIGN RELATIONS

In Malaysia and Indonesia, the resident ethnic Chinese population is one of the major variables linking domestic and international politics. In both countries, the commercial dominance of the ethnic Chinese collides with indigenous economic nationalism. This, in turn, exacerbates the already uneven relations between Malaysia and the People's Republic of China and between Indonesia and the People's Republic of China, affecting many other issue areas. It is a continuing cycle of action and reaction. The domestic political situation within Malaysia and Indonesia colours their perceptions of and policies toward the PRC. The PRC's policies toward the overseas Chinese fluctuate with its own domestic programs and with its changing geopolitical situation. The PRC government's current overseas Chinese policy influences how the ethnic Chinese are perceived and treated within their countries of residence, affecting domestic political outcomes.

The domestic environment colours the perceptions of the political elite. For the countries of Southeast Asia, relations with China is firstly an internal matter. The primary consideration is the domestic consequences of greater contact with China. How will further interaction be perceived by the indigenous population? Will the military (in Indonesia) allow it? Will it result in greater economic gains for the ethnic Chinese minority, and how can this be tempered? The leaders must continually weigh the costs and benefits of relations with the PRC to domestic politics and economics.

In politics, as in economics, the national and the international spheres are inextricably joined together. Resolving issues in one system often has ramifications for

the other.¹ The result is that domestic policy and foreign policy often become functions of one another. Foreign policy decision makers are required to balance the needs and idiosyncrasies of their individual state's domestic socioeconomic situation against the pressures of the international system. But one of the implications of the ethnic Chinese/China issue is that foreign policy is often determined by the domestic events, rather than as a reaction to external events. Foreign policy is used to augment and strengthen domestic policies. This chapter shall examine how suspicions of the PRC and indigenous resentment of the local Chinese have been translated into foreign and domestic policies with similar ends, and how these policies affected and were affected by relations with the PRC.

THE COLONIAL LEGACY

In both Indonesia and Malaysia, it was the colonial experience which institutionalized the ethnic differences and contributed to the dominance of the commercial sector by the Chinese. Historically, the Chinese had traded in Southeast Asia for centuries, but it was not until the 1800s that millions of Chinese labourers flocked to the area, some brought over as coolie labourers, and others attracted by the myriad economic opportunities. Population pressures on available resources in southern China contributed to this migration. Both the Dutch in the Dutch East Indies and the British in Malaya enforced ethnic segregation and stratified, hierarchical societies through occupational specialization based on ethnicity. The indigenous elite were brought into bureaucratic positions, with the remaining masses encouraged to remain in subsistence farming.

¹ James Rosenau was among the first to recognize what he terms 'linkages' between the domestic and international spheres, defining a linkage as "... any recurrent sequence of behaviour that originates in one system and is reacted to in another." James Rosenau, Linkage Politics: Essays on the Convergence of National and International Systems, James Rosenau, ed. (New York: The Free Press, 1969) 45.

The Chinese developed the niche between the colonial exporters and the indigenous farmers.² The Chinese were not allowed to purchase land, as they were needed for the tin mines of the Malay peninsula and the plantations of Sumatra. In Malaya, the migrant Chinese workers were restricted to a narrow range of occupations: tin mining, rubber production, marketing, and retailing. In the Dutch East Indies, the Chinese were further segregated through restricted residential areas and a pass system limiting travel outside of these areas. The Chinese had capital, but could not invest in land. The indigenous farmers had new opportunities opening up in rubber and pepper, but no capital. The Chinese traders extended credit to the farmers, bought their product, set up processing plants, and sold the finished goods to the large colonial trading houses. With their urban base and clan ties, the Chinese were ideally positioned to take advantage of this situation, establishing guilds and associations, giving them access to markets, information, capital, and credit, and greatly facilitating trade activities. This comprador position was legally sanctioned and encouraged by the colonial powers.³

These early patterns have persisted well beyond independence. The majority of the indigenous population still is concentrated in the rural agricultural sector, and the Chinese population in the predominantly urban commercial and industrial sectors. As many scholars have noted, the lower status of the indigenous society prevented earlier Chinese assimilation.⁴ And upward social mobility was unlikely given the closed

² W.F. Wertheim refers to this as the "colonial caste structure." Quoted in Richard Robison, "Industrialization and the Economic and Political Development of Capital: Indonesia," Southeast Asian Capitalists, Ruth McVey, ed. (Ithaca: Cornell Univ., 1992) 163.

³ Hugh and Ping-Ching Mabbett, "The Chinese Community in Indonesia," The Chinese In Indonesia, The Philippines, and Malaysia, (London: Minority Rights Group, 1972) 4.

⁴ For example see G. William Skinner, "Change and Persistence in Chinese Culture Overseas: A Comparison of Thailand and Java," Journal of the South Seas Society, Vol. XVI (1960) 86-100; and Douglas Raybeck, "Chinese Patterns of Adaptation in Southeast Asia," The Chinese in Southeast Asia, L.A. Peter Gosling and Linda Y.C. Lim, eds. (Singapore: Maruzen Asia, 1983). Skinner identifies other factors affecting early assimilation: ethnic confidence or cultural vigour, official government policies of the colonial governments, in-group/out-group identification, and religion. 88-94.

nature of the European societies. So the Chinese have remained a distinct group; occupationally, geographically, and socially separate.

MALAYSIA, DOMESTIC POLICIES, AND THE PRC

Early relations between Malaysia and the PRC were non-existent, plagued by the presence of the Malayan Communist Party. Because MCP membership was almost entirely ethnic Chinese, and because the party itself was modeled on the Chinese Communist Party, authorities in Malaya automatically assumed that there was a close relationship between the MCP and the CCP in Beijing. It was felt that Beijing was probably controlling operations, if not directly financing them. (Later proof of PRC complicity was the Voice of Malayan Revolution radio being broadcast out of South China).⁵ This meant that if the MCP ever successfully came to power, the PRC would control Malaya, and have a beachhead in Southeast Asia from which to expand.⁶ It was also further suspected that the local Chinese population were being used as a conduit, channeling funds and supplies to the MCP, either on their own or with the encouragement of Beijing. Perceptions were further fueled by the American media, who also accused the ethnic Chinese in Southeast Asia of being a 'fifth column' for Chinese communism. The insurgents spent 40 years hiding in the jungle, promoting the violent overthrow of the legitimate regime, and waging guerrilla-style warfare on the population. Their protracted struggle contributed to feelings of ill will towards and mistrust of the ethnic Chinese population at large. As long as this problem persisted internally, Kuala Lumpur would never respond to overtures from the country believed responsible for this problem.

⁵ The VOMR operated from 1969 to 1981, when it was replaced by the Voice of Malayan Democracy, which was, according to Zainuddin A. Bahari, "... an equally offensive station." in "Malaysian-China Bilateral Relations," ASEAN and China: An Evolving Relationship, Joyce Kallgren, Noordin Sopiee, and Soedjati Djwandono, eds. (Berkeley: Univ. of Cal. Press, 1988) 242. The actual degree of involvement of the CCP shall be discussed in detail in Chapter Three, under the sub-heading, 'Party-to-Party Relations.'

⁶ C.P. Fitzgerald, The Third China, The Chinese Communities in Southeast Asia, (Vancouver: UBC Press, 1965) 66.

In 1957 Malaya acquired its independence from Britain in a peaceful transition, but also inherited a decade old problem in this small band of revolutionaries. The MCP had its roots in the international movements of the 1920s, combining socialist zeal and anti-colonial nationalism. Its founders were young, urban intellectuals, primarily of ethnic Chinese origin. The MCP fought the Japanese during the war, and then in June, 1948, took to the jungle and began an armed struggle against the British.⁷ The British declared a 'State of Emergency,' deporting 35,000 Chinese nationals and relocating another 500,000 Malaysian Chinese into New Villages, in an attempt to sever the supply lines to the MCP.⁸ The Chinese government protested this ill-treatment of innocent people.⁹ The MCP was driven underground and eventually established bases in Southern Thailand. They did not formally surrender until 1989, when an armistice was signed with the Malaysian and Thai governments.

Upon independence, a staunchly anti-communist and anti-PRC Malaya became part of a group of countries in Southeast Asia responsible for the containment of expansionist China. British bases remained in Malaysia up until 1972. Malaysian representatives regularly voted against the PRC in the UN, for example, against its bids for membership, and condemning the PRC for its actions in Tibet in 1959 and India in 1962.¹⁰ Malaysia's anti-PRC stance was motivated by ideology, by geopolitics, and by its own protracted internal struggles against the rebel forces. The PRC actively pursued better relations, offering trade concessions and a nationality agreement, hoping to offset British and American involvement in the region. But any overtures by Beijing were

⁷ Stephen Fitzgerald notes that the timing of the MCP's militancy coincided with the first years of CCP rule in the PRC. China and the Overseas Chinese: A Study of Peking's Changing Policy, 1949-1970, (Cambridge: Cambridge Univ. Press, 1972) 92.

⁸ Bahari 241.

⁹ Stephen Fitzgerald 95.

¹⁰ Bahari 242.

automatically rejected. There was too much at stake internally, and the Malay political elite and the army responsible for containing the insurgents would never have condoned any contact with the PRC. National and regional security were at stake.

It was the changing geopolitical climate of the late 1960s and early 1970s that forced the Malaysian government to relax its stand against the PRC. The British were withdrawing all of its forces from Malaysian territory. The Americans had announced their intentions to quit Vietnam and had established a detente with the PRC. The Malaysian government saw a need to adopt a more neutral foreign policy position, one more accommodating to China, a regional power. Malaysia was the first in the region to officially recognize the PRC in 1974. Nonetheless, Kuala Lumpur carefully controlled and severely limited the terms of the relationship. With direct trade almost nonexistent and people-to-people contacts between the two countries illegal, Malaysia's recognition of the PRC was merely a formality. It is important to note that the issue of the MCP was not tabled at the time of normalization of relations. It was not the insurgency forces that were the obstacle to greater intercourse, but rather the domestic politics within Malaysia.¹¹ For the MCP had been forced over the border into Thailand in the early 1960s, and were now merely a minor irritant to the Malaysian army. Far more important to the Malay political elite was the domestic Chinese population and their effect on the social, political, and economic environment. The evolution of Malaysian-PRC relations would remain closely tied to the Malaysian Chinese 'problem.'

¹¹ Pan Yi Ning, "The Development of China-Malaysian Relations By the Year 2000: The Chinese Dimension," China Asean Relations: Political, Economic and Ethnic Dimensions, Theresa C. Carino, ed. (Manila, De La Salle Univ. 1991) 129.

Malaysia is a country with three distinct ethnic groups, the indigenous Malays (61.9%), the Chinese (29.5%), and the Indians (8.6%),¹² and party politics has always been on ethnic lines. In 1957, a three party coalition, representing the separate ethnic constituencies, was established by the British to lead the country to independence. Within the Alliance, the Malay party, UMNO (United Malay National Organization) was and is the dominant power. The UNMO is guaranteed a majority of the cabinet positions and the Prime Ministership. In addition, the constitution officially recognizes the indigenous Malays as "first among equals," deserving of special consideration.¹³ Ethnic accommodation was the intention of the original agreement among party elite: the indigenous Malays would have political control and cultural dominance and, in exchange, the non-Malays were given favourable citizenship rights and a promise of limited interference in their business affairs.^{14 15}

This agreement came to an abrupt end with the race riots of 1969. Opposition parties (also divided along ethnic lines) campaigned against the accommodating stance of the Alliance during the federal election. Two independent Chinese parties, the Democratic Action Party (DAP) and Gerakan, successfully challenged the UMNO sponsored coalition, winning 21 seats. Demonstrations followed DAP/Gerakan celebrations, culminating in four days of communal rioting in which 200 (mostly Chinese) people died.¹⁶ This ended the democratic experiment in accommodation and

¹² These population percentages are from "Malaysia," Asia 1993 Yearbook, (Hong Kong: Far Eastern Economic Review, 1993) 160. Note there are some discrepancies in the population proportion percentages, which vary with the source.

¹³ The indigenous Malays are referred to as 'Bumiputra' (sons of the soil). Diane K. Mauzy, "Malaysia," Politics in the ASEAN States, Diane K. Mauzy, ed. (Kuala Lumpur: Marican, 1984) 154.

¹⁴ This political dominance is further ensured by skewed electoral districts, heavily weighted in favour of rural (Malay) ridings. Charles Coppell, "The Position of the Chinese in the Philippines, Malaysia and Indonesia," The Chinese In Indonesia, The Philippines, and Malaysia, (London: Minority Rights Group, 1972) 26.

¹⁵ A short-lived union with Singapore was tried from 1963 to 1965, but the Malaysian government asked Singapore to withdraw when it was feared the Chinese majority in Singapore would upset the Malayan demographics, thereby threatening the Malay position. Mauzy 156-160.

¹⁶ Mauzy 161.

prompted the start of an interventionist state. Initially, a state of emergency was declared, and all political rights were suspended.

Malay political elite came to the conclusion that economic dissatisfaction was the underlying cause of the riots and the ongoing communal tensions. Henceforth Malay political power would be utilized to redress the economic imbalance.¹⁷ Change came in three areas: 1) the Constitution was altered so that sensitive inter-ethnic issues such as Malay privileges, the national language, and citizenship requirements could no longer be publicly debated. There was also a concurrent political agenda, to speed assimilation. Bahasa Malaysia was proclaimed the official, and only, language of government and education, and Islam was made the official religion. 2) Within the government, the original three party Alliance coalition was expanded to nine parties, co-opting most of the opposition (including the all Chinese Gerakan). This new coalition was renamed the Barisan Nasional (National Front). And within Barisan, UNMO would play even more of a dominant role, eroding the remaining vestiges of power the MCA (Malaysian Chinese Association) once held. The intention was to reduce politicking, allegedly to concentrate the nation's energies on economic growth without the distraction of threats to political stability. The new consensual style politics would be more reflective of the Malay and Islamic political tradition. Individual rights could no longer be allowed to trample on the rights of society in general. 3) Finally, but most importantly, was the introduction of the New Economic Policy (NEP). Its two purposes were to eradicate poverty by raising incomes and introducing employment opportunities, and to restructure Malaysian society to correct economic imbalances, thereby eliminating any identification between race and occupation. The labour force

¹⁷ Jonathan Rigg and K.S. Jomo both suggest that despite the accommodating postures of the political leaders, ethnic tensions had persisted, especially in light of the growing income inequities. The measures introduced were inevitable, the riots just precipitated their introduction. Jonathan Rigg, Southeast Asia: A Region in Transition: A Thematic Human Geography of the ASEAN Region, (London: Unwin, Hyman, 1991) 116; K.S. Jomo, "Whither Malaysia's New Economic Policy," Pacific Affairs, (Winter, 1991) 469.

composition would now have to reflect the ethnic demographics of society. Finally, by 1990, Malays were to own 30% of share capital.¹⁸ These economic objectives were to be achieved through growth, not redistribution. All of these measures, including the NEP, were presented as being the only way to ensure national stability and to permanently eliminate inter-ethnic tensions.

An immediate result was the loss of a democratic means of expression. The state of emergency was officially lifted in 1971, but many of the restrictions still persist. Opposition parties and interest groups are still allowed, but their autonomy is greatly restricted. Their leaders are regularly imprisoned on sedition charges, mass assemblies are severely restricted, and channels of communication are closely monitored.¹⁹ Elections are no longer openly competitive. The UNMO coalition makes free use of the media, whilst forbidding any opposition rallies. UNMO also uses the brief pre-election period to dispense government largesse, such as grants and projects.²⁰ William Case, in his analysis of Malaysia's semi-democracy believes that grass roots organizations persist as officials see them as a safety valve; and elections are still held to gauge the level of popular discontent.²¹ Elections also bring the government some measure of legitimacy. The coalition continues to assert that it alone is able to contain the ethnic tensions and maintain the stability necessary for growth.

Under the NEP, the government and the bureaucracy entered the economic sector with a vengeance in the early 1970s. According to Dr. Lim Lin Lean, the result has been, "[t]he politicizing of the economic and business decision-making process and

¹⁸ Mauzy 162-3; and Rigg 119.

¹⁹ William Case, "Semi-Democracy in Malaysia: Withstanding the Pressures for Regime Change," *Pacific Affairs*, No. 66. (Summer, 1993) 186. Rigg notes that in 1987, 100 opposition politicians were detained on charges of 'racial agitation.' 130.

²⁰ Case 187.

²¹ *ibid.*

the commercialization of the political and governing process."²² Many analysts, while not critical of the goals of the NEP, find fault with the means. The Malaysian economy went through serious disruptions, and opportunities were lost in the single-minded drive to correct the ethnic imbalances.²³ Malay business associations, government agencies, state run enterprises, and banks have been established to implement the NEP objectives and to assist the burgeoning indigenous entrepreneurs. Favourable credit terms are extended to Malay businesses. They also are given priority in government tenders, subsidies, and mining and logging concessions.²⁴ State run enterprises have sprung up to train and foster a Malay business class. Non-Malay businesses are required to open their boardrooms and their shop floors to Malays. In order to have licenses renewed, hiring quotas and ownership guidelines have to be met.²⁵ Seventy-five to eighty-five percent of all university places and civil service positions are reserved for indigenous Malays, and the actual numbers generally exceed these quotas.

This pro-Malay discrimination in education and employment opportunities has led to visible progress. In the twenty plus years since its inception, a solid Malay middle class has been created, and they are now well represented in professional and managerial positions, and completely dominate the civil service.²⁶ But the bumiputra still are overrepresented in low skill, low paying jobs and underrepresented in the commercial and industrial sectors.²⁷ The goal of 30% share ownership by 1990

²² Dr. Lim Lin Lean, "The Erosion of the Chinese Economic Position," The Future of Malaysian Chinese, Dato' Dr. Ling Liong Sik, et al. (Kuala Lumpur: Malaysian Chinese Association, 1988) 53.

²³ See for example, James Mackie, "Changing Patterns of Chinese Big Business in Southeast Asia," Southeast Asian Capitalists, Ruth McVey, ed. (Ithaca: Cornell Univ. 1992) 171-2; K. S. Jomo, and Jonathan Rigg. Rigg believes the NEP discouraged both foreign investment and Malaysian Chinese capital investment. 125.

²⁴ Nick Seaward, "Balancing the Redress: Malaysia tallies up the costs of the NEP," Far Eastern Economic Review, (Sept. 25, 1986) 77.

²⁵ Rigg 120.

²⁶ However, Rigg and others suggest that the many of the Malay management staff may be mere figureheads, the 'tokenism' required to meet government affirmative action regulations. 124.

