

The Evolution of Korea-Malaysia Relations : From Low-key to an Interdependent Relationship*

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I. Introduction

Korea and Malaysia entered into a formal relationship in 1960 by agreeing to establish diplomatic ties. As sovereign and independent nations, they have gradually evolved strong political, economic, and social linkages. Since the beginning, relationships between the two countries were generally considered cooperative and cordial. However, this does not mean close cooperation and an intimate relationship always existed. In fact, during the earlier years of Korea-Malaysia relations in the 1960s and 70s, political indifference and lack of economic cooperation characterized the relationship. The nations have not viewed each other as significant political or economic entities in international society. Neither country originally placed the other high among its priorities. This was to be expected of two relatively small countries of modest economic and strategic

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importance, separated by vast distances, and preoccupied with the particular geopolitical demands of the respective regions to which they belong. Rather, both Korea and Malaysia tended to pay most of their attention to relations with countries whose support and collaboration they considered was essential for their national well-being in terms of national security and economic development.

Since the early 1980s, however, impressive progress has been made in bilateral relations. In real terms, the two countries' overall political, economic, and socio-cultural ties have become strikingly closer. Transactions between Korea and Malaysia, whether in the form of communications or exchanges of personnel, or in the form of technical cooperation other than close economic ties, have increased rapidly over the period. The shift in Korea-Malaysia relations to a higher gear from the early 1980s was certainly a significant departure from the historical pattern. These affirmative developments mainly a consequence of leadership change in the two countries, on the one hand, and the subsequent retrospection of conventional philosophies and policy orientation on the other. Apart from these immediate reasons, various other changes in the regional and international environments also serve to explain the development of this close relationship..

A significant change came about again less than two decades ago. The turning point came when a regional crisis, the East Asian economic crisis, broke out in the second half of 1997. Both Korea and Malaysia, which at the time were suffering from currency speculation and capital flights from local markets, shared a common need to restructure the regional architecture to counter the economic

meltdown in the region and address its ripple effects. Considering China-Japan rivalry, Korea can play a leading or central, if not hegemonic, role in East Asian regional architecture in the middle of an economic crisis. Prominent for its role in initiating East Asian regionalism among ASEAN countries, Malaysia possesses reasonable potentials for leading regional cooperation. This means Korea and Malaysia, as the middle powers in the region, are regarded as good partners, whose leaders have contributed significantly to revitalizing East Asian regionalism. In seeking a shift, both countries have recognized the persistence of a historical pattern where major powers have remained influential and where Korea and Malaysia have still maintained their separate and distinct concerns in their respective regions. Under the new circumstances, Korea and Malaysia are determined to shift towards a more active and balanced foreign policy to help fulfill their particular political and economic aspirations.

II. Low-key Relations in the Early Phase of Bilateralism

After World War II, Korea and Malaysia underwent a process of decolonization and nation building. This process was not easy, as both countries had to endure a determined and protracted communist challenge. The common anti-communist experience helps explain why both countries came to regard each other as natural friends in the early period of Korea-Malaysia relations. The background of the Korean War and the Emergency, in particular, shaped the nature of

relations between Korea and Malaysia in the 1960s.

Korea, concerned about fierce diplomatic competition over its legitimacy vis-a-vis North Korea, tried hard to gain broader recognition from the international community. In the case of Malaysia, the war against the Malayan Communist Party (MCP) was still on, and Tengku Abdul Rahman, the first Prime Minister of Malaysia, adopted a pro-Western, anti-communist foreign policy. Yet, the common anti-communist stance, which encouraged both Seoul and Kuala Lumpur to open early diplomatic links, did not lead immediately to any major or significant bilateral programs. Indeed, compared to what was to take place later, relations during this period may be described as correct but ordinary.

Korea extended recognition to Malaysia (then Malaya) two days after the latter's independence in August 1957. Despite a desire by both sides in early 1958 to open official links, the move was delayed due to domestic political problems in Korea. Only in 1960 were diplomatic ties established between the two countries. Following the establishment of formal relationship between Korea and Malaysia, there were regular visits by high-ranking officials and ministers. In November 1962, the Malaysian Deputy Prime Minister, Tun Abdul Razak, led a five-man mission to Seoul to sign the first trade agreement between the two countries. In April 1965, Tengku visited Korea. This visit was reciprocated six months later by Korean Premier Chung Il-Kwon, during which a cultural agreement was signed. Then Malaysia invited 20 Korean students for short-term training annually, and the first batch of Korean students visited Malaysia late 1965 for eight weeks' training. However, at the non-official level, contact

between Korea and Malaysia was not particularly outstanding. In July 1962, the Malaysia Muslim Welfare Organization made a donation to a Korean mosque and invited 11 Korean Muslim students to Malaysia for a six-month education program. In 1963, twelve Korean nuns spent some time with the Catholic Order of the Little Sisters of the Poor in Penang.

For a short while in the 1960s, the political division on the Korean Peninsula intruded into a Southeast Asian dispute. This came during a confrontation between Jakarta and Kuala Lumpur over the formation of Malaysia. In opposing Malaysia, Sukarno described it as a puppet of British neo-colonialism. Indonesia in its foreign policy had moved closer to China and North Korea and Sukarno considered both as being part of an alliance of the New Emerging Forces. He spoke of a Jakarta-Beijing-Pyongyang axis and, as a warm friend of Pyongyang, regarded South Korea as a client state of U.S. imperialism.

Malaysia was uncomfortable with such political labelling. Tun Abdul Razak, who took over in 1970 as Prime Minister, was anxious, therefore, to adjust the direction of Malaysia's foreign policy. At the same time, the changing geo-political configuration, such as the phasing out by the British of their military commitments in Southeast Asia, also caused Kuala Lumpur to move away from its traditionally close links with London. In the 1970s, Malaysia decided to move closer to the non-aligned nations and to pay greater attention to emerging regional groupings, particularly the Association of Southeast Asian Nations (ASEAN). In 1970, Malaysia was admitted into the Non-Aligned Movement (NAM). In keeping with this new stance in

its foreign policy, Kuala Lumpur recognized North Korea on July 2, 1973. In so doing, Kuala Lumpur maintained an equidistant stance from both Seoul and Pyongyang.

