Across the Causeway

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Across the Causeway

A Multi-dimensional Study of Malaysia-Singapore Relations

edited by

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1

INTRODUCTION

Takashi Shiraishi

This book considers Malaysia-Singapore relations from a range of disciplinary perspectives. The chapters on history, politics, regional security, law, and economics collectively aim at a multidimensional study that seeks to convey the density and complexity of connections "across the Causeway".

But this book also demonstrates the fact that the challenges of undertaking such a project are not confined to soliciting and assembling contributions from scholars in the field. The fraught legacy of historical entanglement, political union, and subsequent separation not only continues to cast a shadow over ongoing transactions and negotiations between the two countries, it also imposes burdens on scholars of Malaysia-Singapore relations. Politics is in part a matter of language, or to be more precise, loaded language. The Singaporean leadership's call for "meritocracy" was taken by the Malay leadership as an attack on the political entitlements of Malays. Lee Kuan Yew is often described as "assertive" and "temperamental"; economic success is said to have made Singaporeans "condescending" towards Malaysians. Accounts of what happened (or is happening) between Malaysia and Singapore — whether advanced by the political actors themselves or by witnesses or by those whose lives are affected by events and their consequences — thus encode standpoints and carry emotional overtones that may provoke positive or negative responses far in excess of their literal meanings. While scholarship strives to maintain critical distance from these accounts, it can only do so by working within, rather than outside of, language. If to write at all is to

necessarily write from a position, then writing cannot completely insulate itself from the politics of language that shapes politics. Indeed, scholars of Malaysia-Singapore relations have sometimes found themselves implicated, by their own use of language, in the very debates and controversies that they claim only to examine.

In light of the contentiousness of some aspects of Malaysia-Singapore relations, *Across the Causeway* adopts a decidedly eclectic approach. Each section contains essays by Malaysian, Singaporean, and third-party scholars and highlights the heterogeneity of interpretations that underpin different disciplinary approaches to the issue. That the book is edited by a Japan-based Japanese Southeast Asianist who does not specialize in Malaysia or Singapore should alert readers to the book's intention not to arrive at a grand synthesis or adjudication, but to lay out the views in such a way as to call attention to their points of convergence and divergence, and to the branching lines of inquiry that they suggest.

Before summarizing the arguments in each chapter, let me then identify five salient points that stand out in this book.

First, many of the chapters point out that geographical proximity, historical linkages, material flows, and movements have long connected the peoples and territories of what would eventually be called Malaysia and Singapore in various ways and with varying degrees of intensity. But instead of simply affirming the "natural" ties between the two, all of the chapters agree that Malaysia and Singapore, and the links between them, are eminently political creations. Even primarily economic issues have a way of being linked up with politics. While many of the chapters underscore the divisive effect of politics, they also seek to identify forces and initiatives that have helped or may help reshape the political terrain in which Malaysia-Singapore relations are played out.

Relations between Malaysia and Singapore were shaped in part by the logic and vagaries of British colonial policy and practice, particularly by British "imperial disengagement" (in the words of Anthony Stockwell) after World War II. Perhaps more crucially, and this is the second point, the chapters in this book demonstrate the ways in which relations between the two countries have been shaped by competing visions of the nation and the different trajectories taken by these countries' nation-building projects. Both Malaysia and Singapore are plural societies with multi-ethnic, multireligious, and multicultural communities. But Singapore and Malaysia have adopted two different working formulas for managing ethnic relations and achieving prosperity and stability. Malaysia's communal politics established Malay hegemony on the basis of a *bumiputra* (children of

the soil) policy anchored in a communally-organized alliance/national front system. Singapore's multi-ethnic and multi-religious People's Action Party draws heavily on the discourse of meritocracy and citizenship. The success of these two competing models of politics is at once the point of divergence and the principal sore point of contention between the two. Because both formulas worked, competition between these two models cannot be resolved in favour of moral judgments or the simple assertion of the superiority of one system over the other.

Third, the mirror in which Malaysians and Singaporeans have viewed themselves and each other was not only created out of the tumultuous history of contact, union, and separation between Singapore and Malaysia, but out of the personal, remembered experiences of their leaders, in part because in no other country has the decisions and actions of so few leaders shaped their countries' politics so powerfully. The careers of Tunku Abdul Rahman, Tun Abdul Razak and Mahathir Mohamad of Malaysia, and Lee Kuan Yew of Singapore span the periods covering the political creation of their countries and their current histories. Moreover, the loaded language with which the Malaysian and Singaporean leaders uphold their own systems or models of nation building *vis-à-vis* the other has contributed in no small end to the contentiousness of Malaysia-Singapore relations.

And yet, despite the fraught nature of Malaysia-Singapore relations, and this is the fourth point, both countries have been economically dependent on each other, and will continue to be beneficial for each other even though their economies are becoming more competitive rather than complementary in recent years. Cooperation rather than rivalry is increasingly becoming more important in such areas as security, especially in the anti-terrorism campaign, even though Singapore and Malaysia differ in their attitudes toward the issues of alignment with the United States, multilateralism, ASEAN region making, and the presence of foreign troops for enforcing maritime security in the region.

Finally, both Malaysia and Singapore are now becoming more embedded in the market-created East Asian region. As is commonly understood, Malaysia and Singapore have succeeded in their economic development and national building by relying on their export-oriented developmental strategies and on foreign direct investments. This happened, at least in part because the post-Plaza Accord currency realignment forced Japanese, South Korean and Taiwanese firms to relocate their production facilities abroad, resulting in the expansion and deepening of production and finance networks and spurring regional economic development. Regional economic development highlighted the role of "developmental states" in the East Asian Economic Miracle (as the

World Bank put it). The 1997–98 Asian economic crisis, however, marked the end of the era of East Asian developmental states. And yet, the increasing importance of regional currency cooperation as well as bilateral and multilateral FTAs (Free Trade Agreements) and EPAs (Economic Partnership Agreements) now underscores the fact that regional processes and institutions, along with market forces, are becoming crucial to any country's bid to be part of the global and regional financial and production networks, creating industrial clusters for generating jobs, and raising the standard of living and thus maintaining social and political stability. The same processes will increasingly play a part in mediating the bilateral relations between Malaysia and Singapore. As Teofilo C. Daquila rightly points out, the rise of China and India is a major challenge which Malaysia and Singapore can best confront by joining forces and pooling their resources, whether human, physical, and financial, and by positioning themselves strategically in the global and regional financial and production networks and upgrading their industrial structures.

This book consists of four topically-organized sections. The essays within each section are to be read as a cluster, even as many of their arguments resonate across other sections.

The history section opens with Chapter 2, in which A. J. Stockwell locates the origins of Malaysia-Singapore relations in the politics of British "imperial disengagement" from Southeast Asia in the wake of the ascendancy of the United States as a hegemonic power, with which Britain sought partnership. The British decision to retreat "honourably" mandated the consolidation of its interests. Attempting to retain its influence in the region, but at a reduced cost, it had initially planned the Malayan Union to pave the way for a self-governing Malaysia that would be closely associated with Singapore. But British efforts at effecting a merger were lackadaisical and distracted by the communist insurgency and communal politics. Citing the Communist threat, Lee Kuan Yew and Tungku Abdul Rahman took the initiative and worked for the merger. Events overtook the British, however, as political tensions between Singapore and Malaysia sparked the crisis of separation. Britain was forced by a combination of geopolitical and economic problems to phase out of the region east of the Suez.

In Chapter 3, Ooi Keat Gin scrutinizes what current Malaysian Prime Minister Abdullah Badawi calls the "special symbiotic relationship" between Malaysia and Singapore. He argues that in spite of these two countries' socio-economic and cultural affinity and the fact that "geographically and historically Malaysia and Singapore are a single entity", politics largely played a role in keeping these two territories separate. Historically part of the Malay world (though Ooi also notes that at various times in history, the two were aligned

with polities from what is now Thailand and Indonesia), Singapore's relations with Malaysia were redefined by the British, who linked Singapore to the Malay Peninsula and northwest Borneo while simultaneously keeping Singapore apart from peninsular Malaya by making Singapore their administrative and political centre, naval base, financial and banking centre, and free port. The separation of Singapore from Malaysia was an artifact of postwar developments. While Singaporean leaders like Lee Kuan Yew viewed the merger as a chance to gain independence, Malay leaders feared the political dominance of the economically dominant Chinese. Faced with the prospects of a decolonizing Borneo, Tungku Abdul Rahman opted for merger with Singapore. However, Ooi argues that the Singaporean People's Action Party's attempt to extend its platform for a "Malaysian Malaysia", which sought to loosen the identification of nation and state with Malay supremacy, forced the "traumatic" separation which continues to colour Malaysia-Singapore relations.

Mohamad Abu Bakar in Chapter 4 examines the politics of merger and separation from the Malaysian viewpoint. Tungku Abdul Rahman's decision to work for merger was deeply informed by the necessity of choosing between "being swamped by Singapore Chinese or the possibility of a civil war instigated by the communists using Singapore as a base". However, "Singapore began to exhibit defiance, and was seen inching towards better terms". Determined to work for the formation of the Federation, Kuala Lumpur would accept Singapore, but on its own terms. The tensions were exacerbated by the fact that in the negotiations, "[t]oo much was left unsaid, too much was thought to have been understood". The PAP "overplay[ed]" its hand by challenging the Alliance to depart from the traditional Malaysian framework. Lee Kuan Yew's "assertiveness" and the way in which he "expressed positions and ideas in an antagonistic fashion" also added fuel to the fire. The differences between the PAP and Alliance came to be embodied by the differences between Lee Kuan Yew and the Tunku, who "showed themselves to be of entirely different minds".

Carlyle A. Thayer in Chapter 5 identifies four factors that account for interdependence, unsuccessful merger, and persistence of tensions in Malaysia-Singapore bilateral relations. These are: the style of political leadership, historical legacies, Singapore's strategic vulnerability, and Singapore's contested sovereignty. Examining a number of issues in the bilateral relationship — communalism and ethnic stereotyping, tensions generated by economic interdependence, and conflicts over maritime territorial boundaries — he locates the structural tension in the two countries' differing approaches to managing ethnic relations in Malaysia and Singapore, while noting that, in light of their economic and strategic complementarity, there are grounds for

optimism that pragmatism will prevail as clashes of personalities and political style become things of the past.

In Chapter 6, Albert Lau identifies the fundamental issues which worked against the merger of Malaysia and Singapore. Key among these "strong centrifugal forces" was the fact that under British rule, Singapore experienced dramatic growth which greatly elevated its status not just within the Straits Settlements, but also within British Malaya itself. Lau traces the struggle during the 1920s and 1930s among successive governors to decentralize and recentralize Singapore's control over Peninsular Malaya. The challenges of creating a postwar regional security system had initially favoured the idea of common citizenship, which was construed by Malays as an abandonment of the pro-Malay policy. The replacement of the Malay Union with the Federation of Malaya in 1948, however, signalled British affirmation of Malay political supremacy. While the British had no problems with transferring power to Malaya, they were apprehensive about Singapore's ability to resist Communist takeover, and therefore advocated merger. Singaporean advocacy of merger was not only dictated by the fear of Communist takeover, but by Singapore's need to industrialize and gain access to the common market of Malaya. Disagreement over what kind of Malaysian nation — a Malayan Malaysia or a Malaysian Malaysia? — was compounded, or more accurately refracted, by the rivalry between the PAP and the Alliance Party. The trauma of separation, argues Lau, became the founding myth of Singapore, and was kept alive because both Malaysia and Singapore proved successful in pursuing divergent approaches and solutions for their nations.

In Chapter 7, Kamarulnizam Abdullah looks at cross-border sub-national dynamics and their impact on bilateral relations between Malaysia and Singapore. Johor's regional ties with Singapore extend back to history, but its current connections with Singapore cover important areas and issues such as the provision of labour and water, land reclamation, infrastructure building, and airspace. This close connection to Singapore has not only shaped Johor's relationship with Singapore, but crucially defined Johor's relationship with the Malaysian federal government. Johor's negotiations with both Malaysian and Singaporean authorities have enabled Johor to benefit from the economic spillover of Singapore's rapid growth while allowing it to make its voice heard in bilateral negotiations between Malaysia and Singapore.

In Chapter 8, N. Ganesan identifies geographical and historical considerations, ethno-religious issues, developmental plans and designs, and political leadership as the four major factors that have deeply informed the Malaysia-Singapore bilateral relationship or its perceptions. Malaysia's geographical size and position in maritime Southeast Asia have heightened

Singapore's perceptions of its "disadvantage". Furthermore, the political tensions following the separation have coloured the Singaporean elite's view of Malaysia while spurring it to demonstrate its capacity to overcome its disadvantage *vis-à-vis* Malaysia. While their political visions differed, in the first few decades, the economies of both countries complemented each other. In the late 1980s and 1990s, however, with the transformation of the Malaysian economy, the bilateral relationship became more competitive. Ganesan identifies three phases that have characterized Singapore's bilateral relationship with Malaysia: The survivalist phase (1965–67) marked by poor bilateral relationship; the better-managed second phase (1968–88) during which the bilateral relationship was nested within the structural confines of the Cold War and ASEAN; and the third, post-Cold War phase which has seen a renewal of turbulence with the emergence of a number of new and contentious issues, and Singapore's alignment with the United States. Ganesan notes, however, that the bilateral relationship may be redefined by Abdullah Badawi's assumption as Malaysian prime minister and Singapore's support for international arbitration and adjudication of the more recalcitrant issues.

The legal aspect of Malaysia-Singapore relations is analysed in Chapter 9. Abdul Aziz Bari examines the constitutional aspects of the admission of Singapore into the Federation of Malaysia in 1963 and its exit in 1965. Constitutional provisions were inserted to safeguard Malay hegemony. Malay leaders were deeply interested in establishing a "Malay homeland" through the Federation, but even though the Constitution enshrined formal equality, "as far as the federal arrangements are concerned they obviously smacked of inequality". Singapore, Sabah, and Sarawak in fact enjoyed provisions which did not apply to the eleven founding member states from the peninsula. The state of Kelantan challenged the formation of Malaysia on legal grounds, but lost. While the separation of Singapore in 1965 raised several constitutional issues, the separation was not litigated in court and the issues were never properly addressed. What makes the Singapore case interesting is that Singapore was treated as an "equal partner", while subsequent conflicts involving federal government and, for example, Sarawak or Kelantan, saw the central government asserting its authority to intervene decisively in the conflicts.

In Chapter 10, Carlyle A. Thayer charts the development of Malaysia-Singapore defence and security relations from the 1960s to the present. He argues that the presence of Malaysian troops on Singapore territory and the predominantly Malay composition of Singapore's armed forces at the time of separation catalyzed the formation of an ethnically Chinese Singapore Armed Forces (SAF) and the formulation of a defence doctrine of deterrence against Malaysia. In due course, however, the expansion and modernization of the

SAF led in 1984 to a change in defence policy from "poison shrimp" to Total Defence, shifting the focus of the SAF from internal security to external defence. By the 1990s the SAF had established quantitative and qualitative superiority over the Malaysian Armed Forces, and this in turn led to further changes in Singaporean defence policy from a strategy of deterrence to a combination of deterrence and offensive preemption. Although the separation agreement in 1965 underscored the indivisibility of the two countries' common defence, political disagreements between the two governments have hindered effective defence cooperation. Instead, the Five Power Defence Arrangements have provided the primary and most effective forum for cooperation and confidence building.

In Chapter 11, N. Ganesan argues that Singapore's defence policies are deeply informed by Singapore's sense of vulnerability and "anchored by a realist core strategy of deterrence that views power in essentially competitive terms". Deterrence works through Singapore's purchase of sophisticated and integrated weapons systems aimed at securing swift decisive victory and projecting massive power. On the external front, Singapore has increasingly turned to multilateralism, to ASEAN, for example, to contain Indonesian ambitions in maritime Southeast Asia, and aligned itself with the United States. Singapore's alignment with the United States may ignite tension with Malaysia, which objects to the use of foreign troops for enforcing maritime security in the waterway.

In Chapter 12, Kamarulnizam Abdullah looks at Malaysia and Singapore's security policies in the wake of September 11 and the U.S.-led "war on terror" which made Southeast Asia the second front of its international campaign. While Singapore's tough measures against Muslim radicalism fueled speculation that Singapore was anti-Muslim, Kamarulnizam noted that Malaysia's equally tough measures to contain Muslim radicalism also generated criticism of the government's politically motivated move against the opposition Islamic party. In other words, Malaysia and Singapore have similar approaches: they use preventive laws (that often seem draconian and inimical to freedom of speech and human rights) and cooperate closely to manage the threat of regional Muslim radicalism/terrorism while facing similar challenges in countering criticism that their policies are anti-Muslim. Yet Singapore and Malaysia also differ on how to manage terrorism, with Singapore relying on the regional climate and balance of power for its long-term security. Singapore and Malaysia differ on the question of endorsing the presence of U.S. forces in the straits to curb piracy and its implication for terrorism.

Teofilo C. Daquila in Chapter 13 examines the competition and complementarity of Malaysian and Singaporean economies and their different

economic policy actions and responses. He argues that export-oriented policies and foreign direct investments laid the groundwork for the economic development of Malaysia and Singapore. While the two countries compete for export markets and foreign direct investments, they also complement each other in trade, investment, and factor endowments. They differ in their policy actions and responses to inflationary pressures and the 1997–98 crisis and in their post-crisis policy directions, largely because of differences in openness. He notes the challenges posed by the rise of China and India and concludes that cooperation between Malaysia and Singapore ultimately deepens their trade and investment ties with other parts of the world and strengthens their position in global economy.

Mahani Zainal Abidin in Chapter 14 traces the colonial basis of the economic interdependence of the various Malay States and Straits Settlements and argues that this legacy formed the bedrock of post-independent Malaysia-Singapore economic relations. Analysing the relationship from the perspectives of trade, investment, and the macro- and micro-level relationship between two sovereign states, and between firms and peoples, Mahani states that during the first phase, this relationship was basically complementary, a form of partnership in which Malaysia served as the main hinterland for Singapore, while the latter provided trade logistics and services for the former. But as the two economies expanded over the decades, they became more competitive. This challenge is further complicated by the fact that economic issues tend to be braided with political and security issues. The Asian financial crisis of 1997–98 marked a turning point in Malaysian and Singaporean symbiosis. Singapore initiated bilateral trade talks with countries like Japan and the United States outside the framework of ASEAN, while Malaysia expressed fears that Singapore's moves would put less emphasis on the ASEAN integration process. However, close, stable, and complementary business links between the private sectors of the two countries remain in place, even as both countries need to meet head-on the challenges of globalization and the emerging new economies of China, India, and Vietnam. Rather than competition, Mahani advances the idea that the relationship now is more a case of "co-petition."

Finally, in Chapter 15, Linda Low and Lee Poh Onn argue that "Malaysia and Singapore function better as part of a wider grouping or when faced with a common external threat than economic twinning, complementation and cooperation would suggest." The authors point to politics as the main source of division between two economies, noting that, in fact, Malaysian strategies and policies "consciously or unconsciously mimic" those of Singapore. The bilateralism of Malaysia-Singapore relations is viewed as "non-exemplary and distract more than gel the region to be internationally competitive". Now that

the regional dimension carries weight, even Malaysia is negotiating bilateral free trade agreements with countries like Japan. Rather than seeing politics as the solution to the contentiousness of Malaysia-Singapore relations, the authors hold up the market as "the only true honest broker in helping the two parties to see a way through".

Note

I would like to thank Caroline Sy Hau, associate professor at the Center for Southeast Asian Studies, Kyoto University, and my partner, for her careful reading of, and commenting on, this introduction.

2

BRITISH POLICY ACROSS THE CAUSEWAY, 1942–71
Territorial Merger as a Strategy of Imperial Disengagement

A.J. Stockwell

The loss of Singapore in 1942 haunted the British until their final withdrawal from east of Suez nearly thirty years later. In 1970 Sir Arthur de la Mare recollected how he had been beset throughout his term as Britain's high commissioner in Singapore with daily reminders of the disaster. The "smell of our ignominy still hangs in the air", he wrote in his farewell despatch, and "it does not relieve me to recall that the military pomp and ostentation — not to say arrogance — with which we reoccupied Singapore was a sham and a fraud" since it could not "expunge the shame of 1942, and the uncomfortable knowledge that we returned on the back of the Americans".[1] De la Mare's sense of guilt was shared by many of his contemporaries who were responsible for the promotion of British interests and the enhancement of Britain's reputation in Southeast Asia. How could they regain national pride, local trust, and international respect? How could they atone for a great betrayal of subject peoples and Commonwealth allies? And, having done so, how could they conduct a final, but honourable, retreat from the empire?

The British desire to make amends for 1942 by way of a more constructive colonialism was nonetheless accompanied by a revival of imperial aspirations. In 1943–45 planners in London drew up a set of new arrangements for Britain's

disparate Southeast Asian territories. These plans were designed, first of all, to enable recovery after the Japanese Occupation and to promote the economic development of a dollar-earning area. In addition, but no less importantly, they would rehabilitate British authority east of Suez and reinforce the link with Australasia. At the same time, foundations would be laid for a stable and eventually self-governing successor state (or states) through which Britain might play a world role at reduced cost. The Malayan Union scheme of 1946–48 was intended as the first stage of a "grand design" for the systematic consolidation of British interests that would culminate in the inauguration of Malaysia in September 1963. Central to its success was the close association of peninsular Malaya and the island of Singapore, and so intense was Britain's commitment to forging links across the causeway that Malaysia's first prime minister, Tunku Abdul Rahman, later complained that he "had no choice" but to give into British pressure for merger.[2] Examination of British records reveals, however, a more equivocal and circumspect approach on the part of ministers and officials than the Tunku's recollection suggests. The British were instinctively wary of plans and timetables. In peacetime they were far from single-minded in the pursuit of merger. They disagreed over its merits and, conscious of their declining power, were reluctant to court failure by imposing solutions or forcing the pace.

LOOKING FORWARD: SEPARATE OR TOGETHER, 1942–45?

The British official mind distrusted theory and eschewed analytical models with pretensions to universal validity. In general, ministers and officials were inclined to allow "constitutional development in the Colonial Empire… to pursue its natural course".[3] They were more at ease drawing analogies between various colonial situations than imposing templates upon them.[4] As Lord Cranborne (Secretary of State for the Colonies) explained to the Chinese ambassador, less than eight months after the fall of Singapore, "The one thing that had impressed itself most upon my mind during the six months that I had been in the Colonial Office was that it was almost impossible to lay down a cut and dried policy applicable to all colonies alike."[5] Although nine months later Cranborne's successor pledged "to guide Colonial people along the road to self-government within the framework of the British Empire",[6] policy-making continued to be reactive and expedient. The Malayan Union was the exception that proved this rule. It was one of several wartime schemes that marked a radical swing to the metropolitan direction of the colonies. Being a product of wartime crisis, the Malayan Union was an uncharacteristic

attempt at state planning. Its failure signalled a return to old and trusted ways. In the empire generally, and in Malaya after the crisis over the Union scheme, pragmatism determined the making and implementation of postwar policy. For example, three months after Federation had replaced Union in Malaya, H.T. Bourdillon surveyed policy-making in the round from his position as head of the Malaya Department at the Colonial Office (CO). In a candid note, which acknowledged the idealism and ambitiousness of experiments then sweeping the colonial empire, Bourdillon pointed out that he and his colleagues had nonetheless been working "in a state of mind bordering on unconsciousness". As in the past, so in what were supposed to be more enlightened times "we have never really looked ahead. We have worked from day to day, coping with problems, usually in a great hurry, when they have become so compelling that to cope with them has been the line of least resistance". In particular "political development has been conceded rather than encouraged". What success there had been, he commented wryly, was "an immense tribute to the British genius for doing, on the whole, the right thing without knowing what we are doing or why we are doing it". Lest the empire be lost in a fit of absence of mind, Bourdillon suggested somewhat teasingly, the time had come "when we can no longer continue in ignorance of our own intentions".[7]

By the end of 1948 the Cabinet had firmed up colonial strategy to the extent of grouping dependencies in three classes:

1. those which had the potential to achieve full independence;
2. those which might combine with others to form units capable of full independence; and
3. those which fell into neither of the first two categories and were variously called "smaller territories", "city states", or "fortress colonies".

Though it was publicly committed to the principle of self-determination, the British government insisted that "full independence can be achieved only if a territory is economically viable and capable of defending its own interests".[8] Nor would it entertain claims to self-determination that flew in the face of British interests. The options for the constitutional advance of smaller territories were therefore limited. Their predicament became more pressing as Asia threw off western rule and the British empire shrank. When larger colonies achieved independence, smaller ones became dangerously marooned. Standing alone they could be exposed to the irredentist ambitions of more powerful neighbours, as British Honduras might be to Nicaragua, the Falkland Islands to Argentina, Gibraltar to Spain, or Hong Kong to China. Given the strategic

importance of "fortress colonies" during the Cold War, a minister insisted in 1954 that certain territories, notably Cyprus, could "never" expect to be fully independent.[9] On similar grounds, "the proposition 'Because Singapore is nearly all Chinese in race, it ought to be part of China' " was unthinkable.[10] On the other hand, the British government was exposed to international embarrassment when smaller Caribbean islands, the Falkland Islands, and Gibraltar were too vocal in claiming the right to shelter indefinitely under the British umbrella in a quasi-colonial relationship.[11]

Which of the three categories identified above was appropriate to the circumstances of Malaya and Singapore? Could each stand alone? Should they join together? Long regarded as both the Venice and the Malta of the East, Singapore was a fortress colony as well as a city state. Its fortunes were also entwined with those of the peninsula. Indeed, by 1941 Singapore had developed into the metropolis of British Malaya, "a city as large in relation to the country as a whole as London is in relation to the United Kingdom".[12] Strategically, too, mainland and island were inter-dependent. Indeed, the Japanese invasion devastatingly proved that Singapore was not an impregnable bastion that could be insulated from the rest of Malaya. When they looked to the future, the British recognized that Singapore was too small, too vulnerable, and strategically too significant to stand alone. Yet they also accepted that not even the most enlightened colonial rule could keep it safe indefinitely. On the contrary, its colonial status made Singapore an obvious target for communist subversion during the Cold War. As the politics of the Chinese majority (particularly the Chinese-educated) grew more militant in the 1950s, British ministers, officials, and the military feared that the island might become an outpost of the People's Republic of China (PRC). It could become "the Cuba of the East", in contrast with Hong Kong — "the Berlin of the East" — whose autonomy, notwithstanding internal unrest and proximity to China, was preserved by its economic value to the PRC and its importance to the United States as a "symbol of the free world". So far as the British were concerned, therefore, the only route to independence which was open to Singapore was through merger with Malaya. Although they would not go so far as to say that Singapore "belongs to Malaya" like "a West Irian to which the Tunku can lay unassailable claim",[13] they insisted that the peace and prosperity of the peninsula were crucial to the well-being of the island and, contrariwise, that "Singapore was vital to the Federation both economically and strategically".[14]

Yet the relationship between island and mainland was never harmonious and we have to go back to the Malayan Union experience in order to comprehend Britain's cautious approach to merger between 1946 and

1961. Wartime planners had been in two minds about joining island and mainland: some had argued that their separation was unthinkable; others had insisted that its ethnic composition, economic characteristics, and strategic significance necessitated "a special status" for Singapore.[15] It was the second view that had prevailed in 1944. Fearing that the inclusion of Singapore's Chinese in the proposed Malayan Union might jeopardise the whole project by antagonizing peninsular Malays, ministers had decided that the "new constitutional arrangements for Malaya should provide for the special treatment of the port and Island of Singapore, in the early stages at any rate, in view of its distinctive characteristics in the Malayan picture".[16] Looking to the future, the government had made it clear that it had "no desire to preclude or prejudice in any way the fusion of the two Administrations in a wider Union at any time should they both agree that such a course were desirable".[17] Britain's failure to win local support for the Malayan Union and especially the hostility which the scheme had provoked from Malays appeared to endorse the wisdom of making haste slowly towards territorial consolidation. There were, it is true, some dissenting voices. For example, a junior minister in the Labour government, argued that, since "it is inevitable that some day Singapore must be brought into the Federation, I suggest that it should be done at once".[18] Nevertheless, the public statement of 1947 that "the question of Singapore joining in a Federation should be considered on its merits and in the light of local opinion at an appropriate time" became a ministerial mantra.[19] In contrast to the metropolitan planning of 1943–45, the running was now made by men on the spot and the approach became more ad hoc.[20] "Merger, not now but not never" was the watchword. Far from peacetime developments drawing the territories together, however, they pushed them apart. In July 1965, on the eve of Singapore's secession from Malaysia, Britain's high commissioner in Kuala Lumpur would conclude that the root of the current crisis lay in "the fact that from the time of the ill-fated Malayan Union in 1946–48, Malaya and Singapore, though a geographical entity, went their separate ways to independence".[21]

MERGER, NOT NOW BUT NOT NEVER, 1945–61

The task of attempting to create a favourable "climate of opinion", to encourage consultations across the causeway at both official and unofficial levels, and, if possible, to present any initiative as coming from local leaders fell primarily to the governor-general (later commissioner-general). Soon after he took up this post in 1946, Malcolm MacDonald let it be known that he "felt that an early examination of the problem was desirable".[22] At first, he encouraged

the governments of Singapore and the Federation to examine the matter; later he opened discussions to the unofficial community. Optimistic though MacDonald was about the prospects of agreement, his hopes were regularly dashed by local inertia, resistance, and conflicting views. First of all, official unanimity was breached by British administrators in Kuala Lumpur and Singapore who championed the discrete interests of their territories. As the secretary of state put it a few years later, senior officials, "by reason of their office" were wont "to speak from a particular standpoint" and, in so doing, projected "different aspects of what is a single and intractable problem".[23] High commissioners in Kuala Lumpur, like Gent, Gurney, and MacGillivray tended to drag their feet on closer association, while governors in Singapore such as Gimson and Nicoll were more enthusiastic. In addition, the problems of internal security from mid-1948 onwards were frequently cited as reasons for delaying, instead of hastening, closer association. Both communist insurgency and communal politics distracted attention from territorial consolidation and MacDonald faced "the difficulty of getting anyone to take the initiative".[24] The possibility of fusion sometime in the future held few attractions for local politicians who focused on issues closer to heart and home. No leader seeking Malay support in the Federation would welcome the addition of Singapore's Chinese, while Singaporeans, for their part, were "not anxious to assume the burden of a Federation whose budget is seriously unbalanced by the Emergency".[25] In 1953 the Colonial Office summed up the position on merger as follows: "There are no 'plans'. There are however general policies which we have hitherto not been able to achieve."[26]

As insurgency dragged on in Malaya and subversion threatened Singapore, some questioned the principle that the initiative for merger should arise from the people themselves. The Chiefs of Staff regarded the Federation and Singapore as a unit for defence and urged that the two territories should cease to be governed separately. Divided, they would fall. Since "Singapore could not in fact exist independently" and was in danger of succumbing to "the influence of China, India or Indonesia", Gimson argued that "the sooner they could move towards fusion with the Federation the better".[27] Two years later General Templer, supported by the Chiefs of Staff, attacked the inclination of civilians to let matters drift. The crisis in internal security, he said, necessitated merger. Moreover, if no action were taken soon, there was a danger of Malaya gaining self-government on its own. He therefore demanded "some forthright declaration from London".[28] In fact, it was as clear to the civil authorities as it was to the military that "with the passage of time, it may become increasingly difficult for the two territories to come together".[29] For its part, however, the Colonial Office was not convinced that the answer

lay in "a robust and forceful directive from H.M.G.".[30] Urgent though the security issue was, precipitate action might aggravate the problem, not resolve it: "to attempt to force the pace before the Malays have come to feel that they have some chance of making good in the economic and professional fields, would only cause revulsion of Malay feelings with all the security consequences that that would entail, and possibly throw the Malays into the arms of Indonesia".[31] Consequently, senior officials in the Colonial Office resisted Templer's demand for "a definite lead from London" and managed to persuade him to accept that "the time is not yet ripe for a statement of policy by H.M.G.".[32] Instead, a fresh attempt at local consultation was launched by MacDonald, but, within a year, it had been "badly left behind by events both in Singapore and the Federation".[33]

The events that once again arrested progress towards closer association were the constitutional changes that culminated in popular, but separate elections in the Federation and Singapore.[34] The results of these elections confirmed Malay political supremacy in the Federation, reinforced Chinese chauvinism in Singapore, and confirmed the territories on deviating constitutional trajectories. In 1956 two constitutional conferences were held in London. At the first — for the Federation — the British promised Tunku Abdul Rahman independence by August 1957; at the second — for Singapore — they rejected David Marshall's demand for full internal self-government. By now the British were encountering in Singapore problems with which they were familiar in other valued, but vulnerable, "fortress colonies" across the dying empire. As Lennox-Boyd advised his Cabinet colleagues, Singapore had "all the elements of another 'Cyprus' ".[35] There were dangers at every turn. Firstly, the continuation of colonial rule would provoke resistance and "could quickly lead to a 'Saigon' situation in the Island with our scattered defence facilities the targets for strikes and sabotage and our own people living behind barbed wire".[36] A second option, that of British disengagement, was equally unattractive: premature withdrawal "might lead to the Communists in Singapore gaining control" and to "the vacuum left by the United Kingdom" being in effect "filled by Communist China".[37] The very mention of "premature withdrawal", indeed, brought back the nightmare of 1942; another betrayal of subject peoples, another blow to Britain's reputation would be unbearable. The secretary of state, therefore, saw no alternative to Singapore's ultimate merger with the Federation. "Independence for Singapore is a delusion," he wrote.[38] Yet, while Lennox-Boyd was convinced that "sooner or later, Singapore must reunite with the Federation of Malaya", like his predecessors, he insisted that merger should be achieved through mutual agreement and "not under pressure from Her Majesty's Government".[39] With the Federation proceeding

full-steam ahead to Merdeka while Singapore was immobilized by internal strife,[40] how much delay could be brooked before separate developments passed the point of no return?

Not only did merger seem further away than ever, but its advantages were being questioned in some quarters. Union with the Federation might not turn out to be the panacea for the region's troubles. It would not necessarily save the island from subversion and the "clutches of Communist China", and it could well fan the embers of insurgency on the mainland.[41] Sir Robert Scott (Commissioner-General, 1955–59), whose views on Southeast Asian defence were closer to those of the Chiefs of Staff than MacDonald's had been, advised that Britain could rely on the military base only for as long as Singapore remained outside an independent Malaya. Its integration within a sovereign Federation would weaken Britain's title to the base and could place intolerable limitations on its use. If this were to happen, there would be dire consequences for, firstly, British influence in the region, secondly, Commonwealth relations, and, thirdly, the Anglo-American partnership. With all this in mind, the Cabinet stipulated before Singapore's next constitutional conference that when "it became practicable to advance towards the ultimate objective of unification of the Colony and the Federation of Malaya… an essential condition of such unification would be our retention of the right to maintain a major military base at Singapore".[42]

After Malaya had become independent (1957) and Singapore had achieved internal self-government with Lee Kuan Yew's non-communist People's Action Party in charge (1959), the future of the base once again came under scrutiny. In February 1960 an official study of British future policy in the world concluded:

> There is a danger that in future the effort involved in maintaining our position in Singapore may be out of proportion to our interests in doing so particularly if political developments in Singapore or Malaya were to lead to serious restrictions on the full use of the base facilities. Before the end of the decade we may have to abandon it as a base. If this happens no substitute would be entirely satisfactory… It seems clear that it is in our interest (and in that of the West as a whole) to stay in Singapore for as long as possible.[43]

The British government was, therefore, content to reiterate its commitment to political merger while doing little, if anything, to bring it about. As Iain Macleod explained to the Cabinet's Colonial Policy Committee in July 1960:

> We have always had in mind that Singapore and the Federation of Malaya would one day merge and have publicly blessed this idea on more than one occasion… We recognise that such a political union is not likely to take place in the near future, because the Federation do not want it. But from the defence point of view that suits us. Union with the independent Federation would end our constitutional right to the base in Singapore and we should be dependent at best on a treaty arrangement.[44]

MERGER NOW OR NEVER, 1961–71

A year later, however, Lord Selkirk (Commissioner-General, 1959–63) was urging Macleod to adopt a "crash programme" for territorial consolidation: "unless Greater Malaysia can be achieved in the near future, the opportunity may be lost for good".[45] If it were to be done, it were best to be done quickly. Why this change of attitude? Crisis had created opportunity. Even so, it was not the British who took the initiative in 1961, nor were they unanimous about ends and means. Nor again did they establish control over developments. Rather they were moving with the tide in the affairs of other men. In order to forestall a likely communist takeover in Singapore, it had been Lee Kuan Yew who had pressed for, and Tunku Abdul Rahman who had proposed, an immediate move to merger within the wider framework of a "Greater Malaysia" that might include North Borneo (Sabah), Sarawak, and Brunei. This initiative was not without risk. Indeed, on many occasions during the following two years, negotiations almost foundered on account of subversion in Singapore, opposition from the Borneo territories, confrontation with Indonesia, and disputes between Malaya and Singapore over arrangements for citizenship, internal security, trade, and taxation. The perceived benefits to Britain of this "grand design" were the stability it would bring to Singapore, the opportunity it would provide for ending colonial rule in Borneo, and the possibility it would offer to cut intolerable defence costs. But there was considerable debate within government over the likely impact of the "grand design" on Britain's military role in the region (the concern of the Chiefs of Staff and Ministry of Defence), on its relations with allies and other powers (the preoccupation of the Foreign Office), and on its position within the Commonwealth (championed by the Commonwealth Relations Office). Furthermore, often in the teeth of criticism from other ministries, the Colonial Office was adamant that British obligations to the peoples of Borneo should not be sacrificed for the sake of a quick fix of the problems of Malaya and Singapore.

Tired and entangled in the colonial legacy, the British did not support Malaysia in the confident expectation that it would allow them to pursue imperialism by other means. Rather they hoped that it would enable them to effect much-needed cuts in expenditure without undue damage to their influence and reputation. But their conflicting commitments and declining power contributed to misgivings about the project. Fear of failure pervaded, firstly, talks with the Federation about the future of the military base, secondly, the convoluted negotiations (in which Britain's role was often only peripheral) between independent Malaya and self-governing Singapore, thirdly, the Tunku's mercurial courtship of the Sultan of Brunei, and, finally, the prolonged process to ascertain the views of the Borneo peoples. British frustration with the mood swings of participants — especially those of the Tunku and Lee Kuan Yew whom they compared to "oil and water" — turned to desperation when events after the Manila summit (July–August 1963) led to the postponement of Malaysia Day, the abrasive Duncan Sandys was despatched to the region on a mission to prevent indefinite delay. In short, although the Tunku's initiative of May 1961 offered the first chance since 1945 to achieve the goal of merger, the Macmillan government had grave doubts about its feasibility and its value. In the prime minister's view "it seemed likely that we should be faced with grave problems whether or not Greater Malaysia were achieved".[46]

As Macmillan had foreseen, Britain's problems in Southeast Asia did not disappear with the establishment of Malaysia. A scheme that was expected to rid Britain of colonial embarrassments and reduce defence expenditure instead heaped upon the accusations of neo-colonialism and the costs of armed confrontation with Indonesia. Since Britain still laboured under commitments acquired in a former age when a presence in both Southeast Asia and the Middle East had been necessary "to safeguard our position in India", ministers felt the time had come to "consider realistically the economic and political consequences of withdrawal" from Southeast Asia.[47] On the one hand, it was accepted that "politically we have a substantial interest in preventing its absorption by Communism, and we need to maintain our effort in the area if we are to keep our position as a world power and the United States' principal partner".[48] On the other hand, however, it was calculated that "the total cost of maintaining our forces east of Suez was rising towards some £600 million a year"[49] which was not offset by commercial gain because "South-East Asia is of relatively little economic importance to Britain".[50] Nevertheless, officials appeared sanguine that "while our policies in the short term will continue to require a substantial military involvement, it is reasonable to hope that in the longer term the need for this may greatly diminish in that a reasonably stable balance of power may have been reached".[51]

"Is Malaysia worth defending?" When three months after its inauguration, Lord Head (Britain's High Commissioner in Kuala Lumpur) had addressed this question, he had concluded that it was. British interests, together with those of both the island and the mainland, appeared to depend upon its success. The "break-up of the federation would almost certainly undermine and eventually destroy our position in Singapore". Because, therefore, "our presence in Singapore is inextricably bound up with the continuance and success of the new federation its prospects of survival must have great strategic importance".[52] By July 1965, however, Head was not so sure. Merger had neither resolved racial differences nor removed the economic and political tensions between island and mainland. On the contrary, a struggle for power between Kuala Lumpur and Singapore had reached crisis point. In addition to the untoward cost of containing a bellicose Indonesia, Head envisaged circumstances in which Britain might be called upon to restore law and order inside Malaysia. "It would in my opinion be contrary to our long-term aims in South-East Asia," Head advised the Commonwealth secretary, "if we found ourselves allied to and supporting by military force a Government which, by that time, was considered unpopular and reactionary throughout South-East Asia." For, he continued, "to contemplate as a long-term policy after confrontation is over the retention of British troops in Singapore and Malaya must risk the possibility of our role here resembling, though in a lesser degree, that of the United States in South Viet-Nam". Although he still hoped that Malaysia would get through the next few years without serious domestic unrest, Head strongly recommended against basing future policy on such an assumption. Instead he recommended that "we should create for ourselves, if we intend to stay in the area, some liberty of action which would enable us to phase out of Malaysia if circumstances and our own interests so demand".[53]

This assessment came at a time when the government of Harold Wilson was reviewing its extensive commitments east of Suez. When it took office in October 1964, the Labour government was presented with the conclusions of Whitehall's Long-Term Study Group that Britain's presence east of Suez would be insupportable by the 1970s. Since the Labour government was committed to the modernization and economic recovery of Britain, while the Parliamentary Labour Party opposed support for America's war in Vietnam and criticized Britain's rising defence budget, it might be thought that the Wilson government would have readily agreed to withdraw from east of Suez. In fact, reaching this decision was an erratic process, complicated by ministerial equivocation, departmental battles and general anxiety regarding the likely reactions of friends and allies abroad.[54] The Secretary of State for Defence, Denis Healey played a crucial role by insisting on reductions in

political commitments rather than piecemeal cuts in the defence budget. The implementation of this principle reversed the cheese-paring practice of years and pointed inexorably to total and simultaneous withdrawal from the Gulf and Singapore. In the end it was the devaluation of the pound in November 1967 that precipitated action. Lee Kuan Yew was dismayed by the decision, not least by the prospect of job losses. Some Australians compared it with the so-called "great betrayal" of 1942. In Washington, Dean Rusk "could not believe that free aspirins and false teeth were more important than Britain's role in the world".[55] At home the Conservatives accused Labour of "scuttle", but, when he became prime minister in June 1970, Edward Heath did not reverse the decision. Instead he modified it to the extent of stationing a small force in Singapore and concluding the Five Power Defence Arrangement with Australia, Malaysia, New Zealand, and Singapore.

"Far-called, our navies melt away". On the eve of this recessional, as we saw at the start of this chapter, the British high commissioner in Singapore revealed "an humble and a contrite heart" regarding Britain's military deficiencies in 1942 and the lavishness of its postwar military establishment. Warning his countrymen against putting "trust in reeking tube and iron shard" or, in his own words, the "garish display of military extravagance" which may have been "appropriate to the imperial days of Kipling" but was "incongruous and unseemly in today's world", Sir Arthur de la Mare urged them instead to be guided by the life and works of Stamford Raffles and to take pride in "honourable endeavour and achievement". Raffles had come to Singapore as a trader, not as a soldier. He was "the national hero" for Singaporeans and should be an inspiration for Britons too. Since it would be "by trade that his vision will be accomplished", so, wrote de la Mare, "our entrepreneurs, our investors and our businessmen … must lead for Britain in Singapore in the 1970s".[56] However, the British government had largely ignored British businessmen when it had decided, first, to support the merger of mainland and island, then to acquiesce in their separation, and, finally, to withdraw from the Singapore base. Consequently, as the captains and the kings departed, the merchants and the bankers discovered that British trade and investment, like British political clout and military might, were of diminishing significance in post-colonial Southeast Asia.[57]

Notes

1. Sir A. de la Mare to Sir A. Douglas-Home (Foreign Secretary), 2 October 1970, The National Archives, Kew (NA), FCO 24/885.
2. Tunku Abdul Rahman Putra Al-Haj, *Looking Back* (Kuala Lumpur: Pustaka Antara, 1977), p. 128.

3. "The Future of Commonwealth Membership," report by the Cabinet Committee (Official) on Commonwealth Membership, 21 January 1954, NA, CAB 134/786, CCM(54)1.
4. Parallels were drawn, for example, between the "grand design" for "Greater Malaysia" and federal schemes for Central Africa and the West Indies, and also between Singapore and Cyprus, although one official expostulated: "God forbid we should turn Singapore into anything like another Malta." A.M. MacKintosh, 29 September 1953, cited in J.H. Pullé, "The Management of Political Change: British Colonial Policy towards Singapore, 1942–1954." (PhD thesis: University of London, 1991), p. 266 note 11.
5. Lord Cranborne, record of conversation with Chinese ambassador, 1 October 1942, in A.J. Stockwell, ed., *British Documents on End of Empire: Malaya* (London: Stationery Office, 1995) (hereafter *Malaya*), document 10.
6. O. Stanley (Secretary of State for Colonial Affairs), House of Commons, 13 July 1943, *Parliamentary Debates* vol. 391, col. 48.
7. "Reflections on Colonial Office Organisation", note by H.T. Bourdillon, 10 May 1948, in Ronald Hyam, ed., *British Documents on End of Empire: The Labour Government and the End of Empire 1945–1951* (London: Stationery Office, 1992) (hereafter *Labour Government*), doc. 70.
8. "Constitutional Development in Smaller Colonial Territories", memorandum by A. Creech Jones (Secretary of State for the Colonies) for the Cabinet Commonwealth Affairs Committee, 8 December 1948, CAB 134/55, CA(48)19. See also W. David McIntyre, "The Admission of Small States to the Commonwealth," *Journal of Imperial and Commonwealth History* 24, no. 2 (1996): 244–77.
9. H. Hopkinson (Minister for the Colonies), House of Commons, 28 July 1954, *Parliamentary Debates* vol. 531, cols. 504–11.
10. S. Caine (Colonial Office, CO) to G.E. Gent (CO), 1 December 1943, *Malaya*, doc. 19.
11. Assimilation with an independent state was accepted by the United Nations as an expression of self-determination. Complete assimilation within the United Kingdom was at one time proposed for Malta. North Borneo (Sabah), Sarawak, and Singapore were deemed by the United Nations to have been decolonized when they acceded to the independent Federation of Malaya in 1963.
12. Caine to Gent, 1 December 1943, *Malaya*, doc. 19.
13. P.B.C. Moore (Deputy High Commissioner, Singapore) to W.I.J. Wallace (CO), 8 November 1961, NA, CO 1030/985, no. 892.
14. M. MacDonald (Commissioner-General, SE Asia) at the Commissioner-General's Conference attended by the Secretary of State for the Colonies, 7 June 1950, *Malaya*, doc. 218.
15. For example, memorandum by W.B.L. Monson (CO), 20 March 1943, *Malaya*, doc. 12.
16. "Draft Directive on Policy in Malaya", 18 May 1944, *Malaya*, doc. 25.
17. "Future Constitutional Policy for British Colonial Territories in South-East Asia",

memorandum by Stanley, 14 January 1944, *Malaya*, doc. 21. This intention was reiterated in *Malayan Union and Singapore: Statement of Policy on Future Constitution*, Cmd 6724, 1946.

18. Report on a visit to Malaya by Ivor Thomas (Parliamentary Under-Secretary, CO), 22 February 1947, *Malaya*, doc. 115.
19. *Federation of Malaya: Summary of Proposed Constitutional Arrangements*, Cmd. 7171, 1947.
20. Pull, "The Management of Political Change", p. 263.
21. Lord Head to A. Bottomley (Secretary of State for Commonwealth Affairs), 21 July 1965, NA, PREM 13/430.
22. Minutes of Governor-General's Conference, 20–21 August 1946, *Malaya*, doc. 98.
23. Cabinet memo on Singapore by A. Lennox-Boyd (Secretary of State for the Colonies), 14 April 1956, in David Goldsworthy, ed., *British Documents on End of Empire: The Conservative Government and the End of Empire 1951–1957* (London: Stationery Office, 1994) (hereafter *Conservative Government 1951–1957*), doc. 356.
24. See, for example, CO record of a meeting with MacDonald, April 1948, *Malaya*, doc. 141.
25. "The Colonial Empire Today", CO International Relations Department, May 1950, *Labour Government*, doc. 72, para. 30.
26. "Political Objectives in British Territories of South East Asia", CO memorandum for Ministry of Defence, 10 March 1953, *Malaya*, doc. 293.
27. Minutes of the Commissioner-General's Conference, 7 June 1950, *Malaya*, doc. 218.
28. Minute by J.J. Paskin (CO) to Sir T. Lloyd (Permanent Under-Secretary, CO), 10 December 1952, *Malaya*, doc. 286.
29. Minute by J.D. Higham (CO) to Paskin, 20 January 1953, *Malaya*, doc. 288.
30. Minute by Paskin to Lloyd, 5 March 1953, *Malaya*, doc. 292.
31. Higham to Paskin, 20 January 1953, *Malaya*, doc. 288.
32. Note of a meeting of CO officials with Sir G. Templer and Sir J. Nicoll, 18 May 1953, *Malaya*, doc. 300.
33. Minute by R.L. Baxter (CO), 7 April 1954, quoted in Pull, "The Management of Political Change", p. 267.
34. On 2 April 1955, MacDonald reported to Lennox-Boyd that examination of closer association would be suspended until after the elections in Singapore and Federation. Replying on 2 June, Lennox-Boyd warned against any appearance of hastening towards merger during the forthcoming elections. *Malaya*, docs. 346 and 349.
35. Cabinet memorandum on Singapore by Lennox-Boyd, 14 April 1956, *Conservative Government 1951–1957*, doc. 356. Four years later, the prime minister reflected: "If we had not given internal self-government we should by now have a Cyprus situation in Singapore with the Chinese playing the part of the Greeks. As it is,

we at least have a Government in Singapore which is not pro-China." Macmillan to Selkirk, 17 March 1960, in Ronald Hyam and Wm Roger Louis, eds., *British Documents on End of Empire: The Conservative Government and the End of Empire 1957–1964* (London: Stationery Office, 2000) (hereafter *Conservative government 1957–1964*), doc. 260.

36. Cabinet memorandum by Lennox-Boyd, 14 April 1956, *Conservative Government 1951–1957*, doc. 356.
37. "Future Constitutional Development in the Colonies", report of the officials' committee, May 1957, *Conservative Government 1957–1964*, doc. 2 para. 262.
38. Cabinet memorandum on Singapore by Lennox-Boyd, 23 March 1956, *Conservative Government 1951–1957*, doc. 355. Now Chief of the Imperial General Staff, Templer strongly agreed: "Singapore could not achieve independence except through federation with Malaya. Singapore was too small and too vulnerable to maintain a separate existence, and there was a serious risk that it would turn into a Communist satellite." Ibid., doc. 357.
39. Cabinet memorandum on Singapore by Lennox-Boyd, 23 March 1956, ibid., doc. 355.
40. Riots in October 1956 resulted in thirteen dead, 123 injured, and hundreds arrested.
41. The view of MacGillivray as recorded by Lennox-Boyd, Cabinet memorandum, 14 April 1956, *Conservative Government 1951–1957*, doc. 356.
42. Cabinet conclusions, 4 March 1957, *Conservative Government 1957–1964*, doc. 256.
43. "Future Policy Study, 1960–1970", Cabinet memorandum, report of officials' committee, 24 February 1960, *Conservative Government 1957–1964*, doc. 17, paras 85–87.
44. Memorandum by Macleod (Secretary of State for the Colonies) for the Cabinet Colonial Policy Committee, 15 July 1960, NA, CAB 134/1559, CPC(60)17. It was because Singapore could not be viewed in isolation from Malaya that, in the event of their political merger, the government indicated its expectation to extend the Anglo-Malayan Defence Agreement, which was signed just after Malayan independence, to cover Singapore.
45. Selkirk to Macleod, 16 September 1961, CO 1030/983, no. 615.
46. Cabinet Defence Committee meeting minutes, 25 October 1961, NA, CAB 131/25, D14(61)6.
47. Cabinet Defence Committee meeting minutes, 9 February 1963, *Conservative Government 1957–1964*, doc. 69.
48. "British Policy Towards South-East Asia", Foreign Office memorandum for Cabinet Defence and Oversea Policy (Official) Committee, 22 September 1964, ibid., doc. 79.
49. Cabinet Defence Committee meeting minutes, 9 February 1963, ibid., doc. 69.

