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Fishery Conflicts in the South China Sea: The Future Lies in Cooperation*

Gregory Coutaz**

Abstract

The present article aims to study the South China Sea (SCS) dispute through the lens of fishery conflicts. The increasing number of incidents involving local fishing boats and national coast guard vessels raises concerns about the risk of triggering a full-fledged crisis whose consequences could prove difficult to control. Although confrontations are relatively common in communities where the reliance upon fishing as a source of food and employment is vital, not all conflicts result in violence. The originality of this article is that it deals with a current and significant problem. Fishery conflicts will remain a major point of concern in East Asia for years to come. Sadly, the question of fisheries in the SCS is rarely discussed in the literature studying the SCS disputes. Many studies have looked into sovereignty-related

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issues or the lure of seabed energy resources, but very few have focused on fisheries as a threat to regional peace. This article intends to rectify this matter and raise awareness about the importance of fisheries to the region's economy and food security. It contributes to the scholarship on the SCS dispute by highlighting the causes of fishery conflicts and by promoting appropriate ways to reduce them.

Keywords: South China Sea, conflict management, fishery disputes, governance.

I. Introduction

The competition between rival fishing fleets in the South China Sea (SCS) to secure access to valuable marine living resources is not only threatening the livelihoods of millions of people in coastal states who depend on fisheries but is also posing a serious risk of triggering a full-fledged crisis whose consequences could prove difficult to control. Although confrontations over the use and management of fisheries are fairly widespread, the nationalist postures adopted by SCS claimants have led to an upsurge in violence between fishermen and coast guards. This article examines the possibility for the countries bordering the SCS to shelve their differences over sovereignty rights and move towards greater regional cooperation. It suggests that fishery management cooperation could help reduce friction between rival fishing fleets, keep the fishing industries afloat, and promote the sustainable management of fishing resources. The objective is to show how fishery conflicts can be resolved in a win-win situation, encouraging opposing parties to cooperate rather than enter a race to the bottom where everybody loses.

The present article is organized as follows. The first section looks back at the recent maritime incidents in the SCS. The second section presents the biological characteristics and the socioeconomic consideration relating to fisheries in the SCS. The third section introduces a conflict resolution approach as

theoretical support for this article and examines the merits of cooperative efforts in the SCS. Finally, the fourth section addresses the salient features and main achievements of past diplomatic engagements among SCS claimants. The originality of this article is that it deals with a current and significant problem. Fishery conflicts will remain a major point of concern in East Asia for years to come. The question of fisheries in the SCS is rarely discussed in the literature studying the SCS disputes. Many studies are concerned with sovereignty-related issues or the lure of seabed energy resources, but very few have focused on fisheries as a threat to regional peace. This article intends to rectify this deficiency and raise awareness about the importance of fisheries for the region's economy and food security. It contributes to the scholarship on the SCS dispute by highlighting the causes of fishery conflicts and by promoting appropriate ways to reduce them.

II. Fishermen on the Front Lines

Fisheries and fish processing are important drivers of economic development in the SCS. Securing access to sufficient fish stocks is an enduring concern for the region's coastal states, and fishing incidents play a prominent role in the current disputes. China, Taiwan, Vietnam, Thailand, the Philippines, and Indonesia

figure among the leading seafood exporters in the world.¹ This competition between rival fishing fleets operating in a semi-enclosed sea with overlapping maritime claims inevitably results in fishery conflicts. The decision by coastal states to enforce strict laws and regulations in areas that they each consider to be under their sole jurisdiction have given rise to violent incidents involving the excessive use of force and the arrest of fishing crews from other states. Such enforcement actions not only prove to be a source of diplomatic tension, but may also elicit retaliatory measures by other parties, which in turn may cause additional disagreements.

The turbulent apprehension of fishing boats for alleged illegal fishing in the SCS is not new, but the phenomenon of publicly seizing, ramming, or destroying each other's fishing boats has dramatically escalated in recent years. In 2013, the Philippine coast guard opened fire on a Taiwanese fishing boat, killing one fisherman.² In the same year, Vietnam accused an unidentified Chinese vessel of firing upon a Vietnamese fishing

¹ "The State of World Fisheries and Aquaculture 2022. Towards Blue Transformation." FAO, last modified June 29, 2022. https://reliefweb.int/report/world/state-world-fisheries-and-aquaculture-2022-enarruzh?gclid=EAlaIqObChMIz6q9x8CI_wIVtNhMAh3V0AFzEAAYASAAEgKPjvD_BwE.

² "Philippines Admits Sea Shooting," *DW*, May 10, (2013). <https://www.dw.com/en/philippines-admits-shooting-of-taiwanese-fisherman/a-16802541>.

boat near the Paracel Islands, setting its cabin on fire.³ In 2014, the Philippines seized a Chinese fishing boat and its 11 crewmen on charges of catching endangered sea turtles within the country's exclusive economic zone (EEZ).⁴ Further south, Australia set two Vietnamese fishing boats on fire after local fisheries officers found almost 200 giant clams on board.⁵ Indonesia, in particular, has a strong track record of blowing up and sinking illegal fishing boats apprehended in its territorial waters. The country's fisheries ministry lined up and sank 51 confiscated fishing boats on 4th May 2019. Sinking may appear a little dramatic, but not by the standards of Indonesian authorities. The country has organized the destruction of more than 500 illegal fishing boats since 2014, often broadcast live on national television.⁶ The government of President Joko Widodo has decided to take a hardline stance against illicit foreign intrusion, driven by the need for Indonesia to show its neighbors that it is in total control of its vast territory

³ "China Denies Starting Fire on Vietnamese Fishing Boat," *The Guardian*, March 27, (2013).
<https://www.theguardian.com/world/2013/mar/27/china-denies-fire-vietnamese-boat>.

⁴ Zachary Keck. "Philippines Seizes Chinese Fishing Boat in the South China Sea," *The Diplomat*, May 7, (2014).
<https://thediplomat.com/2014/05/philippines-seizes-chinese-fishing-boat-in-south-china-sea>.

⁵ Jesse Dorsett, and Felicity James. "Vietnamese Illegal Fishing Boats Destroyed After Seizure off Top End Coast," *ABC News*, April 4, (2014).
<https://www.abc.net.au/news/2014-04-04/illegal-vietnamese-fishing-boats-destroyed-in-darwin-giant-clams/5367304>.

⁶ "Indonesia Sinks 51 Foreign Boats to Fight Against Poaching," *AP*, May 4, (2019). <https://apnews.com/article/a09d2b989b9243e0a6c5c9f106efa61d>.

of 17,500 islands. Indonesia has scuppered fishing boats from various coastal states including China, Vietnam, and the Philippines, but it is Beijing's criticism that has been the most virulent.⁷

While China doesn't challenge Jakarta's territorial claim over the Natuna Islands, Beijing publicly claims historical fishing rights to the waters off those islands, and the Indonesian coast guard has regularly confronted Chinese fishing boats.⁸ The Natunas themselves are not subject to controversy, but the waters north of them have become a flashpoint between the two countries. Under international law, the Natunas are Indonesian, but they partially overlap with China's nine-dash line claims.⁹ Considering that these waters are ostensibly part of its traditional fishing grounds, Beijing argues that its fishermen have a right to fish there. As tensions mount, Chinese fishing boats increasingly benefit from logistical assistance and protection provided by Chinese coast guard and military vessels, highlighting the

⁷ Radio Free Asia. "China Has Right to Sail Near Indonesia's Natuna Islands, Beijing Says," January 2, (2020).
<https://www.rfa.org/english/news/china/indonesia-natuna-01022020165115.html>.

⁸ Derek Grossman. "Why Is China Pressing Indonesia Again Over Its Maritime Claims?" *RAND Corporation*, January 16, (2020).
<https://www.rand.org/blog/2020/01/why-is-china-pressing-indonesia-again-over-its-maritime.html>.

⁹ Ted L. McDorman. "The Territorial Sovereignty Disputes in the South China Sea," in *Routledge Handbook of the South China Sea*, Keyuan Zou, ed. London: Routledge, (2021): 96. <https://doi.org/10.4324/9780367822217-8>.

strategic role played by fishermen who, by their presence, strengthen China's maritime claims.¹⁰

Even as several countries in the region have struggled to cope with the challenges posed by the COVID-19 pandemic, fishing-related incidents continue to take place unabated. Several cases made international headlines in 2020, such as the sinking of a Vietnamese fishing boat by a Chinese maritime surveillance vessel near the Paracel Islands in April, and the arrest and beating of Vietnamese fishermen by Chinese authorities in June for violating a controversial fishing ban.¹¹ As of September 2020, the Chinese coast guard reported that it had expelled 1,138 foreign fishing boats from the northern half of the South China Sea in the preceding four months, boarded and inspected dozens more, and detained 11 boats and 66 foreign crew members, “*effectively safeguarding [our] fishery interests and maritime rights.*”¹² However, it was the presence of a flotilla of more than 200

¹⁰ Frederic Grare. “Fish and Ships: Chinese Fishing and Europe’s Indo-Pacific Strategy,” *European Council on Foreign Relations*, August 24, (2021). <https://ecfr.eu/publication/fish-and-ships-chinese-fishing-and-europes-indo-pacific-strategy>.

¹¹ Viet Hung Nguyen Cao. “Vietnam’s Struggles in the South China Sea: Challenges and Opportunities,” *Centre for International Maritime Security*, September 21, (2020). <https://cimsec.org/vietnams-struggles-in-the-south-china-sea-challenges-and-opportunities>.

¹² Shashank Bengali, Shashank, and Vo Kieu Bao Uyen. “Sunken Boats. Stolen Gear. Fishermen Are Prey as China Conquers a Strategic Area,” *The Los Angeles Times*, November 12, (2020). <https://www.latimes.com/world-nation/story/2020-11-12/china-attacks-fishing-boats-in-conquest-of-south-china-sea>.

Chinese fishing vessels anchored at Whitsun Reef in the Spratly Islands in March 2021 that triggered international consternation, proving once again that fisheries in the SCS remained the subject of heated geopolitical disputes.¹³ This incident was unprecedented in scale and notable for its duration. It was the largest number of Chinese fishing vessels gathered at any one time at a single Spratly reef, maintaining this presence for several weeks.¹⁴ The concentration of so many boats in a highly contested area is a powerful demonstration of the increasing involvement of fishing vessels in the ongoing conflict in the SCS.

III. Critical Commodity

The significant economic growth characterizing East Asia since the beginning of the 21st century has intensified the competition for fishing resources in the SCS.¹⁵ The SCS is home to some of the richest and most diverse fisheries in the world, but a rising demand, driven by both population growth and economic development, has led to overfishing. Fishing is equally important

¹³ “South China Sea: Alarm in the Philippines as 200 Chinese Vessels Gather at Disputed Reef,” *The Guardian*, March 22, (2021).
<https://www.theguardian.com/world/2021/mar/22/south-china-sea-philippines-200-chinese-vessels-whitsun-reef>.

¹⁴ Brad Lendon. “Beijing Has a Navy It Doesn’t Even Admit Exists, Experts Say. And It’s Swarming Parts of the South China Sea,” *CNN Philippines*, April 13, (2021).
<https://www.cnnphilippines.com/world/2021/4/13/Beijing-s-maritime-militia-explainer-.html>.

¹⁵ Beina Xu. “South China Sea Tensions,” *Council on Foreign Relations*, May 14, (2014). <https://theaseanpost.com/article/fishy-business-south-china-sea>.

to all SCS claimants. Factual elements relevant to the present analysis include the biological characteristics of the SCS, as well as the socioeconomic consideration of fisheries and fish processing to the region's coastal states.

Biologically speaking, the SCS is one of the top five most productive fishing zones in the world in terms of total annual marine production.¹⁶ Covering only 2.5 percent of the Earth's surface, the SCS comprises some 12 percent of the total global fish catch. Often described as the marine equivalent of the Amazon rainforest, the SCS ecosystem consists of 3,365 known species including Scombridae such as tuna and mackerel, demersal fish such as snapper and sole, invertebrates such as crab, shrimp and squid, reef fish such as grouper and parrotfish, and small coastal pelagic fish such as sardine and anchovy.¹⁷ Unfortunately, those valuable marine living resources have been under heavy fishing pressure for several decades and are now in serious jeopardy. Fish stocks have fallen 70 per cent to 95 per cent from 1950s levels, and 66 per cent to 75 per cent over the last 20 years.¹⁸ If nothing is done to improve fisheries management,

¹⁶ Angaindrankuma Gnanasagaran. "Fishy Business in the South China Sea," *The ASEAN Post*, July 22, (2018).

<https://theaseanpost.com/article/fishy-business-south-china-sea>.

¹⁷ Rashid Sumaila. "Comparative Valuation of Fisheries in Asian Large Marine Ecosystems with Emphasis on the East China Sea and South China Sea LMEs," *Deep Sea Research Part II: Topical Studies in Oceanography*, 163, no. 3, (2019): 97. <https://doi.org/10.1016/j.dsr2.2018.12.008>.

¹⁸ Shui-kai Chang et al. "A Step Forward to the Joint Management of the South China Sea Fisheries Resources: Joint Works on Catches, Management

simulation models project that by 2045 all species groups will decrease by as much as an additional 59 per cent from 2015 levels.¹⁹ Estimates are probably on the low side due to the proliferation of unreported and illegal fishing. Moreover, destructive fishing practices such as the use of dynamite and cyanide on coral reefs, coupled with artificial island-building, directly damage marine habitats. Pollution, too, from agricultural and coastal development contributes to marine life decline.²⁰

The socioeconomic consideration of fisheries and fish processing to East Asia cannot be overestimated. In fact, fish has provided, and continues to provide an important source of protein for the vast populations living in the region.²¹ While fish and other seafood comprises about 8.5 per cent of protein in China, it makes up over 15 per cent of total protein consumption in Cambodia, Indonesia, Malaysia, and the Philippines, and over 10 per cent in Taiwan, Thailand, and Vietnam. By comparison, fish and other seafood provides a little over 5 per cent of protein

Measures and Conservation Issues,” *Marine Policy*, 116, no.1, (2020): 103716. <https://doi.org/10.1016/j.marpol.2019.103716>.

¹⁹ Rashid Sumaila, and William W. L. Cheung. *Boom or Bust: The Future of Fish in the South China Sea*. Vancouver: University of British Columbia, (2015): 4.

²⁰ Dustin Kuan-Hsiung Wang. “Fisheries Management in the South China Sea,” in *Routledge Handbook of the South China Sea*, Keyuan Zou, ed. London: Routledge, (2021): 245. <https://doi.org/10.4324/9780367822217-18>.

²¹ Helda Khusun et al. “Animal and Plant Protein Food Sources in Indonesia Differ Across Socio- Demographic Groups: Socio-Cultural Research in Protein Transition in Indonesia and Malaysia,” *Front. Nutr.*, 9, no. 1, (2022): 762459. <https://doi.org/10.3389/fnut.2022.762459>.

consumption in the United Kingdom, a little less than 5 per cent in the United States, and less than 4.5 per cent in Germany.²² As populations and economies grow, regional appetite for fish is expected to increase. With rapid urbanization, the per capita consumption of fishery products will continue to rise as the growing Asian middle class continues to demand more sources of high-quality protein.²³ In the case of China, it was estimated that per capita consumption of fishery products has increased over 10 times, from merely 2 kg in the 1980s to 21.1 kg in 2010. This amount is projected to double within the next 20 years.²⁴ As the largest consumer in the world, China is expected to account for 38 per cent of global fish consumption in 2030.²⁵

A similar trend is being witnessed across Southeast Asia. Over the past four decades, per capita fish consumption in the

²² Rodger Baker et al. "Fish: The Overlooked Destabilizer in the South China Sea," *Stratfor*, February 12, (2016).
<https://worldview.stratfor.com/article/fish-overlooked-destabilizer-south-china-sea>.

²³ Simon Jennings et al. "Aquatic Food Security: Insights Into Challenges and Solutions from an Analysis of Interactions Between Fisheries Aquaculture, Food Safety, Human Health, Fish and Human Welfare, Economy and Environment," *Fish and Fisheries*, 17, no. 1, (2016): 894.
<https://doi.org/10.1111/faf.12152>.

²⁴ Hongzhou Zhang. "Fisheries Cooperation in the South China Sea: Evaluating the Options," *Marine Policy*, 89, no. 1, (2018): 72.
<https://doi.org/10.1016/j.marpol.2017.12.014>.

²⁵ "OECD-FAO Agricultural Outlook 2021-2030." OECD-FAO, last modified July 5, 2021.
https://reliefweb.int/report/world/oecd-fao-agricultural-outlook-2021-2030?gclid=EAIAIQobChMIppi26r-I_wIVGJ6WCh0nzwt4EAAYASAAEgIXVvD_BwE

region has more than doubled. It is now 1.8 times higher than the world average in 2013 (19.2 kg/person/year). Considering income growth, population expansion, and dietary changes in the region, fish consumption is projected to rise from 24.5 million tons in 2015 to 36.9 million tons in 2030, before hitting 47.1 million tons in 2050. Per capita fish consumption is expected to increase from 38.4 kg in 2015 to 51.5 kg in 2030 before reaching 61.5 kg in 2050.²⁶ As climate change, pollution and overfishing keep depleting fish stocks near the coasts, an ever-greater share of these countries' future demand will be sought in the contested waters of the SCS.²⁷

In addition to the crucial component of regional food security, the fishing industry is vital to the livelihoods of millions of people living in coastal areas who depend on it for their employment and revenue.²⁸ Asia hosts the largest fishing fleet in the world, estimated at 2.68 million vessels or about two-thirds of the global total in 2020. With an estimated 564,000 vessels, China's fishing fleet has grown to become the world's largest by far.²⁹ The SCS supports a population of about 2.7 million fishermen, the majority of whom are engaged in small-scale fisheries. In total, the SCS

²⁶ Chin Yee Chan et al. *Fish to 2050 in the ASEAN Region*. Penang: WorldFish, (2017): 18.

²⁷ Hongshou Zhang. "Chinese Fishermen in Disputed Waters: Not Quite a 'People's War'," *Marine Policy*, 68, no. 1, (2016): 68. <https://doi.org/10.1016/j.marpol.2016.02.018>.

²⁸ Wang, "Fisheries Management in the South China Sea," 243.

²⁹ FAO, "The State of World Fisheries and Aquaculture 2022. Towards Blue Transformation."

fisheries economy employs around 3.7 million people, though this likely an underestimate as fishery is the foundation for many other economic sectors in the coastal regions.³⁰ For instance, with nearly 10,000 processing companies which rely on the marine catch sector for raw materials, China is not only the biggest fishery producer, it also has the largest fishery processing sector in the world. Similarly, marine fishery is important for the development of marine tourism, ship building, and onshore catering sectors not only in China but in many countries in Southeast Asia.³¹ In 2020, China, Indonesia, Vietnam, the Philippines, Thailand and Malaysia figured among the top 15 producing countries of global capture fisheries, while China, Vietnam and Thailand rank among the top five fishery exporters in the world.³² Since multiple economies in the region have a stake in the same fish stocks, safeguarding access to these valuable yet contentious fishing zones will remain a priority for coastal states.

IV. From Conflict to Cooperation

Endangered fisheries pose a serious dilemma as SCS claimants seek to maintain or restore fish stocks at sustainable

³⁰ Rashid Sumaila et al. *Sink or Swim: The Future of Fisheries in the East and South China Seas*. Hong Kong: ADM Capital Foundation, (2021): 8.

³¹ Zhang, "Fisheries Cooperation in the South China Sea: Evaluating the Options," 74.

³² FAO, "The State of World Fisheries and Aquaculture 2022. Towards Blue Transformation."

levels without incurring economic losses or conceding ground on sovereignty rights. The engagement of fishermen in regular violent incidents further undermines incentives for providing adequate international governance. The stakes are high for all of the countries bordering the SCS to transcend unilateral interests to pursue a consensual approach dedicated to the preservation of fishing resources and regional stability.

Conflict occurs when the activity of one group or individual interferes, either in reality or in perception, with the activities of another group or individual to such an extent that one party seeks dominance over the other.³³ Conflict is relatively common in all fishing communities where the reliance upon fishing as a source of food, employment, and revenue is crucial.³⁴ Fishery conflicts are generally viewed in the context of resource allocation or access rights. However, they are often rooted in more complex institutional issues such as cultural differences and struggles over political power.³⁵ It is important to note that not all conflicts result in violence. Fishery conflicts can be part of an iterative

³³ Murshed-e-Jahan Khondker, and Arshad Hossain. *Enabling Conflict Resolution for Better Fisheries Management: Experience from the Inland Fisheries of Bangladesh*. Penang: WorldFish Center, (2005): Annex 7.3.

³⁴ Kjell Grip, and Sven Blomqvist. "Marine Nature Conservation and Conflicts with Fisheries," *Ambio: A Journal of Environment Society*, 49, no. 1, (2020): 1329. <https://doi.org/10.1007/s13280-019-01279-7>.

³⁵ Elizabeth Bennett et al. "Towards a Better Understanding of Conflict Management in Tropical Fisheries: Evidence from Ghana, Bangladesh and the Caribbean," *Marine Policy*, 25, no. 1, (2001): 366-368. [https://doi.org/10.1016/S0308-597X\(01\)00022-7](https://doi.org/10.1016/S0308-597X(01)00022-7).

process of institutional change and evolution that, in the end, may deliver a positive outcome.³⁶ Unlike the realist model, the conflict resolution approach considers the possibility for fishery conflicts to become a catalyst for much needed cooperation for security, environmental and economic improvements.