During this period, trade and cultural exchanges between the two countries were very limited. The main reason was that both countries, being small nations, saw their interests tied to the major Western powers. Korea had security arrangements with the United States, while Malaysia maintained close defence ties with Britain and other Commonwealth countries¹⁾. Being both strongly anti-communist and able to accept that they were natural friends, Korea and Malaysia pursued cordial ties with each other but beyond this had little reason to evolve special relations.

In this context, economic cooperation between Malaysia and Korea from the 1950s to the 1970s was very low. Korean exports to Malaysia in 1963 amounted to US\$755,000 and accounted for a mere 0.8 percent of its total exports. They consisted of textile, agricultural, and marine products. Malaysia's exports to Korea were valued at US\$4,768,000, and comprised mostly raw materials such as timber, rubber, coconut, and tin. The history of Korea's outward foreign direct investment began in 1969 when Nambang Development Co. entered Indonesia for a forestry development project. However, discouraged by the government's restrictive measures, which take FDI as a capital outflow which could exacerbate its current account deficit problem, it remained insignificant until the mid-1980s.

1) Malaya signed the Anglo-Malayan Defence Agreement on September 16, 1963 while South Korea entered into the Mutual Defence Treaty with the United States in 1953.

Table 1 : Korea's Trade with Malaysia (US\$ millions)

Year	Export	Import	Balance	Total	Balance/Total
1970	1.3	57.8	-56.5	59.1	0.96
1971	1.3	61.6	-60.3	62.9	0.96
1972	3.5	49.0	-45.5	52.5	0.87
1973	6.0	132.4	-126.4	138.4	0.91
1974	18.0	161.1	-143.1	179.1	0.80
1975	12.3	122.8	-110.5	135.1	0.82
1976	18.0	186.6	-168.6	204.6	0.82
1977	24.0	197.0	-173.0	221.0	0.78
1978	47.5	227.9	-180.4	275.4	0.66
1979	85.8	383.2	-297.4	469.0	0.63
1980	183.9	471.6	-287.7	655.5	0.44

Source: Foreign Trade Association of Korea, The Trend of Foreign Trade, various issues

As shown in Table 1, Korea's exports to Malaysia in 1979 reached US\$85.8 million, while Malaysian exports to Korea amounted to US\$383.2 million. Although the total volume was not meaningful enough, the increased two-way trade between the two countries was particularly impressive during the 1970s. Between 1970 and 1979, Malaysia's trade volume increased more than six times, while Korea's exports to Malaysia increased even more dramatically - more than 80 times. In sum, although business ties began modestly, the two countries' economic cooperation in the 1970s increased continuously.

Ⅲ. The Crucial Turning Point for Substantial Cooperation: the Look East Policy

The early 1980s was a crucial period in the political history of Korea and Malaysia, because it was a period during which both countries experienced important changes. On the external front, the global and regional situation surrounding the two countries had been undergoing significant changes, with drastic implications for the shaping of relations between nation-states. The shifting nature of international relations, especially the decreasing importance of political and ideological issues, on the one hand, and the supremacy of economic interests, on the other, seems most noteworthy. Given the increasing importance of economic concerns in both the national and international value systems, the significance of the newly industrialized East Asian developing economies has grown correspondingly. The increased economic scales and capabilities of these countries have made the significance of intra-regional trade far more important than trade with countries out of the region.

In the meantime, on the domestic front, the early 1980s coincided with the inauguration of new leadership in Korea and Malaysia. Although the immediate background and general process of leadership changes were sharply different between the two leaders, they shared certain similarities in their political leadership pattern: i.e., a powerful authoritarian type of leadership, characterized by a strong charismatic will to lead the nation for the attainment of economic development and national wellbeing. New idiosyncratic inputs into the policy-making processes in the two countries as well as fresh

developments in the international system made a re-examination of existing policies unavoidable. Leadership change, therefore, coincided with various policy changes and new policy initiatives in the two countries, and these changes had a most visible and major impact upon Korea-Malaysia relations.

In 1982, Kuala Lumpur adopted its Look East Policy, which represented an important shift in Malaysia's overseas trade and economic links. Mahathir Mohamad, who assumed office as Prime Minister in July 1981, decided Malaysia should shift its emphasis on its traditional reliance on the West. The policy, effectively, was an affirmation of Mahathir's style and focus on external affairs. It was suggested the new orientation also aimed to help achieve the objectives of the New Economic Policy (NEP), which aimed to restructure the economy so Malays would have greater participation in the corporate and industrial sector. Mahathir saw that new opportunities could be opened to Malays only by bringing in new foreign investment partners and creating fresh economic links. It would take too long for the Malays to break into the old Western-Chinese comprador alliance. Even as he announced the Look East Policy, Mahathir suggested Malaysia could learn much from the economic success of the East Asian countries. The new Prime Minister was impressed by the growth and economic development in East Asia, particularly Korea and Japan, which were beginning to rival Western nations. He was keen to have these two countries serve as models for Malaysia and believed that closer trade and investment ties would benefit his country.

The Look East Policy became more than just learning the values

and work ethic of the East Asian countries. Steps were taken to increase trade and investment and preference was given to Japanese and Korean companies in awarding contracts for major projects in Malaysia. It was argued that such projects would facilitate the transfer of technology to Malaysia. Through the Look East Policy, cultural and, more importantly, trade and investment links between Malaysia and the two East Asian countries of Korea and Japan assumed far greater importance. Some observers suggested it was Japan that first inspired Malaysia's Look East Policy. However, the inclusion of Korea was to offer a wider and more acceptable appearance to the Look East Policy. Furthermore, during the expected growth in trade and investment under the Look East Policy, Korea's inclusion would lessen Malaysia's dependence on Japan, including its reliance on supplies of parts and the transfer of technological expertise to help develop its own industry. Another obvious benefit was that the costs of Korean products and projects would be more competitive than those of Japan. Additionally, Korean intermediate technology at the time, compared to the more advanced Japanese industries, was thought to be more appropriate and therefore more easily transferable to Malaysia.