²⁷ Datuk Dr. Kamal Smith, "Malaysia: The NEP After 1990," Adjustment and Equity in Malaysia, David Demery and Lionel Demery, eds. (Paris: OECD Publications, 1992) 2.

became the central focus of the NEP, overshadowing some of its other objectives. Government enterprises and associations bought shares on the stock market to hold in trust for the bumiputra. But the 30% target was not reached within the scheduled period (having only attained roughly 18%) and this prompted calls for continuation of the program and its affirmative action policies beyond its expiry in 1990.²⁸

The redistributive goals of the NEP were predicated on continued rapid economic growth.²⁹ During the boom period of the 1970s, NEP targets were continually met. Growth was further accelerated by the OPEC inspired bonanza and the sharp increase in commodity prices during the late 1970s.³⁰ But there was a noticeable easing up on the bumiputra bias during the recessions of the 1980s. Many NEP provisions were suspended, as politicians realized that without continued growth and industrialization, all groups would suffer.³¹ But with the return of economic growth in the late 1980s, the NEP provisions were reintroduced.

As a politically sensitive, high profile topic in public minds, the NEP had to continue in some form after 1990.³² However, the former emphasis on "redistribution (with growth)," is now "growth with redistribution."³³ The NEP has been replaced by the reportedly more pragmatic, less racially sensitive New Development Policy (NDP). Under the NDP, the government plans to be less interventionist and allow freer rein to market forces. Many state enterprises will be privatized. Thirty percent Malay

²⁸ *ibid.*

²⁹ Jomo 480 and Smith 17.

³⁰ Smith 37.

³¹ Rigg 130.

³² The NEP was to be a temporary measure only, not, as Dr. Lim Lin Lean so pointedly says, "... the granting of a birthright or an entitlement in perpetuity to the Malay community." 38.

³³ Jomo 482.

corporate ownership is still an objective; however, it now must be realized by the year 2000.³⁴

How were the Malaysian Chinese affected by these deliberate moves to curb their political and economic power? Their access to political power through normal channels was blocked, as the Malaysian Chinese Association was reduced in stature within the Barisan coalition. From Independence through to the race riots following the 1969 elections, the MCA had been a prominent partner in the UMNO sponsored alliance. As the MCA was considered the party which represented the interests of Chinese businesses, it was given a number of key economic portfolios. Since the changes instigated in 1969, the MCA have held no important portfolios, and reportedly most of the business class has since withdrawn its support from the MCA. None of the three active Chinese political parties represent the Chinese capitalists. Calling them "pariah entrepreneurs," James Mackie identifies the development of direct, if sometimes unofficial, links with prominent Malay politicians. These links include distributing directorships and partnerships in Chinese corporations.³⁵ Partly this was done to comply with NEP regulations, but it was also done out of necessity to establish a channel of communication between business and the decision makers.³⁶ Political connections became essential for survival, forcing these individuals into dependency relationships. Formerly family owned businesses had to open their doors and rely on non-family linkages.

³⁴ Fred R. von der Mehden, "Malaysia in 1991: Economic Growth and Political Consolidation," *Asian Survey*, Vol. XXXII, No. 2 (Feb., 1992) 111.

³⁵ These partnerships are called Ali Baba where the Malay front man (Ali) obtains the license and the contracts and the Chinese entrepreneur (Baba) provides the capital and the know-how.

³⁶ James Mackie 177. Lee Kam Hing suggests that the fastest growing Chinese companies are those that are closely associated with Malay politicians. in "Three Approaches in Peninsular Malaysian Chinese Politics: The MCA, The DAP, and The Gerekan," Government and Politics of Malaysia, Zakaria Haji Ahmad, ed. (Oxford: Oxford Univ. Press, 1987) 91.

To date the Chinese in Malaysia have been unable to unite as a political force behind a single leader. Lucien Pye attributes this to two factors: their Confucian heritage has no contingency for a Chinese minority having to negotiate with a dominant non-Chinese majority. No MCA leader is able to assume a position of supreme authority, as he must compromise with the other coalition members to survive. Without this supreme authority, he is not recognized as the legitimate leader by all of the ethnic Chinese. Secondly, the Malaysian Chinese come from many different social classes and linguistic backgrounds. As a group they are too large and their interests are too diverse to be able to reach consensus decisions.³⁷ With each election they switch their allegiance, from the MCA to the opposition parties and back. The MCA is seen as having betrayed their interests for allowing so much ground to be lost, but the opposition parties are even weaker, excluded from the decision making processes.³⁸ The Chinese political elite have been co-opted into a subordinate, relatively powerless position within the coalition, ensuring their compliance and allowing the ruling coalition to present a facade of unanimity.

The position of the Malaysian Chinese is being eroded not only through the discriminatory policies of the government, but also through changing demographics. Chinese birth rates are lower than those of the Malays and there has also been a marked trend in Malaysian Chinese emigration. It is estimated that by the year 2100, the Chinese proportion of the population could be as low as 13%. It has already eroded from more than 33% at the time of independence to 28% in 1993. In a country where

³⁷ Lucien W. Pye, Asian Power and Politics: The Cultural Dimensions of Authority, (Cambridge, Mass.: Belknap Press, 1985) 250-252.

³⁸ Michael Yeoh Oon Kheng, "The Chinese Political Dilemma," The Future of Malaysian Chinese, (Kuala Lumpur: Malaysian Chinese Association, 1988) 22-23. Note the MCA uses much lower population statistics for the ethnic Chinese representation than the figures used by the Asia Yearbook 1993, or those of the demographic study conducted by Poston and Yu.

resources are allegedly distributed according to proportion of the population, the Malaysian Chinese share of the pie will continue to shrink.³⁹

There is evidence to suggest these discriminatory policies have adversely affected the poor and middle class Chinese, but the wealthy continue to prosper, as they are able to circumvent the restrictions.⁴⁰ Similarly, the affirmative action policies appear to have benefited primarily the Malay elite, where there is a noticeable concentration of wealth and corporate share ownership.⁴¹ The data for intra-ethnic distribution of wealth has not been made available. But there is a perceptible widening of the gulf between the rural and urban sectors and between the rich and the poor.⁴² The position of the poor and middle class indigenes has not proportionately improved. The over-riding goal of the NEP was to eliminate causes of ethnic tensions, but instead of eliminating communal differences, the NEP has institutionalized them.⁴³

As a community, the Chinese are most concerned about the Islamization of Malaysia and higher education for their children. The Chinese would like to see Malaysia as a multicultural, pluralist society - whereas the Malays would like to see assimilation to an all Malay culture.⁴⁴ The Chinese fear the rising force of Islamic fundamentalism. Leaders of PAS, the Islamic party, say that all Malaysians, including non-Muslims, would be subject to Islamic law. The UNMO Party has recently reversed its stance on Islamization to undercut PAS. Initially condemning PAS as extremist,

³⁹ *ibid.* 25.

⁴⁰ Dr. Lean estimates that 10% of the Chinese population is wealthy and the remaining 90% are poor and middle class. One of the goals of the NEP was to eradicate poverty and in 1970 more than 50% of the Malaysian Chinese lived below the poverty line, but most of the poverty reduction programs have been aimed at rural Malays. Non-Malays and the urban poor have been neglected. 43-44.

⁴¹ One third of the shares owned by Bumiputras are held in trusts and the remaining two thirds are owned by a small elite. Smith 2.

⁴² Smith 3.

⁴³ Rigg 131.

⁴⁴ Suhaini Aznam, "Cultural Crossfire," Far Eastern Economic Review, (June 6, 1992) 16.

UMNO now has amended the constitution to incorporate Islam, eliminating the multiracial nature that characterized the original constitution.⁴⁵ Islam is also now part of the regular curriculum in the Malaysian education system. Under the quota system, there are few places available to Malaysian Chinese in post-secondary education, and so many are forced to go abroad for university education.⁴⁶

In addition to looking outside Malaysia for advanced education, Malaysian Chinese are also investing abroad. Much of this investment has been in Hong Kong and Singapore,⁴⁷ but they are also now drawn to the opportunities presented by the growing economy and the potentially enormous market of the PRC. They are able to use cultural, language, and kin ties to their advantage. By investing outside Malaysia, they are able to circumvent the restrictions of the NEP/NDP. The PRC is also encouraging investment by the overseas Chinese business community, by offering them favourable conditions and special privileges. Finally, frustrated by the lost opportunities and resentful of the continued discrimination, many Malaysian Chinese are emigrating, The Far Eastern Economic Review calls it "Voting with their Feet."⁴⁸

The Malay government and the media seize upon the emigration, the students going abroad, and the offshore investments, and trumpet them as examples of the disloyalty and unreliability of the ethnic Chinese. There is resentment on both sides of the ethnic divide. Government policies have actually slowed integration and the development of a cohesive national identity. The ethnic Chinese 'problem' is not easily

⁴⁵ William Case, "Malaysia in 1992: Sharp Politics, Fast Growth and a New Regional Role," Asian Survey, Vol. XXXIII, No. 2 (Feb., 1993) 189.

⁴⁶ This results in a loss of foreign exchange and the eventual emigration of many of the students. Jomo 475.

⁴⁷ Pan Yi Ning 130.

⁴⁸ Rodney Tasker and Suhaini Aznam, "Voting with their Feet," Far Eastern Economic Review, (Nov. 26, 1987) 21-23.

resolved and it is completely a domestic matter within Malaysia. But it continues to colour the Malaysian leadership's perception of China and affects bilateral relations.

Twenty years after recognizing the PRC, Malaysia still controls the political and economic linkages. The mistrust of the ethnic Chinese community is reflected in the low level of interaction between Malaysia and the PRC. There are still restrictions on the travel of Malay nationals (especially ethnic Chinese) to China, and sailors from Chinese merchant ships are restricted from traveling within Malaysia, confined to the immediate port areas. The ports at which Chinese ships can dock are restricted in number. Distribution of goods from China requires a special license, and there is an import tax of 0.5% imposed only on Chinese goods. Malaysia continues to withhold Most Favoured Nation status from China.⁴⁹ Trade flows remain low, and the Malaysian government is determined that Malays should benefit proportionately from any trade with China.⁵⁰ The Chinese government actually refused to comply with the demand that all Chinese goods were to be imported by the Malaysian state enterprise, Pernas, saying it was discriminatory, as it did not allow for any trade with non-Malays.⁵¹ Most of the Sino-Malay trade takes place through an intermediary, either in Singapore or Hong Kong.

It is assumed that trade with China would automatically enhance the economic position of the Malaysian Chinese. Another fear is that should trade and investment links develop, China could later use these links to pressure the Malaysian government.

⁴⁹ Cheng Bifan and Zhang Nansheng, "Institutional Factors in Chin Asean Economic Relations," ASEAN-China Economic Relations: Trends and Patterns, Chia Siow-Yue and Cheng Bifan, eds. (Institute of Southeast Asian Studies: Singapore, 1986) 33; and Bahari 250.

⁵⁰ The PRC government has in the past circumvented some of these restrictions by allowing Malaysian Chinese to enter China without a passport. It was only after repeated protests by the Malaysian government and a personal visit by Prime Minister Mahathir to Beijing in 1985 that this practice stopped. K. Das, "Papering over Problems," Far Eastern Economic Review, (Mar. 15, 1984) 48-49.

⁵¹ Bahari 248.

As the smaller, weaker partner, Malaysia would be far more dependent on its exports. For domestic and international reasons, the Malays assume that an arms length relationship with China is better in the long run.

INDONESIA, DOMESTIC POLICIES, AND THE PRC

The presence of an ethnic Chinese community acts as a permanent constraint on Indonesian-PRC relations and constitutes a major factor in the interpenetration of domestic and foreign policy. Although the ethnic Chinese in Indonesia constitute a much smaller portion of the population than in Malaysia, their economic dominance is greater, and their subsequent effect on domestic and foreign policy is that much more apparent. Societal acceptance of the ethnic Chinese is poor and communal violence is worse. Indonesian-PRC relations have suffered proportionately.⁵²

Foreign policy negotiators for Indonesia have had to be sensitive to the perceptions of various domestic constituency groups. Even in this country of one family rule, there are strong factions which share the political spotlight. The military and the Islamic elite are strong contenders for power and both groups have exhibited a marked anti-Chinese and anti-PRC bias.

Even during the 1950s when Indonesia and China were allies, there was a strong fear of the PRC-ethnic Chinese connection and how it could be used to destabilize societal relations and politics. Interestingly, the Indonesian government was the one exception to the U.S. led PRC-containment strategy in Southeast Asia during the 1950s. The Indonesians had only acquired their independence from Dutch rule after a long and violent struggle, leaving early administrations with a strong anti-imperialist,

⁵² Wang Gungwu calls Indonesia "... the largest country in the world with a 'Chinese problem,'" 287. He also notes that "... nowhere have more overseas Chinese been killed or wounded, run away or been chased away during the past twenty years." *ibid.* 292.

anti-colonial outlook. This outlook was shared by the political elite in China, who also recently triumphed in a bloody civil war. President Sukarno's left-of-centre government was one of the few non-Communist nations to recognize the fledgling PRC. In return, the PRC government was one of the few governments to support Indonesia in its determination to forcefully incorporate Irian Jaya. Also, as one of the leading figures in the non-aligned movement, Sukarno was avowedly neutral, seeking ties with both the East and the West. The governments of Indonesia and China also shared a common desire to have the region free from great power presence (with the Americans in the Philippines and the British still in Malaya). The PRC and Indonesia became major trading partners and the PRC was a significant donor of aid to the new republic.⁵³

The Indonesian government, on its part, was determined to insulate relations with China from the domestic racial tension between the indigenous population and the local Chinese. President Sukarno also had to carefully balance his two pillars of support, the left of centre mass based party, the PKI (the Communist Party of Indonesia) who favoured the PRC alliance, and a strong military, who was against it. Although the army in theory supported Sukarno, they perceived the PRC and the ethnic Chinese as the greatest threat to the future stability of Indonesia.⁵⁴ The army's anti-Chinese bias dates back to the struggle for independence, when many of the ethnic Chinese sided with the Dutch against the indigenous forces.⁵⁵ The ethnic Chinese were discouraged from joining the PKI, to deliberately disabuse the notion that there was any connection between the PKI and the Chinese Communist Party. This stricture was later

⁵³ By 1965, 11% of Indonesia's external trade was with China. Chia Siow-Yue, "China's Economic Relations with ASEAN Countries," *ASEAN-China Economic Relations: Trends and Patterns*, Chia Siow-Yue and Cheng Bifan, eds. (Institute of Southeast Asian Studies: Singapore, 1986) 198.

⁵⁴ Dewi Fortuna Anwar, *Indonesia and the Security of Southeast Asia*, (Jakarta: Centre for Strategic and International Studies, 1992) 9. Note: CSIS is an organization funded by the Indonesian Chinese community in Jakarta, and sponsored by the Indonesian government.

⁵⁵ Weinstein 90.

relaxed as the pro-Beijing, ethnic Chinese, Bapkeri, developed enduring ties to both Sukarno and the PKI.⁵⁶

Although the government of Indonesia formally recognized the PRC in 1950, they deliberately delayed an exchange of ambassadors so as to not provide a channel for communication between the ethnic Chinese and Beijing. Their fears were confirmed in 1953 when the Chinese embassy in Jakarta was used to rally the local Chinese in support of Beijing's cause against Taiwan.⁵⁷ In addition, over 390,000 ethnic Chinese (mostly the more recent immigrants, i.e. since 1900) chose to formally reject Indonesian citizenship and adopt PRC citizenship (a clear statement on loyalties).⁵⁸ The nationality issue was one of the earliest and biggest problems between the two allies.⁵⁹ The PRC had reaffirmed the Guomindang position on overseas Chinese, claiming them all as PRC nationals, effectively giving many dual citizenship. The intent of the PRC action was to preempt Taiwan, but it inadvertently had the effect of making the already suspect overseas Chinese in Southeast Asia even more mistrusted. The Nationality Treaty of 1955 was to resolve this crisis. The PRC renounced its rights and obligations to all Chinese abroad, save those specifically holding PRC citizenship, and the Indonesian government in turn was to guarantee the safety of Chinese nationals. The Indonesian Chinese were allegedly free to choose their country of citizenship.⁶⁰

⁵⁶ Leo Suryadinata, "Patterns of Chinese Political Participation in Four ASEAN States," Contemporary Southeast Asia, Vol. 15, No. 3, (Dec., 1993) 295.

⁵⁷ Franklin B. Weinstein, Indonesian Foreign Policy and the Dilemma of Dependence, (Ithaca: Cornell Univ. Press, 1976) 90.

⁵⁸ Suryadinata 170.

⁵⁹ The nationality issue continues to plague China's relations with many of the countries of Southeast Asia. For more information on how China's nationality policy has evolved see Chapter Three, under the sub-heading "Overseas Chinese Abroad."

⁶⁰ This issue has never been clear cut, even with the Nationality Treaty. Ethnic Chinese who had lived in Indonesia for generations were offended by their treatment as aliens and the fact that they had to officially apply for Indonesian citizenship. Additionally, there were many barriers to citizenship: costs, formalities, and officialdom. So much so, that in 1993, there were still more than 300,000 stateless Chinese people living in Indonesia, with their citizenship unresolved. Frank Ching, "Indonesia's Harsh Measures on Chinese are Bearing Fruit," Far Eastern Economic Review, (May 20, 1993) 33.

Further enmeshing the domestic politics of both countries, insurgency groups on outer islands were being supported by aid from Taiwan. In 1958, Sukarno's government was able to win points on both the international and domestic levels: shutting down a number of Taiwan linked organizations in Jakarta and arresting the leading figures satisfied the military, the indigenous population, and the PRC.⁶¹ Indonesia had inadvertently become another arena for the contest between the PRC and the Republic of China in Taiwan, further underscoring the reciprocal nature of domestic and international politics.

There were race riots through the 1950s and 1960s, but the first official anti-Chinese legislation was enacted in 1960 in an attempt to placate the anti-Chinese indigenous population and to try and lessen the Chinese stranglehold on the economy. All alien Chinese rural retail traders were banned, and ethnic Chinese were no longer permitted to reside in west Java. In some areas this presidential decree was enforced by mob violence and in others by army troops. This sparked a diplomatic incident, with Beijing radio condemning the discriminatory nature of the decree. The Indonesian army then accused the PRC of inciting the overseas Chinese to disregard these regulations.⁶² The PRC sent ships and repatriated more than 100,000 people back to China. Jakarta protested what it saw as internal interference by an outside power. Leo Suryadinata, a noted Southeast Asian scholar, remarks that while this skirmish brought Sukarno much needed popular support, the exodus of 100,000 ethnic Chinese did irreparable damage to the economy, and ultimately weakened Sukarno's position, vis-a-vis the army.⁶³

⁶¹ Suryadinata Pribumi 175.

⁶² Weinstein 91.

⁶³ Suryadinata Pribumi 176.