The field of conflict resolution emerged in the post-World War II period as part of an effort to imagine and establish an international order in which the carnage witnessed in the two world wars would be a thing of the past. Conflict resolution can be defined as a way to find a solution behind a disagreement.³⁷ Lund (1996) introduces military approaches, non-military approaches, and development and governance approaches as three broad conceptual categories in which different policy options are elaborated to secure reconciliation among divided societies.³⁸ More interested in both structural and perceptual factors affecting conflict systems, Beriker (2009) argues that conflict resolution does not take a partisan attitude to conflict situations. Instead of attributing the cause of the conflict to the other side's characteristics, she focuses on what parties can do to influence the conflict process. In order to help the parties solve their crises,

³⁶ Nerissa Salayo et al. "An Overview of Fisheries Conflicts in South and Southeast Asia: Recommendations, Challenges and Directions," *WorldFish Center Quarterly*, 29, no. 1-2, (2006): 12.

³⁷ Wayan Midhio, and Adnan Madjid. "A Literature Review of Conflict Resolution," *Journal Pertahanan*, 1, no. 3 (2015): 180.

³⁸ Michael Lund. *Preventing Violent Conflicts: A Strategy for Preventive Diplomacy*. Washington: United States Institute of Peace Press, (1996): 3-17.

Beriker considers that “*intelligent analyses of conflicts have to be made, and creative intervention designs have to be developed to enhance trust between the parties and to overcome prejudices and stereotypes that hinder problem-solving processes.*”³⁹ However, it is probably the fundamental role played by international law in providing ideational and institutional frameworks for the sort of collaboration between states that is the most relevant and yet the most fleeting. According to Yasuaki (2017), international law functions as a tool for communication, mediation, and conciliation. Without such a normative basis, disputing parties cannot expect to engage in negotiation because their conflict may remain a raw conflict, which may lead to violence and armed struggle.⁴⁰

The current state of fisheries in the SCS calls for the early initiation and conclusion of an appropriate fishery arrangement between the different parties involved. The purpose of such an arrangement is twofold: one being the development of sustainable fisheries and the other the prevention of tensions and frictions. Conflict resolution theorists argue that opposing governments will only engage in cooperation where and when there are mutual

³⁹ Nimet Beriker. “Conflict Resolution: The Missing Link Between Liberal International Relations Theory and Realistic Practice,” in *Handbook of Conflict Analysis and Resolution*, Dennis Sandole, Sean Byrne, Ingrid Sandole-Staroste, and Jessica Senehi, eds. Oxford: Routledge, (2009): 266.

⁴⁰ Onuma Yasuaki. *International Law in a Transcivilizational World*. Cambridge: Cambridge University Press, (2017): 30-34.
<https://doi.org/10.1017/9781139175951>.

interests and gains to be derived.⁴¹ In the case of the SCS, it seems evident that the different parties involved could benefit from the improvements mentioned above. Fish and seafood are certainly more tangible objects for negotiation than ownership claims over seabed energy resources. Despite a lack of compelling supportive evidence, it is frequently indicated that the SCS is host to substantial reserves of hydrocarbons.⁴² Given the demand for oil and gas in the region, cooperative efforts in the exploration and exploitation of local hydrocarbon resources represent an attractive solution.⁴³ In fact, just such a solution was achieved in 2005 with a tripartite agreement, called the Joint Marine Seismic Undertaking (JMSU), signed between the national oil companies of China, the Philippines, and Vietnam.⁴⁴ But the enthusiasm of what was once hailed as a “*historic contribution to the peace, stability and development in the South China Sea*” and “*a model for cooperation in the region*” rapidly

⁴¹ Mely Caballero-Anthony, and Alistair D. B. Cook. *Non-Traditional Security in Asia*. Singapore: Institute of Southeast Asia, (2013): 1-7.

⁴² Yen-Chiang Chang. “Governance of Non-Living Resources in the South China Sea,” in *Routledge Handbook of the South China Sea*, Keyuan Zou, ed. London: Routledge, (2021): 263-264.
<https://doi.org/10.4324/9780367822217-19>.

⁴³ Mu Ramkumar et al. “Removed: Hydrocarbon Reserves of the South China Sea: Implications for Regional Energy Security,” *Energy Geoscience*, 29, no. 1-2, (2020): 1. <https://doi.org/10.1016/j.engeos.2020.06.001>.

⁴⁴ Thang Nguyen-Dang. “Fisheries Co-operation in the South China Sea and the (Ir)Relevance of the Sovereignty Question,” *Asian Journal of International Law*, 2, no. 1, (2012): 60. <https://doi.org/10.1017/S2044251311000099>.

faded away, and the agreement ended in oblivion.⁴⁵ The failure of the JMSU raises questions about the capacity of SCS claimants to succeed in cooperative engagement.

Serving as a confidence-building measure, a fishery arrangement is more realistic and feasible than a joint petroleum development scheme. Several reasons support this argument. First, fishing activities are ongoing, while the exploration and exploitation of local hydrocarbon resources will have to start more or less from scratch. It is easier to regulate existing activities than to impose order and procedures on future activities. Second, the implementation of a joint petroleum development scheme is a time-consuming process and requires considerable financial investments.⁴⁶ Third, fish and seafood do not possess the same strategic dimension as energy resources, and therefore are not paralyzed by deep diplomatic logjam. Theoretical and empirical evidence shows that effective cooperation on the issues of relatively low politics, such as fishery cooperation, can not only generate the convincing trust needed for cooperation on matters of high politics, such as territorial disputes, but can also develop

⁴⁵ “Foreign Ministry Spokesman Liu Jianchao’s Comment on the Joint Marine Seismic Undertaking Accord Signed by the Oil Companies of China, Vietnam and the Philippines.” Ministry of Foreign Affairs of the PRC, accessed January 11, 2023.

http://pg.china-embassy.gov.cn/eng/fyrth/200503/t20050316_916891.htm.

⁴⁶ Thang Nguyen-Dang. “Fisheries Co-operation in the South China Sea and the (Ir)Relevance of the Sovereignty Question,” 61.

itself into an element of common ground between states rather than an activity leading to competition and confrontation.⁴⁷

V. Diplomatic Engagement

The SCS is no stranger to fishery cooperation. In fact, various forms of engagement have been undertaken by SCS countries, despite their tense relationships. At a broader regional level, most of them are members of the Asia-Pacific Fishery Commission (APFIC), which was founded by the Food and Agriculture Organization of the United Nations in 1948, making it one of the earliest-established regional fishery bodies. Committed to acting as a consultative forum, the APFIC provides member states with the opportunity to review and discuss challenges facing the region's fisheries sector and helps them decide on the most appropriate actions to take.⁴⁸ In 2011, the Asia-Pacific Economic Cooperation formed the APEC's Oceans and Fisheries Working Group (OFWG) with the mission of promoting the sustainable use of fisheries, aquaculture, and marine ecosystem resources and related goods and services. In the past few years, OFWG members have been engaged in the implementation of working plans such as the 2019 APEC Roadman on Marine Debris Management and the 2019 Roadmap on Combatting

⁴⁷ Zhang, "Fisheries Cooperation in the South China Sea: Evaluating the Options," 71.

⁴⁸ "Asia-Pacific Fishery Commission Convenes Amid COVID-19's Continued Menace to World's Fisheries Hub." FAO, last modified May 5, 2021. <https://www.fao.org/asiapacific/news/detail-events/en/c/1397780/>.

Illegal Fishing.⁴⁹ Member states participate on the basis of open dialogue and respect for the views of all participants.

Another entity, the Western and Central Pacific Fisheries Commission (WCPFC), was created in 2004 by the Convention on the Conservation and Management of Highly Migratory Fish Stocks in the Western and Pacific Ocean.⁵⁰ The WCPFC seeks to address problems in the management of high seas fisheries resulting from unregulated fishing, over-capitalization, excessive fleet capacity, vessel re-flagging to escape controls, insufficiently selective gear, unreliable databases and insufficient multilateral cooperation in respect to conservation and management of highly migratory fish stocks.⁵¹ The Commission has implemented a series of monitoring, control and surveillance programs to promote members' compliance with conservation and management measures and other decisions, generally achieved by consensus. One such program is the capacity to board and inspect fishing vessels, including the authorization of member states to board and inspect fishing vessels of other members. The WCPFC covers almost 20 per cent of the Earth's surface. While the

⁴⁹ "Ocean and Fisheries." APEC, last modified September 1, 2021.

<https://www.apec.org/groups/som-steering-committee-on-economic-and-technical-cooperation/working-groups/ocean-and-fisheries>.

⁵⁰ Philip M. Saunders. "The Western and Central Pacific Fisheries Commission: Management Challenges and Development Imperatives," in *Recasting Transboundary Fisheries Management Arrangements in Light of Sustainability Principles*, Dawn A. Russell and David L. VanderZwaag, eds. Leiden: Brill, (2010): 149. <https://doi.org/10.1163/ej.9789004174405.i-545.40>.

⁵¹ Wang, "Fisheries Management in the South China Sea," 252.

Western boundary notionally extends to the East Asian seaboard, it is understood that the Commission's area does not include the SCS.⁵²

At the ASEAN level, the Southeast Asian Fisheries Development Center (SEAFDEC) is an autonomous inter-governmental body established in 1967. It consists of 10 ASEAN member states and Japan. The SEAFDEC is mandated to develop and manage the fisheries potential of the region by rational utilization of resources for providing food security and safety to the people and alleviating poverty through the transfer of new technologies, research, and information dissemination activities. It is a technical organization with no management authority.⁵³ The importance of environmental and marine protection is also reflected in various ASEAN documents including the Jakarta Resolution on Sustainable Development, the Kuala Lumpur Accord on Environment and Development, the Singapore Resolution on Environment and Development, the Bandar Seri Begawan Resolution on Environment and Development, and the Jakarta Declaration on Environment and Declaration. These agreements represent a clear commitment

⁵² "Frequently Asked Questions and Brochures." WCPFC, accessed July 27, 2023. <https://www.wcpfc.int/frequently-asked-questions-and-brochures>.

⁵³ "Regional Fishery Bodies Summary Descriptions. Southeast Asian Fisheries Development Center. Fishery Governance Fact Sheets. Fisheries and Aquaculture Division." FAO, accessed February 28, 2023. <https://www.fao.org/fishery/en/organization/seafdec>.

towards sustainable development, but are non-legally binding soft laws.

While China is not a member of ASEAN, it has long historical ties with Southeast Asian nations. In 2002, both parties signed a declaration on conduct for the SCS, which was the first time that Beijing had accepted a multilateral agreement on this issue. ASEAN had been attempting to obtain Chinese endorsement of international norms of behavior over the SCS since 1992.⁵⁴ Officially known as the Declaration of the Conduct of Parties in the South China Sea (DOC), that document saw all countries pledge to eventually conclude a binding code of conduct, noting that “*the adoption of a code of conduct in the South China Sea would further promote peace and stability in the region.*”⁵⁵ In 2017, the foreign ministers of ASEAN and China endorsed the Framework for the Code of Conduct for the SCS. The text contains many of the same principles enunciated in the DOC, but adds new references to the prevention and management of incidents, as well as a seemingly more substantial commitment to maritime security and freedom of navigation. However, the phrase “legally binding” remains desperately absent, as are the

⁵⁴ Leszek Buszynski. “ASEAN, the Declaration on Conduct, and the South China Sea,” *Contemporary Southeast Asia*, 25, no. 3, (2003): 343-344. <https://doi.org/10.1355/CS25-3A>.

⁵⁵ “Declaration on the Conduct of Parties in the South China Sea.” ASEAN, last modified May 14, 2012. <https://asean.org/declaration-on-the-conduct-of-parties-in-the-south-china-sea-2/>.

geographical scope of the agreement and enforcement and arbitration mechanisms.⁵⁶

To help reduce tensions and build confidence, the region's coastal states have favored a different type of approach, one that focuses on bilateral arrangements. For instance, in 2000, Hanoi and Beijing signed the Sino-Vietnamese Boundary Delimitation Agreement in the Gulf of Tonkin. The two sides pledged in the agreement to respect the sovereignty, sovereign rights, and jurisdiction of each side over the territorial sea, EEZs, and continental shelf in the Gulf.⁵⁷ The agreement expired in 2020 and has not been renewed. However, it is the increased use of Memoranda of Understanding (MOU) that has come to define the nature of bilateral cooperation in the region. An MOU clarifies how two parties will work together and lays out each one's expectations and responsibilities. The objective is to achieve a mutual understanding of the partnership in order to move forward toward an enforceable contract that is amenable to all parties. In 1991, Taiwan signed just such an arrangement with the Philippines on agriculture and fishery collaboration and on maritime navigation routes, but Manila unilaterally abolished the

⁵⁶ Ian Storey. "Assessing the ASEAN-China Framework for the Code of Conduct for the South China Sea," *Perspective*, 62, no. 1, (2017): 1.

⁵⁷ "Vietnam-China Boundary Delimitation Agreement in the Gulf of Tonkin," *Vietnam News Agency*, January 11, (2021).

<https://en.vietnamplus.vn/vietnam-china-boundary-delimitation-agreement-in-the-gulf-of-tonkin/194526.vnp>.

MOU in 1998.⁵⁸ Indonesia and Malaysia signed an MOU in 2012 laying out common guidelines for the treatment of fishermen by the maritime law enforcement agencies of the two countries.⁵⁹ A year later, it was with Beijing that Jakarta signed an MOU aimed at managing the sustainability of their marine and fishery partnership.⁶⁰ In 2021, Indonesia and China added a second MOU on the subject of boosting fishery cooperation between the Chinese province of Fujian and Salim Group, Indonesia's largest conglomerate.⁶¹ Several projects are being finalized at the time of writing, and are expected to be signed in 2023, including an MOU between Indonesia and the Philippines touching on combating illegal fishing, sustainable aquaculture development, and coastal management and development, as well as an MOU between Malaysia and Vietnam over the issue of Vietnamese fishing boats

⁵⁸ Hurng-Yu Chen. "Philippine Fisheries Pact Unrealistic," *Taipei Times*, May 21, (2013).
<https://www.taipetimes.com/News/editorials/archives/2013/05/21/2003562771>

⁵⁹ Jason Loh and Anis Salwana Abdul Malik. "Moving Towards A Common Fisheries Policy," *The Sun Daily*, August 20, (2022).
<https://www.thesundaily.my/opinion/moving-towards-a-common-fisheries-policy-LE9644793>.

⁶⁰ "Indonesia, China Sign MOU on Fishery Partnership," *The Jakarta Post*, October 3, (2013).
<https://www.thejakartapost.com/news/2013/10/03/indonesia-china-sign-mou-fishery-partnership.html>.

⁶¹ Bin Wu. "China-Indonesia Project of Two Countries Twin Parks Boosts Fishery Cooperation," *CGTN*, July 26, (2022).
<https://news.cgtn.com/news/2022-07-26/China-and-Indonesia-aim-to-boost-fishery-cooperation--1bZ9T00EgnK/index.html>.

entering waters claimed by Kuala Lumpur.⁶² The relevance of the latter deal should not be underestimated as it would be the first agreement to directly address infringement of maritime sovereignty in the SCS.

While China has agreed to join multilateral frameworks, it still supports strengthening and deepening bilateral relations to address territorial disputes over maritime rights and interests. From Beijing's perspective, negotiating bilaterally allows Chinese negotiators to use the size and power of China's economy to their advantage. Being in a dominant position, China essentially gets more leverage to obtain what it wants in bilateral talks. The three-day state visit of Philippine President Ferdinand Marcos Jr. to Beijing in January 2023 is an excellent example of this approach. Marcos Jr. is only the second contemporary Philippine leader, following Rodrigo Duterte, to have chosen to visit China ahead of traditional allies such as the United States and Japan. China, which accounts for 20 per cent of the country's foreign trade and is also a significant source of foreign direct investment, is a major economic partner of the Philippines.⁶³ During this state visit, the two sides vowed to establish a direct communication

⁶² Mingxuan Lin. "Malaysia and Vietnam to Sign Maritime Memorandum of Understanding." *London Politica*, April 8, (2023).

<https://londonpolitica.com/apac/politicalriskexplained>.

⁶³ "China, Philippines Agree on Cooling Tensions, Boosting Trade," *DW*, January 5, (2023).

<https://www.dw.com/en/china-philippines-agree-on-cooling-tensions-boosting-trade/a-64289537>.

channel between their foreign ministries to avoid “miscalculation and miscommunication” in the SCS.⁶⁴ The details of this arrangement are unknown at the moment, but it could take the form of an emergency hotline such as the one set up between China and Vietnam in 2022 to deal with “marine fisheries incidents”.⁶⁵ The purpose of a hotline is to control disagreements without acting to complicate the situation or worsen disputes.

Bilateralism and multilateralism are not at odds with each other, but rather complement and reinforce each other. Multilateral cooperation is the functional enhancement, expansion, and spillover of bilateral cooperation.⁶⁶ The absence of a multilateral agreement to govern fisheries issues is considered one of the key contributors to increasing fishing conflicts and the depletion of fish stocks in the SCS.⁶⁷ The participation of SCS claimants to bilateral and multilateral engagements shows a desire to tackle those problems. Regrettably, empirical evidence suggests that such engagements have failed to defuse security tensions or

⁶⁴ “Marcos’ Visit makes China-Philippines ‘Tension’ Collapse on Itself,” *Global Times*, January 4, (2023).

<https://www.globaltimes.cn/page/202301/1283154.shtml>.

⁶⁵ “Vietnam Agrees on Fishing Hotline with China but Pace of Trade ‘Slow’,” *South China Morning Post*, July 4, (2022).

<https://www.scmp.com/news/china/diplomacy/article/3185236/vietnam-agrees-fishing-hotline-china-pace-trade-slow>.

⁶⁶ Zuokui Liu. “Bilateral + Multilateral Theory: A New Exploration of China-CEEC Cooperation,” *Journal of the Party School of the Central Committee of the C.P.C.*, 2, no. 37, (2022): 1.

⁶⁷ Zhang, “Fisheries Cooperation in the South China Sea: Evaluating the Options,” 74.

lead to the adoption of conservation measures. Given the consensus-based decision-making process in Southeast Asia (particularly the ASEAN way of diplomacy), regional arrangements tend to be negotiated, implemented, and revised according to the rule of unanimous consent. This consensual approach leads to “*each negotiating body to search for the lowest common denominator*” and complicates negotiations when a single state can resist the development of a common position and demand concessions for the price of achieving consensus.⁶⁸ In addition to the consensual approach being time-consuming, the provisions adopted remain all too often vague and ambiguous, ending up in disappointment. Furthermore, the lack of enforcement measures and arbitration mechanisms further weakens the effectiveness of whatever paltry gains are negotiated. Unfortunately, bilateral agreements do not constitute efficient tools to rectify those shortcomings, as local MOUs fail to contain legally binding obligations. To build on what has been constructed over the years in the field of fishery cooperation, SCS countries need to seriously consider the implementation of a formal structure that would provide accountability, shape interactions, and promote trust among the parties involved.⁶⁹ The adoption of concerted regional fisheries regulations constitutes the safest

⁶⁸ Zhang, “Fisheries Cooperation in the South China Sea: Evaluating the Options,” 75.

⁶⁹ Wang, “Fisheries Management in the South China Sea,” 257.

means of abating active disputes and limiting the severe overfishing and exploitation of the SCS.

VI. Conclusion

In the highly disputed area of the SCS, fishery conflicts have intensified in recent years due to declining fish stocks and increasing demand, and further fuelled by overlapping maritime claims. Given the importance of fisheries and fish processing to the region, simply maintaining the status quo is ineffective at best and disastrous at worst. If, however, SCS claimants can adopt a more coherent approach to negotiate a fishery arrangement, fish and seafood will remain on local menus and continue to be a major source of employment and revenue for coastal populations. This article argues that there is a heightened risk of clashes between the countries bordering the SCS, especially when the competition for fish and seafood touches upon national sovereignty, and that the best way of mitigating this risk may be to contain it under a manageable and enforceable mechanism. To be successful, such a mechanism would need to overcome the institutional inertia associated with SCS fisheries. There are genuine doubts concerning the feasibility of regulating fishing activities in the SCS. The sheer size of the sea, the magnitude of the fishing industries, and the unresolved territory and maritime boundary disputes pose severe challenges to the implementation of any restrictive and punitive measures. However, advancing

institutional cooperation among the parties involved is not a choice but a necessity. The establishment of formal controls should be recognized as a security, socioeconomic and ecological imperative. Less polemical and politically sensitive than the cooperative exploration for hydrocarbon resources, it is in the interests of the SCS claimants to reach a regional fishery cooperation agreement that will prevent disputes from boiling over into violent confrontations, and that will ensure sustainable use and exploitation into the future. The benefits certainly would make the efforts worthwhile. After more than ten years of negotiations, Vietnam and Indonesia signed a historical agreement on the boundaries of their respective EEZs in late December 2022. This agreement is a significant positive development for the region as both parties agreed to set aside the seemingly third-rail issue of sovereignty in order to resolve their conflicting claims peacefully. The demarcation of overlapping EEZs has long been a point of contention in the SCS. The conclusion of the agreement brings optimism that, with determination, SCS countries can engage in joint management of the marine environment upon which all their people rely. In reference to the intractable political and military wrangling in the SCS, it seems that the need for such collaborative engagement and common inspiration has never been greater.

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Comparison of Foreign Trade Characteristics between Taiwan and Ukraine: Impact on Economic Growth and Threats to National Economic Security*

Mei-Lan Hung and Iryna Babets**

Abstract

The full-scale invasion of Russian troops into Ukraine not only changed the geopolitical situation but also brought attention to the threat of a similar situation by China against Taiwan because there are significant similarities in the geographical and historical factors of the development of Ukraine-Russia and Taiwan-China relations, as well as in bilateral political, economic relations. Ukraine's economic and trade dependence on Russia, while simultaneously deepening Ukraine's cooperation with European countries, led to the deterioration of Ukrainian-Russian relations, which finally resulted in a full-scale invasion of Russian troops into Ukraine. The similarity of relations between Taiwan

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and China to Ukrainian-Russian relations lies in close trade ties and the corresponding interdependence of the two countries' economies, which is also accompanied by the strengthening of political influence and territorial claims of China over Taiwan.

