

MALAYSIA

Malaysia enters 2005 with a buoyant internal and external outlook. The principal driving factors are: the landslide victory of Prime Minister Abdullah Ahmad Badawi's Barisan Nasional's (BN) coalition in the general election of March 2004; the "feel-good" factor of Badawi's persona and policies after the more contentious style of his predecessor Mahathir bin Mohammed; and, relatedly, improvement in the atmosphere of relations with neighboring countries, most notably Singapore and Indonesia.

The Security Environment

Internal

BN's resounding win at the ballot box saw not only the recapture of the state of Terengganu from the religious-conservative Parti Islam SeMalaysia (PAS, the Islamic Party of Malaysia) but also major gains in the traditional PAS stronghold of Kelantan. The result has been interpreted as signifying both popular endorsement of the party's policies and Abdullah's leadership and rejection of the right-leaning religious politics of PAS.

The election result also suggested the dwindling appeal of the essentially single-issue Parti Keadilan (Justice Party) associated with jailed former deputy prime minister Anwar Ibrahim. Anwar's subsequent release was hailed by many within and outside the country and renewed hopes of unity among Malaysia's deeply divided opposition. However, Anwar's return to public life is tempered by his ineligibility to contest for public office until 2008 because of his conviction for corruption and sodomy (though the latter was overturned by Malaysia's Federal Court in September 2004). Also, Anwar's push for reform will likely have limited effects given government reforms which have already been instituted, resumed rapid economic growth, and the feel-good factor surrounding Abdullah (which was, ironically, boosted by Anwar's release and a subsequent joint appearance at a banquet in November celebrating the end of Ramadan).

PAS, while struggling to reinvent its relevance in the face of apparent disinterest in its fundamentalist approach, continues to tempt UMNO into a race for the moralization of both politics and policies. It blames the government's approval of public entertainment and lack of faith-focused initiatives as contributing to the nation's "moral crisis," and questions Abdullah's Islam *Hadhari* -- a civilizational and progress-driven Islam meant to propel all Malaysians toward developed-nation status by 2020 -- for allowing practices such as gambling to run rife in society.

Abdullah's government has resisted such goading and in 2005 is expected to respond with the sustained promotion of Islam *Hadhari*. This effort will include, among other things, Abdullah's signature twin reform drives of transparency and anti-corruption, the establishment of a Cabinet committee on gender equality, and the full implementation of a 2004 pilot project to incorporate quality religious education for Muslim students in national schools.

Cynics predict that Abdullah's anti-corruption campaign will fizzle out with time – just as did the campaign that Mahathir launched when he came into power in the early 1980's. Yet, bold charges, arrests and prosecutions of influential corporate figures and even UMNO senior officials have continued to unfold long past Abdullah's first 100 days in office. Abdullah even ordered a full-scale police investigation into initial allegations of involvement in nuclear proliferation by a local manufacturing company in which his son is a major shareholder. (The police cleared the firm and arrested a middleman, Buhary Syed Abu Tahir, believed connected with the Pakistani scientist responsible for selling nuclear know-how to Libya, Iran and North Korea.)

While much of Abdullah's energy in his first year in office was focused on initiating change within the public sector, in his second year he has said he will focus on bringing about a 'paradigm shift' in the mindsets of Malaysians in implementing development projects. In place of the Mahathir-ite emphasis on mega-projects, agriculture is to be the nation's third growth engine intended simultaneously to generate national income, stimulate a nascent biotechnology industry and combat rural poverty. Another key area for Abdullah will be managing Malaysia's current economic deficit and buffering the economy from external challenges by strengthening internal structures through ongoing domestic governance reforms.

Domestic and Border Security

Terrorism – especially from the Jemaah Islamiah – remains a significant domestic threat. While the government claims that much of JI's capability within Malaysia has been crippled, there is a risk that JI-type splinter groups may still pose security problems. Additionally, the fact that Malaysia's Azahari Hussein, JI's alleged bomb-maker implicated in the Bali, Marriott and Australian embassy bombings in Jakarta, continues to elude both Malaysian and Indonesian authorities is felt to be a source of embarrassment to Malaysians, many of whom still have not fully recovered from the shocking revelations in 2001/2 that Malaysian citizens and permanent residents were involved in militant networks.