50. "British Policy Towards South-East Asia", 22 September 1964, ibid., doc. 79.
51. "Report of the Long-Term Study Group", Cabinet Defence and Oversea Policy (Official) Committee, 12 October 1964, ibid., doc. 80, para. 28.
52. Head to Sandys (Secretary of State for the Commonwealth and Colonies), 11 December 1963, ibid., doc. 270.
53. Head to Bottomley, 21 July 1965, PREM 13/430.
54. See Saki Dockrill, *Britain's Retreat from East of Suez: The Choice between Europe and the World* (Basingstoke: Palgrave Macmillan, 2002).
55. Rusk at a meeting with G. Brown (Foreign Secretary), Washington, 11 January 1968, PREM 13/2081.
56. de la Mare to Douglas-Home, 2 October 1970, FCO 24/885.
57. See Nicholas J. White, *British Business in Post-Colonial Malaysia, 1957–70: "Neo-colonialism" or "Disengagement"?* (London: Routledge, 2004), and Introduction to A.J. Stockwell, ed., *British Documents on End of Empire: Malaysia* (London: Stationery Office, 2004).

3

POLITICS DIVIDED
Malaysia-Singapore Relations

Ooi Keat Gin

Geographically and historically Malaysia and Singapore are a single entity. However, political interests and priorities cast them asunder into two separate, and even antagonizing, entities. Political agendas and considerations severed the social, economic, cultural, and historical relations between these two nation states.

UNITY IN GEOGRAPHY

The Federation of Malaysia is a political entity of a nation-state created in 1963 that comprised West or Peninsular Malaysia and East Malaysia. West Malaysia consists of the Malay Peninsula with nine Malay sultanates (Perlis, Kedah, Kelantan, Terengganu, Pahang, Perak, Selangor, Negeri Sembilan, and Johor), Penang and Melaka, and the Federal Territory in which is located the capital city of Kuala Lumpur. (Putrajaya, situated some 40 kilometres from Kuala Lumpur is the newly established administrative centre of the country). East Malaysia comprised the Bornean states of Sabah (North Borneo before 1963) and Sarawak and the Federal Territory of Labuan, an island off the southwest coast of Sabah. The Republic of Singapore that came into being in 1965 is located off the southern tip of Peninsular Malaysia. The narrow Tebrau Strait or Straits of Johor separates the island republic from the peninsula mainland. A causeway and a bridge link Singapore to West Malaysia.

Geographically, it is visibly apparent that Singapore is a natural appendage to Peninsular Malaysia in geological and physical terms.[1] The island in past geological times was in all probability a part of the peninsula and represents a breakaway from its tip. In close proximity to the equator (between latitudes 2° and 6° North), Singapore and Peninsular Malaysia share an all-year-round hot, wet and humid equatorial climate, as well as similar flora and fauna. Average temperatures range from 25° to 35° C with highland areas enjoying cooler conditions. Annual precipitation is between 2000 and 4000 millimetres. Both Peninsular Malaysia and island Singapore are in the monsoon zone, with the northeast monsoon blowing from the South China Sea and bringing higher rainfall from November to January to the eastern shores. From June to October the southwest monsoon is dominant, but it is not as wet hence there is lesser precipitation during this period.

From the perspective of historical geography, the island of Singapore is represented as part of the Malay Peninsula collectively referred to by the Greeks as the Golden Khersonese. By the first century CE it acquired the name *Survanabhumi* or Land of Gold, courtesy of Indians from the sub-continent.[2] Not that gold was extensively worked in the peninsula and/or on the island, but the perception of a wealthy land attracted priests and traders from India.

SHARED SOCIAL AND CULTURAL HERITAGE

Contemporary Malaysia and Singapore are home to a variety of ethnic communities with the dominant groups represented by Malays, Chinese, and Indians. Whilst Malays comprise the majority of West Malaysia's population, Chinese overwhelmingly dominate Singapore's demographic pattern. Malays are a minority community in Singapore whilst Chinese are a fairly significant minority in Malaysia. Indians remain a minority in both Malaysia and Singapore. In fact West Malaysia is looked upon as the ancestral home of most of Singapore's Chinese and Malay inhabitants.

The demographic evolution of Peninsular Malaysia and Singapore took off dramatically and in earnest from the second half of the nineteenth century.[3] By the time Indian traders and priests arrived in the Malay Peninsula at about the first century CE, there were settled Malay communities on the coast and aboriginal peoples referred to as Orang Asli (lit. indigenous or original people) who were mainly hunter-gatherers in the forested interior. Tumasik (Temasek), the old name of Singapore (corrupted from the Malay, *Singapura*, meaning "Lion City") was a territory of Srivijayan Palembang. However on the eve of the establishment of the Malay kingdom of Melaka in the early fifteenth

century, the declining fortunes of Srivijaya saw the island being claimed as an Ayutthayan vassal. Malays were already settled on the island as well as Orang Laut or Sea Gypsies/Nomads.[4] When the Srivijayan prince from Palembang fled northwards from Tumasik to escape his Siamese enemies and subsequently created Melaka, there were already Orang Laut communities here who readily offered their assistance and support to the royal refugee.[5]

The British colonial period in Malaysia and Singapore, beginning with the opening of the outposts of Penang (1786), followed by Singapore (1819), and subsequently hegemony over the Malay Peninsula (from 1874), dramatically ushered in the arrivals of immigrants from Southeast China, the Indian subcontinent, West Asia, Europe, and the neighbouring Indonesian archipelago. Economic opportunities abounded with the stablility, and law and order the British administration established and this attracted many immigrants to sojourn and settle here. The acculturated small Chinese community in Melaka, the Sino-Malay Baba Nyonya community who could trace their roots to the fifteenth century to those who survived the Portuguese (1511–1641) and Dutch (1641–1824) occupation, now witnessed the incorporation of Melaka under British rule (from 1824).[6] The Chinese arrivals in Penang and in Singapore far surpassed the Baba Nyonya of Melaka in numbers.[7] Whilst Penang's own Baba Nyonya community developed with offshoots to Medan, Rangoon (Yangon), and Phuket, Singapore's community was an extension of Melaka's.

The mid-nineteenth century witnessed the influx of tens of thousands of Chinese arriving as *sinkheh* (new guests) at the ports of Penang and Singapore. The vast majority, however, moved on to the western peninsular Malay states (namely Perak, Selangor, and Negri Sembilan) where they were engaged in the tin industry.[8] Apart from the mine labourers, Chinese traders and entrepreneurs settled in British-governed Penang, Singapore, and Melaka, which by 1826, were administratively linked as the British Straits Settlements (SS). Indian Hindus and Indian Muslims, long established as merchants and traders in Melaka, also ventured into the thriving international ports-of-call of Penang and Singapore.[9] Indian labourers, mostly from South India, emigrated in sizeable numbers in the early decades of the twentieth century to satisfy the demand in the labour-intensive rubber industry of the Malay Peninsula. Indonesians too, like the Minangkabau and Acehnese from Sumatra, Javanese and Madurese from Java and Madura, and Bugis from Sulawesi (Celebes), migrated to the Malay Peninsula and Singapore.[10] For centuries Indonesian islanders trickled in to settle in the Malay Peninsula; there was, in particular, an active cross-Straits human traffic from Sumatra to the peninsula. Owing to their common Islamic bond, peninsular Malays readily embraced Indonesians

through intermarriage and trade ties. Arabs and Persians from West Asia, Turks, Armenians and Jews from East Europe, and English, Scots, Swede, French, Germans, and others from West and North Europe, formed small business and trading enclaves in Penang and Singapore.

Historically Peninsular Malaysia and Singapore shared similar experiences in accommodating immigrant groups that in contemporary times comprised the varied composition of their population. Possessing a wide spectrum of sociocultural heritage, Peninsular Malaysia and Singapore have proven the viability of peaceful coexistence of peoples of different ethnicity, religion, culture, and creed. The multi-ethnic and multicultural features are undoubtedly the distinguished attributes of both nation states.

A SYMBIOTIC ECONOMIC RELATION

Economically, there was and still is a symbiotic relation between Peninsular Malaysia and Singapore as well as between East Malaysia and Singapore. Historical economic links were established since the British occupation of Singapore in 1819 that shortly thereafter transformed the island into a major port-of-call on the East-West trade sea route. The Malay Peninsula and northwest Borneo (Sabah and Sarawak) served as the natural hinterlands to (Penang and) Singapore which served as outlets (ports) to the world market. Singapore was the quintessential entrepot port through which was channelled a wide variety of commodities its rich hinterland produced, ranging from jungle products, tin ore, sago, cane sugar, pepper, gambier, tapioca, tobacco to coffee, rubber, oil palm, petroleum, and natural gas.

During the nineteenth century an assortment of jungle products (rattan, gutta percha, birds' nests, camphor) and sea produce (*tripang* or sea slugs, pearls, mother-of-pearl) from the Malay Peninsula, Sarawak, and North Borneo (Sabah) came through Singapore for export mainly to China where there existed an appreciation of the exotic and rare, for medicinal purposes and culinary delight.[11]

Singapore's prime and enviable location in the midst of Southeast Asia, and halfway between East Asia and South Asia, commanding the Straits of Melaka, which was one of the world's major trade routes, heightened its role as an international port. Coupled with British foresight in establishing Singapore from the beginning as a free port, it became within a short period a bustling collecting centre for Southeast Asian goods for distribution to East and South Asia and vice versa. Through South and West Asia the trade links from Singapore extended to as far away as Europe and North America.[12]

European agency houses and mercantile firms, and Chinese businesses established themselves in Singapore whence they extended their entrepreneurial networks to the hinterland of the peninsular Malay states and North Borneo, and to a lesser extent, to Sarawak.[13] The paternalistic pro-native policy of Sarawak's Brooke White Rajahs dissuaded Western enterprises and cautioned Chinese economic involvement from without.[14] Singapore's European and Chinese entrepreneurs and financiers ensured the continuous flow of capital and labour to exploit the mineral and agricultural bounty of the Malay Peninsula.

Peninsular Malaysia's tin industry is a particular showcase in illustrating the Malaysia-Singapore symbiotic relationship.[15] Tin ore available in alluvial form was found washed down from the hills in the lower reaches of the rivers of the western peninsular Malay states. Malays, since the fifteenth century Melakan sultanate period, had been known to obtain the ore in piecemeal fashion. The monopolistic-oriented Dutch in the seventeenth century attempted to corner peninsular tin production, but were only partially successful as Malay chiefs who controlled the various rivers and valleys challenged the foreign competition. Enterprising Malay *anak raja* (royal offspring) and chiefs, seeing profits to be gained from mining tin, encouraged Chinese migrants to work their appendages and share in the sale of the ore.

The mid-nineteenth century ushered in a major transformation of the hitherto non-dynamic tin mining industry. This transformation swept through the physical landscape, impacted on the demographic ethnic balance, witnessed the foreign domination of the industry, and subsequently, the imposition of political control from without. Larut in Perak, Lukut and Kelang (Klang) in Selangor, and Sungai Ujong in Negeri Sembilan saw the Chinese deluge of miners and coolies in the tens of thousands toiling endlessly in the tropical sun extracting tin ore from the hills and rivers. The once verdant terrain made way for a mining landscape of bare hills stripped off vegetation, and an assortment of rough, makeshift-looking wooden structures, the *palong*, where sand, and soil mixed with ore were pumped through with the heavier metal sinking to the bottom and retrieved. Water supply and its channelling for mining purposes, and overall control of this vital asset in the tin mining process reigned supreme amongst the priorities of the miners. A bird's eye view revealed hundreds of water-filled pools of abundant workings, the ramshackle wooden dwellings where the coolies lived, and hills of tailings (waste) dotting the horizon.

The demographic pattern also changed and was particularly apparent in the tin-producing areas. The Kinta Valley of Perak where the district of Larut is located, was, in fact, the world's largest tin-rich region. The apparent

tin rush of the 1840s, through to the 1880s throughout the western Malay states, resulted in Chinese making up a significant part of the population pie. A dramatic demographic picture can be seen in Sungai Ujong. In 1870 this mining area alone supported 10,000 Chinese whereas in the 1830s, the entire Chinese mining community throughout the Malay Peninsula numbered no more than 500.[16] In most of the tin mining territories, immigrant Chinese outnumbered the indigenous Malay settlers.

From mid-nineteenth century, the piecemeal nature of Malay tin mining activities was replaced by a concerted system in which full-time Chinese labourers worked throughout the day, utilizing basic equipment and rudiments of mining technology imported from the motherland to extract the ore. Chinese *towkay* (head of business/family) from the Straits Settlements furnished the capital in prospecting and undertaking mining operations in the Malay states. Initially they worked hand in hand with Malay chiefs to whom they dutifully paid dues on the exported ore. But soon the wily *towkay* found it far more lucrative to ignore and bypass the Malay chiefs completely and make advances of capital and equipment directly to the miners. This trend subsequently led to an unhealthy situation where Chinese miners under the jurisdiction of their own *hui* (brotherhood, union) were removed from the control of the local Malay authority.

The Straits *towkay* invariably also headed the so-called "secret societies", namely self-supporting and preservation organizations such as *hui* and *kongsi* (partnership) that took on the patriotic cloak of the traditional Chinese clandestine cults that swore to the overthrow of non-Han Chinese dynasties (Mongol, Manchu). In the context of the Malay Peninsula in the nineteenth and the first half of the twentieth century, the Chinese secret societies were more akin to the criminal underworld.[17] Nonetheless through their networks, the secret societies facilitated the import of much-needed labour from China. Despite countless abuses and the appalling nature of Chinese labour trafficking, thousands of coolies landed as indentured labour at the ports of Penang and Singapore where they were subsequently handed over to their employers in the mines of the Malay states. The bullies and toughs, mainly drawn from shady backgrounds, served the secret societies as guards in the mining camps where discipline had to be enforced lest coolies broke their contract and took flight, which would translate into an investment loss.

The mine owner who literally owned the indentured *sinkheh* coolie through his work contract, also regulated all his activities at work and play. The mine owner, more often than not, also held the farm rights to opium, pork, pawn broking, and the sale of spirits. Import tax had to be paid to the local Malay (later British) authority. The Chinese vied to be awarded the

"farm" for these items where they paid a certain amount of cash up front to the authorities and then had the right to sell the items at their own price. It was a most lucrative undertaking. All food provisions were imported and sold at inflated prices to the mining workers by the mine owner. Likewise, *arrack* (local brewed liquor) was supplied on similar terms. For recreation, gambling, opium smoking, and visits to brothels awaited the young, bachelor coolie. Pawnshops were on hand to assist cash-flow predicaments. In short, the coolie who found himself in this tropical servitude realized from the outset that there was literally nowhere to go and nowhere to hide, but to submit to the gruelling work routine and the pleasures of the flesh thereafter. Furthermore, when there were clashes — frequent between rival mining groups — or secret society wars, mine labourers were called upon to be the foot soldiers.

The real proprietors of the tin mines were undoubtedly the *towkay* who led affluent lifestyles in resplendent dwellings called *ang-moh lau* (red-haired or European residence), located in prime neighbourhoods in Penang and Singapore. In bankrolling the tin mines, facilitating labour recruitment, and monopolizing the tax farms, the Chinese dominated the tin industry for the greater part of the nineteenth century.

Intense rivalry between Chinese competitors were rife where all attempted to have a piece of the lucrative tin industry. Divisiveness amongst the Chinese was legendary. They possessed a strong proclivity to align along clans, dialects, and places of origin. Traditional animosity was now accentuated with commercial rivalry over the tin mining industry. Armed clashes and open warfare broke out frequently that disrupted tin production and the tin trade.

In the early 1870s, when European financiers and their Chinese counterparts in Penang and Singapore saw the secret society wars adversely impacting on their investments in the tin industry, they persistently lobbied the British government to take a more proactive stance towards the deteriorating law and order situation in the Malay states. As the Chinese clashes became entangled with Malay royal successions in Perak, a far-reaching agreement was contracted in January 1874 that ushered in the beginnings of British colonial rule over the Malay Peninsula.[18] By the close of the year, this "forward movement" witnessed the imposition of the British residential system in three western Malay states, viz. Perak, Selangor, and Sungai Ujong (Negeri Sembilan) whereby a British officer styled "Resident" would advise the Malay ruler on all aspects of administration and governance, including fiscal policy. The Resident, however, was restrained from interfering on matters relating to Malay customs and traditions, and the Islamic faith. Pahang came under this so-called system of indirect rule from 1885.

Two further examples illustrate the symbiotic economic relation of Malaysia and Singapore and they involve the southern peninsular Malay state of Johor and of Brooke Sarawak, and are related to Chinese economic concerns. Whilst Johor was literally next door to Singapore, the South China Sea separates the island from Sarawak on northwest Borneo.

The far-sighted, effective Malay ruler of Johor, Temenggung Ibrahim (1841–1861), exploited to his advantage Chinese investment and labour in plantation agriculture in the mid-nineteenth century which witnessed the opening of vast hectares of once virgin forests for the commercial cultivation of pepper and gambier.[19] As a means of retaining control over the activities of the Chinese, Ibrahim introduced a system of land grants in which a Chinese leader, *kangchu* (head/lord of a river), would take charge of a river valley where land was given to pepper and gambier cultivation. Ibrahim awarded each *kangchu* a written letter of authority or *surat sungai* (river document), whereby he was given the right to import labour, allocate land and initiate commercial agriculture, oversee the peace, and possess the privilege of a revenue farmer in his designated river. As a tax farmer who monopolized the import and sale of opium, arrack, pork, and had complete control over gambling, pawnbroking, and the brothels, the *kangchu* would acquire profitable returns within a short period.

Abu Bakar (1862–95), son and successor to Ibrahim, went a step further in transforming the *surat sungai* to resemble a Western-type contract that was increasingly awarded to rich and influential *towkay* in Singapore; alternatively a *kongsi* was given the honour. The *kangchu*, therefore, during Abu Bakar's time, became manager or overseer acting on behalf of the *towkay*, owner of the *surat sungai*. Johor, to a large extent during the second half of the nineteenth century, served as an economic extension of Singapore where Chinese investment and labour flow freely. The pepper and gambier from Johor were exported through Singapore to markets in Europe and North America.

Similarly Chinese businesses in Brooke Sarawak relied on Singapore as an outlet for their commodities, viz. jungle products (rattan, birds' nests, camphor) sago, gold, pepper, gambier, and rubber. Neither Kuching nor Sibu, both located off the trade routes, could tap the international traffic; Singapore was the lynchpin to Sarawak's exports.[20] Furthermore, relying on familial, clan, or dialect relations, the Kuching *towkay* could count on his Singapore counterpart for capital advance and investment funds. For example, the Chinese shopkeeper in the Kapit bazaar in the Upper Rejang, more than 500 kilometres inland, was assured of competitive prices for his shipment of rattan from his clansman business contact in Kuching, who in turn was in

touch with the import-export firm in Singapore headed by his second cousin. The Hokkien and Teochiu trading community of Kuching kept close ties with their fellow clansmen in Singapore.

POLITICS DIVIDE

Whilst there were many linkages fostering Malaysia-Singapore relations, the political agenda seemingly worked against a formal merger. Historically during the pre-British period, the island of Singapore was part of the Malay Johor-Riau empire that succeeded Melaka after its fall to the Portuguese.[21] There was, however, little activity or settlement in Singapore apart from being, in all probability, a lair for pirates, not far dissimilar to the rest of the scattered islands in the vicinity. Piracy was a common phenomenon in the Malay world (present-day Indonesia and Malaysia) although to a certain extent the scourge was contained in the Straits of Melaka throughout the greater period of the Malay sultanate of Melaka.

Then came the Englishman Thomas Stamford Raffles (1781–1826), who in his vision to extend British economic influence with its brand of free trade, and at the same time, to arrest Dutch monopolistic hegemony in the Malay world, chanced upon Singapore. Its strategic location on the lucrative China trade route meant that an important priority of the Supreme Government in India (the administration of the English East India Company [EIC] headquartered in Calcutta), was attaining possession of the island. Singapore's natural, deep, and sheltered harbour, and it being centrally placed in the southern entrance to the Straits of Melaka to control the East-West trade route, made the island a prime acquisition. Besides, it would allow the Supreme Government to be closer to the Indonesian archipelago and monitor Dutch ambitions there. With some sleek manoeuvring, Raffles extracted the legality to rights of acquisition of the island by recognizing the newly installed ruler of Johor-Riau (including Singapore), Sultan Husain Syah.

Within a short period following the opening of a British settlement in the early part of 1819, Singapore, true to its promise, functioned splendidly as the new Straits entrepot. Its free port status and security under the Union Jack were attractive attributes that made traders of every shade and creed flock to its marketplace. As has happened previously to its counterpart in the northern end of the Straits, Penang, a British outpost since 1786, the Chinese also began to arrive in large numbers to settle in Singapore where economic opportunities abounded.

Not surprisingly the Dutch in Batavia (Jakarta) questioned and protested against Raffles's actions. By then, in the early 1820s, with Singapore's

spectacular progress as an entrepot port-of-call, the Supreme Government had no intention to abandon the island. Anglo-Dutch negotiations were underway to address a plethora of issues including the Singapore question.[22] The Treaty of London in 1824 was a watershed in Anglo-Dutch relations that had since the seventeenth century, vacillated from hostility and outright wars to periods of reluctant cooperation and coexistence. By the stroke of the pen, the Malay world was apportioned between the British and the Dutch. East and north of the imaginary divide drawn down the mid-Straits of Melaka that encompassed the Malay Peninsula and the island of Singapore came under the British "sphere of influence". The Dutch half of the divide comprised the entire, present-day Indonesian archipelago. This Anglo-Dutch agreement effectively split the Malay Johor-Riau Empire: Johor (including Singapore) under the British, and Riau and Lingga archipelago under the Dutch "sphere of influence". A wedge was therefore driven through the Malay world and thereafter each half developed separately, each under a different colonial flag.

Shortly thereafter in 1826, the British in consolidating their control, created the Straits Settlements (1826–1941) comprising Penang, Melaka, and Singapore. Earlier, Melaka was attained in exchange for Bencoolen on the west coast of Sumatra, in accordance with the 1824 Treaty of London.

Instead of merging Singapore with the Malay Peninsula as a single "sphere of influence", the British embarked on a course that saw the development of two separate polities. The peninsular Malay states subsequently acquired the status of British protected states whereas Singapore (likewise Penang and Melaka) was from its beginning directly administered by the British, initially under the Supreme Government in Calcutta as part of its Indian possessions, and after 1867, under the Colonial Office in London as a Crown Colony.

In retracing British colonial policy it is apparent that in all administrative schemes involving the peninsular Malay states that were subsequently implemented, Singapore was excluded. Despite the close economic ties, the island was maintained separately in isolation as an entrepot free port, a financial and banking centre, a British military and naval base, and the political and administrative centre of British colonial interests in Southeast Asia.

Following the setting up of the Straits Settlements in 1826, the Supreme Government in India adhered to a so-called non-intervention policy, namely to distance itself as far as practicable, from any involvement in the affairs and/or troubles in the Malay Peninsula.[23] Penang and Singapore were primarily invested by the EIC to serve its lucrative China trade as ports-of-call and entrepot of Straits products that were marketable in Guandong (Canton). Neither the EIC directors in London nor the Supreme Government had any intention

to be drawn into local Malay politics in the peninsula that was perceived as ultimately to involve territorial control, the provision of military protection, and a burdensome and costly administrative responsibility. Lessons on the subcontinent were well learnt and a repeat performance was not envisaged in the Malay Peninsula. It was in line with this non-intervention objective that Calcutta rejected any military assistance or protection for the sultan of Kedah against his enemies (Chakri Siam in particular, and Konbaung Burma) in the last quarter of the eighteenth century. When Siamese forces finally overrun Kedah in the early 1820s, the Kedah ruler was given sanctuary in Penang, but Indian sepoys were solely ordered to the Province Wellesley-Kedah border to ensure that the Siamese did not cross over to British soil.[24]

Notwithstanding this non-intervention stance, the Supreme Government and after 1858 (following the demise of the EIC), the British Indian government, took action in the Malay states that appeared to be a violation of the non-involvement policy. However, if a longer view is taken of the numerous "exceptions" of meddling in affairs of the Malay states, it became clear that when British interests (read economic) were threatened, real or perceived, efforts were undertaken to arrest any erosion of gains. The following example illustrates the primacy of British economic interests.

Chakri Siam's expansionist designs over the Malay states following the occupation of Kedah in 1821 remained unquenched when Rama III ascended the throne in 1824. The northern Malay rice-producing crescent of Kedah, Kelantan, and Terengganu were traditionally under Bangkok's vassalage and each sent the *bunga mas* (gold flowers) once in every three years as acknowledgement of their tributary status.[25] From the Malay perspective, bowing to the Chakri throne was non-problematic, however the imposition of direct Siamese rule administered through the governor of Ligor was to be avoided. Perak, which shook off Siamese occupation with Selangor as ally was again under Ligor's rule in 1825. The ambitious Ligor governor, being bestowed with the high-ranking title of *chao phraya* for his role in subjugating Kedah, looked to Selangor as his next prey.[26]

EIC authorities in Penang and Calcutta viewed developments in the Malay Peninsula with apprehension. Commercial interests became the guiding principle behind subsequent British diplomatic manoeuvring. Perak and Selangor owing to their profitable investment in their tin trade had to be excluded from Siamese hegemony. Furthermore Singapore's trading relations with Kelantan and Terengganu needed to be maintained; there was apparently potential for further economic forays on the east coast of the peninsula. Besides, the larger population in these two Malay states was viewed favourably as a possible market. Armed with these priorities, Henry

Burney, the EIC's representative, contracted an agreement with Rama III. The Burney Treaty (1826) secured Bangkok's assurance not to attack and occupy Perak and Selangor. The ruler of Perak could, if he so wished, send to Bangkok the *bunga mas*. Bangkok guaranteed that British trade in Kelantan and Terengganu would not be impeded. The British, however, acknowledged Kedah (Muang Zaiburi) as a territory under Siamese control.

Fearing Ligor's predatory moves, the EIC's Captain James Low was sent to Perak to assure the sultan. Low took the initiative that violated the official non-intervention policy by extending recognition of the sovereignty of Perak as well as promising military aid in the event of a Siamese offensive. Understandably the Supreme Government refused to ratify the Low Treaty (1826). The British in Penang instigated the Perak ruler to renounce ties with Siam and to eliminate pro-Ligor factions in his court. The sultan undertook these measures and also publicly declared that Perak would not send the triannual *bunga mas*.

Notwithstanding the economic interest in the tin industry with investments in production, transport, processing, and shipping and export mainly derived from the Straits business community, administrative schemes aimed at concerted economic development in the Malay states distanced Singapore's involvement. It was as if the British wanted to keep Singapore aloof of Malay politics on the peninsula.

Following the introduction of the Resident system of "indirect rule" from 1874 in Perak, Selangor, and Sungai Ujong (later Negeri Sembilan), and from 1885, in Pahang, the disparate rate of progress in infrastructure, in particular, land transport (railways and highways), prompted a closer union amongst the four Malay states. The creation of the Federated Malay States (FMS) in July 1896 was an attempt at central governance, dissociated from Singapore. Instead the central authority headed by a resident-general was sited in Kuala Lumpur as the administrative capital of the FMS. The structure of authority flowed from the governor of the Straits Settlements, based in Singapore, who also acted as the high commissioner of the FMS, to the resident-general in Kuala Lumpur heading the FMS administration to the residents of Perak, Selangor, Negeri Sembilan, and Pahang.[27] It would have been prudent to lodge the resident-general in Singapore, acting second only to the governor, thereby centralizing political as well as economic control under one roof. However, Kuala Lumpur was a political necessity as the resident-general sought to distance control from the governor in Singapore. In creating the title of "high commissioner" of the FMS, the conscious intention was to separate the Straits Settlements from the Malay states.

Following the transfer of the northern Malay states of Perlis, Kedah, Kelantan, and Terengganu, hitherto under Siamese vassalage in 1909, and the acceptance of a British adviser by Johor in 1914, the British formally consolidated their control over the entire Malay Peninsula. The administration of the Malay states as British protectorates did not differ much from one another. Whilst residents exercised executive power in the FMS, British officers titled "Advisers" held the same responsibilities in the northern Malay states and Johor. The non-FMS collectively came to be referred to as the Unfederated Malay States (UMS). Hence was born "British Malaya", a collective reference to the SS, FMS, and UMS, a jumbled coexistence of colonies and protectorates. Ironically in this context of British Malaya, Singapore was an integral component.

Perhaps taking a cue from the complicated administrative structure of British Malaya, Imperial Japan that dominated Southeast Asia in the first half of the 1940s ironed out the complex situation. Interestingly it was the Japanese who established a formal peninsula-island union under their military administration (1942–45). Singapore, renamed *Syonan-to* ("Light of the South"), was made the centre of administration, encompassing the Straits Settlements, the FMS, the non-federated peninsular Malay states of Johor, Perlis, Kedah, Kelantan and Terengganu, and Sumatra.[28] From October 1943 to the end of the war, Perlis, Kedah, Kelantan, and Terengganu were transferred to Bangkok's authority; Thailand then was an ally of Japan. Wartime *Malai* (Malay Peninsula) and *Syonan-to*, together with Sumatra, were governed as one political-administrative-military unit.

This unnatural separation between Singapore and the Malay Peninsula was again engineered in the post-Pacific War (1941–45) British colonial scheme termed the Malayan Union (1946).[29] The plan was for a unitary state incorporating all the nine Malay sultanates of the peninsula as well as the former Straits Settlements of Penang and Melaka. A central government was headed by a governor with executive and legislative councils. While retaining their position on the throne, sovereignty of the Malay states passed to the British monarch in London. Malayan citizenship was to be accorded to all, irrespective of ethnicity or religion, and all citizens enjoyed equal rights, including civil service appointments. Singapore was singularly excluded in this Union, but remained a Crown Colony with its mainly Chinese inhabitants as British subjects.

Singapore's exclusion from the Union was strongly opposed by nationalist groups that crossed the ethnic divide who upheld the principle of the inseparability of the island and the peninsula. This united stance led to the

convening of inter-communal discussions that subsequently produced the All-Malaya Council of Joint Action (AMCJA) and Pusat Tenaga Rakyat (PUTERA, Centre of People's Power) conference in the early part of 1947.[30] Organized in Singapore, AMCJA was headed by the Malayan Democratic Union (MDU) and comprised several Malayan Communist Party (MCP)-affiliated groups and also the Malayan Indian Congress (MIC). PUTERA represented a coalition of Leftist Malay organizations the most prominent of which was the Partai Kebangsaan Melayu Malaya (PKMM, Malayan Nationalist Party). Tan Cheng Lock (1883–1960), the influential Straits *towkay* leader who advocated inter-ethnic relations, chaired the AMCJA-PUTERA alliance. The "People's Constitutional Proposal for Malaya" of the AMCJA-PUTERA that was submitted to the British government in March 1947 demanded *inter alia* a united Malaya with Singapore as an integral component. The British rejected the AMCJA-PUTERA initiative.

But unprecedented Malay opposition spearheaded by the moderate United Malays Nationalist Organization (UMNO) with strong royalist support led to the abrogation of the Malayan Union that was subsequently replaced by the Federation of Malaya (1948).[31] In this Federation arrangement sovereignty lay with the individual Malay sultans. Despite upholding a central federal government with legislative powers, the individuality of each of the Malay states was recognized, and furthermore, the states had control over several important matters such as land and Islam. *Melayu* or Malay, defined as a person who habitually converse in Malay, practised Malay customs and traditions, and embraced Islam, was accorded special privileges. For example, a large portion of civil service appointments was reserved for Malays. Citizenship was accorded to those individuals who could provide evidence of residence of a minimum of fifteen years in the last twenty-five years, and who declared the intention of permanent settlement, and possessed a rudimentary command of Malay or English. A British high commissioner headed the Federation with its administrative capital in Kuala Lumpur. Again Singapore played no part in this new scheme and had to content itself with being an "outsider", maintaining its Crown Colony status.

The exclusion of Singapore from the Federation of Malaya meant that each had to face its colonial masters separately instead of presenting a united stance regarding constitutional developments leading to self-government, and subsequently, to independence. Not surprisingly, however, when Britain granted Malaya political independence in August 1957, Singapore remained a British Crown Colony despite attaining limited self-rule. The decade prior to the formation of Malaysia (1963) witnessed the continuous wooing by Singapore chief ministers (1957–63) to persuade Malaya's chief minister,

Tunku Abdul Rahman Putra Al-Haj (1903–90) that the union of Malaya and Singapore was natural and imperative. David Marshall (1955–56), Lim Yew Hock (1956–59), and Lee Kuan Yew (1959–63) all argued for merger primarily focusing on political and security concerns.[32]

The threat from the extreme Left became serious towards the later part of the 1940s. Both Malaya and Singapore shared this imminent danger of a communist takeover throughout the 1950s, the former faced a guerrilla jungle war and the latter, urban riots and workers' strikes, and numerous communist "united front" organizations including labour unions.[33] Embarking on a policy shift away from the immediate postwar constitutional means to power, the MCP in mid-1948 launched its armed campaign to topple the British colonial government and usher in the People's Republic of Malaya. Interestingly it was the MCP that first adopted the term "Malayan" to jointly represent the Malay Peninsula and the island of Singapore as one political entity. Officially referred to as the Emergency, this twelve-year communist insurgency posed a serious threat to colonial Malaya, and after 1957, independent Malaya, and the colony of Singapore. Against the backdrop of the Cold War geopolitical situation in Southeast Asia, the Chinese-dominated MCP-led armed struggle polarized the multi-ethnic population.

Adopting an arsenal of concerted strategies — military, psychological, political, socio-economic — the communists were defeated in the jungle and in the city.[34] Re-emerging from this common experience, leaders on both sides of the causeway felt an affinity to one another. The UMNO-led Alliance Party, headed by the Tunku, governed independent Malaya. Across the causeway, Lee Kuan Yew and his People's Action Party (PAP) government that swept to power in 1959, held the reins of power in Singapore. The stage was set for effecting a peninsula-island merger that was initiated with the "Malaysia" concept and subsequently gained momentum to realize this union.

Apparently the idea of a wider federation — Malaysia comprising Malaya, Singapore, and the British Borneo territories of North Borneo, Sarawak, and Brunei — was mooted before the Tunku's announcement in May 1961, but the various past proposals were not pursued. For instance, Lord Brassey, a director of the North Borneo Chartered Company, expressed such a sentiment in 1887, and apparently British planners in London during the Second World War sought to unite the various British possessions in the East.[35]

It also seemed that the British were behind the creation of Malaysia if the revelation by its high commissioner-general for Southeast Asia, Malcolm MacDonald, is to be believed. "Tunku Abdul Rahman called me," MacDonald confided, "months before his 27th May 1961 speech [proposing "Malaysia"] in Singapore."[36]

Although Singapore leaders were anxious for merger, especially Lee Kuan Yew, who saw the opportunity as a way of achieving independence, Malay leaders including the Tunku were apprehensive of a Malaya-Singapore union. The Sino-Malay equation would tip towards the Chinese in this two-territory merger, an outcome resembling a Malay nightmare where the Chinese, hitherto economically dominant, would also dominate demographically and politically. Out of Malaya's 6.2 million (1957 Census), Malays and other indigenous comprised 49.8 per cent, Chinese 37.1 per cent, and Indians 11.1 per cent.[37] Singapore's 1.4 million was divided into Malays 13.6 per cent, Chinese 75.1 per cent, and Indians 8.6 per cent.[38] But if the British Borneo territories entered the picture, the ethnic scale would tip towards the Malay/indigenous population, 46.6 per cent to 41.9 per cent.[39] Armed with this favourable ethnic equation, the Tunku could then erase the apprehension of his Malay compatriots. Britain by the early 1960s had resigned itself to the inevitability of its retreating empire, and if British Borneo was to be decolonized, what better viable option than for it to join Malaya and Singapore?

With hindsight it would be fair to say that although the announcement of the formation of "Malaysia" came from the Tunku, it was Lee Kuan Yew who was the most enthusiastic and proactive to the concept. Lee argued persuasively for the advantages to be gained for merger, in particular, emphasizing the economic prospects.[40] It was again Lee who actively canvassed sceptical leaders from Sabah and Sarawak and ultimately won them over to the Malaysia concept.

As far as the Tunku was concerned, the communist threat remained formidable in Singapore despite Lee's successful outmanoeuvring of Leftist elements in the PAP that forced their departure in mid-1961 to form the Barisan Sosialis (Socialist Front).[41] Likewise the situation in British Borneo, particularly the subversive activities of the Clandestine Communist Organization (CCO) in Sarawak, were worrying. Having recently lifted the Emergency in 1960, the staunchly anti-communist Tunku reasoned that the rationale of "Malaysia" was as a means of countering the communist menace in Singapore, Sabah, Brunei, and Sarawak.[42]

Finally on 16 September 1963, the Federation of Malaysia was proclaimed, comprising Malaya, Singapore, Sabah, and Sarawak. Brunei, who had not shown much interest in the wider federation, decided to remain as a British protectorate.

Ironically for all the energies expanded on the merger, Singapore's presence in Malaysia was shortlived, a mere twenty-three months. The instrument of separation was signed on 7 August 1965. Once again politics played the

decisive role in creating an untenable situation that forced the hand of the Tunku to opt for separation.

A look back on events that led to the fateful decision of separation shows that the political ambitions of PAP leaders led by Lee Kuan Yew created a situation that, if not arrested, might inevitably result in a serious Sino-Malay clash.[43] The formation of the Malaysian Solidarity Convention (MSC) on 9 May 1965, comprised principally non-Malay political parties, namely, PAP, Sarawak United People's Party (SUPP), MACHINDA, United Democratic Party (UDP), and People's Progressive Party (PPP). The MSC promulgated the concept of a "Malaysian Malaysia" where "the nation and the state is not identified with the supremacy, well-being and the interests of any particular community or race"[44] (*Separation*: 17). It was a frontal challenge to the constitution of Malaysia to abrogate the special rights and position of the Malays and other indigenous communities of Sabah and Sarawak. Furthermore the MSC did not hide its intention to seize control of the federal government at the polls. This explosive burst of literally attempting to overturn the boat of race relations in Malaysia was far too much for the Tunku and his colleagues in UMNO to swallow. What is more, the PAP openly disparaged leaders of the Malaysian Chinese Association (MCA), the Chinese-based party that was the major partner with UMNO in the ruling coalition Alliance Party-led federal government. The PAP sought to replace the MCA as the Chinese voice in Malaysia.

The PAP understandably felt slighted by the fact that with Singapore's population numbering some 1.7 million (1960s), it was allocated only fifteen seats in the Lower House (Dewan Rakyat), while Sarawak, with 800,000 inhabitants, had twenty-four seats.[45] Aggravating the frustration of Lee Kuan Yew and his colleagues, the Tunku's cabinet did not admit a single Singapore politician compared with giving at least four ministerial and assistant ministerial posts to leaders from Sabah and Sarawak. This trend persisted throughout the period Singapore was within the Federation of Malaysia.

At the economic level, insincerity from both sides of the causeway doomed the merger. Whilst Kuala Lumpur was reluctant to implement the common market proposal, Singapore rescinded on its promise to provide development loans for Sabah and Sarawak. Then there were the various money issues, viz. new taxes, the budget, and federal-state share of revenues, which all indicated that the "marriage," in fact, the "honeymoon" itself, was on the rocks. However, it was the political challenge posed by Lee Kuan Yew and the PAP, with their highly vocal and confrontational brand of politicking and their provocative battle cry of Malaysian Malaysia, that finally became the proverbial straw

that broke the camel's back. Malay feelings were unaccustomarily aroused. Enough was enough and the Tunku pulled the plug.

In retrospect, Singapore's separation appeared to be a paradox as one scholar commented.

> It is one of the enigmas of the period that Lee Kuan Yew and his colleagues, having skilfully championed the merger of Singapore with Malaya, Sarawak and Sabah, with a manifest understanding of the political, socio-cultural and economic factors involved, then proceeded to challenge, and challenge in a hurry, the very federal leadership which they had originally acknowledged as their trustee in keeping the new nation viable and united.[46]

POST-1965 DEVELOPMENTS

Both Malaysia and Singapore emerged from the separation as patients following a major operation. The recuperation period was protracted for both parties getting over the traumatic events of the mid-1960s. This emotional baggage accompanied Tunku and his two successors — Abdul Razak bin Hussein (1970–76) and Hussein Onn (1976–81), president of UMNO and prime minister of Malaysia — and likewise Lee Kuan Yew (1965–90) and his PAP colleagues. Understandably Malaysia-Singapore relations from 1965 to 1981 were rather uneasy, awkward, and highly touchy, each side ever suspicious of the "hidden agenda" of the other.

Happily, Malaysia and Singapore as independent sovereign nation states marched on the road of socio-economic growth and prosperity and political stability, although not at the same pace or direction. Malaysia, for instance, had to reassess its entire outlook following the bloody Sino-Malay riots in Kuala Lumpur of 13 May 1969. Under the premiership of Abdul Razak, the New Economic Policy (NEP, 1970–90) was implemented from 1970 to redress the wide disparity between the ethnic groups, primarily the Malays and the Chinese, in terms of socio-economic status, educational attainment, and occupational proclivity.[47] Across the causeway, Singapore moved from a so-called Third World status to attain a place amongst one of the most advanced nations in the world within a generation.[48] Thanks to the single-mindedness of Lee Kuan Yew's — prime minister (1965–90), senior minister (1990–2004), and minister mentor (2004–present) — unchallenged political leadership and the commitment of the PAP government, the island republic with scarce natural resources relied on its human resource to establish a niche in manufacturing, banking and finance, and the service industry.[49] Singapore's seaport and airport exploited their strategic location as international focal points for trade and commerce, and transportation.

STORMY WEATHER OVER THE JOHOR STRAITS

Malaysia-Singapore relations came under stormy weather that at times even resembled a typhoon outbreak enveloping the Johor Strait, during the premiership of Dr Mahathir Mohamad (1981–2003) of Malaysia. A series of problems, some new and some resurrected from the cache of unresolved issues, cropped up now and then, and even before a solution was attained for a particular quandary, another emerged that superseded all gains that had been meticulously developed to reach an amicable understanding. Bilateral relations were particularly strained between 1996 and 2003.

The contentious issues that plagued relations across the Causeway included the age-old question of the payment of Central Provident Funds (CPF) to Malaysian workers who contributed whilst employed in the republic; Keretapi Tanah Melayu (KTM, Malaysian Railway) land in the republic; pricing of water supplies to the republic; access of Malaysian airspace to the Singapore Air Force (SAF); overlapping territorial claims to Pulau Batu Putih or Pedra Branca, and other nearby islands; the proposed bridge to replace the Causeway (completed in 1923); land reclamation by Singapore; and the sale of sand to Singapore.

On 28 June 1988 all seemed promising when a Memorandum of Understanding (MOU) was signed between Malaysia and Singapore on four outstanding issues, viz. water, gas, a ferry service, and a proposed new bridge in lieu of the Causeway. Then on 24 November 1990 a water and gas agreement was penned. In that same year a Points of Agreement (POA) was concluded regarding KTM land and the location of the Customs, Immigration, and Quarantine Office (CIQ) hitherto at Tanjong Pagar within the Singapore perimeter. The aforesaid MOU and POA were the result of an agreement between the two prime ministers, Lee Kuan Yew and Dr Mahathir Mohamad, whereby all outstanding issues were to be settled as a package deal. Subsequent developments, particularly at the level of negotiating the details of the respective issues, led to a stalemate with each side blaming the other for the impasse.

In mid-1996 Lee Kuan Yew, then Senior Minister in Singapore's cabinet, commented that Malaysia-Singapore reunification would only be possible and desirable if Kuala Lumpur did away with its affirmative policy that favoured *bumiputra*, to read Malays in particular and other indigenes. There was a chorus of uproar from the Malaysian side. Apparently Lee was resurrecting the old concept of "Malaysian Malaysia" that touched a raw nerve amongst the Malays and UMNO in questioning the special rights and position of the Malays and other indigenous peoples of Sabah and Sarawak. Again

in March 1997 Lee, when commenting on the flight of a Singaporean opposition politician who claimed to have sought *safety* in Johor Bahru, openly alleged that this capital-city of Johor state possessed a notoriety of shootings, muggings, and carjackings. Lee later apologized and retracted his apparently prejudicial remark.

When *The Singapore Story: Memoirs of Lee Kuan Yew* appeared in September 1998, his criticisms of Malayan/Malaysian leaders of the 1950s and 1960s provoked an outcry from UMNO, in particular, and Malaysians in general. Exacerbating the tense situation in that same year, Singapore unilaterally moved its Customs, Immigration, and Quarantine Office from Tanjong Pagar to a newly built facility at Woodlands near the Malaysian border.[50]

Following the Asian Financial Crisis (1997–98) that adversely affected Malaysia's economy, two additional items were added to the package basket: Singapore extending financial assistance to Malaysia, and water sale to Singapore on a long-term basis. The financial assistance was the first fatality; disagreement over the terms led to the talks being aborted at an early stage. The water issue apparently got through the stage of agreeing in principle, but collapsed at the stage of working out the details. In the midst of negotiations, Kuala Lumpur announced a new price for water, apparently raising the price to an astronomical denomination, from 60 sen to RM3 then to RM6.25.[51] By 2002 when the so-called "Four National Taps" strategy (desalination and increased reservoir capacity) was underway, Singapore no longer viewed the water issue as urgent and imperative in bilateral ties with Malaysia.[52]

An amicable solution was reached over the allegation by Malaysia that Singapore's land reclamation on the northeast of the island republic encroached onto Malaysian territorial waters. Both parties agreed that this dispute was to be settled by the International Law of the Sea Tribunal in Hamburg, Germany, which finally ruled in January 2005, to allow Singapore to proceed with its reclamation work and to cooperate with Malaysia on navigational safety and environmental protection.[53] Still pending is the outcome of the sovereignty dispute over Pulau Batu Putih/Pedra Branca, Middle Rocks, and South Ledge, with agreement from both parties that the judgement of the International Court of Justice (ICJ) in The Hague, the Netherlands will be taken "as final and binding upon them" (International Court of Justice 2006/38).[54] Public hearings at ICJ will open on 6 November 2007.

Then in 2001 a Malaysian proposal of replacing the Causeway with a bridge — initially a "straight bridge", in 2003 a "crooked bridge", then from 2006, a "scenic bridge" and a "half- bridge" — shook Malaysia-Singapore ties. Kuala Lumpur cited environmental protection and the ease of passage

for ships in arguing for the construction of a bridge. Singapore's reluctance was based on the high cost; Singapore's share in the project was estimated at between S$500 million and S$725 million.[55] Mahathir appeared to be adamant and even had hopes that he as prime minister would officiate at its opening before his designated date of retirement in October 2003.[56]

On 30 October 2003 Abdullah Ahmad Badawi became Malaysia's fifth prime minister. In early 2005 a new formula for bilateral relations was put in place between Abdullah and Goh Chok Tong, senior minister entrusted by Prime Minister Lee Hsien Loong of Singapore to resolve issues between the neighbours. Two principles were agreed on bilateral discussions; firstly, mutual benefits should be the basis for future proposals, and secondly, not to allow unsettled or pending issues to affect cooperation in other areas.[57]

Developments on the bridge issue were baffling or even "crooked"; it was undoubtedly not "straight" or "scenic". Whilst talks were still on-going the Kuala Lumpur-based *New Straits Times* on 27 January 2006 carried the report titled "It's On: Work Begins Next Week."[58] The Singapore authorities were taken aback by such an announcement. Clarification came from Malaysian Foreign Affairs Minister Syed Hamid Albar that negotiations will continue to erect a full, straight bridge, but the construction of a half-bridge within Malaysian territory was solely Kuala Lumpur's prerogative.[59] Singapore in respecting Malaysia's sovereignty accepted this decision.[60]

With little warning Malaysia's Prime Minister Department issued a statement on 12 April 2006:

> The Malaysian government has decided not to continue with the building of a bridge to replace the Causeway. The decision has been made after taking into account the opinions and sentiments of the Malaysian people with regard to the issues of sand supply and airspace. It has also been decided that all discussions [with Singapore] concerning the bridge will be stopped.[61]

Despite earning the ire of his predecessor, Abdullah played his cards well in abandoning the bridge project. His decision possessed mutual benefits for both parties across the Causeway. The agreement to sell sand and to open the airspace to Singapore in return for having a bridge would certainly have compromised Abdullah's position in UMNO and even as prime minister. To have proceeded with the half-bridge plan would have drawn legal entanglement with Singapore. Lee Hsien Loong and his colleagues undoubtedly heaved a sigh of relief that a bridge that they were not keen on from the very start had now been aborted. More importantly, the bridge issue was removed from the list of outstanding bilateral issues; one down (with some luck) several more to go …

CONCLUDING REMARKS

Various analogies have been made of Malaysia-Singapore relations from conjugal partnership to that between siblings, from Siamese twins to neighbours living in a semi-detached house sharing a common roof and in close proximity to each other. However owing to the different approaches of the political leadership in Singapore and Malaysia towards the handling of the contentious issues of communal relations and egalitarianism versus positive discrimination, it appears that any attempt at a re-merger must first resolve these differences, if not, the tensions of 1963–1965 shall again re-emerge.

Speaking as an UMNO politician in 1989, Abdullah referred to the "symbiotic relationship" between Singapore and Malaysia. Confessing that, "We cannot divorce ourselves from the emotional attachment or the historical and cultural linkages which exist between us", he also commented that, "our continuous social, cultural and personal links have made the relationship between our two countries a symbiotic one. It is a special relationship and this is an inescapable fact".[62] Abdullah, in fact, was less than optimistic about the future possibility of a merger between the two countries.

> … I do not think there will be [a merger] and I cannot see a day when Singapore would want to take a step and say "yes, we want to merge with Malaysia". This exercising of the mind for a little excitement is, pardon the expression, like mental masturbation that is not productive (ibid: 27).

A merger is very unlikely, but a less confrontational scenario and closer ties are foreseeable between the two neighbours. The emergence of new challenges in the twenty-first century, such as religious extremism, international terrorism, epidemics (Severe Acute Respiratory Syndrome [SARS], avian flu, etc.), and globalization has made Malaysia-Singapore cooperation mutually advantageous. Furthermore the rapid emergence of Asia's two colossi — India and China — as economic powerhouses makes their working together an imperative and a priority for both their well-being.

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4

SEEDS OF SEPARATION

Mohamad Abu Bakar

The Malaya-Singapore merger of September 1963 was attempted out of necessity by those who had different, if not, conflicting agendas. The fact that it foundered hardly two years later speaks volumes about the incompatibility of their interests. The seeds of separation were sown almost right from the days when the protagonists of the Federation of Malaysia, or pro-merger enthusiasts, set out to achieve their "common goals".