Thus, in this study, we will compare Taiwan and Ukraine according to the main indicators of foreign trade, identify the largest trade partners of these countries (Taiwan-China, Taiwan-America, Ukraine-Russia, Ukraine-China), and respectively evaluate their structure of trade for analyzing the impact of foreign trade with the main trade partner on economic growth. Besides, we will realize whether the foreign trade of Taiwan and Ukraine meets the criteria of economic security, which is defined as the share of the leading partner country in the total turnover of foreign trade.

Through the objective analysis of the data in this paper, we found that there are a number of differences that indicate a low probability of applying China's military scenario regarding Taiwan due to the difference in the economic development, the different structure of the economy and the degree of inclusion in the global chains of creation of added value, which is all reflected in the foreign trade of Ukraine and Taiwan with leading partner countries. Taiwan is facing the same economic security issues that Ukraine faced in the past, but Taiwan's economic status has an advantage over Ukraine in facing economic security threats.

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Keywords: foreign trade, economic growth, economic security,
Ukraine-Russia, Taiwan-China

I. Introduction

The full-scale invasion of Russian troops into Ukraine significantly changed the geopolitical situation, showing the ineffectiveness of the existing system of international law and upsetting the balance of power in the world. Given the significant territorial advantage, as well as the superiority in the number of the population and armed forces of Russia over Ukraine, the mass media began to pay attention to the increasing threat of China implementing a similar scenario with regard to Taiwan.¹ In July 2022, the Ketagalan Forum-2022 Indo-Pacific Security Dialogue was held in Taipei, where, among the main issues of ensuring security in the region, much attention was paid to the issues of confrontation between democracy and authoritarian regimes, the impact of the war between Russia and Ukraine on the Indo-Pacific order, as well as analysis of the effectiveness of sanctions against Russia as a tool to stop aggression.²

¹ See: Mehdi Chebil. "China's military threat to Taiwan is much more credible than it was 20 years ago," *France 24*, July 08, (2022).

<https://www.france24.com/en/asia-pacific/20220807-china-s-military-threat-to-taiwan-is-much-more-credible-than-it-was-20-years-ago>; "How to deter China from attacking Taiwan. What Taiwan can learn from Ukraine about resisting invasion," *The Economist*, April 23, (2022).

https://www.economist.com/leaders/2022/04/23/how-to-deter-china-from-attacking-taiwan?gclid=CjwKCAiAnZCdBhBmEiwA8nDQxRTRLxXnvZ0BvuBwMbJsGJo-bAVLv8XW1r1afg20lwOeLFUw7mSzjRoC43wQAvD_BwE&gclid=c=aw.ds.

² "Ketagalan Forum starts July 26 in Taiwan," *Taiwan Today*, July 21, (2022). <https://taiwantoday.tw/news.php?unit=2&post=222401>.

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There are a few significant similarities in the geographical and historical factors of the development of Ukrainian-Russian and Taiwan-Chinese relations and a similar disparity in military power (Russia's military advantage over Ukraine is similar to China's advantage over Taiwan). Besides, most importantly, the relationship between Taiwan and China is like the Ukrainian-Russian relationship precisely in the simultaneous existence of mutual economic dependence and political disputes.

The economy and foreign trade were important factors in constructing pre-war Ukrainian-Russian relations, in which Ukraine's dependence on energy imports from Russia and the orientation of Ukrainian food, chemical, and machine-building industries, as well as agricultural enterprises to the Russian market, were formed. During 2008-2013, there was a significant aggravation of the trade war between Ukraine and Russia due to the introduction of trade restrictions by the Russian side in relation to Ukrainian goods (pipes, metal, synthetic fibers, sugar, caramel), which led to significant losses for Ukrainian exporters. Since 2014, after the annexation of Crimea by Russia and the occupation of parts of the Donetsk and Luhansk regions, the volume of Ukrainian-Russian trade has significantly decreased, and in 2016, Russia terminated the agreement on a free trade zone with Ukraine, which forced Ukrainian exporters to look for new markets for their goods and importers – new suppliers of energy carriers, raw materials, materials, and other goods. In view of this,

a favorable factor was the signing of the agreement on the Ukraine-EU Comprehensive and Deep Free Trade Area.

Ukraine's economic and trade dependence on Russia, while simultaneously deepening Ukraine's cooperation with European countries, led to the deterioration of Ukrainian-Russian relations, which finally resulted in a full-scale invasion of Russian troops into Ukraine. Thus, the situation in Ukraine shows how the country, which was its leading trade partner for a long time, constantly strengthened its influence on political development with the help of economic instruments. However, when Russia failed to achieve its goals, particularly Ukraine joining the Eurasian Economic Union (EAEU), the Russian leadership decided to implement a military scenario.

The similarity of relations between Taiwan and China and Ukrainian-Russian relations lies. First of all, close trade ties and the corresponding interdependence of the two countries' economies are accompanied by the strengthening of China's political influence and territorial claims over Taiwan. Over the past ten years, China has been Taiwan's leading partner country, and bilateral trade is characterized by significant exports and imports of both raw materials and high-tech products. As Bukhari S. points out, Taiwan and China "are valuable trade partners for each other, as they have invested tens of billions of dollars in each other's economy," at the same time, given the "unbalanced economic interdependence," the scientist predicts "that China's

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enormous economic influence can be used as political leverage in Taiwan.”³ In case of deterioration of political relations between countries, the intensity of trade may decrease, and Taiwanese manufacturers will have to urgently look for new export markets and suppliers of raw materials and materials.

China has significant economic leverage over Taiwan, some of which is already being used. In particular, China imposed sanctions on the import of a number of Taiwanese products (citrus, mackerel fillets, and other fish products, more than a hundred types of food) and banned the export of sand to Taiwan. At the same time, the sanctions do not apply to electronics products (such as microchips or optical components) that China requires greatly.⁴ Therefore, China’s application of export and import restrictions in trade with Taiwan is an element of a trade war, which makes the relationship between these countries similar to the Ukrainian-Russian relationship during 2010-2013. However, the difference is that China’s sanctions on the import of certain agricultural products from Taiwan so far have little impact on the economy, as the share of these products in Taiwanese exports is less than 1%. The sanctions imposed by Russia on Ukrainian metallurgical products had a significant negative impact on the

³ Syed Shahid Hussain Bukhari. “The Dynamics of China-Taiwan Politico-Economic Interdependence: Divergence to Rapprochement,” *Pakistan Journal of Social Sciences*, 36, no. 1, (2016): 25-37.

⁴ Thomas Kohlmann. “How much does Taiwan depend on China?” *Deutsche Welle*, August 6, (2022).
<https://www.dw.com/en/how-much-does-taiwan-depend-on-china/a-62725691>.

economy of Ukraine, as these products at that time accounted for more than 40% of the total volume of Ukrainian exports.

In this regard, we note that the threat to Taiwan's economy will become critical if China imposes restrictions on the import of industrial goods, in particular semiconductor devices. In the event of China's military aggression against Taiwan, the work of companies that manufacture semiconductor devices will be stopped. The semiconductor industry is seen as Taiwan's "silicon shield,"⁵ which protects Taiwan from Chinese aggression due to the dependence of many global electronics manufacturers on Taiwanese semiconductor devices.

Therefore, as a result of the introduction of a number of trade restrictions on Taiwanese goods and China's demonstration of force during military exercises, threats to Taiwan's sovereignty and independence have increased, which also significantly threatens the country's economic stability. The similarity of this situation to Ukrainian-Russian economic and political relations over the past ten years determines the relevance of studying the dependence of Taiwan and Ukraine on the leading trading partner countries and the impact of foreign trade on the economic growth of the countries under study. At the same time, in order to

⁵ Vivek Ramaswamy and Mike Pompeo. "China's Threat to Taiwan Semiconductors. Why aren't American asset managers paying attention to the risks from an invasion of the island?" *The Wall Street Journal*, October 10, (2022).

<https://www.wsj.com/articles/investing-silicon-semiconductors-chips-taiwan-invasion-tsmc-china-intel-blackrock-asset-manager-11665408814>.

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determine the positive effects and threats to the economies of Taiwan and Ukraine, it is important to take into account both the volume of exports and imports of bilateral trade with leading partner countries (Taiwan-China, Taiwan-America, Ukraine-Russia, Ukraine-China) and the structure of trade.

That is, this paper will adopt quantitative analysis by citing relevant data to compare the economic security issues brought by the economic-trade relations between Taiwan and Ukraine with their major trading partner countries to reach an objective explanation of the existing disputes between the relationship between Ukraine and Russia and the relationship between Taiwan and China. This quantitative analysis method will become the main academic contribution of this paper because, currently, there is a relative lack of analytical papers that compare the economic security issues of Taiwan and Ukraine through the quantitative analysis approach.

II. Theoretical and methodological foundations of the study of the influence of foreign trade on the economic growth of countries

In the conditions of globalization, increasing countries' dependence on foreign trade in the process of deepening bilateral relations can have both positive effects for partner countries and threaten to reduce economic growth rates due to a sharp deterioration of cooperation or the beginning of a trade war. The

result of many theoretical and empirical studies was confirmation of the relationship between economic growth and foreign trade. Thus, Hendrik V. and Lever J. confirmed: “the hypothesis that a high level of openness of the economy and active participation in international trade ensures higher incomes and higher rates of economic growth,” and they also “disproved the alternative hypothesis about the negative impact of trade on economic growth, because there is no convincing statistical evidence of a negative correlation between international trade and the economic growth of countries.”⁶

The study of the relationship between the openness of the economy and the quality of economic growth in China in terms of exchange rate fluctuations from 1994 to 2018 allowed scientists to draw a conclusion: “Trade openness can significantly promote the quality of economic growth in both the short and long term.”⁷ The results of the research done by Sun P. and Heshmati A. “demonstrates that increasing participation in the global trade

⁶ Hendrik Van den Berg and Joshua J. Lewer. “Trade and Growth: The Empirical Evidence”, in *International Trade and Economic Growth*, Van den Berg H. and Lewer, J. eds. New York: Routledge, (2007): 38. <https://doi.org/10.4324/9781315703282>.

⁷ Qunxi Kong, Dan Peng, Yehui Ni, Xinyue Jiang and Ziqi Wang. “Trade openness and economic growth quality of China: Empirical analysis using ARDL model,” *Finance Research Letters*, 38 (C), no. 101488, (2021). <https://doi.org/10.1016/j.frl.2020.101488>.

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helps China reap the static and dynamic benefits, stimulating rapid national economic growth.”⁸

A. The economic effects of export in foreign trade

In the scientific literature, strong arguments are presented in support of the export-oriented strategy for the development of countries in the conditions of globalization. The researchers found that increasing export volumes has a positive effect on the economic growth of countries.⁹ The increase in export volumes provides additional foreign currency income, which allows the importation of more goods, materials, and components. Exports have a positive effect on economic growth due to increased productivity, which, according to Alhajhoj H., “occurs as a result

⁸ Peng Sun and Almas Heshmati. “International Trade and Its Effects on Economic Growth in China.” *IZA Discussion Paper*, no. 5151, (2010). <https://ssrn.com/abstract=1667775>.

⁹ Bela Balassa. “Export and economic growth: Further evidence,” *Journal of Development Economics*, 5, no. 2, (1978): 181-189. [http://dx.doi.org/10.1016/0304-3878\(78\)90006-8](http://dx.doi.org/10.1016/0304-3878(78)90006-8); Yuriy Bilan. “Increase diversification through strengthened enabling environment for entrepreneurship: A focus on skill endowments and export orientation (example of Hungary and Poland),” *Economics and Sociology*, 2, no. 2, (2009): 33-45. <https://doi.org/10.14254/2071-789X.2009/2-2/3>; Iskra Stancheva-Gigov & Klimentina Poposka. “Foreign Trade and Economic Growth a Panel Regression Analysis,” *International Journal of Economics, Commerce and Management*, 2, no. 12, (2014): 1-10.

of a better allocation of resources through specialization based on comparative advantages.”¹⁰

However, the results of empirical studies indicate the ambiguous impact of exports on the economic growth of countries. In particular, Awokuse T. studied Japan’s foreign trade and showed that “exports contribute to economic growth” in this country.¹¹ Reppas P. and Christopoulos D. found that “in the countries of Asia and Africa, there is a unidirectional cause and effect relationship from exports to economic growth.”¹² Bajo-Rubio O. and Díaz-Roldán C. obtained empirical evidence that “exports contribute to economic growth in the Czech Republic, while in eight other new EU members, no significant causal relationship between these variables was found.”¹³ The positive effect of exports on growth is conditional, as confirmed by Abu-Qarn A. and Abu-Bader S. for nine countries of the Middle East and North Africa: “promoting exports may contribute

¹⁰ Hassan Alhajhoj. “Exports and Economic Growth in Saudi Arabia: A VAR Model Analysis,” *Journal of Applied Sciences*, 7, no. 23, (2007): 3649-3658. <http://dx.doi.org/10.3923/jas.2007.3649.3658>.

¹¹ Titus Awokuse. “Export-led growth and the Japanese economy: evidence from VAR and directed acyclic graphs,” *Applied Economics*, 12, no. 14, (2005): 849-858. <https://doi.org/10.1080/13504850500358801>.

¹² Panayiotis A. Reppas and Dimitris Christopoulos. “The export-output growth nexus: Evidence from African and Asian countries,” *Journal of Policy Modeling*, 27, no. 8, (2005): 929–940. <https://doi.org/10.1016/j.jpolmod.2005.06.007>.

¹³ Oskar Bajo-Rubio and Carmen Díaz-Roldán. “Do exports cause growth? Some evidence for the new EU members,” *Post-Communist Economies*, 24, no. 1, (2012): 125–131. <https://doi.org/10.1080/14631377.2012.647632>.

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to economic growth only after a certain threshold of manufactured exports has been reached.”¹⁴

B. The economic function of imports in foreign trade

In addition to exports, imports are an important component of the foreign trade balance, which affects the country’s economy. The results of empirical studies confirm the impact of imports on economic growth. Using data for Argentina, Colombia, and Peru, Awokuse T. confirmed the significant contribution of both exports and imports to the economic growth of these countries, with “the impact of imports on growth being more well-argued.”¹⁵ Examining annual data from 1964-2004, Herrerias M. and Orts V. determined that “imports are the engine of growth in China mainly because it gives it access to new technologies.”¹⁶

According to the results of some studies, imports play a more important role than exports in stimulating economic growth. In particular, Thangavelu S. and Rajaguru G. found that “exports

¹⁴ Aamer Abu-Qarn and Suleiman Abu-Bader. “The validity of the ELG hypothesis in the MENA region: Cointegration and error correction model analysis,” *Applied Economics*, 36, no. 15, (2004): 1685–1695, <https://doi.org/10.1080/0003684042000266865>.

¹⁵ Titus Awokuse. “Trade openness and economic growth: Is growth export-led or import-led?” *Applied Economics*, 40, no. 2, (2008): 161–173. <https://doi.org/10.1080/00036840600749490>.

¹⁶ Maria Jesus Herrerias and Vicente Orts. “Capital goods imports and long-run growth: Is the Chinese experience relevant to developing countries?” *Journal of Policy Modeling*, 35, no. 5, (2013): 781–797. <https://doi.org/10.1016/j.jpolmod.2013.02.006>.

have an insignificant effect on productivity growth in Hong Kong, Indonesia, Japan, Taiwan, and Thailand,” while “the hypothesis of growth due to imports was confirmed for India, Indonesia, Malaysia, the Philippines, Singapore, and Taiwan,” while “in the long term, imports exceed exports in terms of contribution to growth.”¹⁷

According to the results of modern research, an important factor in economic growth is also the country’s specialization in the production of certain goods, which determines the structure of foreign trade. The leading role in forming the country’s international specialization is attributed to technical progress, which determines significant differences between economic sectors: the country’s specialization in the production of high-tech goods ensures higher rates of economic growth compared to those countries that specialize in low-tech goods. Lucas R. notes that “the ability to change the specialization model towards the most technologically advanced industries becomes an important factor of economic efficiency.”¹⁸

¹⁷ Shandre mugan Thangavelu and Gulasekaran Rajaguru. “Is there an export or import-led productivity growth in rapidly developing Asian countries? A multivariate VAR analysis,” *Applied Economics*, 36, no. 10, (2004): 1083–1093. <https://doi.org/10.1080/0003684042000246795>.

¹⁸ Robert E. Lucas. “On the Mechanisms of Economic Development,” *Journal of Monetary Economics*, no. 22, (1988): 3-4. [https://doi.org/10.1016/0304-3932\(88\)90168-7](https://doi.org/10.1016/0304-3932(88)90168-7).

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C. The structure of foreign trade: the key to economic growth

The structure of foreign trade indirectly characterizes the level of technological and economic development of the country. For example, over a period of 30 years, China underwent institutional reforms that contributed to the liberalization of foreign trade in the 1980s, as well as a gradual transition from a commodity-based economy to the production of goods with higher added value. Based on the study of these processes, scientists noted that “China is ambitious in acquiring advanced technology and building up a sophisticated system to promote technological capability,” and therefore, “structural changes taking place in China’s intermediate goods trade.”¹⁹

A study of the economies of 28 OECD and developing countries by Lewer, J. J. & Van den Berg, H. found that “the composition of trade determines the strength of the “engine of growth,” and “countries that import mostly capital goods and export consumer goods tend to grow faster than countries that export capital goods.”²⁰ Based on the analysis of the process of

¹⁹ Yanghua Huang, Nimesh Salike and Feiteng Zhong. “Policy effect on structural change: A case of Chinese intermediate goods trade,” *China Economic Review*, no. 44(C), (2017): 30–47.

²⁰ Joshua Lewer and Hendrik Van den Berg. “Does trade composition influence economic growth? Time series evidence for 28 OECD and Developing Countries,” *The Journal of International Trade and Economic Development*, 12, no. 1, (2003): 39-96.

<https://doi.org/10.1016/j.chieco.2017.03.005>.

industrial diversification in the countries that were part of the European Union (EU-27) and those that were the target of the European Neighbourhood Policy (ENP), Boschma R. and Capone G. showed “that the future export structures of countries are affected by their imports.”²¹

In view of the above, the results of modern studies of international trade conducted by scientists confirm the significant influence of trade on the economic growth of countries.

D. Methodology of this study

Based on the considered theoretical and empirical substantiation, the country’s economic growth is influenced by foreign trade and the commodity structure (in which goods dominate exports and imports), we can assume that the change in the total volume of exports and imports of the country with the leading trading partner is an important factor in economic growth. It is also necessary to take into account the impact of changes in exports and imports by main product groups in such bilateral trade on economic growth.

So, in our study, we will compare Taiwan and Ukraine according to the main indicators of foreign trade, identify the largest trade partners of these countries, and evaluate the impact of

²¹ Ron Boschma and Gianluca Capone. “Relatedness and diversification in the European Union (EU-27) and European Neighborhood Policy countries,” *Environment and Planning C: Government and Policy*, 34, no. 4, (2016): 617-637. <https://doi.org/10.1177/0263774X15614729>.

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foreign trade with the main trade partner on the economic growth of Taiwan and Ukraine, respectively.

At the same time, we consider the study of compliance of the country's foreign trade with the criteria of economic security to be an important element of the research, which is determined by such indicators as: "the share of the leading partner country in the total volume of exports of goods; the share of the leading partner country in the total volume of goods imports; the share of the leading product (product group) in the total volume of export of goods; the share of the leading product (commodity group), excluding energy imports, in the total volume of goods imports; the share of raw and low-grade industrial exports in the total volume of goods exports."²²

From the point of view of the foreign economic security of the state, the indicator of the geographical structure of foreign trade is important, which is defined as the share of the leading partner country in the total turnover of foreign trade. The limit value of the indicator is set at the level of 30%,²³ which means the aggravation of threats to the economic security of the state in

²² Metodyka rozrakhunku rivnia ekonomichnoi bezpeky Ukrainy. Nakaz Ministerstva ekonomichnoho rozvytku i torhivli Ukrainy 29.10.2013 № 1277 [Methodology for calculating the level of economic security of Ukraine. Order of the Ministry of Economic Development and trade of Ukraine 29.10.2013 No. 1277], accessed November 17, 2022. https://zakononline.com.ua/documents/show/218014___218079#n9. (in Ukrainian).

²³ Metodyka rozrakhunku rivnia ekonomichnoi bezpeky Ukrainy.

the event that the calculated value of this indicator is greater than the limit value. A significant increase in the share of the leading partner country in the foreign trade turnover indicates an increased dependence of the economy of the studied country on one priority export market of goods or services, as well as dependence on the import of raw materials or goods from a small number of suppliers mainly from one country.

Using the theoretical basis discussed above for the study of the relationship between foreign trade and economic growth, in our study, we will conduct a regression analysis of the dependence of the economic growth of each country on the volume of export and import of goods according to the following model:

$$Econ_gr_i = f(Exp_i; Imp_i; RT_i), \quad (1)$$

where $Econ_gr_i$ is a vector of the dependent variable characterizing the economic growth of a given country and includes indicators of GDP (GDP_{tw} , GDP_{ukr}), (GDP_{pc_tw} , GDP_{pc_ukr}), GDP index relative to the previous year of Taiwan (GDP_{ind_tw}) and Ukraine (GDP_{ind_ukr}); Exp_i - the volume of exports of goods from the i -th country to the partner country; Imp_i - volumes of imports from the partner country to the i -th country; RT_i - the share of the leading partner country in the foreign trade turnover of i -th country.

Based on the functional equation (1), we can formulate an econometric equation in which α is a constant term, β_i are coefficients to be estimated, and ϵ_t is an error:

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$$Y_{t_i} = \alpha + \beta_1 \cdot Exp_i + \beta_2 \cdot Imp_i + \beta_3 \cdot RT_i + \varepsilon_t, \quad (2)$$

where Y_{t_i} is a vector of dependent variables, including indicators of economic growth of the i th country.