This whole incident was a deliberate gamble on Sukarno's part. Either he underestimated Beijing's response and the ensuing extent of the damages to the Indonesian economy, or this was a deliberate move to increase his own standing domestically. This decree had the full support of the army. Beijing, in turn, could not afford to lose this ally. Due to the recent rift in relations with the Soviets, the PRC was even more isolated internationally. Soviet military aid to Indonesia was on the increase. The government in Beijing quit sending ships, dampened its rhetoric, and refrained from commenting on ethnic Chinese directed violence in the coming years. From then until 1965, the ethnic Chinese variable played a smaller role in international affairs.

The aborted coup by the PKI in 1965 was a watershed year for both internal and external politics. The Indonesian economy was suffering from hyper inflation, and Sukarno was ill. The PKI attempted an unsuccessful coup to forestall a takeover by the military. General Suharto led the military officers that put down the coup, and they quickly assumed control of the government and bureaucracy. The PKI's Indonesian Chinese membership and Beijing's alleged involvement in the coup brought the wrath of the army down on the ethnic Chinese population. Added to their visibly better economic status in troubled times, the ethnic Chinese became the target of several attacks on businesses and individuals. 20,000 local Chinese were killed and a further 70,000 were repatriated to China over the next two years.⁶⁴

The new president, Suharto, played to the post-coup Sinophobia of the military. Although some of the army generals were the beneficiaries of an American education, it is noteworthy that Indonesia's pro-Soviet policy never wavered during this period, proof that the military was less anti-communist, than anti-Chinese. This fact exposes

⁶⁴ Mabbett 5. This was by no means the first incidence of anti-Chinese violence, but it was among the bloodiest.

the domestic underpinnings of the anti-PRC posture. This Sinophobic phenomenon affected relations with other countries as well. Hong Kong and Singapore were seen as Chinese outposts, and Malaysia was an "... overseas Chinese dominated political unit which could be used by the PRC to control the whole area."⁶⁵ Travel visas were withheld from Malaysians wanting to visit Indonesia, for fear that Malaysian Chinese could act as spies for Beijing.⁶⁶ The Confrontation with Malaysia from 1963 to 1965 was also inspired in part by a fear of ethnic Chinese dominance. Indonesia had reacted to the union of Malaya, Singapore, Sabah, and Sarawak by starting a series of low level military skirmishes. This was in part to protest the loss of North Borneo, but the Indonesian army also feared the possibility of ethnic Chinese encirclement.⁶⁷

The onset of Suharto's reign marked a swing to the right. He brought to an end the anti-imperialist stance of his predecessor, returning nationalized enterprises and relaxing foreign investment regulations. Relations with the PRC were abruptly terminated. The break with the PRC had a very practical aspect. Suharto's main goal for Indonesia was economic growth and development, and the stability that would result from that growth. The PRC had little to offer in terms of aid, technology, or investment (compared to the West). The split also earned Suharto the support of the military and Islamic leaders. In addition, the PRC was now harboring former PKI leaders.

Indonesia joined the anti-communist Association of Southeast Asian Nations, both to improve its regional security picture and to bring the government a measure of international credibility. The military saw the ASEAN states as a buffer against the expansionist PRC. However, the ASEAN states did not have a common China policy,

⁶⁵ Suryadinata Pribumi 178.

⁶⁶ Weinstein 202.

⁶⁷ Suryadinata in Mauzy, 116.

and were not united in their perception of the degree and the nature of the threat. Thailand and the Philippines both saw an alliance with China as beneficial and viewed Vietnam as a more pressing problem. Malaysia and Indonesia remained wary of China and the Chinese, and Indonesia was on good terms with Vietnam throughout. The anti-communist stance favoured by the Indonesian military never extended to Vietnam. Dewi Fortuna Anwar attributes it to a sympathy for their long revolutionary struggle, and to Vietnam's geographical position as another front-line state against China.⁶⁸

The international community reacted favourably to Indonesia's change in foreign policy position, and massive amounts of foreign aid began to flow into the country. This aid, plus the windfalls realized from the OPEC oil price increases in the 1970s allowed Suharto to build a powerful state. Benedict Anderson suggests that it is significant that a large portion of state revenue was coming from outside the country and not from tax revenues. Therefore Suharto was not beholden to any internal group or region, and would not have to share power. For the same reasons, Suharto encouraged multinational corporations to invest in Indonesia: they were model taxpayers without ever being a political liability.⁶⁹ For a short period, Suharto was able to set an independent foreign policy, free from the pressures of the competing factions.

Suharto's New Order was never proclaimed an emergency rule, and therefore there is no implicit understanding of an eventual return to a more democratic system. Instead, there are regular, carefully stage-managed elections under the state ideology, 'Pancasila' Democracy.⁷⁰ Opposition parties have been emasculated by the state

⁶⁸ 113.

⁶⁹ Benedict R. O'G. Anderson, Language and Power: Exploring Political Cultures in Indonesia, (Ithaca: Cornell Univ. Press, 1990) 18-19.

⁷⁰ Pancasila includes five principles intended to unite the diverse Indonesian population: belief in one God (but with religious freedom), humanitarianism, national unity, social justice, and democracy. Suryadinata, in Mauzy 112-113.

security apparatus. Suharto himself continues to be indirectly reelected, though his position is never contested. Under the New Order, the military is seen as fulfilling a dual role: they are responsible for both state security and for guiding the social-political-economic development of the state.⁷¹ Military officers can be found at all levels of state and provincial governments and in all areas of the bureaucracy. Officers are also governors, district officers, and village heads.⁷² Under the constitution, they are guaranteed a certain number of seats in both the upper and lower parliaments, so they in turn can guarantee the political stability of the nation. Similar to Malaysia, the political elite do not want to have the masses disrupted by politicking, "... distracting them from the task of development."⁷³ The only grassroots political activity is an election every five years. Political parties are confined to urban areas, and they are not allowed to establish branches or solicit members below the provincial level. Islamic parties are able to use the mosques as a platform from which to rally their supporters, but other parties have been cut off from any contact with the rural masses.

To prevent future violence and economic disruption, laws were passed to speed assimilation of the Chinese and reduce their economic strength. Chinese schools were shut down and all Chinese associations were banned. These organizations were seen as obstructing the assimilationist goals. The Indonesian Chinese were encouraged to take Indonesian names and adopt the Islamic religion.⁷⁴ Additionally, in an effort to redress past economic imbalances, laws were passed which favoured indigenous businessmen,

⁷¹ Anderson 115.

⁷² Suryadinata, in Mauzy 121.

⁷³ Anderson 115.

⁷⁴ The required name change was not all that successful in aiding assimilation. This was partly because the individuals could not change their physiognomy, and partly because many of the names were still obviously of Chinese origin. For example, many names were a direct translation from Chinese into Indonesian, or merely amended by adding an Indonesian prefix or suffix onto an existing Chinese name. Hugh and Ping-Ching Mabbett 8. As well, the name change did not allow for easier acceptance into the mainstream society. Identity cards still contained a special numbering system, earmarking cardholders as ethnic Chinese. Leo Suryadinata, China and the ASEAN States: the Ethnic Chinese Dimension, (Singapore: Univ. of Singapore Press, 1985) 125.

just as in Malaysia. Foreign companies were required to take only indigenous Indonesians (Pribumi) as joint venture partners. Government contracts and licenses were restricted to Pribumi, and special government credit programs were established to encourage indigenous enterprises. They were given priority in the purchase of raw materials and access to new infrastructure. The government also has enacted countless regulations which are deliberately aimed at undercutting the Chinese commercial sectors.

Because they have always been such a small percentage of the total population (less than 4%), the Chinese have never been a strong political force. They did establish their own political party in the mid-1950s, Baperki, to represent their interests and protest discriminatory treatment. But because it was seen as aligned with the PKI, it was dissolved following the coup, and its leaders were imprisoned. Under Suharto, the Indonesian Chinese have been completely excluded from politics. There have been no Chinese generals, cabinet ministers, or senior civil servants.⁷⁵ But their political exclusion is offset by covert economic privileges. In the corrupt environment of Indonesia, the new economic regulations are easily circumvented, for a price. With regulations favouring indigenous businesses, it meant adopting the same Ali Baba partnerships favoured by the Malaysians (with an Indonesian frontman obtaining licenses and government contracts and the Chinese businessman providing the capital and the know-how). These illicit relationships extend one step further with Cukong partnerships, alliances between a government official or military officer and a Chinese businessman. This arrangement represents an outright, direct purchase of political protection. Without any institutional mechanism for political influence, the Chinese were forced to develop personal connections. Mackie said that it was the severe

⁷⁵ Anderson 115. Michael Vatikiotis reports that in the current legislature, the ethnic Chinese hold four seats (none of these individuals are business people.) "Time to Integrate." Far Eastern Economic Review, (Aug. 16, 1990) 90.

underfunding of the army and the low pay of civil servants that forced the officials to look outside the state apparatus for alternate sources of financing. The cukong system is found at all levels of government, with provincial officials partnering local wealthy Chinese families.⁷⁶ About twelve of the cukong are famous for their close relationship with the president and his family.⁷⁷ These relationships are mutually beneficial, but there is a strong element of dependency. James Mackie calls them "symbiotic relationships." The more the Chinese are socially and politically outcast, the more dependent they are on the existing system.⁷⁸ Like the multinationals, they increase the state wealth without demanding political power and threatening the regime.

The indigenous Indonesians see the ethnic Chinese as a distinct, exclusionary group and feel the Chinese do not belong. Indonesia should be for the Indonesians. As a community, the Chinese in Indonesia wish to maintain a separate ethnic identity, similar to that of the many other ethnic minorities that make up the population of Indonesia. The problem with this is that the other minorities also have a regional identity, most of them resident of the outer islands. The Chinese are urban based and geographically dispersed.⁷⁹

Richard Robison estimates the Chinese own 70% of private corporate capital in Indonesia,⁸⁰ and they continue to prosper under Suharto's regime. But as they are always aware of the precarious nature of their position, investments tend to be of shorter term and widely diversified.⁸¹ Although it is their economic monopoly which

⁷⁶ James Mackie, "Changing Patterns of Chinese Big Business in Southeast Asia," Southeast Asian Capitalists, Ruth McVey, ed. (Ithaca: Cornell Univ., 1992) 179.

⁷⁷ Richard Robison remarks that "[a]lmost all the Suharto family holdings were minority shares in mainly Chinese-owned corporate groups." 71.

⁷⁸ Anderson 116.

⁷⁹ Suryadinata Pribumi 190-191.

⁸⁰ Richard Robison, "Industrialization and the Economic and Political Development of Capital: Indonesia," Southeast Asian Capitalists, Ruth McVey, ed. (Ithaca: Cornell Univ., 1992) 68.

⁸¹ Mackie 181.

has engendered so much tension and hostility, it is this economic strength which ultimately protects the Indonesian Chinese. For both Suharto's and Sukarno's regimes have recognized that the economic foundations of Indonesia rest with this small minority. Expelling or completely alienating this group would certainly have serious long term repercussions for the economic well-being of the country. Suharto's Chinese policy has been somewhat contradictory: he encourages their cooperation with indigenous businessmen, develops direct business ties with them himself, and promotes their assimilation, and yet he continues to single them out for discriminatory legislation.

Unlike the rest of their ASEAN partners, the Indonesian government did not follow the U.S. lead in the 1970s and normalize relations with China. The PRC made overtures in this direction in 1972, but was rebuffed. The Indonesian government of Suharto was not as pragmatic as the Malays, and determinedly maintained an anti-PRC stance for another 20 years. Dewi Fortuna Anwar notes that the anti-PRC foreign policy bias served a domestic political function. The military played upon the threat perceptions to maintain their power base, kept defense spending high, and controlled domestic dissidents.⁸² The PRC was not feared as a direct threat militarily, but as a destabilizing force internally, able to exploit existing weaknesses. It was still feared that if relations with the PRC were resumed, the Indonesian Chinese would re-Sinicize.

However, by the mid-1980s, with oil prices down, revenues falling, and protectionism rising in the West, Suharto was forced to reconsider Indonesia's China policy. The PRC could be a possible market for Indonesian resources. The first (unofficial) trade agreement in 1985 was negotiated by a private trading firm. Suharto was careful to distance his regime from this trial agreement, assuring the public that this

⁸² 27.

did not mean resuming relations with the PRC.⁸³ But by the late 1980s, with Indonesia more stable economically and politically and the influence of the military waning, Suharto could afford to be more assertive in foreign policy. Trade with the PRC was growing and Suharto needed to blunt criticism of the East Timor fiasco. The PRC government had been outspokenly against Indonesia's East Timor policy. The defense department and the Islamic parties were against normalization, but the foreign affairs department was in favour. Diplomatic relations were resumed in 1990. To counteract the negative factions, Suharto announced that normalization was now necessary, for there was always a chance of a communist revival and if Indonesia had direct relations with China, they would be in a better position to monitor events in Beijing first hand.⁸⁴ This is rather ironic, in light of the reluctance in the early 1950s to open an embassy for fear of providing Beijing and the local Chinese with an avenue for direct communication.

Similar to Malaysian government, the Indonesians also wish to control relations with China and limit people-to-people contact. There are harsh restrictions governing trade between the two countries. However, some of the worst suspicions held by the Sinophobes are being realized, as Indonesian Chinese firms have been investing in China. Indonesian officials have openly expressed concern that China is 'siphoning off' investment funds from Indonesia. The Indonesian Chinese businessmen are careful to invest in China using only offshore funds out of Hong Kong, to try to forestall any further grievances. But the Indonesian government is now talking of setting up a system to track overseas funds held by Indonesian businessmen. Once again the loyalties of the ethnic Chinese are under suspicion.⁸⁵ In an editorial

⁸³ *ibid.* 31-32.

⁸⁴ *ibid.* 43-46.

⁸⁵ Calling it "... patrimony over profits," Mark Clifford also points out the concentration of investment in the Fujian province, a region where most of the Indonesian Chinese originate from. "A Question of Loyalty," *Far Eastern Economic Review*, (Apr. 19, 1993) 29.

Jusuf Wanandi, of Jakarta's Centre for Strategic and Institutional Studies, warns that China should not exaggerate the role of the overseas Chinese and their loyalty to China. He says their first loyalty is to their home countries, to whom they owe their economic success -- they owe nothing to China.⁸⁶

Leo Suryadinata, a Southeast Asian scholar, believes the ethnic Chinese will be unable to retain their separate ethnic identity for much longer, without any Chinese organizations or Chinese language schools, and no new Chinese immigration.⁸⁷ But ethnic tensions persist, and complete assimilation of the Chinese is still a few generations away. The Pribumi businessmen are getting more vocal in their demands. They feel they are being left out in the rush to develop export oriented industrialization.⁸⁸ The government fears further ethnic confrontations as anti-Chinese sentiments are on the rise again. They have been implementing various programs in order to try to prevent this eventuality.⁸⁹

⁸⁶ Jusuf Wanandi, "China's Asia Card," Far Eastern Economic Review, Editorial, (Nov. 25, 1993) 32. Interestingly enough, most of the opinion articles found in this regular column contain a disclaimer stating the views of the writer do not reflect those of his/her place of employment. However the article by Wanandi, who works for the Centre for Strategic and International Studies in Jakarta, contained no such disclaimer.

⁸⁷ 128.

⁸⁸ Michael Vatikiotis, "Time to Integrate," Far Eastern Economic Review, (Aug. 16, 1990) 64.

⁸⁹ Suharto recently asked a number of the larger Chinese conglomerates to sell some of their company shares (up to 25%) to a cooperative which would hold them in trust for the Pribumi. Vatikiotis, 64. As well, the government is sponsoring a program to officially link small and medium size indigenous businesses with large Chinese companies. Adam Schwarz, "Piece of the Action," Far Eastern Economic Review, (May 2, 1991) 39.

CONCLUSION

In both domestic ethnic Chinese policies and the PRC directed foreign policies, Indonesia and Malaysia share many similarities. In related objectives, both governments wish to deny the resident Chinese political power and to prevent the PRC from having a disruptive influence on internal relations. In both countries, a political crisis was precipitated by the fact that the ethnic Chinese were acquiring more political power. Both governments reacted by reducing the economic dominance of the local Chinese, curtailing their budding political power, and trying to speed assimilation. The racial tensions also became a convenient excuse to limit personal freedoms in the name of stability and order, ushering in a new authoritarian era in both countries.

With an ethnic Chinese element in the domestic communist parties, both governments assumed enduring links to the Chinese Communist Party in Beijing. It was also automatically believed that the local Chinese population supported the local communist parties. Wholesale discrimination ensued as all local Chinese were implicated by virtue of presumed ethnic solidarity. The suspected connection between the local Chinese, the communist parties, and the PRC has meant deportation and forcible relocation for thousands.

One outcome of the ethnic Chinese-communist party linkages was that both governments were prompted to support the formation of ASEAN, an anti-communist organization. Its original purpose was to share information and to offer assistance for the fight against internal insurgency forces. But Malaysia and Indonesia also saw the other ASEAN members as buffer states against PRC expansion. Indonesia and Malaysia were also leading members of the non-aligned movement, for neither government liked the instability inherent in having external powers in the region. However, due to their strong distrust of the PRC, they both adopted a decidedly pro-

west tilt during the Cold War, damaging their credibility with the other members of the NAM. When ASEAN's mandate later expanded to include the adoption of positions on any regional issues, Malaysia and Indonesia were both reluctant to follow the pro-China ASEAN line against Vietnamese hegemony.

Domestically, government patronage was used by both states to improve the relative position of the indigenous population and to foster an indigenous business class. In an attempt to level the playing field, Chinese businesses were not allowed access to government licenses and contracts. In both cases, accommodating partnerships rapidly developed to circumvent these restrictions. Both governments recognize the direct link between the economic well being of the state and the treatment of the ethnic Chinese. During the period of slower growth of the late 1980s, both countries eased up on discriminatory restrictions (giving credence to the belief that Chinese firms prosper under any conditions). But despite their recognized value and contributions, the ethnic Chinese are still a convenient scapegoat for the politicians to use to focus the attention of the disgruntled populace away from other social ills.

Malaysian and Indonesian foreign policies also followed similar lines, with the overall objectives the same. During certain periods, the governments were able to insulate domestic politics from the influence of the PRC by not having any government-to-government relations. With changing geo-politics, both countries eventually were forced to recognize China, but both still are determined to control people-to-people contacts and limit opportunities for China to subvert the internal political situation. Insulation is now achieved through restrictive China policies. For example, Malaysian and Indonesian passport holders are restricted from travelling to China except with special government permission, generally withheld.

There is some divergence, however, between the Malaysian and Indonesian positions. One substantive difference is the actual proportion of the Chinese population in relation to the general population. In Indonesia, where they are only four percent of the population, it has been easier for the government to impose strict assimilationist laws, such as the name change requirements and the residency restrictions. In Malaysia, however, the ethnic Chinese are a substantial part of the population at approximately thirty percent. The Chinese community here has been able to retain both distinctive language and cultural characteristics and are more outspoken in their alienation. Due to the different political systems, the Malaysian Chinese also have some political representation and some input into the decision making process, albeit both much less than what it was formerly.