It must be added here that new developments in Korea-Malaysia relations were just as much a result of Korea's evolving policy during the early 1980s. Korea, for its part, was keen to move out of its heavy reliance on traditional trading partners such as Japan and the United States. As in Malaysia, this policy shift occurred at a time of leadership change. In May 1980, a retired general, Chun Doo Hwan, became president. The new president took over at a time of great

uncertainty in domestic politics, which was aggravated by an economic slowdown in the country caused partly by the international oil crisis. Anxious about domestic economic difficulties and the regime's political legitimacy, the new Korean leader searched for new areas of investment and trading opportunities (Steinberg 1995). Southeast Asia, with its huge market, low labor costs, and ample sources of raw materials for Korea's growing industries, was a very attractive possibility. With continuing political stability, ASEAN countries were also recording rapid and impressive growth, and many of them practiced an open-market economy (Wong & Iyanatul 1995: 115). After making his first overseas trip to the United States in February 1981, just three months after his inauguration, President Chun made a two-week visit to the ASEAN countries. This was the most extensive state tour to Southeast Asia by any Korean president. In his meetings with the region's leaders, President Chun anxiously emphasized the necessity of developing a complementary economic relationship. He offered Korean technology and trade opportunities in exchange for the energy, timber, and mineral resources of Southeast Asian nations.

Korea also recognized the strategic diplomatic role exercised by ASEAN, from which Seoul could benefit. ASEAN had demonstrated a certain political cohesion and, as a group, had taken the lead in helping to resolve the conflict in Indochina. The region's support for greater South-South cooperation placed ASEAN in good standing with Third World countries. Countries such as Malaysia and Indonesia are also influential within the Islamic world and in organizations such as the Organization of Islamic Countries (OIC). Closer links with

ASEAN could help improve Korea's standing with the Third World countries, especially in its desire to widen its export market.

Korean-Malaysian cooperation was formalized in a number of bilateral agreements. Following the introduction of the Look East Policy, Malaysia signed the Avoidance of Double Taxation Agreement with Korea in 1982, the Visa Abolition Agreement in 1983, the Technology and Science Co-operation Agreement in 1985, and the Investment Guarantee Agreement in 1988. Furthermore, the Korea-Malaysia Economic Committee was set up in 1984 to promote economic and technical cooperation. In addition, there were multilateral agreements between Korea and ASEAN. The ASEAN Committee in Seoul (ACS) was established to facilitate cultural and economic exchanges between the region and Korea. In July 1991, Korea became an ASEAN dialogue partner, and Malaysia had been at the forefront supporting Seoul's application.

Since 1981, statistical data confirm that there has been significant growth in economic ties between Malaysia and Korea. By 1990, Korea had become the fourth-largest market for Malaysia's exports, after Singapore, the United States, and Japan. Korea was one of the major purchasers of Malaysia's wood, lumber, cork, pepper, and crude rubber besides taking large quantities of mineral fuels and crude petroleum²⁾. In terms of import origin, in 1990, Korea was also the eighth major supplier to Malaysia. Korea was also among the top ten investors in Malaysia and in the early 1990s briefly occupied third

2) Foreign Trade Association of Korea, The Trend of Foreign Trade, various issues.

spot(ADB1988)³). In 1994, the ten biggest Korean chaebols (conglomerates) - Hyundai, Samsung, Lucky-Goldstar, Daewoo, Sunkyong, Ssangyong, Hanjin, Korea Explosives, Hyosung, and Dongkuk Steel - each had at least one investment project in Malaysia. There were 14 trading firms, 12 construction companies, and 119 manufacturing concerns operating in Malaysia then (Biddle 1994/95).

With the adoption of the Look East Policy in the 1980s, the substantial cooperation between the two countries showed a gradual increase in bilateral trade. As shown in Table 2, by 1980 trade between the countries stood at a rate of 1.9% of Malaysia's total trade flow, and this increased at an average rate of 0.48% per annum, reaching a peak of 4.3% of Malaysia's total trade by 1985. The period 1987 to 1990 witnessed a sudden influx of imports, which can be attributed to Korea's direct investment in Malaysia. Exports from Malaysia have been increasing steadily too, mainly due to the huge demand for raw materials by Korean industries which Malaysia has been able to provide. From 1987 to 1990, total bilateral trade volume increased by 14.9%, from 3,237.4 (RM million) to 6,911.8 (RM million).

3) See also, Sang-Duck Chun, Ha-Yool Song, and Dong-Joo Joo, *An Analysis of the Investment Types and Management Status of Korean Enterprises in ASEAN* (Seoul: Korea Institute for Industrial Economics and Trade, 1993), pp. 80-81.

Table 2 : Malaysia-Korea Trade Flows, 1980-92 (RM million)

Year	Trade with Korea			Malaysia's Total Trade			As a % of
	Export	Import	Total Trade	Export	Import	Total Trade	Total Trade
1980	569.5	417.8	987.3	23,451.0	28,171.6	51,622.6	1.9
1981	990.0	374.3	1,364.2	26,603.8	27,109.4	53,713.2	2.5
1982	1,032.6	608.3	1,640.9	29,023.0	28,108.2	57,131.2	2.9
1983	1,538.5	554.4	2,092.9	30,796.2	32,771.2	63,566.4	3.3
1984	1,949.4	592.0	2,541.4	32,925.9	38,646.9	71,572.8	3.6
1985	2,246.1	686.8	2,932.9	30,437.8	38,016.7	68,454.6	4.3
1986	1,862.2	636.9	2,499.1	27,921.4	35,318.6	63,293.9	4.0
1987	2,396.5	840.9	3,237.4	31,933.9	45,224.9	77,158.8	4.2
1988	2,735.9	1,119.5	3,855.4	43,293.4	55,260.0	98,553.4	3.9
1989	3,406.7	1,525.5	4,932.2	60,858.1	67,824.5	128,682.6	3.8
1990	3,677.3	2,037.7	5,715.0	79,118.6	79,640.4	158,764.9	3.6
1991	4,168.5	2,743.3	6,911.8	100,831.1	94,496.6	195,327.7	3.5
1992	3,549.1	3,102.9	6,652.0	101,440.5	103,656.7	205,097.2	3.2

Source: Department of Statistics, Malaysia, External Trade Statistics, various issues.

It is in the construction sector that the Korean presence was most visible. In 1992, Malaysia was the second-largest overseas market for the operation of Korean construction firms. Malaysia's Look East Policy was timely as it opened up new opportunities for the then depressed Korean construction industry. Korean construction firms won some major projects in Malaysia, such as the Menara Maybank Building, the Penang Bridge (Southeast Asia's longest), and one of the twin towers of the 92-storey Kuala Lumpur City Centre building. The construction industry provides one example of Koreans competing successfully, even though they are newcomers, against the more established Japanese.