Tunku Abdul Rahman's Malaysia proposal, of course, was a signal of significant shift in Malaya's Singapore policy, but it also constituted the basis of their conflict relations. While his cooperative stance enabled the full realization of the Malaysia plan, it too had brought about the proliferation of old conflicts, the eruption of new ones, and ultimately the creation of intramural crisis situations. The bargaining process that ensued and the diplomatic communication that developed before and after merger, apart from establishing Malaya's and Singapore's priority goals in the region, evinces the different contextual features which governed their relationship.

THE SETTING

The unification of Malaya and Singapore was apparently a pre-condition laid down by the British for the establishment of Malaysia,[1] and as such, it was no easy matter for Tunku Abdul Rahman who had set his sight on *just* the Borneo territories to come to terms with it. In case of non-compliance, Malaya might not have its way.

The Malayan Premier had consistently argued against merger in the past. However, after May 1961, it became clear that Kuala Lumpur's response was increasingly becoming disproportionate to Singapore's actions, in terms of its willingness to accommodate the semi-independent territory and what went with it. Since Tunku Abdul Rahman was faced with a *fait accompli,* as noted above, the atmosphere surrounding Malaya's approach to the merger issue must therefore be seen as a contributory factor for the eruption of several intramural crises themselves. **Firstly, both sides, while simultaneously** acting as merger-savers and path-takers, were driven into various bargaining frameworks under increasing pressure of time. Secondly, the promise of union, with all its attendant benefits, induced many non-accommodative tendencies in Singapore, in particular, and as events spiralled out of control, the conflicting parties became caught in not just ordinary verbal bargaining, but also a contest of wills.

The so-called about-turn in Tunku Abdul Rahman's policy towards Singapore did not reflect any basic change in his understanding of the island's identity and nature and their implications for neighbouring Malaya. There was no compelling economic reason either for Kuala Lumpur to give a second thought to the idea of merger. **Previously, Tunku Abdul Rahman's concern** about the semi-independent British colony revolved around his anxiety over its predominantly Chinese population and left-wing drift in politics. **However,** these pointedly remained facts of life in Singapore especially at the time Malaysia was presented by Tunku Abdul Rahman.[2] The threat arising from them was as real then as it was before. The Malayan leader, needless to say, was cognizant of the danger they might pose in the event of merger.[3] On top of that, Malaya had just witnessed the end of a protracted war against a communist insurrection. This logically made the idea of merger all the more untenable. As Maddox pertinently puts it, Tunku Abdul Rahman was "in no mood to assume responsibility for the Singapore 'hotbed' of left-wing agitators, subversives and militant unionists".[4] In spite of his earlier misgivings, he had shown his readiness to "embrace the Chinese city-state in a wider political union". It is possible, if not probable, that the Malayan Prime Minister was willing to gamble his way, now that he could confidently count on the British for further help. One is also inclined to think that Tunku Abdul Rahman backtracked on his earlier idea regarding Singapore only as a temporary measure; once he had already bagged the Borneo territories, he could dispense with Singapore. Not surprisingly, virtually throughout the merger negotiations, Kuala Lumpur always played it hard when it came to acceding to Singapore's wishes and accommodating its demands.

Having "committed" himself to the Malaya-Singapore union, Tunku Abdul Rahman's struggle *vis-à-vis* the island was to realize the unification plan. To do otherwise would only imperil the Malaysia project itself. Of course, as shown below, Tunku Abdul Rahman's job was made less difficult by the cooperation given by the PAP top leadership. Therefore, Kuala Lumpur had first to communicate to the peoples of Malaya and Singapore respectively on the need for merger.

To begin with, all "facts", which earlier on were used to show the impracticability of merger, were now exploited to show its viability. Merger was portrayed as being very much in the interests of Malaya and Malaysia. The Singapore experience with leftists' politics was no longer viewed as militating against union. Instead the possibility of an independent Singapore becoming a "Yenan by the sea" became a factor in favour of Malaysia: "... merger was a matter of Malaya's survival against the possibility of a Chinese Communist Singapore". In short, "merger with Singapore is an essential part of the Malaysia idea". That same reason was used to foster the argument that for the sake of the federation, Singapore had to be saved. "... by May 1961 it was clear that, however dangerous Singapore might be inside the Federation of Malaya, she could be even more dangerous outside it".[5]

Tunku Abdul Rahman now spoke of merger in terms once used and popularized by the British.[6] Like the British, his conclusion was that "the only course open to us would be to accept Singapore as a member of the Federation of Malaysia".[7] British concern became his concern. It appears that Tunku Abdul Rahman had allowed himself to be seduced into a partnership with Lee Kuan Yew. R.S. Milne and Diane K. Mauzy opine that he was influenced by the Singapore Prime Minister on the matter.[8] Even if that was so, there is no denying of the fact that the overriding factor behind his merger overture was the establishment of Malaysia itself. Likewise, the question of the larger Chinese population hardly surfaced anymore. As a consequence, Lee Kuan Yew did not have "to establish Federation confidence in the PAP government"[9] in order to bring it in the way of merger; Kuala Lumpur was already forced, under pressure of circumstances, to court Singapore to ensure the successful implementation of the Malaysia idea.

The initial round in the struggle for merger did not involve Malaya in any major difficulty as the idea found approval in the minds of British and Singapore leaders.[10] All sides were maximally provoked to agree on the immediate issues. For the PAP, merger would underpine its power base, and increase Singapore's economic viability and open the way for the establishment of a long-cherished common market, apart from giving the island greater security. For Lee Kuan Yew whose "race to set up Malaysia was a race against

communism in Asia",[11] Tunku Abdul Rahman's proposal not only made a significant contribution to breaking the *impasse* created by the long-standing suspicions towards Singapore, but could also help him out of a political predicament. Nevertheless, it took about a week before something positive was heard from the PAP leaders. In the meantime, it was mainly the Alliance political parties which expressed their delight at the suggestion.[12]

On June 3, Lee Kuan Yew publicly endorsed Tunku Abdul Rahman's proposal.[13] It was for him a God-send opportunity. If previously Kuala Lumpur had acted coolly to his merger offer, now merger was thrust upon Singapore. The PAP official organ, *The People,* amplifying on the point made by Lee Kuan Yew, stated that the immediate future of Singapore lay in a Federation of Malaysia in which the island would be independent in all matters except external affairs and defence.[14] Although Britain did not immediately make its voice heard over the issue, the Malaysia idea did not remain long before it too became a major preoccupation among some of its leaders concerned with the region. Lord Selkirk, Britain's Commissioner-General for Southeast Asia, expressed his approval emphasizing that the "Mighty Malaysia" proposal was a "sound, long term plan",[15] but he was not insensitive to the possible allegation that Britain was actually sponsoring the project. Thus when asked about British support for the plan, Lord Selkirk said: "It is Tunku Abdul Rahman's own idea. I think it is very interesting and constructive."[16] In Malaya's views, the support from London came about as a matter of course; while Kuala Lumpur was now eager to have Malaysia formed, Duncan Sandys, the Commonwealth and Colonial Secretary, was keen to get rid of North Borneo, Sarawak, and Singapore.

"JOINT EXPLORATION"

For the moment, the symbiosis between Tunku Abdul Rahman and Lee Kuan Yew suited them both. The early rounds of talks between the interested parties therefore easily yielded their own pay-offs. The friendly feelings stimulated by the ongoing debate and the burgeoning dialogue which ensued offered an opening for a joint exploration of the merger plan. Basically, it was a cooperative process, with Kuala Lumpur and Singapore sharing relevant information, recognizing the legitimacy of each other's interests, and showing increasing sensibilities towards their similarities and common goals.

Tunku Abdul Rahman quickly seized the opportunity offered by the PAP's favourable reaction to invite Lee Kuan Yew to begin discussion on the future constitutional relations between their territories.[17] A meeting between the two prime ministers was held in the following month in Kuala Lumpur

where they agreed in principle on certain specific proposals regarding the merger. Accordingly, it was decided that the federal government would be responsible for defence, external affairs, and internal security, with Singapore retaining local autonomy in labour and education. Determined not to allow the initiative to be lost, the two leaders proposed setting up a working committee to consider "the overall finance and other implications arising from arrangements for Singapore to retain local autonomy on agreed matter" and "the financial contribution Singapore would be required to make to the national government".[18] London welcomed their achievements, and by then, it looked as if the implementation of merger was only a matter of time.

In the main, Lee Kuan Yew's struggle was concentrated on managing the leftists and the pro-communists in Singapore who were all out to wreck the Malaysia idea as enunciated by Tunku Abdul Rahman and supported by the PAP. Prominent among them were the PAP's dissidents themselves, who were greatly dissatisfied with their government's policies regarding Chinese education, citizenship, political detainees, and the Internal Security Council, among others.[19] Lee Kuan Yew realized that the merger decision could create widespread public opposition against the PAP. That would also provide it with a much-waited opportunity to bring down the PAP's government.[20] He now resolved to tackle the issue with a heightened sense of urgency. Initially, he sought to head off threatened political disturbances between the PAP and the opposition parties by challenging the latter to support merger. He repeatedly warned that whoever opposed it would have to bear the consequences of "splitting the national unity of the country". The merger issue became a trump card in rallying the people behind the government. At the same time, the PAP tried to limit "the opposition parties' room for manoeuvre" and circumvent their role when it came to contending and contesting its merger stand. Realizing that they all supported merger, albeit in their own ways, the party presented various merger scenarios, all of which were seen as unpalatable except the one advocated by the PAP government. On top of that, the PAP also managed to outgun its opponents by adopting cunning tactics which made their position in society untenable. The Barisan Sosialis's merger campaign in particular was rendered virtually ineffective as a result. In the end, it was Lee Kuan Yew's party that appeared to inherit the popular mood.

It is interesting to note that Lee Kuan Yew did not vacillate in his judgement of the leftist-communist threat, even though his enemies were far from being able to command a majority of the popular vote to topple his government.[21] The spectre of Indonesian expansionism under Sukarno, plus the rapid growth of Partai Kominis Indonesia (PKI), equally haunted him. Knowing that Kuala Lumpur had always been an interested audience to the

ideological conflict between communism and Western democracy, he too kept harping on the danger of Singapore becoming an independent, isolated island in 1963, and the possibility of it establishing diplomatic relations with the Communist bloc countries.[22] Nevertheless, by wisely linking his desire for greater cooperation with Kuala Lumpur to his fear of communism, the Singapore leader was able to win Tunku Abdul Rahman to his side.[23] The PAP government, however, made little headway as far as its effort to get the support of the leftists and pro-communists was concerned. Opposition parties, notably the Barisan Sosialis, were adamant in their stand towards the idea of merger as professed by Lee Kuan Yew. **To them, what Tunku Abdul** Rahman and Lee Kuan Yew were trying to do, was to shore up the *status quo* against the forces of change. In a letter to the PAP chairman, Toh Chin Chye, Barisan Sosialis unequivocally rejected the government's agreement in principle on merger with Malaya.[24]

Malaya's stand was both a challenge and an asset to Lee Kuan Yew who had already launched the Malaysia campaign in a big way. At least Tunku Abdul Rahman now gave the appearance that he shared fully the PAP's worry. To him, the alternative to merger was a communist takeover of Singapore. And that would mean disaster for both the island and the Federation of Malaya. Towards that end, he constantly stressed the need for a speedy realization of Malaysia. "Delay will give the communists an opportunity to make trouble."[25] As such, Tunku Abdul Rahman's rhetoric was directed towards further convincing Singapore into accepting his federation proposal. Although Lee Kuan Yew and his colleagues had already shown immense interest in the project, the Malayan Prime Minister still found it necessary to allay the fears of the island populace who might have had misgivings about the greater Malaysia idea. Where before he had to be courted in order that he would accept the prospect of a future merger, he now turned out to be an even greater champion of such a union than many of the PAP leaders.

To Lee Kuan Yew, Tunku Abdul Rahman's posture was more than an endorsement of his merger idea. **It provided him with an incentive to work** hard and fast, and a motivating force for new bargaining, either with opposition groups, or with Kuala Lumpur. The opportunity must not be allowed to slip by. Thus in no uncertain terms, Lee Kuan Yew spelt out his commitment to the idea: "Without merger, a reunification of our two governments and an integration of our two economies, our economic position will slowly and steadily get worse, our livelihood would get worse."[26] It was without doubt a fleeting moment in history when the risks of delay were greater than anything else.

COOPERATIVE PROBLEM-SOLVING

Although the PAP government was in full agreement with its Malayan counterpart over the necessity of merger, on points of detail they were still apart. **Beginning from mid-September, discussions were held in earnest between** the two sides in order to bridge the existing gaps. **The basic agreement reached** was that Singapore would merge with the federation as its twelfth state. **The** joint communiqué issued following their meeting also stated that with merger "All legitimate local and special interests of the people in the two territories" would be safeguarded.[27] Such assurances and the like caused the over-eager Lee Kuan Yew to predict that June 1963 was the target date for the formation of Malaysia. Afterall, the one consistent theme running through most of his arguments was a burning faith in the unification of Malaya. Beyond that, he was fully aware of the fact that Malaysia held out such enticing prospects for his "dynamic, vital and puritanical" PAP.[28]

So far the PAP seemed contented with the *modus operandi* and *modus vivendi* for merger as propounded by the Malayan premier. Toh Chin Chye described them as "the most acceptable and practicable under the present circumstances".[29] Later comments by the Federation Finance Minister must have emboldened the Singapore government further. Tan Siew Sin noted that in the event of merger, Kuala Lumpur would not interfere with the housekeeping policy of the Singapore state government. Nevertheless he was quick to emphasize that the central government would at the same time retain substantial power to enable it to meet any eventuality in case the latter pursued a policy affecting the economic stability of the whole country.[30] The new deal arrived at by the two governments was formalized when Tunku Abdul Rahman and Lee Kuan Yew officially agreed on the basic merger proposals in mid-November. Accordingly, the 624,000 Singapore citizens would not lose the state citizenship rights which they had been enjoying in Singapore.[31] **They were** earlier on reminded not to regard themselves as belonging to another country, but must feel they were all part of the Malaysian nation. **On 6 December,** the Singapore Legislative Assembly passed a motion accepting the conditions of merger as set out in the White Paper (Command 33 of 1961).

In Singapore, the battle for merger was far from being won in spite of Malaya's conciliatory gestures. As 1962 entered, the PAP government intensified its campaign for it. Its leaders threw their energies wholeheartedly into the political struggle. Its main task was one of reorientating the minds of the populace so that they would accept the Malaysia idea as a solution to many of their political, economic, and social problems rather than a burden of sorts. Singaporeans were told to accept the new reality of Southeast Asian

politics and discard their "frog in the well" outlook.[32] There was no question of turning back against the Malaysia proposal.

At this stage, Tunku Abdul Rahman not only took a personal interest in the PAP struggle for merger, but was also directly involved in it. Lee Kuan Yew's image of resoluteness motivated him into making greater efforts at realizing merger, perhaps hardly realizing that the Singapore premier was also using the idea of union as a means of insuring his position. He assured Singaporeans that it was wrong for them to think that they would be turned into second-class citizens.[33] On the Barisan Sosialis menace, he categorically remarked that those extremist elements were trying to set up a regime on the pattern of China. Tunku Abdul Rahman also came to Lee Kuan Yew's help when the latter was having problems with the British over the future of their military base in Singapore. **To the Malayan populace who might** have had doubts about Singapore's entry, he mentioned merger almost with a sense of threat. In his attempt to make the people see the larger menace of communist influence in the region, Tunku Abdul Rahman pointed out that Singapore might become another Laos or Vietnam if it did not emerge with the Federation of Malaya.[34] There was no longer such warning that merger would spell danger for his beloved country. **Tunku Abdul Rahman hammered** home the same point in his speech to the Malayan House of Representatives when supporting the Malaysia motion.[35] He later repeated his stand when he spoke to the UMNO Assembly. To him Malaya had to choose between the fear of being swamped by Singapore Chinese, or the possibility of a civil war instigated by the communists using Singapore as a base. The issue occupied the stage in his "negotiation" with the Malayan people.

THE INTERNAL "CONFRONTATION"

Malaya-Singapore relations entered a turbulent phase once they had settled the principles of merger. Having anchored its position to firmer ground, Singapore began to exhibit defiance, and was seen inching towards better terms. This aroused Kuala Lumpur's opposition, and caused it to issue threatening messages. When Singapore leaders ignored the signals, conflicts began to erupt on the Malaysian scene, with a concomitant sharp break in the ordinary flow of events. The spectre of major collisions loomed between them, being a run-up to later crises.

Much as Tunku Abdul Rahman wanted the realization of Malaysia through Singapore's participation, he also saw it necessary to make the PAP government bend to his wishes as far as the terms relating to merger were concerned. Of course he saw the need to maintain the momentum towards the formation

of the new federation, but at the same time, Tunku Abdul Rahman was aware that Singapore would stand to lose in case of non-compliance. After all he had satisfied the British by opening the way for merger, and hence had fulfilled the condition for Malaysia. And in the unlikely event that Singapore refused entry into the federation, Tunku Abdul Rahman still could proceed with his Malaysia project.

Until early 1962, both sides were able to display a basically stable spirit of cooperation in their endeavour to realize the Malaysia dream. The offer of merger had also goaded the PAP government into undertaking major diplomatic campaigns in various international capitals.[36] In the main, the idea behind the itinerary was to explain to the countries concerned that Malaysia was far from being a neo-colonialist venture: it was instead a "neat and logical way of liquidating the British empire in Southeast Asia".[37] Nevertheless, Lee Kuan Yew's overtures were matched by Tunku Abdul Rahman's increasing reservation over the future of Singapore *vis-à-vis* the Malaysia scheme. The Malayan premier began to play it hard. His new stand constituted a clear signal that Kuala Lumpur, having played its respective role, had nothing much to lose in the event of Singapore's non-inclusion in Malaysia. Tunku Abdul Rahman's belated comments to the effect that Malaya was consciously storing up trouble for itself by accepting Singapore into its fold speak eloquently of his dilemma. For although Tunku Abdul Rahman continued to indulge in self-justification[38] over the inclusion of island, he could not totally conceal his growing fear of the leftist drift in Singapore politics and the Chineseness of its population. Even his Chinese colleague and confidant, Tan Siew Sin, readily admitted of the brewing trouble, noting that Singapore had become the "problem child of the Malaysia concept".[39] The possibility of the PAP rocking the Malayan boat figured prominently in Kuala Lumpur's political and security calculus.

Singapore leaders were in no way unaffected by Tunku Abdul Rahman's ambivalence, although they never tried to make a direct criticism of the Malayan Prime Minister. They obviously realized that any overaction would mar their relationship with the Federation and this, in turn, would jeopardize the chance of attaining merger. Partly to convince the Singapore populace about the benefits of Malaysia and partly to try and influence the future development of the respective federation, they constantly stressed the short and long-term "value" of the scheme to both the two territories and others. By so doing, they possibly hoped to bring home the point that Singapore's gains would not necessarily be at Malaya's expense, while at the same time serving a warning to Kuala Lumpur not to try and undermine the project.

Tunku Abdul Rahman's insistence that the success of merger depended very much on the development of an undeniably Malaysian outlook and loyalty among Singaporeans[40] must have increased the anxiety of the PAP leaders. His demands which became increasingly hard not only put the Singapore government on the defensive, but also caused it to face a greater array of opposition from within the island. It was at this bargaining stage also that the Malayan premier made public his desire to have only representatives from Brunei, Sabah, and Sarawak, but none from Singapore, in the future Malaysian Cabinet. Lee Kuan Yew had to assure his critics that given the opportunity his government would secure better terms from Tunku Abdul Rahman.[41]

For one thing, the PAP's enthusiasm in the federation idea was far from waning in spite of the various opposition it had to encounter. The PAP which had adopted a fighting posture from the start did not waver in its ability to handle the problems at hand. When by August "the battle for merger went down to the grassroots in the Referendum Campaign",[42] the party once again managed to put down the opposition forces. In this regard, the PAP performance should be seen as part of the overall management exercise jointly undertaken by Singapore and Kuala Lumpur, although outwardly it was very much a Singapore internal affair. UMNO Singapore in this regard was not spared by the Alliance leaders in Kuala Lumpur who felt that its support for merger was crucial for the Kuan Yew success. Kuala Lumpur's message was that with merger, Singapore would be part of Malaysia, and the Singapore Malays in turn would enjoy the same benefits as their brethren across the Causeway.[43] The move cut ice with Singapore Malays as a whole. Leaders of UMNO Singapore campaigned hard to make union a reality; they were not only able to convince party followers on the need for Malaya-Singapore unification, but also managed to bring many Malay supporters of Barisan Sosialis to share their viewpoint. Malaya's Head of Psychological Warfare, C.C. Too, was also "recruited" by Lee Kuan Yew to help him fight his cause: the man spent three months, on a special mission in Singapore, by providing his "new" master a masterplan "which enabled [the] tottering PAP Government to win its referendum for merger …, thus enabling the political survival of Lee himself and his PAP Government …."[44] Overall, their share of support had made the PAP's effort much less difficult. The outcome of the referendum perhaps explains the impact of their pro-merger stance.

The PAP, which was still exulting in an overwhelming referendum victory, now began to show renewed interest in the future of the party in the envisaged Malaysia. Confidently, the party outlined its new strategy, which included the possibility of establishing branches throughout the federation and having alliances with friends throughout Malaysia.[45] Lee Kuan Yew,

under the influence of his past optimism, even began to argue that within ten to fifteen years, the people of Malaysia would no longer vote on racial lines.[46] "… today in the Federation of Malaya, with more than 50 per cent of the population Malays, it is theoretically possible and practically possible for any single party to rely on the Malay votes and win power …." But, he continued, "With Singapore 70 per cent Chinese, the opposite holds true."[47] Although this did not amount to an open challenge to the Alliance rule, it nevertheless showed that he was already seriously considering gaining a foothold on the mainland. The lines for the political battle between Singapore and Kuala Lumpur were being drawn the moment such words were uttered. As the PAP was still bogged down with the merger argument, the matter did not lead to any furore. What's more, the Communist-leftist challenges were yet to be fully surmounted.

DIALOGUE AND DISPUTE

Notwithstanding the feeling of fear evoked at times by the intense dialogues between the two sides, the need to realize their valued objective caused both Malaysia and Singapore decision makers to converge towards compromise settlements. At least, that was the situation until early 1962, wherefrom their statesmanship was put to the test. So far, the emission of signals such as PAP's translation of its newly acquired position into concrete political influence did not result in the derailment of the union programme. Even the intra-mural repercussions of *Konfrontasi* were exploited to good effect by the protagonists of merger.

Expectedly, Tunku Abdul Rahman was "very happy" over the result of the referendum. For Lee Kuan Yew, the outcome was also a "clear and decisive verdict of the people" and an "awful moment of truth" for the communists.[48] In short, the PAP had not only managed to bring Singapore into the federation by the act of having the referendum, but was also able to show to its opponents in their face that they were actually waging a losing battle. These were great moments for both the two leaders who in the past were willing to travel far enough along the road to ensure that the Malaysia project materialize. An atmosphere of conviviality somewhat prevailed for the sake of the referendum.

The dialogue between them broadened, which outwardly signalled greater collaboration to come. On 1 February, the Internal Security Council met in the Malayan capital and "decided to pre-empt any attempt by the communists and their United Front elements to mount violence and disaster in the closing stages of the establishment of … Malaysia so that Singapore

could enter Malaysia … in a more secure and sound state".[49] Clearly, the outbreak of the Brunei revolt earlier had sparked the move. More importantly, Malaya wanted Singapore to take stern measures to clear up its leftist and communist elements before its inclusion in Malaysia, as that would make it easier for the future new federation to manage itself. Both Singapore and Kuala Lumpur, as members of the Internal Security Council, had operated within the framework of a Malaysia-to-be. In short, they had responded to the situation from a definite political standpoint, although the PAP government apparently "wanted to wait until merger was a reality" before undertaking such harsh measures when the burden could be shifted to Kuala Lumpur".[50] Altogether more than 100 people were arrested under the Public Security Laws.[51] They were accused of trying to use "Singapore island as a Cuban-style base for a political offensive against Malaya".[52] The actions against the anti-merger groups within Singapore had greatly cemented their relationship. The PAP-leftist communist conflict was now transformed into a tussle between the pro-Malaysia and anti-Malaysia forces. Indeed in order to convince Kuala Lumpur further of the need for an early merger, the Singapore Prime Minister remarked that open, front communist organizations were ready to mount violent agitation to coincide with events outside the island when the big crackdown came.[53] He also harped on the old theme of communists' intention of turning the place into a Southeast Asian "Cuba".

In spite of their renewed interest in merger, following the referendum and their joint effort at thwarting the leftist forces, the Malaya-Singapore relationship did not remain for long before it began to blow hot and cold. The PAP, which was still fighting for the hearts and minds of the people, had to adopt a posture which indicated that it had not given in too much to Kuala Lumpur's demands in the course of the merger negotiations. The leftist and pro-communist groups, which were far from being a spent force, continued to generate a rising contempt for the party, and any unreasonable concessions would be construed as a "sell-out" by them. In that case, Lee Kuan Yew had to show that Kuala Lumpur had not been willy-nilly in exacting support from Singapore, in order to maintain the PAP's credibility in the eyes of the Singaporeans. There was a limit to Singapore's sacrifice even though union was extremely necessary for its survival. He categorically stated that Singapore would keep all its revenue, including tax collection, after merger, although it was willing in this connection to pay Kuala Lumpur a yearly lump sum for federation services.[54] The statement incurred the wrath of the Malayan government, and Lee Kuan Yew was taken to task for his "off cuff" remark. To Tunku Abdul Rahman, it was "the first signs of real trouble ...."[55] If Lee Kuan Yew's statement made merger looked more enticing to the Singaporeans,

it also opened the way for the first serious confrontation between Kuala Lumpur and Singapore. Taken aback by the remark, the Malayan Finance Minister corrected him announcing, "There was nothing in the White Paper to substantiate (Lee's) interpretation."[56] He noted that the point at issue was over the question of who was to control the machine for the collection of taxes in the state, while conceding that it was desirable to retain the existing machinery. This "unfortunate" controversy, as the *Straits Times* described it,[57] left considerable impact on the minds of the leaders on both sides. By now serious doubts were raised over the sincerity of the other in respect of the merger idea. Until late March, the question of finance continued to remain the sticking point. Other issues pertaining to the union, such as citizenship, the judiciary, internal security, and election were more easily settled.[58]

FIRST TASTE OF CRISIS

The financial issue did not just nag the two governments, but also began to affect their overall relationship. Initial attempts to minimize their differences ended in failure as the forces driving them towards the escalation of conflict increased. Lee Kuan Yew personally admitted that the talks on financial arrangement had reached a deadlock — a critical stage. He was even willing to conjecture that "anything could happen".[59] The Singapore government considered the contributions it was willing to give as already substantial and, therefore, began to signal its displeasure at Kuala Lumpur's posture. It had agreed to pay for federal services in the state which included maintenance of police and prison services. All told, the amount would come up to about $60 million a year. It resisted the Malayan government proposal that the remaining $350 million of its annual revenue should come under central government control. Lee Kuan Yew, for one, stood his ground. He emphasized that the revenue earned by the Singapore government annually amounted to $400 million, and that unless it received $500 million or more, it was not willing to share it with the rest of the Malaysian territories.[60] In sticking to his bargain, Lee Kuan Yew listed four factors which he thought should be considered in working out a formula on financial arrangements. These were:

1. The number of parliamentary seats in relation to Malaya and the Borneo territories (Malaya: 104; Sarawak and North Borneo: 40; Singapore: 15, and Brunei: 4,
2. Area to be defended,
3. Population ratio of areas to be defended and
4. Prosperity index, including common market arrangements.[61]

Singapore was also against a proposal for imposing revenue tariff on goods such as "pots, pans and textiles", although it agreed to the introduction of a protective tariff on all manufactured goods in the entire Malaysian federation.[62] Tension increased when Tan Siew Sin stepped up his criticism of Lee Kuan Yew, forcing the latter to condemn Kuala Lumpur for trying to "annex" the island's economy. By now events had taken a momentum of their own. The Singapore premier continued to maintain that his government was being asked for a cash share which was not agreed to under the merger White Paper.[63] However, in spite of the mounting conflict, Lee Kuan Yew denied that there was any crisis in the merger talks.[64] Nevertheless, with each day, the drift towards crisis increased, with each side devising responses to advance their respective national interests.

By mid-April, it was becoming clear that Kuala Lumpur and Singapore were at a crisis threshold. The acrimonious dialogue constituted the build-up phase of the crisis, and the main theme struck by Malayan decision makers was that the Federation of Malaysia was attainable even without Singapore in it. Kuala Lumpur was willing to back down on a sacred commitment rather than improve the existing terms through further bargaining. The presence of such unanticipated threat, at least at this juncture, placed the Malaysia project in balance. Since the crisis unfolded within the sphere of power of Kuala Lumpur, it can easily be classified as an intramural crisis.

The *New York Herald Tribune* rightly sensed that the future of the proposed federation was threatened as a result of the collapse of the financial talks.[65] To Singapore, the Malayan demands looked more like a "barrier" purposefully created in order to dampen the PAP spirit and cause it to give up the idea of joining Malaysia altogether. Singapore was seemingly asked to pay a huge price if it still wished to be included in the new federation. And as far as Kuala Lumpur was concerned, the proposal for Malaysia stood even if that territory opted to stay out of it. Tan Siew Sin blankly stated that the formation of the federation would not be delayed, whether or not the deadlock with Singapore over financial arrangements was resolved. He even retorted saying, "It is economically feasible to have Malaysia without Singapore."[66] That was telling of Kuala Lumpur's mood. The PAP government obviously was hard-pressed. It also came under increasing attack from the Barisan Sosialis in the wake of the collapse of the financial talks. The party accused Lee Kuan Yew's government of showing a "sham concern" for control of the state finances.[67] At this stage, however, the PAP too had to contend with the MCA which became increasingly critical of its role in "Malaysian" politics. The MCA's stand caused a further acceleration of events. The party was apparently apprehensive over the possibility of PAP gaining a foothold

among the Malayan Chinese in the event of merger, and as such, would like to dislodge it from its existing position of prominence.[68] T.H. Tan, one of the senators condemned by Lee Kuan Yew for soliciting support among the Singapore Chinese, joined the chorus of MCA opposition, declaring that he would make motion in the Federal Senate against merger if the Singapore prime minister continued to put obstacles to the financial talks.[69] Lee Kuan Yew saw MCA's move not only as an attempt to block agreement over merger financial arrangements, but also as trying "to force a collision between him and Tunku Abdul Rahman".[70] Kuala Lumpur nevertheless managed to keep the PAP-MCA conflict in cold storage and instead tried to resolve the financial problems in the interest of "both sides". By not allowing its position to be compounded by the difficulty posed by the two predominantly Chinese parties, it was able to explore opportunities for change on its own terms.

There was now increased communication. Tunku Abdul Rahman frankly described the financial arrangements as the "only problem"[71] which might prevent the keeping of the August date for Malaysia. The Malaysia-Singapore relationship had reached a turning point. Kuala Lumpur by now had clearly signalled its intention of going its way, even at the risk of losing Singapore. Realizing the danger of an unresolved financial problem, Lee Kuan Yew openly declared that his government would take part in any round of table discussions proposed by Tunku Abdul Rahman in order to get down to the root causes of the differences preventing agreement on finance for the proposed Malaysia. Singapore's approach not only paved the way for cooperative problem solving, but also helped stop the crisis from deepening. Kuala Lumpur, in spite of its earlier adamant stand, reciprocated by making itself amenable to Singapore's proposals. By the end of May, the two sides managed to draw nearer to each other when they finally agreed to set up a common market in Malaysia. A joint statement by the two governments noted that such move "will pave the way for a settlement on the financial arrangements between Malaysia and Singapore".[72] Their ability to institute such a confidence-building measure facilitated further negotiations. It also meant that Kuala Lumpur had leaned towards a commitment not to take drastic actions which could mar the future of their relations. The question of Singapore's contribution to the central government after Malaysia also entered into the discussion. In demanding a "fair and just share of responsibility whereby we can help to put the central government on a strong foundation", the Singapore premier also took to stressing the fact that he too was interested in ensuing ways "to pursue our educational and social policies in Singapore". Not willing to be bogged down by the financial deadlock, the Singapore Legislative Council called for an early settlement of the financial arrangement. During his speech

to the assembly, Lee Kuan Yew revealed that the Singapore government was considering two proposals which might solve the *impasse*.

1. Singapore to pay a certain percentage of her national taxes to the Central Government on the basis that a satisfactory arrangement will be made for the establishment of a common market, including a tariff board under a chairman to be nominated by the two governments by Malaysia Day,
2. Singapore to pay, by way of a grant, $50 million during the first five years of Malaysia, for development expenditure of the underdeveloped British territories.[73]

In addition, it was suggested that an annual contribution of $75 million for defence and internal security would be made, subject to a consideration of several factors — among them, British contribution to defence expenditure.[74] Lee Kuan Yew did not stop at that in trying to impress Tunku Abdul Rahman. Clearly the emergence of the crisis was a powerful stimulus which produced concentrated efforts on the part of the Singapore decision maker. In the process of striking his merger deal, Lee Kuan Yew noted that if the Barisan Sosialis won the next election, no amount of financial control by the central Government would prevent them from unscrambling the whole apparatus of the state in six months.[75] The Malayans were not easily won over by the new deal offered by Lee Kuan Yew. There was no question of lowering the terms for the island's entry. At this stage, Kuala Lumpur had the upper hand in the management of the crisis. Singapore was on the receiving end. Instead of designing mechanisms for reaching a quick settlement of the crisis, the Malayan decision makers placed new barriers on the merger project. In a letter to the Singapore leader, Tunku Abdul Rahman further stressed that there were two problems which stood in the way of merger: the inclusion of the common market terms in the Malayan constitution, and the matter of the $50 million grant.[76] The latter proved too forbidding for Lee Kuan Yew who, on hearing Tunku Abdul Rahman's statement, noted: "We are being asked to give the money, not even to Borneo or Sarawak, but to the central Government. It shows you a frame of mind, an attitude, which I find rather disappointing."[77] Thus although on the whole accommodative to Kuala Lumpur's views, Singapore continued to make its own demands loudly heard. Against Malaya's wishes, it even insisted that the provision for a common market, on the lines proposed in the World Bank report mission, must be incorporated in any merger constitution.

To make matters worse, Tan Siew Sin at this juncture made a point by reminding Singapore of its other commitment. The island, he said, had also

promised to provide another $150 million towards Malaysian development expenditure although that was not made in writing.[78] Lee Kuan Yew quickly brushed it aside stating that his government never made any offer of grants or gifts to anyone. "Singapore," he noted, "is not in the position to play Santa Claus to the British territories."[79] The two contending sides were by now edging towards another conflict, which together with the other disputes over financial matters, could preclude the formation of Malaysia. The conjunction of several factors made the crisis all the more formidable now, and it had become potentially perilous for the whole merger idea. Tunku Abdul Rahman took to summoning his cabinet to an emergency meeting in Kuala Lumpur in order to deal with the deadlock. As both sides were preparing for the eventual bargaining in London in the merger negotiations, unfavourable words were exchanged about each other's behaviour. Climaxing the crisis was the comment by Tunku Abdul Rahman who pointed out that Singapore's decision on Malaysia would "make no difference"[80] to his plans to fly to London. The island's inclusion as such was no longer a prerequisite for the formation of the federation. If Tunku Abdul Rahman's statement placed Singapore at crossroads, he also realized that Malaya's stand on the respective matter "may make some difference to London".[81] In all, an air of crisis prevailed following the latest deadlock in the merger talks. The *Straits Times* editorialized that "there is real crisis in Malaysia affairs". At the very least, the federation programme had suffered a setback as a result of what the *Financial Times* described as "unresolved basic differences".[82]

As far as Kuala Lumpur was concerned, the crisis would not affect its high-priority goal — the formation of the Federation. Perhaps, on account of that, the crisis was not a crisis at all in the eyes of its decision makers! Malaysia would evolve from the existing conflicts with or without Singapore. Kuala Lumpur could still remain loyal to the cause of Federation even if it had to resign itself to having just Sarawak and North Borneo. Any disruption of the Malaysia plan would affect Singapore. Singapore was undaunted by Kuala Lumpur's gestures. Lee Kuan Yew was determined to make his dream come true even if he had to create a new "bargaining language" or develop other routines for facilitating negotiations. "Whatever happens, finally we will succeed, … there will be Malaysia, and Singapore in it," Lee Kuan Yew declared. Armed with that conviction, he flew to London with his entourage to meet their counterparts in the presence of the British. The PAP leader was goaded into working frantically to avert a deadlock.

By accepting Singapore, but at the same time, stipulating its own merger terms which made the island's inclusion difficult, Kuala Lumpur actually was trying to adhere as much as possible to its earlier uncompromising stand

on union while in the same breath hoping to satisfy the British conditions for the formation of Malaysia. In London, the going was tough. The two conflicting sides were originally "forced" to hold separate consultations with Duncan Sandys. After two days of mediation by the British Minister, Malaya and Singapore were no nearer to each other. To Kuala Lumpur, the "last offer" on the financial terms for Singapore's entry into the federation had already been made and it was determined to stand firm on its position. But at the same time, the leader of the Malayan delegation, Deputy Premier Dato' Abdul Razak, had been asked to take a "decision one way or another", an indication that Malaya was feeling free to "handle" the island in its consideration of the Malaysia project. The situation looked pessimistic. It even prompted Tunku Abdul Rahman at home to note that there was little likelihood of agreement with Singapore. He also spoke of the possibility of establishing Malaysia on August 31 "without Singapore" following reports that a meeting between the representatives of the three territories in London had been abruptly called off.[83] However, the day was saved when eventually, after a protracted negotiation, both sides gave way and made concessions on matters pertaining to the common market. The problem relating to contributions to be made to the Borneo territories was also resolved when Singapore, "while adamant on the question of a gift, had agreed to offer very friendly terms for a large loan" to help develop the areas.[84] In short, the crisis was overcome after some hard bargaining, and this was greatly helped by their desire to make Malaysia a success or, at least, to give a try to the federation idea.

If the London agreement managed to save Malaysia as envisaged by Lee Kuan Yew, the Alliance leaders too were probably able to draw some satisfaction from it. Bent on imposing significant constraints on the kinds of policies that the PAP government could pursue, they were in a position to reduce the influence of the party in Malaysia politics because of the deal. By giving only fifteen seats to Singapore in the Federal parliament when the state was entitled to more, Kuala Lumpur actually restricted the political role of the island. Likewise, since under the citizenship provisions of the Malaysia Agreement the citizens of Singapore could vote and contest elections only in Singapore, the Chinese would no longer be able to swamp Malaysia. That notwithstanding, all these proved to be inconclusive compromises when both sides later manoeuvred for dominance. "Too much was left unsaid, too much was thought to have been understood."[85] UMNO Secretary General Syed Jaafar Albar, for one, resented the idea of giving in "too much" to Singapore; he wanted the island to be just like any other states in Malaysia.[86] It was no easy task to bring Lee Kuan Yew into full conformity with the polices of the central government. In spite of the so-called restrictions, the PAP managed

to "overplay" its hand, posing a challenge to the Alliance, which favoured change within the traditional Malaysian framework. As we shall see, Lee Kuan Yew's defiant attitudes, in particular, caused the Malayan political climate to undergo a remarkable transformation. From the point of view of crisis management, important conflicts had been staved off by restraints induced by fears, or preference to back down rather than accept continuation of the risk resulting from intransigence. At the same time, the increased volume of communications and the types of signalling which the exercise entailed indicated the different contexts of the situation within which the affected parties operated.

SECOND CRISIS

Lee Kuan Yew was virtually in a state of euphoria following the successful London meeting. Emboldened by the development, he declared that he had proposed to stand for the Malaysian parliament.[87] In view of the seats allocated to Singapore in the House of Representatives in Kuala Lumpur, the PAP also announced its decision to contest all fifteen of them.[88] Lee Kuan Yew also spelt out once again his party's long-term objective. "Calculate any way you like, a peaceful happy prosperous Malaysia is only possible if we keep Singapore the centre of Malaysia."[89] He was too much of a politician to ignore politics.

Nevertheless, Singapore government restlessness was matched by new events out of its control that could lead to a postponement of Malaysia. The unanticipated problems were caused by Indonesia's and the Philippines' insistence that the federation should be established only after the United Nations had made its findings on the wishes of the people of North Borneo and Sarawak known, to which Kuala Lumpur had agreed. Dismayed by the results of the Manila meeting, Lee Kuan Yew left for Kuala Lumpur to make sure that the agreement signed in the Philippines capital would not be implemented fully. Tunku Abdul Rahman's earlier assurance that "August 31 is still the day — as far as we are concerned" failed to convince Lee Kuan Yew. He wanted to press ahead with the formation of Malaysia as scheduled, and gave the following reasons for it. Firstly, Lee Kuan Yew noted that the Manila agreement did not bind Singapore,[90] and Singaporeans had the responsibility to defend their rights to existence.[91] Secondly, the circumstances created by the outside events were intolerable as they threatened the existence of the federation. And finally, Lee Kuan Yew contended that the agreement was made by Tunku Abdul Rahman under duress from Sukarno.[92] On account of these factors, he wanted Malaya to stand up and fight for its position

simply because "We cannot give in to an international blackmailer". The Singapore leader manifested indifference to the stand taken by the Maphilindo countries. To him, "… August 31 was still Malaysia Day".[93] Lee Kuan Yew's posture once again strained the Kuala Lumpur government to cope with the international problems at hand. Nevertheless, while decrying Singapore as being insensitive to its predicament, Malaya, initially, was able to tackle the issue in its stride. Tunku Abdul Rahman, in particular, tried to put a defence to Malaya's participation in Manila by explaining that the real reason for the delay was that he desired to work sincerely for peace. To him there was no question of pandering to "the tantrums and wiles" of others who were bent on hindering the smooth coming into being of Malaysia.[94] In fact, Kuala Lumpur's interest in the peaceful settlement of conflict was pervasive and it was willing to take "the highly unpopular decision to defer the date for the formation of Malaysia to enable the Secretary General of the United Nations to ascertain the wishes of the people of Sabah and Sarawak ...."[95] Singapore's protest was ignored, although it was concerned about its behaviour. If Lee Kuan Yew's proclamation that August 31 should be "Malaysia Day" was already a concern to Malaya, his decision to declare Singapore independent on that date later proved disquieting for Kuala Lumpur. His assertiveness now reached a new level, and instead of just being a source of annoyance to Kuala Lumpur, it now began to have a destabilizing effect on the Malaysia programme. In fact, by so doing, Lee Kuan Yew had expressed a position and ideas in an antagonistic fashion. Events once again started to move out of control. This time Kuala Lumpur took the crisis more seriously, as it was bound to affect the subsequent course of events. It thus exhibited "signals of increased concern". First, it allowed itself to be determined by the United Nations — thereby forcing itself into a new appreciation of its conflict with Jakarta and Manila respectively — in spite of Singapore's protestation. Kuala Lumpur was well aware of the need to offset discontent abroad, and as such had to pay attention to both Indonesia's and the Philippines' demands. Secondly, Kuala Lumpur condemned the Singapore government's action as illegal and unconstitutional.[96] By proclaiming sovereignty in foreign affairs and defence (as a protest against the delay) the Singapore leader actually unmasked his desire to achieve political freedom through the "mechanism" of Malaysia, or as S. Rajaratnam puts it, "the party has achieved one of its fundamental aims and objectives".[97] As a result of the unilateral decision, Singapore's relationship with Malaya was thrown into temporary chaos. Kuala Lumpur continued to signal strong disapproval. It decided to make strong representation to Britain against the Singapore government for arrogating to itself powers over defence and external affairs.[98] The Malayan cabinet also

ruled that the action was neither legal nor constitutional. The British also made a similar pronouncement when Duncan Sandys remarked that the proclamation of full independence by Singapore was invalid.[99] The view did not induce any hesitancy on the part of the PAP government either. Although Lee Kuan Yew was able to strengthen his grip on Singapore by such action, it did not earn him respect from Kuala Lumpur. In its eyes, Lee Kuan Yew was impervious to both reason and explanation. The alliance entered a phase where it had to live with the PAP intransigence. The emergence of the new crisis also demonstrated the fragility of the political arrangement pertaining to merger.

Singapore naturally was taken aback by Kuala Lumpur's strong reaction to its proclamation of *de facto* independence. Although the pronouncement did not court disaster for the merger talks, it nevertheless served to make their relationship worse. Lee Kuan Yew for one expressed his regret at Malaya's show of concern. To him, moreover, his government could "conclusively justify"[100] such a unilateral action. It became clear, however, that Lee Kuan Yew failed to move Tunku Abdul Rahman into agreeing to his demand. Unless he put himself on the path of grace in the eyes of Kuala Lumpur, he, needless to say, stood to lose. He could only ignore that at his own "peril" although he had been able to outgun his other opponents in direct confrontations. Thus, while the conflict between the PAP and MCA had not totally abated, a new tension area was created as a result. What actually caused the political atmosphere to rise once again was the statement made by the UMNO Secretary General, Syed Jaafar Albar, and the remark made in its wake by Lee Kuan Yew over the issue. Albar noted that Malaya's new friend — an obvious reference to Singapore — would probably pose more difficulties and problems to the new nation than its enemies in the event of Malaysia.[101] The comment was perhaps meant to be a signal to other Malayan leaders that problems were bound to re-emerge with increased urgency and gravity once merger was realized. No doubt there was no direct follow-up to that, Lee Kuan Yew's criticism of Malaya's independence fuelled a new confrontation between him and UMNO. The Singapore Prime Minister stated in conjunction with Malaya's disapproval of its declaration of independence that independence was delivered to Malaya in 1957, on a silver platter.[102] Penang UMNO division quickly took Lee Kuan Yew to task for what it described as "making a mockery of and belittling" Malaya's struggle for independence by condemning him for being "extremely irresponsible".[103] Likewise, Melaka UMNO condemned the Singapore Prime Minister for making "statements which hurt the feelings of the people of Malaya" and warned that good relations would be severed if he "continue to make hasty statements without taking into considerations their

consequences".[104] Notwithstanding the mounting tensions, Kuala Lumpur decision makers opted to let things pass. No new techniques of control were adopted to contain the disputes. The spectre of Malaysia somehow caused them to "ignore" the problems, thereby allowing for the abatement of the crisis. It is also possible that Malaya chose to remain silent in order to concentrate on diplomatic efforts at resolving its conflicts with Indonesia and the Philippines. For Lee Kuan Yew and the PAP in particular, they had all been saved by the merger programme from the leftist-communist onslaught.

In a nutshell, the two conflicting sides as represented by the PAP and Alliance leaderships showed themselves to be of entirely different minds. Singapore began to be perceived by Kuala Lumpur as a future springboard for a PAP challenge, if not of Chinese political ambition. Lee Kuan Yew's conduct had already lent insight into the tactics and goals of his party. Merger had become a device for relieving the PAP from a political predicament, and merger was now seen as a lever for power.

When merger finally became a reality in September, the stage was set for the drama to be re-enacted, with the same characters playing out their roles. And as later crises were to unravel, Kuala Lumpur became as much concerned with inferring the motives and intentions of Lee Kuan Yew and his PAP government as it was with surmounting the conflicts at hand. By August 1965, Tunku Abdul Rahman was more than ready to pronounce that enough was enough, and have the island amputated from Malaysia once and for all. The roaring lion had to be released from the gilded cage for good.

Notes

1. See also Richard Goold-Adams, "The Problems of Malaysia and Singapore", *Commonwealth Journal* 9 no. 2 (April 1966): 63; M. Noordin Sopiee, *From Malayan Union to Singapore Separation: Political* Unification *in the Malaysia Region 1945–1965* (Kuala Lumpur: Penerbit Universiti Malaya, 1974), p. 127, and Arnold C. Brackman, *Southeast Asia's Second Front: The Power Struggle in the Malay Archipelago* (London: Frederick A. Praeger, 1966), p. 37.
2. For example, the Chinese constituted more than three quarters of the whole population of Singapore in mid-1962. Singapore Government, *Monthly Digest of Statistics* 1 no. 12 (Singapore, 1962). The nature of the communist movement is discussed in depth, in Lee Ting Hui, *The Communist Organization in Singapore, 1948–66,* Field Report, No. 12, August 1976, ISEAD, Singapore.
3. Many UMNO members themselves were not in favour of having Singapore in Malaysia. Amaluddin Darus, *Lintasan Politik Malaysia* (Kuala Lumpur: Abad Enterprais, 1978), p. 110. Among them there were those who held the view that the trade unions and the Chinese Middle and High Schools in Singapore

were the main breeding grounds for communism; and that failure of the central government to control them could put the whole federation in danger from subversion or even from a new insurrection. William Shaw, *Tun Razak: His Life and Time* (Kuala Lumpur: Longman Malaysia Sdn. Bhd., 1976), p. 173.

4. William Maddox, "Singapore: Problem Child", *Foreign Affairs* (April 1962), p. 484.
5. R.S. Milne, "Malaysia: A New Federation in the Making", *Asian Survey* 3, no. 2 (February 1963), p. 76.
6. The British had consistently argued against Singapore achieving independence on its own. The fear was that the island would become a Communist stronghold, and as such, would be a threat to their interests in Southeast Asia. Alan Lennox-Boyd, British Secretary of State for the Colonies, once told the visiting Singapore Chief Minister, David Marshall, that "we do not intend that Singapore should become an outpost of Communist China and, in fact, a colony of Peking". See Harry Miller, *The Story of Malaysia* (London: Faber & Faber, 1965), p. 293.
7. *Malayan Times,* 25 September 1962, quoted in Gordon P. Means, *Malaysian Politics* (London: Hodder and Stoughton, 1976), p. 293.
8. See R.S. Milne and Diane K. Mauzy, *Politics and Government in Malaysia* (Singapore: Federal Publications, 1977), p. 56.
9. Willard A. Hanna, *Sequel to Colonialism, the 1957–1960 Foundations for Malaysia* (New York: American Universities Field Staff, 1965), p. 115.
10. It was a natural thing for the British to support fully the idea as it had its origin in their earlier efforts. One writer, however, expresses some surprise at it when he notes: "the whole project was virtually unique in colonial history. A nation recently freed from colonial rule was to receive a massive addition of territory voluntarily relinquished by the same former governing power". Richard Allen, *Malaysia: Prospect and Retrospect* (Kuala Lumpur: Oxford University Press, 1968), p. 156.
11. "Uniting Malaysia — Federation in a Hurry", *Round Table* (September 1962), p. 348.
12. These were the Workers' Party, UMNO Singapore, and the Liberal-Socialist Party, *Straits Times,* 30 May 1961.
13. *Christian Science Monitor*, 7 June 1961.
14. *Straits Times*, 4 July 1961.
15. *Straits Times,* 15 June 1961.
16. Ibid.
17. *The Times,* 26 July 1961.
18. *Straits Times,* 25 August 1961.
19. See M. Nordin Sopiee, *From Malayan Union to Singapore Separation,* p. 155.
20. Of course, the PAP's dissidents, in particular, had other reasons to fear Singapore's union with Malaya. Kuala Lumpur's rule could mean disaster for them, as its stand vis-à-vis the communists and leftists was too well-known. See Ibid., p. 158.