In Malaysia, the whole China/Chinese issue is primarily a domestic matter, with the discriminatory policies against the ethnic Chinese reinforced by their foreign policy position on China. Whereas in Indonesia, it is equally an internal and an external problem, with resentment of the ethnic Chinese as strong as a fear and suspicion of China. The strong position of the military in Indonesia can account for much of the difference. In Malaysia, the transition to independence was a peaceful transfer of power accomplished by the political elite. The military played no part in this momentous event and so was not part of the post-independence power structure. The government-military relationship is also a product of their colonial experience. Following the British tradition, the military assumes a subordinate role to the government.

In Indonesia, on the other hand, the military played a central role in the protracted fight for independence. Having helped bring independence to Indonesia, the military retained their position as part of the political elite and part of the decision making apparatus. They had direct input into both foreign and domestic policy making,

especially as it relates to security matters. The Chinese, both at home and abroad, were seen as inherently aggressive and expansionist. The overseas Chinese were a weapon for Chinese hegemony. Communism was merely a convenient tool to advance Chinese interests and gain control. Indonesia's geographic fragmentation and ethnic diversity also contributed to the greater feelings of national vulnerability in the military.

Indonesia's heightened threat perceptions and the much harsher anti-Chinese measures are a product of the Sinophobic military. The Indonesian military also deliberately emphasized external threats to maintain the army's position in the political elite and to keep defense budgets high. This also helps to account for the long delayed resumption of relations with China, nearly twenty years later than the Malaysian recognition of the PRC. On both occasions that Indonesia did recognize China, it was mainly to gain China's support against international sentiment. In the 1950s, it was for Irian Jaya, and in the 1990, it was for East Timor. In both cases, recognition of China led to support from the Chinese government for Indonesia's unpopular position. In the East Timor case, this represented a complete reversal of China's earlier stance.

CHAPTER THREE: CHINA AND THE OVERSEAS CHINESE

The overseas Chinese population represents an area of continuing ambivalence for the government of the People's Republic of China (PRC), acting as a changing variable in both foreign and domestic policy making. The Chinese government has classified this heterogeneous group into two main sub-groups: overseas Chinese living abroad and domestic overseas Chinese living in South China, primarily in Guangdong and Fujian provinces. Policies governing the treatment of these two groups have intertwined and diverged. In general, the fate of the domestic overseas Chinese has been linked to the different major stages of socialist transformation and to the different periods of upheaval in PRC history. For the overseas Chinese living abroad, their changing status is attributed to both their potential contribution to the economic and technical development of mainland China, and to China's evolving foreign policy objectives.

The overseas Chinese issue is an especially critical dimension in China's political and economic relations with Southeast Asia at both the state and party level. The governments of these countries assume strong, enduring links between China and this overseas population. The ethnic Chinese residing in Southeast Asia play a major role in the economies of their respective countries, and also have a critical impact on domestic politics and societal relations. Any disruption involving this group could potentially slow local growth and development. This chapter will examine the differing factors governing China's changing position on each sub-group, and in turn, the effect of this changing position on the host countries of Southeast Asia.

HISTORY

The Chinese Communist Party (CCP) inherited the overseas Chinese legacy from the Guomindang in 1949. The Nationalist Government had encouraged and nurtured ties with the overseas Chinese that dated from late in the Qing dynasty. For the better part of their mandate, the Qing emperors had absolved themselves of any responsibility for the overseas Chinese. But at the beginning of this century, they realized this group could constitute a valuable source of funds and expertise in the drive to modernize China.¹ To this end, a series of laws was enacted which changed the status of the overseas Chinese from that of illegal emigrants to citizens deserving of official protection. This included, in 1909, the first citizenship law, based on the legal principle of *jus sanguinis*: any person born to a Chinese man would automatically be a citizen of China, regardless of place of birth.

To the Nationalist government, the overseas Chinese were a continuing source of financial and political aid. The Nationalists established Chinese schools and newspapers in Southeast Asia to nurture nationalist sympathies. In return, the overseas Chinese were generous with their remittances and investments in modern China. They contributed personnel, equipment, and money to aid in the war against Japan, just as they had earlier supported the Nationalist Revolution to overthrow the Qing emperor in 1911.² They were encouraged to invest in schools, roads, railways, and other infrastructure within China, and their social status grew with their economic might and political participation. Beginning in the early 1920s, remittances from overseas helped

¹ Michael R. Godley, Mandarin Capitalists: Overseas Chinese Enterprise in the Modernization of China, 1893-1911 (Cambridge: Cambridge Univ. Press, 1981) 98. This would be a recurring theme in China's relations with its overseas population.

² Sun Yat Sen called the overseas Chinese "the mother of the revolution." Quoted in Chan Ngor Chong, "PRC Policy on the Overseas Chinese." Asean and China: An Evolving Relationship. Joyce K. Kallgren, Noordin Sopiee, and Soedjati Djiwandono, eds. (Berkeley: Univ. of Cal. Press, 1988) 246.

to offset trade deficits suffered by the Nationalist government.³ In 1929, the Nationalists promulgated their own citizenship law, incorporating the *jus sanguinis* principle first adopted by the Qing dynasty.

The Communists came to power without having formulated an official position on the overseas Chinese. It is assumed that this was mainly because the Communists' areas of control did not include any members of this group, nor any remittance recipients.⁴ The Communists were initially based in Jiangxi Province and later in the North, and the overseas Chinese originated almost entirely from Fujian and Guangdong provinces in the South. In 1949, with a hostile international community and urgent internal matters, such as consolidation and unification, the CCP accepted the Nationalist position on the overseas Chinese and claimed them as an extension of the Chinese population. Overseas Chinese were to have the same obligations and responsibilities as the general population. The CCP had to vie with the Nationalists in Taiwan for their political support, as each was trying to establish the legitimacy of their rule. To this end, the CCP established the Overseas Chinese Affairs Commission (OCAC), which was to work in conjunction with the Propaganda Department and the United Front Department.⁵ In addition, written into the 1954 Constitution was a provision that some of deputies to the National People's Congress were to be elected by Chinese residents abroad. These measures were identical to those of the Nationalist government in Taiwan. The PRC continued to send teachers to the Chinese schools in Southeast

³ Funds continued to pour in until 1941 when the war reached Southeast Asia, temporarily halting the flow. Yuen-Fong Woon, Social Organization in South China: The Case of the Kuan Lineage of K'ai-p'ing County, Centre for Chinese Studies (Ann Arbor: Univ. of Michigan, 1984) 12-13; and Mary F. Somers Heidhues, Southeast Asia's Chinese Minorities, (Hawthorn, Aust.: Longman, 1974) 89.

⁴ Stephen Fitzgerald, "China and the Overseas Chinese: A Study of Peking's Changing Policy, 1949-1970", (Cambridge: Cambridge Univ. Press, 1972) 9; Theresa Chong Carino, China and the Overseas Chinese in Southeast Asia, (Quezon City, Phil.: New Day Publishers, 1985) 7.

⁵ Chong 129.

Asia, hoping to indoctrinate the students in the ideology and the objectives of the new regime.

DEFINING THE OVERSEAS CHINESE POPULATION

The overseas Chinese have, at different times, been called the "Third China,"⁶ the "Invisible China,"⁷ "External China,"⁸ part of "Greater China," and China's "fifth column." And part of the overseas Chinese 'problem' in China's relations with the countries of Southeast Asia, is the lack of a specific definition of who is meant by the all encompassing term "overseas Chinese." The term commonly used by PRC officials is the generic *huaqiao*, which translates as 'sojourner,' a person living temporarily abroad. To define the ethnic Chinese in Southeast Asia as sojourners, is to continue to claim them as an extension of, and loyal to, the Chinese mainland. This term is fraught with political implications. It originated at the end of the 19th century, and is associated with Chinese nationalism, chauvinism, and revolution.⁹ Technically, *huaqiao* should only apply to Chinese nationals abroad, and not to ethnic Chinese who are citizens of other countries. But official statements have often used *huaqiao* to include all persons of Chinese descent, including citizens of Taiwan, Hong Kong, and Macau. The government of Malaysia, for instance, finds the generic term 'overseas Chinese' very offensive, as it implies that all persons of Chinese descent are Chinese nationals.

The government of the PRC has taken greater care in recent years to differentiate more closely between the diverse subgroups, recognizing the sensitivity of the issue for other governments. *Huaqiao* is now generally used to indicate those living

⁶ C.P. Fitzgerald, The Third China: The Chinese Communities in Southeast Asia, (Vancouver: UBC Press, 1965).

⁷ Garth Alexander, The Invisible China: The Overseas Chinese and the Politics of Southeast Asia, (New York: Macmillan, 1973).

⁸ Wang Gungwu, "External China as a New Policy Area," China and the Chinese Overseas, (Singapore: Times Academic Press) 1991.

⁹ Chong 243.

temporarily abroad (such as students studying overseas), Chinese nationals, and stateless Chinese.¹⁰ *Tongbao* are natural born Chinese and this group includes compatriots in Taiwan, Hong Kong, and Macao, and so are also defined as those "awaiting reunification."¹¹ Domestically, the overseas Chinese are divided into *guiqiao*: those who have returned to China to live since 1949 (some voluntarily and others expelled), and *qiaojuan*: which can be broadly defined as anyone with relatives overseas, but now in a more technical sense only includes dependents of ethnic Chinese abroad and beneficiaries of remittances. Finally, there are *huayi* or *huaren*, who are persons of Chinese descent, but holders of foreign passports. Technically, they are not part of the overseas Chinese policy area, but their existence and their actions continue to have an impact on China's foreign policy objectives, and PRC government leaders continue to call upon this group for their contribution to China's economic development.¹² So for policy making purposes, they are still a part of what Wang Gungwu calls "External China." At an official level, the PRC now exhibits more sensitivity. For example, the overseas Chinese in Malaysia are now generally referred to as "Malaysians of Chinese descent."¹³

It can be quite difficult to determine the exact number of people who belong in each group. Estimates vary widely, definitions are narrowed or broadened or used in different contexts, and many countries do not collect or include ethnic origin in census data. In a recently published demographic survey the total number of ethnic Chinese, outside Taiwan and China, is between 26.8 and 27.5 million. Ninety percent of these

¹⁰ The statelessness is often due to a country switching its diplomatic recognition from the ROC to the PRC, rendering ROC passports invalid in these countries. Most other stateless Chinese are found in Indonesia, victims of domestic Indonesian politics and the 25 year Sino-Indonesian enmity.

¹¹ Wang 18.

¹² Wang, 222-239; and Michael Yahuda, *The China Threat*, (Kuala Lumpur: Institute of Strategic and International Studies, Malaysia, 1986) 18-19.

¹³ Yahuda 22.

people live in Asia, of which close to two million could be consider *huaqiao*.¹⁴ (See Appendix I.) The countries of Southeast Asia have restricted Chinese immigration for the past forty years and there has been a steady exodus due to anti-Chinese legislation, and so the area has been one of net emigration. Within China, many of the *guiqiao* have assimilated into the mainstream with no remaining overseas contacts and the *qiaojuan* are only identifiable by the receipt of remittances. Wang Gungwu estimates the remaining population of these two groups at one million and twenty million respectively.¹⁵

DOMESTIC OVERSEAS CHINESE

The vast majority of the domestic overseas Chinese population live in the provinces of Fujian and Guangdong. Although they represent only a small fraction of the total population of China, their 'special' status is at odds with the egalitarian goals of socialism. In the past, their contact with relatives abroad meant that they were tainted by continued exposure to bourgeois ideas.¹⁶ While the remittances they receive are a welcome source of foreign exchange, they constitute a contradiction as the recipients do not have to labour for their survival. This creates resentment among local peasants and lower level cadres.

Party policy on the domestic overseas Chinese has oscillated between the extremes, from treating them as a special privileged class to branding them "enemies of the people." Stephen Fitzgerald, in his book China and the Overseas Chinese, believes that policies for this group changed in response to external policy and international events.¹⁷ However, other scholars clearly identify specific shifts in policy as being tied

¹⁴ Dudley L. Poston, Jr. and Mei-Yu Yu, "The Distribution of Overseas Chinese in the Contemporary World," International Migration Review, Vol. 24, No. 3 (Fall, 1990) p. 480 - 508.

¹⁵ 229.

¹⁶ Carino 3.

¹⁷ S. Fitzgerald 52.

to internal events, such as Land Reform, collectivization, the Cultural Revolution, and the Four Modernizations.¹⁸ External issues mainly came into play when harsh treatment of the domestic overseas Chinese resulted in an abrupt drop in remittances from abroad. The domestic Overseas Chinese have continued to retain their distinct social identification (officially prescribed and maintained) in order to facilitate external objectives with regard to Chinese abroad. Hence there has been an ongoing tension between external objectives and internal programs when applied to this community.

When the Chinese Communist Party took control in 1949 and introduced the land reform program on a nation-wide basis, they were unprepared for the special situation of the domestic overseas Chinese areas. Demographically, this population was predominantly made up of women, children, and the elderly, who survived on money received from overseas relatives. The returned overseas Chinese had come back to retire and die in their ancestral villages, and they survived on savings. As a result, few people actually worked on the land they owned and instead rented it out to others for income. Local cadres had recognized the need to proceed cautiously due to the special circumstances, but over-zealous cadres from the North were carried away by the "tide of radicalism" sweeping China.¹⁹ Consequently, many of these households were classified as landlords and rich peasants, and were consequently treated very severely, with lives lost and people imprisoned. Land and houses were confiscated and redistributed to others. Bank accounts were frozen and remittances seized.²⁰ An immediate result of these measures was a large drop in remittances from overseas, from U.S. \$60.1 million in 1950 to \$41.05 million in 1952.²¹

¹⁸ See for example Chong and Carino.

¹⁹ Glen D. Peterson, "Socialist China and The Huaqiao: The Transition to Socialism in the Overseas Chinese Areas of Rural Guangdong, 1949-1956," *Modern China*, Vol. 14, No. 3 (July, 1988) 314.

²⁰ Carino 10.

²¹ Chun-Hsi Wu, *Dollars, Dependents and Dogma: Overseas Chinese Remittances to Communist China*, (Stanford: Hoover Institute, 1967) 142.

It was primarily this drop in foreign exchange revenue that prompted a reassessment of the domestic overseas Chinese situation. As China was a pariah in the international community, potential sources of foreign exchange earnings were limited, and capital investment was needed to implement the first five year plan with its emphasis on building up heavy industry. The CCP realized that the level of remittances was directly tied to the treatment of the domestic overseas Chinese. In December 1954 the class status of all domestic overseas Chinese was reviewed and most were reclassified as middle peasants. Additionally, in February 1955, the right to receive remittances was protected by law and the money was deemed "lawful income."²² Receipt of remittances was not to affect one's class status. The state set up special facilities where remittances could be spent on consumer goods and luxury items not available to the general public. Bank accounts were released and in 1957 a commission was established to determine restitution for lost land and homes.

This was the beginning of the contradiction in domestic policy. The domestic overseas Chinese were afforded special status and special privileges, and yet were still to be integrated into the mainstream of socialist reconstruction. With their inclusion in the land reform movement, a precedent had been established, and henceforth the domestic overseas Chinese would be included in all political and social movements and campaigns. In addition, the damage had been done, with remittances permanently impacted, never again to reach the pre-1949 levels.²³ Resentment of the special privileges by cadres and peasants and the failure of the remittances to return to former higher levels led to a gradual reduction in privileges. The policy slowly evolved to one

²² Carino 11. To further attract remittances, the Chinese government announced it would pay an 8% dividend on remittances and on overseas Chinese funds held in China. With the limited investment opportunities available to the Chinese in Southeast Asia through the 1960s, this offered an alternative outlet for their capital. C. Fitzgerald 76.

²³ Wu 79, 81, 83, 142.

of equal treatment for all, with assimilation into the general population.²⁴ The All China Federation of Returned Overseas Chinese (ACFROC) was established to raise their political consciousness through intensive ideological indoctrination.

Collectivization was the next movement to affect this group. In the tolerant period of the mid-1950s their participation in agricultural labour and the cooperatives was deemed voluntary, and they were allegedly free to withdraw at will. Despite this, by late 1957 ninety percent had joined cooperatives, which Stephen Fitzgerald attributes to societal pressure.²⁵ Remittances were ceded to the cooperatives, and as work points were assigned on the basis of labour contributed, household income dropped.²⁶ The years of the Great Leap Forward, 1957-1959, were a time of famine and overseas relatives sent needed care packages containing food, medicine, and clothing. But as news of the expropriated funds reached the donors, remittances fell yet again -- in 1959, to an all time low of U.S. \$36.05 million.²⁷

Throughout the 1950s and into the mid-1960s, there was another issue that exacerbated the domestic overseas Chinese policies, and that was the continued influx of returned Chinese. Between 1949 and 1966, approximately 500,000 Chinese returned to settle in China. Some of them were voluntary retirees, but many of them were stateless or deportees from Malaya and Indonesia. For example, in 1960, the government of China repatriated 100,000 people from Indonesia. Resettlement and assimilation were ongoing problems, especially as some of the urban professionals were very demanding, expecting the degree of personal freedoms to which they had

²⁴ S. Fitzgerald 65 and Leo Suryadinata, "Overseas Chinese" in Southeast Asia and China's Foreign Policy: An Interpretative Essay, (Singapore: Institute of Southeast Asian Studies, 1978) 26.

²⁵ 62.

²⁶ Peterson 321

²⁷ Wu 142.

been formerly accustomed.²⁸ Special facilities were set up to accommodate them, including whole villages, schools, and universities. Some of these villages were enclaves of a special privileged class. Those without funds were placed in especially established plantation farms, which served a dual purpose. Intended to encourage early self-sufficiency, these farms also provided a sort of "political quarantine" that isolated the newcomers until socialist education could be imparted.²⁹

The status of the domestic overseas Chinese hit an all time low with the onset of the Great Proletarian Cultural Revolution. The majority of returned Chinese had never assimilated into the general population, mainly due to three factors: many had retained much of the cultural and linguistic characteristics of their former country of residence; there was little intermarriage with the general population as their class background was questionable; and many had been segregated on the designated farms.³⁰ These factors made them an easy target for persecution by the ultra leftists. The domestic overseas Chinese were branded as one of the "seven categories of sinister people." All of their remaining privileges were eliminated, the special schools and universities were closed, and houses and bank accounts were seized. Many were arrested and maltreated, and many died.³¹ All of the overseas Chinese organizations were disbanded and party cadres were instructed to sever all ties with relatives in Hong Kong, Macau, and abroad or face dismissal. Overseas connections were considered "bourgeois, capitalistic, and reactionary." To retain these ties would "...only serve to undermine the socialist enthusiasm and purity of those on the mainland."³² Those with overseas connections could not join the Communist Youth League, the Chinese Communist Party or the

²⁸ Carino 19, and S. Fitzgerald 69.