To defend the country's borders, the marine police have set up a maritime tactical unit similar to the navy's elite forces. The unit, also known as the Marine Police Commando, is trained with the help of the Special Operations forces and has new high-powered patrol boats at its disposal. Also in discussion is the establishment of a Marine Intelligence Unit to curb maritime crimes.

East Malaysia, in particular, has been the focus of increased security. In addition to a newly constructed base around the gas capital of Bintulu, Sarawak police will build three more marine bases at strategic locations in the state – one of them near the Sarawak-Brunei border checkpoint – to secure its maritime boundary. The state marine police also have solid links with their Bruneian and Indonesian counterparts, particularly those based in Kalimantan, to ensure comprehensive joint efforts at protecting the waters of Borneo. After the most recent kidnapping incident (of a boat crew around the waters of Sabah in

April 2004), all three services of the Malaysian Armed Forces have stepped up patrols in the area. The Royal Malaysian Navy has expressed its readiness to escort, upon request, high-risk commercial vessels passing through the country's waters. It has also established a special lane for vessels entering east Sabah waters from the Philippines.

Out of 86 Malaysian-registered ships and ports, 84 have already successfully complied with the requirements of the International Ship and Port Facility Security (ISPS) code. Additionally, a Malaysian Coast Guard is being put together, to improve the policing of Malaysia's territorial waters.

External

Malaysia's relations with Singapore have thawed considerably, albeit cautiously, since Abdullah's courtesy visit there in January 2004, and look set to improve further under Singapore's new leader, Lee Hsien Loong. This bilateral cordiality resulted in a marked increase of Singaporean tourists to Malaysia between January and July 2004, up 90.5 percent from 2003. Preliminary discussions have begun between both parties on moving from coordinated patrols along the Straits of Malacca to placing guards on commercial vessels. Malaysia and Singapore have agreed to exchange information between each other's intelligence agencies, especially between the police and navies. Difficult issues remain, such as water supply pricing and the withdrawal of Central Provident Fund contributions by Malaysian employees in Singapore, but the trend is clearly positive.

The issue of illegal Indonesian immigrants has long been a sore spot in Malaysia-Indonesia relations. In 2002, Malaysia organized a large-scale deportation exercise following rising crime and disorder mostly blamed on illegal immigrants. The Indonesian government came under domestic criticism for failing to anticipate and provide support for its deported nationals. One specific issue was resolved at least on paper with the signing in May 2004 of a memorandum of understanding on the recruitment of Indonesian workers for Malaysia's plantation and construction sectors. The MOU does not cover Indonesian domestic workers in Malaysia, and incidents of abuse of such workers continue to spark public outrage in both countries, but negotiations for an agreement on this group are underway. Following a request from the new Indonesian government of Susilo Bambang Yudhoyono to postpone until 2005 the detention and deportation of thousands of illegal Indonesian immigrants, and as a sign of goodwill, Malaysia offered a 17-day Ramadan amnesty and free transport to allow these illegal immigrants to return home voluntarily. The time frame was later extended to the end of the year, and by mid-December 2004 with the assistance of Indonesian government vessels, approximately 110,000 illegal Indonesian immigrants had been transported back to Indonesia. However, 400,000 – 800,000 illegal immigrants, in total, are believed to still remain in the country.

Renewed violence in southern Thailand in 2004 prompted joint border patrols between Thailand and Malaysia, a cooperative measure that had not been necessary since the end of the communist emergency in 1970's. The purpose of the patrols is largely to defuse the situation in southern Thailand and prevent weapons smuggling into Malaysia. Anxiety

over the security situation there spilled over into the political realm in March/April 2004, when Thailand accused Malaysia of harboring militants with dual nationality in border villages. The prime ministers met to discuss the problem, but concern continued to climb during the Muslim fasting month of Ramadan in 2004 when 78 Thai Muslim protesters died from suffocation after being forced into overcrowded Thai military trucks. Malaysia remains anxious about the potentially destabilizing security implications and the spillover effects of worsening religious tensions there. It has offered to boost its own military numbers there should the situation further worsen, threatening Malaysia's own national security. Malaysia has offered its experience and expertise in combating militancy through the 'hearts and minds' approach. There are also plans to fulfill Thailand's request for Islamic preachers and lecturers to present the true teachings of the religion to the largely Muslim population of the southern region.

Although differences in opinion on foreign policy continue to pervade U.S.-Malaysia relations, the tone of communication on critical issues has softened. Prime Minister Abdullah's maiden visit to the United States in July 2004 renewed close business ties and created a possibility for Malaysia, as current chair of the OIC and NAM, to act as a "bridge" between the United States and the Islamic world.