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Malaysia, being a resource-rich nation, was an important trading partner for Korea in the 1990s. Malaysia supplies about 10 per cent of Korea's oil requirements, 2 percent of timber/saw logs, and 74 per cent of tin articles. In 1992, Malaysia was ranked as Korea's seventh-largest Asian trading partner after Japan, Hong Kong, China, Taiwan, Singapore, and Indonesia. The trade structure between Malaysia and Korea has continued to remain complementary. Raw materials have continued to be major imports from Malaysia, while Malaysia has continued to import mostly intermediate goods from Korea to support its industrialization drive. But as Malaysia's own industries developed, the trade items in Korea-Malaysia trade also changed. Malaysia is now already exporting significant quantities of manufactured goods to Korea.

Meanwhile, the first Korean manufacturing investment in Malaysia was made in 1981 to the tune of RM10.3 million, which constituted 0.8% of total foreign direct investment in Malaysia. Although Korean

investments were positive between 1984 and 1985 and between 1989 and 1991, they have still lagged behind other investors, such as Taiwan, Hong Kong, and Singapore. Except for 1991, when approved FDI from Korea accounted for 10.7 per cent of total FDI, Korean investments have remained negligible at less than 1 per cent for most years since 1981 (Table 3). Between 1987 and 1993, Japan and Taiwan have remained among the top five foreign investors in Malaysia, while Korea appeared in the top five categories only in 1991.

Table 3 : Korean Direct Foreign Investment in Malaysia in Approved Projects, 1980-93

Year	RM Million	Percentage share %
1980	0	-
1981	10.3	0.8
1982	2.3	0.1
1983	3.2	0.5
1984	22.7	3.6
1985	25.0	2.6
1986	4.6	0.2
1987	3.6	0.2
1988	41.8	0.9
1989	188.9	2.2
1990	650.4	3.7
1991	1,818.7	10.7
1992	99.4	0.6
1993	111.1	1.8

Source: Malaysian Industrial Development Authorities

In the meantime, Korea-Malaysia's enhanced bilateral relations are no more evident than in the area of education and training. In 1981,

when there were some 40,000 Malaysian students studying overseas, none was in Korea. In accordance with the Look East program, a series of joint Korea-Malaysia meetings was held at the beginning of July 1983 to draw up programs for educational and technical exchange. Four types of training schedules were agreed upon. These consisted of industrial and technical training; academic and technical studies; short-term courses for Malaysian executives; and exchanges between training, research, and operation institutions, as well as between institutions of higher learning. The first group of 53 trainees was sent to Korea in early 1983 and included 41 professionals who were trained by Hyundai. Up to 1993, the Malaysian Government had sent some 294 trainees to Korea for short-term courses, 89 for university studies, 78 to technical colleges, and about 279 executives from both federal and state governments to the Korean Central Officers Training Institute. There were also on-the-job training programs and visits to Korean factories. Assistance was also provided to Malaysian universities in Korean language and cultural studies. The training exchange was to expire in 1992, but in 1991 the program was extended by another three years (Machado 1987).

IV. A Good Partner for East Asian Regionalism and Matured Relations

Ever since the Look East Policy was launched, Malaysia has become one of Korea's most important trade and investment partners, and vice versa, and their cultural and social exchanges have been

booming in recent years. Korea and Malaysia share the 21st century's predominant values: peace, democracy, and a market economy, and both governments have been working together closely in regional and international institutions. In this context, the Malaysian Government has unequivocally and consistently upheld denuclearization, peace, and stability on the Korean Peninsula. When North Korea conducted underground nuclear tests and launched long-range missiles in May 2009, Malaysia expressed grave concern over these provocative actions and strongly urged North Korea to desist from conducting further tests and to return to the Six-Party Talks.

More importantly, the two countries have been good partners and together played important roles in building East Asian regionalism. The 1997 East Asian economic crisis was the first sign of a new beginning of regional integration between Southeast Asia and three Northeast Asian countries including Korea, Japan, and China. In the 1997 ASEAN summit in Kuala Lumpur, held in the middle of the regional economic crisis, Mahathir organized the first-ever informal ASEAN+3 (APT) meetings to discuss measures for countering common crises. Then, during the second APT meetings in Hanoi in 1998, leaders decided that APT meetings should be held regularly. Furthermore, in 1998, an East Asia Vision Group (EAVG), composed of private sector experts, was established in response to a proposal by the Korean Government⁴⁾. Since then, summits of the APT countries have taken place during the ASEAN summit, and regional

4) The main purpose of EAVG was to explore ways and means to expand cooperation in all sectors and at all levels among the East Asian countries suffering from common economic crises.

cooperation in East Asia has increasingly deepened. In this context, Korea and Malaysia have been strong proponents and good partners for extending East Asian regional cooperation.

The APT's immediate precursor was the East Asian Economic Grouping (EAEG), encompassing ASEAN, Korea, Japan, and China. The EAEG was proposed in December 1990 by Malaysian Prime Minister Mahathir Mohamad⁵). For Mahathir, the realization of the EAEG/EAEC concept would have been one step toward the establishment of a new regional order encountering a unipolar international order under US hegemony (Saravanamuthe 1996: 8). The US Government, therefore, fiercely opposed Mahathir's proposal and put considerable pressure on Korea and Japan to reject it. In addition, for relatively small ASEAN countries such as Singapore and Thailand, a regional economic grouping that excluded the US would have jeopardized US commitment to the security of the region (Jesudason 1995: 216). Not surprisingly, they rejected Mahathir's initiative on East Asian regional cooperation.