In order to determine the influence of the commodity structure of foreign trade on the economic growth of each of the studied countries, we will build a linear regression model that expresses the dependence of economic growth (GDP, GDP per capita, GDP index) on the volumes of exports and imports of the main groups of goods:

$$Econ_gr_i = f(Exp_1; Exp_2; Exp_n; Imp_1; Imp_2; Imp_n), \quad (3)$$

where $Exp_1; Exp_2; Exp_n$ – export volumes of basic goods (commodity group 1, 2, ... n) from i -th country; $Imp_1; Imp_2; Imp_n$ – volumes of import of basic goods (commodity group 1, 2, ... n) to i -th country.

The reliability of the regression study results depends on the statistical data's quality and completeness. Therefore, in our research, we will use data from official statistics on the volume and structure of foreign trade of Taiwan and Ukraine with the main trading partner countries, which are provided on the website of the World Trade Organization and on the oec.world platform, for the period 2010-2020, according to the practice of taking ten years in general long-term research.

III. Comparison of the main trends of foreign trade in goods between Taiwan and Ukraine

In 2020, Taiwan ranked 15th among the 50 countries that are the leading exporters in terms of exports of goods. Taiwan's economy exported goods worth USD 347 billion, which accounted for 2% of world exports. At the same time, it should be noted that Taiwan's export volumes increased by 5% in 2020 compared to 2019 as a result of the economic crisis due to quarantine restrictions. The growing trend was characteristic of few countries (China (+4%), Vietnam (+ 7%), Ireland (+5%), Chile (+3%), Poland (+2%).²⁴ Ukraine's position in this rating is much worse (48th place) due to relatively low export volumes - USD 49 billion, which accounts for only 0.3% of global exports, as well as a decrease in exports in 2020 by 2% compared to the previous year.

In the ranking of importing countries, Taiwan took 18th place in 2020 with import volumes of USD 288 billion, which practically did not change compared to 2019 and accounted for 1.6% of global imports. In 2020, Ukraine imported goods worth USD 54 billion, which was 0.3% of the world import volume and was 11% less compared to the previous year. Among the 50 leading importing countries, Ukraine took 48th place in 2020. The contribution of Taiwan and Ukraine to the formation of world exports is

²⁴ "World Trade Statistical Review 2021." WTO, accessed November 17, 2022. https://www.wto.org/english/res_e/statis_e/wts2021_e/wts21_toc_e.htm.

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significantly different (Fig. 1). During the studied period, the share of Ukraine in the world export of goods did not exceed 0.4%, but about 2% of the world's exports of goods are formed annually due to Taiwan's exports.

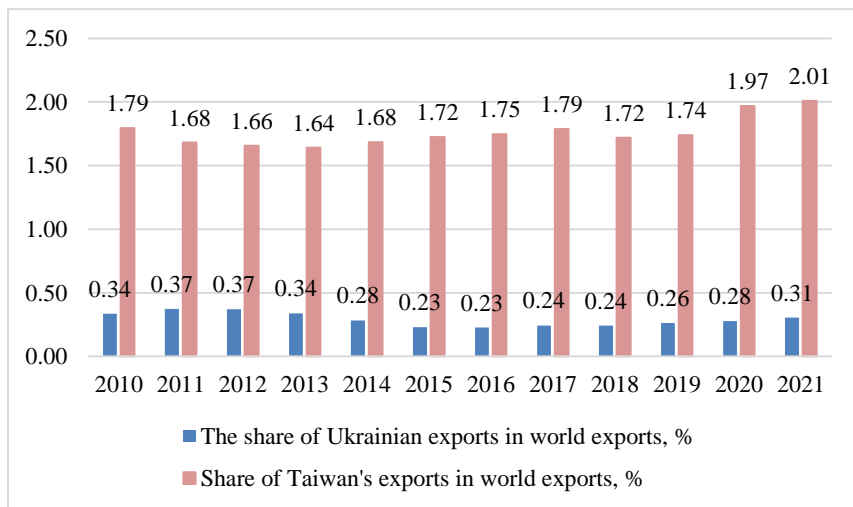


Figure 1. The share of Taiwan and Ukraine in the world volume of exports of goods Source: calculated by the authors based on the data stats.wto.org.²⁵

The dynamics of Ukraine's foreign trade are characterized by alternating clearly defined crises (2009-2010; 2015-2016; 2020) and post-crisis recovery. The growth of foreign trade turnover in 2011 after the global financial and economic crisis of 2008 took place at a high rate (34.4% compared to the previous year). As a result of Russia's annexation of Crimea and the start of hostilities

²⁵ "Merchandise exports by product group." WTO, accessed November 17, 2022. <https://stats.wto.org>.

in Donbas, the volume of foreign trade turnover in 2015 decreased by 30.2% compared to 2014 and recovered at a slightly lower rate, which amounted to 122.8% in 2017 and 112.5% in 2018. This increase in foreign trade was largely due to the signing of the Association Agreement between Ukraine and the EU and the introduction of a free trade regime between the countries. Quarantine restrictions decreased Ukrainian foreign trade turnover in 2020 by 6.6% compared to 2019, which was significantly less compared to the crisis drop in 2015. At the same time, the recovery of foreign trade in 2021 had the highest growth rates for the studied period (35.8% for the year).

Foreign trade of Taiwan, which, compared to Ukraine, has a much smaller territory and population, is carried out in larger volumes. Thus, Taiwan's foreign trade turnover in 2021 amounted to USD 829.8 billion and exceeded the foreign trade turnover of Ukraine by 5.9 times (USD 140.6 billion). Taiwan's foreign trade turnover increased by 57.8% during the research period - from USD 525.8 billion in 2010 to USD 829.8 billion in 2021. In general, the annual growth rates of Taiwan's exports are mostly positive (Fig. 2), except in 2015, when export volumes decreased by 2.1% compared to 2014 due to a slight slowdown in the world economy.

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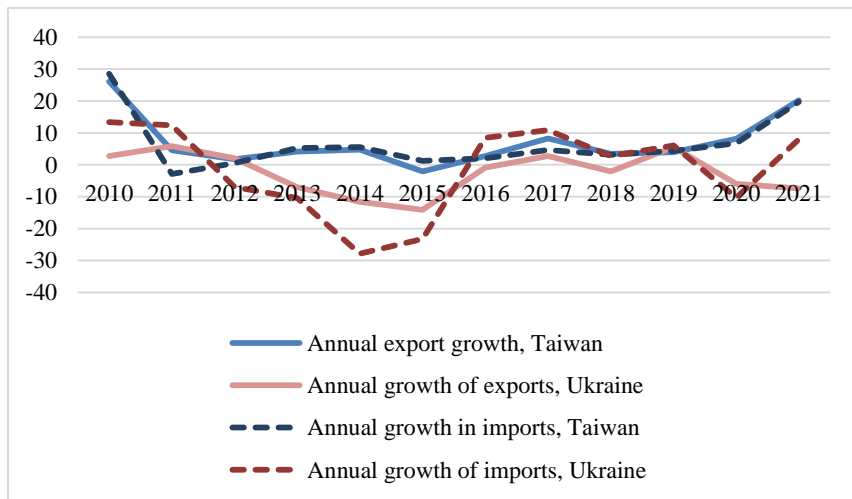


Figure 2. Dynamics of annual changes in the volume of exports and imports of goods of Taiwan and Ukraine (% compared to the previous year). Source: built by the authors from the data stats.wto.org.²⁶

Let's pay attention to the dynamics of annual changes in Taiwan's import volumes, which practically coincide with the dynamics of changes in exports. However, in certain periods, the growth of imports significantly lagged behind the growth of exports. Over the past two years, exports have grown at a faster rate (+8.2% in 2020 and 20.2% in 2021) than imports (6.8% and 19.7%, respectively), which caused a significant increase in Taiwan's foreign trade surplus.

²⁶ "Merchandise export volume change - annual (% change over previous year)." WTO, accessed November 17, 2022. <https://stats.wto.org>.

The specified differences in export volumes of Ukraine and Taiwan, differences in the dynamics of export (import) volumes, and the ability to restore foreign trade volumes after crisis periods are largely due to the structural features of exports and imports of these countries.

According to statistical data,²⁷ Taiwan's exports are dominated by integrated circuits (USD 138 billion), office machine parts (USD 16.1 billion), computers (USD 10.9 billion), pure audio media (USD 9.2 billion) and broadcasting equipment (USD 8 billion), which are exported mainly to China (USD 104 billion), the USA (USD 54.8 billion), Hong Kong (USD 50 billion), Singapore (USD 24.9 billion) and Japan (USD 24.3 billion). In general, high-tech goods make up more than 50% of Taiwan's exports. Integrated microcircuits form the basis of Taiwan's merchandise exports, the share of which increased by 17.7 percentage points (pp) during the period under review - from 19.2% in 2010 to 36.9% in 2020 (Fig. 3).

²⁷ "Chinese Taipei. Yearly Trade. Export." Observatory of Economic Complexity, accessed November 25, 2022. <https://oec.world/en/profile/country/twn>.

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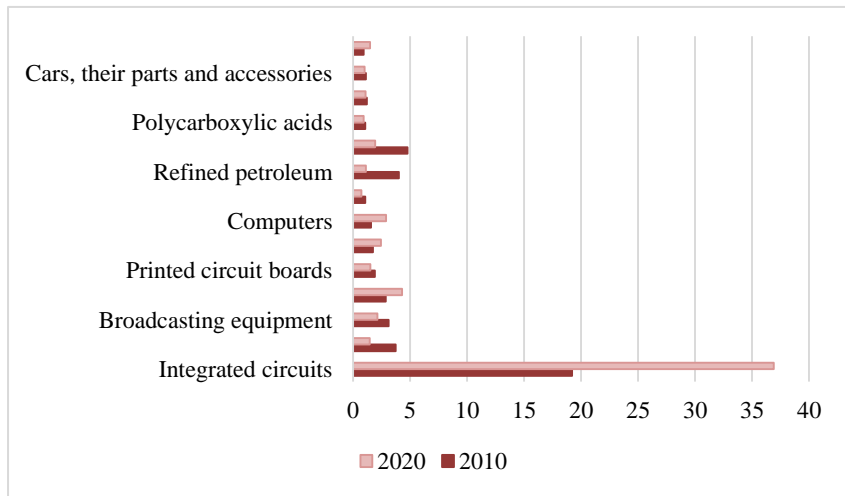


Figure 3. Dynamics of the share of basic goods in Taiwan's exports in 2010 and 2020, %. Source: Built by the authors from the data oec.world.²⁸

In exports to China, which is the leading partner country of Taiwan, integrated microcircuits prevail - 40.7% of the total volume of exports to this country in 2020, which in terms of value amounted to USD 42.2 billion or 30.6% of the total export of these products (USD 138 billion). The second place in terms of share in exports to China in 2020 was occupied by liquid crystal displays - 5.38% of the total volume of exports to this country or USD 5.58 billion, which accounted for 76.7% of the total volume of exports of these products from Taiwan (USD 7.27 billion).

²⁸ OEC, "Chinese Taipei. Yearly Trade. Export."

The structure of Ukraine's commodity exports is significantly different from the structure of Taiwan's exports, and over the past ten years, it has changed significantly - there has been a transition from the dominance of ferrous metallurgy products to the predominance of agricultural products (Fig. 4). Thus, according to statistical data,²⁹ in 2010, more than 40% of Ukrainian exports were ferrous metallurgy products, and in 2020, the share of these products in the export of goods has almost halved. Such changes are due to the fact that in 2010, more than half of ferrous metallurgy products came from Ukraine to Russia, and after 2014, due to the introduction of an embargo on Ukrainian products, the Russian market was lost to Ukrainian manufacturers, and to increase the share of sales in the markets other countries did not succeed in the conditions of significant economic changes in the world market of metallurgical products.

²⁹ "Ukraine. Yearly Trade. Export." Observatory of Economic Complexity, accessed November 17, 2022. <https://oec.world/en/profile/country/ukr/>.

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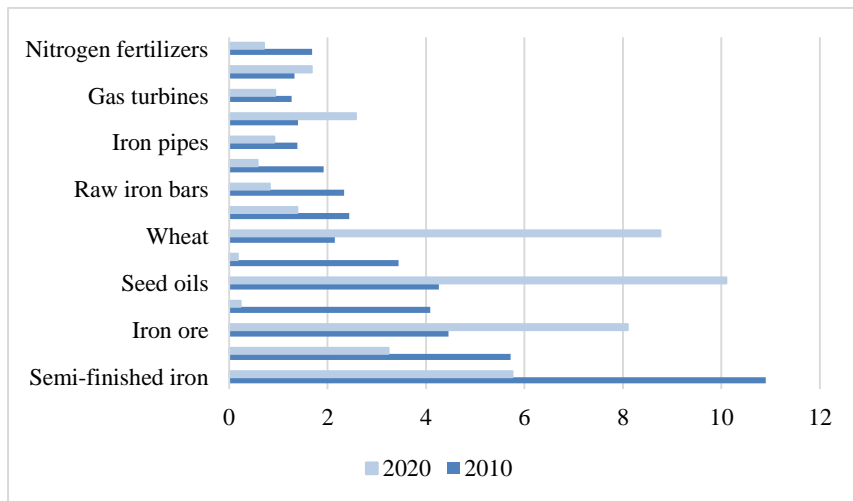


Figure 4. Dynamics of the share of basic goods in the export of Ukraine in 2010 and 2020, % Source: built by the authors from the data oec.world.³⁰

The change in relations between Ukraine and Russia, which was the main trading partner until 2019, was also reflected in the volume of exports of Ukrainian engineering products. In particular, in 2020, the share of freight rail cars in Ukraine's exports decreased to 0.18% compared to 2010, when it was 3.44%. Railway freight cars accounted for 12% of the total volume of exports from Ukraine to Russia in 2010, and in 2020 their share decreased to 0.3%.

The level of economic and technological development of countries significantly determines the list of main partner

³⁰ OEC, "Ukraine. Yearly Trade. Export."

countries in commodity trade. Developed countries mainly export high-tech products and goods with a high level of added value, while countries with a low level of economic development export raw materials and goods with a low level of added value. Taiwan's exports significantly exceed Ukraine's exports, which indicates the larger size of its economy compared to Ukraine's.

IV. Economic security and dynamics of the share of the leading partner country in the foreign trade turnover of Taiwan and Ukraine

The diversification of foreign trade is considered one of the key indicators of the country's international competitiveness, a factor of economic growth, and a matter of national economic security, as it will spread the risk of market concentration. Therefore, in our study, we will compare the geographical structure of foreign trade between Taiwan and Ukraine for 2010-2021.

Taiwan's main trading partner is China, whose share in the country's total exports has slightly decreased over the past ten years - from 25.7% in 2010 to 22.7% in 2020. On the other hand, Hong Kong's share has increased significantly (from 12.8% to 13.3%), the USA (from 11.7% to 14.6%) and Singapore (from 4.86% to 6.64%). About half of Taiwan's export deliveries are made to Asian countries, which is due to geographical proximity, similar consumption culture, and consumer tastes. Taiwan's trade with the United States of America, despite the countries' close

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political cooperation, is developing slowly due to a number of trade barriers that Taiwan has imposed on the import of goods from the United States, which is also reflected in the volume of exports from Taiwan to this country.

Over the past ten years, there have been changes in the structure of Taiwan's imports. In 2010, most goods were imported from Japan (17.7% of the total volume of goods imports), and China was in second place (12.3%). In 2020, the situation changed, and the main country from which goods were imported to Taiwan became China, the share of which was 23.5% of the total volume of imports, and the share of Japan decreased to 16.5%.

The structure of Ukraine's exports over the past ten years has undergone more significant changes compared to those that took place in Taiwan's exports. In 2010-2018, the leading country to which the majority of export goods from Ukraine were sent was Russia. In 2010, the share of Russia in the total volume of Ukrainian exports was 24.3%, but since 2013, it has been gradually decreasing (to 17% in 2014, 11.9% in 2015, 8.15% in 2018) and in 2020, this indicator reached the lowest value for the studied period - 5.64%. At the same time, there was an increase in China's share (from 2.6% in 2010 to 13.8% in 2020), and exports increased particularly intensively in the last two years covered by our study. The volume of exports from Ukraine to China in value

terms increased from USD 3.67 billion in 2019 to USD 7.26 billion in 2020.

Under the influence of geopolitical factors, significant transformations also took place in the structure of Ukraine's imports. Russia's share in the total volume of imports decreased by almost three times - from 33.7% in 2010 to 11.3% in 2020, which indicates a significant decrease in import dependence on the aggressor country. China took the leading place in the import of goods to Ukraine. The share of Chinese goods in imports increased from 8.67% in 2010 to 13.3% in 2020.

Differences in structural changes in the geography of foreign trade between Taiwan and Ukraine caused different trends in trade dependence on the leading partner country. The increase in Taiwan's trade with China led to a deterioration of the indicator of the share of the leading partner country in Taiwan's foreign trade turnover for 2010-2020 relative to the criteria of economic security (Fig. 5). Although the value of this indicator of foreign economic security for Taiwan in 2020 did not exceed the limit value (30%), the steady upward trend of the indicator indicates the growth of threats arising from increased dependence on China as the main trading partner.

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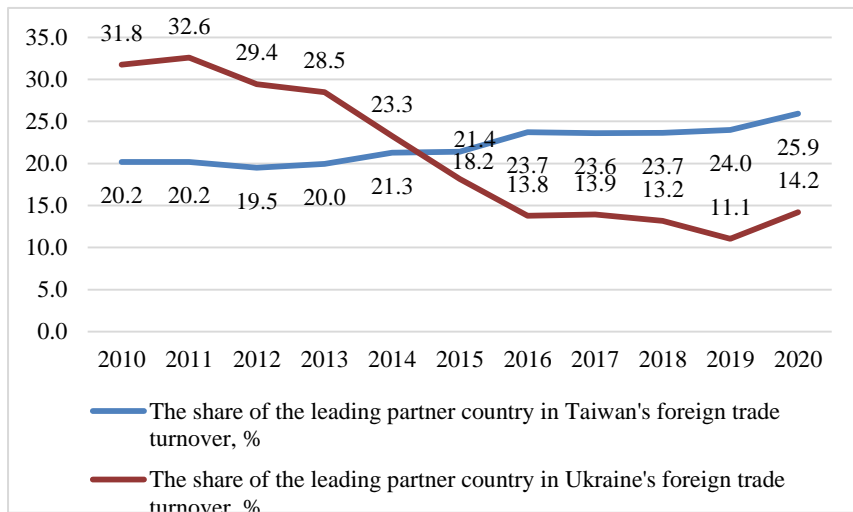


Figure 5. Dynamics of the share of the leading partner country in the foreign trade turnover of Taiwan and Ukraine in 2010-2020. Source: built by the authors from the data oec.world.

In Ukraine, on the contrary, the gradual reduction of Russia's share in foreign trade contributed to the improvement, from the point of view of economic security, of the value of the leading partner country's share in foreign trade turnover. The decrease of Russia's share in Ukraine's foreign trade turnover to 13.2% in 2018 and to 10% in the future indicates an increase in the level of foreign economic security according to this indicator.

Since 2019, China has become the leading partner country in trade with Ukraine, whose share in the foreign trade turnover of our country increased from 11.1% to 14.2% in 2020. Currently, the value of this indicator meets the criteria of economic security,

and its growth is not considered threatening. The significant decrease in the share of Russia and the insignificant increase in the share of China in Ukraine's foreign trade turnover may indicate an increase in the diversification of the country's trade due to the redistribution of foreign trade turnover between other trading partners, in particular EU member states. Accordingly, the increase in China's share in Taiwan's foreign trade turnover during the studied period could lead to a decrease in the diversification of the country's foreign trade.

V. The impact of trade with a leading partner country on the dynamics of economic growth in Taiwan and Ukraine

The key task of the comparative characterization of the structural features of the foreign trade of Taiwan and Ukraine is to assess the impact of export and import volumes with the leading partner country on the economic growth indicators of these countries. In order to describe the vector of the dependent variable, in our study, we will use indicators of GDP in actual prices (GDP_{tw} , GDP_{ukr}), GDP per capita (GDP_{pc_tw} , GDP_{pc_ukr}), GDP index relative to the previous year of Taiwan (GDP_{ind_tw}) and Ukraine (GDP_{ind_ukr}) for the period of 2010-2020. The list of independent variables will cover the volumes of exports and imports of the studied countries by main geographical directions. As an independent variable, we will also use the indicator of foreign economic security - The share of the leading partner country in foreign trade turnover.

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In general, Taiwan's GDP is characterized by stable growth, with the exception of 2015, when there was a slight decrease in this indicator. In 2020, Taiwan's GDP was about USD 669.25 billion, which was 50.6% more compared to 2010. In 2015, Taiwan's GDP decreased by 0.15% compared to the previous year (from USD 535.3 billion to USD 534.5 billion), but since 2016, the rapid recovery of the economy began, and the GDP in 2017 already amounted to USD 590.7 billion.³¹

The dynamics of GDP in actual prices and GDP per capita of Taiwan in the long term is growing, while it coincides with the dynamics of foreign trade turnover (Fig. 6), which suggests the existence of a significant relationship between these indicators.

³¹ "Taiwan: Gross domestic product (GDP) in current prices from 1987 to 2027 (in billion U.S. dollars)." Statista, accessed November 17, 2022. <https://www.statista.com/statistics/727589/gross-domestic-product-gdp-in-taiwan>.