²⁹ S. Fitzgerald 70.

³⁰ Michael R. Godley, "The Sojourners: Returned Overseas Chinese in the People's Republic of China," *Pacific Affairs*, (Fall, 1989) 345.

³¹ Chong 134.

³² Carino 44.

People's Liberation Army and, in addition, found it difficult to find employment or be accepted into schools. It is estimated that between 1967 and 1972 over 400,000 domestic overseas Chinese left through Hong Kong, and new returnees were actively discouraged.³³

After the fall of the Gang of Four in 1976, the official stance on the domestic overseas Chinese swung back to the other extreme, to that of near indulgence. Deng Xiaoping and his ambitious program of economic reform required massive infusions of capital to implement the Four Modernizations. One source of capital investment they felt they could attract was that of the overseas Chinese abroad. To this end, during 1977 and 1978 the state made an effort to redress the wrongs suffered by the domestic overseas Chinese during the Cultural Revolution. Houses, bank accounts, and land were returned. Thousands of individuals were rehabilitated. The official state pronouncement on their status deemed that most overseas Chinese were workers, and that only ten percent were capitalists. The OCAC was reestablished and the overseas universities were reopened. Efforts were made to attract students from Hong Kong, Macao, and Southeast Asia. Overseas Chinese intellectuals, students, and investors were given priority in job placement. Remittances and visits were encouraged. The constitution of 1978 officially protected the "... legitimate rights and interests of the overseas Chinese and their relatives."³⁴ Within a short period of time there was an appreciable increase in remittances, with a reported twenty percent increase in 1979 over 1977.³⁵

Domestic policy continues to be tied to economic concerns and attracting overseas investment. Today, the domestic overseas Chinese are exempt from forced

³³ *ibid.* 50.

³⁴ *ibid.* 57-8.

³⁵ *ibid.* 62.

manual labour and generally enjoy higher living standards. More of them are being selected for leadership positions at all levels of government, and their entry into the CCP, PLA, and CYL is relatively easy. In addition, it is reported that they receive special treatment in the area of job placement and remuneration. The downside is that with the excess money in the local economies and with a shortage of available goods, black markets have proliferated. In addition, there has been a resurgence of 'feudal' practices such as geomancy, and large amounts are spent on lavish weddings and funerals. Another area where this special group tends to deviate from the mainstream is the much higher birth rate. Instead of adhering to the 'one child' family policy, many of the households are averaging four to five children. Due to the incoming remittances, these families are able to withstand the withdrawal of grain ration coupons and any other strictures.³⁶ Their special status was a precursor to the tolerance of capitalist tendencies that would develop within the population at large. Overall, the most serious problem is the continued contradictions, as domestic policies conflict with the most basic tenets of Socialist ideology. But with the ongoing economic reforms, these contradictions are now surfacing in the population at large in all of the southern and coastal development regions.

OVERSEAS CHINESE ABROAD

The overseas Chinese, both internal and external, present a dilemma to their respective host countries. The majority (approximately 72%) of overseas Chinese living abroad live in Southeast Asia. Here the estimated ethnic Chinese population is nineteen and a half million.³⁷ They comprise only five percent of the total population of Southeast Asia, but it is estimated that they control as much as 70-80% of their local

³⁶ Elena S.H. Yu, "Overseas Remittances in South-eastern China," The China Quarterly, (June 1979) 347.

³⁷ Poston and Yu, 486-487.

economies.³⁸ To the governments of Southeast Asia, the ethnic Chinese have been and are still viewed with some suspicion, as a possible enemy within, with their links to "... an alien and hostile external great power."³⁹ These suspicions were especially prevalent through the 1950s and 1960s, fueled by propaganda from American Cold War rhetoric, the Western media, and later, the Soviets. The overseas Chinese were touted as a 'Fifth Column' for Chinese communism, a dormant force that could be mobilized by the PRC to export the Socialist Revolution and help satisfy China's expansionist goals.⁴⁰ These misperceptions were a major obstacle to the normalization of relations with the countries of Southeast Asia, and one that eventually led China to view the overseas Chinese living abroad as more of a liability than an asset in foreign policy calculations.

Initially the CCP believed that the overseas Chinese could be used to help further foreign policy aims and objectives, as part of a United Front in support of reunification with Taiwan. To this end, they initially reaffirmed the nationality law based on the principle of *jus sanguinis*, and announced that China would be responsible for the protection of all Chinese abroad as a sovereign right of the PRC as a legitimate nation state. Carino attributes this stance by the Communists to a desire to show that after 100 years of servitude, China was no longer weak and oppressed and that the Chinese abroad could no longer be victimized.⁴¹ But realistically speaking, China was without the necessary political and military resources to back up their declaration. By declaring themselves responsible for the protection of the interests of the Chinese abroad, they were undermining their own security and foreign policy goals. Because Burma and Indonesia were initially the only Southeast Asian countries to extend

³⁸ James Mackie, "Changing Patterns of Chinese Big Business in Southeast Asia." Southeast Asian Capitalists. Ruth McVey, ed. (Ithaca: Cornell Univ.) 1992.

³⁹ Yahuda 16.

⁴⁰ S. Fitzgerald, 1.

⁴¹ 21.

diplomatic recognition to the PRC, these were the only countries where the PRC could use diplomatic channels to protest the treatment of its nationals. The only other avenues of protest were the use of Radio Beijing and the resettlement of those deported from Southeast Asia for alleged Communist sympathies.

By the mid-1950s, the CCP had changed its opinion on the value of the overseas Chinese abroad. Four factors contributed to this change: 1) remittances had not returned to the pre-1949 levels; 2) most of the overseas Chinese schools in Southeast Asia had been closed down by the governments abroad, shutting off this avenue of indoctrination; 3) communist insurgents in Malaya were losing ground, making the CCP realize the Chinese in Southeast Asia could not be used for revolutionary purposes; and 4) the overseas Chinese 'problem' appeared to be a major hindrance in the improvement of relations with the countries of Southeast Asia. The nationality law was a major hurdle, as the governments of Southeast Asia viewed it as China's explicit intention to intervene in their internal affairs should any difficulties arise with their local ethnic Chinese population.

To consolidate state-to-state relations with Indonesia, China chose to renounce the nationality law based on *jus sanguinis* in favour of the principle of *jus soli*, where citizenship is determined by the country of birth. (This is the citizenship principle favoured by most of the host countries.) The Sino-Indonesian treaty of 1955 stated that the Chinese abroad were encouraged to adopt the citizenship of their country of residence. Should they choose to retain their Chinese citizenship (with its concurrent restrictions as aliens), they were to respect local laws and customs, learn the local language, and not get involved in local politics.⁴² In exchange, their countries of

⁴² As well, it was suggested that in order to help with the development of their resident country's economy, they should switch their economic focus from the commercial to the industrial sector.

residence should protect the rights and interests of their Chinese citizens. At that time China renounced its intentions of protecting all overseas Chinese, but the Constitutions of 1954, 1975, and 1982 all reiterate China's determination to protect Chinese nationals abroad. Zhou Enlai announced at the Bandung Conference in 1955 that the Chinese government would offer a nationality agreement similar to that of Indonesia to any country with which China had diplomatic relations.

This has remained China's formal, legal position on the overseas Chinese abroad, and it was reaffirmed in the Nationality Law of 1980.⁴³ However, in practice, the overseas Chinese are still used by the PRC to further their foreign policy goals. China's strategic interests are the first consideration in determining how China will react to any given situation involving the overseas Chinese. Mistreatment of the Chinese abroad does become an area of contention in international relations, but only when the PRC chooses to use it as an issue. Intervention in foreign countries on behalf of the overseas Chinese depends on China's strategic interests and its international relations. This generally occurs only when specific state-to-state relations have already deteriorated. Two examples of the PRC using persecution of local ethnic Chinese as an issue are with Indonesia in 1966 and with Vietnam in the late 1970s. Situations where mistreatment of Chinese nationals was not challenged by the PRC include Kampuchea in the mid-1970s and Indonesia in 1960 and 1963. This is because China did not wish to harm state-to-state relations, and so chose to ignore or downplay the plight of the overseas Chinese.

Indonesia was one of China's only non-Communist allies in the late 1950s when the Indonesian government enacted anti-Chinese legislation, prohibiting ethnic Chinese from living and/or trading in West Java. Their land and property were

⁴³ Gong Qiuxiang, "On the Nationality Law," *Beijing Review*, (Nov. 10, 1980) 24-25.

confiscated and they were forcibly resettled. The PRC reacted by protesting through diplomatic channels and by sending ships to Indonesia, repatriating approximately 100,000 people.⁴⁴ This exodus of 100,000 Chinese caused economic difficulties in Indonesia. Soviet military aid to Indonesia was increasing, and China feared losing an ally.⁴⁵ The protests stopped and no more ships were sent, leaving approximately 300,000 stateless overseas Chinese still in refugee camps. In 1963, anti-Chinese riots in Jakarta caused the loss of (mainly Chinese) property and lives. Leo Suryadinata, a noted Southeast Asian scholar, interprets Beijing's lukewarm response as due to the PRC not wanting to jeopardize the alliance (officially, they placed the blame on 'reactionary elements' in Jakarta, not on the Indonesian government).⁴⁶ In 1965, a military coup put anti-PRC/anti-communist forces in power in Indonesia, resulting in an abrupt end to diplomatic relations. The PRC was condemned for its alleged support of the attempted PKI-led (Communist Party of Indonesia) coup. China then did not hesitate to loudly protest the ensuing anti-Chinese riots, this time condemning the new government in Jakarta as being responsible for the loss of lives. China again sent ships and this time approximately 10,000 Chinese were brought back to the mainland.⁴⁷

Vietnam is another example where the ill-treatment of the ethnic Chinese did not prompt a response from the PRC until Sino-Vietnamese relations had broken down, when it then became a point of contention between the two governments. In 1976, the Vietnamese government placed an exorbitant head tax on the local Chinese populace, and forced them to adopt Vietnamese citizenship. China's response was a private government-to-government complaint. In March, 1978, many Chinese were forcibly

⁴⁴ Stephen Fitzgerald interprets China's repatriation efforts as proof that the Chinese government was obviously not planning to use them to advance China's interests because China was so willing to bring back its 'fifth column.' 147.

⁴⁵ Suryadinata 16; and Robert S. Ross, "China and the ethnic Chinese: Political Liability/Economic Asset," *Asean and China: An Evolving Relationship*. Joyce K. Kallgren, Noordien Sopiee, and Soedjati Djiwandono, eds. (Berkeley: Univ. of Cal. Press, 1988) 149-150.

⁴⁶ 17.

⁴⁷ Ross 150.

relocated to New Economic Zones. Their businesses, properties, and bank accounts were confiscated. This same period saw the strengthening of Soviet-Vietnamese relations, and growing anti-PRC rhetoric. China's national security was now at risk. It was at this point that a vehement PRC stopped all aid to Vietnam and sent ships to bring back the Chinese. Hanoi would not allow the ships to dock. Sino-Vietnamese relations worsened and it is estimated that approximately 160,000 Chinese fled over the border into the three southern provinces of China.⁴⁸ Thousands more fled by boat or overland to the countries of Southeast Asia. The overseas Chinese treatment and expulsion was one of the factors leading to an escalation in hostilities, culminating in the PRC attack on Vietnam in 1979. Steven I. Levine attributes the war against Vietnam to "... a sense of aggrieved national pride,"⁴⁹ and yet another scholar believes it was "particularly galling and humiliating" to the Chinese government to have Chinese nationals persecuted in what was seen as a former tributary state.⁵⁰

Non-intervention by the PRC in Kampuchea also illustrates the reluctance of the PRC to allow overseas Chinese to become an issue, unless at their choosing. Between 1975 and 1978, under Pol Pot's regime, it is believed that approximately 200,000 ethnic Chinese were killed. Despite the requests by a number of Kampuchean Chinese for intervention, there is no evidence that the PRC ever protested to the Khmer Rouge or took any concrete action.⁵¹ This is attributed to the fact that the Khmer were China's only ally in Indo-China during a period of Soviet ascension in Vietnam.⁵²

⁴⁸ Suryadinata 20-25; Ross 154-156.

⁴⁹ Steven I. Levine, "China in Asia: The PRC as a Regional Power," Harry Harding, ed. China's Foreign Relations in the 1980s, (New Haven: Yale Univ Press: 1984) 133.

⁵⁰ William R. Heaton, Jr., A United Front Against Hegemonism: China's Foreign Policy into the 1980's, National Security Affairs Monograph Series 80-3. (Washington, D.C. National Defense Univ., 1980) 33.

⁵¹ Ross 159.

⁵² Ross 159; and Suryadinata 18.

The only real deviation in the PRC's position on the overseas Chinese was during the early stages of the Cultural Revolution, between 1966 and 1969. There were pro-Mao, anti-government demonstrations and riots in Burma, Cambodia, and Indonesia, as well as minor incidents in Hong Kong, Macao, Thailand, and Singapore. There is some evidence to suggest that Red Guards in Beijing, having taken over the Foreign Ministry, were responsible for inciting some of these incidents through local Chinese embassy personnel.⁵³ The aim of the rebels was to promote a revolutionary struggle of the masses, which they felt former policies had tried to suppress.⁵⁴ These activities proved to be a further setback to diplomatic relations with the governments of Southeast Asia.

With the return to power of Deng Xiaoping in 1978, the PRC scrambled to mend the damage caused by the Cultural Revolution. The Chinese government was concerned about Soviet hegemony. With the Soviets in Afghanistan, Mongolia, and Vietnam, the Chinese felt 'encircled' and sought allies in Southeast Asia to counterbalance the Soviet presence. In addition, the Four Modernizations program required capital investment and technical skills, some of which the PRC hoped to attract from the overseas Chinese abroad. With both of these objectives in mind, the PRC reiterated the nationality law of the mid-1950s, encouraging Chinese abroad to adopt the citizenship of their country of residence, whilst stating that they would still remain their "kinsfolk and friends."⁵⁵ The Nationality Law of 1980 prohibits dual citizenship, and states that an ethnic Chinese person can only acquire Chinese citizenship by making application to Beijing in person.⁵⁶

⁵³ Carino 34; Heidhues 96; and C.Y.Chang, "Overseas Chinese in China's Policy," The China Quarterly, No. 2 (June, 1980) 286-88

⁵⁴ Chang 29.

⁵⁵ Chong 135.

⁵⁶ It is interesting to note that the PRC's refusal to recognize dual citizenship in Hong Kong after 1997 has a legal precedence going back to the treaty of 1955 and the Nationality Law of 1980.

PARTY-TO-PARTY RELATIONS

The relationship between the Chinese Communist Party and the communist parties of Southeast Asia has been surprisingly weak. Both the colonial powers and the later nationalist governments assumed there were strong ties between the local parties and Beijing, and that Beijing was in some way aiding and abetting them, if not masterminding their operations. As well, local Chinese populations were seen as the conduits for support. The certainty of this connection was especially strong in Malaya, Singapore, and Thailand, where the local communist party membership was predominantly ethnic Chinese. These ethnic Chinese were seen as agents for the CCP, acting on their instruction. But the Chinese Communist Party espoused two principles. First, from their own experiences with Russia and the Comintern, the Chinese believed that revolution could not be engendered externally, that the impetus and the organization had to come from within in order for it to be successful. Second, based on China's troubled history of 100 years of foreign domination, the CCP was against any internal interference in domestic affairs by another power. (As mentioned earlier, this second tenet would later be incorporated in the five peaceful principles of coexistence proposed by Zhou Enlai at the Bandung Conference of non-aligned nations in 1955.)

The Chinese Communist Party came to power in 1949, having waged a successful, if protracted, revolution. The CCP touted its experiences and its methods as the most appropriate model for the predominantly rural societies of Asia. Russia's Marxist-Leninist urban-based revolution was less relevant with its objective of mobilizing the proletariat in an industrial society. In addition, the anti-imperialist stance of the CCP found favour with the nationalist movements of Southeast Asia struggling to obtain independence from their colonial masters following the end of World War II.

CCP guerrilla tactics and organizational structures were copied by the struggling insurgents.

But other than presenting itself as a model, the CCP has been amazingly circumspect in its support of other communist movements. It has offered some diplomatic support, safe haven to exiled leaders, propaganda, literature, radio broadcasts, and training for budding insurgents, but little other aid was forthcoming or guaranteed. For like the overseas Chinese factor in foreign policy calculations, support for socialist brothers was very dependent on China's own security position and its own national interests. Solidarity was often sacrificed to strategic calculations. Good state-to-state relations took priority over the international communist movement. Peter Van Ness, in his book entitled Revolution and Chinese Foreign Policy, analyses the actual amount and the different degrees of CCP support. He maintains that "... the Chinese have been surprisingly selective in their official endorsements of specific revolutions and revolutionary movements."⁵⁷ Defining endorsements as public support in the Chinese press, and using 1965 as a representative year, he has calculated that of the 120 possible revolutions occurring at that time in Asia, Africa, and Latin America, the CCP specifically endorsed only 23 of them.⁵⁸ In addition to the lack of evidence linking China and the local communist parties, it is also very difficult to prove there was any connection between the overseas Chinese community and these communist parties. Many of the local Chinese were anti-communist and others were neutral, so no generalizations for support can be drawn based on ethnicity.⁵⁹ The parties of

⁵⁷ Peter Van Ness, Revolution and Chinese Foreign Policy: Peking's Support for Wars of National Liberation, (Berkeley: Univ. of Cal. Press, 1971) 82.

⁵⁸ Support is shown in a number of ways. Implicit support can be shown by publishing the political program of a specific party, or by publishing world maps which indicate the current revolutionary hotspots. Explicit endorsements come in the form of specific mention by a CCP leader in a public statement or publication, or a statement issued in the name of the party. 83-89. Following the Sino-Soviet split, parties which were opening pro-Beijing were guaranteed favourable mention in the Chinese press. 83. For a breakdown of the communist parties of Southeast Asia, their membership and their political tilt, see Appendix II and III.

Indochina, the Philippines, and Indonesia were indigenous in origin, and the support they were given generally came from the general population.

Despite the lack of concrete evidence of direct support, public statements by the governments of Southeast Asia showed that they viewed the local communist parties as direct offshoots of the CCP. And, as such, this remained another major obstacle to improved state-to-state relations. However, the only communist parties of Asia to get concrete support from China were in Vietnam and Burma, and it is obvious from their strategic location on China's border that these decisions were made for reasons other than the eventual victory of world communism. The parties of Malaya and Thailand with their strong ethnic Chinese component were given moral support, and little else. The strong identification of the ethnic Chinese with the local communist movement created difficulties for the majority, non-communist Chinese population, and created problems for China in trying to establish diplomatic relations with these countries. Stephen Fitzgerald believed the leaders of the CCP calculated the value of these smaller revolutionary movements to China's external goals, and found they would be far more of a liability than an asset, and so kept them at a distance.