21. The leftist-communists were in no position to fight Lee Kuan Yew on the issue of union. "Merger with peninsula Malaya was for them an unthinkable proposition at that point of time when they were busy consolidating and polishing up their operational machineries." Fong Sip Chee, *The PAP Story — The Pioneering Years* (Singapore: Times Periodicals Pte. Ltd., n.d.), p. 94.
22. John Drysdale, *Singapore Struggle for Success* (Singapore: Times Book International, 1984), p. 294.
23. For example, Tunku Abdul Rahman at one stage remarked that "without … Malaysia, I do not think the PAP would have survived" (*Straits Times*, Singapore, 29 March 1964). Cited in Charles Richard Ostrom, *A Core Interest Analysis of the Formation of Malaysia and the Separation of Singapore* (Claremont Graduate School and University Center, Ph.D., 1971), p. 118.
24. *Straits Times*, 2 September 1961.
25. *New York Times*, 8 September 1961. Tunku Abdul Rahman even declared that "the development has to happen and it has to happen fast — before the end of next year". *Christian Science Monitor*, 7 September 1961.
26. Lee Kuan Yew, *Battle for Merger* (Singapore: Ministry of Culture, 1963), p. 5.
27. *Straits Times*, 17 September 1961.
28. Michael Leifer, "Politics in Singapore, The First Term of The People's Action Party 1959–1963", *Journal of the Commonwealth Political Studies* 2, no. 2 (1964): 102.
29. *Straits Times*, 21 October 1961.
30. *Straits Times*, 17 October 1961.
31. *Straits Times*, 17 November 1961. For more details, see Emily Sadka, "Malaysia: The Political Background", in T.H. Silcock and E.K. Fish, eds., *The Political Economy of Independent Malaya* (Berkeley: University of California Press, 1963), pp. 36–40.
32. *Straits Times*, 1 January 1962.
33. *Straits Times*, 20 November 1962.
34. *Christian Science Monitor*, 12 October 1961.
35. Paradoxically, the two "menaces" were seen as the only alternatives opened to the Malayan people. If the communist threat was a major problem in Tunku Abdul Rahman's eyes, the fear of being swamped by the Chinese still remained real. The reason was that Singapore's Chinese population was growing rapidly. According to the Singapore Government *Monthly Digest of Statistics* 1, no. 12 (Singapore, 1962) the total population was 1,732,800 with the Chinese numbering over 1,300,000. See Milton E. Osborne, *Singapore and Malaysia*, Data Paper: No. 53 (Cornell University, New York: Southeast Asia Program, Department of Asian Studies, 1964), p. 9.
36. A four-man delegation led by Lee Kuan Yew himself made a lightning tour of several Afro-Asian and neutralist countries in early April. The places visited included Burma, India, Egypt, and Japan. The members of the delegation

were C.V. Devan Nair (trade unionist), Jek Yuen Thong (Political Secretary to the Prime Minister), Yaacob Mohamad (Parliamentary Secretary to the Prime Minister), and Rahim Ishak (Political Secretary to the Minister of Culture), *Straits Times*, 20 April 1962.

37. *The Times*, 26 April 1962.
38. Tunku Abdul Rahman foresaw that the island would be within manageable limits. He promised to reduce the number of strikes and "increase the amount of happiness of the people of Singapore". *The Times*, 12 January 1962. Up and above that, the Malayan Prime Minister also said that merger would save the state from what is considered as the "clutches of communism." Ibid.
39. *The Times*, 5 April 1962.
40. "Editorial," *Straits Times*, Ibid., 21 April 1962.
41. *Straits Times*, 19 April 1962.
42. Fong Sip Chee, *The PAP Story — The Pioneering Years*, p. 121.
43. Interview with Ahmad Taff, 3 February 1981, Kuala Lumpur.
44. Chiang Siew Lee, "Mastermind in War Against the Communists", *New Sunday Times*, 26 April 1992.
45. *Straits Times*, 27 July 1962.
46. *Straits Times*, 19 August 1962.
47. *Straits Times*, 29 August 1962.
48. *Straits Times*, 3 September 1962.
49. Dr Toh Chin Chye, p. 27. See also "Singapore", *Asian Recorder*, 19–25 March 1963 and "Malaysia — General Election in Singapore — Mass Arrests of Communists", *Keesing's Contemporary Archives* vol. 1981, 28 December 1963–4 January 1964.
50. See Dennis Bloodworth, *The Tiger and the Trojan Horse* (Times Books International, 1986), p. 276.
51. The operation was the largest round up of left-wing subversives since the declaration of Emergency in 1948 (*Sunday Telegraph*, 3 February 1963). Among those detailed were Lim Chin Siong (The Barisan Sosialis Secretary-General) and S. Woodhull (the party Vice-Chairman). The Barisan Sosialis attacked the detention of its leaders by taking the protest to the Afro-Asian Peoples' Solidarity Conference (*Hsin-hua News Agency*, 7 February 1963). The government was described by the party chairman as "part of a chain of overall repressive actions being taken in the whole of the Malaysia region by the colonialist (*The Daily Worker*, 7 February 1963).
52. See *Keesing's Contemporary Archives*, Col. 19816 (28 December 1963 to 4 January 1964).
53. *Straits Times*, 4 February 1963.
54. *Straits Times*, 2 March 1963.
55. Tunku Abul Rahman, *Looking Back* (Kuala Lumpur), p. 115.
56. *Straits Times*, 4 March 1963.

57. "Editorial", *Straits Times*, 6 March 1963.
58. At this stage the prospect looked so good in the eyes of the Singapore government that the *Yang Di Pertuan Negara* (Head of State) was led to believe that "the internal threat, disorder, uncertainty, instability and communist United Front will all slowly recede". *Straits Times*, 28 March 1963.
59. *Straits Times*, 13 April 1963.
60. Ibid.
61. Ibid.
62. Ibid.
63. *Straits Times*, 15 April 1963. Former Singapore Foreign Minister, S. Rajaratnam, squarely blamed the MCA for souring things for the PAP government. S. Rajaratnam, "PAP's First Ten Years", in Chan Heng Chee and Obadul Haq, eds., *S. Rajaratnam: **The Prophetic and the Political*** (Singapore, New York, 1987).
64. *Straits Times*, 14 April 1963.
65. *New York Herald Tribune*, 17 April 1963.
66. *Straits Times*, 28 April 1963.
67. Ibid.
68. Probably conscious of the PAP threat, the MCA tried to strengthen itself by augmenting its base in Singapore, a move which drew heavy criticism from Lee Kuan Yew. At a mass rally in Bukit Timah, the Singapore Prime Minister alleged that a group of Singapore businessmen had gone into politics in the hope of making profits as they had done in commerce. Lee Kuan Yew's statement was probably aimed at MCA's attempt to include several businessmen in its 15-member committee to revitalize the party five days earlier (Ibid., 11 May 1963). The remark was considered as "insinuating" (Straits Times), and his posture was construed as stemming from his fear of the "increasing influence of the MCA on the Chinese community in Singapore". (Ibid.)
69. See V. Suryanarayan, "Singapore in Malaysia," *International Studies* 2, no. 1 (July 1969): 6.
70. *Straits Times,* 18 May 1963. Lee Kuan Yew also said in this connection that two MCA senators had been running round Singapore "telling our merchants and some four leading bankers just what they will do to Singapore if the Government does not toe their line" (*ibid.*). He personally criticized one of them, T.H. Tan, for trying to subvert the Malaysia idea by using threat.
71. "Editorial", *Straits Times*, 22 May 1963.
72. Lee Kuan Yew clarified that according to the terms of the joint statement agreed between him and Tun Razak, there would be a "gradual erosion of Singapore's free port status as Malaysia industrialises". As such, he further indicated, tariffs would be imposed only on imported goods …." See Ibid., 31 May 1963.
73. *Straits Times*, 11 June 1963.
74. Ibid.

75. *Sunday Times*, 16 June 1963.
76. *Straits Times*, 22 June 1963. The Malayan government had asked for the $50 million grant, stretched over five years, for development of the British territories, and wanted full details of the common market to be thrashed out after the formation of Malaysia. Ibid.
77. Ibid.
78. *Straits Times*, 24 June 1963.
79. Ibid.
80. *Straits Times*, 24 June 1963.
81. Ibid.
82. *Financial Times*, 25 June 1963.
83. *Straits Times*, 5 July 1963.
84. *Straits Times*, 6 July 1963.
85. Wang Gungwu, "The Great Split" (Political Symposium), *Varsity 1965* (University of Malaya Students' Union, 1965), p. 9.
86. Interview with Ahmad Ibrahim, 4 April 1980, Kuala Lumpur.
87. *Straits Times*, 11 July 1963.
88. *Straits Times*, 12 July 1963.
89. *Straits Budget*, 3 July 1963. Quoted in Nancy H. Fletcher, *The Separation of Singapore from Malaysia*, Data Paper No. 78 (Cornell University, Ithaca, New York: Southeast Asia Program, Department of Asian Studies, July 1969), p. 6.
90. Ibid.
91. *Utusan Melayu*, 20 August 1963.
92. *The Guardian*, 9 August 1963.
93. *Straits Times*, 3 August 1963. Singapore also tried to speak on behalf of Sabah in regard to making 31 August Malaysia Day. "We are not a party to the Manila Accord …." Lee Kuan Yew pointed out, "and the people of Singapore should show the world that although it is a small country, they will stand up and fight for their rights and have a place in the sun." Ibid., 19 August 1963.
94. *The Times*, 13 August 1963.
95. Reading (A) Prime Minister of Malaysia, Tunku Abdul Rahman in the Malaysian Parliament on 12 November 1963 presenting the White Paper on Malayan relations with Indonesia and Philippines up to Malaysia Day. John Bastin & Robin W. Winks, compilers, *Malaysia Selected Historical Readings* (Kuala Lumpur: Oxford University Press, 1966), p. 434.
96. *Utusan Melayu*, 4 September 1963.
97. S. Rajaratnam, "PAP's First Ten Years", p. 26.
98. *Straits Times*, 3 September 1963.
99. *Daily Telegraph*, 4 September 1963.
100. *Straits Times*, 3 September 1963.
101. *Straits Times*, 6 September 1963. Many newspapers, notably the *Utusan Melayu,* also went on the attack. Considering Lee Kuan Yew's actions as too much, the

paper noted, "A prosperous and happy Federation of Malaya should not be sacrificed at the altar of Malaysia." *Utusan Melayu*, 2 September 1963.

102. *Straits Times*, 9 September 1963.
103. *Straits Times*, 10 September 1963.
104. *Straits Times*, 9 September 1963. See also *Utusan Melayu*, 6 September 1963.

5

POLITICAL RELATIONS

Carlyle A. Thayer

Current relations between Singapore and Malaysia were significantly shaped by the legacy of merger and separation. A review of this period indicates not only the importance of political leadership, but also, more fundamentally, the importance of communalism. These twin factors infused tensions into political and economic issues.

The creation of the Federation of Malaysia was precipitated by Singapore's shift from colonial status to internal self-government (June 1959) and eventual independence. The People's Action Party (PAP) won the general elections in May 1959 and its leader, Lee Kuan Yew, became prime minister. In May 1961, Tunku Abdul Rahman mooted the idea of an eventual merger between Malaya, Singapore, and the British Borneo territories. Lee Kuan Yew favoured independence through merger with Malaya and rejected the idea of an independent Singapore because it would become "South-East Asia's Israel with every hand turned against it."[1]

The PAP successfully won a referendum on the future of Singapore conducted in September 1962. Seventy-one per cent of the voters supported merger. But domestic opposition by communists, with support in the Chinese community, kept Lee under constant pressure to demonstrate in merger negotiations that he was standing up for the island republic's interests. Lee sought and gained special terms including greater autonomy and diminished financial obligations for Singapore. Singapore became independent on 1 September 1963, and then joined the Federation of Malaysia a fortnight later.

The political leaders in Singapore and Malaysia shared the objective of defeating the challenge posed by ethnic Chinese communism.[2] And they both favoured creating a Federation of Malaysia. But they also had differing political motivations. Malaya's leaders sought to incorporate Singapore into a larger federation in which Malay dominance would be maintained. Lee Kuan Yew and the People's Action Party (PAP) sought independence through merger with Malaya, but on terms of equality for all communal (read ethnic Chinese) groups. Lee strongly argued in favour of meritocracy and this was perceived by the Malay leadership as a veiled attack on the political entitlements of indigenous Malays.

Once Singapore joined the Federation, a major fault line quickly developed between the incumbent federal Alliance government led by Prime Minister Tunku Abdul Rahman, and the PAP under the leadership of Lee Kuan Yew.[3] At issue were personal ambitions, economic questions, communalism, political ideology, and the question of federal power and state autonomy. In the federal elections held in April 1964, for example, the PAP nominated nine candidates to run in predominately Chinese constituencies in clashes involving the Malayan Chinese Association (MCA) and Socialist Front.[4] The PAP argued it would be a better coalition partner in the Alliance than the MCA. United Malays National Organisation (UMNO) leaders called on Malays to reject the PAP and preserve the UMNO-MCA alliance to avoid the dangers of communalism. The Alliance won an overwhelming victory (123 seats out of 159); the PAP won only a single seat.

In 1964, the Alliance returned the favour and began to aggressively compete with the PAP in Singapore. UMNO Secretary General Syed Jaafar Albar encouraged the formation of an Action Committee to agitate for Malay special rights in Singapore. He portrayed the PAP as a Chinese party hostile to Malay interests. As a result of rising political tensions, serious race riots broke out in July and September in which more than thirty persons were killed, several hundred injured, and over one thousand arrested.[5] Both the federal and state governments came into conflict over how to respond to this tragedy. The federal government sponsored peace committees in direct competition with the Singapore government's goodwill committees.

In 1965 relations between UMNO and the PAP deteriorated to an all time low. In May, UMNO officials warned Lee Kuan Yew of the consequences if he continued to challenge Malay rule. While some UMNO leaders demanded that Lee be detained, others burned him in effigy. PAP leaders perceived UMNO actions as a deliberate attempt to bring Singapore to heel.[6] They responded with an aggressive campaign of their own, targeting what they termed UMNO Ultras. Lee Kuan Yew and the PAP advanced the slogan "Malaysian Malaysia"

as opposed to the Ultra's "Malay Malaysia". The PAP sought to realign the political landscape by enlisting the support of opposition groups throughout the country into the Malaysian Solidarity Convention.

PAP's actions raised the political stakes. Communal Malays pressed their leaders to amend the constitution to enforce uniform state administration across Malaysia and for the adoption of Malay as the sole national language. Lee Kuan Yew, for his part, warned that Singapore would consider "alternate constitutional arrangements" if the constitution was manipulated to thwart the creation of a Malaysian Malaysia.[7]

By July, amidst rising political hostility between UMNO and the PAP, it was obvious that a political deadlock had been reached. Prime Minister Tunku Abdul Rahman concluded that there were only two options available to him: impose direct federal rule on Singapore or expel Singapore from the federation.[8] The Tunku chose the second course and on 25 July 1965, he informed PAP leaders of his decision. Together they drew up a constitutional amendment and an agreement on separation. On 9 August, it was formally announced that Singapore was seceding from the Federation of Malaysia.

Under the terms of the agreement on separation, both sides agreed to pursue a joint defence policy, coordinate their foreign policies, and cooperate economically. Malaysia also undertook to honour water supply agreements reached in 1961 and 1962. Malaysia also sponsored Singapore's membership in the United Nations and Commonwealth.

Despite the pledge to cooperate, the animosity leading to separation had created such a deep well of mistrust and resentment that frictions arose almost immediately. Lee Kuan Yew inflamed the post-separation situation by making intemperate and disparaging remarks about Malaysia's political leaders and Malaysian society. This resulted in angry diplomatic protests and the withdrawal of diplomatic representatives from each other's capitals.

A short-lived tariff war broke out when Singapore imposed licensing and quota arrangements on the entry of a wide range of Malaysian products. Malaysia retaliated by announcing its own tariffs, licences, and other financial controls. Both sides then imposed restrictions on immigration and required work permits for non-citizen aliens. In September 1965, with trade at a virtual standstill, both sides agreed to lift tariff and quota restrictions. But Malaysia and Singapore could not reach agreement on a common currency. Both announced in August 1966 that from June 1967 each would issue separate, but interchangeable currencies. In May 1973, Malaysia terminated this arrangement.[9] According to Lee Kuan Yew, in the late 1960s Malaysia formed an 'S' committee to coordinate policies designed to choke Singapore's economic growth whenever they could find leverage to do so.[10]

After separation, the PAP was declared illegal in Malaysia. Its members formed the Democratic Action Party (DAP). MCA and UMNO branches in Singapore formally terminated their affiliations with their Malaysian counterparts. Nonetheless, communal political loyalties extended both ways across the causeway and emerged from time to time as an irritant in bilateral relations. For example, in March 1966, during the course of a visit to Singapore, Tunku Abdul Rahman complained about remarks by two senior government ministers criticizing Malaysia. Lee Kuan Yew later wrote in his memoirs "my ministers who came from Malaya still reacted as Malayans, emotionally unable to detach themselves from the land of their birth and upbringing".[11]

STRATEGIC VULNERABILITY AND CONTESTED SOVEREIGNTY

Singapore's geo-strategic location, demography, and the abrupt manner in which Singapore was separated from Malaysia have led to the development of a perception of extreme strategic vulnerability on the part of Singapore's political leadership. Singapore is a small island state with no hinterland.[12] Singapore is wedged between two larger neighbours, Malaysia and Indonesia; it has a confined sea and air space.

Singapore is critically dependent on maritime commerce and the maintenance of safe and secure sea lines of communication. As Lee Kuan Yew put it to civil servants shortly after separation, "we are in the heart of that [Malay] archipelago which makes our position one of supreme strategic importance and, at the same time, one of grave perils for ourselves if we overplay our hand".[13]

At the time of separation, approximately fourteen per cent of Singapore's population was Muslim Malay. Singapore had no military forces of its own. In fact, at independence, two battalions comprised mostly of Malays from Malaysia were stationed in Singapore's territory under Malaysian command. Lee Kuan Yew and other PAP officials were very fearful Malay Ultras might provoke the military to seize power and clobber Singapore into submission.[14] There were fears too, that "pro-UMNO Malays in Singapore would run amok when they realized that they had been abandoned and were now a minority".[15] In sum, Singapore's demographic composition contributed to domestic fragility. This was illustrated in 1969 when severe racial rioting in Malaysia spilled over across the causeway.[16]

The abrupt manner of Singapore's separation from Malaysia meant that Singapore faced the prospect of "political extinction" from the very start.[17] According to Lee Kuan Yew, the Tunku did not expect Singapore to succeed

and he used three levers to impose his will on Singapore: the military, the economy, and water.[18] The military option has already been mentioned. As for the economic lever, Malaysia attempted to bypass Singapore's port facilities and redirect foreign trade through its ports. Malaysia's strategy was aimed at undercutting Singapore's roles as entrepot and regional middleman. The question of water supply is discussed below.

Singapore's sense of strategic vulnerability has resulted in extreme sensitivity in dealing with Malaysia, especially when Singapore's national sovereignty is called into question. Malaysia is viewed as continually poised to exploit Singapore's strategic vulnerability. Singapore's sense of strategic vulnerability has also generated worst-case thinking in defence and foreign policy. Lee Hsien Loong has argued that Singapore's independence cannot be taken for granted. "Overnight, an oasis may become a desert," he asserted.[19] These factors have resulted in structural tensions that lead to recurrent strains in the bilateral relationship.[20] In other words, there is a tension between Singapore's determination to be uncompromising in defence of its national sovereignty, and its need to be sensitive to Malaysia's interests.

These embedded structural tensions have been reinforced by Lee Kuan Yew's assertive temperament and personal direction of foreign policy towards Malaysia.[21] Lee Kuan Yew played a dominant role in the formulation and implementation of Singapore's external policies from 1965 until his retirement in November 1990, and subsequently in his role as Senior Minister and later Minister Mentor. Singapore did not establish a career foreign service until 1974. Singapore's Ministry of Foreign Affairs has always been at the direction of Cabinet and it was only in the early 1980s that the Ministry began submitting policy papers and options to the full cabinet. Nevertheless policy towards Malaysia is closely held by the Prime Minister and Minister Mentor with the Foreign Ministry in a support role.

From Malaysia's point of view, Singapore has not always taken sufficient account of Malaysia's political sensibilities and economic and security interdependence.[22] Singapore's economic success has generated a sense of hubris and a condescending attitude towards Malaysia, which is viewed in Kuala Lumpur as "racist based triumphalism".[23]

MAJOR ISSUES IN THE BILATERAL RELATIONSHIP

Singapore's sudden separation from Malaysia meant that Singapore's status was suddenly altered from a subordinate unit in a federal system to that of a sovereign state. Both sides had difficulty adjusting to this new political reality. Singapore's leaders sought to demonstrate their independent and sovereign

status at every turn and were extremely sensitive to Malaysian actions that were perceived as a derogation of sovereign equality. In Singapore's view, Malaysia wanted an *abang-adik* (big brother-little brother) relationship.

Malaysian leaders initially felt that Singapore would become a failed project and that it would remain dependent on Malaysia. For example, in March 1966, during the course of a visit to Singapore, Tunku Abdul Rahman reminded Lee Kuan Yew that Singapore's lifeline was with Malaysia, and that Singapore had to work closely with Kuala Lumpur. Lee Kuan Yew bristled at these remarks. As he noted in his memoirs, "I had mixed feelings about this first encounter with the Tunku after separation. He still expected me to oblige him."[24] Lee also noted that "the Tunku believed that his one battalion in Singapore and his ability to cut off our water supply or close the Causeway to stop all trade and travel would compel us to comply".[25] In other words, Singapore's leaders remained determined to resist being manoeuvred into a position of conditional sovereignty in their relations with Malaysia. Singapore's unwillingness to give undue deference to Malaysia or its interests, and Singapore's constant assertion of sovereignty entrenched a structural tension into the bilateral relationship which emerged in a number of domestic and foreign policy issues.

COMMUNALISM AND ETHNIC STEREOTYPING

The differing demographic composition of Malaysia and Singapore has meant that ethnic politics are never far below the surface in bilateral relations. Malaysia's system of communal politics and entrenchment of Malay rights clashes with Singapore's comparatively more open, merit-based system. In June 1996, for example, Prime Minister Lee Kuan Yew stated that Singapore could only reintegrate with Malaysia if it adopted the principles of multiracialism and meritocracy. These comments were viewed as a swipe at Malaysia. Malaysian leaders accused PAP leaders of disparaging Malaysia as a domestic electoral ploy. Malaysia's political system is especially sensitive to "ethnic outbidding" by Malay Ultras and other Muslim extremists. In the aftermath of the May 1969 federal elections, in which the Alliance suffered a loss of seats, Malay Ultras, led by Mahathir Mohammed, accused the Tunku of selling out Malaysia to the Chinese.

Political separation has not prevented the spillover of political emotions across the causeway. This has often taken the form of intemperate language and racial stereotyping. Lee Kuan Yew notes in his memoirs that just after separation, "I had become the number one hate object in the Malaysian Malay-language newspapers and radio and television broadcasts then circulating and receivable in Singapore."[26] In February 1987, Singapore's Second Minister of

Defence, Lee Hsien Loong, gave offence to Malaysians when he questioned the loyalty of Malays in the Singapore Air Force, citing this as the reason why no Malays had been recruited as pilots.[27] These remarks reinforced Malay views of Chinese prejudice and led to a stream of critical comments.

Singapore's sense of strategic vulnerability has always made it particularly sensitive to the possibility that Malay moderates would be displaced by more chauvinistically inclined Malay politicians. This was particularly the case in 1969 when race riots erupted in Kuala Lumpur and UMNO Ultras challenged the prime minister. The Malay Ultras also accused Singapore of interfering in Malaysia's domestic politics. Nine years later this issue was still sensitive. During a visit to Singapore in 1978, Mahathir urged Lee Kuan Yew to sever ties with Malaysia's Chinese leaders, especially the DAP.[28]

Racial stereotyping has taken many forms. In December 1981, during a visit to Singapore, Prime Minister Mahathir told Lee Kuan Yew that Malays were resentful and jealous of Singapore as a prosperous Chinese city just as they were resentful of Chinese in Malaysia's towns. In early 1997, Lee Kuan Yew, in a sworn affidavit in a court case, described Johor Bahru as "notorious for shootings, muggings and car-jackings." The Malaysian government demanded a retraction and Lee made an unreserved apology for his remarks.[29] Nevertheless, Malaysia suspended bilateral talks underway and renewed threats to cut off its supply of water to Singapore. Later in the year, when the Asian financial crisis engulfed Malaysia and Indonesia, Singapore was criticized by Malaysians for not offering sufficient assistance to its Malay neighbours. Singapore's national team was booed at by Malaysians during the Commonwealth Games in Kuala Lumpur in September 1997.

ECONOMIC INTERDEPENDENCE

Malaysia and Singapore are economically interdependent especially in terms of two-way trade and investment. The growth of Malaysia's economy in the 1980s led to increased cooperation between the two states, such as the agreement to support the Singapore-Johor-Riau growth triangle.[30] Later the two sides agreed to construct a second bridge across the causeway linking Singapore to Johor. This project was completed in 1998. Singapore's economic growth has led to shortages of industrial land and labour. Government authorities have encouraged the relocation of factories to Johor. As noted by Lee Kuan Yew in his memoirs, "despite my differences with him, I made more progress solving bilateral problems with Mahathir in the nine years he was prime minister from 1981 to 1990, when I stepped down, than in the previous 12 years with Tun Razak and Hussein Onn as prime ministers".[31]

Yet structural tensions often intruded into the interdependent economic relationship. Malaysia has made determined steps to decrease its dependency on Singapore's port facilities by rerouting trade through its own domestic ports and by taking financial measures to reinforce these measures. In 1977, the Federal government decreed that all exports from Johor to East Malaysia must be shipped through Pasir Gudang port and not via Singapore. From 1980, Malaysia limited the carriage of all domestic cargo between Malaysian ports to Malaysian vessels. In 1984, Malaysia imposed a levy on all goods vehicles travelling to Singapore. Malaysia also reduced its import duty on foodstuffs from China that were directly imported into Malaysia. When Singapore protested, Malaysia responded by exempting duty on goods imported by sea and air, but not by land. In 1998, to cite another example, the construction of the second bridge over the causeway was marred over the issue of the toll to be charged.

A major example of structural tensions emerging to cause strain in the bilateral relationship concerns Singapore's dependence on Malaysia for the supply of water. Under agreements reached in 1961 and 1962, Malaysia agreed to supply 250 million gallons of water per day until 2011 and 2061, respectively. Over the years since separation, Malaysian politicians and UMNO Ultras have from time to time made threats to cut off this supply. In August 1998, for example, members of UMNO's youth wing shouted at the Prime Minister "Potong! Potong! Potong! (Cut! Cut! Cut!)" when the question of relations with Singapore was raised.[32] It is doubtful, however, if any Malaysian leader was serious about such threats. But Singapore's dependency in this area has contributed to its sense of strategic vulnerability.

In 1979, Lee Kuan Yew made Singapore's position unequivocally clear to Prime Minister Mahathir. Lee stated that if Malaysia failed to honour the terms of the agreement on separation by shutting off the supply of war, Singapore would take the matter to the United Nations Security Council. But "[i]f water shortage became urgent, in an emergency, we would have to go in, forcibly if need be, to repair damaged pipes and machinery and restore the water flow".[33] Malaysian government officials, including Prime Minister Mahathir, have repeatedly stated that Malaysia would honour its commitments. This has not prevented hard bargaining on a new water supply agreement, including a hike in prices. When the 1997–98 financial crisis hit Southeast Asia, Singapore offered substantial economic assistance to Malaysia to recapitalize its banking sector and underwrite its growing budget deficit in return for a new agreement on water supply. Malaysia declined the offer because of this linkage.

For its part, Singapore has taken determined steps to reduce its dependency on water from Malaysia. It has built three desalination plants and has negotiated a contract with the Indonesian government for the supply of water from Riau province. One academic analysis suggests that Singapore's vulnerability in the supply of water has been greatly reduced, thus depreciating Malaysian leverage in this area.[34]

MARITIME BOUNDARIES

The separation of Singapore from Malaysia has given rise to a small number of territorial disputes. Most of these issues were settled peacefully, but only after protracted negotiations. Although Singapore quickly settled its maritime territorial boundary with Indonesia in 1967, it took a further twenty-eight years for Singapore and Malaysia to reach a similar agreement. In 1971, Singapore refused to accept Indonesia's and Malaysia's joint challenge to the traditional legal status of Straits of Malacca and Singapore.[35]

Both Singapore and Malaysia remained sensitive to any action by the other that challenged national sovereignty. In April 1987, for example, Malaysia reacted angrily when two assault boats containing a small party of Singaporean National Servicemen intruded into its territorial waters while on a training exercise. Malaysia delivered a verbal protest and accused the soldiers of spying. Prime Minister Lee apologized for the incident.

In 1979, Malaysia unilaterally redrew its maritime boundaries to incorporate the island of Pedra Branca (Pulau Batu Putih). Pedra Branca hosted the Horsburgh Lighthouse that overlooked the eastern channel of the Singapore Strait. Pedra Branca had been under Singapore administration since 1840. Malaysia's action precipitated a dispute that has lasted up to the present.

In December 1981 the two prime ministers successfully negotiated a number of outstanding issues. Singapore agreed to Malaysia's proposal that the Straits of Johor be demarcated on the basis of the Thalweg principle. Malaysia agreed to return a military camp occupied by its forces in Singapore and to resume a portion of Malayan Railway land at Tanjong Pagar Station so that Singapore could construct an extension to the existing expressway. Although both leaders agreed to work out a settlement of the Pedra Branca dispute, the matter was left pending for another two and a half decades.

In 1989 Singapore proposed that the dispute be referred to the International Court of Justice (ICJ) in The Hague. The Pedra Branca dispute resurfaced in 1991–92 when Singapore prevented Malaysian fishing boats from approaching the island. In 1994, the two prime ministers agreed to refer

the dispute to the ICJ, but disagreed over how to proceed and it was only in early 1998 that the two sides settled on the text of a Special Agreement to refer Malaysia's claim to the ICJ. More delays followed until February 2003 when the two foreign ministers signed the Special Agreement agreed to in principle earlier. Malaysia submitted joint notifications to the ICJ later in the month. A decision is not expected until 2008.

CONCLUSION

Malaysia and Singapore are two closely interlinked states that are economically interdependent and share a common strategic outlook. Singapore's merger with Malaysia after gaining independence seemed a natural progression. Why the messy divorce in 1965? And why have recurrent political spats persisted for nearly four decades?

This chapter has highlighted four main inter-related factors that have contributed to structural tensions in the bilateral relationship: the style of political leadership, historical legacies, strategic vulnerability, and contested sovereignty. It is clear from historical records that there was a clash of personalities and political style between Tunku Abdul Rahman and Lee Kuan Yew. Malaysia has witnessed the retirement of four prime ministers since Singapore's separation. Although Lee Kuan Yew retired in 1990, his influence as Senior Minister/Minister Mentor has cast a shadow over events since then. However, these factors are likely to recede with the passage of time. Abrasive leadership styles and historical legacies can only offer part of the explanation as to why there have been recurrent bouts of political tension across the causeway.

Singapore's extreme sensitivity towards any Malaysian action that threatens to constrain its sovereignty is likely to endure, but is likely to decline in importance as Southeast Asia pursues its goal of creating an ASEAN Community by 2015, based on three pillars: security community, socio-cultural community, and economic community.

This chapter also examined a number of major issues in the bilateral relationship — communalism and ethnic stereotyping, frictions arising from economic interdependence, and disputes over maritime territorial boundaries. Economic and territorial issues must be viewed as symptoms rather than causes of periodic political disputes. The enduring roots of structural tension in the Singapore-Malaysia bilateral relationship lie in the conflicting approaches to ethnic communalism in the two countries[36] as well as Singapore's profound sense of geo-strategic vulnerability in a region prone to religious extremism and political violence. In making a net assessment of the relationship between

Malaysia and Singapore, it is necessary to stress as well the substantial areas of economic and strategic complementarity between them. The leadership style of Malaysia's new Prime Minister, Abdullah Badawi, offers grounds for optimism that the two neighbours are pragmatically poised to deal with irritants in their bilateral relationship.[37]

Notes

1. Michael Leifer, *Singapore's Foreign Policy: Coping with Vulnerability* (London: Routledge, 2000), p. 91.
2. Michael D. Barr, "Lee Kuan Yew in Malaysia: A Reappraisal of Lee Kuan Yew's Role in the Separation of Singapore from Malaysia", *Asian Studies Review* 21, no. 1 (1997): 4.
3. N. Ganesan, "Factors Affecting Singapore's Foreign Policy Towards Malaysia", *Australian Journal of International Affairs* 145, no. 2 (1991): 186–87.
4. Barr, "Lee Kuan Yew in Malaysia", pp. 2–3.
5. See Leifer, *Singapore's Foreign Policy*, p. 53, and Tim Huxley, *Defending the Lion City: The Armed Forces of Singapore* (St. Leonards: Allen & Unwin, 2000), p. 15.
6. Gordon P. Means, *Malaysian Politics* (London: Hodder and Stoughton, 1976), p. 345.
7. Ibid., p. 348.
8. Ibid., p. 353.
9. Lee Kuan Yew, *From Third World to First: The Singapore Story: 1965–2000* (New York: Harper Collins Publishers, 2000), p. 231.
10. Ibid., p. 238.
11. Ibid., p. 228.
12. Ibid., p. 3.
13. Leifer, *Singapore's Foreign Policy*, p. 9.
14. Lee, *From Third World to First*, p. 6.
15. Ibid.
16. Huxley, *Defending the Lion City*, p. 33.
17. Lee, *From Third World to First*, p. 3.
18. Ibid., p. 228.
19. Leifer, *Singapore's Foreign Policy*, p. 19.
20. Ibid.
21. Ibid., p. 96.
22. Ibid., p. 54.
23. Ibid.
24. Lee, *From Third World to First*, p. 228.
25. Ibid.
26. Ibid., p. 4.

27. See Leifer, *Singapore's Foreign Policy*, p. 94, and Lee, *From Third World to First*, p. 247.
28. Lee, *From Third World to First*, p. 244.
29. Ibid., p. 250.
30. Shannon L. D. Smith, "The Indonesia-Malaysia-Singapore Growth Triangle: A Political and Economic Equation", *Australian Journal of International Affairs* 51, no. 3 (1997)
31. Lee, *From Third World to First*, pp. 255–56.
32. Huxley, *Defending the Lion City*, p. 48.
33. Lee, *From Third World to First*, p. 244.
34. Joey Long, "Desecuritizing the Water Issue in Singapore-Malaysia Relations", *Contemporary Southeast Asia* 23, no. 13 (2001).
35. Huxley, *Defending the Lion City*, p. 42.
36. Barr, "Lee Kuan Yew in Malaysia", pp. 15–16.
37. Anthony L. Smith, "Malaysia-Singapore Relations: Never Mind the Rhetoric", Special Assessment (Honolulu: Asia-Pacific Center for Security Studies, 2004).

6

THE POLITICS OF BECOMING "MALAYSIAN" AND "SINGAPOREAN"

Albert Lau

Singapore's separation from Malaysia in August 1965 after fewer than 23 months in the Federation has generated much interest — and controversy — in its wake. Explanations of why "merger" failed, and the issues and circumstances that have contributed to the island's "eviction" from Malaysia have since engaged academic analysis and debate — as well as inspired competing interpretations from political leaders and opinion shapers on both sides of the Causeway. Wang Gungwu's remarks, made in the 1966 annual of the *Straits Times*, that "it will be some time before we have the objectivity and the perspective to find an answer that we can all agree and accept"[1] still appear very much relevant when set against the sharp reaction across the Causeway to the publication in 1998 of *The Singapore Story: Memoirs of Lee Kuan Yew*,[2] which offered the then Singapore's Senior Minister's personal perspective of Singapore's separation from Malaysia. For Singapore, however, the emotional trauma and crisis of the separation, represented by its Prime Minister's teary "moment of anguish"[3] on national television on 9 August 1965, was arguably a significant political "defining moment" in the making of the young Singapore "nation". Indeed, as the then Singapore Deputy Prime Minister Lee Hsien Loong was to declare during the launch of National Education thirty-two years later in 1997, the "issues which led to separation were fundamental, and remain so today". Because Singapore stood firm in Malaysia over these fundamental issues, he said, "we suddenly found ourselves out on our own as

an independent country, with few means to make a living or defend ourselves".[4] What were these "fundamental issues" that made political accommodation with the Federation government seemingly impossible — and how significant were they in contributing to the island's sudden and unexpected withdrawal from the Malaysian Federation? Previous attempts to answer such questions were frequently hampered by the closure of the archives on the subject, and scholars had to rely almost exclusively on published public sources.[5] But the recent opening of archives in Britain, Australia, United States, and Singapore, amongst others, and the greater willingness of key players, including the then Singapore Senior Minister, to discuss the previously "sensitive" subject in their writings, have permitted not only a more comprehensive study of the subject than was previously possible, but also an exploration of the meanings of "separation" for the island state.

THE HERITAGE OF THE PAST

Given the ties of geography, history, economics, and a common colonial experience that bound both Singapore and Malaya together, there would appear to be every reason for both territories to be part of the same political entity. Geographically, the two territories are separated by less than a mile of shallow water and, prior to its establishment as a British trading emporium, Singapore, fortuitously located on the southern end of the Straits of Malacca and the crossroads of Southeast Asian trade, was at various times in its chequered pre-colonial history a thriving trading port, and a port of call of the Johore-Riau empire. With the political construction of "British Malaya", Singapore served as its premier port, while its entrepot trade complemented the economy of its agricultural hinterland across the Straits of Johore. However, despite the bonds of affinity, there had already existed since colonial times strong centrifugal forces at work whose effects were to reverberate many years later to affect the viability of the Malaysian experiment in the 1960s — and Singapore's position within the Federation in the process.

Since its acquisition by the British East India Company in 1824 — shortly after its "founding" by Sir Stamford Raffles in 1819[6] — and its subsequent inclusion in the Straits Settlements with Penang and Malacca in 1826,[7] Singapore's dramatic growth under British rule soon enabled it to occupy a special status not only within the Straits Settlements, but also within "British Malaya" as a whole — a status that, unwittingly perhaps, served also to set the island apart from the other constituent parts of the Malayan mainland. By 1836, Singapore had replaced Penang as the seat of British power in the Straits Settlements and it soon became, by the latter half of the nineteenth

century, following the transfer of the three settlements to the control of the Colonial Office in 1867,[8] and, especially from the early decades of the twentieth century, not only the administrative, but also the infrastructural capital of the three settlements. It was the most developed — a bustling cosmopolitan metropolis — "the most lively, successful and full of activity" of the three settlements,[9] a centre of progressive modernity and learning, and a hub of intellectual opinion and politics. Indeed, as one writer commented, "Singapore in the nineteenth century may be likened to Malacca in the fifteenth in its role as metropolis for an area that embraced the whole Malay Peninsula and Archipelago."[10] By the end of the nineteenth century, Singapore had become "the most cosmopolitan city in Asia".[11] Economically, Singapore outperformed both Penang and Malacca. By 1826, Malacca's trading pre-eminence was already "lost to Singapore"[12] while Penang had become "an economic backwater"[13] by 1840. Indeed, as Turnbull commented, "Almost from the beginning of her existence Singaporeans looked upon Penang and Malacca as faded backwaters, owing their past success only to the fact that Singapore did not exist and regarding their present relative prosperity as a pale reflection of the general improvement which Singapore had brought to the region."[14] Socially, unlike Penang, which was predominantly an Indian-Malay settlement,[15] and Malacca, where Malays were in the majority,[16] Singapore's economic vitality, social progressivism, and urban cosmopolitanism made it an attractive destination for overseas immigrants, especially from China, and, by 1826, the Chinese had become the island's largest community. By 1867, Singapore had become a predominantly Chinese settlement. Sixty-five per cent of its population were Chinese.[17]

Following the consolidation of the British "forward movement" into the Malay states from 1874,[18] and the establishment of what commonly became known as "British Malaya" by 1914, Singapore's role as its administrative capital was further consolidated, as the island was not only the seat of power from which the Governor of the Straits Settlements ruled the Colony, but also the place from which he exercised his concurrent appointment from 1896 as the High Commissioner of the Malay States. Exercising this dual role, however, had not been without its tensions and conflicts, as the centralizing initiatives by successive governors in the early decades of the twentieth century to achieve the goal of a united Malaya were to reveal. Cracks had already appeared towards the end of the nineteenth century when the debate on whether power should be centralized under the governor at Singapore or under a newly created resident-general at Kuala Lumpur was settled in favour of the latter with the administrative federation of the four Malay states that had accepted the appointment of British residents — Perak, Selangor, Pahang, and Negri

Sembilan — under the Treaty of Federation in July 1895.[19] From the turn of the century, however, successive governors invariably found themselves caught in a power struggle with the Federated Malay States (FMS) to shift central control over them back to Singapore. Both Sir Frank Swettenham and Sir John Anderson, who served, respectively, as governor-high commissioner between 1901–1903 and 1904–1911, for example, sought assiduously to weaken the hold of the Resident-General over the FMS. While Swettenham centralized administrative power in the FMS to himself by putting the Resident-General under his control, Anderson, by presiding over the Federal Council that he established in 1909, over and above the sovereign Malay rulers, removed any pretension that the Resident-General was the head of a separate FMS administration — a point he further drove home by changing the latter's title to that of a Chief Secretary in 1910.[20] During the inter-war years, further moves were afoot, under the guise of "decentralization", to bring the protected Malay States — now expanded to include the five unfederated states of Kedah, Kelantan, Perlis, Trengganu, and Johor — under the orbit of Singapore. Prompted by the more autonomous unfederated Malay States' refusal to be drawn into the FMS, the decentralizing initiatives in the 1920s and 1930s fundamentally sought to loosen the "knot" of the existing FMS by devolving more power back into Malay hands so as to induce the former to join the FMS in a new, loose-knit Malaya-wide federation.[21] In reality, therefore, decentralization was a prelude to eventual recentralization — and control by Singapore. Sir Laurence Guillemard's abortive attempt to abolish the post of Chief Secretary during his tenure as governor-high commissioner (1920–1927), for instance, had it been successful, would have transferred *de facto* executive power in the FMS to the high commissioner in Singapore.[22] Like Guillemard before him, Sir Cecil Clementi (1930–1934), had also tried to abolish the post of Chief Secretary in another attempt to consolidate his power by shifting the federal bureaucracy to Singapore — albeit unsuccessfully. Had it not been for the strong opposition that he encountered in both London and Malaya, Clementi would have pressed ahead with a further centralizing scheme to bring the Colony into the envisioned pan-Malayan Federation.[23] These political tests of wills, played over decades of heightened power struggles between officials in Singapore and the mainland states, were to leave behind a legacy of contestation that would have an impact on their future interactions: they created a strong aversion in the Malay States to what they saw as "Government from Singapore".[24]

That Singapore was predominantly a Chinese settlement also played no small part in contributing to the abiding sense of unease felt by the Malay States of being governed from Singapore. According to the 1931

census report, Singapore's Chinese majority had risen to 74 per cent of the Colony's population. Home to some 419,564 Chinese residents, the island had become the state with the largest number of Chinese settlers in Malaya.[25] More significantly, by 1931, and thanks largely to Singapore, the Chinese now had an overall numerical strength of 1,704,452 and had overtaken the Malay population at 1,645,515 to become the majority community in British Malaya.[26] Given their numerical strength and economic power, and with increasing domiciliation — over one-third of the Chinese, for instance, were "local-born" — it was not surprising that, among the more educated and permanently settled elements, the desire to stake their claims as true "sons of Malaya" had also gathered momentum by the early 1930s. Indeed, as Lim Koon Teck, an English-educated Singapore lawyer, asserted in the *Straits Chinese Annual* of 1930, the local-born should be "proud to be called Sons of Malaya as much as Sons of other Countries".[27] That Malaya was for "Malayans", and not just for Malays, had become a politically-charged theme that engaged the consciousness of its more domiciled Chinese and other non-Malay elements, and sparked off a flurry of debates in public forums between 1930 and 1933 on the desirability of creating a "New Malayan Community"[28] and even a new "race of Malayans"[29] that was imbued with a new Malayan spirit and consciousness. Not unexpectedly, the discussion of Chinese and other non-Malay "Malayan" intentions evoked a sharp response from the Malays. Mohamed Rouse bin Chee, the Malay member on the Straits Settlements Legislative Council, for instance, lambasted the "propaganda … in some dailies in favour of a so-called new community to be named 'Malayans' ".[30] Malay opinion called into question the loyalty of these "self-serving foreigners in Malaya, who were only interested in exploiting Malaya's resources and who would abandon the country to serve their motherlands when it suited them".[31] Their fears heightened by increased competition for jobs wrought by the Great Depression, Malays also worried about economic domination by the Chinese and other non-Malays. Although the "Malayan" controversy had petered out by 1935 — after the Straits Chinese who spearheaded the movement had realized that their becoming "Malayan" would imply exchanging their existing status as British subjects for an inferior one held by the non-Malays, who were denied political rights, in the Malay States[32] — the insecurities of the Malays nevertheless remained. What the census report and the "Malayan" debate had revealed confirmed what they had perhaps already long suspected — their worst fears of being overwhelmed completely in their own land by the Chinese were finally coming true — and underscored the key role that Singapore, as the bastion of Malayan Chinese

power, had invariably played in contributing to their loss of numerical and — potentially — political primacy.

But it was the outbreak of the Pacific War in December 1941, and the forces that it unwittingly unleashed in its aftermath, that brought such tensions to the fore. The shock of defeat, and the swift capture[33] of the "impregnable" Singapore "fortress" by the Japanese invading forces had not only precipitated a bout of official soul-searching and public criticism of Britain's colonial record in Malaya, but also revived demands for a radical "stock-taking"[34] of British colonial policy towards its dependency — a reappraisal that eventually found expression in the formulation of a bold new initiative that would not only reaffirm Britain's imperial role, but also reconcile and reinvent its mission under the new "vocabulary" of "self-government"[35] for Malaya. Conceived in Whitehall during the war, the revolutionary "Malayan Union" scheme sought not only to redesign a new postwar Malaya united for the first time under the British Crown through a peninsular union created out of the nine Malay states and the settlements of Penang and Malacca, but also the extension of common citizenship to all who regarded Malaya as their home. Behind the declared progressivism of its aims — ostensibly to prepare Malaya for self-government — imperial considerations, in fact, loomed large for the change in British policy. Foremost were the new demands of imperial security in the postwar world and the concomitant need to create, under British control, a united and defensible Malaya that could fully play its part in the envisaged collective security system for the region. Similarly, the objective of common citizenship was intended not so much to cast Malaya into a more "Malayan" mould as a preparatory step towards self-government, but more as a defensive measure to forestall the threat of pressure from a "rampantly nationalist",[36] resurgent postwar China collaborating with the Malayan Chinese in support of their claims for political recognition — claims which the British had previously stonewalled on the grounds of their questionable loyalty to Malaya, but which Whitehall now would find almost impossible to resist in view of the wartime exertions of the Malayan Chinese on behalf of Malaya. What was also controversial, however, was the requirement of fresh treaties from the Malay rulers that would transfer their sovereignty to the Crown so as to enable Britain to acquire the full powers necessary to effect these changes — a feat the British subsequently achieved in under three months between October and December 1945, albeit after encountering an "undercurrent of antagonism"[37] from some of the Malay rulers. What was left unspoken by this late imperialist move to "annex" the previously independent and sovereign Malay states was the implied abandonment of the pro-Malay policy that had been the cornerstone

of Anglo-Malay relations since 1874. At a time when Malay vulnerability about their future was sorely tested, the move to deprive their rulers of their sovereignty and to confer common citizenship on the non-Malays was further confirmation to the Malays that they were "doomed … [and] the Chinese are on top".[38] Threatened and afraid, the Malays rallied behind their rulers and the newly formed United Malays National Organization (UMNO), established in March 1946, to spearhead the anti-Malayan Union struggle. The upsurge of Malay nationalism, carefully orchestrated by UMNO through mass demonstrations, boycotts, and non-cooperation, had its intended effect. It prompted a British *volte-face* barely three months into the implementation of the Malayan Union that was inaugurated in April 1946. This was a tacit recognition that Britain could not govern Malaya without its Malay mass base — and the start of a negotiated Anglo-Malay settlement that resulted in the Malayan Union's replacement by the Federation of Malaya in February 1948, which reasserted Malay political primacy, while retaining a looser form of its predecessor's objectives of a united Malaya and common citizenship. What the defeat of the Malayan Union achieved for Malay nationalism was to reaffirm and underscore once again the template of Malay political dominance in the future constitutional evolution of Malaya.