The essential idea of an EAEC, however, did not completely fade away. Mahathir himself continuously promoted its necessity for enhancing East Asian regional cooperation. Since then, the turning point came in the middle of a regional economic crisis when the East Asian economic crisis broke out in the second half of 1997. Korea and Malaysia, suffering from currency speculation and capital flights

5) However, after the ASEAN Foreign Ministers' Meeting in July 1991 and the ASEAN Economic Ministers' Meeting in October 1991, the EAEG was immediately downgraded to the East Asian Economic Caucus (EAEC), a loose consultative forum, while the ASEAN Free Trade Area (AFTA) proposed by Thailand was endorsed. This was because the formation of East Asian regional institutions was regarded as an attempt to form an exclusive regional trade bloc.

from local markets, shared a common need to restructure the regional architecture to counter the economic meltdown in the region. In 2000, following the proposed EAVG, the President of Korea, Kim Dae-Jung, offered to set up the East Asia Study Group (EASG) to implement specific action plans for regional cooperation. In 2002, the ASEAN+3 Summit adopted the final report of the EASG, which included 17 short-term measures and nine high-priority mid- to long-term measures, together with details about them. Since then, particularly over the past decade, progress toward a renewal of East Asian regionalism through the APT scheme has evolved rapidly.

Considering China-Japan rivalry, it is not surprising Korea can play a leading or central, if not hegemonic, role in the East Asian regional architecture. As a leading player initiating East Asian regionalism among ASEAN countries, Malaysia possesses reasonable potentials for leading regional cooperation in East Asia. This means Korea and Malaysia are regarded as the middle powers in East Asia and, in fact, the leaders of the two countries have contributed greatly to revitalizing East Asian regionalism through the APT scheme (Bae 2007). For the past decade, Korea and Malaysia have played a pivotal role in the region as mediators of dialogue between the major powers, including Japan, China, and the US. In managing difficulties and hurdles of the newly evolving East Asian regionalism, the two countries, as good partners, are strategically important to each other.

Perhaps more importantly, the two countries possess respective competitive edges and have a broad margin for further mutually beneficial cooperation. On the one hand, Korea has been accumulating technical expertise based on its economic growth. The

recent award of a US\$40 billion contract to build nuclear power plants in the United Arab Emirates by a consortium led by the Korean Electric Power Corporation is one of many events that illustrate Korea's achievements. In addition, as a responsible member of global society, Korea has been contributing to the betterment of the international community as exemplified by its successful hosting of the G20 Summit in November 2010. As the chair of the G20 Seoul Summit, Korea exerted its utmost effort to lead and facilitate international agreement to further enhance international cooperation in generating strong, sustainable, and balanced global growth.

On the other hand, with its abundant natural resources and sizable population, Malaysia is the most well-to-do nation among ASEAN member countries, and has much potential for future development. Malaysia is particularly competitive in the tourism and banking areas and has been hosting approximately 23 million foreign tourists per annum, which is about three times the number of tourists that visit Korea every year. Malaysia is expanding its tourism business not only within Southeast Asia, but also toward the Middle East and Africa. The country is also rapidly emerging as a center of Islamic banking by issuing US\$40 billion worth of Islamic bonds (Sukuk) annually, which is the largest amount in this category.

In 2013, the trade volume between Korea and Malaysia was recorded at US\$19.7 billion, which is the third largest among ASEAN member countries. Two-way trade between Korea and Malaysia recorded an average annual growth of 8% over the past 10 years. Table 4 shows a gradual increase in bilateral trade between Korea and Malaysia from 2000 to 2013. The rate of increase has been

particularly impressive since 2000, except in 2009, when it decreased slightly due to the global financial crisis. However, in the subsequent four years, trade volume increased quite sharply from US\$15,646 million in 2010 to US\$19,684 million in 2013.

Table 4 : Korea's Trade with Malaysia from 2000-2013 (US\$ millions)

Year	Exports	Imports	Volume of Trade
2000	3,514.7	4,878.0	8,392.7
2001	2,628.0	4,126.0	6,754.0
2002	3,218.3	4,041.4	7,259.7
2003	3,851.8	4,249.1	8,100.9
2004	4,480.4	5,678.7	10,159.1
2005	4,608.2	6,011.6	10,619.8
2006	5,227.2	7,242.5	12,469.6
2007	5,704.2	8,442.2	14,146.5
2008	5,794.5	9,909.1	15,703.6
2009	4,324.8	7,574.1	11,898.9
2010	6,114.8	9,531.0	15,645.8
2011	6,275.8	10,464.5	16,740.2
2012	7,723.5	9,796.4	17,519.9
2013	8,587.8	11,095.8	19,683.6

Source: The Organization for Economic Co-operation and Development (OECD).

Korean enterprises' accumulated investments in Malaysia since 1980s exceed US\$3 billion. Samsung is the largest Korean investor and has been in Malaysia since 1989, running its second-largest overseas electronic manufacturing complex there after the one in China. Korea's Lotte Chemical, which has invested some US\$2.1 billion in a chemical plant in Pasir Gudang, Johor, is currently looking at Bintulu, Sarawak. The company is keen to invest a further

US\$3-4 billion in Malaysia, depending on the availability of feedstock and its price. Korean companies have remained one of Malaysia's most important investors, the second-largest source of foreign direct investment in Malaysia in 2013. In return, the Berjaya Group of Malaysia is currently developing the Yerae Recreational Resort and Housing Complex on Korea's Jeju Island, with a total investment of US\$1.8 billion. Table 5 illustrates Korea's foreign direct investment in Malaysia in the 2000s as a fluctuating trend, with the rate being at US\$33,726 million in 2000 and reaching a peak of US\$1,599,793 million in 2010.

Table 5 : Trend of Korea's Foreign Direct Investment in Malaysia from 2000-2014 (US\$ million)

Year	US Dollar
2000	33,726
2001	21,710
2002	62,290
2003	46,302
2004	62,401
2005	57,084
2006	59,872
2007	158,248
2008	349,942
2009	173,198
2010	1,599,793
2011	251,728
2012	734,856
2013	483,338
2014	81,757

Source: Korea Exim Bank. Overseas Direct Investment Statistic Information System.

In these days, economic cooperation between the two countries has been evolving into more value-added service and high-tech industries, one of which is green-growth cooperation. After his inauguration in 2007, Korean President Lee Myung-Bak initiated a national development vision called “Low-Carbon and Green-Growth Policy,” which aims to establish pro-environmental industries with green technology as a new growth engine of the future (Yang 2009). On the other hand, Malaysia has been concentrating on developing renewable energy and bio-technology. Prime Minister Najib Razak recently announced a “Malaysian Green Technology Policy,” designed to develop green technology as a new driver for economic growth in Malaysia, as it offers enormous opportunities and immense potential for economic regeneration, innovation, and wealth creation (ISIS FOCUS 2010: 3).