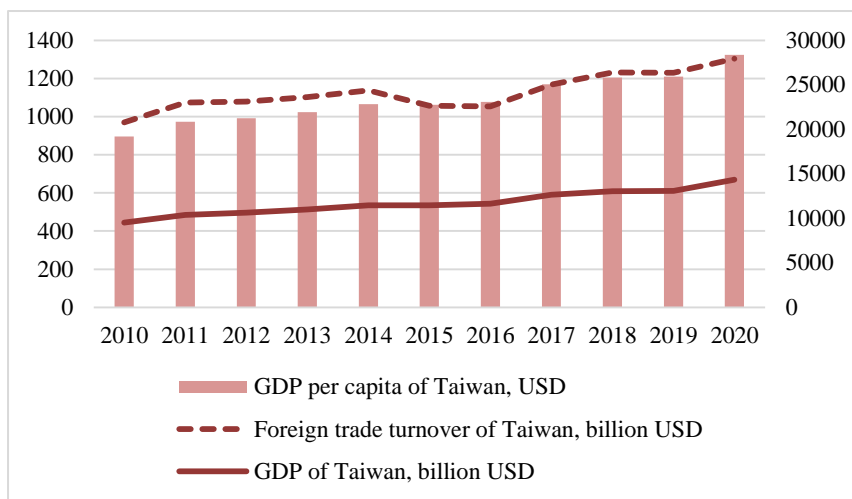


Figure 6. Indicators of Taiwan's economic growth and foreign trade in 2010-2020. Source: built by the authors from the data.³²

Taiwan's economy is characterized by a high level of openness, which is evidenced by the significant excess of foreign trade volumes over GDP volumes. The ratio of foreign trade turnover to GDP was the highest in 2011 and amounted to 121%, which makes the country dependent on changes in the situation on foreign markets of goods and services. After the global financial crisis of 2009, Taiwan's export-oriented economy suffered another blow in 2015, mainly due to weak global demand for consumer electronics combined with falling crude oil prices.

³² Statista. "Taiwan: Gross domestic product (GDP) in current prices from 1987 to 2027"; "World Economic Outlook (April-2021). GDP Growth of Taiwan." IMF, accessed November 25, 2022. <https://statisticstimes.com/economy/country/taiwan-gdp-growth.php>.

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Taiwan's economy grew by only 1.47%, and the total value of merchandise trade decreased by 13.3% in 2015. Growth resumed in 2020, with exports and imports increasing by 4.88% and 0.06%, respectively, and the total value of trade increasing by 2.64% year-on-year.

As shown above, Taiwan's leading trading partner is China. Accordingly, the list of independent variables for regression analysis should include volumes of exports to China and imports from China, China's share in exports, imports, and foreign trade turnover (Table 1). Given the close cooperation between Taiwan and the United States, we added Taiwan's exports to the United States and imports from the United States to the list of independent variables, although these trade relations are seen more as strengthening political cooperation.

In order to determine the relationship between GDP and indicators of the geographic structure of Taiwan's foreign trade, we conducted a regression analysis of dependent and independent variables using the "Multifactor regression" function in the computer program "Statistica 7.0".

Table 1. Indicators of Taiwan's foreign trade with the main partner countries

Periods	Exports to China, billion USD	The share of China in imports, %	Imports from China, billion USD	The share of China in foreign trade turnover, %	Exports to the USA, billion USD	Imports to the USA, billion USD
	<i>EXPch</i>	<i>RTch_imp</i>	<i>IMPch</i>	<i>RTch_trade</i>	<i>EXPus</i>	<i>IMPus</i>
2010	73,4	12,3	32,7	20,18	33,4	24,9
2011	80,5	13,1	38,6	20,20	38,2	25,0
2012	74,9	12,9	38,9	19,50	36,2	23,3
2013	75,6	13,7	42,0	19,95	34,6	23,2
2014	80,8	16,7	47,3	21,28	37,6	24,8
2015	67,2	18,7	44,6	21,39	37,3	23,0
2016	79,0	16,0	42,1	23,70	36,0	25,2
2017	89,6	17,2	46,5	23,61	39,2	26,3
2018	97,5	17,9	49,7	23,66	42,1	31,3
2019	92,5	21,1	55,8	24,01	49,1	30,1
2020	104,0	23,5	60,7	25,93	54,8	28,9

Source: Compiled by the authors based on the data from oec.world.³³

The results of the regression analysis confirmed the important role of China, as a leading trading partner, in ensuring Taiwan's economic growth. The greatest influence on the change in Taiwan's GDP during 2010-2020 was exerted by the change in export volumes to China: when the independent variable increased by 1%, the dependent variable increased by 0.744% (Table 2). We also consider the discovery of the direct dependence

³³ OEC, "Chinese Taipei. Yearly Trade. Export"; "Chinese Taipei. Yearly Trade. Import," Observatory of Economic Complexity, accessed November 25, 2022. <https://oec.world/en/profile/country/twn>.

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of Taiwan's GDP on imports from China to be an important result of the study: a 1% increase in the independent variable provided an increase in GDP by 0.658%. The coefficient of determination shows that 92.1% of the increase in Taiwan's GDP in actual prices was due to the increase in imports from China, and only 7.9% depended on other structural factors of foreign trade.

The calculations also revealed a direct dependence of Taiwan's GDP on imports from China and China's share in Taiwan's foreign trade turnover. With high probability, we can state that during 2010-2020, Taiwan's GDP increased by 0.454%, with an increase in imports from China by 1%. There was also an increase in Taiwan's GDP by 0.457%, while China's share in foreign trade turnover increased by 1%, with the remaining conditions being equal. Therefore, increasing the value of this indicator of foreign economic security to 25% in 2020 corresponds to the normative value (does not exceed 30%) and does not pose a threat to Taiwan's economic security, as it has a positive impact on the country's economic growth.

Table 2. The impact of trade with China on Taiwan's GDP in 2010-2021

Factor features	Dependent variable		
	<i>GDP_{tw}</i>	<i>GDP_{tw}</i>	<i>GDP_{tw}</i>
Number of observations	11	11	11
Intercept	3,016*** (0,746)	3,796*** (0,243)	3,157*** (0,260)
<i>EXP_{ch}</i>	0,744*** (0,169)	-	-
<i>IMP_{ch}</i>	-	0,658*** (0,063)	0,454*** (0,077)
<i>RT_{ch_trade}</i>	-	-	0,457** (0,141)
R	0,826	0,960	0,982
R ²	0,682	0,921	0,966
Fisher Criterion	F(1,9)=19,385	F(1,9)=106,20	F(2,8)=114,05

* – statistical error rate (p-level) $\leq 10\%$; ** – statistical error rate (p-level) $\leq 5\%$; *** – statistical error rate (p-level) $\leq 1\%$.

Source: calculated by the authors.

As a result of the regression analysis, a strong positive direct relationship between the GDP per capita of Taiwan with changes in export volumes to China and changes in China's share in Taiwan's total imports was revealed (Table 3). According to the results of our calculations, a 1% increase in the volume of exports to China in 2020-2020 led to an increase in GDP per capita in Taiwan by 0.348%, with an increase in China's share of goods imports by 1%, there was an increase in GDP per capita by 0.353% with the remaining conditions being equal. A positive effect of the import of goods from China to Taiwan and China's

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share in Taiwan's foreign trade turnover on the GDP indicator per resident of Taiwan was also revealed: with a 1% increase in the independent variables, the dependent variable increased by 0.436% and 0.424%, respectively.

Table 3. The impact of trade with China and the USA on the GDP per capita of Taiwan in 2010-2021

Factor features	Dependent variable		
	<i>GDP_pc_tw</i>	<i>GDP_pc_tw</i>	<i>GDP_pc_tw</i>
Number of observations	11	11	11
Intercept	7,528*** (0,332)	7,082*** (0,243)	7,642*** (0,455)
<i>EXPch</i>	0,348*** (0,094)	-	-
<i>IMPch</i>	-	0,436*** (0,072)	-
<i>RTch_trade</i>	-	0,424** (0,132)	-
<i>RTch_imp</i>	0,353*** (0,059)	-	-
<i>EXPus</i>	-	-	0,655*** (0,123)
R	0,971	0,983	0,870
R ²	0,944	0,967	0,757
Fisher Criterion	F(2,8)=67,551	F(2,8)=117,23	F(1,9)=28,04

* – statistical error rate (p-level) $\leq 10\%$; ** – statistical error rate (p-level) $\leq 5\%$; *** – statistical error rate (p-level) $\leq 1\%$. *Source: calculated by the authors.*

As the calculation results showed, Taiwan's trade with the US also had a positive impact on economic growth in 2010-2020: increasing the Taiwanese exports to the US by 1% led to an increase in Taiwan's GDP per capita by 0.655%. No statistically significant relationship was found between the change in imports from the US to Taiwan and the GDP per capita of Taiwan during the studied period. This largely explains why Taiwan is in no rush to lift restrictions on food imports from the US while at the same time increasing exports to the country.

It is obvious that the significant positive influence of the geographical structure of Taiwan's exports and imports on the main indicators of the country's economic growth is largely due to the sectoral structure of its economy and, accordingly, the commodity structure of foreign trade. Therefore, over the past ten years, despite certain political problems in relations with China, Taiwan has been actively expanding economic cooperation with other countries. In particular, Taiwan signed an economic cooperation agreement with New Zealand in 2013, an economic partnership agreement with Singapore, and economic cooperation agreements with Paraguay, the Kingdom of Eswatini, and Belize in 2017, 2018, and 2020, respectively.³⁴ According to the results of our research, foreign trade with China is beneficial for Taiwan and provides a significant share of its economic growth. Therefore, despite the aggravation of political relations between

³⁴ Taiwan. "Economy," accessed November 25, 2022. https://www.taiwan.gov.tw/content_7.php.

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these countries, China will remain Taiwan’s leading trading partner in the long term.

The dynamics of indicators of economic growth and foreign trade in Ukraine during 2010-2020 indicate the existence of a relationship between GDP and GDP per capita and the volume of foreign trade turnover (Fig. 7).

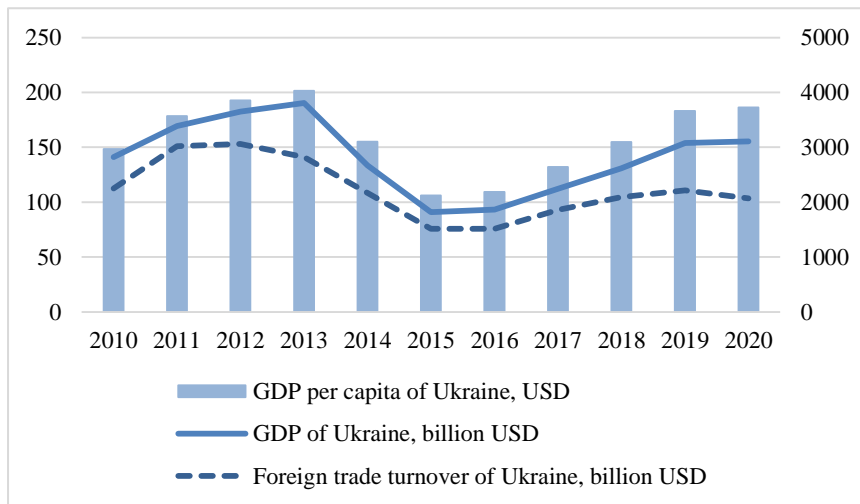


Figure 7. Indicators of economic growth and foreign trade of Ukraine in 2010-2020. Source: built by the authors from the data³⁵ in GDP (current US\$).

The positive dynamics of GDP indicators in 2010-2013 and in 2017-2019 were accompanied by the growth of foreign trade turnover, which is also confirmed by the high value of indicators

³⁵ “GDP (current US\$) – Ukraine.” World Bank national accounts data, and OECD National Accounts data files, accessed November 20, 2022. <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=UA>.

of the openness of the national economy. Accordingly, we can assume that the economic growth of Ukraine during the studied period depended significantly on trade with leading countries - Russia, whose share was the largest in the foreign trade turnover of Ukraine until 2019, and China, with which trade has been gradually increasing since 2016.

To test the hypothesis formulated above, we will conduct a regression analysis of the dependence of Ukraine's economic growth indicators on changes in trade volumes with China and Russia. So, as a dependent variable, we will use indicators of GDP volume and GDP per capita for 2010-2020 (Figure 7). The vector of independent variables includes data on the volume of Ukrainian exports to China and Russia and the volume of imports to Ukraine from these countries (Table 4).

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Table 4. Indicators of foreign trade of Ukraine with the main partner countries in 2010-2020

Period	China's share in Ukraine's exports, %	Exports to China, billion USD	Imports from China, billion USD	China's share in imports to Ukraine, %	Exports to Russia, billion USD	Imports from Russia, billion USD
	<i>RTch_exp</i>	<i>EXP_ch</i>	<i>IMPch</i>	<i>RTch_imp</i>	<i>EXPrus</i>	<i>IMPrus</i>
2010	2,6	1,46	5,7	8,67	13,6	22,1
2011	3,13	2,29	7,06	7,96	19,8	29,4
2012	2,51	1,86	8,64	9,58	17,6	27,5
2013	4,2	2,8	8,58	9,91	15,1	25,1
2014	4,62	2,75	5,83	9,6	10,1	15,1
2015	5,88	2,47	3,95	9,7	4,99	8,75
2016	4,74	1,88	4,74	11	3,76	6,67
2017	4,26	2,01	5,72	10,6	4,37	8,57
2018	4,2	2,18	7,69	12,4	4,23	9,55
2019	6,72	3,67	8,58	13,6	3,75	7,04
2020	13,8	7,26	7,46	13,3	2,97	6,31

Source: Compiled by the authors based on the data from oec.world.³⁶

The results of the regression analysis confirmed the dependence of Ukraine's economic growth indicators on trade with China. The greatest positive impact on the change in Ukraine's GDP during 2010-2020 was exerted by the change in export volumes to China: when the independent variable increased by 1%, the dependent variable increased by 0.837%, with the remaining conditions being equal (Table 5). A change in

³⁶ OEC, "Ukraine. Yearly Trade. Export"; OEC, "Ukraine. Yearly Trade. Import".

the volume of imports from China had a somewhat smaller positive impact on Ukraine's economic growth: an increase in the independent variable by 1% ensured GDP growth of 0.378%.

Let's pay attention to the existence of an inverse relationship between the GDP of Ukraine and the share of China in the total volume of Ukrainian exports of goods: with an increase in the independent variable by 1%, there was a decrease in the dependent variable by 0.766%. This research result confirms the presence of threats associated with an increase in the share of China in the export of goods from Ukraine, which can reduce the level of geographical diversification of foreign trade.

A similar dependence was revealed as a result of the regression analysis of the relationship between Ukraine's GDP per capita and foreign trade with China. The change in the volume of Ukrainian exports to China had the greatest positive impact on the dependent variable: an increase in the independent variable by 1% leads to an increase in GDP per capita by 1.178%. An increase in the share of Chinese goods in the total volume of Ukrainian imports also had a positive effect on the dependent variable. The dependence of GDP per capita on the change in China's share in Ukraine's exports was reversed. One of the reasons for this may be the inefficient structure of Ukrainian exports, which we will explore in the next subsection.

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Table 5. The impact of trade with China and Russia on the economic growth of Ukraine in 2010-2020

Factor features	Dependent variable		
	<i>GDP_{ukr}</i>	<i>GDP_{pc_ukr}</i>	<i>GDP_{pc_ukr}</i>
Number of observations	11	11	11
Intercept	4,604*** (0,274)	7,338*** (0,271)	9,449*** (0,200)
<i>RTch_exp</i>	-0,766*** (0,142)	-1,105*** (0,090)	-
<i>EXP_ch</i>	0,837*** (0,166)	1,178*** (0,086)	-
<i>IMPch</i>	0,378** (0,118)	-	-
<i>RTch_imp</i>	-	0,553*** (0,138)	-
<i>EXP_rus</i>	-	-	1,354*** (0,143)
<i>RTrus_exp</i>	-	-	-1,586*** (0,181)
R	0,980	0,982	0,960
R ²	0,960	0,964	0,922
Fisher Criterion	F(3,7)=56,935	F(3,7)=63,177	F(2,8)=47,496

* – statistical error rate (p-level) $\leq 10\%$; ** – statistical error rate (p-level) $\leq 5\%$; *** – statistical error rate (p-level) $\leq 1\%$. *Source: calculated by the authors.*

The impact of trade with Russia on Ukraine's GDP turned out to be statistically insignificant, but the dependence of GDP per capita on exports to Russia turned out to be significant, which is confirmed by the high value of the correlation coefficient. With an increase in the volume of exports of Ukrainian goods to Russia by 1%, Ukraine's GDP per capita increased by 1.354%, which explains the significant export dependence of the Ukrainian economy on the Russian market. According to the results of our research, an inverse relationship between the dependent variable and the share of Russia in the total volume of Ukrainian exports was revealed: an increase in the independent variable by 1% leads to a decrease in GDP per capita by 1.586%.

So, the results of the research confirmed the significant dependence of the economic growth of both Taiwan and Ukraine on trade with China. However, for the economy of Taiwan, the increase in the volume of exports and imports to China had unambiguously positive effects, and for Ukraine, positive effects for economic growth were observed only as a result of the increase in the volume of exports of goods to China, while the negative impact of the increase in the share of China in the export of goods from Ukraine on indicators of economic growth. This suggests that the main reason for such differences in the dependence of the economic growth of Taiwan and Ukraine on trade with China is the structure of exports. We will test this hypothesis in the next subsection.

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VI. The influence of the commodity structure of foreign trade of Taiwan and Ukraine on their economic development

To determine the influence of the structure of foreign trade on the economic growth of the studied countries, we will conduct a regression analysis. As independent variables, we will use statistical data on the volume of export and import of basic goods for the period from 2010 to 2020 and data on the volume of GDP and GDP per person for the same period as dependent variables (Table 6). The vector of independent variables for the regression analysis of the impact of the foreign trade structure on Taiwan's economic growth includes data on export and import volumes by the largest product groups: office and telecommunications equipment, integrated circuits and electronic components, and transport equipment.

Table 6. Export and import of major goods of Taiwan in 2010-2020

Period	Export			Import		
	Office and telecommu- nication equipment, mln USD	Integrated circuits and electronic components, mln USD	Transport equipment, mln USD	Office and telecommu- nication equipment, mln USD	Integrated circuits and electronic components, mln USD	Transport equipment, mln USD
	<i>EXPTel_eq</i>	<i>EXPint_cir</i>	<i>EXPtransp</i>	<i>IMPtel_eq</i>	<i>IMPint_cir</i>	<i>IMPtransp</i>
2010	86893	60799	10532	46531	36413	6917
2011	96441	65622	11747	48905	37229	8227
2012	92201	66161	12654	46388	34503	8769
2013	96405	70954	12071	46759	34319	8833
2014	106587	81705	13350	50305	37242	10625
2015	101054	77854	13366	46910	34540	11166
2016	111783	86118	12482	52099	39385	12333
2017	134703	105203	12690	62594	47757	12717
2018	138237	108821	13115	69526	54902	12897
2019	148757	112816	13127	73718	57580	12976
2020	178234	137278	12755	86423	67411	12692

Source: Compiled by the authors based on the data from oec.world.³⁷

According to the results of the regression analysis, a significant positive impact of the export of integrated circuits and electronic components on Taiwan's GDP was found: an increase in the independent variable by 1% contributes to an increase in the dependent variable by 0.4% (Table 7). The export of transport equipment has a somewhat smaller positive impact on GDP: with an increase in the independent variable by 1%, there is an increase

³⁷ OEC, "Chinese Taipei. Yearly Trade. Export"; OEC, "Chinese Taipei. Yearly Trade. Import."

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in the dependent variable by 0.295%. At the same time, no statistically significant relationship was found between the change in the volume of Taiwan's GDP and the volume of export and import of office and telecommunication equipment import of integrated circuits.

The study also revealed a strong positive relationship between Taiwan's GDP per capita and exports of transport equipment and imports of telecommunications equipment. Exports of transport equipment had the greatest impact on GDP per capita: when the independent variable increased by 1%, the dependent variable increased by 0.616%. With an increase in the volume of imports of telecommunications equipment by 1%, the volume of GDP per inhabitant increased by 0.395%.

Table 7. The impact of the commodity structure of foreign trade on the economic growth of Taiwan in 2010-2020

Factor features	Dependent variable		
	<i>GDP_tw</i>	<i>GDP_pc_tw</i>	<i>GDP_pc_tw</i>
Number of observations	11	11	11
Intercept	-1,042* (0,628)	-0,084* (1,031)	5,593*** (0,772)
<i>EXPint_cir</i>	0,400*** (0,020)	-	-
<i>EXPtransp</i>	0,295*** (0,077)	0,616*** (0,118)	-
<i>IMPtel_eq</i>	-	0,395*** (0,037)	-
<i>IMPint_cir</i>	-	-	0,418*** (0,072)
R	0,994	0,981	0,887
R ²	0,989	0,963	0,787
Fisher Criterion	F(2,8)=361,58	F(2,8)=106,89	F(1,9)=33,317

* – statistical error rate (p-level) $\leq 10\%$; ** – statistical error rate (p-level) $\leq 5\%$; *** – statistical error rate (p-level) $\leq 1\%$. Source: calculated by the authors.

The direct dependence of GDP per capita on the import of integrated circuits to Taiwan is somewhat weaker, as evidenced by the relatively lower value of the correlation coefficient. An increase in imports of integrated circuits and electronic components by 1% contributed to an increase in the dependent variable by 0.418%.

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Therefore, the results of the conducted research confirmed the effective structure of Taiwan's foreign trade, in which high-tech goods prevail, which has a positive effect on the country's economic growth.

We tested the hypothesis about the influence of the structure of foreign trade on the economic growth of Ukraine using a similar method, using data on exports and imports by main commodity groups in 2010-2020 as independent variables (Table 8). The dependent variable in our study is the following indicators: index of the physical volume of GDP (% to the previous year), GDP, and GDP per capita.

