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Past year has shown that peaceful co-existence is achievable even though not all outstanding bilateral issues are resolved

By K KESAVAPANY

THE year 2004 was a good one for Singapore-Malaysia relations. With the tone set by the new prime ministers, Lee Hsien Loong and Abdullah Badawi, much of the animus that had infected the relationship over the past decade was removed. This was on account of the realisation that it served neither country's interest to squabble publicly.

Asean neighbours, and countries further afield, had looked in askance at the bitter exchanges between the leadership of both countries over a variety of issues. Foreign investors questioned the wisdom of investing in an area which was becoming volatile. Furthermore, the general political atmosphere was impacting negatively on the people in both countries, and unhealthy trends began to emerge.

Against this background, there was a realisation on the part of the leadership of both countries that relations needed to be improved and fresh means of engagement must be sought.

On Oct 31, 2003, during his courtesy visit to Singapore, Malaysian Prime Minister Abdullah Badawi clearly signalled this desire when he said: 'We have to find some other ways, some other strategies in order to resolve all these issues - I feel that we should not allow these bilateral issues to remain unresolved'.

Both then-prime minister Goh Chok Tong and his soon-to-be successor, Lee Hsien Loong, shared PM Abdullah's sentiments.

During his own courtesy visit to Malaysia, in October 2004, PM Lee said that relations between the two countries were 'very good' and that continuous improvements had been made in the last 12 to 18 months.

The exchange of visits at the prime ministerial level were followed by a series of visits at the ministerial and officials' levels.

Exchanges between the two civil services and the foreign ministries, which had been discontinued over a number of years, were reinstated.

Other ministries and departments also held their working and social contacts.

Malaysian Information Minister Abdul Kadir Sheikh Fadzir and Singapore Information, Communications and the Arts Minister Lee Boon Yang met in Kuala Lumpur on Dec 14, 2004, and reached a decision to restart joint TV productions after a hiatus of seven years.

Malaysia's state-owned RTM and Singapore's state-owned MediaCorp will be the collaborating parties. They will introduce joint music programmes, and film television dramas in Malay and Mandarin or Cantonese.

This is a move in the right direction, as it would not only improve mutual understanding, but also minimise distance at the people-to-people level.

At the Singapore-Malaysia Forum held in December 2004, Malaysian Education Minister Hishamuddin Hussein Onn and Singapore Education Minister Tharman Shanmugaratnam agreed that students in both countries from the secondary school level upwards would hold joint activities - in Malaysia, Singapore and even in a third country.

Schools on both sides of the Causeway will pair themselves with one another and initiate joint projects outside the classroom in areas ranging from information technology to adventure camps.

These moves underscore the fact that if ties between the two countries are to be robust and sustained, the young must be actively involved.

As they are less burdened by the baggage of the past, they would be more receptive, or even enthusiastic, to the task of building neighbourly ties.

Defence and security

It is worth noting that even in the worst of times, the ties between the two countries in the fields of defence and security remained untroubled. Common threats such as terrorism, religious extremism and piracy kept the defence and security forces working together.

Given the new challenges facing the region, the need for such close cooperation amongst these agencies is stronger than ever. Through the multilateral Five Power Defence Arrangements (FPDA) - which includes Australia, New Zealand and Britain - Malaysia and Singapore maintained their regular military links in the region.

Earlier this month, the Republic of Singapore Navy hosted a joint exercise with the Royal Malaysian Navy in the Straits of Malacca. Called Exercise Malapura, a total of six ships from the two navies were involved. Both countries also joined Indonesia in mounting exercises in the Malacca Straits to deter piracy.

The greatest beneficiary of the upturn in relations is undoubtedly the private sector. Whereas Singapore businessmen had, in the past, to tiptoe in concluding deals with their Malaysian counterparts, they are now able to operate in an open and confident manner.

I can still remember the furore caused by SingTel's attempt in May 2000 to buy into Malaysia's Time dotCom. In contrast, in mid-November 2004, GIC was able to purchase a 5 per cent stake in one of Malaysia's icons, Proton, without any fuss.

As is well known, investments between the two countries had been declining over the years, and made worse during the Asian financial crisis period. As a percentage of Singapore's cumulative direct investment abroad, the share to Malaysia fell from about 60 per cent in 1981 to under-10 per cent in 2003.

However, the positive climate last year resulted in a surge in investments across the Causeway.

Temasek and GIC account for about two-thirds of this investment surge, pouring over US\$800 million into Malaysia over the past year. Investments include the following:

In March 2004, Temasek made its first major direct investment in Malaysia by acquiring 5 per cent of Telekom Malaysia for US\$421 million.

In June 2004, GIC Real Estate Pte Ltd (GIC RE), which is part of the GIC group, bought a 70 per cent stake in Johor Bahru City Square in a deal totalling US\$123 million. GIC RE already has investments in Sunway Pyramid Mall, Sunway City Berhad, Menara Standard Chartered, and RB Land Sdn Bhd.

In July 2004, the Government of Singapore Corp (GIC) bought a 5 per cent stake in Gamuda Bhd - one of Malaysia's largest construction companies - for US\$53 million.

Also in July, GIC paid US\$28 million for a 5 per cent stake in Malaysia's Shell Refining Co.