Green technology cooperation between the two countries is already in progress. Korean private companies have already begun to invest in renewable energy production in Malaysia using biomass as well as eco-friendly business using bio-technology. For example, a Korean company invested over US100 million in Sabah to establish a bio-diesel plant, which is currently in operation. Construction of a co-generation power plant, which conforms to the Clean Development Mechanism (CDM), is also being pursued by a Korean enterprise. Under CDM, developed countries may obtain global recognition for fulfilling its obligations toward greenhouse gas reduction by investing in greenhouse gas reduction projects in developing countries. Korea and Malaysia have also agreed to cooperate in order to penetrate markets in the Middle East and Central

Asia in a variety of sectors, including green industries such as bio and nuclear energy, IT, communication, transportation, and oil and gas⁶).

Another conspicuous phenomenon that deserves our attention is the dramatic increase of cultural and people-to-people contacts. Three major issue areas may well be identified: education, migration and tourism, and Korean popular culture.

Firstly, there are extensive exchanges between the two countries in education. Malaysia has become popular among Korean students as a destination for language learning. Statistics show that Malaysia, with about 2,000-10,000 Korean students residing in the country, is the third most popular destination after the Philippines and Singapore for English language learning by Korean students. As of 2009, there were 960 Korean students in formal education in Malaysia. Even some international schools in Kuala Lumpur were reported to have stopped accepting Korean students because they have become too large a proportion of their student bodies.

Parents prefer Malaysia to other countries for several reasons. Amongst these, some of the major pull factors - Malaysia's comparative advantages - are the low cost of living, reasonable tuition fees, the high standard of education, and well-trained professional instructors⁷). The Muslim majority population also gives the added advantage of a safer night life. Malaysia's multiracial, multicultural, and multilingual environment offers visitors a chance to study other languages such as Chinese or Malay. In order to

6) <http://www.korea.net/NewsFocus/Policies/view?articleId=84353>

7) http://en.wikipedia.org/wiki/Koreans_in_Malaysia

promote Malaysian educational institutions among Korean students and enlist cooperation from Korean agencies, the Malaysian Government started to send a delegation made up of the National Association of Private Education Institutions (NAPEI), the Ministry of Education, and the Performance Management and Delivery Unit (PEMANDU)⁸⁾.

Similarly, a number of Malaysians are taking educational courses in Korea and undergoing training in various technical courses, including industrial technology and mid-level manager training. Malaysian Government officers are trained by the Central Officials Training Institute of Korea, while Malaysian students pursue tertiary education. Since the inception of the Look East Policy, Malaysia has sent 2,700 students over to Korea for industrial and technical training. Having finished their studies and returned from Korea, many Malaysian graduates have found their jobs in Korean companies investing in Malaysia, and worked as intermediaries between Korean top management and local workers. Apart from Malaysian students studying in Korea, there are also students specializing in Korean studies in local universities. The Korean language has been offered as an elective course in higher learning institutions such as the University of Malaya (UM), the National University of Malaysia (UKM), and the University Institute MARA (UITM), with about 200 to 300 students taking the course at each university. The University of Malaya now offers Korean Studies as a major course, and students take a comprehensive course that includes Korean language, history,

8) http://www.kln.gov.my/web/kor_seoul/home/-/asset_publisher/8pPT/blog/malaysia-education-hub-promotion-in-korea?redirect=%2Fweb%2Fkor_seoul

politics, economic development, literature, and international relations. Furthermore, students have the opportunity to go to Korea for exchange studies or summer programs with the support of the Korea Foundation, the Korea Research Foundation, and other Korean companies.

Secondly, the existence of the Korean diaspora in Malaysia and its impact on the domestic economy has been heightened under the issue of migration. From 2005-2007, the number of Koreans in Malaysia tripled to 15,000, making it the 16th-largest community of overseas Koreans, the 5th-largest in Southeast Asia. The majority include expatriates working in Korean companies and international students who live mostly in Kota Kinabalu, Kuala Lumpur, and the Ampang area. There are eight Korean schools in Malaysia serving the needs of their children. Furthermore, Malaysia has become the second most popular destination after the US as a market for Korean real estate investment abroad, with over 700 applications from Koreans each month. This helps promote the Malaysia My Second Home (MM2H) program, and the number of retirees coming under the MM2H has also been increasing steadily (ISIS FOCUS 2011: 3)

The rapid increase in tourism is also evidenced by the increased number of travelers both ways between the two countries. The number of Koreans visiting Malaysia was around 21,700 in 1998. This number increased more than twelvefold to nearly 270,000 in 2008, and about 250,000 tourists from Korea visit Malaysia every year. Meanwhile, the Korean Wave in Malaysia has led many Malaysians to visit Korea for tourism purposes, as an increasingly larger number of Malaysians, fascinated by Korean dramas, wish to

visit the places where the dramas are enacted and experience Korean culture. Malaysian visitors to Korea are increasing significantly - 83,000 in 2008, which is twice the number of Malaysians that visited the country ten years ago (Cho 2010: 11). The expanded operation of low-cost flights by Air Asia has also contributed to the tourism boom.

Thirdly, the Korean popular culture known as Hallyu or Korean Wave has been warmly welcomed by Malaysian fans who have reacted positively to the current wave of Korean culture spreading throughout East Asia, Europe, and South America. Korean television dramas, film, K-pop music, Korean food and art are especially popular among Malaysians. These days it is not unusual to see local TV channels run Korean dramas every day. Even a local newspaper recently reported that Korean cartoons have become very popular among Malaysian youths. The Korean Wave came into play in Malaysia with the airing of "Winter Sonata" in 2002 establishing the initial momentum. Since then, Korean dramas such as "Autumn Fairy Tale," "Joyful Girl," "All about Eve," "All-In," "Stairway to Heaven," "Lovers in Paris," "Jewel in the Palace," and many more were being aired through television channels in Malaysia. The enabling factor for the phenomenal success of Korean dramas is the high percentage of total airtime set aside for Korean programs and dramas, with seven hours on private channels and one hour on the public channel, RTM, per day.