Notwithstanding the abrupt scuttling of the Malayan Union, the experiment to create a new Malayan postwar order had unwittingly left behind yet another legacy that was to prove enduring for the future political evolution of British Malaya — the severance of Singapore from its mainland. Singapore's exclusion, so the argument ran, was a tactical necessity. Not desiring to erect further obstacles to their "foremost" objective of securing Malay acceptance of their already controversial Malayan Union scheme, British planners at the Colonial Office had been persuaded by the "almost overriding argument"[39] that this would be "assisted by the non-inclusion of Singapore at any rate at the first stage." If Singapore was included, the Colonial Office feared that it would soon "establish itself as the centre of Union affairs" and the "Malays would have the sensation, which they have felt and resented in the past, of being governed from an alien city".[40] Furthermore, the predominantly Chinese nature of its population that "just tips the balance" in favour of the Chinese would also "cause anxiety amongst the Malays" and cause them to be "dispirited and antagonized", especially when the new policy would lead to the "opening to the Chinese of many doors which have hitherto been closed to them", like the admission "to citizenship on equal terms with the Malays".[41] But while Singapore's exclusion was assumed to be the price that had to be paid for Malay acquiescence to the Malayan Union scheme, British officials were initially cautiously hopeful that the island's detachment would

only be temporary and that "at a later date", when circumstances permitted, the "fusion of Singapore and the Malayan Union in a wider union" should not be precluded. The reality, however, was that separation had made the task of re-attachment even more arduous, as pre-war rivalry between the two territories resurfaced. Attempts to bring both territories together in 1947, for instance, stalled over the "full safeguards" demanded by the Malayan Union against the restoration of Singapore's pre-war influence in Malayan affairs, and its insistence that Kuala Lumpur, and not Singapore, be made the capital of the new Federation,[42] with the clear implication, of course, that the Island could only be federated "as one settlement in [a] group of twelve units" — a proposal from which Singapore strongly dissented.[43] Indeed, the apparent inability of both territories to surmount their traditional rivalry had raised serious doubts about "whether [their] long-term interests will in fact work towards union".[44] As one Colonial Office official put it starkly, "I think they may well work away from it."[45]

BECOMING MALAYSIANS

Over the next fifteen years, the prospect of merger receded even further into the background as both territories were engulfed by the momentum of distinct, but not totally unrelated, developments within their borders. Looking forward to its first election in March 1948, Singapore was not willing to put its constitutional advance on hold so that Malaya could catch up. Nor was the Colony, ever cognizant of its pre-war status, prepared to enter a union so as to play "second fiddle to the Federation".[46] By June 1948, Malaya's interest in merger had also waned considerably. Four months into its new life, the Federation was confronted by the outbreak of a serious Chinese-led communist armed insurrection — commonly referred to as the "Emergency" — in its own backyard. Any hope of a Singapore-Federation reconciliation immediately dissipated as the Malays closed ranks behind UMNO and refused to participate in any scheme to bring Singapore back into the Malayan fold and "aggravating the already considerable Chinese problem [there]".[47] It was not until the mid-1950s, after the British counter-insurgency campaign had made Malaya supposedly "safe for decolonization",[48] that the question of a Singapore-Malaya tie up could be seriously tackled again, as the pace of constitutional reforms speeded up. By then, elections in Singapore in 1955 had brought into power a coalition government led by the left-wing Singapore Labour Front (SLF) that sought merger with Malaya as a solution to the next phase of the island's political development. But with the Federation poised for independence ahead of its "time-table",[49] and ahead of Singapore,

Tunku Abdul Rahman, the leader of Alliance party that won a resounding victory in the Federal elections in the same year, and in a hurry to achieve independence, was in no mood to retard and complicate this final phase of Malaya's constitutional progress by bringing in Singapore. "The question of merger," the Tunku said in January 1955, "is still a very long way off and nothing much can be done about it until Singapore and the Federation achieve independence."[50]

The dilemma for Singapore, however, was that the solution to the problem of its independence lay in merger with Malaya. It had never occurred to its British rulers that as strategically important a base as Singapore should be independent on its own. Whatever arguments for a separate independent Singapore state appeared even less assuring in the context of the new security and ideological challenges that confronted the British after the outbreak of the "Emergency". It was therefore perhaps not surprising that although Singapore was faster off the block in its constitutional race — tasting elections in 1948 ahead of Malaya — the Federation had caught up by 1955 and had overtaken the Colony by 1957, when Malaya achieved independence from the British ahead of its neighbouring state. Having found in the anti-communist and conservative Alliance party, which consisted of three communal organizations — UMNO, the Malayan Chinese Association (MCA), and the Malayan Indian Congress (MIC) — their "best bet" and an obvious successor who shared their essential interests, the British quite naturally had fewer qualms about transferring power to Malaya sooner rather than later.[51] But they had grave doubts about Singapore's ability to hold its own against the communists, especially when influential segments of the island's majority Chinese population, radicalized by their experience of war, and allured by the ideological attractions of a resurgent China and the communist revolution, had apparently been more than willing to march under the flag of the underground Malayan Communist Party (MCP) and embrace its anti-imperialist goals. Such pervasive ground sentiments probably contributed to the resounding defeat of Britain's preferred collaborationist political partner — the gradualistic pro-British Singapore Progressive Party, which had held the political centre stage between 1947 and 1954 — in the watershed 1955 Singapore elections, and the ascent of stridently anti-colonial parties like the SLF and the People's Action Party (PAP) into the thick of the political fray. Both the SLF and the PAP demanded a swift, not gradual, end to British rule. But the hands of these two left-wing parties were not entirely free, for the MCP still remained a formidable force in the shadows and continued to exert strategic influence over the political process in its efforts to foment the "revolutionary situation" that would support its anti-colonial agitation. Even

before the new SLF government, under its Chief Minister David Marshall, could settle in its stride, a series of destabilizing communist-inspired strikes had already rocked the Colony, amidst new security fears concerning the wisdom of further constitutional reforms in light of the determined and pervasive communist challenge and the Chief Minister's reluctance to deal firmly with the Left for fear of alienating his base of popular support. Marshall's subsequent campaign in 1956 for a separate Singapore independence consequently found little sympathy from the British, who refused to bite.[52] Although a new SLF government under Marshall's successor, Lim Yew Hock, succeeded in securing by 1958 a new constitution for Singapore — after first cracking down hard on the extreme Left in his home front, which pleased the British — it was only a qualified self-government that Singapore eventually got, with internal security still not totally in its hands, but shared between Britain and Singapore, with a Malayan representative exercising the casting vote in a newly-created Internal Security Council. The SLF's anti-communist crackdown, however, was to cost the party dearly. Unable to shake off its image as a reactionary British "stooge" acting at the behest of its colonial master in crushing left-wing forces, the SLF's political fate was sealed. Not even a change of name to the Singapore People's Alliance could save the party from almost total defeat in the 1959 elections, which saw the PAP emerging victorious at the polls to lead a self-governing Singapore, with Lee Kuan Yew at the helm as Prime Minister. Drawing upon similar left-wing support for its rise, the PAP too was vulnerable to the vicissitudes and power play of the MCP, which had infiltrated, and very nearly taken over, the party in 1957.[53] Further attempts by the MCP to undermine the new PAP government finally prompted Lee to dislodge the pro-communists from within the ranks of the party in July 1961.[54] But that did not stop them from regrouping under a new political party, the Barisan Sosialis,[55] and marshalling their forces on every front for an all-out assault to unseat the PAP in the next elections due from 1963. For the British, nervous and worried about the future of its important Colony, the unsettling and portentous political situation that had emerged after 1959 did not immediately raise hopes of its transferring power quickly, and it did not.

Britain's solution to the Singapore problem — merger with Malaya — was also what the PAP government had in mind. The PAP had consistently argued for a united Malaya inclusive of Singapore. History and geography aside, merger for the PAP government was also urgent to address economic and political pressures that threatened to overwhelm the fledging Colony and derail its prospects for independence. Faced with a declining entrepot trade, the mainstay of its economy, and a rapidly growing population requiring jobs,

Singapore desperately needed to industrialize to ensure its economic survival. But the Colony's domestic market was simply too small to sustain its plans for industrialization without the addition of the bigger common market that the Federation "hinterland" would afford upon merger. Politically, merger was also urgent: it would neutralize the PAP's radical Left opponents in a Malaya ruled by the anti-communist and right-wing Alliance party, and therefore ensure, in the process, the political survival of the PAP in Singapore. But despite entreaties from both the British and the PAP, the Tunku had refused to budge in his opposition to merger — until his historic announcement on 27 May 1961 when, at a Foreign Correspondents' Association luncheon in Singapore, the Malayan premier signalled that he was willing to reconsider the Singapore-Malaya merger question in the context of a wider association involving the Borneo territories.

The Tunku's *volte-face* shocked everyone. Given his "violent prejudice" before, what had prompted the "almost miraculous change of heart"?[56] Security concerns were probably high on the Tunku's list. It would have been apparent to the Tunku that prolonging Singapore's status as a British colony could not last indefinitely as the island was due for a constitutional review in 1963, with independence as its next step. With support for the PAP apparently dwindling,[57] the risk was also high that it might not be able to hold the ground against the extreme Left in the forthcoming polls. In the event of the Barisan Sosialis assuming power, Singapore would then become an ideological base from which the communists could subvert the mainland. "We would have communists right at our very doorstep," warned the Tunku.[58] The Malayan leader probably reckoned that a Singapore inside the Federation, and brought under Kuala Lumpur's control, was less a security threat than one outside it. The price of the three Borneo territories — Sarawak, North Borneo, and Brunei — as part of the "package deal" that he insisted on for bringing in Singapore would have also meant gaining an enlarged Federation — a "Greater Malaysia" — that would enhance the size and status of Malaya, and enable the Tunku at the same time to use the indigenous populations of the Borneo territories, as a counterweight to the Singapore Chinese, thus assuring his Malay base. Malaysia, in the end, could turn out to be an "extremely profitable venture"[59] for the Tunku.

The Tunku's initiative was exactly what the British had quietly hoped and lobbied for. A Singapore-Federation merger had always been an integral part of their longer-term vision of a "Grand Design"[60] to establish a regional bloc of British territories — a "dominion of Southeast Asia"[61] — as a means of neatly organizing their empire in the region and ensuring both political and economic viability for the whole and its constituent parts. For Singapore's

Lee Kuan Yew, the Tunku's "bombshell"[62] was also just the silver lining he needed. It meant that the PAP's plan for "independence through merger" was now back on track. Whatever else might be on the Tunku's mind, his *volte-face* provided the much-needed initiative that restarted the momentum leading to the formation of the Federation of Malaysia twenty-eight months later, with only Brunei opting out.[63] On 16 September 1963, after much hard bargaining[64] and manoeuvring behind the scenes by the key players to secure their essential interests, Singapore was finally reunited with the Federation and achieved, at long last, freedom from British rule.

But the sensation of independence was marred by Indonesia's declaration of *Konfrontasi*,[65] challenging the legitimacy of Malaysia. Its dispute with Malaysia only ended after a regime change in Indonesia in 1966. Singapore's interlude in Malaysia was also short-lived. Barely twenty-three months later, just short of its second anniversary, Singapore was on its own again — the second time. In his announcement to the Malaysian parliament on Singapore's separation on 9 August 1965, the Malaysian Prime Minister spoke of the "so many differences … [which] take so many forms and are of so many kinds that it has not been possible to resolve them in any other way but for the new states to part company". He had tried to find an understanding with the leaders of Singapore, he said, but to no avail: "It appeared that as soon as one issue was resolved another cropped up: where a patch was made here a tear appeared elsewhere; and when one hole was plugged other leaks appeared. So it does seem completely impossible to arrive at a solution."[66] In the end, the Tunku explained that there were only two options open to him. The first was to take repressive measures against the Singapore government or its leaders. The second was to separate, and he decided on separation because he considered it repulsive to the concept of parliamentary democracy to take repressive measures against the Singapore leaders.[67] In Singapore, Prime Minister Lee Kuan Yew at a press conference recounted his meeting with the Tunku to find another way out of the impasse but the Malaysian leader "put it very simply that there was no way, and that there would be a great deal of trouble if we insisted on going on". Every time he looked back "on this moment when we signed this agreement which severed Singapore from Malaysia," Lee said, "it will be a moment of anguish because all my life I have believed in merger and the unity of these two territories".[68] Overwhelmed by emotions, the Singapore premier subsequently broke down.

How did the relationship between Singapore and Malaysia reach such a distressing state by August 1965 that both the Tunku and Lee saw separation as the only solution for averting a more catastrophic collision in the future? From the vantage point of hindsight, there seems to be much in the politics

of separation between 1963 and 1965 that reflected the legacy of ethnic suspicion and political rivalry that had so beset relations between these two "power centres" during colonial times — and which Singapore's severance in 1946 only temporarily suspended. They resumed with a relentless momentum upon the island's reunion with the mainland in 1963.

After seventeen years apart, during which time both territories had undergone further distinct, but momentous political and ideological transformations, the road back was never going to be easy. Worrying signs of the deep suspicion and innate incompatibilities that divided them had already been evident in the run-up to Malaysia, and especially in its immediate aftermath, as both sides bargained hard and manoeuvred tactically to improve their respective positions within the framework of the new constitutional arrangements then being established. However, allured by the compelling attraction of Malaysia for their respective agenda, neither Singapore nor Kuala Lumpur found sufficient cause to pause for a serious rethink. "Too much was left unsaid, too much was thought to have been understood," observed Wang.[69] Instead, both sides adapted as best they could, by adjusting their tactics to insure their core interests. Kuala Lumpur's attempt to insulate, influence, and dominate the island politically was consequently met by the latter's equally determined efforts to avoid being "cornered like a rat"[70] and becoming a "colony"[71] of the former. Cognizant of their intrinsic differences, and yet earnestly desiring Malaysia to succeed, Lee Kuan Yew, in his Malaysia Day speech on 16 September 1963, called for an "honourable relationship" with the Central Government — "a relationship between brothers … not a relationship between masters and servants".[72]

This was not to be, for the Malays would not countenance a relationship with Singapore on any other basis except one in which they continued to exercise their hegemony over the political process. As Vasil put it, "The Malays have a deep-rooted feeling that they alone are the *bumi-putra*, the sons of the soil, and as such, have certain rights over the land."[73] Kuala Lumpur consequently never seriously departed from its perception of Malaysia as simply an extension of the Old Malaya where political power was vested in a communally-aligned Alliance-led government headed by UMNO, with Malays in charge and given special privileges. From UMNO's perspective, Singapore was admitted on the basis that it would have to adjust to this understanding of what Malaysia represented. The island state, however, saw Malaysia not as an extension of the Old Malaya, but as "qualitatively a different country altogether".[74] In fact, with the addition of Singapore, Sabah, and Sarawak, the Malays were in a numerical minority. And once Singapore, with its large Chinese majority, was included in the new Malaysian federation, Malays no

longer formed the majority race, their position having been overtaken by the Chinese. This was the new fact of life that Malay leaders in Kuala Lumpur instinctively understood, even if they were unable to easily concede its main political point, which was that, with Malays no longer the majority community, Malaysia, unlike the Old Malaya, could not be a "Malay Malaysia" but could only be what the PAP had referred to as a "Malaysian Malaysia". It was only when they were pressed by Lee in the federal parliamentary debates in May 1965 to "reassure the nation that Malaysia will continue to progress … toward a Malaysian Malaysia",[75] that Malaysian ministers finally conceded publicly that they too had also accepted the concept of a "Malaysian Malaysia". "Both the Alliance and the PAP subscribe to the concept of a 'Malaysian Malaysia'," declared Dr Ismail bin Abdul Rahman, the Minister for Home Affairs, "but they differ in their approach to make it a living entity."[76] The approach adopted by Kuala Lumpur, however, remained essentially the same as that employed in the Old Malaya, which assured the Malays of a dominant position maintained through the supremacy of UMNO within the Alliance Party, which was the only basis on which the Alliance idea was acceptable to the Malays.[77] As Abdullah Ahmad put it, "Malaysia was not, as many were made to believe, the creation of an entirely new sovereign state wherein many diverse peoples might find equal opportunities. Rather, Singapore, Sarawak and Sabah had been wedded to a Malaya in which Malays enjoyed special position and privileges."[78] "In retrospect," Abdullah concluded, "it appears that Malaysia in its original form never had a chance."[79] The racial element remained very much a fundamental impediment that presented no easy solution. For Lee Kuan Yew, "The race issue overshadowed everything else."[80]

Compounding the racial issue, and giving political weight to it, was the atmosphere of mutual suspicion and intense rivalry between the PAP and the Alliance Party. It was no secret that neither party was comfortable with, nor trusted, the other. The PAP was all that the Alliance was not. It was left-wing and non-communal in outlook, although drawing its support base from a largely Chinese constituency. The Alliance was right-wing and communal in its orientation, with a distinctly pro-Malay bias. Never totally reconciled to a Singapore under the left-leaning and energetic PAP, the central Alliance government had sought to insulate the former politically by limiting Singapore's representation in the Federal parliament to fifteen, excluding its ministers from the national cabinet, and barring Singapore and Federal citizens from contesting in each other's elections. By working through its local affiliate, the Singapore Alliance (SA), it had also tried, both before and after merger, to "put the screws" on the Singapore party in order to "bring the PAP Government down".[81] In the Singapore elections held on 21 September

1963, five days after Malaysia was inaugurated, Federal ministers, including the Tunku who visited Singapore two days before the polls, threw their weight behind the SA campaign to support its bid to unseat the PAP. Speaking of the need for voters to get "the right party to run the state", the Tunku left no doubt that the "right" party he had in mind to run Singapore was not the PAP but the SA — "the party of which I am the leader".[82] However, Kuala Lumpur's attempt to pursue its own agenda in Singapore and influence its political process suffered a major setback when the SA failed to win a single seat. Worse, despite the Tunku's personal intervention, Malay voters had deserted the Singapore UMNO (SUMNO), one of the partners within the SA, by voting in PAP candidates in the SUMNO strongholds of Geylang Serai, Kampong Kembangan, and Southern Islands. Shocked and upset, the Tunku vented his anger at "traitors" for SUMNO's debacle and gave notice that he would be personally involved in reinvigorating SUMNO to take on the PAP in future elections.[83] More alarming were the political implications of the defeat for UMNO. That the PAP was successful in getting a number of Malays to vote for it and not SUMNO was, in the view of the British High Commissioner in Kuala Lumpur, a "political red light"[84] that UMNO could not afford to ignore, for it struck at the *raison d'etre* of the Alliance system and its pattern of communal alignments through which UMNO derived its potency and hegemony. As Othman Wok, the former Singapore Social Affairs Minister, recalled: "The Tunku was shocked that his Malay base had been penetrated. I think he expected SM Lee's cooperation not to contest where SUMNO had their candidates"[85] — an observation which Malaysian politician, Abdullah Ahmad, corroborated: "Had Lee … saved Tengku's 'face' in the Singapore elections, the course of the history of Malaysia would have been different indeed."[86] But as Kuala Lumpur had been encouraging the SA to topple the PAP in Singapore, it would hardly be surprising that the PAP, already locked in a close fight with the pro-communist Barisan Sosialis, would tactically want to contest all, and win as many of, the 51 seats, including those in the SUMNO-held constituencies. The PAP's good electoral showing, however, created other problems, as Lee Kuan Yew noted: "The PAP's victories in the Malay constituencies triggered off a reaction on the other side that we should never be allowed to do that in Malaya. … We won, and they were determined that we will not win in Malaya."[87]

The PAP's momentous and controversial decision to contest the Federal elections in 1964 was probably motivated in part by fears of an Alliance comeback using its ministerial and other Federal resources to disadvantage the PAP state government in Singapore.[88] So long as the PAP remained "contained" in Singapore, it would have no effective counter to Kuala Lumpur's ability to

take part in future Singapore's elections through the SA and erode the PAP's influence there over time. Given its sense of vulnerability, the PAP feared that the party's continual isolation and exclusion from the national government would eventually push it to assume, in self-defence, the role of a pan-Malaysian opposition party that would bring it into a head-on collision with UMNO — with dire consequences for the stability of Malaysia. The PAP assessed that matters would probably come to a head by the time of the next Federal elections in 1969. Wanting to avoid this, the PAP was hopeful that, through its "token" foray into Federal politics, it would be able to win some seats and establish itself as a "Malaysian" party and not just a Singapore party, and this, presumably, would persuade the Alliance to invite the PAP to join the government, with the result that the party would be able to play the wider national role that it had envisaged for itself, and, at the same time, afford it the necessary leverage to protect Singapore's interests. As the Alliance had taken part in the 1963 Singapore state election, the PAP invariably felt less restraint in contesting the Federal election, notwithstanding the "gentlemen's agreement" between Lee and the Tunku not to take part in elections in each other's territory.[89] Not all PAP leaders, however, were persuaded. Lee had reservations while Dr Goh Keng Swee, the Singapore Finance Minister, was absolutely against any intervention, which he believed would only sour relations and jeopardize his economic plans. But the PAP ministers who were born and bred in Malaya felt differently and, while Lee was on a mission to Africa on behalf of the Tunku, a group of Malaya-born Singapore ministers led by Dr Toh Chin Chye (PAP Chairman), S. Rajaratnam, and Ong Pang Boon, persuaded the PAP central executive committee to contest.[90] When he returned, Lee did not overrule their decision, but went along with it, believing that if the PAP kept the number of its candidates small and avoided UMNO candidates, focusing only on constituencies where MCA candidates stood, it might go down better with the Tunku. However, the Malaysian premier stood by the MCA and rejected the PAP. Despite the massive crowds at its rallies, the outcome disappointed the PAP — only one candidate was returned.[91] The Alliance won eighty-nine out of 104 seats, fifteen seats better than before. For the PAP, its electoral foray was a "debacle" and, according to Abdullah Ahmad, it was the party's "worst mistake".[92] Relations between the PAP and the Alliance, never smooth to begin with, deteriorated even further after the elections. Though the immediate threat the PAP presented had been eliminated, its longer term danger to the Alliance and what it represented — Malay dominance — was not. "Although we won only one seat," observed Othman Wok, "our campaign and mass rallies were very well-attended, particularly by large numbers of Malays. This worried the Tunku who feared

that the PAP would eventually be a political force to be reckoned with. The PAP had penetrated his Singapore Malay base. He did not want the same to happen in other parts of Malaysia."[93] Reflecting on this episode many years later, Lee wrote in his memoirs: "Did PAP participation in the election cause relations between Kuala Lumpur and Singapore to deteriorate? Yes, but it made no difference to the main cause of conflict and eventual separation — UMNO's determination to maintain total Malay supremacy."[94]

The aftermath of the Federal elections saw PAP-Alliance rivalry moving into a dangerous phase. To UMNO, it was shrewd politics to capitalize on the momentum of its victory and bring the battle to the PAP's own backyard, tie the party down in Singapore, keep it on the defensive, and insulate the peninsula from its politics. Shortly after the elections, UMNO activists, spearheaded by Syed Jaafar Albar, its young Secretary General, launched a campaign using the Malay newspapers and inflammatory speeches to accuse the PAP of oppressing the Malays in Singapore. Seen from Singapore, their plan was to inflame the Malays in Singapore to riot with the aim of, firstly, intimidating the PAP government into submission, secondly, undermining the multiracial basis of the PAP support by giving an object lesson to Malays both in Singapore and the Federation not to trust the PAP and to withdraw their support for the party, and thirdly, enabling SUMNO to reclaim the Malay ground that it lost in 1963. By discrediting the PAP's multiracial platform, UMNO would have also dealt the PAP another serious blow by forcing it to depend on its Chinese base and to operate as a communal party, in which case, its appeal to the non-Malays in the Federation would be very much lessened, as the PAP would be compelled to challenge the Alliance within the established framework of a communal political system that was designed to ensure the latter's hegemony. "They did not want the Chinese to be represented by a vigorous leadership that propounded a non-communal or a multiracial approach to politics and would not confine its appeal only to the Chinese,"[95] observed Lee Kuan Yew. "They wanted us to confine ourselves to Chinese voters and stop appealing to the Malays. They would not tolerate any challenge to their hold on their Malay political base. The Malay electorate was out of bounds to non-Malay parties like the PAP. The MCA accepted that restriction. We did not."[96] Arising out of the tense communal atmosphere created by UMNO's three-month anti-PAP campaign, two race riots broke out in Singapore in July and September 1964, resulting in twenty-three and thirteen deaths respectively.[97] As Lee commented, "It was a heavy price for the Malaysian government to pay to teach the PAP a lesson for taking part in the Malayan election and to regain the Malay ground they had lost in the

1963 Singapore election. UMNO leaders knew what Albar was up to from reading the *Utusan Melayu*, but allowed him to go on."[98]

After the riots, the PAP knew it could not presume to work with UMNO when the moderate Malay leaders were apparently unable or unwilling to restrain their more radical activists. With no hope of a PAP-coalition materializing,[99] and with UMNO activists allowed to do their worst, the PAP felt its vulnerability even more exposed, especially when it had no control over its own internal security, which was under Kuala Lumpur's charge. It had to find an answer to UMNO's tactics, as Lee recalled: "We had to find a counter to this system of intimidation through race riots, with Chinese being killed and maimed wherever they dared to resist Malay domination. We decided that one effective defence would be to link the opposition in all the towns in the Federation in one network, so that a riot in one major city triggered off riots in others to a point where the police and army would be unable to cope, and all hell would be let loose … any communal intimidation by Kuala Lumpur would risk tearing Malaysia apart."[100] For the PAP, a counter-strategy was urgent, as there was going to be no let up in Kuala Lumpur's campaign to topple the PAP government. In October 1964, UMNO announced its intention to overhaul the SA to end PAP rule in Singapore by 1967.[101] In November 1964, the PAP consequently announced its decision to assume the role of an opposition party and to intensify efforts to expand into the Federation and Borneo and to form what eventually crystallized in May 1965 as the united front of like-minded opposition parties called the Malaysian Solidarity Convention (MSC) in support of a "Malaysian Malaysia".[102] Hopes of averting collision in the meantime through some form of "disengagement" by returning to the pre-merger arrangement was discussed between Singapore and Kuala Lumpur from late December 1964, but the scheme was abandoned by April 1965, partly because of British opposition to the bad effects of any break-up of Malaysia during *Konfrontasi*, and partly also because it was soon apparent that Kuala Lumpur only wanted the PAP out of the federal parliament without any willingness on its part to give up either its hold over Singapore's considerable financial contribution, or its control over the state's internal security.[103] With disengagement no longer on the cards, and as both sides were being propelled towards collision, the Tunku made the decision to take Singapore out of the equation. The Malaysian premier probably feared that, given time, the MSC could, under the leadership of the PAP, gather sufficient political momentum by appealing to not only the non-Malays in Malaya, but also the indigenous peoples of Sabah and Sarawak, and collectively threaten Malay hegemony. As Lee reflected in his memoirs: "What were the

real reasons … to want Singapore out of Malaysia? They must have concluded that if they allowed us to exercise our constitutional rights, they were bound to lose in the long run. The Malaysian Solidarity Convention would have rallied the non-Malays and, most dangerous of all, eventually made inroads into the Malay ground on the peninsula."[104] With the PAP determined to act and fight the Alliance constitutionally — "never offside"[105] — Kuala Lumpur would have no constitutional means to check the Malaysian Malaysia campaign short of repressive actions against Singapore, which would have national and international repercussions.[106] The Tunku chose separation.

BECOMING SINGAPOREANS AND THE SINGAPORE STORY

"All over Singapore, the crackle of fire-crackers greeted our new-found independence," observed Lee Khoon Choy, "The people were overjoyed to put behind them the tension of confrontation with Indonesia and the acrimony of the central government during the two years of merger."[107] However, with their dream of becoming Malaysians shattered, PAP leaders found themselves suddenly confronted by the stark reality of a forced independence where the odds, as they have consistently argued, were heavily stacked against them. Would Singapore survive — or would it be forced to "come crawling back — this time on Malaysia's terms"?[108] Singapore's leaders were determined to make a new beginning and succeed, as Lee Kuan Yew recalled: "People in Singapore were in no mood to crawl back after what they had been through for two years in Malaysia, the communal bullying and intimidation … The people shared our feelings and were prepared to do whatever was needed to make an independent Singapore work."[109] Being "cast adrift in the ocean" had its compensating advantages, as David Marshall noted: "In time of danger the family drops its differences and herds together for warmth. When we were kicked out … we got together and became identified with one another."[110] A "collective sentiment of nationalism" gradually developed.[111] Independence also afforded the Singapore government the latitude to now "put their vision for a prosperous multi-racial nation into practice, albeit on a smaller playing field".[112] Unable to remain as Malaysians, the island's PAP leaders focused their efforts instead on becoming Singaporeans.

Preoccupied initially with the more immediate "politics of survival"[113] in the aftermath of separation, the island's leaders sought to direct Singaporeans to "forget the past"[114] by focusing their attention instead on managing the present and future. The trauma and the "wounds" left by the break-up apparently still "cut deep",[115] at least for many of the Old Guard PAP leaders. But after

three decades of steady growth, stability, and ordered success, Singapore's leaders found themselves suddenly confronted by the emergence of a post-1965 generation of Singaporeans who were denied the necessary formative experiences of the previous generation that could help them adequately navigate the landscape of an increasingly uncertain future. Even more worrying was their lack of knowledge of "how Singapore became an independent nation", as Education Minister Teo Chee Hean explained: "Many of our young people did not know when Singapore gained independence, and that Singapore was once part of Malaysia. Neither were our young able to explain Singapore's separation from Malaysia in 1965."[116] This was a "serious gap", noted then Deputy Prime Minister Lee Hsien Loong, which had to be plugged.[117] For Singapore's leaders, "amnesia" was no longer an option, as the need to transmit the "cultural DNA which makes us Singaporeans" to future generations was critical for developing "national cohesion, the instinct for survival and confidence in our future".[118] Signalling a more pro-active approach to "arrest this worrying trend" and to instill "a sense of history … to ensure that our young have a basic understanding of our recent past … as well as the values that enabled us to succeed against the odds and thrive",[119] the Singapore government announced the introduction of National Education (NE) into the school curriculum from 1997, followed in July 1998 by the staging of a grand multi-media exhibition, *The Singapore Story: Overcoming the Odds* that attracted over 600,000 people and the launch in September 1998 of the first volume of then Senior Minister's Lee Kuan Yew's memoirs. Troubled by the "apparent over-confidence of a generation that has only known stability, growth and prosperity", the Senior Minister said he wrote his memoirs so that "our people should understand how vulnerable Singapore was and is, the dangers that beset us, and how we nearly did not make it".[120]

In wanting to educate Singaporeans, reference to historical events could not be avoided. As the separation event constitutes the most significant of the "key defining moments"[121] in *The Singapore Story*, its inclusion in National Education is made even more necessary, as former Prime Minister Goh Chok Tong maintained: "The most momentous event of our shared history is separation from Malaysia. The image of [then] Prime Minister Lee Kuan Yew shedding tears at his press conference after separation must be deeply etched in every Singaporean's mind."[122] But reference to the event, while necessary for the purposes of National Education, also meant opening up old wounds and having, as one Singapore minister noted, "to contend with historical baggage".[123] To the Singapore government, however, the necessity and priority of a young nation educating a new generation of its citizens about their recent history apparently far outweighed the risks of doing nothing,

even if that meant that having to "deal with delicate issues, especially race and religion, and sometimes relations with our neighbours".[124] Indeed, rather than "sweeping sensitive problems under the carpet", Singapore's approach, as Goh Chok Tong explained, was to "discuss them openly, but sensitively and constructively, at the right time, and in the proper context".[125]

Discussing the politically sensitive "defining moment" in the country's history openly was bound to be difficult, even if the Singapore government had already decided on the right timing and proper context to educate its citizens. However much of it was prepared to present "an accurate understanding of what happened in the past" — based on "historical facts" — and "treat such issues sensitively", it could not "gloss over them" and "pretend that incidents involving race and religion never happened. They are part of our history".[126] In its representation on why separation occurred, the Singapore government's version accordingly attributed it to the differences in fundamental political visions of organizing a multiracial society, and the UMNO-dominated Alliance government's determination to ensure hegemony over the political process in Malaysia. As the then Deputy Prime Minister Lee Hsien Loong asserted during the launch of National Education, Singapore's leaders fought for "equal basic rights and opportunities for all Malaysian citizens under the Malaysian constitution" and "the ideal of a multiracial, multi-religious society … which we have tried to realize as an independent country since 1965". Despite "pressure and intimidation" from the communalists who had "deliberately instigated" two race riots in 1964 to "intimidate Singapore's Chinese population," they stood firm and it was "because Singaporeans of all races, and especially their leaders, stayed united and refused to be intimidated that we separated from Malaysia".[127] As a reminder to Singaporeans about the "importance and fragility of racial harmony" and Singapore's "vulnerability" — key messages in its National Education programme — he asserted that race relations in Singapore "took years to recover from the trauma" of the two race riots when Singapore was part of Malaysia.[128] The Senior Minister's reflections in his unofficial memoirs presented essentially the same interpretation, albeit in a more forthright manner. On the "deep fundamental difference" that separated Kuala Lumpur and Singapore, Lee Kuan Yew said during the launch of his memoirs that it was because UMNO wanted the races to be in "watertight compartments", with the Malays in particular constituting a power base that the PAP could not encroach on: "In other words, the Malays were the special preserve of UMNO and the Malay parties. So there can be no question of any integration or fusion. They wanted the Malays to be separate and distinct, which goes against the whole grain of our philosophy that we must have a multi-racial society."[129]

Predictably, replaying the "old, old story"[130] of antagonism — especially one that defined the *raison d'etre* for not only Singapore's but also Malaysia's existence as separate independent nation states — drew a rash of loud and indignant protests from politicians, commentators, and academics across the Causeway who contested the version of history presented by Singapore, and particularly by its Senior Minister. Malaysian leaders accused Lee of being "unfriendly", "insincere", and "insensitive" by dredging up "old issues".[131] In giving the Malaysian version of why Singapore was "expelled", former Malaysian Defence Minister Syed Hamid Albar asserted that it was because of the way the PAP ruffled feathers by interfering in Malaysian politics to "instigate the Chinese population in Malaysia to support the PAP when the understanding was that the PAP should limit its political activities to Singapore". Singapore's "communal politics promised under the cover of multi-racialism" was the reason for its expulsion, he added.[132] To Prime Minister Dr Mahathir Mohamad, it was because "Singapore's leaders wanted to see the Chinese in Malaysia controlling politics; so when we warned them to stop it, they became angry at us; and it is for that reason that the late Tunku Abdul Rahman opined that it was best they stay out of Malaysia".[133] In his earlier remarks on the same theme, Mahathir had noted that the Tunku had wanted Singapore to "[become] New York and Kuala Lumpur becomes Washington" but "Singapore did not want that. They wanted a Malaysian Malaysia. They did not take into consideration the various races because they felt that it was best that we did not concentrate on racial matters. But everywhere there [are] racial problems, including in Singapore".[134] Criticizing the "negative approach" adopted by Singapore, Malaysian social activist Rustam Sani also accused Singapore of adhering to "historical interpretations that are propagandistic, one-sided" and predicted that ties between the two states "will always remain volatile": "This will always be so if Singapore continues to use the history of its participation in Malaysia and its separation as its own holocaust that will unite its people in sharing a common historical experience."[135] For Malaysian historian Ramlah Adam, the island's expulsion was a consequence of not only the Singapore government's "policy of ignoring cooperation and consensus", but also its "self-important and non-compromising approach", and its "challenge against the position of the Malays" that belied the "differences in political ideology" between the two states. She intimated that many in Malaysia had viewed "with deep regret" the decision of the Tunku to release "a state so important and strategic" to Malaysia.[136]

If, indeed, as Ramlah Adam suggested, many in Malaysia had regretted Singapore's separation, what then might be the prospect of a subsequent re-merger? At a dinner talk organized by the Singapore Press Club and the

Foreign Correspondents Association in June 1996, the then Singapore Senior Minister addressed the tantalizing subject. Asked under what circumstances Singapore could be "reabsorbed", Lee offered a "hypothetical" scenario and set down two conditions.[137] First, if Malaysia pursued, as successfully, the same goals as Singapore to bring maximum economic benefit to its people. "Let us assume that whatever we do, the Malaysians do and do as well," Lee said. "I prefer that, because then we are both competing in the same time and place to create prosperity, which will reduce racial tension."[138] Second, if Malaysia adopted the same policy of meritocracy as Singapore did, without any race being in a privileged position: "Let's say they go the whole road with us. Meritocracy. No 'Malayism'. Then I say we rejoin them and be a state in the Federation because that's what we fought to achieve. I think that will take some time. But the road they are going on — going back to English, pursuing pragmatic policies which will bring the maximum economic benefit — if pursued to its logical conclusion, which I hope could be the case, means that the difference between Singapore and Malaysia will narrow."[139]

Caught off guard, Malaysians and Singaporeans reacted to the Senior Minister's remarks with a mixture of outright disapproval and curious bewilderment. Reading Lee's statement as a veiled criticism of Malaysia's communally weighted political system, the Malaysian premier bristled: "They are using us as the bogeyman to scare Singaporeans … They are only trying to show that Malaysia is bad and did not practice (*sic*) meritocracy and that Singaporeans will be punished with a merger with Malaysia if they did not perform."[140] He was quite sure Singaporeans did not want a re-merger: "So the idea is to make sure it does not happen."[141] Noting that Lee was aware that reconciliation would not take place if "Singapore does well", Mahathir said: "When I try to analyze this proposal, it is not actually saying that they want to come back and join Malaysia, but only if they fail, they want to re-merge." But "Malaysia would only like successful people to join," he asserted.[142] The recoil in Singapore was also "generally negative".[143] "It is like an old broken marriage being revisited," commented *The Straits Times*. "Coming from anyone else, it would have been a heresy."[144] Indeed, public response in Singapore from letters to the press[145] and participants at the government's Feedback Unit's dialogue sessions overwhelmingly rejected the idea of a re-merger "almost to a man".[146] Quite a fair number "felt scandalized".[147] An irate reader wrote to the Singapore daily: "We were kicked out because our leaders insisted on a non-racial political paradigm. If we made our decisions on purely economic considerations, Singapore would not exist today as we know it … As a nation, we must cut, individually and collectively, the psychological umbilical cord

to Malaysia."[148] Equally surprised, Singapore government leaders tried to put their best construction on the Senior Minister's remarks. "The SM was thinking aloud," surmised Lee Hsien Loong. "In practice, that is what we will do — stay separate."[149] Prime Minister Goh Chok Tong revealed that he too was "not excited" when informed about the Senior Minister's comments "out of the blue" until he subsequently learnt that the latter's intention was to remind younger Singaporeans that "Singapore is not an ordinary country … If Singapore falters, we will have no choice but ask Malaysia to take us back. Such a re-merger will be on Malaysia's terms."[150] Emphasizing that re-merger was "not on his political agenda".[151] Goh asserted that "the only reason why I as Prime Minister will lead Singapore back to Malaysia would be when the economy fails. Then I have no choice … [and] it must be on Malaysia's terms. … I must accept whatever Malaysia offers. That's that. Which means Malaysia has succeeded and Singapore has failed".[152]

Indeed, Singapore's relentless pursuit of success since 1965 has been driven as much by its determination to assert its right to sovereignty as by a resolve to eschew the ominous prospects of a re-merger with Malaysia on the latter's terms. Revisiting the re-merger issue in an interview published in October 2007, Lee Kuan Yew, now Minister Mentor, noted, for instance, that when Malaysia "kicked us out (in 1965), the expectation was that we would fail and will go back on their terms, not on the terms we agreed with them under the British". Acknowledging the deep-seated differences that divided both societies — "Our problems are not just between states, this is a problem between races and religions and civilizations" — Lee then offered a possible scenario where a re-merger might take place: "We are a standing indictment of all the things that they can be doing differently. They have got all the resources. If they would just educate the Chinese and Indians, use them and treat them as their citizens, they can equal us and even do better than us and we would be happy to rejoin them."[153] Predictably, the Minister Mentor's remarks caused ripples across the Causeway as before, but not wishing this time to "spark polemics and a debate of opinions", Malaysian Deputy Prime Minister, Najib Razak, in a restrained response, surmised that Lee was merely expressing an opinion with perhaps a tinge of nostalgia for the past: "You cannot bring back the past. So I don't look at it as a serious matter. It's an opinion expressed, let it be so." Considering the "more complex" challenges and situation across the Causeway, Razak believed that Malaysia had "done well": "We know what we are doing. We want to build a state of Malaysia that can work together. We have our own uniqueness, we have done very well, and we are happy with what we have achieved." Referring

to the Minister Mentor's remarks on the possibility of re-merger, he said: "I don't think we need to look at something that was never on our table."[154] The Malaysian Chinese Association's deputy president, Chan Kong Choy, similarly dismissed any prospect of a Singapore-Malaysia re-merger. "I believe this will not happen … [T]he two countries are different. They cannot be mentioned in the same breath."[155] Malaysian analysts and commentators were equally dismissive of any prospect of re-merger. Penang-born academic, Ooi Kee Beng, for instance, asserted: "The chances of a re-merger in 1996 and in 2007 are the same — Zero." He noted that the "very idea of a re-merger on Singapore's terms is appalling to most Malays (in Malaysia) and any move in that direction would be political suicide for a Malaysian politician to take".[156] A *Nanyang Siang Pau* report reiterated: "Malaysia and Singapore are like a divorced couple … The separation of Malaysia and Singapore is an irreversible fact, do not keep harping on this issue anymore." The commentary surmised that Lee's remarks were calculated to scare Singaporeans with the possibility that they could soon become Malaysians again if they did not work hard, a scenario that Singapore academic Terence Chong believed the Minister Mentor probably had in mind some "50 to 100 years down the road" when he brought up the matter of re-merger. "If you look at historic port cities, they all enjoy their golden eras and then decline. For Singapore to flourish in perpetuity would mean defying history." [157]

Indeed, for Singapore, failure is not an option. The legacy of history and the experience of its brief but traumatic Malaysian interlude are poignant reminders that "the need to stay ahead in the economic race is not a self-serving political slogan but deadly serious business".[158] "That is the hand which geography and history have dealt us," observed Lee Hsien Loong. "Overall it is not a bad hand, nor have we played it badly."[159] What the hand of history has also surfaced are fundamental differences that do not appear to be easily reconcilable. As Goh Chok Tong put it, "Some people likened our bilateral relationship with Malaysia to that of a husband and wife — you quarrel, then you make up, you quarrel again, then you hug and make up again. But the metaphor is not accurate. Singapore and Malaysia were married, found irreconcilable differences, broke up, and went their separate ways."[160] Both have chosen different approaches and solutions that have worked for their respective countries. The hand of geography, however, ensures that Singapore and Malaysia, while separate, remain close neighbours. And as George Yeo, the former Singapore Minister for Information and the Arts, pointed out: "It's important that we are good friends; if you can't be good friends, you can't be good neighbours."[161]

Notes

1. Wang Gungwu, "The Way Ahead", *The Straits Times Annual* (Singapore: *Straits Times*, 1966), p. 30.
2. See Lee Kuan Yew, *The Singapore Story: Memoirs of Lee Kuan Yew* (Singapore: Times Edition, 1998).
3. When recounting the train of events that led to Singapore's separation on 9 August 1965 at a press conference that day, the Singapore premier, Lee Kuan Yew, said: "You see, this is a moment of … every time we look back on this moment when we signed this agreement, which severed Singapore from Malaysia, it will be a moment of anguish because all my life I have believed in merger and the unity of these two territories. It's a people connected by geography, economics, and ties of kinship … Would you mind if we stop for a while?" Overwhelmed by his emotions, Lee lost his composure and the press conference resumed only after another 20 minutes. See Lee, *The Singapore Story*, pp. 15–16.
4. *Straits Times*, 20 May 1997.
5. Wee Shoo Soon, "The Separation of Singapore from Malaysia: Approaches and Issues", Unpublished Academic Exercise, National University of Singapore, 1998, p. 9.
6. The view that Raffles "founded Singapore, and that the British acquired or even annexed the island in 1819", according to Ernest Chew, is erroneous: "what Raffles really did was to found a British "factory" on a narrow coastal strip of Malay Singapore … Nor was Raffles solely responsible for the British initiative of early 1819." See Ernest C.T. Chew, "The Foundation of a British Settlement", in Ernest C.T. Chew and Edwin Lee, eds., *A History of Singapore* (Singapore: Oxford University Press, 1991), p. 38.
7. Penang was acquired by the East India Company (EIC) in 1786 while Malacca, which had previously been under Portuguese, and later Dutch, rule came under British control as a result of the Anglo-Dutch Treaty of 1824.
8. In 1867, the Straits Settlements, which had been administered by the EIC's Calcutta headquarters, were transferred to the Colonial Office in London and received Crown Colony status under the rule of a Governor based in Singapore. See C.M. Turnbull, *The Straits Settlements, 1826–1867: Indian Presidency to Crown Colony* (London: The Althone Press, 1972), pp. 316–80.
9. C.M. Turnbull, *The Straits Settlements, 1826–1867: Indian Presidency to Crown Colony* (London: The Althone Press, 1972), p. 21.
10. W.R. Roff, *The Origins of Malay Nationalism* (Kuala Lumpur: University of Malay Press, 1967), p. 32.
11. C.M. Turnbull, *A History of Singapore 1819–1988* (Singapore: Oxford University Press, 1989), p. 95.
12. Turnbull, *The Straits Settlements*, p. 16.
13. Ibid., p. 11.

14. Ibid., p. 21.
15. Ibid., p. 8.
16. Ibid., p. 17.
17. Turnbull, *A History of Singapore*, p. 36.
18. For a discussion of the reasons for the British "forward movement", see E. Chew, "The Reasons for British Intervention in Malaya: Review and Reconsideration", *Journal of South East Asian History* 6, no. 1 (1965): 81–93; C.D. Cowan, *Nineteenth Century Malaya: The Origins of British Political Control* (London: Oxford University Press, 1961); C.N. Parkinson, *British Intervention in Malaya, 1867–77* (Singapore: University of Malaya Press, 1970).
19. See Eunice Thio, *British Policy in the Malay Peninsula 1880–1910 Volume 1: The Southern and Central States* (Singapore: University of Malaya Press, 1969), pp. 140–89.
20. Ibid., pp. 207–21.
21. Yeo Kim Wah, *The Politics of Decentralization* (Kuala Lumpur: Oxford University Press, 1982), p. 82.
22. Yeo Kim Wah, "The Guillemard-Maxwell Power Struggle", *Journal of the Malaysian Branch of the Royal Asiatic Society* 54, no. 1 (1981): 48–64.
23. Yeo Kim Wah, "British Policy Towards the Malays in the Federated Malay States 1920–1940" (Unpublished Ph.D. dissertation, The Australian National University, 1971), pp. 291–92.
24. Memorandum by P.A.B. McKerron, 17 August 1943, CO 825/35, no. 55104/1, Public Record Office, London (subsequently, PRO).
25. See C.A. Vlieland, *British Malaya: A Report on the 1931 Census* (London: Malaya Information Agency, 1932); and M.V. Del Tufo, *Malaya: A Report on the 1947 Census of Population* (Singapore: The Government Publications Bureau, 1949), p. 40.
26. Ibid.
27. Reprinted from *Straits Chinese Annual in Malaya Tribune*, 5 March 1930, p. 4; cited in Chua Ai Lin, "Negotiating National Identity: The English-speaking Domiciled Community in Singapore 1930–1941" (Unpublished M.A. dissertation, National University of Singapore, 2001), p. 80.
28. *Malaya Tribune*, 23 December 1932, p. 2; cited in Chua, p. 91.
29. *Malaya Tribune*, 3 September 1932, p. 14; cited in Chua, p. 92.
30. *Proceedings of the Legislative Council of the Straits Settlements*, 25 October 1933, B191; cited in Ibid, p. 96.
31. Ibid, p. 83.
32. Ibid., pp. 107–09.
33. S.L. Falk, *Seventy Days to Singapore: The Malayan Campaign, 1941–1942* (London: Robert Hale, 1975).
34. *The Times*, 13 and 14 March 1942.
35. Albert Lau, *The Malayan Union Controversy* (Singapore: Oxford University Press, 1991), p. 277.

36. Minute by G.E.J. Gent, 11 April 1952, CO 825/35, no. 55104, PRO.
37. Sir H. MacMichael to Sir G. Gater, 19 December 1945, CO 273/675, no. 50823/7/3, cited in A.J. Stockwell, *British Policy and Malay Politics during the Malaya Union Experiment, 1942–1948* (Kuala Lumpur: Malaysian Branch of the Royal Asiatic Society Monograph No. 8, 1979), p. 63.
38 A.T. Newboult to T.I.K. Lloyd, 4 February 1946, CO 537/1554, no. 50823/34/7, PRO.
39. G.E.J. Gent to S. Caine, 1 December 1943, CO 825/35, no. 55104/1, PRO.
40. Minute, H.T. Bourdillon, n.d (possibly August 1945), CO 825/42, no. 55104, PRO.
41. Ibid.
42 42. G.E.J. Gent to M. MacDonald, 18 April 1947, MacDonald Papers 16/8, cited in Lau, *Malayan Union Controversy*, p. 269.
43. F. Gimson to M. MacDonald, 22 April 1947, MacDonald Papers 16/3; cited in Ibid., p. 269.
44. Minute by H.T. Bourdillon, 18 January 1946, cited in Ibid., p. 257.
45. Ibid.
46. Yeo Kim Wah, *Political Development in Singapore 1945–1955* (Singapore: Singapore University Press, 1973), p. 45.
47. Minute by O.H. Morris, 4 January 1949, CO 537/3669, no. 52243/14, PRO.
48. See Kumar Ramakrishna, "Making Malaya Safe for Decolonization: The Rural Chinese Factor in the Counterinsurgency Campaign", in Marc Frey, Ronald W. Pruessen, and Tan Tai Yong, eds., *The Transformation of Southeast Asia: International Perspectives on Decolonization* (New York: M.E. Sharpe, 2003), pp. 161–79.
49. A.J. Stockwell, "Insurgency and Decolonisation during the Malayan Emergency", *Journal of Commonwealth and Comparative Politics* 24, no. 2 (1987): 76–77.
50. *Straits Times*, 26 January 1955, cited in Sopiee, p. 111.
51. A.J. Stockwell, ed., *British Documents on the End of Empire. Series B Volume 3. Malaya. Part I: The Malayan Union Experiment 1942–1948* (London: HMSO, 1995), p. lxxx.
52. See Albert Lau, "The Colonial Office and the Singapore Merdeka Mission, 23 April to 15 May 1956", *Journal of the South Seas Society: Special Issue: Singapore Politics in Late Colonial Era*, 49 (1994), pp. 104–22; James Low, "Kept in Position: The Labour Front-Alliance Government of Chief Minister David Marshall in Singapore, April 1955–June 1956", *Journal of Southeast Asian Studies* 35, no. 1 (2004): 41–64.
53. Yeo Kim Wah and Albert Lau, "From Colonialism to Independence, 1945–1965", in *A History of Singapore*, Ernest C.T. Chew and Edwin Lee, eds. (Singapore: Oxford University Press, 1991), p. 138.
54. For background, see Ibid., pp. 141–42; John Drysdale, *Singapore: Struggle for*

Success (Singapore: Times Books International, 1984), pp. 272–82; Lee, *The Singapore Story*, pp. 377–78.

55. For history of Barisan Sosialis activism, see Sunny Tan Siang Yang, "Barisan Sosialis: Years at the Front Line 1961–1966" (Unpublished Academic Exercise, National University of Singapore, 1998).
56. Remarks by Sir Geofroy Tory, the British High Commissioner to Malaya, reporting on his conversation with the Tunku on 26 May 1961, cited in Matthew Jones, *Conflict and Confrontation in South East Asia 1961–1965* (Cambridge: Cambridge University Press, 2002), p. 66.
57. The PAP candidate was defeated in the Hong Lim by-election on 29 April 1961 by a margin of 4927 votes. The PAP was to suffer another by-election defeat in Anson on 15 July 1961. See Fong Sip Chee, *The PAP Story — The Pioneering Years November 1954–April 1968* (Singapore: Times Periodicals, 1980), pp. 92–93, 95, 97.
58. *Straits Times*, 29 October 1961, cited in Mohamed Noordin Sopiee, *From Malayan Union to Singapore Separation: Political Unification in the Malaysia Region 1945–65* (Kuala Lumpur: Penerbit Universiti Malaya, 1976), p. 143.
59. Ibid., p. 145.
60. See Tan Tai Yong, "The 'Grand Design': British Policy, Local Politics, and the Making of Malaysia, 1955–1961", in Marc Frey, Ronald W. Pruessen, and Tan Tai Yong, eds., *The Transformation of Southeast Asia: International Perspectives on Decolonization* (New York: M.E. Sharpe, 2003).
61. See D.S. Ranjit Singh, "British Proposals for a Dominion of Southeast Asia, 1943–1957", *Journal of the Malaysian Branch of the Royal Asiatic Society*, LXXI, Pt. 1 (1998).
62. Lee, *The Singapore Story*, p. 365.
63. Brunei decided not to join Malaysia because of disagreements with Kuala Lumpur over the terms of merger, including control over its oil wealth, and the issues of royal precedence and representation in the federal parliament. See D.S. Ranjit Singh, *Brunei 1839–1983: The Problems of Political Survival* (Singapore: Oxford University Press, 1984), pp. 181–97.
64. Recalled Othman Wok, former PAP stalwart and Singapore government minister: "In the negotiations on the terms for Singapore's entry into Malaysia, Mr. Lee adopted a business-like approach, driving a hard bargain because he did not want to be accused of selling out Singapore to the Tunku." This upset the Tunku who was "most unhappy that the special privileges for the Malays, which were practiced in Malaya, would not be implemented in Singapore when Singapore joined Malaysia". *Straits Times*, 16 September 1998.
65. On 20 January 1963, the Indonesian foreign minister, Dr Subandrio, in a speech at Jojakarta, announced that Indonesia would have to adopt a policy of "confrontation" (or *konfrontasi* in Indonesian) towards Malaya as that country was acting as "the henchman of neo-Imperialism and Neo-Colonialism pursuing

a policy hostile to Indonesia". On 16 September 1963, upon the formation of Malaysia, Indonesian mobs broke into the British embassy compound in Jakarta, smashing all its windows, and setting the British flag and the ambassador's car ablaze. They returned on 18 September to enter and ransack the British embassy, setting it on fire after elements of UMNO's youth wing had marched on the Indonesian embassy in Kuala Lumpur the day before and set ablaze a small shed and towed away the Indonesia Garuda crest. On 21 September, Indonesia announced that it was severing all trade links with Malaysia and on 25 September, Indonesian President, Sukarno, denounced the Tunku and called for an intensification of *Kontrontasi* and the need to "*ganjang* (crush) Malaysia". This led to armed incursions by Indonesian agents in northern Borneo and peninsular Malaysia, including terrorist bombings in Singapore. See Jones, pp. 126, 196–98, 209.