Bilateral relations with China, which began modestly 30 years ago, are now described as the best they have ever been. Indeed, in June 2004, Abdullah chose to visit China ahead of the US and Japan, accompanied by an 800-member Malaysian business delegation. Trade between both countries grew exponentially from US\$1.18 billion in 1990 to approximately US\$14 billion in 2003, making China Malaysia's fourth largest trading partner and Malaysia China's largest trading partner from the ASEAN region and the Islamic world, at large. Business and economics aside, Malaysia's embrace of China also signals acceptance of the latter's rise as an important and respected interlocutor in international affairs.

Defense Policies and Issues

Malaysia's defense policy is based on the ideas of independence, regional cooperation and foreign assistance, and is directed toward the protection of homeland security and the nation's strategic interests abroad. Because of its shared borders with almost every ASEAN country, Malaysia views developments in Southeast Asia including the Andaman and the South China seas as impacting on its own security and stability. Similarly, it is cognizant of the effects of globalization on national security. Malaysia remains committed to the wider concept of comprehensive security as enhancing the political, economic, social and conventional security fields. This requires efforts by the public and private sectors as well as the citizenry at large to defend the nation's sovereignty and integrity.

Budget

Malaysia spent RM2.8 billion (US\$.7 billion) in 2004 on the army and police force. The government's expenditure on strengthening its defense capability, however, is usually

approximately RM7-8 billion over a five-year timeframe. The Defense Ministry has identified early warning systems, surface vessels, communications equipment, vehicles and additional firepower as future needs, but eventual purchase will depend on prioritization of a procurement list based on its budget and long-term allocations under the Eighth and Ninth Malaysia Plans. Malaysia's federal government budget for 2005 allocated 10.6 percent (RM3 billion, the equivalent of approximately US\$8 million) to the security sector, which covers both defense and law enforcement – a comparatively insubstantial figure when compared, for example, to the 25 percent allocation to education.

Acquisitions

Malaysia procures its armaments from diversified sources, reflective of the country's general foreign policy. As part of the ongoing modernization program and continuing under the Ninth Malaysia Plan (2006-2009), Malaysia plans to purchase KS-1A medium- and close-range missiles from China in exchange for Chinese technology to manufacture the man-portable FN-6 SAM. The production line to be established in Malaysia will be capable of manufacturing 100 FN-6 missiles per year. The Chinese have offered to conclude the KS-1A transaction on flexible payment terms, including counter-trade, barter and deferred payments although the actual cost of the weapons has not yet been revealed.

A French and South African company will each supply avionics systems for Malaysia's 18 Sukhoi fighter jets due to be delivered from mid-2006. France's Thales Optronique SA will supply the parts over a period of 28 months in a contract worth RM533 million (US\$140 million). South Africa's Avitronics first and second phase orders are valued at RM80 million (US\$21 million) and the firm's engineers are already in Moscow ensuring that the system integrates into the Russian-made jets.

By the end of 2005, the army will take delivery of a batch of A-109M light observation helicopters, purchased in 2003 for its aviation corps. In the meantime, the navy has expressed interest in procuring a second batch of Super Lynx helicopters to add to its 1999 purchase of six such ship borne helicopters worth RM700 million (US\$184.2 million) while the air force is keen on acquiring the Super Hornet as an improvement over the Hornet F18D which serves it presently.

Malaysia is also considering replacing a part of its Nuri utility helicopter fleets to carry out search and rescue operations. Procurement will, however, depend on the availability of allocations under the Ninth Malaysia Plan and may be extended into the Tenth Malaysia Plan.

Malaysia's increased defense acquisitions in recent years have generated some speculation about the motivation. Malaysian defense analysts have consistently agreed with government explanations that the major factor in determining the pace of purchases has been the availability of funds. The long-planned force modernization program was stymied in the late 1990's because of the Asian financial crisis but has since regained

some of that lost momentum. Additionally, Malaysia's acquisitions have been aimed at combating immediate threats, particularly piracy in the Straits of Malacca. However, the practical pay-offs in this regard have thus far been limited – the marked decline in pirate attacks in the Straits is largely attributable to increased patrols by the Royal Malaysian Marine Police rather than the armed forces.