Table 8. Export and import of the main goods of Ukraine in 2010-2020

Period	Export			Imports		
	Agricultural products, mln USD	Chemical products, mln USD	Products of ferrous metallurgy, mln USD	Agricultural products, mln USD	Products of ferrous metallurgy, mln USD	Transport equipment, mln USD
	<i>EXP_agr</i>	<i>EXP_chem</i>	<i>EXP_metal</i>	<i>IMP_agr</i>	<i>IMP_metal</i>	<i>IMP_transp</i>
2010	10475	3423	15874	6245	2093	3652
2011	13487	5413	20370	6930	2942	6140
2012	18456	5036	17311	8036	2477	7981
2013	17763	4081	16136	8674	2394	5763
2014	17505	2824	13806	6445	1434	2605
2015	15296	1888	8398	3805	791	1686
2016	15983	1373	7631	4262	953	2683
2017	18460	1493	9139	4742	1282	3857
2018	19478	1729	10596	5512	1583	4340
2019	22891	1820	9418	6167	1453	6005
2020	22931	1934	8224	6892	1191	5594

Source: Compiled by the authors based on the data from oec.world.³⁸

According to our calculations, the relationship between the economic growth of Ukraine and the main export and import goods during 2010-2020 was revealed. The most significant positive impact on the indicators of the economic growth of Ukraine was carried out by the import of agricultural products (Table 9). With an increase in the volume of imports of agro-industrial complex products by 1%, there was an increase in

³⁸ OEC, "Ukraine. Yearly Trade. Export"; OEC, "Ukraine. Yearly Trade. Import."

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GDP by 0.751%, and increasing the import of vehicles by 1% led to an increase in GDP by 0.138%.

As a result of the regression analysis, a strong relationship between GDP per capita and volumes of export and import of agricultural products was also revealed. Imports of agricultural products had the greatest impact on the change in GDP per capita: an increase in the independent variable by 1% leads to an increase in the dependent variable by 0.796%. The export of agro-industrial products had a slightly smaller impact on the change in GDP per person: an increase in the independent variable by 1% ensured an increase in the dependent variable by 0.211%.

Table 9. The influence of the commodity structure of foreign trade on the economic growth of Ukraine in 2010-2020

Factor features	Dependent variable		
	<i>Index_GDP_ukr</i>	<i>GDP_ukr</i>	<i>GDP_pc_ukr</i>
Number of observations	11	11	11
Intercept	4,138*** (0,148)	-2,763*** (0,490)	-0,941* (0,910)
<i>EXP_agr</i>	-	-	0,211** (0,078)
<i>EXP_chem</i>	-0,137*** (0,034)	-	-
<i>IMP_agr</i>	-	0,751*** (0,085)	0,796*** (0,069)
<i>IMP_metal</i>	0,209*** (0,040)	-	-
<i>IMP_transp</i>	-	0,138** (0,047)	-
R	0,879	0,988	0,974
R ²	0,773	0,977	0,949
Fisher Criterion	F(2,8)=13,698	F(2,8)=177,69	F(2,8)=74,484

* – statistical error rate (p-level) $\leq 10\%$; ** – statistical error rate (p-level) $\leq 5\%$; *** – statistical error rate (p-level) $\leq 1\%$. Source: calculated by the authors.

As can be seen from Table 9, a relatively weaker dependence of the annual GDP growth index on changes in the volume of export of chemical industry products and the volume of import of metallurgical industry products was revealed. The dependence of the GDP index on the change in the volume of exports of chemical industry products is inverse: an increase in the

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independent variable by 1% leads to a decrease in the dependent variable by 0.137%. A direct dependence of the GDP index on changes in the volume of imports of metallurgical industry products was also revealed: an increase in the independent variable by 1% leads to an increase in the dependent variable by 0.209%.

Based on the results of our research, we can state that the structure of Ukraine's foreign trade is characterized by low efficiency in terms of impact on economic growth. The export of chemical industry products has a negative impact on economic growth due to the low level of added value and the high raw material component. The direct relationship between economic growth indicators and the volume of product imports by major commodity groups confirms the import dependence of Ukraine's economy.

VII. Conclusions

Foreign trade with China has a positive effect on the economic development of Taiwan and provides a significant share of its economic growth, which is confirmed by the results of the regression analysis (see Table 2). The greatest influence on the change in Taiwan's GDP during 2010-2020 was exerted by the change in the volume of exports to China. Also revealed is the direct dependence of Taiwan's GDP on imports from China and China's share in Taiwan's foreign trade turnover (see Table 3).

The results of the conducted research allow us to assert that trade with China is a positive factor in Taiwan's economic growth. Accordingly, we can expect that, despite the complicated political relations between the countries, China will be Taiwan's leading trade partner in the long term, provided that the economic and political risks accompany the cooperation of countries. Therefore, based on the experience of Ukrainian-Russian relations, let's agree with Bukhari S. that Taiwan should "avoid economic concentration with China and find alternatives for its economic exchanges in order to avoid any threat from China in the future, as such great interdependence can lead to an integrated unified economy, which will ultimately harm Taiwan's strategic interests."³⁹

However, the main foreign trade partner of Taiwan in our research decade is China, and for Ukraine, China has also become the main partner instead of Russia (see Table 4 and Table 5). We also realize that China has already become the main trade partner for almost all industrialized countries in the world. This would make the situation of Taiwan / China much more different from Ukraine / Russia because, in this situation, it will be very difficult for Taiwan to look for economic independence from China for national security. The only solution and an important task for Taiwan is "geographical diversification" of foreign trade, increasing the volume of trade with other countries and finding

³⁹ Bukhari, "The Dynamics of China-Taiwan Politico-Economic Interdependence: Divergence to Rapprochement", 25-37.

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new markets for goods, which will allow to weaken economic dependence on China to some extent and avoid China's intervention and influence on Taiwan's economic development to cause economic security problems for Taiwan.

Fortunately, our research results confirm that the situation in Taiwan is better than in Ukraine. First, the research results confirmed that the effective structure of Taiwan's foreign trade, dominated by high-tech goods (see Figure 3), has a positive effect on the country's economic growth (see Table 6 and Table 7). The semiconductor industry is seen as Taiwan's "silicon shield" due to the dependence of many global electronics manufacturers on Taiwanese semiconductor devices, which protects Taiwan from Chinese aggression. This is the key to Taiwan's economic security. In other words, the semiconductor industry can reduce the risk of Taiwan's economic dependence on China because, in the case of military force by China against Taiwan, it will destroy the production and logistics chains in which Taiwan is involved, leading to a chip shortage. Technological chains in the fields of radio-electronic, artificial intelligence, computer, information, and communication technologies will be destroyed, which will have negative consequences not only for these two countries but also for the global economy in general. Such negative expectations are due to the fact that more than 50% of Taiwan's exports are electronic components, information, and audiovisual products, more than 85% of exports go to Asia-Pacific Economic

Cooperation (APEC) countries and 75% of imports go to Taiwan from the specified region.

Developed countries will apply stronger sanctions against China in the event of its military aggression against Taiwan, and the consequences of the war will be more devastating for the global economy than the consequences of the Ukrainian-Russian war. From the economic point of view, due to military actions and disruption of trade relations, China will have much greater losses than Russia due to the cessation of trade with Ukraine and the introduction of economic sanctions. Thus, if the Chinese government's economic ambitions exceed its political ambitions, then a Chinese military invasion of Taiwan is unlikely.

However, we note that despite the important place of Taiwanese semiconductors in the global chains of added value, the threat of China taking over Taiwan is likely different from Ukraine's experience. The impact of trade with Russia on Ukraine's GDP for the period 2010-2020 turned out to be statistically insignificant, but the dependence of GDP per capita on exports to Russia was significant (see Table 5). In the case of Ukrainian-Russian relations, trade dependence did not become a factor of Ukraine's national security since Russia failed to return Ukraine to the integration union of post-Soviet states by political methods. Therefore, the deepening of integration in the production of goods can be used by a larger economic partner as a tool of economic dependence with the subsequent loss of political

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sovereignty of the partner country with a smaller economy. Compared with Taiwan, Ukraine's foreign trade structure is characterized by low efficiency in terms of impact on economic growth. The export of chemical industry products has a negative impact on economic growth due to the low level of added value and the high raw material component. The direct relationship between economic growth indicators and the volume of product imports by main product groups confirms the import dependence of Ukraine's economy.

After the start of hostilities in the east of Ukraine and the annexation of Crimea in 2014, the volume of Ukrainian-Russian trade decreased by almost four times. However, in some sectors, Ukraine was not able to get rid of its dependence on trade with Russia until February 2022. The share of Russian oil in the total volume of oil purchased by Ukraine has decreased significantly - from 50% to 25% in the period from 2009 to 2021. Such dependence led to significant risks for Ukraine's economy in the conditions of martial law, when after February 24, 2022, the supply of oil from Russia abruptly stopped, and Russian missiles destroyed oil depots. Therefore, in Taiwan's case, trade diversification is an important direction to ensure the stability of the economy in the event of the outbreak of war. If there is less trade dependence on a country that is a potential aggressor, then the economy's ability to adapt to martial law conditions will be higher.

In other words, concerning the economic development history, the situation in Taiwan is also better than in Ukraine. Ukraine, as a republic in the USSR in the past, had a regional division role of production for the whole communist regime. So, this national development history still influences dependent economic relations between Ukraine and Russia even after the collapse of communism. When mentioning the economic development of Taiwan, the “import substitution” was an important tool for the industrialization of Taiwan, and the main partners during the economic development were the USA and Japan. As the calculation results showed, Taiwan’s trade with the US also positively impacted economic growth in 2010-2020 (see Table 3). Thus, this makes it easier for Taiwan to diversify its foreign trade partners, thereby enhancing the country’s economic security.

Considering that semiconductor devices manufactured in Taiwan and supplied to China are more high-tech than Chinese ones, the work of Chinese firms to establish independent production of such level devices will continue to be active. This will be accompanied by industrial espionage. Therefore, from the point of view of economic security, we consider Taiwan’s investment in creating subsidiaries to produce semiconductor devices in the USA and other countries to be promising because it can diversify and reduce economic security risks. However, while Taiwan is actively reducing its dependence on China’s economy and strengthening political, economic, trade, and military

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cooperation with the United States, the competition and conflict between China and the United States is becoming more and more intense, especially the US-China trade war and US restrictions on chip exports to China. China's threat to Taiwan is rising. Accordingly, the capture by the Chinese military of Taiwanese companies that manufacture semiconductor devices can lead to the destruction of production facilities or the use by China of acquired intellectual property objects for its own purposes (strengthening the position of Chinese goods on the world market, realizing geopolitical interests by blackmailing transnational corporations-consumer semiconductor devices, etc.).

In short, despite significant similarities in the geographical and historical factors of the development of Ukrainian-Russian and Taiwan-Chinese relations, as well as the similarity of current political-economic relations and a similar disparity in military power, there are several differences that indicate a low probability of applying China's military scenario regarding Taiwan. These differences are due to the difference in the economic development, the different structure of the economy, and the degree of inclusion in the global chains of creation of added value, which is all reflected in the foreign trade of Ukraine and Taiwan with leading partner countries, as the above analysis. Taiwan is facing the same economic security issues that Ukraine faced in the past, but Taiwan's economic status has an advantage over Ukraine in facing economic security threats.

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**Tun Abdul Razak in His Efforts to Establish Diplomatic Relations
with The People's Republic of China**

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**Tun Abdul Razak in His Efforts to
Establish Diplomatic Relations
with The People's Republic of China***

Maulana Al Hakiim, Azlizan Mat Enh, and Suffian Mansor**

Abstract

This article discusses Malaysia's foreign policy towards the People's Republic of China (PRC) during the rule of Tun Abdul Razak, which is from 1970 to 1976. The issue discussed in this article is the foreign policy introduced by Tun Abdul Razak which is seen as different from the foreign policy of Tunku Abdul Rahman who held the reins of government before. Tunku Abdul Rahman is a leader who does not maintain relations with the People's Republic of China and is highly pro-West. During the rule of Tun Abdul Razak, he acted to establish diplomatic relations with the communist People's Republic of China (PRC), even though at that time Malaysia was still facing the communist

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threat which was the country's main threat. The main focus of this article is to analyze the steps taken by Tun Abdul Razak in strengthening the relations between Malaysia and China. Relations between the People's Republic of China (PRC) and Malaysia began to be established during the era of Tun Abdul Razak's rule. In conjunction with the historic event, the Malaysian side has held meetings and visited the communist country several times informally through economic visits and sports events. This development ended when Tun Abdul Razak made an official visit to China in May 1974 at the invitation of the PRC government. At the end of his visit, a Joint Communiqué was issued stating that Malaysia and the PRC had agreed to establish relations between the two countries. The event is a very important historical milestone in the relations between the two countries because on the one hand it symbolizes the end of a phase in Malaysia's foreign policy which is colored by anti-communist, anti-China and highly pro-Western attitudes.

Keywords: Malaysia's foreign policy, People's Republic of China (PRC), Tun Abdul Razak, steps, Joint Communiqué.

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I. Introduction

The relations between Malaysia and the People's Republic of China (PRC) during Tun Abdul Razak's administration can be seen through the establishment of diplomatic, educational, sports and trade relations. The relations between Malaysia and China have actually been established for a long time through the economic era which is based on the trade and socio-cultural sectors but not through formal diplomatic relations. However, during the reign of Tun Abdul Razak, he opened the way for formal relations with China in September 1970. Tun Abdul Razak adopted the Non-Alignment Policy approach, which was anchored on the principle of coexistence. Malaysia's policy is also seen to be more open when establishing relations with various countries regardless of their ideology. According to Tun Abdul Razak, Malaysia will continue to follow the policy of neutrality and the policy of friendship with all countries in addition to making its own independent measurements in all matters. Malaysia's foreign policy at this point is trying to find new friends especially with Third World Countries to increase Malaysia's interest in Non-Aligned Countries. Tun Abdul Razak believes that a stable and peaceful situation in addition to establishing relations with all countries regardless of ideology can improve the country's socioeconomic well-being.¹

¹ Ananda Kumaraseri. "Razak's Big, Wide World," *News Strait Times*, May 16, (2014): 12.

According to Tun Abdul Razak in his speech, Malaysia needs to get along with China because China is beginning to emerge as a major power in Southeast Asia.² The act of ostracizing China is an unhealthy act because as a great power, China has always shown its influence in the Southeast Asian region. Tun Abdul Razak assured that efforts to establish good relations with communist countries will not affect the government's policy to oppose communist movements in the country. He also thinks that as a developing country, Malaysia should not involve itself in the international political scene that is monopolized by the big powers, but rather focus more on national security and development.

In making the foreign policy to establish diplomatic relations with China a success, various steps have been taken by Tun Abdul Razak starting from informal steps to holding formal meetings. Steps such as recognizing China, establishing trade relations, Ping Pong Diplomacy, meeting representatives of the United Nations (UN), and negotiations with ASEAN countries until the release of a Joint Communiqué.

II. Methodology

The research methodology in this writing employs a qualitative approach or literature review. This bibliographic study

² "Koleksi Ucapan-ucapan Tun Haji Abdul Razak bin Hussein 1971 [Collection of Speeches by Tun Haji Abdul Razak bin Hussein 1971]," National Archives of Malaysia, (1972): 276.

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includes the research and interpretation of sources obtained from the National Archives of Malaysia Kuala Lumpur (ANM), the Tun Seri Lanang Library of the National University of Malaysia (PTSL), the Malay World and Civilization Library, the Center for History, Politics and Strategic Studies of the National University of Malaysia (UKM) and the Law Library of UKM. As a scientific study that uses historical writing methods, primary sources are definitely the main source in this study.

Among the archival materials used are original documents, Domestic and Foreign Government files such as Federation of Malaya File, Colonial Office (CO435), Malay Federation Report (DS596.5), Government White Paper (P-PEN-3), Malay Year Book, Post Surrender Task 1970-1976, Report on the First Election of Members to the Legislative Council of the Federation of Malaya 1955 (CO 273/657/50601), Public Records Office (IOR F/4/1069), The ASEAN Declaration, the texts of leaders' speeches, Hansard of *Dewan Rakyat*, State Legislatives and Parliament debates. In addition, there are also secondary sources that are used such as newspapers issued during the era of Tun Abdul Razak's rule such as The Straits Times, *Utusan Melayu*, and *Utusan Malaysia*. Newspapers also act as an effective channel in delivering information related to government policies.

III. Informal Relations Between Malaysia And The People's Republic Of China (PRC)

From the 1970s, Malaysia showed a clear interest in establishing relations with the People's Republic of China (PRC). This is so because, Tun Abdul Razak found that the issue of national security is closely related to the PRC as a power that always casts its shadow on the Southeast Asian region. Having enjoyed Great Britain's direct commitment under the Anglo-Malayan Defense Agreement (AMDA) from 1957 to 1971, Malaysia knowingly or unknowingly needed a water-tight guarantee to replace it because Britain was no longer willing to guarantee Malaysia's security.³ Malaysia must believe and stand on its own feet because in the end national defense is Malaysia's duty and responsibility. In view of the world turmoil that occurred especially in Vietnam where the United States failed to defend South Vietnam and Cambodia from North Vietnam's power, a military agreement with the great powers is no longer attractive to Malaysia because it has been proven that the great powers themselves are not capable of guaranteeing the security of a country.⁴ The proposed idea of non-alignment as a long-term security measure requires blessings from the PRC. Therefore, the PRC began to be mentioned by the top leaders of Malaysia with a

³ Parliamentary Hansard. *Third Dewan Rakyat. First Session*, Vol. 1. No. 1-10. Kuala Lumpur: National Printing of Malaysia, (1971): 223.

⁴ Ismail Abdul Rahman. "A New Era of Regional, Cooperation," Information Department, (1970): 142.

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tone of amicability and not antagonism. Therefore, Malaysia took the first step by recognizing the PRC as a single government in Mainland China.⁵ Malaysia does not recognize Taiwan as a country in Mainland China. However, Malaysia wants Taiwan to be put forward with the principle of self-determination where through this principle, the people of Taiwan are given the opportunity to make their own provisions in choosing the government. This means that Malaysia does not recognize the Two China policy. According to Tun Abdul Razak, Malaysia has made major changes to its policy towards China and expects the PRC to pay attention to the attitude shown by Malaysia.⁶ Tun Abdul Razak started to introduce the Neutrality Policy which was not anti-communist but at the same time not pro-communist. This means that Malaysia will reject all doctrines of communism that are not compatible with life in Malaysia. Nevertheless, diplomatic relations between Malaysia and communist countries will be preserved.⁷

Tun Abdul Razak began to change and was interested in establishing diplomatic relations with China when China supported the idea of Southeast Asian neutrality. Tun Abdul Razak explained Malaysia's new policy towards China as a logical policy. Meanwhile, Tun Dr. Ismail expressed Malaysia's

⁵ Official Statement of Parliament. *Third House of Representatives*. Kuala Lumpur: Malaysia National Printing, (1974): 301.

⁶ "Koleksi Ucapan-ucapan Tun Haji Abdul Razak bin Hussein 1971," 316.

⁷ "Koleksi Ucapan-ucapan Tun Haji Abdul Razak bin Hussein 1971," 320.

position that it would establish relations with China if it guaranteed the neutrality policy in Southeast Asia.⁸ On the other hand, he insisted that Malaysia cannot ask China to guarantee the Southeast Asian neutrality policy when Malaysia does not recognize it. Malaysia was the first ASEAN country to voice its desire to establish diplomatic relations with China. Malaysia in an effort to establish diplomatic relations with China, this country has withdrawn from the Asia and Pacific Council (ASPAC) Organization.⁹ ASPAC is an organization founded to oppose communist influence in Southeast Asia. Because Malaysia does not want to be hostile to China and this move is believed to reduce China's threat to the Southeast Asian region. All the efforts made by Malaysia are to show China that Malaysia is no longer anti-China but wants to have friendly relations.

The implementation of the Neutrality Policy has also successfully expanded diplomatic relations with the outside world such as Africa and Asia, Latin America, the South Pacific and the Middle East. Likewise, the relations with China and Vietnam are communist. Although initially these relations are seen as informal relations, the Malaysian government under the leadership of Tun Abdul Razak managed to attract the attention of Communist China when the country acted as the first country to support the

⁸ Parliamentary Hansard. *Third Dewan Rakyat, First Session*, 225

⁹ Ministry of Communication, Malaysia. *Buku Rasmi Tahunan Malaysia 1971* [Official Year Book of Malaysia 1971], Volume 6. Kuala Lumpur: Government Printing Department, (1972): 519.

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Neutrality Policy by Southeast Asia. Therefore, step by step has been taken by Tun Abdul Razak in his efforts to establish diplomatic relations with the PRC.

IV. The Beijing Regime Won a Seat in The United Nations (UN)

The initial step taken in establishing this relation is to recognize the People's Republic of China (PRC) as a major power in the region that has a major role to play in the international political arena. Malaysia does not hesitate to mention the importance of the PRC getting a place in the United Nations (UN). Malaysia wants the PRC to be given the same status as the United States and Soviet Russia as superpowers.¹⁰ Malaysia's decision is based on Malaysia's interests and security.¹¹ According to a newspaper report, Malaysia's decision to support the PRC's membership in the UN implies the realization that without China's participation, the plan of Southeast Asian neutrality will not succeed. Malaysia's eagerness to establish relations with the PRC was so evident that Tun Abdul Razak said: "If I receive a formal invitation from the PRC for the purpose of visiting, of

¹⁰ Ministry of Foreign Affairs Malaysia. *Malaysia Foreign Policy, Foreign Affairs Malaysia*, Vol 4. No.3. Kuala Lumpur: Ministry of Foreign Affairs, (1970): 42.

¹¹ Azlizan Mat Enh. "Malaysia's Foreign Policy towards Bosnia-Herzegovina 1992-1995," *JSSH Pertanika: Journal of Social Sciences and Humanities* 18, no. 2, (2010): 311-320.

course I will consider it.”¹² In relation to the PRC question, Tun Abdul Razak explained in *Dewan Rakyat*:

*“On the bilateral level, our relations with China at present will be at the informal level dealing with trade matters. The question of establishing diplomatic relations will have to be considered as a separate matter at a later date. It is our policy to have diplomatic relations with all countries on the basis of peaceful co existence , respect for our sovereignty and with pon territorial integrity and scrupulous non-interference in our internal affairs or principles which, I need hardly add guider our own action. This is the basis for eventual diplomatic relations which we trust propaganda Pro Ceill in due course be clearly manifested. Let me remind the House that in formula Revolution and exciting our foreign policy we cannot take a theoretical view of things. We can only proceed by accepting the world pens as it is not as we would like it to be by so managing our affairs as to ensure the integrity and sovereignty of our country.”*¹³

¹² Parliamentary Hansard. *Third Dewan Rakyat, First Session*, 321.