66. *Malaysia Parliamentary Debates*. Dewan Ra'ayat (House of Representatives) Official Report, 9 August 1965, col. 1459–60.
67. Ibid., col. 1460.
68. Lee, *The Singapore Story*, pp. 15–16.
69. Wang, p. 27.
70. *Straits Times*, 3 March 1964. Remarks attributed to PAP chairman, Toh Chin Chye.
71. Memorandum "Constitutional Discussions between the Tunku and Lee: The Problem of Singapore", n.d. (1965), in A1838/280 no. 3027/2/1, Part 23, Australian Archives; see also Lee, *The Singapore Story*, p. 587. Singapore's finance minister, Dr Goh Keng Swee, had told the Malaysian deputy premier, Tun Abdul Razak, that any constitutional rearrangement must not make Singapore appear a "semi-colony".
72. *Straits Times*, 17 September 1963.
73. R.K. Vasil, "Why Malaysia Failed?", *Quest* 49 (1966): 51.
74. Lee Kuan Yew, *Are There Enough Malaysians to Save Malaysia?* (Singapore: Ministry of Culture, 1965), p. 21.
75. *Malaysia Parliamentary Debates*. Dewan Ra'ayat (House of Representatives) Official Report, 31 May 1965, col. 703–4.
76. Ibid., 1 June 1965, col. 839.
77. Vasil, p. 53.
78. Abdullah Ahmad, *Tengku Abdul Rahman and Malaysia's Foreign Policy 1963–1970* (Kuala Lumpur: Berita Publishing, 1985), p. 86.
79. Ibid., p. 86.
80. Lee, *The Singapore Story*, p. 602.
81. Telegram no. 90, Lord Selkirk to Secretary of State for the Colonies, 5 February 1963, DO 169/248 NO. 131/33/2 Part B, PRO; Albert Lau, *A Moment of Anguish: Singapore in Malaysia and the Politics of Disengagement* (Singapore: Times Academic Press, 1991998), p. 54.

82. *The Malay Mail*, 20 September 1963; Lau, *A Moment of Anguish*, p. 41.
83. *Straits Times*, 28 September 1963.
84. Letter from Antony Head (British High Commissioner, Kuala Lumpur) to Secretary of State for Commonwealth Affairs, 15 October 1964, PREM 13/428; Lau, *A Moment of Anguish*, p. 284.
85. *Straits Times*, 16 September 1998.
86. Abdullah Ahmad, p. 89.
87. Speech by Lee Kuan Yew to Malaysian students at Malaysia Hall in London, 10 September 1964, A1838/280 no. 3024/2/1 Part 13, Australian Archives; Lau, *A Moment of Anguish*, p. 284.
88. Syed Jaafar bin Hasan Albar, UMNO's Chief Publicity Officer, for instance, vowed to "fix" Lee Kuan Yew when he showed up at the Malaysian parliament. See *Malayan Times*, 25 September 1963; Lau, *A Moment of Anguish*, p. 67.
89. The controversy over the "gentlemen's agreement" is discussed in Lau, *A Moment of Anguish*, pp. 287–88.
90. Lee, *The Singapore Story*, p. 540.
91. Lee blamed the PAP's poor showing on (1) the lack of party organization in Malaya, (2) the lack of experience in campaigning in the Federation, and (3) the token participation which did not give people a good reason to switch from the MCA to the PAP. See Lee, *The Singapore Story*, p. 547. The Alliance probably benefited also from the Indonesian Confrontation which lent force to its presentation of a vote for the Alliance as a test of loyalty to the nation. See Lau, *A Moment of Anguish*, p. 120.
92. Abdullah Ahmad, p. 89.
93. *Straits Times*, 16 September 1998.
94. Lee, *The Singapore Story*, p. 547.
95. Ibid., p. 542.
96. Ibid., pp. 547–48.
97. PAP leaders maintained that the riots had not erupted spontaneously, but had been planned and instigated by UMNO activists. See Lee, *The Singapore Story*, pp. 551–69; Othman Wok, *Never In My Wildest Dreams* (Singapore: Raffles, 2000), pp. 176–82. Othman Wok recalled that a week after the riots, while he was in Kuala Lumpur, a senior *Utusan Melayu* reporter had told him that he already knew at 2 p.m. on 21 July 1964 that there would be riots in Singapore that afternoon. When Othman asked him "How did you know beforehand? The riots took place at about 4:30 p.m." The reporter replied, "Oh yes. We knew beforehand. We have our sources, you know." It suddenly dawned upon him that *Utusan Melayu*, which had been responsible for publishing the inflammatory speeches by UMNO leaders, "must had been informed by those responsible for the impending riots because it was going to be big news". The nature of the riots and its aftermath has been documented in Lau, *A Moment of Anguish*, pp. 161–210.
98. Lee, *The Singapore Story*, p. 565.

99. As Lee Kuan Yew saw it, "The Tunku said UMNO would never accept this [a coalition with the PAP], because, on our side, we could not accept the fundamental condition … that we stay out of the Malay world." Ibid., p. 583.
100. Ibid., p. 602.
101. *Straits Times*, 26 October 1964.
102. Lau, *A Moment of Anguish*, p. 290.
103. Ibid., p. 239.
104. Lee, *The Singapore Story*, p. 656.
105. *Malaysia Parliamentary Debates*. Dewan Ra'ayat (House of Representatives) Official Report, 27 May 1965, col. 566–67.
106. Lau, *A Moment of Anguish*, p. 292.
107. Lee Khoon Choy, *On the Beat to the Hustings: An Autobiography* (Singapore: Times Books International, 1988), p. 81.
108. Lee, *The Singapore Story*, p. 663.
109. Ibid., p. 663.
110. W.E. Willmott, "The Emergence of Nationalism", in Kernial Singh Sandhu and Paul Wheatley, *Management of Success: The Moulding of Modern Singapore* (Singapore: ISEAS, 1989), p. 587.
111. Ibid.
112. Othman Wok, p. 186.
113. Chan Heng Chee, *Singapore: The Politics of Survival 1965–1967* (Singapore: Oxford University Press, 1971).
114. Ong Pang Boon, "It Is Necessary to Preserve Our History", *Speeches: A bimonthly selection of Ministerial Speeches* 5, no. 3 (1981): 48. [Henceforth, *Speeches*]
115. Othman Wok, p. 188.
116. Teo Chee Hean, "Know the Singapore Story", *Speeches* 24 no. 3 (2000): 78.
117. *Straits Times*, 22 July 1996.
118. Lee Hsien Loong, "Developing a Shared Sense of Nationhood", *Speeches* 21, no. 3 (1997): 50.
119. Ibid.
120. Lee, *The Singapore Story*, p. 8.
121. Teo, pp. 79–80.
122. Goh Chok Tong, "Wither Singapore", *Speeches* 23, no. 3 (1999), p. 22.
123. The quotation was from then Minister without Portfolio, Lim Boon Heng. *Business Times*, 8–9 August 1998.
124. Lee, "Developing a Shared Sense of Nationhood", p. 50.
125. *Straits Times*, 26 August 1998.
126. Lee, "Developing a Shared Sense of Nationhood", p. 50.
127. Ibid., pp. 44, 51.
128. Ibid., p. 51.
129. *Straits Times*, 16 September 1998.
130. Ibid., 19 September 1998.

131. Ibid., 19 September 1998.
132. *Mingguan Malaysia*, 20 September 1998; cited in *Straits Times*, 1 November 1998.
133. *Utusan Malaysia*, 15 September 1998; cited in Ibid.
134. Ibid., 21 August 1996.
135. Ibid., 18 July 1998.
136. Ibid., 26 September 1998; a *Mingguan Malaysia* columnist, for instance, had asserted: "There is nothing wrong in Singapore becoming part of Malaysia. Based on the history that we know, Singapore is part of the Malay archipelago … We lost Singapore because of the work of the English colonialists", cited in Ibid., 26 August 1996.
137. Ibid., 8 June 1996; *Business Times*, 8–9 June 1996.
138. *Business Times*, 8–9 June 1996.
139. Ibid., 8–9 June 1996.
140. *Sunday Times*, 8 September 1996.
141. Ibid., 1 September 1996.
142. Ibid.
143. Ibid., 25 August 1996.
144. *Straits Times*, 12 June 1996.
145. Dominic Nathan, "Re-merger: S'poreans' Response 'Shows Strong Feelings'", in Ibid., 5 September 1996.
146. Ibid., 24 August 1996.
147. Ibid., 28 August 1996.
148. Ibid., 29 August 1996.
149. *Sunday Times*, 25 August 1996.
150. *Straits Times*, 20 August 1996.
151. Ibid., 9 September 1996.
152. Ibid.
153. Ibid., 10 October 2007.
154. *Sunday Times*, 14 October 2007.
155. Cited in *Sunday Times*, 14 October 2007. The interview was given to American columnist Tom Plate on 27 September 2007.
156. *Today*, 12 October 2007.
157. Ibid.
158. "Merger Again Can Never Be", *Straits Times*, 28 August 1996.
159. Lee, "Developing a Shared Sense of Nationhood", p. 45.
160. *Straits Times*, 26 August 1998.
161. *Sunday Times*, 25 August 1996.

7

JOHOR IN MALAYSIA-SINGAPORE RELATIONS

Kamarulnizam Abdullah

Johor holds a very unique position in the Malaysia-Singapore relations. Although it has been part of the Federation of Malaysia, the present day mainland Johor has very special historical, political, social, and cultural ties with Singapore. Every day, nearly 80,000 Malaysians commute to Singapore to work. Malaysians who reside in Johor, in fact, have been the major source of workers for Singapore's industrialization for decades. Hence, any political tensions between Malaysia-Singapore could not run away from discussing the involvement of Johor. The causeway, one of the two bridges that link Johor to Singapore, for instance, was the site of Malaysian Non-Governmental Organizations' (NGOs) protest against Chaim Herzog's visit to Singapore in November 1986. The demonstrators had threatened to cut the water supply from Johor to Singapore and created anti-Singapore sentiments across the country. Johor again became the centre of political spats in March 1997 when the then Senior Minister Lee Kuan Yew made controversial remarks in his affidavit over the defamation suits against a Singaporean opposition politician Tan Liang Hong, who fled and resided in Johor. Senior Minister Lee called Johor a place for "notorious for shootings, muggings, and car-jacking" which sparked a diplomatic uproar. Lee later apologized and also retracted the remarks in the affidavit and blamed press reports for the misunderstanding.[1]

As the southernmost state of peninsular Malaysia and the most immediate neighbour to Singapore, Johor is inevitably affected by and caught up in any

political tension existing between the two neighbouring countries. Issues of water supply, the use of Malaysian airspace by the Republic of Singapore Air Force (RSAF), the Pulau Batu Putih/Pedra Branca disputes, the design of a new bridge to replace the 100-year old causeway, and Singapore's land reclamation projects, without doubt, have major socio-political and economic implications, either in a positive or negative way, for Johor.

The government of Johor is indeed represented in the bilateral negotiations between Malaysia and Singapore.[2] Nonetheless, it does not have direct negotiation power, as will be discussed later in the chapter, due to the constitutional barrier under the federal-state concept. Johor is also part of a tripartite, sub-regional economic integration under the Singapore-Johor-Riau (Indonesia) or SIJORI growth triangle concept. The idea is premised on mutual cooperation whereby land-scarce Singapore's requirement for low, value-added and labour-intensive industries that can only be offered by neighbouring countries. The initiative was envisaged under the economics of complementarity idea although tensions did arise due to domestic political differences in implementation between state and federal governments.

Literature on the Malaysia-Singapore relations usually focuses either on the leaders' idiosyncrasy problems, trade and economic disputes, or heavily on the outstanding bilateral issues. Not much emphasis has been given to the role and influence of a border state. The chapter, therefore, looks at the history of Johor-Singapore relations and the current issues that involve Johor in the unilateral relations. Consequently, the chapter also analyses Malaysia's federal-state relations in understanding the Johor's role. The understanding of those relationships is crucial for it could explain why tensions exist between the federal government and the state over Singapore issues, and why, despite the federal government's prerogative on external relations, Johor still manages to make its voice heard.

JOHOR-SINGAPORE'S EARLY RELATIONS

The current mainland Johor and Singapore were part of the Johor-Riau-Lingga kingdom prior to the arrival of European colonial powers in Southeast Asia in the fourteenth century. It was one of the last Malay kingdoms that survived after the fall of the Melaka Empire in 1511. The last ruler of the Melaka Empire, Sultan Mahmud, settled and chose Bintan (now in Indonesia) as the capital of the new kingdom. The Johor-Riau-Lingga kingdom stretched from the state of Pahang, in the north of the Malay peninsular, to Indonesia's Riau Archipelago in the south. The kingdom remained intact till the seventeenth century.

When Sir Stamford Raffles from the British-India Company arrived in Singapore in 1819 in search of a new port to replace Bangkahulu in Sumatra, the island was administered by a *de facto* ruler, Temenggong Abdul Rahman. The *de facto* ruler of Singapore did not have the power to allow the British-India Company to set up a settlement on the island due to the Dutch influence over the Sultan of the Johor-Riau-Langga Kingdom. At the same time, Johor politics was also in a mess. The last Sultan of Johor-Riau-Langga Kingdom failed to name his successor before his death and hence had created two claimants to the throne. Tengku Abdul Rahman, the younger prince, was installed as the sultan instead of his elder brother, Tengku Hussein who was in Pahang attending his wedding when the sultan passed away. There was opposition from local chiefs in Riau and mainland Johor since the move was seen to contradict the local custom whereby the eldest son should succeed the father.[3] Raffles took the opportunity of this disputed succession to achieve his purpose of acquiring Singapore as a British port. He devised a plan whereby the British recognized Tengku Hussein as the Sultan of Johor and Singapore. Tengku Hussein hence changed his name to Sultan Husain Muhammad.

Consequently, in 1824 Sir Raffles sealed an agreement with the new Johor ruler, Sultan Husain, and Temenggung Abdul Rahman, to set up a port on the island. The agreement marked the direct intervention of the British, which eventually led to the "separation" of Singapore from Johor's territorial sovereignty. In the same year, the Anglo-Dutch Treaty was also signed, dividing the kingdom into two spheres of influence. The Riau islands were placed under Dutch suzerainty, while Singapore Island and the Malay Peninsula were under that of the British. The Treaty was the beginning of the colonial powers' divide and rule policy in the southern tips of the Malay Peninsula until the independence of Malaya in 1957.

As part of one kingdom earlier, Johor and Singapore share the same local cultural identity. The blood ties and relationship that exist between the people of the two states can be likened to those of "inseparable twins." Many, if not most, Malaysians and Singaporeans, Lily Zubaidah argues, have close relatives and friends across the Causeway.[4] It is normal for families in Johor Bahru, the capital city of Johor, to have cousins or grandparents across the causeway and vice versa. When Singapore separated from Malaysia in 1965, the people relations between Johor and the republic remained strong despite continuous political tensions between the two countries.

Yet, occasionally, the personal relationship was marred by racial scepticism and distrust. Johor is a Malay-dominated state. It is where the United Malay National Organization or UMNO was born in 1946. Hence, the state has been seen as the birthplace of Malay nationalism and hegemony. In contrast,

Singapore's Chinese-dominated population never ascended to the idea of Malay hegemony or *ketuanan Melayu*. Even when Singapore was part of Malaysia (between 1963–65), a more confident Singaporean Chinese population viewed Malays ultra-nationalists' attempt to force the non-Malays to succumb to the idea of Malay hegemony[5] as an indication of Malay's inferiority complex and insecurity.[6]

Rapid population growth and, eventually, the increasing importance of Singapore as a port for the East-West trade raised the issue of the island's self-sufficiency, especially in relation to the water sources. Demand for clean water increased, but at the same time, the island could not provide enough water supply due to its land scarcity for building reservoirs. In 1927, an agreement was reached between the Municipal Commissioners of the town of Singapore and Sultan Ibrahim of Johor to supply untreated water to Singapore from Gunung Pulai in Johor with a maximum capacity of 6.3 million gallons per day.[7] The agreement ran for an initial fifteen years and was renewed in 1961 and 1962. The 1961 and 1962 agreements gave Singapore the right to water supply until 2011 and 2061 respectively. At the same time the agreements also required the Water of Authorities of Singapore to supply treated water to Johor. The 1921 agreement required Johor to pay 25 sen for every 1,000 gallons supplied whereas, the 1961 and 1962 agreement required Johor to pay 50 sen for every 1,000 gallon litre supplied. It has been seen as unfair by certain quarters in Malaysia since Singapore, as some argue, only has to pay 3 sen per 1,000 gallons for the untreated water supply.[8]

Unlike the 1921 agreement, the 1961 and 1962 agreements were negotiated between the federal government and Singapore. Although Johor was part of the important members of the Malaysian negotiating party, the final decision rested on the federal government's discretion in its bilateral discussion with Singapore. This, then, has been the major contention between the federal and state governments over the possible renewable of both agreements between the two countries. The Johor government argued that the rate should be increased to be commensurate with the increased demand for treated water for Johor itself. Since the 1990s, Johor has experienced rapid economic expansion, hence the demand for treated water has increased. The 3 sen for every 1,000 gallons of untreated water supplied to Singapore was seen as unjustifiable. Singapore, on the other hand, argued that it cost the republic approximately RM2.4 to treat every 1,000 gallons of water supplied from various sources in Johor.

Hence, it is not surprising that the water issue has been one of the protracted issues that has caused political tensions between the two neighbouring countries. Although Johor's bargaining power has been greatly

reduced when it joined the federation of Malaysia, Johor arguably still plays an influential role. This is because under the federal constitution, aspects related to land and natural resources, that is, water, are still under the preview of the state government. Hence, the federal government still needs to consult the state government on the price mechanism in supplying water to Singapore.

For Singapore, its future needs for water supply has to be maintained. It needs to find alternative sources. Possible water supply from Pahang was envisaged, but the plan needed approval from both the federal and Johor government since the water pipeline would have to cross Johor territory. An agreement was also reached to supply untreated water from Batam Island in Indonesia. At the same time the republic also embarked on the alternative methods of processing recycled water and the desalination of seawater. The introduction of "Newater" was the culmination of Singapore's attempts at water self-reliance.

THE CURRENT ISSUES

Water is not the only issue that involves Johor. Another major contention is Singapore's land reclamation projects to create new usable land for the housing development of the republic. The projects began in 1962 and have increased Singapore land's area from 580 sq km at Independence to 680 sq km by 2002.[9] But the dispute dates back to only 2002 when Johor, through the federal government, voiced its displeasure to Singapore. It involved firstly, the so-called illegal transportation of sands, rocks, and earth materials for the land being reclaimed. It raised questions on how a licence could be obtained to export sand to the republic, hence prompting immediate political reactions from both the federal and state governments. Malaysian newspapers, especially the Malay-language press, expressed their views forcefully about the issue. The major and leading Malay newspaper, *Utusan Malaysia*, for instance, made the issue a headline for several days and regarded it as "selling out the sovereignty" of (*menjual maruah*) the nation.[10]

The second major issue about Singapore's reclamation was its effect on ecology and the environment. The Johor government persistently claimed that the land reclamation in the northeast (Pulau Tekong) and northwest (Tuas) part of the republic had damaged its interests by among other things, narrowing shipping lanes around the Johor Straits, which affected Malaysian fishermen. Malaysia then sought international arbitration proceedings against Singapore to prevent it from reclaiming land at Tekong and Tuas. Both governments, nonetheless, agree to solve the issue amicably after recommendations made by the international arbitrators. The Singapore

Government also agreed to compensate Johor fishermen who were affected by the reclamation projects.[11]

The Republic of Singapore Air Force's (RSAF) use of Johor airspace over Gelang Patah is another irritant issue raised by the Johor government and its people. The local community had for years protested against the use of the Gelang Patah area as RSAF military training and often accused RSAF jets of flying too low and causing noise pollution. The Malaysian government decided to close the airspace to RSAF in 1998, citing its concern to protect the country's sovereignty and security, and as a result of pressure from state politicians who argued that no country in the world would allow its airspace to be used by another country for military training. However, when the federal government agreed to reopen the airspace to RSAF in early 2005 in return for Singapore's release of CPF (Central Provident Fund) money savings, it triggered protests from UMNO Johor and the state government.

Johor also involved in the disagreement over the building of a new bridge to replace the 80-year old causeway. Malaysia is building a new Custom, Immigration and Quarantine Complex (CIQ) in Tanjung Puteri to reduce the already congested exit point in Johor Bahru. When the new design was put forward to the Singapore government, the then Singapore Prime Minister Goh Chok Tong rejected it because of his nostalgic memory of the Causeway. The Mahathir administration retaliated by announcing that Malaysia would build the bridge even without Singapore cooperation. Nonetheless, under the Abdullah Badawi administration, Malaysia has decided to call off the idea of replacing the causeway.

The final major contention that involves Johor is the question of Pulau Batu Putih or Pedra Branca. Singapore argues that it has been the administrator of the islet and the caretaker of the lighthouse that guides ships navigating into the Singapore port for decades. It has been under Singapore administration even before the republic briefly joined the Federation of Malaysia, and the most important thing is that Kuala Lumpur never questioned Singapore's jurisdiction over the islet for decades. Nonetheless, Malaysia's arguments are based on three grounds. Firstly, Malaysia contends that geographically it is only about 10 nautical miles from the Johor shore as opposed to about thirty nautical miles for that of Singapore. Secondly, Kuala Lumpur also argues that under the 1965 separation agreement between the two countries, Singapore's borderline only extends up to ten nautical miles from its shores. Finally it is also argued that under the 1824 agreement between Sultan Husain and the British-India Company, Pulau Batu Putih was never placed as part of Singapore Island. The two countries, nonetheless, agree to refer the dispute to the International Court of Justice (ICJ) for arbitration.

THE POLITICS OF FEDERAL-STATE RELATIONS

Under the Federal Constitution, states enjoy certain privileges. States have the right to protect their mineral resources, land title, local customs, native law, and religious (Islamic) affairs. Furthermore, to give a fair measure of security to the state, the Federal Constitution also makes provisions that the state should be consulted for the purpose of implementing any treaty, convention, etc. to which the state's rights such as land, local customs, or religious affairs, are thereby affected. Nonetheless, in order to provide a uniformity of law and policy, Article 75 of the Federal Constitution of Malaysia also provides for a contingency, in which "If any State law is inconsistent with a Federal law; the federal law shall prevail and the State lay shall, to the extent of inconsistency, be void."[12]

Structurally, the Sultan, except in the states of Penang, Malacca, Sabah, Sarawak, and the Federal Territory of Kuala Lumpur and Labuan, are the constitutional heads of state. The state administration is led by a menteri besar (chief minister) who holds executive powers and is assisted by councillors appointed from members of the state assembly. Johor furthermore has an extra privilege i.e. the power to maintain and to run its own Royal Johor Malay Force (JMF). Established during the Sir Sultan Abu Bakar reign, the JMF nowadays only has a ceremonial role. The Federal Government then has the prerogative over the foreign relations, finance and budget, and defence of Malaysia.

Since independence, Johor politics has been controlled by the UMNO-led Barisan Nasional (National Front) government. Being UMNO's birthplace and its stronghold, Johor "has always been crucial to the political leadership".[13] Johor is the "safe state" for UMNO in every election. So far UMNO has managed to win and retain State Assembly and Parliamentary seats continuously except during the 2003 election when one UMNO candidate for the State Assembly seats lost due to technical errors. Johor has also produced two UMNO leaders — Dato' Onn Jaafar who was the first UMNO president, and his son Tun Hussin Onn, who was the fourth UMNO president. Furthermore, the importance of Johor is evident in the number of senior and important federal cabinet ministers appointed from the state under the current Abdullah Badawi administration, such as the Minister for International Trade and Industry, Muhyidin Yassin; the Minister for Home Affairs, Syed Hamid Albar; the Minister for Education, Hishammuddin Hussein; the Minister for Higher Education, Khaled Nordin; and Tourism Minister, Azalina Othman Said.

Johor's role and influence in the Malaysia-Singapore relations can be analysed at two different levels — the party i.e. UMNO level, and the state federal level. At the party level, Johor UMNO, represented by hundreds of divisions at district level, acts as a pressure group to represent the interests and grouses of the grassroots. Issues related to the plight of Johor, including those pertaining to Johor-Singapore relations, are brought up to the yearly UMNO General Assembly.

When the then Prime Minister Goh of Singapore and Malaysia's Abdullah Badawi met in the first round of a series of negotiations over outstanding issues in 2004, there was simmering disquiet on the ground over the absence of a strong voice from Johor. Dissatisfaction and discomfort became strong when Kuala Lumpur in early 2005, agreed, in principle and without prior consultation with Johor, to open the airspace around Gelang Patah for the use of the Republic of Singapore Air Force (RSAF) fighter jets. The deals were made when Singapore agreed to release East Malaysian CPF money savings amounting to S$2.4 billion.[14] The UMNO division of Gelang Patah, in its press conference, called on the government to withdraw the decision.[15]

Debates continued among the UMNO Johor political heavyweights as to whether the state has to concur with whatever decisions made by the federal government. In fact, there are also divergent views within UMNO politicians over the handling of outstanding bilateral issues involving the interests of Johor. A Johor politician and also the leader of Parliamentary backbenchers, Shahril Abdul Samad, went public, touching some raw nerves, on an issue that was considered radical and incongruent with the prevalent thinking of the state leadership. Shahril Abdul Samad called on the Federal Government to drop plans to build a bridge to replace the Causeway and to give up its claims to KTMB (Government-owned Railway Company) land in Tanjung Pagar in Singapore. His ideas, as expected, were vehemently rejected by the Johor UMNO. Shahril's call appeared to throw a spanner in the works, especially when Johor needed a united stance to voice their grouses over Kuala Lumpur's unilateral decision on some issues that involve Johor's relations with Singapore. Furthermore, for Johor UMNO, Shahril remarks had unwittingly given Singapore an unnecessary advantage in the upcoming Goh-Abdullah talks.

The central UMNO leadership did sense the negative mood over the decision. The deputy Prime Minister, Najib Tun Abdul Razak, even made a statement that it is not too late for Johor to present its view to the Federal government.[16] The Prime Minister Abdullah Badawi, as the UMNO President, had to make a working visit in late February 2005 to meet UMNO leaders to allay fears over the seemingly reduced role of Johor in the bilateral talks

between Malaysia and Singapore. One of the consequences of the meeting was the announcement by Abdullah Badawi that the Johor bridge project would continue. The Singapore side would be consulted for the final design of the bridge.

At the state level, the Johor government had for quite some time tried to avoid discussing openly the bilateral issue between Malaysia and Singapore. The current state government took a stand of leaving the issue to the "wisdom of federal leadership". The Johor government may not want to put itself in a very difficult position with the Federal Government due the fact that it is the Federal Government's prerogative to conduct negotiations with foreign countries.

Hence, Johor, under the current administration led by its Menteri Besar, Abdul Ghani Othman, has to orchestrate carefully the state's position on the Singapore issues without upsetting the federal leadership. This is to avoid another political spat that could affect federal-state relations. Under the previous administration, the Johor government appeared to take its own course and dealt directly with Singapore, hence bypassing the Federal Government over issues such as Singapore investment and land control in Johor. It irked the Federal Government under the Mahathir administration. Hence, the current Menteri Besar (Chief Minister) has been consistent and firm in his policy of consulting the Federal Government over issues or problems related to Singapore.[17]

Yet, the recent forceful call by the UMNO Johor tends to reflect the Johor government's uneasiness over the way that Federal Government handled the Singapore issue. The outstanding issues discussed with the Singapore authorities on its behalf could impinge on its future development and economic plan. Johor would be directly affected by the decision made by Malaysia and Singapore. In spite of that, it was not consulted directly. Carolyn observes that the Johor Menteri Besar has long been privately unhappy about the Federal Government's failure to consult Johor, often presenting Malaysia's stand on those bilateral issues as a *fait accompli*.[18] The issue became public after UMNO Johor itself made its stance to the Deputy Prime Minister Najib Abdul Razak during an otherwise routine UMNO state meeting in January 2005.

This may be due to the fact that Johor politics is complicated by the complex power structure in Johor, which is dominated by dominant federal and state politician personalities. Datuk Abdul Ghani earlier cautioned:

> …is seen as a failure to protect Johor's rights, and being left out [of] the federal negotiations as a sign of being jostled out of a power spot. His access to the federal level is said to have been limited. He also has to contend

> with other powerful Johor politicians, the most prominent of whom here is Foreign Minister Datuk Seri Syed Hamid, the MP for Kota Tinggi, who has acknowledged the need to balance Johor's interests with the federal government's desire to resolve the bilateral issues.[19]

The state government persistently argues that the causeway is no longer able to handle the tremendous increase in vehicular traffic in recent years, resulting in massive daily congestion. As pointed our earlier, there are approximately 80,000 people who commute every day between Johor and Singapore. The completion of the second bridge that links Tuas in Singapore and Gelang Patah in Johor has failed to divert the traffic due to its distant location from the city centre. Johor also needs a new, elevated highway and a multi-purpose Customs, Immigration and Quarantine (CIQ) complex, which is currently being built, with a network of new roads to reduce traffic congestion in the city area. This new construction would also hasten the economic development in Johor and generate more job opportunities for the Johor people, especially after the federal government introduced the southern corridor development called the Iskandar Development Region (IDR). It is envisaged that IDR would be a conduit of growth in the southern areas of Peninsular Malaysia that could attract billions of dollars of foreign investment especially from Singapore.

JOHOR IN SIJORI

Since 1991, Singapore has been the second largest investor in Malaysia (after Japan).[20] The main locus of the growth triangle idea, or some refer to it as the borderland economic integration,[21] is on the flow of labour, commodities, and capital. The concept could pave the way for closer cooperation, especially for the rapid growth of East Asia's newly industrialized economies, with significant increasing costs of domestic production. Factors such as economic complementarity, geographical proximity, political commitment, and infrastructure development are key factors in determining the success of the growth triangle area. The growth triangle then seeks "…to reduce regulatory barriers…in order to gain a competitive edge in attracting domestic and foreign investment".[22] The Singapore-Johor-Riau (SIJORI) is one of the Southeast Asian countries' initiatives not to compete, but to complement each other's economy.

Both Johor and Singapore are actively pursuing the idea since it would create one of the largest economic zones in Southeast Asia. The basic vision for Johor is that the SIJORI would provide "capital and strategic direction

while securing access to Malaysian and Indonesian labour, land, and water".[23] Singapore would become a conduit to supply capital to Johor and Riau. The Johor government has been actively involved, and has cooperated, with the National Malaysian Industrial Development Authority (MIDA) and the Singapore Economic Development Board to facilitate cross-border industrial relocation and tourist development projects. Johor's enthusiasm is understood since capital flows from Singapore could spur up the economy of the state. This is evident when the inflow of cross-border investments increased dramatically by 200 per cent.[24] It then became a phenomenal growth for Johor, which enjoyed an average GDP growth rate above 9 per cent throughout the 1990s till the 1997 Asian Financial crisis. It places Johor second after Selangor as the highest growth state in Malaysia.[25]

The idea of economic complementarity, however, has slowly lost its momentum. What is important, according to M. Sparke, J.D. Sidaway, T. Binnell, and C. Grundy-Warr, is that the "vision of triangular collaboration for the sake of interregional competition has not banished the ghost of cross-border competition". The urge to compete rather than to complement or to collaborate effectively between sub-regional actors becomes stronger when the regional economy slowly shrinks due to massive competition from other economies such as China's and India's.

The competition between Johor Bahru's Port of Tanjong Pelepas (PTP) and the Port of Singapore (PSA) is the obvious manifestation of the looming competition. PTP makes its intention known that it wants to become the transshipment hub to compete with Singapore. Even Johor's Menteri Besar, Abdul Ghani Othman, admitted that Johor is "no longer in a complimentary (sic.) role to Singapore".[26] The state, in fact, he argues, is competing with the neighbouring countries. So far, PTP has managed to lure two giant shipping companies to use PTP as their transshipment hub. One of the largest shipping companies in the world, the Maersk Shipping Company, together with Taiwan's Evergreen Marine Corporation, transferred nearly 90 per cent of their transshipment activities and operations to PTP from the Singapore port, citing lower operation costs and incentives offered by the PTP authorities. Maersk has even become the strategic partner of the PTP when it acquired 25 per cent shares in the company. The Straits Times of Singapore describes the competition as a "bare-knuckled fight".[27] Singapore furthermore, views the intense competition as a forewarning of its regional role in other fields such its status as an air hub for the region. The decision for the regional-led Low Cost Carrier (LCC), Malaysia's Air Asia, to use Johor Bahru's International Airport as the hub for its southern operations, could

be viewed as another attempt by Johor to compete rather than complement Singapore, which clearly signals the phasing out of SIJORI's sub-regional cooperation spirit.

CONCLUSION

From the above exposition, it can be argued that the role of Johor in the Malaysia-Singapore relations is crucial and influential. History has shown that Singapore was separated from Johor's sovereignty as a result of colonial power manipulation. The two entities remained separate until Singapore briefly joined the newly-formed Malaysia between 1963–65. Yet when the union fell apart, Singapore became an independent country whereas Johor has remained a part of the Federation of Malaysia. Nonetheless, the close ties between the two continue and are unperturbed, despite the existence of occasional political tensions between Malaysia and Singapore. Johor continues to enjoy the spillover effect of Singapore rapid economic development for years, and the establishment of the growth triangle area involving Singapore, Johor, and Riau, has further propelled Johor's economic growth. Johor still ensures its voice is heard over the bilateral negotiations between Malaysia and Singapore, although at one point, the Federal Government seemed to have taken a unilateral decision. The unilateral decision did create tensions in the state-federal relations. As a consequence, although Johor can only be considered a sub-state under the federal system and constitution, its opinion has to be taken into account by Kuala Lumpur when dealing with Singapore. Political cooperation is needed since many of the outstanding issues between the two countries involve Johor. Its influential role then remains for the foreseeable future.

NOTES

1. See Lee Kuan Yew, *The Singapore Story: Memoirs of Lee Kuan Yew* (Singapore: Singapore Press Holdings and Times Edition, 1998).
2. Interview with Dato Ayob Moin, the then Johor State Secretary, 23 May 2003, Johor Bahru.
3. Nesamalar Nadarajah, *Johor and the Origins of British Control 1895–1914* (Kuala Lumpur: Arenabuku, 2000), pp. 11–12.
4. Lily Zubaidah Rahim, "Singapore-Malaysia Relations: Deep-Seated Tensions and Self-Fulfilling Prophecies", *Journal of Contemporary Asia* 29, no. 1 (1999): 38.
5. K.S. Nathan, "Malaysia-Singapore Relations: Retrospect and Prospect", *Contemporary Southeast Asia* 24, no. 2 (August 2002): 389–91.

6. This explains why some sensitivities exist between the neighbouring countries, i.e. Johor-Singapore. One example was when the Singapore Government decided to redevelop Kampong Glam, known to be the last traditional Malay village in the republic. Kampung Glam area consists of an old Sultan Ali Palace that was built in 1840 and the living quarters of the direct descendents of the Sultan. The palace area has been earmarked as a tourist redevelopment project whereby those who lived in the area would be relocated to a HDB housing complex. The redevelopment project had caused widespread protests from the Sultan Ali descendents and also received wide moral, and to some extent, political support from across the causeway. The Singapore Government's decision was perceived as an attempt to wipe out the last Singaporean Sultanate heritage, which is the legacy from the Johor Malay identity. See *Berita Minggu* (Malaysia), 14 November 2004.
7. See Singapore Municipality, *Johor Scheme* (Singapore: Methodist Publishing, 1922), p. 1.
8. A. Ghani Nasir, "Singapura Kaut Untung Berganda Air Mentah Malaysia", *Berita Harian*, 31 January 2002.
9. *Straits Times* (Singapore), 30 March 2002.
10. *Utusan Malaysia* (Malaysia), 9 March 2002.
11. *New Straits Times* (Malaysia), 7 January 2005, p. 1.
12. See Wu Min Aun and R.H. Hickling, *Hickling's Malaysian Public Law* (Petaling Jaya: Longman, 2003), pp. 64–65.
13. Carolyn Hong, "The Johor Factor in Malaysia-Singapore Talks", *The Straits Times* (Singapore), 16 February 2005.
14. Ravi Nambiar, "Has He Burnt His Bridges?", *New Sunday Times* (Malaysia), 6 February 2005, p. 16.
15. *Utusan Malaysia*, 23 February 2005, p. 20.
16. *The New Straits Times* (Malaysia), 2 February 2005, p. 2.
17. This is based on the author's personal interview with the Menteri Besar at his residence in Saujana, Johor Bahru, on 24 May 2003. The interview was part of a research project on the role of Johor in the Malaysia-Singapore relations, funded by the Johor Heritage Foundation.
18. Hong, "The Johor Factor in Malaysia-Singapore Talks".
19. Ibid.
20. N. Ganesan, "Malaysia-Singapore Relations: Some Recent Development", *Asian Affairs: An American Review*, Spring 245 (1998), p. 27.
21. See K.C. Ho, "Semi-periphery and Borderland Integration: Singapore and Hong Kong Experiences", *Political Geography* 16, no. 3 (1997): 241–59.
22. *Growth Triangle of Southeast Asia*, East Asia Analytical Unit, Australia at http://www.dfat.gov.au/publications/pdf/growth_triangle_exsum.pdf#search='growth%20triangle%20concept', accessed on 27 May 2005.
23. M. Sparke, J.D. Sidaway, T. Binnell, and C. Grundy-Warr, "Triangulating the Borderless World: Geographies of Power in the Indonesia-Malaysia-Singapore

Growth Triangle", *Transaction of the Institute of British Geographers* 29, no. 4 (2004): 485–98, Accessed online at http://www.www.1boro.ac.cuk/gawc/rb/rb135.html on 26 May 2005.

24. J. Parsonage, "Southeast Asia's 'Growth Triangle': A Sub-regional Response to a Global Transformation", *International Journal of Urban and Regional Research* 16, no. 2 (1992): 309.
25. See L. Van Grunsven, "Industrial Regionalization and Urban-Regional Transformation in Southeast Asia: The SIJORI Growth Triangle Considered", *Malaysian Journal of Tropical Geography* 26 (1998): 47–65.
26. *Straits Times* (Singapore), 17 March 2002.
27. Ibid.

8

POLITICS AND INTERNATIONAL RELATIONS
The Singapore Perspective

N. Ganesan

The Singapore government is well aware of the historical linkages that it had with the Malaysian hinterland. The legacy of British colonization, membership in the Straits Settlements, and subsequent brief membership in the Malaysian federation are historical artefacts. Although these artefacts have become much less important over time, they have had a formative influence on Singapore's perception of its bilateral relationship with Malaysia. It would not be an exaggeration to suggest that historical developments have had a significant overhang on the bilateral relationship. The dense transactionalism between the two states in a variety of issue areas continues to ensure that both countries are important to each other, regardless of the generally negative influence of the historical overhang. Singapore's desire to articulate sovereign independence in policy formulation, both in politics and foreign policy, is as much a function of its previous stresses in the bilateral relationship as the desire to assert its independence as a new state in the region.

POLITICS

Within the realm of politics, there are four clusters of factors that can bear positively or negatively on the bilateral relationship or perceptions of it.

These are geographical and historical considerations, ethno-religious issues, developmental plans and designs, and political leadership. The first two of these factors are reasonably static considerations in that they are embedded within the bilateral relationship. The latter two, on the other hand, are much more fluid since they are subjected to change and their impact is sometimes not clearly discernible. Hence, there is a real sense in which the latter two considerations are much more dynamic, and consequently, their impact may be positive or negative, depending on the situation. History, geography, and ethno-religious considerations, on the other hand, have generally tended to bear negatively on the relationship.

Geographically, the fact remains for Singapore that Malaysia is not only its immediately adjacent neighbour with a large hinterland, but that the physical endowments between the two countries are significantly disproportionate. Malaysia is almost sixty-four times larger than Singapore in land area and has a population base that is almost six times larger. This differential is exaggerated by the fact that historically, Singapore had developed in relation to Malaysia. In contrast, Singapore has a land area of only 660 square kilometers and a population base that is marginally in excess of four million people, including foreign workers.[1] Owing to the unceremonious manner in which Singapore was ejected from the Malaysian federation in 1965 and the tense bilateral situation that followed during the immediate post-independence period, Singapore elites' historical perception of Malaysia has not been positive.[2] In fact, if anything, at the time of independence, People's Action Party (PAP) elite led by Lee Kuan Yew regarded Singapore's survival as much a challenge to themselves as a demonstration effect to Malaysia.[3] Until today, during times of prosperity, the Singapore government occasionally reminds its population of the traumatic nature of the country's initial birth and early development.

The reality of Singapore's location within the larger Malay Archipelago (together with Indonesia) in maritime Southeast Asia is readily acknowledged by the Singapore government. On more than one occasion, both Lee Kuan Yew and Goh Chok Tong have noted that geographical location is a reality and factored into the decision-making process. They have also very realistically noted that it cannot be wished away. Similarly, the Singapore elite realize that the regional political situation significantly complicates and disadvantages the country's standing in the region.

Ethno-religious issues have been a very important consideration in the bilateral relationship and there are clearly discernible historical precedents for it. One of the major reasons for tensions between the PAP-led Singapore

government and the UMNO-led Alliance government in the Malaysian Federation was the PAP's campaign for a "Malaysian Malaysia" in the 1964 Malaysian federal election. Singapore, with a clear ethnic Chinese majority in its population, had already altered the Malaysian demographic landscape at the time of its entry into the federation in 1963. The campaign slogan not only angered the UMNO elite who regarded themselves champions of Malay interests, but also challenged the country's ascriptive policies that favoured ethnic Malays. These policies had been introduced by the British colonial government to justify their moral rationale that the colonial process was meant to protect "Malay custom and religion".[4] As well, historically, the two episodes of ethnically-inspired political violence in Singapore involved the Malay Muslim community. The first of these was the Maria Hertogh Riots in 1950 and the second, the Prophet Muhammad Birthday Riots in 1964.[5] The PAP government and Lee Kuan Yew, in particular, have often attributed the outbreak of the later riot to agitation from the ultra-nationalist Malay faction within UMNO during Singapore's membership in the Federation, especially the lead role of Jaafar Albar.

Although after independence both Singapore and Malaysia have become different countries and gone their separate ways, it does not change the fact that there are still linkages between the two countries. Besides, immediately after separation and for much of the 1970s, the PAP government regarded the twin issues of communism and communalism as the most serious threats to Singapore's national security. The latter was a reference to ethno-linguistically-inspired chauvinism, regardless of its origins. After the PAP's fissure with the Barisan Sosialis Party in 1961, communalism was also a reference to Chinese chauvinism. Traditionally, the PAP government has been apprehensive about the involvement of the Malay community in Malaysia in the affairs and well-being of their brethren in Singapore. Even in recent times, there have been quite a few instances of Malay Malaysian politicians commenting on the state of the Malay minority in Singapore. Typically, such comments are related to the community's relative state of deprivation vis-à-vis the other ethnic groups. From time to time, the comments highlight how historical privileges traditionally accorded to the Malays have dissipated over time. Singapore is anxious to ensure that such transnational linkage politics does not undermine its sovereign decision-making power and invite, or worse still, set a precedent for, Malaysian politicians to involve themselves in domestic politics. The drawing of clean lines regarding what is acceptable and what is not is applicable even to the type of coverage about Singapore in the Malaysian mass media. Malaysian opinion and editorial pieces from Malay

language papers are often translated into English for the benefit of locals and to generate a pulse for popular Malaysian thinking on important bilateral issues. The non-circulation of the newspapers of each country's in the other was an explicit arrangement negotiated at the time of Singapore's political independence to avoid sensational reporting. This restriction continues to be enforced — a reflection that both countries remain sensitive to how each is publicly portrayed in the other's media.

Development plans and designs are a reference to both state strategies for development as well as ascriptive policies favouring ethnic Malays. Broadly speaking, it is arguable that there has been a major structural transformation of the bilateral relationship. For the first couple of decades after separation and independence, both countries enjoyed a complementary relationship, especially in the economic realm. Singapore, which tended to have much more developed secondary and tertiary sectors, was a service provider to Malaysia. This service was especially significant in infrastructural terms as a shipping and air cargo hub. Additionally, tertiary sector service providers like banks and insurance companies also maintained a major presence in Malaysia. However, in the later 1980s and throughout the 1990s, the Malaysian economy became fundamentally transformed. There was tremendous growth within the manufacturing and tertiary sectors. This growth was driven at least in part by Prime Minister Mahathir's desire for Malaysia to achieve developed country status by the year 2020. Additionally, there was the robust development of infrastructure and strong attempts by Malaysia to woo shipping traffic, in particular, away from Singapore. These changes made the bilateral relationship between both countries significantly more competitive. The dissipation of synergies in the development plans of both countries subsequently tended to spill over into the political realm.

The accelerated economic growth and infrastructural development came on the back of an equally aggressive campaign by the Malaysian government to increase Malay ownership and stewardship of large economic enterprises. Consequently, economic growth also ensured the fulfillment of the mandate to improve the well-being of the indigenous Malay community. The utilization of non-economic rationale to further economic growth naturally resulted in a fair amount of leakage of public funds.[6] Coupled with Mahathir's desire for large and multi-sectoral projects, some of the wastage was very publicly visible. It may be remembered that this disagreement in advancing Malay interests was one of the reasons for the PAP's poor relationship with the UMNO-led Alliance government during Singapore's tenure in the Malaysian federation. Singapore, on the other hand, has always prided itself in the utilization of

meritocratic and transparent criteria for the socio-economic advancement of its population and social mobility between and within ethnic groups. Both countries regard their systems and strategies as sacrosanct and beneficial for national integration and development. Consequently, comparisons invoked by one country against the other invariably draw a sharp negative reaction from the other party. For example, in 1996, when Lee Kuan Yew suggested that Singapore's reintegration into Malaysia may be easier if they practised a more meritocratic system, it drew sharp responses from Malaysian politicians.[7] In this regard, it is arguable that both countries consider their own positions as virtuous and inherently good. Although the Singapore government is generally careful in making pronouncements about the Malaysian domestic political and economic situation, many members of the country's Chinese ethnic majority perceive Malaysia as practising an economic and political system that is manifestly unjust to the minorities.

The last major political issue in the bilateral relationship between Malaysia and Singapore is associated with leadership. While it is generally understood that leadership frailties and pronouncements have an impact on inter-state relations, there is a tendency for this issue to bear disproportionately on the bilateral relationship. The reason for this observation is that foreign policy decision making in both countries is often subjected to idiosyncratic variables. Some past leaders have tended to ignore structural realities and highly personalize decision making. This was certainly true of Prime Minister Mahathir, who from time to time, made caustic remarks about Singapore. In the immediate aftermath of the Asian financial crisis for example, Mahathir was extremely critical of Singapore and its alleged role in weakening the Malaysian economy and subjecting its stock market and currency to widespread negative speculation. It was on the back of these allegations that the Malaysian government, when it imposed capital restrictions in 1998, forced the repatriation of Malaysian ringgit holdings from Singapore and unilaterally banned the trading of Malaysian stocks through offshore accounts linked to the Singapore Stock Exchange (SGX). As a general rule of thumb, both countries tend to become defensive when accused by the other of poor or unethical behaviour. Owing to the elite and unitary nature of the decision-making process in both countries, negative appraisals and pronouncements have a general trickle down effect that affects the other's elite as well as senior administrators. As well, there is a general perception in Singapore that the Malaysian elite are harsh in their appraisal of Lee Kuan Yew and Lee Hsien Loong based on historical developments. In contrast, Goh Chok Tong generally tends to invoke a more positive appraisal.[8]

INTERNATIONAL RELATIONS

Singapore's foreign policy towards Malaysia falls within the general confines of the former's philosophical predisposition. Traditionally, and at least up until the end of the Cold War, this predisposition tended to be realist. There were also important considerations favouring a balance of power among the major external powers with a presence in Southeast Asia. Although Malaysia-Singapore relations are subject to broader structural and philosophical considerations, there is a real sense in which this bilateral relationship is regarded as extremely important and to all intents and purposes, the most significant of Singapore's regional relations. Such importance means that general policy considerations may or may not obtain, depending on the nature of the issues involved. As a general rule, there is a far greater emphasis on the traditional realist boundary markers of territoriality and sovereignty in the bilateral relationship. Yet, there is also the realization that well-managed bilateral relations are mutually beneficial.

There are three rather significant distinctive and analytically useful phases that have characterized Singapore's bilateral relationship with Malaysia. The first of these that lasted for the two years from 1965 to 1967 is usually referred to as the "survivalist phase" in the literature on Singapore's foreign policy. This first period was characterized by a generally poor bilateral relationship that exhibited all the frailties of a political union gone wrong and the acrimony that resulted afterwards. The second phase that began in 1968 and lasted till 1988 was much better managed and the relationship generally fell within the structural confines of the Cold War and the management of regional order through the Association of Southeast Asian Nations (ASEAN). The third or post-Cold War phase led to the bilateral relationship becoming turbulent again. The structural imperatives of the Cold War rapidly dissipated during this period and a number of new and contentious issues came to the fore. This final phase is currently continuing and although the bilateral relationship appears to have benefited from leadership transition in Malaysia that occurred in October 2003, it is still too early to tell if the seeming calm will yield benefits in the resolution of the outstanding issues.

To begin with the survivalist phase: this period was the most traumatic for the PAP government in the management of a new and independent state.[9] There were threats to the government both internally and externally. Internally, there was political contestation with the Barisan Sosialis and agitation from organized labour and the Chinese-educated segment of the population. The British announcement of the withdrawal of forces east of the Suez also posed economic problems. The British presence effectively contributed a full 25 per

cent to Singapore's domestic economy. Accordingly, the announced withdrawal had significant repercussions on Singapore and the PAP was determined to develop Singapore at a rapid pace to stabilize the situation and over time, acquire performance legitimacy.

Externally, the PAP elite, in the immediate post-independence period, acknowledged the fact that Singapore's relationship and future with Malaysia was intricately intertwined and indeed inseparable, although latent tensions continued to simmer. In one of his maiden speeches to parliament, S. Rajaratnam, Singapore's foreign policy architect, argued that Singapore's and Malaysia's interests were inseparable and spoke of a special relationship, noting that when bilateral tensions had calmed and the relationship was restored to a modicum of normalcy, there was the real possibility of a remerger between the two countries. [10] Earlier on, even Lee Kuan Yew had regarded an independent Singapore as "not viable by itself".[11] Yet, as the relationship evolved, it became clear that the two states were destined to remain as separate.

The uniqueness of Singapore's bilateral relationship with Malaysia was reflected in a number of developments from the very outset. After independence, Singapore chose to retain Malay as the national language and the national anthem continues to be in Malay. Immigration clearance for visitors to Malaysia was done at the Tanjong Pagar railway station in Singapore and the two countries introduced a restricted passport that was only valid for travel between them. The symbolic linkage between the two countries that Rajaratnam alluded to was reflected in the PAP's own cabinet line-up, which comprised a large number of Malaysians.[12]

Despite the outward appearance of cordiality and uniqueness, the bilateral relationship continued to be tense and the disproportionate size and endowments between the two countries naturally worked in Singapore's disfavour. Singapore's reliance on Malaysia was quite extensive, even for food and potable water, and there is some evidence to suggest that the Tunku contemplated shutting off Singapore's water supply if its government's policies were detrimental to Malaysia's interests.[13] After all, there were a number of issue areas where differences between the two countries were not easily resolved.