The very first, and so far the favorite, drama among Malaysian fans, "Winter Sonata," has captivated the hearts of Malaysians, who are family-centered and sensitive to emotions. It has left a deep

impression on the hearts of Malaysian viewers of Malay or Chinese descent, regardless of race or religion. Korean Wave fever has had a significant socio-cultural and economic impact on the Malaysian side in that there has been increasing interest in Korean society and culture, including its language and Korean studies. The Malaysian community's fascination with Korean culture, food, and fashion has had spill-over effects in the larger economy, with increases in the purchase of Korean consumer products, particularly cosmetics, tourism to Korea, a higher preference for Korean foods, and the increasing number of students taking up Korean studies programs.

V. Towards a Second Wave of the Look East Policy

The year 2012 marked the 30th anniversary of the Look East Policy, which has been an essential component in Malaysia-Korea and Malaysia-Japan bilateral relations since 1982. The policy was successful in training over 15,000 Malaysians in knowledge, expertise, and Korean and Japanese work values. In commemoration of the anniversary, the Ministry of International Trade and Industry Malaysia (MITI), together with the Malaysian Investment Development Authority (MIDA) and the Malaysia-Japan Economic Association (MAJECA), organized the Look East Policy - *A New Dimension & MAJECA-JAMECA 31st Joint Conference* on October 10, 2012 at the Hotel Istana, Kuala Lumpur. Prime Minister Najib, in his keynote address, highlighted three new focus areas for the second wave of the Look East Policy (LEP2.0). According to him,

the new dimension of the policy would cover partnerships between Japanese SMEs and Malaysian companies in areas such as green technology, a targeted program for achieving Economic Transformation Program (ETP) objectives in three growth prospect areas of healthcare, education, and tourism, and the establishment of stronger institutions in the form of the Malaysia-Japan International Institute of Technology⁹⁾.

During the official visit by Japanese Prime Minister Shinzo Abe to Malaysia on July 25, 2013, Najib officially announced the launching of a second wave of the Look East Policy, and Malaysia and Japan have agreed to make a commitment toward strengthening the second wave of the Look East Policy in that it should not be limited to training and education, but should be more forward looking with a better focus and a stronger economic orientation. Najib said Malaysia's move to strengthen the second wave of the Look East Policy, which focuses on high technology and highly skilled workers, would help the country's economy move up the value chain and on to high-income status. More specifically, he outlined six areas the LEP2.0 should focus on, ranging from cutting-edge technologies to bio- and environmental technology.

Soon meetings followed between Malaysia and Korea to revive the Look East Policy with the hope that LEP2.0 would provide a basic framework for bilateral cooperation over the next 30 years. The meetings led to a visit by the Malaysian Foreign Minister to Seoul in April 2013 to discuss the second phase of the Look East Policy.

9) <http://www.theborneopost.com/2013/12/14/six-focus-areas-under-second-wave-of-look-east-policy>

During his visit to Korea in December 2014, Malaysian Prime Minister Najib and President Park Geun-Hye agreed to expand the scope of cooperation to enhance growth and development as part of the two nations' transformation programs. Korea and Malaysia have also agreed to set up a joint committee on economic cooperation, which will look into ways to further enhance the existing strong relations between the two countries, including looking at the implementation of the second wave of the Look East Policy.

Korea hoped the second wave would provide a ready pool of skilled Malaysian graduates fluent in the Korean language, while Korean companies would be able to use Malaysia as a gateway to markets in ASEAN and West Asia. Accordingly, the Korean Government committed itself to the second wave of the Look East Policy to further strengthen bilateral relationships between the two countries. It was agreed that the first phase would focus on training and human resource development, while the second wave would be more focused on trade and industrial cooperation, particularly in green technology, ICT, and biotechnology.

Nevertheless, there remains a need to devise a concrete action plan and strengthen further bilateral ties through cooperation channels, not only on an inter-government level but also privately, in the realms of business, industry, and academia, an initiative that would drive success. At the same time, however, there is no doubt that the launching of the LEP2.0 will elevate the existing close relationship between Korea and Malaysia and motivate the countries to form a new strategic partnership for the 21st century. The Korea-Malaysia partnership in the future will grow more comprehensive and

cooperative, considering that both countries share the 21st century's predominant values of democracy and market economy. International and regional trends will also reinforce ties between Korea and Malaysia at a time during which Asia is becoming the center of the global economy and ASEAN plays an increasingly significant role in global affairs. Adding impetus to stronger partnerships between Korea and Malaysia and other Asian countries are Korea's 'New Korea Initiatives,' which place special emphasis on ASEAN-Korea relations, and Malaysia's foreign policy focus on strengthening relations with Northeast Asian countries, including LEP2.0.

VI. Conclusion

Looking at the past 50 years of Korea-Malaysia relations, the two countries have successfully laid a firm foundation for mutually beneficial interdependent cooperation. In a nutshell, the past five decades have witnessed the exciting development of an 'era of mutually beneficial partnership' in the midst of unprecedented economic growth thrust upon the two countries. During this period, both Korea and Malaysia have jumped to the forefront of developing countries, and now both countries are gearing up to achieve developed country status in the future. They have developed strong trade and investment relationships as well as frequent and flourishing exchange between citizens. Moreover, recent developments indicate that the platform and bonds for future-oriented partnership such as cooperation in the "green growth" area are also very promising.

In the history of Korea-Malaysia bilateralism, the early 1980s have been a watershed, marked by dynamic and pivotal changes for both countries. These changes in the international and regional situation have influenced the foreign policy postures of Korea and Malaysia in many ways. Furthermore, on the domestic front, linkages between internal and external politics, and new developments in local politics, including leadership changes, have also essentially affected the countries' foreign policy postures. In varying degrees, these changes have prompted both Korea and Malaysia to readjust their policies so they may most effectively carry out their national objectives. One such new policy initiative was the Look East Policy. Not only has it deepened the levels of official linkage or government-to-government cooperation, but it has also helped to revitalize bilateral relationships between the two societies and private sectors. This has been instrumental in signalling a new era of cooperation between the two countries. Indeed, it was this new paradigm-shifting national policy that enabled them to help each other in their different stages of economic growth.

