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A new chapter in Malaysia-US relations

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SHANGHAI: Prime Minister Datuk Seri Dr Mahathir Mohamad's meeting with US President George W. Bush marks a new chapter in Malaysia-US relations.

There has been a build up to the two leaders' face to face meeting in Shanghai with a number of high level US visits to Kuala Lumpur in recent weeks.

Among others, US Trade Representative Bob Zoellick made a special trip to Kuala Lumpur "to try and understand" Malaysia's views on trade and the forthcoming Ministerial meeting of the World Trade Organisation (WTO).

Zoellick also met Dr Mahathir and Foreign Minister Datuk Seri Syed Hamid Albar.

While this was the first meeting of the two leaders since Bush took office in January this year, they had communicated when the President telephoned the Prime Minister following the September 11 attacks on New York and Washington.

Dr Mahathir also wrote a letter expressing his views on ways of dealing with terrorists and terrorism. The Malaysian proposal is to convene an international conference on terrorism to find its root causes. America is using military attacks as part of its strategy to deal with terrorists.

Dr Mahathir explained to Bush that Malaysia is against terrorism and that is why he has proposed the need to stamp out its root causes and deal with the global problem.

The two leaders saw eye-to-eye on the need to deal with terrorists and terrorism, respected each other's views and accepted the fact that they "may differ on certain issues". Even so, for the American business community, the meeting is significant.

Ernie Bower president of the US-Asean business council said the American President was "reaching out to the Prime Minister as a senior and most experienced leader in South-East Asia, as a senior statesman of a Muslim country. He (Bush) asked for advise.

"That is pretty smart of the American President. That is why I feel that there is a new chapter in the bilateral relations and we are asking for advise and we are asking for cooperation".

Malaysia, as a moderate Islamic state and Dr Mahathir as a progressive Muslim leader, has an important role to play in ensuring a better understanding of Islam and of Muslims. Bush is said to have indicated to Dr Mahathir that Malaysia has a role to play in the Islamic world.

There has been "actual and practical warming up of relations". Bower said "A page turned and we are into a new relationship". He nevertheless added that all parties, businesses and the governments, have to work on improving public relations and communications.

Bower pointed out that even as high level contacts are really starting to take place and "bilateral relations are moving in the right direction, the newspapers give a different story". Citing an example he said the lead story of the Washington Post recently was on the alleged anthrax letter from Malaysia.

"That is going to hit the guts of the American people like a punch in the stomach and if they don't know any better they may question why Malaysians would want to be killing us right now?"

These developments are taking place when the economic slowdown and recession in the US and other major developed country has affected bilateral trade and investment flows. It calls for aggressive public

relations and improved communications to correct the misconception and misunderstandings, especially as the two leaders have set the stage for closer bilateral relations.

Dr Mahathir described it "as a good meeting" and the President's parting words at the end of the 40-minute meeting "we must strengthen relations" should be seen as a genuine attempt on America's part to reach out. It will require the people of the two countries to work towards a better understanding and cooperation.

The warming of relations is important and welcomed by the business communities of both countries. The US is a major trading partner for Malaysia. It is also a major source of foreign direct investments (FDIs). Similarly Malaysia has been an important and major destination for American investments.

Bower said while the two leaders are reaching out to each other and demonstrating how important the relationship is, "they need their countries to understand each other. The business communities (of both countries) had better do the same".

He said American businesses in Malaysia have not only invested in manufacturing but also in schools, the training of people and capacity building. "But we do a terrible job of communicating to the people in Malaysia" about what American businesses and business community does beyond just setting up plants.

Political relations and stability are just as important for businesses.

The new chapter in the American-Malaysian relations augurs well especially when the world economy is sputtering and FDIs are slowing down.

While US-Malaysian trade has been growing rapidly in recent years, especially since the US economy recorded a robust gross domestic product growth in the 1990s, American investments in Malaysia increased five fold in the last decade. US exports to Malaysia tripled just as Malaysian exports to the US rose in the last 10 years. "We all know that Malaysia is a good place to do business," Bower says.

However with the downturn Malaysia was hard hit particularly because of the nature of its trade flows and its heavy dependence on the technology sector and on electronic goods. This sector took a beating with the bursting of the technology bubble. Thus in the first half of this year exports and imports to and from the US declined by an average of 7 per cent.

Before September 11 businesses were considering how to manage in a slowing economy. After September 11, with little or no growth in the US, no growth in Europe and the "popping of consumer confidence" American companies are seeking to "find confidence". In this anaemic economic environment and shattered consumer confidence, the "question in US Malaysian relations was how can we get the gears turning"?

The answer was provided by Dr Mahathir and Bush when they met in Shanghai and demonstrated "not only in their conversation but also in their body language". With strategic businesses trying to manage for a downturn the meeting augurs well. This is where governments really matter, Bower says.

"Businesses need signals, good signals of confidence. And I think we got a good signal of confidence today from the Bush-Dr Mahathir meeting...Businesses need governments and they need leadership and symbolism. And we got it."

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