¹³ Parliamentary Hansard. *Third Dewan Rakyat, First Session*, 423.

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Tan Sri Ghazali also thinks that China has its own role which is no less important at the international level.¹⁴ Therefore, the recognition of China is a step that should be taken. As such, Malaysia has started to recognize China and then took action to end its relations with Taiwan. Malaysia has also supported China's entry into the UN when explaining the meaning of Southeast Asian neutrality in 1971, Tun Abdul Razak said that his government would seek support from China, the Soviet Union and the United States and also stated that not including the PRC into the UN was an unhealthy and unrealistic act. This was clearly seen it was again debated, Malaysian representatives no longer insisted that when Taiwan's seat be defended and Malaysia also thought that the problem of the two Chinas is a problem between two Chinese regimes and needed to be solved by them themselves.¹⁵ Tun Abdul Razak stated that Malaysia will vote for China according to Malaysia's stance on China's admission as a member of the United Nations. In 1971, Malaysia was among 76 countries that voted for Albania's motion to restore China's rights in the UN. After the Albanian motion was carried out, the result was 76 votes in favor, 35 against and 17 abstentions. Malaysia's permanent representative to the UN, Mr. Zakaria Ali stated that

¹⁴ Ministry of Foreign Affairs, Malaysia. *Malaysia Foreign Policy, Foreign Affairs Malaysia*, Vol. 1, No.3. Kuala Lumpur: Ministry of Foreign Affairs Malaysia, (1966): 12.

¹⁵ Ramlan Hamzah. "Communist Party of Malaya: Establishment, Role and Implications," *JEBAT* 3, (1975): 57-70.

Malaysia only recognized one China and there was only one seat for China at the UN after the motion was carried out.

This initial step shows a positive effect when China shows a reaction in its propaganda and this is because of the positive attitude shown by Malaysia. China also began to reduce its propaganda attacks even when the propaganda really attacked Malaysia, the tone was not too harsh. A more interesting development is seen when the news office also refers to the Malaysian government as a “local reactionary ruler” and no longer uses insulting words such as “puppets” or “minions”. Because of that, the use of better labels is closely related to China’s calculation to find the possibility of restoring good relations with Malaysia.¹⁶ The informal recognition shows that China considers Malaysia as an independent and sovereign country. Before that, in February 1971, the PRC had given more than US \$300,00 worth of food and other equipment to Malaysian flood victims.¹⁷ In short, by the end of 1971, the road to normalization of relations between Kuala Lumpur and Beijing was wide open.

¹⁶ Roger Irvine. “The formative years of ASEAN 1967-1975,” in *Understanding ASEAN*, ed. Alison Broinovsky, London: The Macmillan Press Ltd, (1982): 74.

¹⁷ Malaysian Treasury. “Malaysia. Anggaran Belanjawan 1970-1976 [Malaysia Budget 1970-1976],” Kuala Lumpur National Archives, (1976): 611.

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**V. Trade Relations Between Malaysia And The People's
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The next step taken by Tun Abdul Razak is through trade between Malaysia and China, it started through rubber export activities which in this way the process of economic cooperation between Malaysia and China can be further expanded. In addition to rubber, Malaysia also exports tin, desiccated coconut and sawn timber to China in its efforts to further expand the market for these goods. In addition, Malaysia also imports a lot of foodstuffs, consumer goods, silk fabrics, machinery tools and medicinal herbs from China. In May 1971, a trade delegation from Malaysia visited the PRC. Chairman of Perbadanan Nasional Berhad (PERNAS), Tengku Razaleigh Hamzah has led a Malaysian trade delegation to participate in the Trade Expo in Guangzhou. The Premier of China at that time, Chou Enlai and Vice Premier, Li Xiannian held a meeting with members of the Malaysian delegation and Abdullah Majid was also present. In the meeting, Chou Enlai conveyed a message to Tun Abdul Razak that China strongly supports Malaysia's adhering to the principle of independence and the principle of peaceful coexistence. Chou Enlai also emphasized that China adheres to the principle of not interfering in Malaysia's domestic affairs for the benefit of rebels, immigrants and other groups.¹⁸

¹⁸ Malaysian Treasury. "Malaysia. Anggaran Belanjawan 1970-1976," 640

Tun Abdul Razak considered the message as a gesture of friendship from China. Furthermore, when the surprise announcement in July 1971 that President Nixon would pay a visit to China in early 1972 was released, the event further encouraged China and Malaysia to consider more the possibility of better relations. Since then, various cultural, trade and sports missions have been sent from China to Malaysia and vice versa.¹⁹ The PRC sent the first delegation to Malaysia on 27 August 1971 with a total of 13 people who aimed to conduct the Malaysia-Perking trade. This indicates that China has changed its old position and recognized Malaysia's position as a sovereign nation. In the UN assembly in October 1971, Malaysia supported the restoration of the PRC's seat in the UN.²⁰ Through this visit, Tun Abdul Razak had two main motives to place PERNAS in trade relations with China, namely as Malaysia's direct agent in trade matters with China to replace the function of a middleman in Singapore. While the second motive is as an intermediary agent of this country which is responsible for exploring new markets in marketing Malaysian goods in China.

In addition, PERNAS is also responsible for controlling and monitoring matters related to goods traded between the two countries on behalf of Malaysia. As a result, Malaysia's trade

¹⁹ Irvine, "The formative years of ASEAN," 75

²⁰ "Laporan Ekonomi, Jabatan Perangkaan 1970-1975 [Economic Report by the Department of Statistics 1970-1975]," Finance Ministry Malaysia, (1975): 438

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volume with China is increasing. This can be proven when immediately 5,000 tons of palm oil and 50,000 cubic meters of logs were exported from Malaysia to China.²¹ PERNAS, which is the sole representative of Malaysia's trade with China, has ordered goods worth \$9,535,663 from China.²² Prime Minister Tun Abdul Razak described the visit of Communist China's informal trade delegation as the beginning of direct trade between Malaysia and China where the benefits benefit both countries. Many more exchanges of trade delegations were held thereafter by both sides.

²¹ "Laporan Ekonomi, Jabatan Perangkaan 1970-1975," 440

²² "Laporan Ekonomi, Jabatan Perangkaan 1970-1975," 447

Table 1: Increase in Trade between Malaysia and China 1971-1975

Year	Exports	Imports	Trade balance
1970	66.7%	228.5%	-161.8%
1971	55.7%	201.7%	-146.0%
1972	76.5%	194.6%	-181.1%
1973	199.5%	365.4%	-165.9%
1974	201.6%	492.9%	-282.3%
1975	127.8%	356.1%	-228.3%

Source: Economic Report, Department of Statistics, 1970-1975. National Archives of Malaysia

Table 1 shows the trade value for China and Malaysia. It can be seen that starting in 1970, the value of exports from Malaysia as much as 66.7% has increased dramatically to 127.8% in 1975. This increase is a large amount which is more than 1 billion Malaysian Ringgit. This achievement is the highest trade value ever achieved by Malaysia since independence. The value of imports is also seen to have increased from 22.8% in 1970 to 356.15 in 1975. In addition, this increase also applies to the trade balance when the trade balance in 1970 of -161.8% increased to

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-228.3% in 1975. However, it was also seen that there was a sharp decrease in certain years such as the decrease in imports in 1972 which was a decrease of 7.1% from the previous year. Likewise in 1975 which experienced a decrease in exports by 73.8% and a decrease in imports by 136.8% from the previous year. Nevertheless, in the 5 years of trade between China and Malaysia, the number of imports and export is still seen to increase.²³ This situation proves that the step to make China a market for merchandise is the right step taken by Tun Abdul Razak.

According to Cheng Ruisheng, who is the former Deputy Director General of the Asia Department in the Chinese Foreign Ministry in his interview, during the visit of the Chinese delegation, the two sides signed many bilateral trade agreements. This greatly encourages the process of establishing China-Malaysia diplomatic relations. The increase in trade between Malaysia and China is becoming more and more significant. This increase is also due to the diversion of China's trade direction which no longer uses Singapore as a middleman in the context of rubber production transactions from Malaysia. As such, it can be seen here that the change in the form and policy of foreign policy as well as the interweaving of diplomatic relations between Malaysia and China which was successfully utilized because of Tun Abdul Razak's visit to China during 1974 was the first step in the initiation of an interweaving of diplomatic and

²³ "Laporan Ekonomi. Jabatan Perangkaan 1970-1975," 526

trade cooperation between both countries. When seen through the context of economic cooperation, the trade sector is seen to benefit a lot from the relations at the initial stage, followed by the investment sector, especially on the Malaysian side.

VI. Ping Pong Diplomacy and Malaysia's Official Relations with The People's Republic of China (PRC)

The Afro-Asian Table Tennis Open Tournament would be held in Beijing in November of that same year, a Tables Tennis Organization of Malaysia stated in early 1971. The test would be held to decide who players would compete in that tournament. Since China later struggled to engage with other countries due to its communist ideology, this meeting served as its way of opening up to the globe. It offered Soong, a 21-year-old student studying a Bachelor of Science at the *University of Malaya*, the chance to take a trip to the Mainland.²⁴

“We are excited to compete in China and visit the country for the first time. We didn’t really understand the main purpose of the tournament at that time because we thought too much about the importance of the tournament, said the 64-year-old Soong on 18 October 2014. But we soon realized that it was China’s way of opening its doors to the world, making connections with

²⁴ Haresh Deol. “Interview with former national ping pong player 1917 Soong Poh Wah.” (2014) <https://www.malaymail.com/>.

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*many parties. Countries inside and outside the region, including Malaysia.*²⁵

Soong stated, “ping-pong diplomacy”, as the occasion is understood, is playing the part in modernizing Beijing. Soong performed in Beijing once more in another competition the subsequent year and went to the nation at different times since then. The three-time National Champion (1969-1971) acknowledged that he and his partners did not realize the significance of the 1971 meeting as long as Malaysia and China finally created diplomatic relations with the first ASEAN country with do so on May 31, 1974. The national table tennis team at the time thought this was all about athletic endeavors. However, soon realized it had been not just a different competition. Soong, who represented Malaysia from 1966 to 1975, claimed that the competition helped pave the way for better things for both China and Malaysia.²⁶ The establishment of close relations between the public and corporate sectors with China has undoubtedly helped Malaysia.

Due to its crucial role in forging diplomatic ties not just between China and the United States but also between China and Malaysia, the practice known as “ping-pong diplomacy” is highly well-known. This ping-pong diplomacy plays an important role in building diplomatic relations because this is the starting point for

²⁵ Deol. “Interview with former national ping pong player 1971.”

²⁶ Haresh Deol. “Ping-pong diplomacy goes a long way,” *The Malay Mail*. Saturday, May 31, (2014): 2

direct contact between Tun Abdul Razak's true intention to establish relations with the PRC. Tan Sri Michael Chen Wing Sum, the Chairman of the Malaysian Table Tennis Association and a close friend to Tun Abdul Razak, led the Malaysian table tennis team to compete in the Asian-African-Latin American Table Tennis Invitational Tournament held in Beijing in 1971, according to Mr. Cheng Ruisheng, the Deputy Director General of the Asian Department in the Chinese Ministry of Foreign Affairs.²⁷ In the meantime, Tan Sri Michael Chen was assigned to deliver Tun Abdul Razak's letter written in the name of the Chairman of the Malaysian Olympic Committee to Premier Chou Enlai who is the President of the PRC.²⁸ Chou Enlai was pleased with the letter's explicit declaration of the Malaysian government's aim to establish diplomatic ties with the PRC. As soon as he received the letter, Chou Enlai immediately directed the then Foreign Minister, Ji Pengfei to hold a meeting with Tan Sri Michael Chen and a Malaysian diplomatic officer, Raja Tun Mohar who is Tun Abdul Razak's Economic Advisor also participated as a member of the ping-pong delegation to discuss more clearly about Tun Abdul Razak's intentions.

To continue this relation, in 1972 Tun Abdul Razak ordered the Malaysian ping-pong delegation to visit China again as a sign

²⁷ "Interview with the Former Deputy Director General of the Asia Department in the Ministry of Foreign Affairs of China Mr. Cheng Ruisheng," CRI Online, (2009), <https://malay.cri.cn/>.

²⁸ Ministry of Foreign Affairs, Malaysia. *Malaysia Foreign Policy, Foreign Affairs Malaysia*, Vol.4, No.3, 36

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that Malaysia was interested in friendship with China and that there were no issues between the two countries. The Chinese table tennis delegation traveled to Malaysia in 1973 in response to the visit. The chairman of the delegation was the famous Chinese table tennis player, Zhuang Zedong. Mr. Cheng who at that time held the position of Deputy Director-General of the Asia Department in the Foreign Ministry also joined the delegation as vice-chairman of the table tennis delegation.²⁹ This development demonstrates that ping-pong diplomacy not only strengthens ties between the two peoples but also advances the development of diplomatic ties between China and Malaysia. Negotiations to improve diplomatic ties between China and Malaysia began in June of that year in New York. An agreement was achieved because of the meeting.

This statement was supported by Tan Sri Michael Chen after being interviewed in an interview with the *Bernama* newspaper stating that diplomatic relations between Malaysia and China began with a letter which was sent by Tun Abdul Razak to the Chinese Premier Chou Enlai.³⁰ The letter was sent through Tan Sri Michael Chen to Premier Chou Enlai. Chen said to *Bernama*, “I delivered to Chou Enlai the letter written by Tun Abdul Razak, on his position as president of OCM (Olympic Council of

²⁹ Ministry of Communication, Malaysia. *Buku Rasmi Tahunan Malaysia 1972* [Official Year Book of Malaysia 1972], Vol 5. Kuala Lumpur: Government Printing Department, (1974): 496

³⁰ Santha Oorjitham. “Interview with Tan Sri Micheal Chen,” *Bernama*, (2014): 11.

Malaysia).”³¹ Therefore, this situation clearly shows that participating in this ping-pong tournament is one of the wise steps used by Tun Abdul Razak in achieving his intention of conducting diplomatic relations with China.

As a result of this development, Tun Abdul Razak emphasized that Malaysians need to establish relations with all countries regardless of national ideology. This statement was confirmed in his speech:

*“...I stressed out that our foreign policy’s primary aim is to be friendly with all countries who are friendly with us regardless of ideology and social system.”*³²

Five months after that, when announcing Malaysia’s foreign policy under his administration, he expressed his support for the move to recognize the PRC government fully. This development directly led to the end of the “Two China” policy practiced before. The Two China policy refers to the recognition of Taiwan and the PRC as two different countries. Malaysia also later supported and voted *pro* to the resolution proposed by Albania to allow the PRC to attain a seat at the United Nations (UN) in 1971.³³ Therefore, with the recognition of the PRC, the steps to establish formal

³¹ Oorjitham. “Interview with Tan Sri Micheal Chen,” 12.

³² National Archives of Malaysia. “Koleksi Ucapan-ucapan Tun Haji Abdul Razak bin Hussein 1971,” 142.

³³ Ministry of Communication, Malaysia. *Buku Rasmi Tahunan Malaysia 1971*, 87.

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relations between the Malaysian government and the PRC government began.

VII. Meeting Between Un Permanent Representatives Malaysia-China and Discussions with ASEAN Countries

The next step can be seen when again the two representatives of the country held a meeting in 1972 and at this point the discussion was more formal. Huang Hua is China's Permanent Representative and adviser to Chou Enlai held a meeting with Zakaria bin Haji Mohamed Ali who is the Head Permanent Representative of Malaysia to the UN. The meeting of senior leaders of the two governments twice in a short period of time reflects that China is serious about establishing formal relations with Malaysia. However, Kuala Lumpur set four conditions for Beijing before formal relations were established.³⁴

1. Regarding China's support to the CPM.
2. Cease Chinese electronic media criticism of the government.
3. Pertaining to the whereabouts of Malaysia's 220,000 Chinese residents who are stateless.
4. China needs to provide a clear status of the Chinese community abroad after diplomatic relations are realized.

³⁴ Ministry of Communication, Malaysia. *Buku Rasmi Tahunan Malaysia 1968-1973* [Official Year Book of Malaysia 1968-1973], Kuala Lumpur: Government Printing Department (1976): 721.

The Chinese government was not prepared to tackle other topics at the time since it was more concerned with bilateral diplomatic ties. Further discussion of the formal ties between the two nations was therefore put on hold until the Chinese government could respond to Malaysia's questions regarding the four points. This action of Tun Abdul Razak clearly proves that despite Malaysia being a small nation and needs the Chinese market, it has never compromised on security and national interests with any party. China gave an answer in October 1973 which is a year after the meeting with Zakaria Ali. The Chinese government gave a clear answer on all four demands from Malaysia where Chinese authorities are prepared to accept the conditions that have been presented by Malaysia. This decision by the Chinese government was made after examining the need to expand the market and to find friends in the continent of Southeast Asia.³⁵ The answers to the four conditions are as follows:

1. The first issue regarding the CPM: China insists that the country's government and the Chinese Communist Party (CCP) will not have relations with the CPM.
2. Second, the Chinese media that condemns the leader and the country; China will stop all forms of

³⁵ Ministry of Communication, Malaysia. *Buku Rasmi Tahunan Malaysia 1968-1973*, 655

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propaganda that criticized the Malaysian government or leaders.

3. Thirdly, regarding the migrant Chinese: Beijing gives full autonomy to the Malaysian government to manage the issue either repatriating them to their country of origin or granting citizenship rights.
4. Fourth, the Chinese community without citizenship: China gave full rights to the Malaysian government to manage the Chinese community in Malaysia.³⁶

However, there are three factors that caused China to take a year to give the final word to Malaysia. First, China is still vague in establishing diplomatic relations with Malaysia. Second, maintaining the CCP's relations with the CPM because the CCP did not want the Soviet Union to influence the CPM as happened in Vietnam. Thirdly, the great power's economic problems due to the slowdown and financial deficit that worry about the effects of the Closed-Door Policy worsened when the United States carried out economic sanctions against China. All these factors cause China to find new trading partners such as Malaysia.³⁷ However,

³⁶ Ministry of Communication, Malaysia. *Buku Rasmi Tahunan Malaysia 1968-1973*, 472

³⁷ Ghazali Shafie. "Keselamatan Antarabangsa, perlucutan senjata dan wilayah-wilayah damai [International security, disarmament and regions of peace]," in *Malaysia: Nilai Politik dan Budaya* [Malaysia: Political and Cultural Values], Yahya Ismail, eds. Kuala Lumpur: Dinamik Kreatif, (1978): 154

Malaysia accepted China's decision and the two countries finally formally endorsed establishing diplomatic ties. This situation makes Malaysia the first country among ASEAN members to establish normalized relations with China, the 94th country to recognize China as a sovereign country and the 18th country to conduct diplomatic relations with Beijing. While Tun Abdul Razak was the first leader among Asian member countries to receive a special invitation from Chou Enlai to China. The scenario is the highest honor given by China to Malaysia even though normalized relations have not been realized.³⁸

In addition, Mao Zedong, the founder of the Communist Party of China and the man who oversaw the Chinese communist revolution, gave Malaysia the assurance that the CCP would not have any contact with the CPM in terms of providing financial aid, military support, or moral support during Tun Abdul Razak's trip to China.³⁹ This situation clearly shows that, in addition to Malaysia's success in establishing normalized relations with China, the country also succeeded in establishing party-to-party relations in a short period of time. The arguments explain that Tun Abdul Razak has applied a strategy of adapting to the current situation compared to Tunku who applied a strategy of isolation. The diplomatic relations between Malaysia and China are the

³⁸ Parliamentary Hansard. *Third Dewan Rakyat. Fourteenth Session*. Kuala Lumpur, National Printing of Malaysia, (1974): 271.

³⁹ Ministry of Communication, Malaysia. *Buku Rasmi Tahunan Malaysia 1968-1973*, 479

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greatest success achieved by Tun Abdul Razak in his efforts to establish the concept of Southeast Asian neutrality and build a strong security and defense system in the region. This diplomatic relation has indirectly encouraged China to recognize the concept suggested by Malaysia and ensure the Southeast Asian region is safe from the threats of other world powers.

Besides, up until 1974, the development of diplomatic ties between Malaysia and China was successfully negotiated. The progress achieved allowed Malaysia to make the expectation that the two countries would establish diplomatic relations. Negotiations took place in early 1974 between Tun Abdul Razak and President Suharto of Indonesia to enable Tun Abdul Razak to tell when Malaysia would recognize Peking. Other ASEAN member countries namely Singapore, Thailand and the Philippines have been notified earlier. Indonesia and Singapore are the only ones who want to see Malaysia not immediately establish relations with the PRC.⁴⁰ Indonesia, which has severed relations with China following China's intervention gave support to the Indonesian Communist Party (PKI) to seize power on September 30, 1965.⁴¹ Indonesia has been suspicious of the PRC

⁴⁰ Rohani Hj. Ab Ghani, Mat Zin Mat Kib, and Azlizan Mat Eah.

"Indonesia-Malaysia Confrontation and the Peace Talks for Restoration of Relationship." *Tamkang Journal of International Affairs* 23, no. 3, (2020): 103-142.