The Malaya Communist Party was something of an embarrassment to the PRC. Made up almost entirely of ethnic urban Chinese, it failed to broaden its base to include more than a few rural Malay or ethnic Indian supporters. As such, its identification was completely on ethnic, not class, lines. Partly for this reason, and partly due to the MCP's poor performance as insurgents (relying on terrorist activities instead of guerrilla warfare), the CCP made no effort to support their activities. The MCP took to

⁵⁹ S. Fitzgerald also agrees that there is no evidence linking the overseas Chinese and local communist parties. 191. Leo Suryadinata thinks it might be possible to infer political orientation from the person's choice of citizenship, i.e. PRC, Taiwan ROC, or country of residence. 6. (This could only be the case where there were no other barriers to citizenship and the local Chinese had the freedom to choose.)

the jungle in 1948, fighting unsuccessfully against the British, and then were forced over the Thai border in the early 1960s by Malay forces. The ensuing thirty year period of sporadic fighting only recently ended in December 1989, when the remaining insurgents agreed to lay down their arms, in exchange for clemency.⁶⁰ However, while they gave up armed insurgency, they were quick to point out that this was not a surrender and they were prepared to fight on, but from now on it would be through the ballot box.⁶¹ During the Malaysian Communists' whole insurgency period, the CCP was only willing to offer ideological and moral support. Rather than trying to control or encourage the movement from Beijing, Stephen Fitzgerald says there is documentation to show the Chinese government actually tried to restrain overseas Chinese revolutionary activities, when they saw them in unwinnable situations. The loss by the MCP and its further exacerbation of ethnic polarization was proof that the ethnic Chinese were not the ideal group to lead the revolution.⁶²

The communist party in Indonesia (PKI) was not predominantly overseas Chinese in membership. In fact, Garth Alexander in The Invisible China writes that the ethnic Chinese were deliberately kept out of the party, to prevent its identification with the PRC. Indonesia's President Sukarno and the PKI had strong, close ties to the PRC without the intervention of the Indonesian Chinese. In September 1965, the PKI were implicated in a failed coup attempt, trying to preempt a move by an anti-communist faction of army generals. Even scholars who strongly condemn the PKI admit there is no concrete evidence of PRC involvement in the coup, but the military regime that has

⁶⁰ There were 1,188 remaining members of the MCP in 1989, but by this time only 494 were from Malaysia (of which 402 of the Malaysians were of ethnic Chinese background.) The bulk of the remaining forces were Thai, with the exception of 30 to 40 Singaporeans. Aznam and Tasker 37.

⁶¹ One of the central figures of the MCP in 1948 was Chin Peng, leading them first into the jungle, and later into exile over the border into Thailand, and it was also he who led the armistice negotiations in 1989, having himself spent most of the intervening years in China. Suhaini Aznam and Rodney Tasker, "Farewell to Arms," Far Eastern Economic Review, (Dec. 14, 1989) 36-37.

⁶² S. Fitzgerald 97, 191. He also notes the PRC has either ignored or not protested the arrest of any local Chinese communists.

been in control of Indonesia ever since claim that China, and the local Chinese, had a heavy hand in the affair.⁶³ The coup was used as an excuse by the military to completely decimate the party and much of the Chinese population. Peter Van Ness estimates that 500,000 people were killed.⁶⁴ The Soviets also publicly blamed the PRC for the debacle, claiming the CCP had encouraged and misled the PKI.

For a period of nearly thirty years, it was the Viet Minh under Ho Chi Minh that received the greatest amount of material, psychological, and political support from the CCP. China wanted a sympathetic, stable ally on its southern flank. Initially China sent aid and military supplies for the fight against the French in the early 1950s. Support was stepped up again in the mid-1960s to aid in the war against the United States. But the Sino-Vietnamese alliance and the strong fraternal ties were later victims of the Sino-Soviet split. In the late 1960s the Soviets were providing greater amounts of military and economic aid, as well as technologically superior weapons.⁶⁵ And, far from being members of the Viet Minh, the ethnic Chinese in Vietnam later became targets of the Hanoi government, casualties in the developing Sino-Vietnamese hostilities.

China's relations with Burma and the communist parties in Burma, are interesting examples of how China has balanced two of its foreign policy goals, by pursuing a 'dual track' in foreign relations. As one of the few countries to extend early recognition to the new PRC government in Beijing, Burma has been on generally good terms with China since the early 1950s. In addition, Burma is seen by China in

⁶³ Van Ness 106. This is supported by Jay Taylor, who states that "... it is clear that the PKI was its own master." China and Southeast Asia: Peking's Relations with Revolutionary Movements, (New York: Praeger, 1976) 118.

⁶⁴ 103.

⁶⁵ The PRC was criticized in the international communist community for not joining with the Soviets in aiding Vietnam against the United States. But by the late 1960s, China viewed the Soviets as a far greater threat than the Americans. Taylor 103.

strategic terms as a buffer state against India, and as an ally against the hostile West. Despite these good relations, China has given aid and sanctuary to the communist insurgents in north Burma. But the aid has never been extensive enough to make the party a serious threat to the government in Rangoon. Michael Yahuda perceives the aid to the BCP as a form of leverage against the Burmese government. It is also proof of China's audacity, as it is able to remain on good terms with a government that is working hard to exterminate a fellow communist party.⁶⁶

Interestingly, when relations between the PRC and the countries of ASEAN started to improve in the 1970s and through the 1980s, China insisted on maintaining party-to-party relations with all of the local (outlawed) communist parties.⁶⁷ Often this only took the form of greetings extended on party anniversaries and such, but it was enough to cause serious concern to the ASEAN governments, who were still battling internal subversion, and was interpreted by them as internal interference. Beijing insisted that party-to-party relations were separate from state-to-state relations.⁶⁸ Part of the reason for this policy in the 1970s and early 1980s was to prevent Soviet and Vietnamese interference. Additionally, for domestic political reasons, the CCP could not be seen to be completely abandoning proletarian internationalism.⁶⁹

Finally, the governments of Southeast Asia deliberately use a manufactured PRC and ethnic Chinese connection to local communist parties for their own ends. For example, in Thailand the communist party has been quite weak, and most of the internal struggles have been with northern hill tribes, but the government has consistently

⁶⁶ Yahuda 6-7.

⁶⁷ In April, 1975, congratulations were sent to the Malaya Communist Party on its 45th anniversary, and in May, 1975, greetings to the PKI in Indonesia on its anniversary. Edwin W. Martin, Southeast Asia and China: The End of Containment, (Boulder, Col.: Westview Press, 1977) 41-42.

⁶⁸ Edwin Martin calls this China's "two-track" approach to foreign relations, in support of both pragmatic and ideological goals. 24-26.

⁶⁹ Yahuda 26-27.

blamed China and its agents for inciting the insurgency. This allowed Thailand in the 1970s to present itself as a front-line state battling communism, and therefore requiring more American aid. As well, it kept the anti-Sinitic peasants away from communist organizers. In Indonesia, the Chinese were included in the witch hunt that followed the 1965 coup, as the military saw both the overseas Chinese and the PKI as security risks. Even after the PKI had disappeared, the military continued to play up the "Chinese communist threat" to solicit more aid from the U.S. and to continue the heavy-handedness of the regime. Ferdinand Marcos of the Philippines was also obsessed with the communist threat, calling student rebels in the 1970s 'Maoists.'⁷⁰ The Singapore and Malaysian governments also have used the communist threat to suppress any dissenters, regularly jailing opposition members and enquiring journalists.

CHINA AND THE OVERSEAS CHINESE TODAY

The overseas Chinese business community is being deliberately courted by the government of China as a source of capital, skills, technology, and entrepreneurial expertise. It is not an accident that the first ever Special Economic Zones established in China were opened in Guangdong and Fujian provinces, an obvious attempt to target and attract overseas Chinese investors to their ancestral homeland. In the 1990s, these two provinces are the fastest economic growth areas in the world, and this is attributed mainly to foreign investment.⁷¹ The Economist calls the overseas Chinese China's "development resource," second to none.⁷² In the same article, they estimate the 1990 GNP of the 51 million Asian overseas Chinese (including Taiwan and Hong Kong) at U.S.\$450 billion, 25% greater than China's 1990 GNP.⁷³ From 1979 to 1993, \$44 billion has been invested in China, eighty percent from overseas Chinese (including

⁷⁰ Alexander 119-147.

⁷¹ "Foreign Direct Investment in China," Asian Development Outlook 1993, Asian Development Bank, Manila, (Oxford Univ. Press, 1993) 223.

⁷² "The Overseas Chinese: A Driving Force," The Economist, (July 18, 1992) 24.

⁷³ *ibid* 21.

Hong Kong). Following Tiananmen, the governments of the West and Japan had discouraged their multinationals from investing in China, but overseas Chinese investments poured in.⁷⁴ The large Chinese-owned conglomerates in Southeast Asia are major investors in China, as joint venture partners of choice. But China's success and the involvement of overseas Chinese have once again brought the local economic dominance of the ethnic Chinese to the forefront.

When the countries of ASEAN initially established trade relations with the PRC in the 1970s (with the exception of Indonesia who waited until 1985) all had strict regulations preventing or limiting local Chinese investment in China. The overseas Chinese were also prevented from traveling to China.⁷⁵ The ASEAN countries feared a capital outflow. They now had to compete with China for capital from their own domestic investors and in the world capital markets for foreign investors. The Indonesian government is particularly sensitive to this possibility, and charges of 'capital flight' have been levied against Indonesian Chinese corporations.⁷⁶

China should proceed cautiously for the ethnic Chinese 'problem' is still a politically sensitive area, especially in Indonesia and Malaysia. There is a real possibility of an anti-PRC or anti-overseas Chinese backlash. China has been accused of masterminding a "Greater China Economic Zone," to include Taiwan, Hong Kong, Macau, and the overseas Chinese. Although this has been officially denied by China's

⁷⁴ "China's Diaspora Turns Homeward," *The Economist*, (Nov. 27, 1993) 33-34.

⁷⁵ There was a diplomatic incident in the mid-1980s as Malaysia protested the number of (Chinese) Malaysians illegally entering China. Despite the fact that Malaysian passports are not valid for travel to China, the China Travel Service offices in Macau and Hong Kong issue special 'travel permits' and passports are not being stamped. These travel permits also are given to Singaporeans and Indonesians. K. Das, "Papering over Problems," *Far Eastern Economic Review*, (Mar. 15, 1984) 48-49. Malaysia also had restrictions on sailors from Chinese ships: they were confined to a certain area, close to the docks. James Clad, "An Affair of the head," *Far Eastern Economic Review*, (July 4, 1985) 12.

⁷⁶ Mark Clifford, "A Question of Loyalty," *Far Eastern Economic Review*, (Apr. 19, 1993) 29.

minister of foreign economic relations and trade,⁷⁷ efforts could be made to diversify contacts within the countries of Southeast Asia and include indigenous corporations in joint venture projects.

Another area of concern that could further exacerbate possible tension between China and the countries of Southeast Asia is the growing sense of ethnic consciousness among the overseas Chinese. Many of them are now second or third generation citizens of their countries of residence, and the actual emotional ties to China are weak due to local education and concerted assimilationist measures by the host governments. But there has been a reported "resurgence of cultural awareness" among the ethnic Chinese. Chan Ngor Chong, a research associate at the Institute of Strategic and International Studies in Kuala Lumpur, has identified this trend among the Thai Chinese. Part of this is the result of policies of the Thai government itself. In its desire to increase Sino-Thai trade, they encouraged the resumption of people-to-people contacts and allowed Chinese schools to be reopened. In Singapore, the government has officially adopted Confucianism as a state ideology, and Mandarin Chinese is now one of the main languages of instruction in the school system. As part of their political objectives, Malaysian Chinese have always been concerned with maintaining their separate identity, preserving their languages and their culture. That they are only able to do so is due to their significant numbers.⁷⁸ China's tremendous economic successes have also encouraged a rebirth of chauvinistic sentiment. Many overseas Chinese believe China will shortly become the dominant power in Southeast Asia,⁷⁹ and they are positioning themselves to take advantage of their connections. November, 1993

⁷⁷ "Expanding Foreign Trade Relations," *Beijing Review*, Interview with Li Lanqing, China's Minister of Foreign Economic Relations and Trade, (Mar. 9-15) 12.

⁷⁸ Chong 142-143.

⁷⁹ Wang 141.

saw the second annual meeting of the World Chinese Entrepreneurs in Hong Kong, an occasion to strengthen their already dense network of connections.⁸⁰

With Japan and the United States having more and more capital invested in Southeast Asia, the entrepreneurial overseas Chinese are developing greater connections with Western corporations through joint ventures and other types of economic cooperation. Chan Ngor Chong believes that there is a possibility that any future overseas Chinese incidents could become internationalized. Not wanting to see the investments of their own nationals in jeopardy, it is possible that these Western governments could protest any "mishandling" of the overseas Chinese partners.⁸¹ This is not an unlikely scenario in the present international environment, in view of the American propensity to tie trade relations to human rights records. However, the best hope for freedom from ethnic persecution is the continued economic prosperity of the countries of Southeast Asia, for in that lies the recognized value and contribution of the overseas Chinese to their respective countries. As long as all East Asian countries continue to benefit and continue to experience favourable growth and development, friction will be muted.

CONCLUSION

In 1978, Leo Suryadinata wrote that China's five main foreign policy goals were national security, territorial integrity (including reunification with Taiwan), economic development, great power status, and the victory of Chinese communism in the world.⁸² During the past 45 years, the overseas Chinese have been used at different times as a means to achieving each of these goals. Their plight has also been

⁸⁰ Louise do Rosario, "Network Capitalism," *Far Eastern Economic Review*, (Dec. 2, 1993) 17.

⁸¹ 140.

⁸² 10. In the post Cold-War era, this final goal would now be the *preservation* of Chinese communism.

ignored when it appeared to contradict or obstruct these national goals. The PRC realized early on the near impossibility of controlling this heterogeneous group and the obstacle they presented to better relations with other countries. But this has still not stopped the Chinese government from regularly calling on this group to draw on their resources, connections, knowledge, and support. For despite the fact the sentimental links grow weaker, the overseas Chinese will always be a visible minority within their adopted societies and an easy target for nationalist politicians, and so during periods of PRC strength, they will look to China for a sense of cultural pride and identity. The Economist has likened them to the Jews of Europe: an economically strong, well dispersed, visible minority, with a deep attachment to their ancestral lands, despite years of exile.⁸³ But the politics and the economic situation in the countries of Southeast Asia are more predictable than that of China. There are coming uncertainties surrounding the aftermath of the leadership succession in China, and there are other forces pulling China apart. The ethnic Chinese realize their future security and prosperity lie with their adopted countries.

For the domestic Chinese, social disparities will continue to be overlooked in light of economic priorities. Remittances are lower than ever, but the links to overseas Chinese are stronger than ever, and the treatment of the domestic overseas Chinese will continue to act as a barometer for Chinese investors abroad. Overseas Chinese investment in China is strong, and the PRC government hopes to increase this investment through continued concessions and perquisites. Trade links are being established through the overseas Chinese network, and Southeast Asia is seen as an excellent market for Chinese goods. However, there are still contradictions that remain unresolved. China protests the forced assimilationist policies of the Southeast Asian governments, and the continued pursuit of overseas Chinese investment funds

⁸³ "The Overseas Chinese" 21.

reinforces the ethnic links and undermines these assimilation policies. As well, China is in direct competition for the investment dollars of the overseas Chinese with these countries, which are trying to develop their own economies. The 1982 Constitution reaffirmed the PRC's intention to protect the rights of Chinese abroad, but any intervention will be contingent on China's foreign policy objectives. Finally, although ties with the overseas population are weakening as later generations feel less emotionally linked to China, as long as the economic liberalization policies continue and there are increased business opportunities, the pragmatic Chinese on both sides will continue to nurture these ties. The government in Beijing runs a constant risk of offending the governments of Southeast Asia, but due to China's massive size, increasing military and economic strength, and its geostrategic position, in the near term they will not protest too loudly, and risk alienating this growing economic powerhouse.

CHAPTER FOUR: OTHER PROBLEMS AND COMMON CONCERNS

While the ethnic Chinese 'problem' is a central focus in China-Southeast Asia relations, there are other threads, both positive and negative, which bind them together. Separating them are territorial claims, ideology, trade friction, and politics. But uniting them are shared concerns in global politics, specifically north-south relations. The overseas Chinese problem does not stand alone. It is intricately linked to these other issue areas. The governments of Malaysia and Indonesia must look at the entire picture before formulating policy on specific items. This chapter will discuss other important facets of the Sino-Malaysian and Sino-Indonesian relations.

China and the countries of Southeast Asia are linked together by geography, history, trade, and people. And as much as the other governments might wish otherwise, the Chinese government is committed to playing an active role in the region. The reasons for this are twofold: this is an activity befitting the self-appointed leader of the 'Third World;' and for national security, the PRC needs stability on its periphery. Chinese representatives took part in negotiating a settlement to the Cambodian situation. The PRC government provided arms and political support to the Viet Minh throughout the 1950s and 1960s, to the Khmer Rouge in the 1970s and 1980s, and now to the military regime in Burma, demonstrating China's commitment to use its resources to influence outcomes in the region. The Southeast Asian governments now envision China trying to fill the power vacuum left by the departed Soviets and the gradually withdrawing Americans.

Worse still, China is seen as a hegemon with territorial ambitions. The Spratly Islands are a group of small, mostly uninhabitable islets in the South China Sea. The suspected presence of massive oil and gas reserves beneath the surface has led to

conflicting territorial claims by six countries in the region: the PRC, Taiwan, Vietnam, the Philippines, Malaysia, and Brunei. With the exception of Brunei, all of the claimants have troops stationed on one or more of the islands, and all are continuing to strengthen their respective positions. China is constructing a blue water navy, and the Spratly Islands are now within its range. This wholesale military involvement increases the likelihood of active conflict. Twice in the past five years the Chinese navy has resorted to armed conflict to successfully dislodge Vietnamese troops from their positions.¹ In the post Cold War era, where most countries' defense budgets are being scaled back, China and the ASEAN nations are experiencing annual increases in defense spending and weapons acquisition.² This is creating a classical realist security dilemma, action and reaction, security compounding insecurity.

Indonesia is not one of the claimants, but its Exclusive Economic Zone (EEZ) extending from its Natuna Islands overlaps the PRC claim. In addition, as an island nation, Indonesia has a keen interest in seeing a peaceful resolution to any maritime disputes in the region. The Indonesian government is trying to broker a diplomatic solution and China is reluctantly participating in these negotiations. But even while paying lip service to negotiations and regional solutions, China has continued to act unilaterally in ways which surprise and frighten its neighbours. As recently as February, 1992, China's National People's Congress passed a law proclaiming all of the Spratlys and surrounding water ways as China's sovereign territory, and asserting they would use force if necessary to protect their territorial integrity. Then in May, 1992, Beijing signed an agreement with a U.S. oil company to begin immediate offshore exploratory drilling in an area disputed by Vietnam. The oil company has the assured protection of the Chinese navy.³

¹ "Spat Looms Over Spratlys," Geographical Magazine, (March, 1992) 25.