Other than political and policy differences between UMNO and the PAP, there were a number of economic issues that complicated matters as well. Such issues included the dissolution of joint-stock companies like Malaysia-Singapore Airlines. It also included Singapore's decision to introduce its own new currency — the Singapore dollar — as opposed to the Malaysian ringgit. In the early days of its introduction, Malaysia's leading Malay-language daily newspaper, the *Utusan Melayu*, used to highlight exchange rate differences

between the two countries as an indication of Singapore's national viability and progress.[14]

In the area of external defence, Singapore continued its membership in the Anglo Malayan Defence Agreement (AMDA) that was extended to include Singapore in 1963 when it joined the Malaysian federation.[15] There was also a battalion of soldiers from the Royal Malay Regiment based in Singapore. Additionally, Malaysia also operated a naval training school — K.D. Malaya — in Singapore. The presence of Malaysian troops and trainees in Singapore was complicated by Singapore's decision to form its own indigenous defence force in the Singapore Armed Forces (SAF) in 1967. The adoption of Israeli doctrine and training methods that emphasized forward defence for the occupation of adjacent territory to create the strategic depth to wage warfare was not lost on Malaysia.[16] Many other analogies linking the psyche of Singapore elite to those of Israel, including a seeming siege mentality, could also be easily made. Nonetheless, Singapore persevered and over time evolved a deterrent military capability that became a cornerstone of its regional foreign policy, together with diplomacy. From late 1967 onwards, however, coinciding with regime change in Indonesia, the formation of ASEAN, and the threat of revolutionary communism emanating from mainland Indochina, Singapore's bilateral relationship with Malaysia eventually stabilized, helped in no small measure by the structural dictates of the Cold War.

During this second phase of the bilateral relationship, regime transition in Indonesia was an important consideration. When Suharto formally replaced Sukarno and heralded the start of the New Order government in Indonesia in 1967, there were significant regional dividends. Firstly, Suharto formally brought an end to the Indonesian Confrontation that had plagued Singapore since 1963, initially when it was part of the Malaysian federation, and subsequently when it was an independent state. More importantly, Suharto reversed Sukarno's revolutionary foreign policy and sought regional accommodation within a developmentalist framework that was friendly towards Western developed countries. Finally, in signalling major changes to its foreign policy output, Indonesia was instrumental in the formation of ASEAN in 1967.

The stabilization of the external environment made it much easier for Singapore to exercise its foreign policy output. Over time, the Malaysian elite became accustomed to Singapore as an independent and sovereign state and tended to interfere less in its foreign policy formulation. In turn, Singapore was able to embark on developmental strategies that economically plugged the departure of British troops. In 1969, when ethnic riots broke out in

Malaysia and the country was placed under Emergency rule for a period of eighteen months, the country also became introverted, attending to domestic political developments and recalibrating economic development to ensure Malays a greater share of national economic wealth and equity. The riots also displaced the Tunku who was replaced by Tun Razak. All of these developments indirectly benefited Singapore. And under the Razak administration, Malaysia exerted greater latitude in its foreign policy output. It became significantly less pro-Western and reverted to greater neutrality in policy output. In 1974, it accorded China diplomatic recognition — something that Singapore did not do until 1990. The late recognition was in part motivated by Singapore's strong anti-communist policy output and in part to reassure Indonesia and Malaysia that its foreign policy was not driven by ethnic interests.

Despite ASEAN's formation in 1967 and the stabilization of the external environment for both Singapore and Malaysia from then on, true regional cooperation only commenced from the mid-1970s. The immediate reason for this development was the communist victory in Vietnam and the real possibility of communist insurgency spreading beyond just Cambodia and Laos. Spurred by Thai security considerations and under Indonesian leadership, ASEAN was primarily concerned with containing communism in mainland Southeast Asia from 1976 to 1988. This focus on developments in the mainland provided Malaysia and Singapore the additional respite that both countries needed. Notwithstanding occasional hiccups, the bilateral relationship was stable and positive for most of the period. Perhaps the single exception to the generally cordial situation occurred with Singapore's decision to invite Israeli president Chaim Herzog to Singapore in 1986. This invitation generally drew a negative response from most of the Muslim majority states in the region. Nonetheless, Malaysia's response was by far the most pronounced and protracted.[17]

Greater regional cooperation did not mean that Singapore abandoned its pro-Western foreign policy outlook. Alongside institutionalized security cooperation with Commonwealth countries through AMDA and subsequently the Five Power Defence Agreements (FPDA) that replaced AMDA in 1972, Singapore also tended to align itself with the United States. Lee Kuan Yew was firmly convinced that it was American military intervention in Vietnam that contained the spread of communism in Southeast Asia and provided regional countries with the opportunity to attend to developmental matters. Lee was also convinced that the United States alone, with overwhelming power on its side, could prevent untoward shifts in the regional balance of power. He was equally convinced that it was the only country with sufficient political will and power to assist Singapore in times of extreme difficulty.

Towards the end of the 1980s, as communism weakened internationally and the Vietnamese occupation of Cambodia that preoccupied ASEAN moved towards resolution, major structural changes again impacted on Singapore's bilateral relations with Malaysia. The end of communist insurgency in Malaysia and Thailand in 1989 led Malaysia into adopting a much more conventional defence doctrine and the modernization of its armed forces. As if in seeming displacement of the now resolved Indochina situation, Malaysia-Singapore relations went into a downward tail spin, with a number of new and rather protracted issues coming to the fore.[18] The economic relationship between the two countries was also becoming significantly more competitive.

There were a number of contentious issues involving the continued supply and price of potable water from Malaysia, the legality of Malaysian Customs, Immigration and Quarantine (CIQ) facilities in Singapore, issues arising from Malaysia's ownership of land in Singapore in the form of railway stations and land adjacent to railway tracks, the rent payable to Singapore for the KD Malaya naval training facility, and the right of Malaysian workers to withdraw their Central Provident Fund (CPF) savings from Singapore after cessation of employment. Two other serious issues included overlapping territorial claims over the Horsburgh Lighthouse, and disputes involving Singapore's land reclamation off the coast of Johor in southern Malaysia. Up to the time of writing, most of these issues have not been settled, although relations have been on a much more even keel after Abdullah Badawi replaced Mahathir as Malaysia's Prime Minister in late 2003.[19] There appears to be a seeming unwritten consensus that perhaps some time ought to lapse for the situation to cool down and for rationality to prevail in negotiating these contentious issues to mutual benefit.

Even as difficulties have arisen in Singapore's bilateral relations with Malaysia in the 1990s and beyond, there has been an attempt on both sides of the causeway to contain difficult situations and gradually see to their resolution. In the most difficult circumstances, there has been a tendency to refer matters to international institutions for arbitration and adjudication. This has indeed been the case with the overlapping claims over the Horsburgh Lighthouse that was referred to the International Court of Justice (ICJ) at The Hague for arbitration. Differences arising from Singapore's maritime reclamation works and the price of water are also likely to be sent for international arbitration. The utilization of such international dispute resolution mechanisms is generally favoured by Singapore whose decision makers have exhibited an express preference for international rational-legal norms. Such norms allow Singapore to be treated as an independent and sovereign state and as equal to Malaysia. There is the prevailing perception in Singapore that such equality

may not obtain in a bilateral situation. Additionally, the Malaysian political environment has a diffuse number of players and organizations that sometimes makes responding to them difficult for Singapore. Both the incumbent government and the political opposition have in the past utilized bilateral issues for strategic political gain and posturing.

Singapore's previous and historical association with Malaysia means that it has to endure the burdens of history. It is also physically destined to be in the region. Nonetheless, from the very outset, the country has sought to impress upon the international and regional community its determination to survive and prosper. Additionally, it has made it abundantly clear that it takes matters relating to sovereignty and territoriality very seriously. Some of the country's most protracted tensions with Malaysia have pertained to sovereignty and territoriality. However, it has generally sought to manage the bilateral relationship with Malaysia rationally. During difficult times, both countries have generally avoided posturing and tried to narrow their differences through quiet and contained diplomacy.[20] This quiet approach also prevents issues from spilling over across domains and complicating their resolution.

Singapore's foreign policy has generally gone through three distinctive phases. Malaysia figured prominently in the first phase when the country's survival as a sovereign and independent state was threatened. Subsequently and particularly after the formation of ASEAN in 1967, structural dynamics associated with the Cold War brought some respite to the previously tense bilateral relationship. Both countries were generally pro-Western and anti-communist. This common policy position allowed for developmental synergy to obtain and deflect negative perceptions of each towards the other. However, the end of the Cold War in Southeast Asia in the 1990s has removed the structural convergence of threat perceptions, and reignited tensions. Nonetheless, both in politics as well as international relations, while maintaining the principles of sovereignty and territoriality, Singapore has sought to defuse bilateral tensions through quiet and contained diplomacy. When bilateral solutions have failed, it has favoured an express preference for international arbitration to resolve the matter at hand. The evidence thus far is that bilateral relations will enjoy some calm following the leadership transition in Malaysia. When sufficient political will is mustered on both sides of the causeway, bilateral relations will also improve significantly.

Notes

1. The actual domestic population base is approximately 3.2 million people. Together with a falling birth rate and negative growth rate, there is some anxiety on how to increase the citizen pool.

2. See, for example, R.S. Milne, "Singapore's Exit from Malaysia: The Consequences of Ambiguity", *Asian Survey* 6 (March 1966): 175–84, and Lau Teik Soon, "Malaysia-Singapore Relations: Crisis of Adjustment, 1965–68", *Journal of Southeast Asian History* 10 (March 1969): 155–76.
3. See Chan Heng Chee, *Singapore: The Politics of Survival 1965–67* (Singapore: Oxford University Press, 1971).
4. See Gordon P. Means, "Special Rights as a Strategy for Development: the Case of Malaysia", *Comparative Politics* 5 (1970): 29–61.
5. For an elaboration of these riots, see Michael Leifer "Communal Violence in Singapore", *Asian Survey* 4 (October 1964): 1115–21.
6. This leakage is well documented in Edmund Terence Gomez, *Politics in Business: UMNO's Corporate Investments* (Kuala Lumpur: Forum, 1998).
7. This comment was made in response to a question on the subject during a speech hosted by the Foreign Correspondents Club in Singapore.
8. Balan Moses and Ravi Namdiar, "Pak Lah and Goh: We're buddies", *New Straits Times* (Malaysia), 25 January 2004.
9. On the external dimension, see Leszek Buszynski, "Singapore: A Foreign Policy of Survival", *Asian Thought and Society* 29 (July 1985): 128–36.
10. S. Rajaratnam, text of an untitled speech delivered at the Singapore Legislative Assembly, 17 December 1965.
11. Mary Turnbull, *A History of Singapore, 1819–1988* (2nd ed.) (Singapore: Oxford University Press, 1989), p. 288.
12. The majority of early cabinet members were from Malaysia. See Kevin Tan and Lam Peng Er, eds., *Lee and His Lieutenants* (London: Routledge, 1999), and Turnbull, *A History of Singapore*, p. 289. Dr Goh Keng Swee, Dr Toh Chin Chye, and S. Rajaratnam, members of Lee's inner circle, were also from Malaysia.
13. The clearest evidence of this position is contained in a telegram dispatched by Anthony Head, the British High Commissioner in Kuala Lumpur, to the British High Commissioner in Canberra on 9 August 1965 — the day when Singapore declared its political independence. In it, Head noted "Tunku said that if Singapore's foreign policy was prejudicial to Malaysia's interests they could always bring pressure to bear on them by threatening to turn off the water in Johore", *Australian Archives A1838/33 3006/10/4*.
14. Interview with S. Rajaratnam, October 1988.
15. See Chin Kin Wah, *The Five Power Defence Arrangements and AMDA* (Singapore: Institute of Southeast Asian Studies, 1974).
16. For an elaboration of this uneasy arrangement, see Tim Huxley, "Singapore and Malaysia: A Precarious Balance?", *Pacific Review* 4, no. 3 (1991): 204–13.
17. See Michael Leifer, "Israel's President in Singapore" Political Catalysis and Transnational Politics", *Pacific Review* 1, no. 4 (1988): 341–52. and N. Ganesan, "Islamic Responses Within ASEAN to Singapore's Foreign Policy", *Asian Thought and Society* (1988), pp. 125–34.

18. N. Ganesan, "Malaysia-Singapore Relations: Some Recent Developments", *Asian Affairs: An American Review* 25, no. 1 (Spring 1998): 21–36.
19. M. Nirmala, "Weekend Visits Raise Comfort Levels", *Straits Times* (Singapore), 26 January 2004, and Helmi Yusof, "The Relaxed Route to Better Ties?" *Straits Times*, 28 January 2004.
20. "Bilateral Issues: KL Goes for 'Quiet Diplomacy'", *Straits Times*, 25 January 2004.

9

MALAYSIAN CONSTITUTIONAL PERSPECTIVES ON THE ADMISSION AND SEPARATION OF SINGAPORE

Abdul Aziz Bari

In recent years there have been many occasions involving spats between Malaysia and Singapore ranging from water agreements to territorial disputes. At the moment it is not easy to deal with them, as facts and documents relating to those disputes are not accessible to the public, and thus they are better left for future scholars to deal with. The admission and later the separation of Singapore are useful in this respect as they will shed some insights over the occasional strained relations between the two sovereign nations.

A constitution of a country is the backbone which forms the foundation for her institutions and authority. It goes without saying that the constitution represents the interests, history, and needs of the people. Even in this modern democratic era where democracy stands at the very heart of a constitutional structure, the peculiarities and uniqueness of the society concerned are still playing the key role. Some of these peculiarities may even stand as the exceptions to democratic principles. There are various grounds of legitimacy to sustain these exceptions even though they may appear as anachronisms to outsiders. One of the grounds that is often cited is to rectify past mistakes or accidents of history, something which may be said of affirmative actions. Other examples include certain veto powers and privileges given to some people or institution. Some of the grounds for these are historical while some others may be cultural or even religious.

In Malaysia there are several provisions which may be said to be falling under the above category. These include provisions on the monarchy, the special position of the Malays, Islam, and language. Some have called these elements either indigenous or traditional.[1]

Constitutional perspectives here refer to the idea contained in the provisions of the constitution. As a federation, Malaysia has a Constitution that consists of the Federal Constitution and the thirteen state constitutions.[2] However, as the provisions are not always clear-cut on everything, reference has to made to case law; namely the decisions of the courts. In common law countries like Malaysia and Singapore, court decisions form part of the law. Constitutional perspective here also refers to the ideals of the constitution and these include democratic spirit, check and balances, limited government, and the like.

Malaysia is a federation of states. The federal system of government has been explained as the mode of political organization which unites separate polities within an overarching political system so as to allow each of the units its fundamental character and integrity.[3] Federal systems do this by distributing power among central and constituent governments in a manner to protect the existence and authority of all the governments. It is interesting to note that even though the federal system of government, especially the idea and origins are quite old, most of the federal systems in the world today came into being in the nineteenth and twentieth centuries.[4] In some countries, the federal system has been suggested and implemented to solve the problems of autonomy and secession tendencies, and this is especially so in countries which have unitary system.[5] One has to remember, however, that there is no one specific formula or format with respect to the division of powers between the central government and the states; this is very much dependent on history and circumstances and, above all, the agreements between the parties.

In modern time all federal systems of government have a written constitution and this invariably contains elaborate ways of amending its provisions. This is natural given that the federation is a measure to achieve unity without sacrificing individuality. As far as the Federal Constitution of Malaysia is concerned, there are four different methods of amending the constitution.[6] The first is through a law passed by simple majority support in both the Upper and Lower houses of parliament. The second is through a law supported by two-thirds majority support in both houses. The third method is through a law passed by two-thirds majority in both houses, and the consent of the Conference of Rulers. Lastly, a constitutional amendment could be effected through a law passed by two-thirds majority in both houses, and the consent of the heads of states of the Borneo states of Sabah and Sarawak.

A BRIEF HISTORY OF SINGAPORE AND HER NEIGHBOURS

A sense of history is needed for most of the developments, including the admission of Singapore into Malaysia, were somewhat influenced by events of the past. As has been said above, some of the provisions of the constitution and the law too have history for their legitimacy.

As a matter of history, Singapore used to be part of Johore-Riau-Lingga Malay Sultanate. Before it was named Singapore, the island was known as Temasik. During the Malacca Sultanate heyday in the fifteenth century, Singapore was part of the sultanate. By early nineteenth century, the island was under the rule of Temenggung Abdul Rahman who was exercising the authority of Sultan Abdul Rahman Muazam Shah who reigned at Lingga. It was during this time that the European powers began to arrive in the Malay archipelago. There were rivalries between those powers, especially between the English and Dutch. This was the reason the English East India Company looked for another strategic base in addition to Penang which was ceded to them by the Kedah Sultanate sometime in the late eighteenth century. Between 1819 and 1824, the English company made several deals and negotiations with the Johore Sultanate all of which eventually put them in complete control of the island. Under these arrangements the sultanate undertook to allow the company complete control, and in return, the English would defend the sultanate from any threat. Under British rule, Singapore became a Chinese settlement. It was noted that by 1901 the island had some 72 per cent of her population consisting of Chinese people.[7]

Perhaps it is worth tracing the advent of British rule in the Malay states as this would enable us to understand the present setting. Before they came, the states in the peninsular were sovereign states in their own right. The rule started with the cession of Penang to the English East India Company in 1786 and was completed with the signing of a protection treaty between the Johore Sultanate and the British in 1914. This paved the way for various merger arrangements, the first being the aborted Malayan Union in 1946. It was followed by the Federation of Malaya in 1948 which was essentially a compromise between the British and the Malays. Be that as it may, there were two types of administration which prevailed under British rule; namely direct and indirect rule. Under the former category one finds Malacca, Penang, and Singapore, while under the latter category, one finds the nine Malay states, all of which enjoyed the status of protectorate, whose legal sovereignty remained in the hands of their rulers. This has been acknowledged by the English courts in several decisions.[8]

As far as the Borneo states are concerned, British rule commenced when they got hold of Sabah (then known as North Borneo) from the Brunei Sultanate in 1860. By then Sarawak (which used to be part of the sultanate) was already under the control of James Brooke, a British traveller. However by 1888, the British assumed control over Sabah, Sarawak, and Brunei.[9] Perhaps it is worth mentioning that it was from the Malacca Sultanate in the peninsula that Brunei received Islam,[10] which is now the religion of the Malays in Malaysia.

Two points may be made here. First, those historical facts show that the territories are somewhat related to one another. What were known as the settlements or crown colonies of Malacca, Penang, and Singapore were previously part of the Malay Sultanates in the peninsula. Even Brunei has had some connections with the Malacca Sultanate. Secondly, the British obviously played a key role in changing the pattern and eventually in merging the states. As it happened, the British government played an important role in the formation of Malaysia in 1963.

THE GENESIS AND CREATION OF THE MALAYSIAN FEDERATION

It is interesting to note that the name Malaysia was already in existence before the Federation of Malaysia came into being in 1963. Shortly before the independence in 1957, the Reid Commission in its report noted that:

> It was represented to us that the country should in future be known as Malaysia, but we do not think it is within our province to consider this proposal and we therefore express no opinion on it but continue to use the word Malaya which is in our term of reference.[11]

So it was pretty clear that the idea was already in existence when the country attained independence on 31 August 1957. Indeed some have noted that the idea for a big federation consisting several territories in the region was already in contemplation sometime at the end of nineteenth century, particularly among the British circles.[12] What is important is the fact that the idea for Malaysian federation did not come about overnight.

Be that as it may, some have put forward an interesting theory that the formation of Malaysia in 1963 was due to the developments in the Singapore of the early 1960s. On 27 May 1961, Malayan Federation Prime Minister Tunku Abdul Rahman, in a speech to a group of foreign journalists, made it clear that there was a need for a political and economic association between Sabah, Sarawak, Brunei, Singapore, and the Federation of Malaya. It has

been observed that the statement was a clear reversal of that made by the premier who was previously known to be uninterested in the idea, particularly having Singapore in the proposed federation. As far as Singapore leaders were concerned, they were anxious to join the federation. Whatever it was, the situation which was thought to have prompted Tunku to change his view was the internal security in Singapore which, in his view, would affect that of the peninsula. By then the indication was that the island would get independence from Britain sometime in 1963. Should that happen, Britain would no longer have control over the island's internal security, defence, and foreign relations. Given the prevalent scenario which indicated the leaning towards the left, there was a fear on Tunku's part that the island would eventually become something like Cuba.

It has been noted above that the Chinese community constitutes a big majority of the island's population. As far as the Federation of Malaya was concerned, this was a major fear. Indeed various constitutional provisions have been inserted to protect the indigenous community, particularly the Malays. It has been said that given the huge majority of Chinese population in Singapore, there was a need to find a racial counterbalance to such a position and hence the need to bring the Borneo territories into the proposed federation. That said, one should not forget that among Malay leaders — from within UMNO, the opposition, as well as those outside the country — there was a keen interest in, and support for the establishment of a "Malay homeland" in the form of a Malaysian federation consisting of the peninsular states, Singapore, and Borneo territories. In other words, the inclusion of Borneo states was not necessarily an afterthought or simply a measure to counterbalance the huge Chinese population of Singapore. In any case, the Federation of Malaya Constitution contained a provision which allows the admission of new states into the federation.[13] Given the relationship between the executive and legislature in Westminster system, amending the constitution is not a problem for the government of the day which controls the majority of seats in the lower house.[14]

Be that as it may, the admission of Sabah and Sarawak into the federation was done after a commission chaired by Lord Cobbold had ascertained the views of the people of both territories. In Singapore a referendum was held for the same purpose. These steps were important not only to ascertain the views and wishes of the people, but also to find out the kind of provisions they wanted in the proposed federation. However nothing was done in relation to Brunei and eventually the tiny state opted to stay out of the federation. Some put forward the view that the Tunku was somewhat mistaken in believing that the entry of the small territory could be taken for granted. However

this perhaps needs to be seen in the light of the problems relating to the admission involving Sabah, Sarawak, and Singapore, all of which entailed many adjustments within the existing constitutional set-up itself. Issues such as privileges of the natives of Sabah and Sarawak citizenship in Singapore, local government, and Malay language had to be worked out and all these had obviously taken up most of the time and initiatives.

Perhaps one should note that equality is one of the principles enshrined in the Federal Constitution of Malaysia.[15] However as far as the federal arrangements are concerned, they obviously smack of inequality. Newer members, namely Singapore, Sabah, and Sarawak enjoy certain provisions,[16] which are not available to the eleven founding member states from the peninsula.

THE CHALLENGE IN COURT

The formation of Malaysia was challenged in court by the state of Kelantan, the north-east peninsular state which at that time was ruled by the PMIP, UMNO's arch-rival.

The state went to court to apply for a declaration that the Malaysia Agreement and the Malaysia Act were null and void. Alternatively, the state argued that the statutes in question were not binding on the state. The arguments advanced by the state were that the Malaysia Act would abolish the "Federation of Malaya", thereby violating the Federation of Malaya Agreement 1957. It was also argued on behalf of the state that the proposed changes envisaged by the Malaysia Act needed the consent of each of the constituent states, including Kelantan, and such had not been obtained. Another argument put forward by the state was that the ruler of Kelantan should have been a party to the Malaysia Agreement and that constitution convention dictated that consultation with individual rulers was needed, given the substantial changes following the creation of Malaysia. Lastly it was argued on behalf of the state that the federal parliament had no power to legislate for Kelantan in respect of any matter on which the state had its own legislature.

Chief Justice Thomson rejected the application, thereby upholding the legality of the Malaysian federation of 1963.[17] There are several points which merit scrutiny and discussion.

The first is the approach or manner of interpretation. His lordship held that as the constitution is part of the agreement between the previously sovereign states that comprised the Federation of Malaya 1957 it should be construed in accordance with principles generally applied to the interpretation of treaties. Secondly, his lordship ruled that the constitution is to be interpreted within its own four walls, and not in the light of analogies drawn from other

countries such as Great Britain, the United States of America, or Australia. Thirdly the chief justice observed that it was not appropriate to discuss political philosophy of the state, the nature of sovereignty, or the problems of federalism.

In his judgment, his lordship refused to be drawn into the issues raised by the applicant. Instead Chief Justice Thomson went on to decide the challenge on whether parliament or the executive had trespassed the limits of their powers as envisaged by parliament. His lordship held that the formation of Malaysia was well within the limits prescribed by the Federal Constitution. In holding that he cited the provisions in article 2 which gives power to parliament to admit states to the Federation. He also cited article 74 — read together with the constitution's ninth schedule — which allows parliament to pass laws in a large number of matters. He further cited article 75, which states that federal law is to prevail in the event of inconsistencies between federal and state laws. The chief justice also referred to article 76, which gives parliament power to make laws on state subjects if such is necessary to implement any treaty or agreement between the Federation and any foreign country.

The adherence to literal interpretation was evident when he said that:

> There is nothing whatsoever in the Constitution requiring consultation with any State Government or the Ruler of any State. Again a power has been lawfully exercised by the body to which that power was given by the States in 1957.[18]

Given the facts of the case, one can easily understand this. However had Brunei joined — it being a sultanate and therefore having a right to the office of the Yang di-Pertuan Agong — certain conditions would have to be fulfilled. These would include the consent of the Conference of Rulers for the proposed federation as it would affect the position of the Rulers. In his judgment his lordship also seems to have suggested that should a fundamental or revolutionary come about, then consultation may be necessary. However his lordship ruled that if such a state of affairs could be brought about by the means contained in the Constitution itself, he could not see how a breach could take place.

SEPARATION OF SINGAPORE 1965

The separation of Singapore in 1965 has given rise to several issues of constitutional importance. Some of them are connected with the points raised during the challenge in the court, such as the necessity of getting the consent of the Conference of Rulers before the constitution was amended

to make way for the eviction of Singapore from the federation. However the separation was not litigated in court and these issues remain academic.

In any case, some observers have put forward the view that the factors that led to the separation of Singapore had actually reared their heads even before the island was admitted to the federation in 1963. Yet somehow the desire of both parties to form the federation had somewhat toned those ugly skirmishes down. The enthusiasm for the federation seemed to have taken centre stage. Four months before the formation of Malaysia, Lee Kuan Yew asserted that from the Singapore point of view, "political, economic and military reasons are so compelling that we would be committing national suicide if we refused to merge in Malaysia". Yet as it happened, the merger turned sour and during the two years together, Singapore leaders were said to have been behaving in a way that was difficult for the federal leaders to tolerate. It is to be noted that events leading to the separation were moving very fast. Thus we find that in May 1965, the Tunku was still talking about the need to keep Singapore in the federation. To him "every right thinking person…feels that Singapore's place is with Malaya", but by August, he spoke differently and, without warning, told parliament that "a state government has ceased to give even a measure of loyalty to the central government" and announced the eviction of Singapore from the Malaysian federation.

Issues that have triggered the separation may be put under two broad categories, one of which was the refusal of Singapore to accept the leadership in Kuala Lumpur. This in the conclusion one could draw given the assertiveness of Singapore on many issues, including how to run the economy. To make matter worse, the Singapore leadership took occasional swipes at the Tunku's leadership and the Alliance, the coalition he led. Another group of factors centred around issues affecting the Malays, such as the special position of the Malays, putting Singapore in a position of attacking the Malays. These elements, as has been stated above, form the major agreements between the Malays and the non-Malays in the constitution, something that has been somewhat sanctified in the constitutional structure.[19] This being the case, the way Singapore leaders had been behaving made the island something like a thorn in the flesh[20] and that her exit from the federation was natural and difficult to avoid. In a way one might say that the island leaders have pressed the self-destruct button themselves: the 1965 separation was essentially engineered by the island leaders themselves.[21]

SUBSEQUENT FEDERAL-STATE CONFLICTS

The conflict between Singapore and the federal government was obviously not the only occasion where the central and state governments were at loggerheads.

Still, the conflict and eventual separation of Singapore is nonetheless important; especially their handling. Apparently in the Singapore case, the state was treated as an equal partner and this became more evident if one compares the manner subsequent conflicts were handled. The reasons for this being the case are, however, outside the scope of this essay.

The first federal-state crisis that took place almost immediately after the separation of Singapore was the problem between the Tunku and Stephen Kalong Ningkan, the chief minister of Sarawak in 1966. Basically the problems between the state and the central government were not entirely different from the ones that caused the Singapore separation. That notwithstanding, one may say that the problems were less dangerous, Sarawak did not challenge the leadership of the Tunku the way Lee Kuan Yew did. Nonetheless, compared with the way it handled the Singapore crisis, the central government was more high-handed this time around. When the attempt to unseat the leadership of the Sarawak government failed, the Tunku declared emergency in the state and ruled the state through someone more acceptable to the centre.[22]

After Sarawak, there was the Kelantan political crisis which took place in 1977. This particular crisis happened after the Tunku's time, but the formula used was basically similar. After the central leadership had failed to get what it wanted through ordinary political process as laid down by the constitution, it declared an emergency in the state and took over its administration. In the subsequent state elections the ruling party at the centre managed to take over the state.

Then there were problems in Sabah which, on several occasions, placed federal and state leaders locked in conflict. The first happened between 1975 and 1976 and then in mid 1980s, particularly during the 1985 state elections. On the first occasion, the federal government was obviously unhappy over the ways the then state leadership ran things and supported the party opposed to it. On the second occasion, the conflicts took place in the state, but the federal government was not entirely out of it.

Perhaps one should also note the creation of federal territories, starting with the surrender of Kuala Lumpur in 1974 by Selangor, Labuan in 1984 by Sabah, and Putrajaya, again by Selangor, in 2000. The creation of these federal territories means that now the federal government exists in both the legal and physical sense. It is to be noted that from 1966 onwards, the developments have always been in the direction of more assertive central authorities. When UMNO lost the states of Kelantan (1990, 1995, 1999 and 2004) and Terengganu (1999) to its arch-rival PIMP, the central authorities used various means — constitutional and otherwise — to make life difficult for the state governments in the two states.

It is interesting to note that the separation of Singapore from Malaysia keeps popping up on the Malaysian political scene. In 1983, for example, the amendment to the powers of the Yang di-Pertuan Agong was criticized and Prime Minister Mahathir Mohamad was attacked for ignoring the Malay Rulers in the process.[23] The premier responded by saying this was not unusual, citing the separation of Singapore to defend himself. However it should be noted that actually the Rulers were not entirely left out, especially in the formation: they were obviously kept informed of what went on during negotiations for the formation of Malaysia[24] although most of the time, it was done informally, but the Conference of Rulers was definitely informed and indeed asked to decide on matters which fell under their constitutional jurisdiction.[25]

The admission into, and separation of Singapore from, Malaysia is important not only from the constitutional laws point of view, but also from the perspective of public international law. On both occasions, the people and the governments were given the chance to have a say. This was good for the constitution as it is the embodiment of democracy and popular sovereignty. The route taken by Tunku on both occasions was also in line with the right to self-determination.

It is unfortunate, however, that such was not the way other conflicts have been handled. The way Tunku dealt with his political opponents in Sarawak in 1966 is a case in point. That occasion might be taken to show that it was not really the commitment to democracy and liberalism that mattered, for if such had been the case, the Tunku would not have taken over Sarawak through the declaration of emergency. Furthermore the problems were basically about the implementation of policies, not something quite touching the core of constitutional structure as it was during the Singapore crisis.

The situation has apparently become worse after that. Perhaps the decision to eject Singapore was considered a mistake and would not be allowed to happen again. However this seems to be going hand in hand with the steady erosion of fundamental liberties, particularly the freedom of speech and expression, which are central to democracy and representative government.

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10

SECURITY RELATIONS

Carlyle A. Thayer

Since the nineteenth century, peninsula Malaya and Singapore have formed essentially one economic and military unit under British colonial rule.[1] As Malaysia and Singapore moved towards independence, political leaders on both sides of the causeway accepted as an article of faith that their mutual defence was indivisible. The continuing presence of British military forces, based mainly in Singapore, reinforced this view. The political leadership of Singapore's People's Action Party (PAP), who agitated for an end to colonial rule, concluded that an independent Singapore would not be militarily viable on its own and that Singapore's defence and security needs could best be met through merger.[2]

Up until separation from Malaysia in August 1965, Singapore's military forces have always been an adjunct of outside powers, first of Britain and then Malaysia. Indeed, at independence in September 1963, the Singapore Armed Forces (SAF) were incorporated in and came under the operational control of the Malaysian Armed Forces. These arrangements resulted in the recruitment of a military force that was overwhelmingly peninsular Malay in ethnic composition. The presence of Malaysian troops on Singapore's territory and the ethnic composition of Singapore's armed forces at the time of separation proved catalysts in the development of an ethnically Chinese SAF and a defence doctrine that stressed deterrence against threats by Malaysia.

The origins of Singaporean military forces can be traced back to 1854 with the formation of the Singapore Volunteer Rifle Corps. In 1934, the Straits

Settlements Royal Naval Volunteer Reserve was created, comprising mainly small coastal patrol boats. In the mid-1950s the land forces were filled out by the addition of national servicemen and part-time conscripts. Singapore's first professional military force was created in 1957 when the Singapore Infantry Regiment (SIR) was formed. Singapore maintained a small air element until 1960 when it was disbanded.

Peninsula Malaya gained its independence on 31 August 1957. Under the terms of the Anglo-Malayan Defence Agreement (AMDA), which came into force in October, Great Britain and Malaya agreed to "take all necessary action" in the event of an armed attack on Malaya or British territories in the Far East. Britain was permitted to retain its military bases and forces in Malaya. Britain also agreed to assist in the development of the Malayan armed forces and to fund the SIR's second battalion.

After Malaya's independence, Britain concentrated its military forces in Singapore because Britain was a member of the Southeast Asia Treaty Organisation (SEATO) and could not automatically expect Malayan approval for the deployment of British forces for SEATO operations from Malayan territory. The AMDA was renegotiated in 1963 and extended to cover the new Federation of Malaysia (peninsula Malaya, Borneo territories, and Singapore). Britain continued to provide military forces during the period of armed confrontation instigated by Indonesia from 1963 to 1966. In May 1963, the 4th Malaysian Infantry Brigade was posted to Singapore where it established the headquarters of the Singapore Military Forces and assumed responsibility for the Singapore Infantry Regiment and volunteer military forces.

MERGER THEN SEPARATION

With the formation of the Federation of Malaysia, defence became the responsibility of the federal government and Singapore's land and naval forces, both regular and reserve, became a part of the Malaysian Armed Forces. Both of the SIR's battalions saw service during Confrontation. In 1964–65, the First Battalion (1 SIF) was posted to Sebatik Island off Sabah, and the Second Battalion (2 SIF) was deployed to Johor. Both were tasked with preventing infiltration by Indonesian forces.

Political tensions and irreconcilable differences between the federal Alliance government and the People's Action Party (PAP) government in Singapore led to Singapore's separation in August 1965. Singapore's Prime Minister, Lee Kuan Yew, and his political colleagues feared that Malay Ultras might take repressive action against Singapore by employing Malaysian armed forces to force Singapore to remain in the federation. This spurred them to seek separation.[3]

During negotiations on the terms of separation, Malaysia's Prime Minister, Tunku Abdul Rahman, insisted that Singapore continue to make an adequate contribution to their joint defence and enter into a defence treaty with Malaysia. Such a treaty was to include a provision preventing Singapore from entering into any other arrangements with third parties that would undermine Malaysia's security. Prime Minister Lee Kuan Yew called on the federal government to continue to assist in military training. Lee offered to place all Singaporean forces under a joint command for operational purposes. Lee noted that Singapore would assume responsibility for patrolling its own waters, but would provide an infantry brigade for external defence.[4]

As a result of negotiations, Malaysia and Singapore signed an agreement on separation. Article 5 of this document contained a pledge that both parties would enter into a treaty on external defence and mutual assistance and would establish a Joint Defence Council to bring this into effect. Both parties also agreed to cooperate in external defence. Singapore, for example, offered to provide military forces and to permit Malaysia continued access to bases and military facilities in Singapore for this purpose.[5] A battalion of the Royal Malay Regiment remained stationed in Singapore and the headquarters of the Singapore Military Forces continued to exercise operational control of the SIR's two battalions. The Royal Malaysian Navy continued to maintain its major naval base and headquarters at Woodlands in Singapore until the late 1980s when it relocated to Lumut in Perak. Its recruit training school continued to remain at Woodlands until 1997.

Finally, under the terms of the separation agreement, both signatories agreed not to enter into treaties with third parties detrimental to the independence and defence of the territory of the other party. In sum, the separation agreement underscored the indivisibility of their common defence and gave recognition to Singapore's status as a fully independent and sovereign state.

DEVELOPING SINGAPORE'S ARMED FORCES

On the day Singapore separated from the Federation it had no armed forces of its own. Both of its infantry battalions remained under Malaysian command. As Lee Kuan Yew recounted in his memoirs, he feared that Malay Ultras, who opposed separation, might persuade the commander of the Malaysian forces in Singapore that it was his patriotic duty to reverse separation.[6] These fears were reinforced when Malaysian troops in Johor were put on alert. It was the events of this period that did much to shape the perceptions of Singapore's political leadership that their newly independent state faced an environment of extreme strategic vulnerability.

Singapore's leaders debated the size, composition, and role of their future military forces. They opted for a small standing force to reduce recurrent costs. They opted instead to invest heavily in infrastructure. PAP leaders made the assessment that Singapore faced interrelated external and internal threats to its security. Externally, Singapore was threatened by Indonesia and Malaysia (including potential Malay extremism). Nevertheless, shortly after separation, the Singapore government approved a request from Malaysia for the dispatch of 2 SIR to Sabah for six months to counter Indonesian incursions during Confrontation. Singapore decided to meet the perceived threat from Malaysia by developing a regular fighting force to be raised within three years.[7]

Internally, Singapore was beset by the ideological challenge of domestic communists and ethno-religious extremism. Singapore's leaders, therefore, decided to set up a combined Ministry of the Interior and Defence. The police were subsumed into the SAF and given the prime responsibility for maintaining internal security. As Singapore moved to create its own armed forces, the police were initially given responsibility for training new recruits. In the event of grave disorder, the SAF was earmarked for an internal security role as well.

In October 1965, the PAP government called for volunteers to enlist as part-time reservists; national cadet and national police cadet corps were also established. The Parliament enacted legislation creating the Singapore Armed Forces and an all-volunteer People's Defence Force. Members of the People's Defence Force marched in Singapore's first National Day celebrations on 9 August 1966. This was a deliberate signal to Malaysia of Singapore's determination to defend itself.

Singapore sought external assistance in order to build up and develop the SAF. When it received no offer of assistance from Britain, Singapore turned to Israel. The first Israeli training instructors arrived in November–December 1965. Singapore found the Israeli model of a citizen military force based on conscription and long-term compulsory reserve service attractive.[8] In November 1966, a confidential defence plan was adopted that set the objective of expanding the army to twelve battalions within a decade through conscription, and the mobilization of the male population who would be given training in the use of weapons. The Singapore Infantry Brigade was established in 1966 and a recruitment campaign netted 1,100 new regular soldiers who completed training by the end of the year.

Early the following year, Singapore amended its National Service Ordinance (1952) to provide for universal conscription for all male civil servants, statutory board employees, and permanent residents of military age, with a reserve commitment of twelve years. Those who enlisted in the

SAF for a full-time career would be guaranteed jobs in government, statutory boards, or the private sector when they retired, but they were also required to serve in the reserves. Although left-wing activists provoked anti-conscription riots in 1967–68, Singapore was able to raise its third and fourth battalions in short order.

Communal disturbances in Malaysia in November 1967 and in May 1969 raised recurrent security fears in Singapore that there would be a spillover of ethnic violence across the causeway. In 1969, in particular, Singapore leaders were fearful that Malay Ultras might drive the Tunku from office and undertake rash acts, such as cutting its water supply.[9] Singapore prudently drew up contingency plans to cope with these worst-case scenarios. This led Singapore to purchase French AMX-13 light tanks from Israel in early 1998. In May 1969, the entire SAF was called out to assist police in maintaining order. On National Day, 9 August 1969, a squadron of AMX-13 tanks and V2000 armoured vehicles were prominently displayed. This demonstration of military power did not go unnoticed in Malaysia.

SEPARATION AGREEMENT UNRAVELS

Despite the pledges of defence cooperation included in the 1965 Separation Agreement, friction arose on a number of issues and contributed to the failure by both parties to agree on a mutual defence treaty. This resulted in a revised application of the Anglo-Malaysian Defence Agreement to take into account Singapore's sovereign status.

One of the first issues to arise concerned Malaysia's right to station its forces continually in Singapore. In February 1966, this matter came to a head with the scheduled rotation home of 2 SIR from operational duties in Sabah. Singapore wanted to station this unit at Temasek Camp in Singapore that was occupied by Malaysian troops. Although agreement at staff level had been reached for the Malaysian unit to withdraw, the Malaysian Defence Minister requested that 2 SIR be sent to peninsula Malaysian instead. He stated that Malaysia had the right to remain in Singapore in a mutual defence role. Singaporean officials concluded otherwise, in their view Malaysia wanted to retain its forces in Singapore in order to exert control and intimidate Singapore.[10] Singapore wanted both battalions at home. This problem was resolved in March 1966 when British forces vacated Camp Khatib. The Malaysian unit shifted there until it returned home in November 1967.

Singapore-Malaysia differences over the resumption of barter trade with Indonesia led to Singapore's withdrawal from the Joint Defence Council and the Combined Operations Committee in March 1966.[11] Singapore

was also frustrated at being shut out of confidential talks between Malaysia and Indonesia in the second half of 1996 to end armed hostilities. Once Confrontation was officially ended, Singapore removed all restrictions on barter trade with Indonesia. The end of Confrontation also meant that Malaysia and Singapore no longer had to cooperate so closely in defence matters to meet a common external threat.

ETHNIC BALANCING

During the colonial period Britain recruited mainly Malays into the armed forces. This meant that at the time of separation Singapore's two infantry battalions were composed mainly of non-citizen Malays from Malaysia under the command of Malaysian officers. Thus, the ethnic composition and political loyalties of the island republic's military forces was a cause of concern to PAP leaders who viewed this as a security risk. The PAP government moved swiftly to assume control over these units and imbue them with a Singaporean identity. Non-Singaporean troops were transferred to the Malaysian army and Malaysian officers who commanded the two SIR battalions were replaced.

There was an additional dimension to this problem: eighty per cent of post-separation inductees were Malays. In light of this, in 1966 the Defence Minister ordered that all recruitment and training should cease and all positions frozen.[12] The commander at the army-training complex at Shenton Way misinterpreted these instructions and ordered the dismissal of all Malay recruits. This provoked an immediate riot by those affected.

The government sought to correct the ethnic imbalance by recruiting more Chinese and Indians into the police and armed forces in order to reflect the composition of the population at large. But the manner in which this policy was implemented, through compulsory National Service, was discriminatory against citizens of Malay origin. Few Malays were conscripted into the SAF during 1969 and 1973. In addition, there was an instinctive distrust of Malays serving in the armed forces on the part of PAP officials. Malay soldiers were progressively removed from combat posts, their rate of promotion was slowed, and serving officers were urged to take early retirement. The net effect of excluding Malays from national service, combined with reduced military career opportunities, resulted in severe economic hardship for the Malay community. One social implication was a generalized sense of alienation among Malay youth and their families from the Singaporean state.[13]

Beginning in 1973, steps were taken to rectify this social problem; but it would take over a decade before completely non-discriminatory policies

were adopted and implemented. In 1973, a limited number of Malays were conscripted, but they were prevented from serving in sensitive areas. Singapore's predominately ethnic Chinese political and military leadership continued to harbour the fear that Malays might have divided loyalties if Singapore became engaged in a conflict with a Muslim state.

In the 1980s Singapore's changing demographic patterns resulted in an overall shortage of officer candidates. Singapore could no longer afford to discriminate on ethnic grounds. Starting in 1985, all Malays eligible for national service were called up.[14] But there were persistent reports that Malays continued to face discriminatory practices such as denial of high-level security clearances. By the 1990s, however, this new generation of Malay officers was being routinely assigned to combat commands.

FROM INTERNAL TO EXTERNAL SECURITY

Britain's withdrawal of forces from east of Suez (1966–67) put pressure on Singapore to expand and modernize its armed forces and to assume responsibility for its own defence, the Five Power Defence Arrangements (FPDA) umbrella notwithstanding. Defence spending was increased substantially and full-time national service was extended to eighteen months. By end of 1969 Singapore had six full-time infantry battalions organized into two brigades supported by artillery, armour, engineers, and signals. At this time Singapore defence planners were concerned about the resumption of armed communist insurgency in Malaysia.

In August 1970, Singapore's Ministry of Interior and Defence was split into two. This reflected Singapore's increased confidence that its police, security, and intelligence bodies could effectively deal with internal subversion. The new Ministry of Defence (MINDEF) took charge of restructuring the SAF to deal with external threats.[15] Specialist schools for artillery, armour, engineers, signals, and other supporting arms were set up within the Singapore Armed Forces Training Institute. By 1971, Singapore had seventeen national service battalions and a reserve force of fourteen battalions.

The expansion and modernization of the SAF led in 1984 to a change in defence policy from the "poison shrimp" analogy to Total Defence.[16] This completed the transition from a mainly internal security focus to an external defence role. During the 1980s, the military balance between Malaysia and Singapore shifted quite dramatically in Singapore's favour. In the late 1980s, Malaysia began its own force modernization drive as it too moved from a preoccupation with internal security to external defence. Arms acquisitions

by both Singapore and Malaysia at times have taken on the character of a competitive arms race.[17] The Asian financial crisis of 1997–98 set back Malaysia's defence modernization plans. By the 1990s, the SAF's quantitative and qualitative superiority over the MAF was well established. According to Huxley,[18] this shift enabled Singapore to change its defence policy from a strategy of deterrence to one of deterrence and offensive pre-emption.

Political disagreements by government leaders in the two states have prevented the development of effective defence cooperation. As Huxley notes, the first casualty in these circumstances has often been military cooperation.[19] This was particularly the case in 1986–87 when there was a severe disruption in bilateral relations. Defence cooperation picked up following the reconciliation between Mahathir and Lee Kuan Yew in October 1987. Singapore and Malaysia conducted their first bilateral army exercises in May and October 1989.[20] However, Malaysia then cancelled a maritime exercise scheduled for 1990 and suspended all bilateral army exercises with Singapore from March 1990 to April 1992, reportedly as a reaction to the development of closer Singapore-Indonesia defence ties. Singapore's public willingness to host U.S. military facilities only added to Malaysia's concerns.

In 1991 the situation was reversed. In August, Malaysia and Indonesia staged their largest ever bilateral military exercise in Johor. This exercise culminated in the dropping of paratroops to coincide with Singapore's National Day. Singapore responded by launching a full-scale mobilization of its armed forces including reserves.

There was a brief upturn in Malaysia-Singapore defence cooperation in January 1995 with the inauguration of the Singapore-Malaysia Defence Forum. Yet this initiative faded after its second meeting in March 1996. In July of the same year, bilateral army exercises also lapsed. In brief, as noted by one defence analyst, bilateral military cooperation remained superficial and trouble-prone, reflecting the continuing deep distrust between the two governments and defence establishments.[21] This was particularly illustrated in September 1998 when Malaysia reacted to the publication of Lee Kuan Yew's memoirs by closing their airspace to Singapore military aircraft engaged in training exercises. Approval was only given on a case-by-case basis.[22] This action had the tragic effect of delaying a Singapore rescue helicopter from transiting over Malaysian airspace to provide assistance at a maritime crash site involving a British helicopter that was participating in exercises with Singapore. By the end of 1990s, the three main bilateral defence cooperation elements (Singapore-Malaysia Defence Forum, bilateral army exercises, and bilateral naval exercises) were all in abeyance.

FIVE POWER DEFENCE ARRANGEMENTS

The end of Confrontation altered the regional strategic balance. Indonesia now became a cooperative regional player, while Britain signalled its intention to reduce and then withdraw its military forces from east of Suez by the mid-1970s.[23] In 1967, Malaysia sought to shore up its security by seeking special defence ties with Australia, but was rebuffed by Canberra in part because of Singaporean objections.

In 1968, the communist Tet offensive in Vietnam led the United States to announce the following year the phased withdrawal of its combat forces from mainland Southeast Asia. In these changed strategic circumstances, Malaysia proposed the neutralization of Southeast Asia and the management of regional security by regional states. This resulted in November 1971 in the adoption of a declaration of a Zone of Peace, Freedom and Neutrality (ZOPFAN) by the Association of Southeast Asian Nations. Singapore held reservations about such an approach, arguing that the larger powers would dominate the small. Singapore preferred a balance of power shored up by external powers.[24] The ZOPFAN concept, once adopted, was left to languish.

In March 1968, Malaysia and Singapore affirmed that the security of both countries was inseparable. The following year, Malaysia declared a state of emergency following severe race riots and concluded it could not afford heavy military expenditures. The geo-strategic reality that the defence of Malaysia and Singapore was indivisible drew these two states together. The end result was the negotiation in 1971 of a new defence agreement that supplanted the earlier Anglo-Malaysian Defence Agreement.

In November 1971, the Five Power Defence Arrangements came into effect. The FPDA drew together Malaysia, Singapore, Australia, New Zealand, and the United Kingdom. These five parties agreed to consult in the event of a threat of an armed attack, or an armed attack against Malaysia or Singapore, and to decide what action should be taken jointly or separately to meet this threat.[25] The heart of the FPDA was the Integrated Air Defence System (IADS) that was established in September 1971 at Butterworth air force base. All five parties assigned air defence units to IADS.

Since its formation, the FPDA has organized a series of annual exercises that has slowly expanded in scope and complexity from air defence exercises to include maritime and land exercises (1981). In 1997 the FPDA conducted its first major joint and combined exercise, Exercise Flying Fish.[26] Singapore has continually pushed for an expansion in the size and complexity of combined exercises. Malaysia has generally resisted stepping up the FPDA's operational tempo.[27]

In 1998, Malaysia was badly affected by the regional economic crisis. For the first time in the FPDA's history, Malaysia announced that it would not participate in scheduled exercises because of budgetary constraints. But its defence minister admitted that tensions with Singapore, arising from the publication of Lee Kuan Yew's memoirs, had contributed to this decision.

The FPDA has always served as a confidence building measure and neutral forum for defence cooperation between Malaysia and Singapore. Political tensions have sometimes slowed progress, and for a time in the late 1970s/early 1980s, the FPDA appeared to be in the doldrums. In more recent years the FPDA has been revived. In 2001 the scope of the FPDA was expanded by changing the "a" in IADS from air to area defence. In 2003–04, in response to international terrorism, the FPDA began to address asymmetric threats.[28]

CONCLUSION

The state of Singapore was created in circumstances of extreme geo-strategic vulnerability. The military forces that were stationed in the island republic at the time of separation were overwhelmingly Malay in ethnic composition and commanded by Malaysian officers. In the view of Singapore's political leadership, newly won independence could be snatched from them in an instant by military force. But Singapore faced other dire threats. Malay Ultras could follow through on their repeated threats to cut Singapore's vital water supplies, or ethnic turmoil in peninsula Malaysia could spill over and ignite conflict in Singapore. Externally, Singapore initially faced a hostile Indonesia embarked on a campaign of armed confrontation. Later, Singapore defence planners worried about collusion between Malaysia and Indonesia. Singapore's geo-strategic position was one of high insecurity and this may have led to the development of a siege mentality at that time.

In order to defend the sovereignty of the state, Singapore has pursued a policy of self-help in the defence sphere in tandem with a balance of power policy externally designed to deter direct aggression or the rise of a hegemonic state inimical to Singapore's national interests.[29] Any direct interference in Singapore's vital interests, such as a cut in its water supply or sea lines of communication, would be met by a robust military response.

The cornerstone of Singapore's defence policy rests on its capacity for national mobilization in times of emergency. In its early years, Singapore offered itself as a "poison shrimp" to any would-be aggressor. Later, with the modernization of its conventional forces, Singapore promulgated a policy of Total Defence that offered a credible deterrent to any would-be enemy.