The trend of rapidly increasing economic interdependence between Korea and Malaysia is also clearly discernible in the remarkable growth of the volumes of two-way trade, which contrasts sharply with the increase in total international trade of the two countries. As a forerunner, Korea was one of the four tigers that achieved rapid economic growth starting from the 1970s; Malaysia, as a follower, has begun to catch up with it since the 1980s. In that process, bilateral economic cooperation has increased rapidly. Furthermore, the increasing trend of bilateral trade and investment signifies the

deepening of economic linkages between Korea and Malaysia. Economic interdependence is the result of, or can be reflected in, intensive economic interactions that bring about stronger ties in trade, technology, and capital. More importantly, such ties would theoretically serve to multiply the channels and frequencies of other connections.

Admittedly however, there exist some weaknesses and ironies in Korea-Malaysia relations. For example, Santhanaban pointed out that Proton cars are not sold in Korea, there are only a few Malaysian restaurants there, and not many Malaysian businessmen operating in Korea compared to expatriates. There were also few bodies that could allow representatives from Korean and Malaysian private and public sectors to network, as well as exchange views, thereby the need for institutionalising of Korea-Malaysia relations, which is essential to consolidate the benefits from the close ties. Indeed, there has been an intimate political and economic relationship between them, and more recently, a close socio-cultural relationship as well. However, there has been no strategic pressure to take relations between the two countries to a higher level and therefore somehow complacency has set in.

Considering the already strong and stable relations shared by the two countries, Korea's third longest with a Southeast Asian country, opportunities for further cooperation between Korea and Malaysia is very relevant. It is therefore high time to take stock and explore areas of common interest, concern, and outlook, on which future cooperation could be based. In this relation, reinvigorating the second phase of LEP is expected to provide a renewed impetus for increased

cooperation. In sum, Korea-Malaysia relations in recent times may well be distinguished by their increasingly interdependent characteristics, and with the launching the LEP2.0, the existing close relations are likely to become increasingly stronger in the years ahead.

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<국문초록>

한국-말레이시아 관계:
낮은 수준의 협력에서 동아시아 지역주의의
협력대상으로

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한국-말레이시아 관계는 양국 간 외교관계 수립 이후 전반적으로 협력과 조화를 내용으로 하는 것이었다. 그러나 1960년대와 1970년대의 초기 양자 관계는 정치적 무관심과 경제협력의 부족으로 특징지어지는데 이는 양국이 서로를 주요한 정책우선 순위에 두지 않았던 것에 기인한다. 이는 양자가 공히 경제적, 전략적 중요성이 상대적으로 떨어지는 약소국이라는 점과 그들이 속한 각 지역의 지정학적 요구에 매몰되어 공유된 비전과 그 속에서의 상대국의 의미 있는 역할에 대한 기대가 적었기 때문이다.

1980년대에 접어들면서 양국 관계는 정치, 경제, 사회, 문화 등 제반 영역에서 눈에 띄게 긴밀해지고 있으며, 경제협력관계의 강화에 더하여 통신, 인적교류, 기술협력 등도 크게 확대되었다. 1980년대 초반 이후 한국-말레이시아 관계의 발전적 변화는 양국에서의 정권 교체 및 그에 따른 기존 정책의 재고, 그리고 지역 및 국제 환경의 다양한 변화에 따른 것이었다. 전통적인 강대국 우방들과의 관계유지의 중요성에 더하여 양국의 새로운 지도자들은 보다 적극적이고

균형 잡힌 외교정책을 추진하였으며 그 과정에서 양자관계가 확대, 심화 발전하는 계기가 마련되었던 것이다.

한국-말레이시아 관계의 지난 50년을 돌아보면, 양국은 전례 없는 고도의 경제성장 속에서 상호호혜적인 상호의존관계의 확고한 토대를 마련한 것으로 평가할 수 있다. 양국은 이미 개발도상국 수준을 넘어 선진국 문턱에 진입하였으며, 그를 토대로 양국 간 무역과 투자가 획기적으로 증대된 것은 물론 민간차원의 교류 역시 크게 증가하였다. 녹색성장분야 등 새로운 협력관계의 전망도 매우 높은 점을 감안 할 때, 양국은 미래 50년의 공동번영을 위하여 지속적으로 공동의 전략적 이익을 발굴하고 그 실현을 위한 실제적 상호작용을 증대시킴으로써 보다 포괄적이며 미래지향적인 관계 강화를 지향할 필요가 있다.

키워드: 한국-말레이시아 관계, 동방정책, 상호의존, 동아시아 지역주의, 2차 동방정책

<Abstract>

The Evolution of Korea-Malaysia Relations : From Low-key to an Interdependent Relationship

Kyung-Chan Lee · In-Won Hwang

The purpose of this paper is to analyse the development of interdependent relations between Korea and Malaysia since the beginning of its diplomatic ties. Reviewing the earlier years of Korea-Malaysia relations during the 1960s and 70s, political indifference and lack of economic cooperation characterize the nature of relationship. They have viewed each other as neither a significant political nor economic entity of international society. Neither country placed the other high in its priorities.

Since the early 1980s, however, impressive progress has been made in bilateral relations. In real terms, the two countries' overall political, economic, and socio-cultural ties have become strikingly closer. Transactions between Korea and Malaysia, whether in the form of communications or exchanges of personnel, or in the form of technical cooperation other than close economic ties, have increased rapidly over the period. The shift in Korea-Malaysia relations to a higher gear from the early 1980s was certainly a significant departure from the historical pattern.

A significant change came about again less than two decades ago. The turning point came when a regional crisis, the East Asian economic crisis, broke out in the second half of 1997. Both Korea and Malaysia, which at the time were suffering from currency speculation and capital flights from local markets, shared a common need to restructure the regional architecture to counter the economic meltdown in the region and address its ripple effects. Considering China-Japan rivalry, Korea can play a leading or central, if not hegemonic, role in East Asian regional architecture in the middle of an economic crisis. Prominent for its role in initiating East Asian regionalism among ASEAN countries, Malaysia possesses reasonable potentials for leading regional cooperation. This means Korea and Malaysia, as the middle powers in the region, are regarded as good partners, whose leaders have contributed significantly to revitalizing East Asian regionalism.

In sum, Korea-Malaysia relations in recent times may well be distinguished by their increasingly interdependent characteristics, and with the launching the LEP2.0, the existing close relations are likely to become increasingly stronger in the years ahead.

Keyword: Korea-Malaysia Relations, Look East Policy, Interdependent Relations, East Asia Regionalism, Second Wave of LEP