² This can be attributed to a heightened threat perception, or to the increased prosperity of the economies, or a combination of both. States which experience favourable growth rates tend to increase the amount spent on defense expenditures.

³ "China Stirs the Waters," The Economist, (4 July 1992), p. 32.

The Spratlys is now a major regional issue, with China replacing Vietnam as the main hegemonic power. Regional security and the Spratly Islands were key agenda items at the 1992 ASEAN meeting. And for the first time since its inception the ASEAN members were united in calling for a continued U.S. military presence in the region. They hope a U.S. presence will forestall any attempts by China to resolve the territorial problem unilaterally. ASEAN members are also for the first time discussing the possibility of a regional security regime.⁴

The conflicting claims to the Spratlys are not resolvable through current international law, nor are the participants likely to accept an externally imposed solution. In all probability, some sort of joint development agreement has the greatest chance of success, one which indefinitely postpones the ultimate issue of territorial delimitation. This is a critical waterway for Japan, with shipping lanes that connect Europe and the Middle East with East Asia. Any major conflict in the area or full Chinese control could prompt Japan to rethink its military position.

Ideology also continues to play a negative role in PRC relations with the countries to the south. Despite the end of the Cold War, the dissolution of the Soviet empire, and the failure of socialism as a global development model, the governments of ASEAN are still rabidly anti-communist and still suspect China of harbouring world communism ambitions. The strong ethnic Chinese component in some of the communist parties of Southeast Asia has added to these fears. The Philippine armed forces are still battling scattered remnants of provincial communist insurgency forces. And although communism is no longer a relevant

⁴ Although China was until recently ASEAN's main regional ally in the Cambodian situation, China is now perceived as the most likely threat to the regional balance. *Asia 1993 Yearbook*, (Hong Kong: Far Eastern Economic Review) 66.

force in the region outside of China and Vietnam, the governments of ASEAN continue to rattle the spectre of Chinese-inspired communism for their own ends.

The PRC is becoming more powerful, and presenting more of a threat to the region to the south.⁵ Analysts are now speaking of a 'Greater China,' a region in which interactions transcend national boundaries. This increased level of integration naturally encompasses mainland China, Taiwan, and Hong Kong. But part of the debate involves defining the outer boundaries of this phenomenon. Culturally and economically, the ethnic Chinese of Southeast Asia are also a part of these expanding non-state linkages. This Chinese chauvinism is garnering a positive response from the overseas Chinese, as the political barriers of the last forty years are gradually being relaxed.

Trade and investment issues are major subjects on their own, and are also intimately connected to the ethnic Chinese issue. In general, between the PRC and the countries of Southeast Asia, bilateral trade flows are low, but have been slowly increasing.⁶ Economic relations remain a curious mix of opportunity and competition, overshadowed by lingering political resentments. That economic links are not growing faster is due partly to the existence of continuing political impediments, but also to structural reasons. The flow of goods is weighted strongly in China's favour, with China regularly showing annual trade surpluses. The demand for Chinese goods and foodstuffs is high in Southeast Asia, especially among the ethnic Chinese population. On the other hand, China has a limited need for the commodities produced in the region. The primary exports, such as rubber (Malaysia), petroleum (Indonesia and Brunei), rice (Thailand), and sugar (the Philippines), are commodities which China either already produces internally or for which China is in the

⁵ Chang Pao-Min, "China and Southeast Asia: The Problem of a Perceptual Gap," Contemporary Southeast Asia, Vol. 9, No. 3. (Dec., 1987) 190.

⁶ In 1989, only 3.8% of ASEAN's imports originated in China, and of ASEAN exports, only 2% went to China. Fred Herschede, "Trade between China and ASEAN: The Impact of the Pacific Rim Era," Pacific Affairs, Vol. 64, No. 2 (Summer, 1991) 180-181.

process of developing domestic sources. As well, with China's import restrictions, much of China's domestic market is still closed to regional products. Only Singapore is able to offset the merchandise trade balance with surplus service exports to China.

There are pressures on China to increase its commodity imports to help redress its persistent trade imbalances with the region. Fred Herschede identifies rubber and lumber as the only products the ASEAN countries produce for which China is likely to have a greater demand in the future.⁷ It is also possible that with China's declining domestic petroleum production China could be a net importer of oil by the year 2000.⁸

In the past, Sino-ASEAN economic relations were primarily restricted to trade, with all parties reluctant to expand the range of cooperation. The Chinese government did not encourage foreign investment in either direction. Although the ASEAN governments were long time advocates of two way investment flows in other regions, the ASEAN investors did not want to tie up their capital in communist China, and the regional governments were suspicious of direct investments by local Chinese corporations.

Since the opening of the Chinese economy, Chinese authorities have been both actively pursuing foreign capital, and investing abroad since 1980. China also has been issuing bonds abroad and extending loans to foreign governments. But of the small portion of the PRC's direct foreign investment that is invested in Southeast Asia (less than 5%), most of it goes to Thailand or Singapore. Malaysia and Indonesia are being left out due to their determination to limit the terms of their relationships with China.⁹

⁷ 184.

⁸ Asia 1993 Yearbook 109.

⁹ "Reform of Foreign Exchange and Trade," Beijing Review, (Jan. 24-30, 1994) 17.

Aside from bilateral economic relations, it is third country markets which could ultimately cause the most friction in future ASEAN-China trade relations. With China now a major exporter of labour intensive, low cost manufactured goods, it is seen as competing directly in a niche that the ASEAN countries had taken over from the NICs, primarily in textiles, footwear, and electronic goods. As well, the main export markets for all are in Japan, Europe, and the United States.¹⁰ China is perceived as being a direct threat to ASEAN in the manufacturing sector. However, Fred Herschede has proven this may not yet be the case.¹¹ But the perception still exists that opportunities are being lost to China.

China and ASEAN are also competing for an increasingly small share of the foreign investment pool. The countries of Southeast Asia and China all offer multinational corporations a low wage, educated, malleable work force, but the labour pool that China is able to draw on is greater than all of the other economies put together. Additionally, as a socialist system, the Chinese government is able to more easily redirect labour and inputs.¹² China also lures foreign investors with the possibility of a potential one billion plus consumer market. The ASEAN countries are only able to fight back with intangibles such as a longer period of domestic stability and foreign policy continuity, a proven track

¹⁰ With China now a major exporter to the West, and generally experiencing a favourable trade balance, it could result in even further protectionist measures by the industrialized nations, indirectly harming all exporters to these countries. K.C. Yeh, "China's Economic Reform," ASEAN and China: An Evolving Relationship, Joyce K. Kallgren, Noordin Sopiee, and Soedjati Djiwandono, eds. (Berkeley: Univ. of Cal. Press, 1988) 49.

¹¹ Fred Herschede has done extensive work in analysing the competition in third country markets between ASEAN, China, and the NICs. He has assessed the market share of each group in the U.S., Japanese and European markets. He has broken exports down by SITC categories, and has concentrated on items which have shown a significant change (a 0.5% change, plus or minus) in market share over a five year period, from 1982 to 1987. Some of the results are as follows: In the Japanese market, ASEAN is losing a significant share of its export market to the NICs. ASEAN is not competing with China in this market in the export of manufactured goods. In the US, there was less competition by all parties with few gains and losses of market share. The few exceptions, again, were ASEAN losing out to the NICs. The European was the least competitive of the three market areas. He concludes by saying that regardless of their position vis a vis one another, compared with the rest of the global traders, all three export groupings were gaining in all market areas. "Asian Competition in Third Country Markets," Asian Survey, Vol. 31, No. 5, (May, 1991) 434-441.

¹² Cheng Bifan and Zhang Nansheng, "Institutional Factors in Chin Asean Economic Relations," ASEAN-China Economic Relations: Trends and Patterns, Chia Siow-Yue and Cheng Bifan, eds. (Institute of Southeast Asian Studies: Singapore, 1986) 34.

record in offering a positive investment climate, and a better developed infrastructure.¹³ ASEAN also has a better record in quality control and management expertise.

Another area in which China is a recent competitor is as a receiver of foreign aid. Through the 1960s and 1970s the PRC was, albeit on a fairly small scale, a donor of aid to small, less developed countries, although much of this aid was ideologically or politically tied.¹⁴ However with China's current need for massive amounts of investment, technology, and infrastructure, they have become one of the major recipients of aid from foreign governments and of loans from international agencies such as the World Bank, the IMF, and the Asia Development Bank.¹⁵ Japan is the world's largest donor of foreign aid, and their primary recipients have historically been in Southeast Asia. However, since 1982, China has become the largest recipient, followed by Thailand, Indonesia, the Philippines, and Malaysia. Conversely, for Malaysia and Indonesia, Japan is their largest single donor of aid (70% of Indonesia's 1987 foreign aid was from Japan).¹⁶

A lesser problem for the region, but one which is still awkward, is that of the "two Chinas." One of the PRC's main objectives is reunification with Taiwan. The Chinese government continues to present China and Taiwan as "one China." Other states are required to recognize either one or the other, not both. To have diplomatic relations with one precludes any formal relations with the other. All of the ASEAN countries now have diplomatic relations with the PRC, and have withdrawn recognition from the Republic of

¹³ Investors in China are still experiencing difficulties with the absence of legal protection of assets, profit repatriation, and tight controls on the access to the elusive domestic market. Yeh. 50. But the Chinese advantages include lower wages, lower input prices (if available locally), less restrictive joint venture regulations, and lower income tax rates. Cheng and Zhang 28.

¹⁴ China is still the largest non-OPEC Third World aid donor. Its current aid programs are more humanitarian and less ideological in focus, with a concentration on the poorest countries. On a number of occasions, the Chinese government has also been willing to reschedule or completely cancel debt repayments. Samuel S. Kim, The Third World in Chinese World Policy, (Center of International Studies: Princeton Univ., 1989) 37-39.

¹⁵ Yeh 50.

¹⁶ Kate Grosser and Brian Bridges, "Economic Interdependence in East Asia: The Global Context," The Pacific Review, Vol. 3, No. 1 (1990) 11.

China in Taiwan. But Taiwan is one of East Asia's "four tigers." It is an economic powerhouse which is also tied into the overseas Chinese capital network. In 1988, Taiwan's direct trade with ASEAN was 20% greater than that of the PRC. Taiwan has also now replaced Japan as the largest foreign investor in Malaysia,¹⁷ and is also a significant investor in Indonesia. The Taiwanese government is pressing for official recognition and guarantees for its investments and those of its nationals. This situation could prove problematical for the governments of Southeast Asia.

Despite the many areas of friction in their relationships, the Southeast Asian countries and the PRC also face common problems and obstacles in their interactions with the global community, particularly in the area of North-South relations. These common problems bring together the otherwise suspicious statesmen. All of the countries of the region now focus on economic growth and industrial development. At the same time, most of the countries of East Asia wish to lessen their degree of economic dependence on Japan and the countries of the West. Malaysia, Indonesia, and China are also especially sensitive to what they see as internal interference in areas such as human rights, political liberalization, and environmental standards.¹⁸ All of them also face a rising tide of Western protectionism and the regional trade blocs of NAFTA and the EU. The PRC and Malaysia would like to develop regional regimes to help offset what they see as Japanese (economic) and American (military) regional hegemony.¹⁹ China wants a peaceful, stable region, without the presence of any outside power. (This wish is not shared by most of the smaller countries of the region who fear China more.)

¹⁷ Ji Guoxing and Hadi Soesastro, Sino-Indonesian Relations in the Post-Cold War Era, (Jakarta: Centre for Strategic and International Studies, 1992) 136.

¹⁸ For China, the link between domestic and international affairs was brought home following the repression of the demonstrations in Tiananmen Square in June, 1989. Having viewed it as strictly an internal affair, the Chinese leaders were disturbed to find China's relations with the West at a new low as a direct result of Tiananmen.

¹⁹ Reynaldo Ty Y. Racaza, "Chinese Economic Modernization and ASEAN" ASEAN and China: An Evolving Relationship, Joyce K. Kallgren, Noordin Sopiee, and Soedjati Djiwandono, eds. (Berkeley: Univ. of Cal. Press, 1988) 59.

In a situation typical of international politics, the stronger Western countries are pressuring the weaker less developed countries, by linking trade to other unrelated issues. The EU has refused to renew a EU-ASEAN cooperative trade agreement pending a change in the situation in East Timor. But neither ASEAN nor Indonesia will bow to this pressure.²⁰ Japan also has announced that it will be tying its aid program to the recipient country's human rights record, and China, Indonesia, and Malaysia are all major recipients of Japanese aid (and guilty of human rights violations). In addition, the developed countries are pressuring all of the countries in East Asia to open up their markets more to foreign goods. China specifically is experiencing friction from the EU and the U.S. due to China's U.S.\$5 billion trade surplus. The developing countries are also worried environmental issues could become hostage to trade negotiations with the West. Specifically, the West could use the environment as an excuse to erect more trade barriers. Their concerns are shared by Arthur Dunkel, the former director general of GATT, who has said, "[w]e must guard against the risk of the environment being kidnapped by trade protectionist interest."²¹ The EU has been placing restrictions on Asian hardwood from countries without "... sustainable forest management programs."²²

The North has been ignoring Southern problems of maldistribution, poverty, and development. By uniting, the countries of the South increase their bargaining position within international organizations and regimes. Interestingly enough, although China has long fashioned itself as the champion of the Third World, it has never been a member of either the non-aligned movement nor of UNCTAD's Group of 77.²³ In their broadcasts and publications, the Chinese government is outspokenly in favour of a new international

²⁰ East Timor is a former Portuguese colony, and it is Portugal that is blocking the trade agreement. Asia 1993 Yearbook 67.

²¹ Quoted in Asia 1993 Yearbook 32.

²² *ibid.*

²³ Samuel S. Kim calls China a "self-styled independent Group of One," in world politics. 1.

economic order and zealously promotes greater South-South cooperation. The Chinese press also portrays China as the permanent Third World representative on the UN Security Council. Samuel Kim sees China suffering from a dual identity - with its low per capita GNP, it is one of the world's poorer countries; but with its military capabilities, nuclear arsenal, large population and territory, it is one of the global powers.²⁴

The West is also not the engine of growth it once was. The nexus of trade has switched from the Atlantic to the Pacific. But excessive dependence has brought sensitivities and vulnerabilities to Southeast Asia. By developing more intraregional trade and diversifying export markets, the Asian economies could partially wean themselves from North American and European markets. These are zero sum markets, with recurring recessions and persistent high unemployment. Protectionist measures will only get worse.²⁵

A possible solution to some of these common dilemmas would be to try and create a regional trade regime, which could institutionalize cooperation and promote further economic linkages. The ASEAN countries have cooperated politically since its inception in 1967, but economic coordination has been limited. It is only in the past three years that they have finally agreed to AFTA (the ASEAN Free Trade Area) which will be phased in over a fifteen year period. But as an agreement it has been weakened by exceptions and omissions. The agreement does not cover the agricultural or service sectors, and each country is allowed to remove any number specific goods from the list of items to be de-tariffed. In addition, intraregion trade has little room for growth. The economies within ASEAN tend to be more competitive than complementary.²⁶

²⁴ 3.

²⁵ John Wong, *The Political Economy of China's Changing Relations with Southeast Asia*, (London: MacMillan Press, 1984) 28.

²⁶ Michael Vatikiotis, "The Morning AFTA," *Far Eastern Economic Review*, (October 24, 1991) 64-5.

In an attempt to improve regional economic links, China has proposed a Sino-ASEAN trade cooperation agreement, similar to the one ASEAN had with the EU. The vice premier and foreign minister, Qian Qichen, has also suggested a China-ASEAN Joint Committee on Economic and Trade Cooperation and a China-ASEAN Science and Technology Training Centre. China has expressed its willingness to open its markets further to ASEAN exports, and to share available technology with ASEAN. However, so far, the ASEAN representatives have not responded.²⁷

Larger economic groupings have also been proposed and debated. The Malaysian prime minister, Dr. Mahathir, is a ardent proponent of EAEG, the East Asian Economic Group. This economic grouping was suggested in reaction to the other emergent regional groupings, NAFTA and the EU. It was to include all of the dynamic economies of East and Southeast Asia, including Japan and China. But the Americans are very unreceptive to the idea, as is Japan, with its economic and political links to the United States. EAEG has been downgraded to a caucus and subsumed under the larger economic grouping of APEC (Asia-Pacific Economic Cooperation), which includes the countries of East and Southeast Asia, plus the U.S., Canada, Australia, and New Zealand. APEC is more of a forum for discussion, rather than an active trade regime.²⁸

As the countries of East Asia, including China, Malaysia, and Indonesia are so dependent on American and other western markets, they are not in a position to develop their own free trade area as an exclusionary measure. In the short run, it could be self-defeating, and so the idea is not gaining any support or momentum. The currently anti-Western Malaysian government is eager to develop more intra-regional trade, to the extent

²⁷ "Expanding Foreign Trade Relations," and "China Never Seeks Hegemony," Beijing Review, Aug. 2, 1993, 9-14.

²⁸ Thosihiko Kinoshita, "Keeping Cool on Trade," Far Eastern Economic Review, (Oct. 31, 1991) 23.

that they have invited China to take part in all of the discussions. However, Mahathir envisions extensive trade with China only within the protective confines of a larger regional regime.

While the PRC and Southeast Asian countries compete for Japanese markets, investments, and aid, they also together share common fears of Japanese economic control. Within Asia, the Japanese economy appears to be the driving force behind the regionalization of East Asian economic relations. Robert Gilpin, Ji Guoxing, and Hadi Soesastro all identify Japanese multinational corporations (with the encouragement and direction of the Japanese government) as shaping the future division of labour and the Asian industrial mix.²⁹ The Japanese have been developing what Gilpin calls an "Asian production structure" through their direct investments, trade flows, and foreign aid programs.³⁰ There are over 4,500 Japanese companies in the East Asia region, with a combined work force of over 1,000,000 people.³¹ Japan also controls the Asia Development Bank and its disposition of loans, further affecting the direction of growth and development in the region. Added to this is the concern that Japan may re-militarize in the not too distant future. The financially troubled Americans have been pushing the Japanese to take more of an active role in regional affairs, to lessen some of the costs of the American burden. But China and the Southeast Asian countries still share memories of a militaristic, hegemonic Japan.

Regional relations have become far more complex since the end of the Cold War. The disappearance of the bi-polar structure in the global system has meant that many of the small and mid-size countries have lost a degree of protective cover. Countries such as

²⁹ Robert G. Gilpin "The Asia Pacific Region in the Emergent World Community," *NBR Analysis*, 2:1 (April, 1991) 18-19; Ji and Soesastro 142.