⁴¹ Ministry of Foreign Affairs, Indonesia. *Dua Puluh Lima Tahun Departemen Luar Negeri Republik Indonesia* [Twenty-five Years of the Foreign Ministry of the Republic of Indonesia]. Jakarta: Deplu Employee Welfare Foundation, (1994): 76.

since the incident. Singapore, on the other hand, sees the progress made between Kuala Lumpur and Beijing with concern because the development will create pressure from Singapore's Chinese community to follow Malaysia's steps. Prime Minister Lee Kuan Yew and his cabinet did not agree to get closer to China. Singapore does not want to be considered a country that leans towards the PRC that understands communism because most of the Singapore's population is Chinese.⁴² Nevertheless, negotiations with the Philippines and Thailand showed a positive effect when the Philippines and Thailand did not behave like Indonesia and Singapore. The two countries are also preparing to establish relations with China. However, the Philippines wants to act to recognize Moscow and Peking at the same time, which are two hostile communist powers. Thus, the Philippines does not show favoritism to either Moscow or Beijing. Malaysia wants to continue its ambitions because the situation has changed now and Malaysia is very safe to start a relationship with China. This is because, China also started to show interest in Malaysia by reducing its propaganda attacks even when the propaganda really attacks Malaysia, the tone is not too harsh. A more interesting development was seen when the news office also referred to the

⁴² Evelyn Goh. "Meeting the China Challenge: The U.S. in Southeast Asian Regional Security Strategies," East-West Center Washington Policy Studies 16, Jan 1, (2005): 34.

<https://www.eastwestcenter.org/publications/meeting-china-challenge-us-south-east-asian-regional-security-strategies>.

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Malaysian government as a “local reactionary ruler” and no longer used insulting words such as “puppets” or “minions.”⁴³

Besides, China is an important segment of Tun Abdul Razak’s larger dream of a neutral and peaceful Southeast Asia. In addition, Malaysia's move is in line with the emergence of Malaysia's new foreign policy, which is to not take sides and maintain an “equidistance” position between the major powers. Malaysia’s far more important ambition remains the concept of neutrality for Southeast Asia:

“... our relations with China will contribute towards realizing that objective (neutralization) as without China's participation and support, no neutrality system in Southeast Asia can work because China is an important power in Southeast Asia.”⁴⁴

The result of the following developments shows that on May 28, 1974, Tun Abdul Razak received a formal invitation from the PRC government through a letter by Premier Chou Enlai. Through Tun Abdul Razak’s visit to China, formal relations between the Malaysian government and the PRC government began. The six-day visit from May 28 to June 2, 1974 saw the two governments negotiate to establish diplomatic relations between Malaysia and China. At the end of this long discussion, a joint

⁴³ Irvine, “The formative years of ASEAN 1967-1975,” 53.

⁴⁴ “Koleksi Ucapan-ucapan Tun Haji Abdul Razak bin Hussein 1971,” 144

communique was issued between the Malaysian government and the PRC government.

VIII. Joint Statement Of The Government Of Malaysia And The People'S Republic Of China

In the framework of the visit, Tun Abdul Razak, Premier Chou En-Lai, Vice Premier Li Hsien-nien held a wide-ranging exchange of ideas covering various matters related to the relations between the two parties, regionally and internationally. The two premiers concurred that Southeast Asia has undergone significant changes recently that are beneficial to people in all nations and consistent with the interests of the people of China and Malaysia to forge links between the two nations.⁴⁵ The two premiers have chosen to issue a joint statement to proclaim the relations between the two nations in order to achieve this goal. The Joint Communique on 31 May 1974 officially established diplomatic relations between Malaysia and China. The discussion touched on several principles regarding Malaysia-China friendly relations.

The principles discussed are very meaningful to Malaysia's security and peace in the future when the Chinese government stated that it strongly supports the concept of a neutral country introduced by Tun Abdul Razak. Among them, in Tun Abdul Razak's discussion with Chairman Mao Tse-Tung, Premier Chou En-lai and Vice Premier Li Hsien-nien and other Chinese leaders,

⁴⁵ William Shaw. *Tun Abdul Razak: His Life and Times*. Kuala Lumpur: Longman Malaysia Sdn. Bhd, (1976): 85.

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Tun Abdul Razak was given firm confidence that China described the remaining terrorists as exists in the country as a problem within the state of Malaysia itself and it is up to Malaysia to take reasonable action.⁴⁶ The Government of the People's Republic of China will also stop all forms of aid or support to the Communist Party of Malaya (CPM).

This statement is explained through the agreement of the five principles of living that have been agreed upon by both parties, namely:

- i. Mutual respect for territorial integrity and sovereign states.
- ii. Mutual restraint.
- iii. Respecting each other's privacy and internal concerns.
- iv. Equality and mutual benefit.
- v. Coexistence in peace.

In addition, the Chinese government together with Malaysia has firmly stated opposition to invasion, intervention, conquest and subversive activities by foreign powers that is prohibited and acknowledges that a nation's citizens have the unalienable freedom to choose and determine the social order that exists there. They oppose any effort made by a nation or group of nations to forge a sphere of influence or establish a territory under its control

⁴⁶ Parliamentary Hansard. *Fourth House of Representatives*, 2nd term. bil 31-40. Kuala Lumpur: National Printing of Malaysia, (1976): 150.

anywhere in the world. All this is a fact that the communist terrorists had to accept at that time. The social system in Malaysia was chosen freely by the people themselves.⁴⁷ On the other hand, the terrorists tried to impose a system and national ideology of Malaysia in the pattern of the Communist Government. The terrorists are also trying to use violent means to overthrow the legitimate government that was democratically elected by the people, which is recognized by all countries in the world including the Chinese government itself.

Tun Abdul Razak in the Parliamentary debate has insisted that these communist terrorists must face reality and realize that their struggle is futile and fruitless. They have no reason to continue the struggle and commit brutal murders of innocent people. Through Tun Abdul Razak's statements since returning from Peking, Tun has been interested in these matters and urged the communist terrorists to lay down their arms, cease the struggle and return to the community. Next, during Tun Abdul Razak's visit to Peking, he also touched on the Taiwan problem. In this statement, Malaysia stated its stance and reaffirmed its government's acceptance of the Chinese government as the only legitimate ruler of the People's Republic of China. It also recognized the Chinese government's stance that Taiwan is an inalienable part of China's territory. However, this has been Malaysia's position before. Although Malaysia has had consular

⁴⁷ Parliamentary Hansard. *Third Dewan Rakyat. Fourth Session*. Kuala Lumpur: National Printing of Malaysia, (1974): 261.

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relations with Taiwan since 1965, Malaysia clarified that this was not interpreted as Malaysia's recognition of the Government of Taiwan.⁴⁸ So, here in line with Malaysia's new standards that establish friendly relations with China, the Malaysian Consulate Office in Taiwan and the Taiwan Consulate General Office and other Taiwanese Government agencies in Kuala Lumpur have been closed.

Before the establishment of diplomatic relations between Malaysia and China, Malaysia and Taiwan had relations at the consulate general level. At that time, the two countries had a good relationship, especially in the field of business. Taiwan also gives places to Malaysian students in its universities. Most of them are students of Chinese descent. Taiwan also gives them scholarships. Many Malaysian farmers are sent to Taiwan to study agriculture in Taiwan. However, after the official establishment of diplomatic relations, Malaysia's relations with Taiwan were limited to people-to-people relations and on the basis of local conditions.⁴⁹ This means that there is no obstacle for Malaysians individually to visit Taiwan, carry out private business, trade and so on or conduct other normal business affairs. Malaysia Airlines (MAS) will continue its service to Taipei as this is included in the category of people-to-people connections.

⁴⁸ Parliamentary Hansard. *Third Dewan Rakyat. Fourteenth Session*, 186.

⁴⁹ Parliamentary Hansard, *Third Dewan Rakyat. First Session*, 194.

Another important thing for Malaysians because of Tun Abdul Razak's visits to Peking, China is the position of people of Chinese descent in Malaysia. Tun Abdul Razak explained to the Chinese leaders about the multi-racial people living in Malaysia and the efforts of the Malaysian government to create a united Malaysian nation from the multi-racial people. Here, the Chinese leaders have shown sympathy and understanding towards Malaysia's goal of creating a united Malaysian nation and have firmly emphasized their view that the future position of the overseas Chinese is determined by the government and people of the country they inhabited. They must obey the laws, adhere to the customs of their own country, the country they live in, and they must consider themselves part of the local community and not separate from it.

It is clear here that both the Malaysian and Chinese Governments do not recognize dual citizenship. This means that people of Chinese descent who have taken or obtained Malaysian citizenship automatically lose their Chinese citizenship and the PRC government does not have any rights towards them. For other people of Chinese descent who have resided in Malaysia, who are not citizens of Malaysia or a third country and voluntarily wish to hold Chinese citizenship, the Chinese government in accordance with its unchanged policy, will oblige them to comply with the laws of the Government Malaysia, respect the customs and habits of its people and live in harmony with them. Their reasonable rights and interests will be protected by the Chinese

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Government and will be respected by the Malaysian Government. Malaysia has agreed that if they wish to continue to be considered as citizens of the PRC, Malaysia will recognize them as citizens of the PRC, provided they have documents from the PRC government showing that they are citizens of that country.⁵⁰

The Joint Communique among others has also decided to mutually recognize their respective governments and establish diplomatic relations starting from the date this Joint Communique was announced. The Chinese Government recognizes the Malaysian Government and respects Malaysia's independence and sovereignty. The two premiers also agreed that the two Governments, in accordance with international practice, will provide each other with all assistance deemed necessary to establish and carry out the duties of embassies in their respective capitals and that their respective Ambassadors will take their place as soon as possible. Another result following the meeting of the heads of state of the two countries is China's support in principle for the neutrality plan for Southeast Asia. By that time, the concept of ZOPFAN had attracted the interest of China because it could be used as a way to reduce or fight Soviet Russia's efforts to encircle China. This became more important with Saigon and South Vietnam surrendering to the Viet Cong on 30 April 1975.⁵¹ As a result, the leaders of ASEAN have followed the steps of Tun Abdul Razak to make peace with the

⁵⁰ Parliamentary Hansard. *Third Dewan Rakyat. Fourth Session*, 311

⁵¹ Shaw, *Tun Abdul Razak: His Life and Times*, 127

communist regime, especially China. The discussion and agreement between the two governments of Malaysia and China is stated as follows:

1. The Government of the People's Republic of China and the Government of Malaysia, with a view to promoting the traditional friendship of the two peoples, have decided upon mutual recognition and the establishment of diplomatic relations as of the date this Communiqué is published.
2. The two Governments hold that although the social systems of the People's Republic of China and Malaysia are different, this should not constitute an obstacle to the two Governments and peoples in establishing and developing peaceful and friendly relations between the two countries on the basis of the principles of mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful co-existence. The two Governments consider all foreign aggression, interference, control and subversion to be impermissible. They hold that the social system of a country should only be chosen and decided by its own people. They are

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- opposed to any attempt by any country or group of countries to establish hegemony or create spheres of influence in any part of the world.
3. The Government of Malaysia recognizes the Government of the People's Republic of China as the sole legal government of China and acknowledges the position of the Chinese Government that Taiwan is an inalienable part of the territory of the People's Republic of China. The Malaysian Government decides to close down its consulate in Taipei.
 4. The Government of the People's Republic of China recognizes the Government of Malaysia and respects the independence and sovereignty of Malaysia.
 5. The Government of the People's Republic of China takes note of the fact that Malaysia is a multi-racial country with people of Malay, Chinese and other ethnic origins. Both the Government of the People's Republic of China and the Government of Malaysia declare that they do not recognize dual nationality. Proceeding from this principle, the Chinese Government considers anyone of Chinese origin who has taken up his own will or acquired Malaysian nationality as automatically

forfeiting Chinese nationality. As for those residents who retain Chinese nationality of their own will, the Chinese Government, acting in accordance with its consistent policy, will enjoin them to abide by the law of the Government of Malaysia, respect the customs and habits of the people there and live in amity with them. And their proper rights and interests will be protected by the Government of China and respected by the Government of Malaysia.

6. Premier Chou En-lai and Prime Minister Tun Abdul Razak agree that the two Governments, in conformity with international practice, will provide each other with all necessary assistance for the establishment and performance of the functions of embassies in their respective capitals and that ambassadors will be exchanged as soon as practicable.⁵²

All these developments clearly show that Prime Minister Tun Abdul Razak's official visit to China is the wisest move and has successfully covered the principles of neutrality and friendship that can guide Malaysia's foreign policy and Malaysia's efforts to create a new relationship between Malaysia

⁵² "Kenyataan Bersama Malaysia dan kerajaan Republik Rakyat China [Joint Communique of Malaysia and the Government of the People's Republic of China]," National Archives of Malaysia, (1974): 4.

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and China. The step taken by Tun Abdul Razak is important and very meaningful because this visit not only benefits Malaysia's international relations but also the security of the Southeast Asian region. With the establishment of this relation, it becomes an example for other Southeast Asian countries to also establish diplomatic relations with China.

IX. The Impact of The Establishment of Bilateral Diplomatic Relations Between Malaysia and China

The decline in the price of rubber and the economic slowdown in the United States caused Tun Abdul Razak to find new trading partners. At the same time, there was a change in China's economy when the great power was involved in Export Processing Zones (EPZs) in 1970.⁵³ As a new superpower, China has not only managed to attract the attention of Malaysia and other Southeast Asian countries to establish diplomatic relations, but major world countries such as the United States are also interested in establishing relations with China. Looking at this situation, Tun Abdul Razak began to formulate a strategy to make China a new trading partner. Therefore, Malaysia took the opportunity of the Chinese market when a delegation of 19 people led by Tengku Razaleigh was sent to China in May 1971. The main mission of the delegation was to find market opportunities, business and increase cooperation in the rubber industry. As a

⁵³ Takayoshi Kusago and Zafiriz Tzannatos. "Export processing zones: a review in need of update," Social Protection Discussion Papers and Notes 20046, The World Bank, (1998): 13

result of the delegation, China has agreed to buy 200,000 tons of rubber from Malaysia in the same year. This rubber export is seen to be in high demand from previous years. The amount increased significantly to 350,000 tons of rubber in 1975. The result of this development has brought an implication that China is a new economic power. David Shambaugh claims:

*“China will only grow stronger, and its central geographic position in Asia will dictate (dictate?) that it has an interest and role to play in almost every regional issue. If present trends continue, by the early twenty-first century, China will join the United States, Japan and the EEC as one of the world's four leading economic powers.”*⁵⁴

Tun Abdul Razak's willingness to establish wider relations, especially in terms of diplomatic relations, has caused a great impact⁵⁵ on the trade sector. Trade delegations began to make visits and assess the prospects for establishing trade relations. These visits include the one made by Tengku Razaleigh Hamzah

⁵⁴ David Shambaugh. “China's Security Policy in the Post-Cold War Era.” *Survival* 34, no. 2, (1992):75.

⁵⁵ Sasirekha Kandasamy, Tan Kim Hua, and Fazal Mohamed Mohamed Sultan. “The Impact of a Debriefing Strategy in Online ESL Classrooms,” *International Journal of Learning, Teaching and Educational Research* 21, no. 2, (2022): 247-262. <https://doi.org/10.26803/ijlter.21.3.13>.

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as Chairman of PERNAS.⁵⁶ In the following years, Malaysia's trade with China increased drastically. Even when the country's rubber market was facing its dark ages, China had promised an annual purchase involving a total of 150 000 to 200 000 tons per year.⁵⁷ This increase is also due to the diversion of China's trade direction which no longer uses Singapore as a middleman. The direct effect of this trade caused a high increase in the total amount of trade between the two countries. This situation can be seen when in 1971, China was Malaysia's second largest economic partner. Imports from China amounted to RM 44.7 million while exports amounted to RM 7.4 million.⁵⁸

⁵⁶ Parliamentary Debate. *Third Dewan Rakyat, First Session, Part II*. Kuala Lumpur: National Printing of Malaysia, (July 27, 1971): 260.

⁵⁷ Parliamentary Debate. *Third Dewan Rakyat, First Session, Part II.*, 267.

⁵⁸ R. K. Jain. *China and Malaysia, 1949-1983*. New Delhi. Radiant Press, (1984): 32.

Table 2: Malaysia's Trade with China 1970-1976 (in \$ million)

Year	Imports from China	Exports to China
1970	32.62	0.22
1971	26.72	1.08
1972	40.67	3.70
1973	124.93	1.28
1974	155.26	3.91
1975	108.57	51.04
1976	87.38	49.03
Total	576.15	110.26

Source: China, State Statistical Bureau, Statistical Yearbook of China 1981

However, according to Datuk Haji Hamzah, the Minister of Trade and Industry stated that the trade balance between Malaysia and the People's Republic of China is still excessive on the Chinese side. Malaysia imports more than it exports to China. In 1974, Malaysia's exports to China amounted to \$3.9 million and imported goods amounted to \$155.26 million.⁵⁹ China is Malaysia's main food supplier due to China's proximity to Malaysia. Malaysia imports approximately 50 types of materials from China.⁶⁰ Among the main ingredients include rice, paper, vegetables, dried fruits, seed oils, tea and cloth. Malaysia's main exports to China are rubber, *kayan* wood and palm oil. Considering the industrialization plan in China, China has

⁵⁹ Parliamentary Hansard, *Fourth House of Representatives, 2nd term*. bil 31-40, Kuala Lumpur, National Printing of Malaysia, (July 30, 1976): 225.

⁶⁰ Parliamentary Hansard, *Fourth House of Representatives, 2nd term*. bil 31-40, Kuala Lumpur, National Printing of Malaysia, (Julai 30 1976): 231.

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increased the purchase of raw materials, especially rubber from Malaysia for its tire and shoe companies. In Malaysia's efforts to encourage China to buy more raw materials, Malaysia has invited missions from China to visit Malaysia to study and understand Malaysian products more deeply. Until July 1976, two missions from China had visited Malaysia, the last of which was the rubber mission which arrived in June 1976.

Table 3: Malaysian Rubber Imports to China, 1970-1976 (in thousands of tons)

Year	Malaysian rubber exports to China	Export of other raw materials to China
1970	101.86	199.00
1971	104.45	205.8
1972	131.17	221.4
Total	337.48	626.2

Sources: Malayan Rubber Statistics Handbook, Federation of Malaya Department of Statistics, International Rubber Study Group, Rubber Statistical Bulletin, London 1981

In addition, Malaysia has also sent a trade delegation to China. a delegation from the Malaysian Rubber Exchange and Licensing Board visited China in 1975. The results of the visit were very encouraging. China has promised to buy as many as 40 000 metric tons of Malaysian rubber in addition to giving an account to increase the import of timber, cocoa and palm oil from

Malaysia.⁶¹ In addition, the future of timber trade has improved because China needs these materials for its construction industries and also for the construction of railway tracks.⁶²

X. CONCLUSION

The study of Malaysia's foreign policy towards the People's Republic of China during the administration of Tun Abdul Razak is an assessment of Tun Abdul Razak's contribution to implementing and strengthening Malaysia's foreign policy from 1970 to 1976. The foreign policy for a sovereign country like Malaysia is to maintain the integrity of borders, political freedom, and economic development including achieving a good standard of living for the people of a country. A country that has just achieved independence needs to find many friends so that the enemy of a country does not dare to invade the country. Therefore, there are several important things that Tun Abdul Razak is trying to apply to build a dynamic, relevant and strong form of foreign policy for Malaysia. Tun Abdul Razak tried to organize a Malaysian foreign policy that was neutral and did not favor any party or bloc. This concept supported by Tun Abdul Razak has allowed Malaysia to be accepted in the Non-Aligned Movement. He has also proposed the concept of excluding Southeast Asia

⁶¹ Parliamentary Hansard, *Fourth House of Representatives, 2nd term. bil 31-40*, 117.

⁶² Statement of Parliamentary Debates. *Fourth House of Representatives, Term 2, Volume 1. Number 11*. Kuala Lumpur: National Printing Malaysia, (October 28, 1975): 194.

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which was originally inspired by Tun Dr. Ishmael. Based on these two factors, Tun Abdul Razak has succeeded in building a concept of Malaysian Foreign Policy that is pragmatic, robust and superior in Southeast Asia.

Therefore, in Malaysia's view, the emergence of China as an economic and military superpower is a fact that needs to be accepted and considered a development that can bring positive implications, both to the country and the regional community. In the economic sphere, China's economic well-being acts as an effective 'engine' of regional economic growth, in addition to bringing spillover effects to economic partner countries that have a high degree of economic complementarity with it. In fact, China's economic leadership in East Asia can help realize the goal of regional economic integration. In the early stages of Malaysia-China relations, cooperation between Malaysia and China was limited to trade only. Indeed, the emergence of China as a superpower with a moderate attitude and responsibility toward the international community will bring an element of stability to the regional security scenario.

In such a context, a more comprehensive Malaysia-China bilateral relationship that includes cooperation in security aspects can certainly be realized for mutual interests and benefits. Of course, establishing a good relationship is not something that is easily achieved. In addition to the constraints that have been

imposed through their respective colonial⁶³ experiences, the relationship between the two countries has also been disrupted by the existence of the cold war.⁶⁴ So, when we look back, we cannot ignore, rather we should appreciate the tenacity and efforts of the leaders especially Tun Abdul Razak, Chairman Mao Tze Tung and Prime Minister Chao En Lai who had the goal and passion to re-establish relations between the two countries in 1974.

⁶³ Koh Kuan Wei, Zubaidah V.P. Hamzah, and Azlizan Mat Enh. "Perkembangan Teknologi Komunikasi dan Sumbangannya kepada Pentadbiran British dan Masyarakat di Negeri-Negeri Selat 1902-1938 [The Development of the Communication Technology and its Contributions to the British Administration and Society in Straits Settlements 1902-1938]," *Jurnal Komunikasi: Malaysian Journal of Communication*, Vol. 37, No. 9, (2021): 107-125. <https://doi.org/10.17576/JKMJC-2021-3701-07>.

⁶⁴ Azlizan Mat Enh. "World War 1: Who Was to Blame?" *Tamkang Journal of International Affairs* 13, no. 3, (2010): 45–88. <https://doi.org/10.6185/TJIA.V.13.N3.P45P88>.

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