Other Issues

Malaysia's increasing defense self-reliance is a boost to the domestic economy. The Malaysia-based Deftech, for example, is contracted to supply the Malaysian army with three categories of military vehicles valued at RM387.6 million (US\$102 million), including 28 Hicom-Iveco Tank Transporters, 57 High Mobility Troop Transporters and Command Vehicles and 65 locally-assembled Adnan armored personnel carriers.

Foreign collaboration and strategic alliances are also positioning Malaysia's defense industry to become part of the global defense manufacturing supply chain. The Defense Ministry's aim is to establish Malaysia as the region's procurement hub, an objective advanced among other things by the biennial hosting of the Defense Services Asia (DSA) exhibition. In 2004, the DSA attracted 550 companies from 46 countries.

Contributions to Regional and Global Security

Regional

When U.S. Pacific Commander Admiral Thomas Fargo in March 2004 suggested the deployment of US forces to protect the security of the Straits of Malacca, Malaysia adamantly rejected the idea, on the grounds that foreign military presence would undermine the battle against extremism and invite the very terrorist attacks that all concerned seek to avoid. As one of the three littoral states, along with Indonesia and Singapore, Malaysia has instead begun coordinated patrols along the Straits, practicing parachute drops and simulated pursuits of pirates. The three countries have agreed on a jurisdictional hand-over operation when 'hot pursuit' occurs over different territorial waters.

The littoral countries are also seeking to distinguish the definition of piracy from terrorism. Under a proposal to the International Maritime Board, piracy would be categorized within a group of crimes including extortion, kidnapping, seizure and terrorism. The hope is that this distinction will help avoid inflating the threat of international terrorism in the Straits of Malacca, which could invite foreign intervention.

Malaysia continues to serve as a peace broker between the Philippines government and the Moro Islamic Liberation Front (MILF) insurgents in the southern Philippines. An international team of peace monitors put together by Malaysia visited the Philippines in late 2004.

The Five Power Defense Arrangements (FPDA, with Australia, New Zealand, Singapore, and the United Kingdom) have been reoriented to make this collaboration more relevant to the contemporary security environment. Under a plan agreed in mid-2004, future FPDA cooperation and exercises will incorporate non-conventional threat scenarios such as maritime security, anti-hijacking and surveillance.

Global

As the 2004-2005 chair of the Organization of the Islamic Conference (OIC) and the Non-Aligned Movement (NAM), Malaysia has sought to highlight to major Western powers the views of the Muslim world on issues such as the Palestinian plight, the war against Iraq, terrorism and the moderation of Islam. Abdullah took this message on his visits to France, the United Kingdom, and the United States in 2004.

As OIC chair, Malaysia did not support a Saudi proposal for a Muslim troop deployment in Iraq, citing the reluctance of OIC member states to participate while Iraq remained under US leadership. Although Malaysia is open to peacekeeping troop deployment in Iraq under UN auspices, it sides with the OIC majority in resisting the idea of Muslim troops participating under a U.S.-led multinational force.

In its capacity as NAM chair, Malaysia continues to call for a UN deployment of peacekeepers to ease tensions in the Israeli-Palestinian conflict. It staunchly supports the “roadmap” for peace drafted by the Quartet (Russia, the United Nations, the United States, and the European Union) but is of the opinion that UN involvement is desperately needed to support its implementation.

In contrast, Malaysia was initially silent on the humanitarian emergency in Darfur, Sudan. By September 2004, however, Abdullah in his capacity as OIC and NAM chair had contacted President Omer Hassan Ahmaed El-Bashir of Sudan encouraging him to resolve the Darfur crisis to avoid economic sanctions which, Abdullah argued, would undermine El-Bashir’s leadership. Reports on the crisis in the Malaysian media have taken a more balanced approach, featuring interviews with parties on both sides of the conflict, and Malaysia’s burgeoning civil society has taken an active role in humanitarian operations. The non-profit organization Mercy Malaysia, the only Asian nongovernmental organization (NGO) registered in Sudan, has appealed for donations, as well as medical and non-medical volunteers including Arabic speakers to serve as translators. A coalition of 78 Malaysian NGO’s – Global Peace Malaysia, which was founded in 2001 and which has established clinics and schools in refugee camps in Afghanistan and other projects in Sri Lanka – sent a 10-day fact-finding mission to Sudan and will work with the Sudanese Ministry of Humanitarian Affairs and the Sudan-based Islamic Relief Agency International to assist victims of the conflict there.