³⁰ Gilpin 19.

³¹ *Ibid.*

Indonesia and Malaysia can no longer afford to ignore a regional power. The multifaceted relations of China and Indonesia and China and Malaysia involve both push and pull factors, and each issue area is fraught with complications. It is the areas of common concern which could bring the different governments together, and through the regimes which would develop some of the problem areas could possibly be addressed. Alternatively, government sanctioned trade and investment are natural areas in which to gradually broaden and deepen bi-lateral relationships and establish positive mutual regard. However, both trade and investment invariably would involve the local Chinese corporations and raise the ire of the Sinophobic nationalists. And this is currently an insurmountable obstacle.

CHAPTER FIVE: CONCLUSION

The ethnic Chinese problem has re-emerged as a significant issue in international relations. Within Southeast Asia, changing geopolitics resulted in a sweeping re-ordering of national priorities. The end of the Cold War brought peace to the region and economic growth has supplanted defense as the number one national objective. And as national objectives changed, so did perceptions of and policies toward the ethnic Chinese. Once the potential conveyor of China's ideologically driven expansionist tendencies, the ethnic Chinese are now perceived as a force for China's regional economic dominance. With the regional governments now directing efforts toward the economy, the role of the ethnic Chinese has assumed new relevance. They fear that China-ethnic Chinese linkages could undermine their own efforts in this area, prompting domestic capital flight, and giving China an avenue by which to de-stabilize the local economies. Perceptions of the PRC have also changed, evolving from seeing it as a strictly military threat during the Cold War to perceiving it as a mostly economic threat in the 1990s.

The artificially imposed boundaries and the heterogeneous populations of Malaysia and Indonesia created a need for a coherent national identity and an integrated stable population. Independence was a product of indigenous nationalism, resentful of both the external colonial control and the internal commercial and industrial monopoly of the ethnic Chinese. The ethnic Chinese policy in Malaysia and Indonesia grew out of this same indigenous nationalism angered by what they saw as the unfairly acquired economic superiority of the ethnic Chinese. Perceptions were that the Chinese were given an early advantage through the practices and policies of the colonial powers. The Chinese continued to enhance their position through exclusionary business practices,

closed credit and information networks, and later illicit links to bureaucrats. The Indonesian and Malaysian elites in turn used economic populism and anti-Chinese chauvinism to win indigenous support.

Geopolitics presents the context in which foreign policies have changed and evolved, but within Malaysia and Indonesia specific foreign policies were often determined by internal perceptions, events, and policies. The PRC is never considered separately from the domestic ethnic Chinese, and domestic needs are the first consideration. But where PRC directed policies are often determined by internal events, PRC actions can have a reciprocal effect on ethnic Chinese policies. Additionally, the PRC is often assumed to be influencing events involving the ethnic Chinese abroad. Attempts were made to keep separate the ethnic Chinese from China, as the combination was feared to be too de-stabilizing.

An exception to this general policy of limiting contact with China to insulate it from domestic relations was post-independence Indonesia. Sukarno and his government were pro-China as the West would not support their actions in Irian Jaya. And Mao and his government was pro-Indonesia as they feared the U.S. containment program. The Indonesian alliance was an attempt to breach this wall of containment. During the early 1960s, relations were at their peak, as both countries found themselves more isolated internationally. China had broken with the Soviets, sundering the communist monolith, and Indonesia had started the Confrontation against the new Malaysian union. During this whole period, the Indonesian military feared that allowing the PRC government free and easy access to the Indonesian Chinese population would only encourage the ethnic Chinese-PKI linkages, bring the PKI additional financial support and increase the PKI power base. It was thought that the PKI's socialist-style programs were destroying the Indonesian economy. Eventually the PKI was tempted

to try for full control of the government (presumably as directed by Beijing). This whole series of events was regretful and unnecessary and in a swift act of reprisal, the military was able to salvage the situation, put down the PKI, and sever any ties to the PRC to prevent a recurrence of the situation. PKI leaders found sanctuary in Beijing, from where they continued to call for the overthrow of the Suharto government. It was obviously better for the stability of the whole nation to deny any connections with the PRC, and force assimilationist policies on the local Chinese.

Relations with the PRC were only resumed in 1990 and, even then, it was against the wishes of Suharto and the military.¹ But the technocrats in government saw China as a potential buyer for its exports, primarily oil, and the foreign affairs department knew that by recognizing China, they would get China's support over the East Timor fiasco, a situation damaging Indonesia's international credibility. Despite normalization, regulations try to ensure China does not have much access to the ethnic Chinese.

For post-independence Malaysia, it was the internal problem with the ethnic Chinese insurgents that engendered the anti-communist, anti-PRC hostility, prompting a pro-West tilt and embroiling Malaysia in the Western inspired containment of communist China. Relations became subsumed under the changing Cold War realities. In the early 1970s, Sino-Soviet enmity prompted a Sino-U.S. detente, in turn softening the stance of the American allies in Southeast Asia. China was given the permanent seat on the UN Security Council, displacing Taiwan. Malaysia pragmatically recognized the emerging regional power. As a smaller state, it could not afford not to have some semblance of relations with China. However, in light of their domestic politics, with

¹ Wayne Bert, "Chinese Policies and U.S. Interests in Southeast Asia," *Asian Survey*, Vol. XXXIII, No. 3 (March, 1993) 321.

the insurgency forces still at large and the Chinese minority trying to upset the ethnic balance, the Malaysian government found it necessary to severely restrict contacts with the PRC.

The fears of the governments of Malaysia and Indonesia were vindicated by China's 1978 invasion of Vietnam. This particularly noteworthy event was concrete proof that China was prepared to go to war to protect the interests of the Chinese abroad, and that it was necessary to control linkages with China. Another extremely vexing and incomprehensible position of China's during this same period was their insistence that government-to-government relations were separate from party-to-party relations. For even after Malaysia had normalized relations with the PRC, the CCP was continuing to send public anniversary greetings to the exiled MCP in Southern Thailand.

But for the Chinese government, the overseas Chinese policy is determined by the ordering of foreign and domestic policy objectives. (China does have an internal dimension to the overseas Chinese question; however, the domestic overseas Chinese seldom impinge on domestic politics except perhaps in a regional sense.) The overseas Chinese are an instrument to be used or discarded as their perceived utility rises and falls. The overseas Chinese abroad have been used to further different domestic and foreign policy goals. However, the dilemma that surfaces each time is that whenever they are called upon to support China in one issue area, another foreign policy area suffers. And so within the Chinese government perceptions of the role of the overseas Chinese swings from utility to liability. Can they be used to advance certain goals or are they more an obstacle to closer relations with China's neighbours?

During the 1950s, by soliciting support among the ethnic Chinese in Indonesia for the reunification with Taiwan, China raised the hackles of the Indonesian military and risked destroying the Indonesian alliance. Whenever China tried to advance the cause of world communism and/or rally for support among communist brethren against the Soviets, the goal of a stable southern flank, free from external powers, was undermined. The enmity of the local governments increased, the U.S. military presence was stepped up, and an anti-Sinitic alliance ensued. Under Mao, security was China's most critical foreign policy goal. Any appeals to the Chinese of Southeast Asia for whatever reason alienated the governments of the region, and pushed them farther into the Western camp, increasing China's international isolation and feelings of insecurity.

Under Deng Xiaoping, the primary objective has been internal stability through economic growth and industrial modernization. To advance this goal, technical and financial aid and capital investments have been solicited from the overseas Chinese. The overseas Chinese are encouraged to visit mainland China. They are brought in on special visas, regardless of the policies of their countries of origin. This practice has angered the Malaysian and Indonesian governments and slowed the achievement of another goal, regional peace and stability through closer relations with the countries of Southeast Asia.

Significantly enough, however, it appears that China is willing to sacrifice relations with Indonesia and Malaysia to meet its own economic needs. With the relative stability in the region and facing no overt threats, China's current priorities are domestic over foreign policy considerations. The year trade relations with Indonesia resumed (1985) was the year that China began to publicly call for overseas Chinese resources. The bureaucrats in Beijing do not see these two events as mutually

defeating. For the PRC, these are two separate events. But for Indonesia, the two are inextricably linked.

Even though there were (and are) drawbacks, as well as benefits, to utilizing the overseas Chinese, the Chinese government continues to draw on their resources, deliberately overlooking the damage that is being done to the local reputations of the overseas Chinese, and the damage that is occurring in China's relations with the countries of Southeast Asia. For China, the overseas Chinese still have a degree of utility. But Beijing has realized that they are not suited to being political emissaries for China's foreign relations. The overseas Chinese could be a possible economic bridge between China and their countries of residence. With their knowledge of local culture, government requirements, distribution systems, and local needs, etc., they could be natural commercial agents for China abroad, resuming the comprador position of the past.

It is significant that Malaysia and Indonesia have never recognized a degree of utility in their respective ethnic Chinese populations. Domestic politics blinds them to missed opportunities. The Chinese could be used to attract investment from China or to promote trade links. With their cultural and kin connections, they could perhaps help in circumventing some of the current import restrictions. But within Indonesia and Malaysia, the desire to keep the local Chinese separate from direct contact with China remains strong. The possible implications of any contact are capital flight, redirected loyalties, and slowed assimilation. The economic position of the ethnic Chinese does not appear to have significantly changed. Malaysia and Indonesia continue to promote assimilation, while paradoxically undermining these objectives by singling the ethnic Chinese out for discriminatory legislation. The elites continue to emphasize the separateness of this minority group for political reasons.

Some analysts argue that the Chinese problem is disappearing, while others believe the overseas Chinese problem is overstated, the product of a sensationalist media. With the immigration restrictions in place for over thirty years, there is no new Chinese blood to maintain the connections and promote cultural maintenance. And with the Ali Baba connections, the Chinese business class is integrating with the ruling elite. George Hicks and J.A.C. Mackie accuse the Western media (specifically Time magazine and The Economist) as misrepresenting the overseas Chinese as being loyal to China first. They insist that this group is firmly settled and well-established in their home countries. Ninety-five percent of Southeast Asian Chinese were born in Southeast Asia, and without Chinese language schools, few under thirty can read or speak Chinese. Any investments they make in the PRC are for profits only, not out of "sentiment or kin."² Wang Gungwu is another writer who accuses the media of placing too much emphasis on ethnicity. Their 'Chineseness' is incidental and in actual fact they are just profit seeking businessmen taking advantage of the opportunities presented by the PRC.³ Frank Ching, writing in the Far Eastern Economic Review, believes the media should also assume some of the blame for the continued discriminatory restrictions placed on the Chinese by their host governments, and specifically for the fact that some representatives of the Indonesian government are still questioning the loyalties of this group. Ching emphasizes that this group of overseas Chinese is Indonesian first, ethnic Chinese second.⁴

The media may play a role in exacerbating the situation. However, ethnic tensions persist, especially in Indonesia and Malaysia. As recently as April, 1994, anti-

² "A Question of Identity," Far Eastern Economic Review, (July 14, 1994) 46-48; and "Tensions Persist," Far Eastern Economic Review, (July 14, 1994) 50-51.

³ "Greater China and the Chinese Overseas," The China Quarterly, (1993) 929.

⁴ "Indonesia's Harsh Measures on Chinese are Bearing Fruit," Far Eastern Economic Review, (May 20, 1993) 33.

Chinese riots broke out in Indonesia in Medan. And this domestic incident had external consequences. The PRC reacted and asked the Indonesian government to address the situation. Both Indonesia and Singapore then accused the PRC of internal interference, with Lee Kuan Yew quoted as saying that the incident "... has revived old fears that China has not abandoned its claim to the loyalties of all ethnic Chinese wherever they are."⁵ The Malaysian government censored broadcasts of the event, trying to prevent any reverberations within their own population. The overseas Chinese 'problem' within Southeast Asia is still a reality, and it still has implications for both foreign and domestic policies.

Additionally, ethnicity and kinship do play a role in the investments in the PRC. The overseas Chinese corporations appear not to be motivated by profit alone. There are far safer havens in which to invest, and the geographical concentration of investments in South China cannot be overlooked. That the first two Special Economic Zones were opened in Guangdong and Fujian provinces (the 'homeland' of most Southeast Asian ethnic Chinese) was not accidental, and the special treatment and incentives afforded overseas Chinese investors by the PRC government are also specifically designed to attract this one group. Harry Harding, in an article discussing the concept of "Greater China" has even suggested that "...prosperous Chinese entrepreneurs outside mainland China may be more willing to absorb losses in their dealings in the People's Republic out of a belief that they are assisting in the economic development and modernization of their motherland."⁶

As long as communal tensions in Southeast Asia persist, and as long as the PRC continues to call on the resources of the overseas Chinese, the overseas Chinese

⁵ Hicks and Mackie, "Tensions Persist," 50-51.

⁶ "The Concept of 'Greater China': Themes, Variations, and Reservations," *China Quarterly*, (1993) 665.

will remain a central variable in both domestic and international relations. Rather than abating over time, as the local Chinese further integrate into the host societies, this issue has recently gained new prominence due to the active role the overseas Chinese have had in the phenomenal growth and the global integration of the Chinese economy. The growth is partly attributable to the investments of the overseas Chinese, and the global integration is partly due to the Chinese economy connecting with the overseas Chinese network of markets, capital, and information. Much of this network is through the Hong Kong and Taiwanese Chinese, but the Southeast Asian Chinese are also a part of the larger informal organization.

There are different implications behind the ethnic Chinese 'problem' coming once again to the forefront. China calling on the resources of the overseas Chinese implies a reciprocal intention to protect them from any persecution they may suffer abroad.⁷ The PRC inquiry into the Medan situation in Indonesia last year indicates that at this time the Chinese government will not sit idly by and accept persecution of its kinfolk. The PRC has in the past at different times ignored the mistreatment of the ethnic Chinese. But this is generally during periods of weakness and/or when it was politically expedient to overlook certain issues to salvage certain state-to-state relationships. At this time, the PRC is in a strong position vis-a-vis the global political balance. This does not bode well for the governments of Southeast Asia. The PRC currently has the upper hand and may well put pressure on these smaller governments in other issue areas.

With the resurgence of the Chinese economy there has been a rebirth of an ethnic Chinese consciousness. Part of this is pride in the new politically, militarily, and

⁷ Steven I. Levine, "China in Asia: The PRC as a Regional Power," Harry Harding, ed. China's Foreign Relations in the 1980s, (New Haven: Yale Univ. Press: 1984) 134.

economically strong China. This new ethnic awareness will definitely slow the integration of the local Chinese into their host societies. And whilst there may not actually be any degree of re-Sinification, Hicks and Mackie note that de-Sinification in Southeast Asia has definitely slowed.⁸ There is more cultural interaction and kinship ties are being renewed as political barriers fall. This renaissance is also a product of the expanding transnational Chinese economy. Some economists are predicting that China could soon have the third largest economy in the world.⁹ Wang Gungwu believes that with the globalization of the world economic systems, it would be in the best interests of the overseas Chinese to retain at least a partial identity as members of a "global Chinese culture," and reap the accruing benefits.¹⁰ But there is always the risk of a backlash within their adopted societies.

The economic resurgence in China and the suspected input of the overseas Chinese has not gone unnoticed by the host governments. Many of the countries in Southeast Asia are also enjoying dynamic economic growth and would like to take advantage of the new opportunities and challenges coming available in China. But the governments must still contend with the domestic perceptions of race based inequities and perceived unequal access to these new opportunities. Regardless of how trade with China is structured, the overseas Chinese will always be seen as having some sort of advantage over the indigenous businesses, ultimately putting the Chinese even further ahead economically. Bitterness and resentment could worsen, with possibly serious consequences. Closer relations and greater trade with China carries with them the risk of greater domestic instability. For a long time to come, the political elite of Southeast Asia will have to wrestle with these conflicting domestic and international expediencies.

⁸ "A Question of Identity," 47.

⁹ K.C. Yeh, "China's Economic Reform," *ASEAN and China: An Evolving Relationship*, Joyce K. Kallgren, Noordin Sopiee, and Soedjati Djiwandono, eds. (Berkeley: Univ. of Cal. Press, 1988) 48.

¹⁰ Quoted in Harry Harding 677.

APPENDIX I

Distribution of Overseas Chinese in Southeast Asia: Circa 1980

<u>Country</u>	<u>Total Population</u>	<u>Ethnic Chinese</u>	<u>Chinese as % of Pop.</u>	<u>Citizens of the PRC</u>
Brunei	200,000	40,784	20.46	n/a
Burma	35,480,000	700,000	1.97	n/a
Cambodia	6,000,000	50,000	0.83	n/a
Indonesia	153,030,000	6,150,000	4.02	1,500,000
Laos	3,650,000	10,000	0.27	n/a
Malaysia	12,200,000	4,100,000	33.61	n/a
Philippines	50,740,000	1,036,000	2.04	36,000
Singapore	2,410,000	1,856,237	76.90	3,797
Thailand	46,460,000	4,800,000	10.33	300,000
Vietnam	57,040,000	700,000	1.23	n/a

Source: Excerpted from "Distribution of Overseas Chinese in 132 Countries and Areas of the World: Circa 1980." Dudley L. Poston, Jr. and Mei-Yu Yu. "The Distribution of the Overseas Chinese in the Contemporary World." International Migration Review. Vol. xxiv, No. 3. (Fall, 1990) 486-487.

APPENDIX II

Communist Parties of Southeast Asia - 1969

<u>Country</u>	<u>Orientation</u>	<u>Members</u>
Burma - White Flag	pro-China	5,000
- Red Flag	pro-Soviet	500
Cambodia	unknown	100
Indonesia	unknown	150,000
Laos	neutral	unknown
Malaysia	pro-China	2,000
Philippines	neutral	1,750
Singapore	pro-China	200
Thailand	pro-China	1,450
North Vietnam	neutral	760,000
South Vietnam	neutral	unknown

Source: U.S. Department of State Publication No. 8499 (December, 1969), quoted in Leo Suryadinata, "Overseas Chinese" in Southeast Asia and China's Foreign Policy: An Interpretative Essay. (Singapore: Institute of Southeast Asian Studies) 1978.

APPENDIX III

Communist Parties of Southeast Asia - 1989

<u>Country</u>	<u>Members</u>
Burma	200 est.
Cambodia - KPRP	10,000 est.
- KPC	unknown
Indonesia - PKI	1,500 est.
	200 exiles
Laos	40,000
Malaysia - CPM	1,100 est.
- MCP	800 est.
Philippines - PKP	5,000 - 8,000 est.
- CPP	25,000 - 35,000 est.
Singapore	300 est.
Thailand	250 - 500 est.
Vietnam	2,195,824

Source: Richard F. Starr, ed. 1991 Yearbook on International Communist Affairs: Parties and Revolutionary Movements. (Stanford, Conn.: Stanford Univ Press, 1991).

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