In the same month, Temasek-owned Mapletree Capital Management announced that it was going into partnership with Malaysian investment bank CIMB, involving an initial capital of US\$132 million. This partnership created the first private institutional real estate fund in Malaysia.

In December 2004, Malaysia's Bank Negara allowed a company owned by Temasek to obtain a 15 per cent stake in Malaysian Plantations (MPlant) worth US\$124 million. Since MPlant owns Alliance Bank, Malaysia's smallest national bank, the deal is the first major investment by a Singapore company in a Malaysian financial institution.

Many of these business deals would have been unthinkable three years ago.

However, the investment flow is not going only one way. Malaysian companies are beginning to show interest in investing in Singapore. For example, Malaysia's government investment arm, Khazanah Nasional, has expressed interest in buying significant stakes in Singapore's GLCs. One of Malaysia's largest conglomerates, Sime Darby, has recently acquired a 29.9 per cent stake in shipbuilder Jaya Holdings for S\$223 million.

A year earlier, in April 2003, Malaysian shipping company MISC bought one of Neptune Orient Lines' companies, American Eagle Tankers for US\$445 million.

In the financial sector, plans to establish trading links between the stock exchanges of both countries - Bursa Malaysia and Singapore Exchange - by 2006 will further stimulate business activities, especially cross-border mergers and acquisitions.

A precursor to this link is the news that CIMB will acquire a significant stake in Singapore's No 2 stockbroker G K Goh. This would not only give CIMB a foothold in the Singapore market, but also enable it to expand to other countries in the region.

In July 2004, both countries agreed to set up a Singapore-Malaysia Third Country Business Development Fund worth RM10 million (S\$4.3 million) to help Singapore and Malaysian companies undertake joint feasibility studies for investment or business projects to third countries.

Also, the Singapore-Malaysia Business Council was recently established to foster greater networking activities between the business communities of both countries.

Besides these known G-to-G ventures, the traditional business links between private sector companies would no doubt have yielded investment flows of their own.

Tourism between the two countries is another industry that will be given a boost by the improvement of ties between the two economies.

I gather that, after a hiatus of 18 months, the Malaysia-Singapore Tourism Council (MSTC) would re-commence work on the implementation of the US\$3 million Joint Marketing Fund.

These developments clearly indicate that the business and investment sectors are major beneficiaries of the current stable political climate. With uncertainties removed, greater economic and business cooperation can be expected in the years to come.

Outstanding issues

I have left this topic of unresolved issues to the last for two reasons: Firstly, I firmly believe that these issues are best settled quietly, away from the glare of publicity.

Otherwise, as seen from the past, the heat generated by a discussion of these issues in the media and other open forums only serve to raise tension and cause damage to the bilateral relationship.

In contrast, quiet negotiations have shown to be more effective, as seen from the Pedra Branca and land reclamation cases.

The first issue, Pedra Branca, has been referred to the International Court of Justice at The Hague. Both sides are making their arguments in a considered and professional manner and have bound themselves, in advance, to abide by the court's decision.

On the land reclamation issue led by Ambassador Tommy Koh and his affable counterpart, Fuzi Ahmad, the secretary-general of the Malaysian Foreign Ministry, both delegations were able to find a 'fair and balanced deal' on the dispute.

In a joint statement welcoming the result of the negotiations, the two governments said that the positive outcome 'reflects the goodwill and cooperation' between the two countries.

Secondly, I do not subscribe to the view held in some quarters that the resolution of these issues is a sine qua non to the betterment of ties. Some of these issues have been with us for more than a decade. That has not prevented us from co-existing peacefully, except for the period 1998-2002.

We should continue cooperating in other spheres and when the 'low-lying fruits', that memorable phrase coined by PM Abdullah, are ready to be plucked, we should be ready to do so.

However, we should be mindful of nationalistic and jingoistic sentiments rearing their heads again as seen in the recent outbursts from some quarters over the airspace and CPF issues.

Such negative sentiments and irrational remarks would only serve to impede the progress made in other areas of the bilateral relationship.

In any case, agreement has been reached at the highest levels of the leaderships in both countries, on the general principles that would govern movement on these issues.

One such principle, as stated by Senior Minister Goh Chok Tong, is the acknowledgement that 'whatever proposal is tabled or whatever solution is proposed, it must bring about mutually beneficial benefits and that no proposal or solution to an issue should disadvantage the other party'.

I am confident that with this principle as a guideline, progress can be made in the resolution of these issues if rationality prevails and we do not take leave of our senses again.

In conclusion

The benefits of a stable and cordial relationship between Singapore and Malaysia flow beyond their borders. At a time when the region is beset with traditional security threats such as terrorism and non-traditional security threats such as Sars and bird flu, it is incumbent upon both countries to work closely together.

As members of Asean, both countries have the responsibility to contribute towards the achievement of a stable regional environment.

The tsunami which visited the region in the last week of December showed vividly how suddenly best-laid plans can go awry.

At the global level, we can both cooperate in addressing the challenges posed by globalisation as well profit from the opportunities offered.

However, all these desirable goals can only be achieved if our bilateral ties are kept on an even keel and politicisation of the outstanding and other issues is avoided.

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