While political and military leaders on both sides of the causeway subscribe to the view that the defence of Malaysia and Singapore is indivisible, effective defence cooperation has been continually hampered by structural tensions in their bilateral relations. Singapore has been ever sensitive, perhaps over sensitive, to any Malaysian action that is viewed as a derogation of its sovereignty. Singapore does not view threats by Malaysians to cut its water supply lightly. Singapore has redressed the imbalance of power between it and Malaysia and in so doing has provoked a Malaysian counter response. Weapons procurements often appear to take on the form of a small-scale competitive arms race.

The Five Power Defence Arrangements have in many respects been the saving grace for defence cooperation. The FPDA has provided an effective forum for cooperative activities and has served as a vital confidence building measure. The institutional development of the FPDA has reflected the ups and downs of the bilateral political relationship.[30] But the recent rise of transnational security threats, especially regional and international terrorism, has provided grounds for new directions as well as defence cooperation across the causeway.

Notes

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11

REGIONAL SECURITY
The Singapore Perspective

N. Ganesan

The maintenance of good regional security is an extremely important consideration for Singapore. Two major motivations account for its importance in the country's agenda. The first of these is the small land area and population size of the country. Whereas these considerations make for easier domestic governance, the disproportionate endowments of immediately adjacent countries on both counts make the maintenance of external security that much more difficult. The second motivation lies in the manner of the country's traumatic birth as an independent state and its previously tense bilateral relations with Malaysia and Indonesia. This historical overhang has impressed the importance of external security on the Singapore government.

When considering Singapore's security perspective, it is useful to conceptualize it in two broad areas or categories. The first of these areas involves internal efforts at the achievement of regional security. There is a core component of internal self-reliance that is at the heart of Singapore's security strategy. This core comprises internal cohesion and preparedness as well as a domestically derived defence capability. In the local parlance, this capability is often referred to as deterrence that coexists alongside diplomacy as one of the pillars of the country's foreign policy. The second category pertains to external linkages and initiatives. These are layered and range from bilateral to multilateral initiatives, the maintenance of a clear policy of alignment with the United States, and membership in a formal alliance inspired by the British

Commonwealth. Naturally, there are linkages between the two domains. These linkages are most clearly discernible in arrangements to enhance the operational abilities of the domestic armed forces and increasingly, external collaboration in defence research and design. The Singapore government is firmly convinced that in light of the small size of its conscript army, the utilization of technology allows it to maintain an edge over the other armed forces in the region. Technology is viewed as an instrument that provides a reliable multiplier effect to its small armed forces.

INTERNAL INITIATIVES

Singapore's defence initiatives, especially at the local level, are deeply informed by an acute sense of vulnerability. This sense was as much a product of historical circumstances as it was an early perception that city states without the support of an adjacent hinterland, have historically never survived indefinitely. Precedents deriving from the Greek city states made this negative trajectory abundantly clear to the PAP's first generation elite.[1] Nonetheless, this historical reality was offset by a steely resolve to ensure Singapore's continued viability and prosperity in the long run. The more Singapore drifted apart from Malaysia and prospered into the post-independence period, the more this resolve permeated into domestic politics and policies. Singapore's leaders have, on numerous occasions, stated that the country's existence and well-being are functions of sheer will and determination to overcome insurmountable odds.

As mentioned earlier, Singapore's security policies are layered and involve a number of interlocking approaches that collectively cohere to provide a broad and effective umbrella. At the core of this layered approach is the most important internal initiative for the maintenance of security — a nationally conscripted citizen army, not unlike the Swiss and Israeli models. This conscripted army of males above the age of eighteen is augmented by a sizeable pool of trained reserves that can be mobilized at very short notice. To make up for its deficiency in numbers — a problem that has recently been exaggerated by rapidly falling birth rates — Singapore also spends very generously on procuring the most sophisticated weapon systems and platforms. In recent times, its defence expenditure has appropriated approximately 28 per cent of annual public expenditure and is sizeable on a per capita basis, even by international standards. In fact, the Singapore government has publicly committed itself to an upper ceiling of approximately 6 per cent of the country's GDP annually on defence-related expenditure. In 2004, for example, when

all ministries suffered a 2 per cent budget cut, the Ministry of Defence alone was spared and granted an appropriation of S$8.62 billion.[2]

Defence and security are regarded as so important by the country that its head of state — the elected President — need not be consulted for expenses related to these matters that draw on the country's previously accumulated surpluses. On the other hand, all other types of appropriations drawing on accumulated reserves require Presidential consent. There is little by way of parliamentary opposition in Singapore where the PAP government maintains a current near-monopoly of eighty-two out of eighty-four seats. Additionally, policy making, especially that involving defence and security policies is an elite-dominated affair that the general public regards as esoteric beyond its immediate material interests. In any event, the government appears to have convinced the public at large that security and defence-related expenditure is in the national interest. Additionally, the Singapore Armed Forces (SAF) offers prestigious overseas academic scholarships for its elite officers. These officers also figure prominently in the leadership ranks of Government-linked companies (GLCs) and statutory boards, allowing for civil-military synergy in thinking. The scholarships are also meant to persuade the ethnic Chinese majority that soldiering is a worthwhile profession worthy of respect. Traditionally, Malays rather than Chinese exhibited a preference for a career in the military and the police force in Singapore. A good number of such soldier-scholars are also in the current cabinet of the Singapore parliament.[3]

Philosophically, Singapore's defence policies are anchored by a realist core strategy of deterrence that views power in essentially competitive terms. The utilization of an Israeli doctrine was difficult at the outset. The Israeli doctrine of forward defence presupposed a hostile external environment and is premised on the occupation of adjacent territory to create strategic depth for warfare. The implication of such a doctrine was not lost on Malaysia and Indonesia. In view of such considerations, it is hardly surprising that the Israeli team of military advisers first dispatched to Singapore in 1965 wore the guise of Mexican agricultural advisers.

Singapore's deterrence capability is enhanced by the most sophisticated and integrated weapon systems for all its three services.[4] Major land-based equipment includes British centurion main battle tanks, French AMX-13 light tanks, and approximately 1,000 other assorted armoured fighting vehicles (AFVs). There are also both towed and motorized artillery systems, anti-tank weapon systems, artillery locating systems, and heavy combat engineer equipment for rapid mobilization. The air force, with over 165 fighter aircraft, has an assortment of American fighter aircraft, including various models

of F-16s, F-5s, and A-4 Skyhawks, transport, reconnaissance and attack helicopters, E-2C Hawkeye airborne early warning and control aircraft, mid-air refuelling tankers, and unmanned aerial vehicles and drones. The navy and coastguard deploy frigates, missile gunboats, landing shiptanks, support vessels, fast attack craft, and submarines. There are outstanding orders for stealth frigates, fourth generation attack aircraft, and Apache attack helicopters. Major equipment purchases and upgrades are traditionally from the United States, Europe, and to a lesser extent, Israel. The sizeable annual defence budget allows for sophisticated state-of-the-art procurements and purchases are carefully integrated into existing platforms and generally well maintained. A high premium is placed on equipment maintenance and training.

Some weapon systems are intentionally stored abroad after purchase for a number of reasons. Such reasons include the unwillingness to introduce new technologies into the regional arena. Sometimes, such decisions are a function of overseas export restrictions, as in the case of the advanced medium range air-to-air missiles (AMRAAM) procured from the United States. Occasionally, it is a function of self-imposed restraint for fear of igniting a regional arms race, as in the case of the advanced models of the F16 aircraft. At other times, training requirements and familiarization with the new equipment necessitate storage abroad, as in the case of the submarine purchases from Sweden. Finally, owing to the shortage of storage space and to facilitate the training of its troops abroad, the SAF regularly retains military equipment abroad. Such overseas detachments, especially for aircraft, are located in Australia, Brunei, France, and the United States. In the purchase of expensive and sophisticated weapon systems, the SAF is motivated by a doctrine of swift and massive power projection ability. Hence the emphasis on air superiority and mobile armour units, while the navy has interdiction capabilities well beyond its territorial waters. Concurrently, whereas the SAF's defence doctrine in the 1980s was to be a "poison shrimp" that would give any predator a nasty stomachache, by the 1990s, the doctrine had evolved towards ensuring a swift and decisive victory. Given Singapore's limited land area and by extension, lack of strategic depth, great emphasis is placed on power projection platforms and ability.

Central to the core strategy of national self-reliance is also an indigenous capability for producing small-calibre munitions, mortars, rifles, and explosives locally. This capability is coordinated by the Chartered Industries, which is part of Temasek Holdings. Over time, this minimal capability has been slowly expanded to include the manufacture of grenade launchers and an indigenous AFV — the bionix. Additionally, Chartered Industries, through its stable of companies, is involved in the refurbishment and upgrading of

avionics equipment and weapon systems. Such production and upgrading abilities are now offered beyond the domestic market on a commercial basis. Singapore has also evolved an indigenous capability for the design, research and development of defence equipment. Such capability is coordinated by the Defence Science and Technology Agency (DSTA) and the Defence Science Organization (DSO) that established an office in Paris in June 1999. Both organizations are also extensively involved in collaborative research and production with a number of other countries.

If upgrading the capabilities and operational readiness of the SAF is a major thrust of Singapore's security policy, there is a simultaneous attempt to mobilize all national resources in the event of the outbreak of military conflict. First launched in the late 1980s and called "Total Defence", this policy seeks to impress upon the domestic population that for a small country like Singapore, the complete mobilization of all resources, civil and military, is the only way to deal with extraordinary situations, whether natural or created.[5] Accordingly, Total Defence includes a number of issue areas — civil defence, social defence, economic and psychological defence. Such an integrated web of defences is meant to cater for a holistic internal defence capability based on the Swedish model. Since all segments of society are likely to be affected by an outbreak of conflict, the reasoning goes, so all citizens will have to contribute towards the security of the state. However, it might be noted that with the exception of civil defence, all the other forms of defence are generally regarded as esoteric by the general population. Civil defence, on the other hand, is more successful simply because hardware resources like ambulances and fire engines have been colour-coded and re-designated. Similarly, personnel involved in civil defence are clearly distinguishable by their dark blue uniforms.

A number of other provisions have been made in line with the concept of Total Defence. Such provisions include the installation of an island-wide airborne early warning system that is tested monthly for operational readiness. It also includes the construction of bomb shelters for all new housing developments, including those constructed by the private sector. From time to time, the government conducts rationing exercises for food and water, and emergency drills for fire and bomb evacuations. Such exercises are sometimes announced ahead of time, and sometimes carried out spontaneously, with attendant inconveniences, to simulate a crisis situation. Finally, the government has also encouraged a policy of requisitioning and mobilizing civilian resources, including land and sea transport. Such practices are sometimes held in conjunction with the mobilization of military reserves to achieve civil-military synergy. The most recent initiatives in instilling a

national awareness of Singapore's defence requirements have been guided tours of training programmes and equipment and live-firing exercises for employers. The 15th of February, the day when Singapore fell to invading Japanese forces during World War Two, is also observed as an important national occasion when reserve military personnel report for work in uniforms and publicly recite an oath of allegiance to the state.

Over and above this internal core of national self-reliance, Singapore also maintains an alliance arrangement and a clear policy of alignment with the United States.[6] As for the alliance arrangement, after achieving political independence in 1965, Singapore continued to be a member of the Anglo-Malayan Defence Agreement (AMDA), a legacy of negotiated independence from Britain. The alliance was meant to ward off joint external threats to Malaysia and Singapore and was useful in countering the Indonesian confrontation. With the phasing out of AMDA and the British withdrawal from areas east of the Suez in 1971, a successor organization, the Five Power Defence Arrangements (FPDA) was formed. The FPDA, which also includes Australia and New Zealand, is still in effect. Although the FPDA is only a consultative arrangement, it enhances Singapore's security in several important ways. It knits Singapore into the Western security system and provides for air training arrangements through the Integrated Air Defence System (IADS) headquartered in Butterworth, Malaysia. It also constitutes a basis for developing a defence relationship with Australia. In fact, Australia, through the FPDA, has often played a mediating role between Malaysia and Singapore, especially when the bilateral relationship is subjected to turbulence. Additionally, the FPDA allows Australia to continue maintaining an unobtrusive security relationship in the Southeast Asian region despite its occasional hiccups in bilateral relations with Malaysia and Indonesia.

Beyond membership in the FPDA, Singapore has increasingly aligned itself with the United States. Singapore's almost militant anti-communist position and its strong diplomatic support for the United States, particularly during the Vietnam War, allowed for the evolution of a special bilateral relationship. Senior Minister Lee Kuan Yew has repeatedly stated that the United States is a benign superpower that can protect the interests of vulnerable states from the hegemonic ambitions of extra-regional as well as regional powers. Accordingly, Singapore signed a memorandum of understanding (MOU) with the United States in 1990 that allowed for the hosting of the Logistics Command of the U.S. Seventh Fleet (COMLOG WESTPAC). Additional Implementation Agreements and an Addendum also allowed for the rotational deployment of F-16 fighter aircraft in Singapore and berthing and supply facilities for large U.S. warships at the Changi Naval Base from 2000. The

U.S. aircraft carrier Kitty Hawk and its escort and supply ships berthed at Changi in March 2001.[7]

Singapore's security relationship with the United States is exceptionally close since Lee Kuan Yew regards it as a benign superpower that can maintain a favourable regional balance of power (read has overwhelming power projection capability). Singapore leaders also remain convinced that an alignment with the United States will offset the possibility of adventurist foreign policy by larger regional neighbours. Hence, although Thailand and the Philippines have recently acquired non-NATO ally status with the United States, Singapore has presented itself as a more ready and reliable ally without the complications of domestic anti-American sentiments that have bedevilled the other two older allies from the Cold War period. It is within this framework that Singapore and the United States have recently agreed to step up maritime security cooperation.[8] The enhanced cooperation that includes joint patrols and drills is meant to make the Straits of Malacca safer from the threats of piracy and terrorism. Malaysia and Indonesia, the two other countries bordering the Straits, have however explicitly rejected the presence of foreign troops in the waterway and offered to implement their own security initiatives.[9] More recently, Indonesia, Malaysia and Singapore conducted coordinated rather than joint patrols to secure the Strait and ward off piracy.

At a much more informal level, Singapore regularly plays host to senior defence officials from the region and beyond. Although it is by now common practice for senior defence officials of ASEAN countries to visit their counterparts in other member countries routinely, especially at the time of assuming and relinquishing their appointments, Singapore makes special efforts to cultivate such relationships. It also regularly confers military honours and medals on such officials for fostering good defence relations and trains senior foreign military officers in its Singapore Command and Staff College (SCSC). Extensive bilateral relations with Malaysia and Indonesia have also been consciously nurtured as part of Singapore's security policy. Since the early 1980s, many contentious issues have been dealt with at the bilateral level. Bilateral channels are important, too, because ASEAN does not include contentious bilateral issues on its agenda. Quiet bilateral diplomacy has instead been the instrument of choice.

The enhancement of bilateral security ties with Malaysia is also obtained from the regular exchange of information and intelligence on security matters and transnational crime. There are also bilateral defence exercises, with the most regular one being exercise *Malapura*. Additionally, the two navies often conduct drills and tactical exercises, and from time to time, SAF personnel participate in jungle warfare exercises in Malaysia. Finally, both countries

regularly host joint sports meets, golf tournaments, and social events to familiarize each with the other's bureaucrats and officials. These informal gatherings are especially frequent and common with officials and members of the royal family from the geographically proximate Malaysian state of Johor, which has the densest web of transactions with Singapore.

Membership in multilateral organizations is also a key component of Singapore's security strategy. Among these, membership in ASEAN is a cornerstone of the country's security policy. Up until the collapse of the Suharto government in Indonesia in 1998, ASEAN performed the useful role of containing Indonesian hegemonic ambitions within maritime Southeast Asia. It was indeed fortunate for Singapore that the dynamics associated with the Malay Archipelago Complex receded into the background following the formation of ASEAN.[10] The broader structural evolution of security in the Asia-Pacific region that pitted the Soviet Union against China in the 1970s and 1980s also led to the Indochina Security Complex having an overwhelming influence on Southeast Asian international relations. Hence, it came as no surprise that the collapse of Cold War structures in Southeast Asia at the end of the 1980s reignited bilateral tensions between Singapore and Malaysia.

Through membership in ASEAN, Singapore is also an active participant of the ASEAN Regional Forum (ARF) that was inaugurated in Bangkok in July 1994. In fact, Singapore was instrumental in the creation of the ARF at the time of the Fourth ASEAN Summit meeting held in Singapore in 1992. The ARF was formulated as a formal security regime with participation from institutionalized dialogue partner countries in the Asia-Pacific region and as an evolution of the ASEAN Post-Ministerial Conference (PMC). Other than the ARF, Singapore is also an active participant in the Asia-Pacific Economic Cooperation (APEC) forum and hosts the headquarters of the organization. Singapore's interest in active participation in multilateral fora is also intended to serve its economic interests as a major trading state boasting a regional air and sea cargo hub.

EXTERNAL INITIATIVES

In view of its limited land area, the SAF has regularly sought to train its troops abroad. As more and more land gives way to urban construction and housing, the greater the need for such collaboration becomes. Such collaboration, with other countries and often on a bilateral and commercial basis, is over and above the exercises that the country's forces participate in on a regular, and passing, basis, as in the case of the navy. Traditionally, there are two forms of defence collaboration that Singapore undertakes. The first

form involves training overseas, with all the necessary military equipment stationed abroad to facilitate such training. The second and more recent thrust is in the area of joint research, design, and production of military equipment and munitions.

A number of countries host SAF troops for training exercises regularly. These include the Republic of China (Taiwan) where the SAF deploys troops for infantry as well as heavy weapons training. Heavy or support weapons are a reference to armour, artillery, and combat engineer vocations. More recently, Australia, and to a lesser extent, New Zealand, have provided the large areas required for training with heavy weapons. These countries are especially useful for brigade and divisional level exercises. Troops are also dispatched regularly to Brunei and Thailand for anti-guerilla and jungle warfare training. These countries, which are geographically proximate to Singapore, allow the SAF to train unobtrusively under existing bilateral arrangements. The Air Force regularly trains in a number of bases in the United States, including Luke Air Force Base in Arizona, Cannon Air Force Base in New Mexico, the "Peace Prairie" Detachment in Grand Prairie, Texas, and the McConell Air Force Base in Kansas. Other than the United States, there are also air force detachments in Brunei and New South Wales, Queensland, and Western Australia in Australia. Similarly, the navy maintains and trains sailors at the Submarine Project Office in Karlskrona, Sweden.[11]

Singapore also maintains collaborative research, design, and development programmes with Australia, France, Israel, Sweden, the United Kingdom, and the United States. In order to indicate the seriousness of such collaboration, Singapore also maintains joint technology funds with France, Israel, and Sweden.[12] A few examples of such collaboration will illustrate the nature of Singapore's involvement in such projects. So, for example, Singapore established chemical defence research and development with Sweden by collaborating with the Swedish Defence Research Establishment. After such collaboration in the late 1980s and early 1990s, Singapore now operates a chemical defence laboratory that undertakes research in the "detection, protection, and decontamination of chemical agents".[13]

Through collaboration with the U.S. Navy, the SAF has acquired the expertise for explosive storage technology. Similarly, through collaboration with the U.S. Army and the U.S. Defence Threat Reduction Agency, it has acquired the technology for large-scale explosive testing. Underground ammunition storage technology was acquired through collaboration with Sandia National Laboratories. All of these collaborative efforts were utilized in the design and development of ammunition facilities at the Changi Naval Base and the underground ammunition storage depot in Mandai.[14]

Singapore's defence collaboration with Israel is in the area of electro-optics, training simulators, and anti-tank missiles. The missiles in particular, were developed with sophisticated television guidance technology that extends the missile's range significantly. The collaboration with France is primarily in the area of stealth technology, and today, apart from Germany and the United Kingdom, Singapore is France's third largest partner in defence research and development collaboration.[15] It is in view of such extensive collaboration that Singapore established a Defence Technology Office in Paris in 1999. A similar office has also been established in Washington, D.C. in the United States.

All of Singapore's collaboration in defence research and production is coordinated by the Defence Technology Group (DTG) that was renamed the Defence Science Technology Agency (DSTA) in 2000, and the Defence Science Organisation (DSO) whose National Laboratories was corporatized in 1997. Corporatization has enabled the DSO to establish collaborative links with local and foreign research establishments. The launch of Temasek Laboratories in 2000 that brings together the collaborative efforts of the DSO and the National University of Singapore (NUS) is another example of the Singapore government's efforts to harness the benefits of research and development for the SAF. The DSO, with a total pool of more than 600 scientists and engineers, is the single largest research and development organization in Singapore. By 2000, Singapore had appropriated 4 per cent of its annual defence budget for research and development, with the hope that new technologies will provide a needed advantage and multiplier effect in the event of the outbreak of conflict in this land and population scarce country.[16]

Singapore's security policy has traditionally had a realist core that is derived from negative historical experiences. This core strategy relies on an admixture of a deterrent domestic capability that is augmented by arrangements with external countries. Especially important in Singapore's security strategy is its clear policy of alignment with the United States since 1990. However, it would be inaccurate to conclude that Singapore's security policy is only realist. Its realist core is significantly tempered through membership in multilateral organizations. Such membership reaffirms the country's sovereign status and places it on an equal footing with significantly larger regional countries like Malaysia and Indonesia. In the case of Malaysia, owing to Singapore's dense web of transactions, both at the political and socio-economic level, realism is tempered through bilateral channels that have served both countries well thus far.

NOTES

1. See Leszek Buszynski, "Singapore: A Foreign Policy of Survival", *Asian Thought and Society* 29 (July 1985): 128–36.
2. David Boey, "More Funds to Keep SAF at Cutting Edge", *Straits Times* (Singapore), 16 March 2004.
3. Lee Hsien Loong, George Yeo, Lim Hng Kiang, and Teo Chee Hean have held the SAF scholarship. Lee Hsien Loong is the current Prime Minister. He replaced Goh Chok Tong as Singapore's Prime Minister in August 2004.
4. Tim Huxley, *Defending the Lion City* (London: Tauris Acdemic Press, 2000), pp. 259–63.
5. Tai Yong Tan, "Singapore: Civil-Military Fusion", in Muthiah Alagappa, ed., *Coercion and Governance: The Declining Role of the Military in Asia* (Stanford: Stanford University Press, 2001).
6. See N. Ganesan, "Singapore: A Realist Cum Trading State", in Muthiah Alagappa, ed., *Asian Security Practice: Material and Ideational Influences* (Stanford: Stanford University Press, 1998), pp. 589–607.
7. *International Herald Tribune*, 23 March 2001.
8. "Singapore, US to Step Up Maritime Security Cooperation", ChannelNewsAsia (Singapore), 24 April 2004, and "Singapore Confirms US Proposals for Joint Maritime Patrols", *Jakarta Post* (Indonesia), 21 May 2004.
9. Farral Naz Kassim, "Don't Act Alone, Singapore Told", *New Straits Times* (Malaysia), 8 April 2004; Ravi Nambiar, "Najib: No to Foreign Forces", *New Straits Times* (Malaysia), 8 June 2004; "Malaysia Seeks to Boost Security Cooperation with RI, Singapore in Malacca Strait", *Jakarta Post*, 14 June 2004.
10. A security complex collectively groups a number of geographically proximate countries that have historically interacted with each other. The complex provides a hierarchical rank ordering of states configured in terms of power. Threat perceptions between countries then derive from this grouping of states. Southeast Asia is traditionally thought to be home to two security complexes — The Malay Archipelago Complex that groups the countries of maritime Southeast Asia, and the Indochina Security Complex that groups the countries of mainland Southeast Asia. In the former, Indonesia was regarded as the regional hegemon while Vietnam fulfilled that role in the latter. See Muthiah Alagappa, "The Dynamics of International Security in Southeast Asia: Change and Continuity", *Australian Journal of International Affairs* 45, no. 1 (May 1991): 1–37.
11. Huxley, *Defending the Lion City*, pp. 260–63.
12. See "Defence Technology: Building a National Capability through Global and Local Partnerships", keynote address by Deputy Prime Minister and Minister for Defence, Dr Tony Tan, at the launch of Temasek Laboratories, 6 September 2000, Singapore, p. 4.
13. Ibid., p. 5.

14. Ibid.
15. Singapore is particularly interested in acquiring stealth technology for its navy and has purchased French Lafayette-class frigates.
16. Tan, "Defence Technology: Building a National Capability through Global and Local Partnerships", p. 4. The multiplier effect provided by defence technology is reiterated in Tony Tan, "Securing Our Future", text of speech delivered at the launch of "Defending Singapore in the 21st Century", 15 February 2000, SAFTI Military Institute, Singapore.

12

MANAGING THE THREAT OF MUSLIM RADICALISM IN THE POST-SEPTEMBER 11 INCIDENTS

Kamarulnizam Abdullah

The banning of a Singaporean Malay girl, Nurul Nasihah, in late February 2002 from attending school for wearing an Islamic headscarf in class raised protests not only from the Singaporean Muslim community, but also from the Malaysian Muslims. Although the Malaysian government distanced itself from the controversy, it did raise interest in the Malaysian newspapers and showed how sensitive the issue of religion and ethnicity really is, even if it occurs across the causeway. The ban is one of several measures undertaken by the Singaporean government that were post-September 11 aimed at integrating the three major ethnic groups there and promoting secularism in the republic. Furthermore, the arrest under the Internal Security Act (ISA) of Singapore's Jemaah Islamiyah (JI) members suspected of plotting massive attacks on the United States and its allies interest in the republic further raised speculation that the Singaporean government's intention to curb the rise of Muslim radicalism/terrorism in the republic was, in fact, against the Muslims.

The Malaysian government at the same time took several hard measures to contain the spread of Muslim radicalism in the country. The Mahathir administration decided to withdraw the annual grants received by the independent *madrasah* and several other independent Islamic schools known as the Sekolah Agama Rakyat (People's Religious School). These *madrasah*

and independent Islamic schools received annual grants from the government through the state's Baitulmal (Alms Collection Agency) and Religious Affairs Department. The government blamed the *madrasah* and independent Islamic school for becoming centres of disaffection by instilling radical Islamic ideas that are not conducive to harmony in the multiracial society of Malaysia.[1] Nonetheless, critics argued that the government's move was politically motivated since most of the *madrasah* schools affected have political inclination towards the opposition party, i.e. the Malaysia's Islamic Party or PAS. In addition, the Malaysian authorities also made several arrests of suspected members of Jemaah Islamiyah (JI) and other radical Muslim groups. They have been detained, like those in Singapore, under Malaysia's preventive law — the Internal Security Act (ISA).

The above two case studies reflect how tricky it is to deal with an issue related to Islamic matters in both countries. The then Singaporean Prime Minister Goh Chok Tong urged Singaporean Muslims not to exacerbate the anti-religious sentiments in light of several revelations made after the arrest of a Muslim terrorist group in the republic. Mahathir, in contrast, blamed PAS and other Muslim organizations for cultivating religious radicalism in Malaysia. Consequently, both countries designed several mechanisms to manage the rise of Muslim radicalism, especially in the aftermath of September 11 incidents. More interestingly, this chapter argues that despite some occasional political spats between them, Malaysia and Singapore do have some identical approaches and, in fact, cooperated closely in managing the threat of regional Muslim radicalism/terrorism, particularly from the Jemaah Islamiyah (JI) movement.

CONCEPTIONS OF THREAT AND SECURITY

Malaysia and Singapore share some commonalities in the security conception with small variances. The core values protected by Singapore are derived from several aspects of security perceptions and threats. Derek de Cunha broadly outlines Singapore's sense of insecurity in two separate categories — the structural elements and the cyclical or event-driven aspects of insecurity.[2] The major structural element that influences Singapore's sense of insecurity is its small size in terms of area and population. Its smallness of size creates an asymmetrical position for it in relation to its two big neighbours — Malaysia and Indonesia. It seems to have an acute sense of vulnerability because of the republic's turbulence experience with its neighbours. Thus, a "concurrent antagonism with Malaysia and Indonesia has been the prime political fear

to Singapore's governments".[3] This siege mentality is closely related to the second variable concerning the ethnic composition of the city state. Singapore is essentially a Chinese dominated country surrounded by the world of Malay-Muslims. Lee Kuan Yew likened Singapore's position to that of Israel whereby he argues that:

> [t]here are only 2.7 million Jews in Israel surrounded by 200 million Arabs who are divided into many Arab states, but they are all bent on destroying Israel. It is regrettable for a country to be found in such a position. But this is a position in which we (Singapore) have found ourselves…if we are not (preparing ourselves like Israel is) at the end of ten years Singapore will find itself a dependency of some other country.[4]

Hence, the city state has to ensure that the management of relations with Malaysia and Indonesia is a "perpetual core consideration" of its foreign policy.[5] Finally, the republic is also a land scarce country with a lack of natural resources. It relies heavily on imported fuel, food, and water from outside, especially from the neighbouring countries. The possible disruptions to essential supplies due to unforeseen circumstances could further enhance its sense of insecurity.

In addition, the events or issue-driven factors, which might give unprecedented challenges to the republic, also influence Singapore's sense of insecurity. These factors are multiple driven and mainly occur due to the geopolitical environment of which Singapore is a part. These are mostly external threats, but could have major drawbacks for internal stability. Political instability in neighbouring countries and the rise of tension in the regional maritime area are some of the examples that could affect Singapore's security.

Malaysia's core values, like that of Singapore, are also influenced by two broad but separate categories, that is, the structural element and the issue-driven aspects of insecurity. Structurally, the "strategic geo-political features of Malaysia — that the national territories are made up of West Malaysia (the Malay Peninsula) and East Malaysia (Sabah and Sarawak), and its sharing of physical and maritime boundaries with nearly all ASEAN neighbours" — have an important bearing on its conception of security.[6] The geographic position also explains the outstanding, overlapping claims issues that Malaysia faces with its neighbours such as the Ambalat claims with Indonesia, Pulau Batu Putih/Pedra Branca with Singapore, and the Limbang question with Brunei Darussalam.

Secondly, Malaysia's sense of security has been influenced by the country's political and social variables. These conceptions have in fact been dominated

by the polity of the ruling party, the United Malay National Organization (UMNO) that promulgates national security to include political and economic dimensions. UMNO has linked national security to political security. Political security is defined as an absence of threat to the state and regime in power and it has been the main priority since the country gained its statehood. Consequently, Malay dominance and interests have been the main feature of the internal dimension of security. In fact, under the Constitution, Malay rights and privileges, politically and economically, cannot be challenged by non-Malays as it could bring instability and chaos to the system. Article 153 of the Federal Constitution stipulates that the state is "to safeguard the special position of the Malays through a system of quotes applied to the public service, to scholarships, to training privileges and to licenses for any trade and business".[7] In this regard, UMNO has played the role of *de facto* guard of Malay interests since independence.

The final structural feature of Malaysia's sense of insecurity lies on multiracial composition of the society. Living in a multiracial society is complex, R. Shaaban argues. It requires an insight into the other races' psyche and culture.[8] In Malaysia, part of the continuous nation building efforts is to unite the country. Although a multiracial society requires one to transcend stereotypical behaviours assigned to an ethnic group and see a person of another race as an individual, and not by his birth or skin colour, it is still a problematic issue in Malaysia. Several steps have been taken especially after the 1969 racial riots whereby a social reengineering policy was embarked upon that is regardless of race or religion. Nonetheless, the issue of cultural and racial misunderstanding still prevails. One of the latest attempts by the government to strengthen national harmony is the introduction of a national service programme (Program Khidmat Negara) with objectives to boost patriotism and to foster racial integration.

Malaysia's conception of its national security in relations to external threat — like that of Singapore — is also derived from the global and regional political environment. In the Cold War period, the intense rivalry between "international communism" and the "free world" dominated the security thinking of Malaysia. Recognizing its limited capabilities, Malaysia had no alternative but to rely on great power protection to safeguard its external security. The idea of non-alignment "was treated with contempt".[9] Together with Singapore, Malaysia is still one of the members of the loosely organized Five Power Defence Arrangement (FPDA). However, Malaysia's countervailing strategy by aligning itself with the West during the Cold War period, Hari Singh argues, was also meant to create internal political stability and to foster

nation-building.[10] But, in the post-Cold War period, there seems to be a blurred distinction between the internal and external realms of security due to the changing dimensions of the current security threats.

Hence, from the above exposition, it can be argued that both countries perceive their national security to encompass both external security and domestic or internal security. In formulating a security strategy, both governments perceive a close link between domestic stability and external political threats. Mahathir Mohamad, for instance, made a statement that

> Security is not just a matter of military capability. National security is inseparable from political stability, economic success and social harmony. Without these all the guns in the world cannot prevent a country from being overcome by its enemies, whose ambitions can be fulfilled sometimes without firing a single shot.[11]

In addition, both countries also perceive that the current Muslim radicalism/terrorism phenomenon is not only an issue-driven factor, but also an aspect that could implicate the country's structural elements. The rise of Muslim radicalism can be viewed as a threat to the maintenance of social harmony within and between ethnic groups. For Muslims in both countries, the question has been raised as to whether religious sentiments propounded by regional Muslim radical groups really fits in with systematically the fundamental teachings of Islam. It also raises a question over the position and the role played by Muslims in both countries in their countries' social and economic development. The Muslim radicalism phenomenon has created, either intentionally or unintentionally, negative perceptions of Muslims. Sometimes Muslim people have become victims of circumstances or scapegoats due to a shallow understanding of Islam as a religion and polity. Islam, rather than Muslims radicals, has been perceived as a threat to national security.

Hence, both countries have endeavoured to avoid creating misrepresentations between Islam and radicalism. The Malaysian government, on its part, arguably tries to avoid criticisms that its actions against radical Muslim groups were politically motivated, and the Singaporean government too, in executing its actions and policies, has been careful not to upset Muslim sentiments. National unity, therefore, has been the overriding objective of Malaysian and Singapore governments. Both have been troubled by social instability in the form of inter-ethnic and intra-religious conflicts. Malaysia, for instance, had to succumb to racial riots in 1969 for failing to identify major contentions among the major ethnic groups. The country was further besieged by intra-religious conflicts, with Islam being used as a political platform to gain grass

roots support from the Malay majority. For Malaysia then, national unity is "a national goal, a political theme to be addressed at all times".[12]

JI IN MALAYSIA AND SINGAPORE

The September 11 incidents and the discovery of connections between Jemaah Islamiyah (JI) and the Al-Qaeda networks worldwide have placed the Southeast Asian region as the second front of the international campaign against terrorism. The discovery was, in fact, discovered much earlier by the Malaysian intelligence that had sighted four al-Qaeda members, including Khalid Al-Midhar and Nawaf Al-Hazmi (who were involved in the AA Flight 77) in Kuala Lumpur in 2000.[13] Their presence in the country was relayed to the United States' Central Intelligence Agency (CIA), but the information was not taken seriously by the intelligence community in Washington.

Jemaah Islamiyah's association with Malaysia started when Abdullah Sungkar and Abu Bakar Basyir, leaders of Indonesia's Darul Islam movement, fled to the country to avoid possible political prosecution by the Suharto regime in 1985. They settled in Negeri Sembilan and established themselves by running a *madrasah*, which received support from the alumni of Darul Islam's Al-Mukmin Islamic School as well as from the local community. The two leaders further expanded their recruitment drive through the establishment of a *madrasah* school in Johor known as Luqmanul Hakiem. In 1993 JI was formally established under the leadership of Abdullah Sungkar. Abu Bakar Basyir took the helm of the movement when Abdullah Sungkar died in 1999 and decided to relocate JI to Indonesia after the fall of Suharto.

JI's connection to Singapore came much later when the Singapore authorities discovered a plot to attack several targets in Singapore. The targets involved ranged from Western establishments and personnel to local assets. The Singapore authorities discovered that the JI cell in Singapore, with the support from Malaysian and Indonesian JI, planned to attack firstly, a shuttle bus carrying U.S. military personnel and their families from Sembawang to the Yishun MRT station in 1997; secondly, U.S. and Israeli embassies, the Australian and the British High Commissions, and several other buildings housing U.S. firms, with high denoted truck bombs in late 2001 or early 2002; and finally, U.S. naval vessels in the Singapore dockyards in 2001.[14]

JI established branches mainly in Malaysia, Indonesia, Australia, and Singapore.[15] Singapore JI was under the direct leadership of the Malaysian JI since Singapore is deemed to be part of Malaysia. Likewise, the Australian JI

came under the Indonesian JI. The Malaysian and Singapore JI was headed by Riduan Isamuddin, alias Nurjaman, better known as Hambali.

Like other radical Muslim movements worldwide, the immediate objective of JI is to establish a *Daulah Islamiyah* (Islamic state) in the region by using force based on the concept of *Salikuh Salleh*. Under this belief, members are obligated to stage *jihad* (interpreted as physical war) against the "enemy" of Muslim people. The *Daulah Islamiyah* would cover Malaysia, Indonesia, and southern Philippines. Singapore and Brunei would eventually follow. It shared the Al-Qaeda's anti-West sentiment which made it a willing proxy to attack western and U.S. interests in the region. Structurally, the economic wing of the movement would generate long-term sources of funds and income to finance JI activities and operations.[16] The wing also formulated business strategies to facilitate JI's clandestine activities. Ten per cent of JI-run businesses had to be contributed to the total earnings of the group. The fund is known as *Infaq Fisabilillah*, which was led and managed by Hambali. Hence, Hambali was not only one of the influential leaders of the Malaysian and Singapore JI, but also the principal JI operations leader who oversees the money collection and disbursement of the movement.

The *Infaq Fisabilillah* fund was also used to sponsor JI members' training in Afghanistan and Mindanao, where Al-Qaeda was directly involved. In Mindanao, the Abu Sayyaf group and the Mindanao Islamic Liberation Front (MILF) were allegedly involved. Furthermore, it was also argued that JI had close relations with the Malaysian Muslim militant group called Kumpulan Mujahidin Malaysia (literally translated as the Mujahidin Group of Malaysia) or KMM.[17]

Yet, contrary to the findings made by the Singapore Government's White Paper, there was, in fact, no direct structural link between Malaysian JI and KMM.[18] The White Paper also argued that the Singapore JI assisted the KMM in buying a boat to support its *jihad* activities in Ambon, Indonesia. At the same time, KMM and Malaysian JI, through Yazid Sufaat, were said to have "purchased four tonnes of ammonium nitrate, which KMM made available to Singapore JI for bombing targets in Singapore".[19] Nonetheless, the link appears to be unfounded.[20] The JI-KMM link was based more on personal contact between Hambali and Abu Bakar Basyir with the KMM-Selangor cell leadership, and not with the central leadership of KMM. The Selangor cell of KMM, led by Zulkifli Abdul Hir with 32 memberships, occasionally invited Hambali and Abu Bakar Basyir to their *usrah* (religious discourse) session to give talks. The Selangor cell was also the most active and sometimes pursued a different course of action against the wishes of the central leadership.

The perceived close link between KMM and JI was part of JI's plan of a regional network or alliance of *jihad* of Mujahidin called the *Rabitatul Mujahidin* (Mujahidin Coalition).[21] The supreme leader of the coalition, Abu Bakar Basyir, hoped that all Southeast Asian Islamic movements in the alliance "could cooperate and share resources for training, procurement of arms, financial assistance…"[22] Members of the alliance reportedly included MILF, an unnamed self-exiled Rohingyas group based in Bangladesh, and an unnamed *jihad* group based in southern Thailand.

COOPERATING WITH DIVERGENT VIEWS

Despite some political uneasiness between the two countries, Malaysia and Singapore have collaborated in many areas and engaged in a range of Confidence Building Measures (CBMs) such as small-scale land exercises between the two armed forces. They are also parties to the Five Power Defence Arrangements (FPDA), and at the same time, part of a regional multilateral security arrangement involving the three Straits of Malacca states, which focuses on anti-piracy operations and the maintenance of maritime safety in the Straits. The multilateral arrangement

> allows the navies and coast guard[s] of Malaysia, Singapore, and Indonesia to engage in hot pursuit of piratical vessels in each other['s] territorial waters; they can also engage in joint maritime safety and search and rescue operations in specific confines of the Straits of Malacca.[23]

It can be argued that the threat posed by JI have improved their relations and strengthened cooperation in intelligence sharing. The major challenge to both Malaysia and Singapore, however, is JI's plan to

> …create a situation in Malaysia and Singapore conducive to overthrowing the Malaysian government and making Malaysia an Islamic state. The attacks on key Singapore installation[s] would be portrayed as acts of aggression by the Malaysian government, thereby generating animosity and distrust between Malaysia and Singapore. [It also] aimed to stir up ethnic strife by playing up a 'Chinese Singapore' threatening Malay/Muslims in Malaysia [in the hope that] this would create a situation which would make Muslim[s] to (sic.) call for jihad (militant jihad), and turn Malaysia and Singapore into another 'Ambon'…"[24]

A potential target for creating such a tense situation included the water pipeline at the Causeway. If the plan succeeded, it could create the most serious political tension between the two countries, in which the use of force might be involved.

Interestingly, both sides of the Causeway have used their so-called preventive laws, such as the Internal Security Act (ISA), the Emergency Order, or the Restricted Detention Order, that are deemed to be draconian and seen to be detrimental to the basic freedom of speech and human rights, as the mechanism to control the threats of Muslim radicalism. Of the three, the ISA has been commonly used to "neutralize the threat and to allow investigations to continue to ferret out all others", meaning radical Muslim networks.[25] The objectives and applications of ISA in both countries are similar to that of the United States' McCarran Internal Security Act of 1947 that was intended to protect the superpower against certain un-American and subversive activities.

Malaysia's ISA provides the police with unlimited power to arrest suspects without a warrant and detain them up to sixty days on the assumption of the possibility of their committing a future crime. Furthermore, with the approval of the Home Affairs Minister, suspects can be detained for up to two years without trial. The same stipulation also applies to Singapore's ISA. Both ISAs may also allow for restrictions on freedom of assembly, association, and expression, freedom of movement, residence, and employment. It allows for the closing of schools and educational institutions if they are used as a meeting place for an unlawful organization, or for any other reasons that are deemed to be detrimental to the interests of the government or the public.

So far, the Act has proved to be the most effective weapon in dealing with the rise of, and eminent threats from, Islamic radical movements. Even the most vocal critic of the Act, the United States, was silent when the Act was used to detain suspected members of JI for their alleged involvement in the terrorist activities and suspected link with the Al-Qaeda movement. To date, there are ninety-eight ISA detainees, held for their alleged involvement in subversive activities such as the smuggling of dangerous weapons, being involved in militant activities, forging documents, belonging to an illegal immigrant syndicate, and supporting neighbouring countries' separatist movements in Malaysia. Out of these ninety-eight detainees, ninety-one have been arrested for their involvement in Islamic radical activities, with fifty-eight of them being members of Jemaah Islamiyah (JI), eighteen being members of KMM, and fifteen being members of al-Maunah.[26] In Singapore, thirty-one people, mostly JI members, were arrested under the ISA. The detainees were allegedly involved in an "elaborated conspiracy, initiated and aided by foreign terrorist groups", which could gravely undermine the security of the city state.[27]

At the same time, both countries have also worked closely at the regional and international levels by endorsing various measures for countering Muslim

terrorist groups. In 2002, both countries were part of the Association of Southeast Asian countries (ASEAN) that signed a wide-ranging, anti-terrorist pact with the United States. The pact is a mutual commitment of ASEAN countries to crack down on the movement of terrorists through the detention of fake passports and improving the monitoring of terrorist funds.[28] ASEAN itself has committed to combating the scourge of terrorism. The 2001 ASEAN Declaration on Joint Action Against Counter Terrorism and the 2002 Kuala Lumpur Joint Communiqué of the Special ASEAN Ministerial Meeting on Terrorism show Southeast Asia's commitment to counter, prevent, and suppress all forms of terrorist acts. Malaysia and Singapore, furthermore, have also signed the United Nations-sponsored anti money-laundering law under the International Convention for Suppression of the Financing of Terrorism in 2001.

Despite close cooperation and other similar mechanisms to contain the spread of Muslim radicalism and terrorism in their respective countries, conflicting views do exist between Malaysia and Singapore on how best the region should confront the threat of Muslim terrorism effectively. Singapore, due to its vulnerability discussed earlier, relies on the regional climate as well as a balance of power to underwrite its security in the long run. Its survival and security depend on multilateral underpinnings. Hence, the city state is one of the regional forerunners in the U.S.-led war against terrorism. Its strong backing against the perpetrators is shown by the logistical support it relayed to allied forces in the aftermath of the U.S.-led invasion in Iraq.

Furthermore, Singapore, like the United States, also tends to liken piracy in the Straits of Malacca to that of maritime terrorism. The Singapore government argues that:

> Pirates roaming the waters of Southeast Asia should be regarded as terrorists. There should be no distinction between pirates operating for personal gain and terrorists with political motives. The motives of these attackers are impossible to judge until they are caught. Although we talk about piracy and anti piracy, if there's a crime conducted at sea, sometimes we do not know whether it's pirates or terrorists who occupy the ship so we have to treat them all alike. So in other words if it's piracy we treat it just like terrorism because it is difficult to identify the culprits concerned unless you board the ship.[29]

Hence, Singapore, as one of the key allies in the region is receptive to the idea of a U.S. military presence to patrol the straits. Malaysia diplomatically rejected the notion, admitting that while the possibility is there, "there has been no proven incident of terrorist attacks in the Straits".[30] For Malaysia,

the presence of U.S. forces in the Straits would attract terrorism and increase the danger further since the actual chance of a terrorist attack is really low compared with piracy.

Singapore's strong support for the United States and its backing of the superpower's presence in the region create suspicion across the causeway over the republic's real intention. Singapore has been seen to be the key player in facilitating and enhancing the U.S. military presence in the region. Although American presence would be in the interest of Singapore, Kuala Lumpur on the other hand, no longer sees the superpower as the guardian of Southeast Asian security and stability.

Yet, Malaysia was one of the first among the Muslim-majority countries that voiced its support for the U.S.-led initiative against global terrorism. As a moderate Muslim country, nonetheless, it is also constrained by the increase in the radicalization of political Islam in the country. Kuala Lumpur does not want to be perceived as incapable of managing or to some extent, failing to manage the threat of Muslim terrorism, as this could be interpreted as having an indifferent attitude. At the same time, it also has to ensure that its part in diffusing terror threats at the regional level by cooperating closely with the United States would not seriously impinge on its political survival at the domestic level. Malaysia's conception of national security in the post-September 11 period, therefore, "involves a pragmatic adaptation to the changing regional security arrangement".[31]

CONCLUSION

In general, the national security agenda of Malaysia and Singapore, like for other countries, so far maintains the conventional aspects, that is, to protect national interests, sovereignty, and political legitimacy. Yet, the current threats, terrorism and Muslim radicalism, could possibly change their security perception and formulation. The September 11 incidents have given a new dimension to threats to Malaysia's and Singapore's security. Both countries did face the challenges and threats of terrorism and ideological extremism during the Cold War period. They were successfully managed since the threats emanated from local insurgency movements. The current threat, however, has both internal and external dimensions. Externally, the threat is aided and initiated by international networks of terrorist movement. Hence, the threat led by JI has the potential to wreak havoc on the delicate ethnic and racial balance of the Southeast Asian countries, particularly Singapore and Malaysia. It has created unnecessary apprehension and portrayed a negative image of the region to potential investors and tourists. The implications to both countries'

economies then are enormous. The growth of foreign investment and tourism in the countries has been greatly affected. As open economies relying much on tourism dollars, Malaysia and Singapore are inevitably affected. Hence it is not surprising that the two countries have been in the forefront in managing counter-terrorism campaigns in the region. Several actions have been taken against Muslim radical/terrorist movements using controversial preventive laws and regional diplomatic efforts. So far, both countries have been able to control the threats of religion-oriented terrorism, as opposed to other regional countries, which are still besieged by the problems.

Notes

1. *Utusan Malaysia*, 19 March 2003.
2. Derek da Cunha, "Defence and Security; Evolving Treat Perceptions", in *Singapore in the New Millennium: Challenges Facing the City-State*, Derek da Cunha, ed. (Singapore: Institute of Southeast Asian Studies, 2002), p. 142.
3. Michael Leifer, *Singapore's Foreign Policy: Coping with Vulnerability* (London & New York: Routledge, 2000), p. 5.
4. Quoted from Michael D. Bar, *Lee Kuan Yew: The Beliefs Behind the Man* (Surrey, United Kingdom: Curzon Press, 2000), p. 232.
5. Leifer, *Singapore's Foreign Policy*, p. 158.
6. Ho Khai Leong, "Malaysia's Conception of Security: Self-Resilience, Sovereignty and Regional Dynamics", *Asian Perspective* 22 no. 3 (1998): 66.
7. *The Federal Constitution* (Kuala Lumpur: Internal Law Book Services, 2003), p. 146.
8. *New Straits Times* (Malaysia), 13 June 1998, p. 6.
9. Hari Singh, "Malaysia and the Cold War", *Diplomacy & Statecraft* 6, no. 2 (July 1995): 512.
10. Hari Singh, "Malaysia's National Security: Rhetoric and Substance", *Contemporary Southeast Asia* 26, no. 1 (April 2004): 4–5.
11. Mahathir Mohamad, "Keynote Address to the First ISIS National Conference on Security", *ISIS Focus No. 17* (August 1986).
12. Ho, "Malaysia's Conception of Security", p. 68.
13. Those Al-Qaeda members were in Malaysia searching for a flying school that could teach them basic flying skill overnight! Please see Kamarulnizam Abdullah, "Limiting the Threats of Ideological based Terror Groups: Lessons to Be Learned from Malaysia", in *The Cultural Planetary Emergency: Focus on Terrorism*, R. Ragaini, ed. (World Scientific, New Jersey et al.), p. 40.
14. Singapore Government White Paper, *The Jemaah Islamiyah Arrests and the Treat of Terrorism, Command 2 of 2003*. Presented to Parliament by Command of the President of the Republic of Singapore, 7 January 2003, pp. 11–13.

15. An in-depth analysis of JI can be found in the ICG Asia Report No. 63, 23 August 2003. *Jemaah Islamiyah in Southeast Asia: Damaged but Still Dangerous*; The ICG Report No. 43, *Indonesia Backgrounder: How the Jemaah Islamiyah Terrorist Network Operates*, 11 December 2002; and The ICG Briefing on *Al-Qaeda in Southeast Asia: The Case of the "Ngruiki Network" in Indonesia*, 8 August 2002.
16. Ibid., p. 6.
17. For political purposes, the Malaysian government decided to refer to KMM as Kumpulan Militant Malaysia (Malaysian Militant Group) covering Kumpulan Mujahiddin Malaysia as well as the Jemaah Islamiyah group (Interview with a Special Branch Officer manning the JI case in Malaysia, Bukit Aman, 2 December 2003).
18. Hambali was also allegedly named in the Singapore Government White Paper as the mastermind involved in KMM crime activities such as the murder of Kedah politician Joe Fernandez in November 2000.
19. Singapore Government White Paper, *The Jemaah Islamiyah Arrests*, p. 17.
20. Interview with a Special Branch Officer manning the JI case in Malaysia, Bukit Aman, 2 December 2004.
21. The Singapore Government Paper, *The Jemaah Islamiyah Arrests*, p. 6.
22. Interview with the Malaysian Special Branch officer, Bukit Aman.
23. da Cunha, "Defence and Security", pp. 134–36.
24. Bilveer Singh, "ASEAN, Australia and the Management of the Jemaah Islamiyah Threat", *Canberra Papers on Strategy and Defence No. 152* (Strategic and Defence Studies Centre, Australian National University, Canberra, 2003), p. 35.
25. Singapore Government White Paper, *The Jemaah Islamiyah Arrests*, p. 20.
26. *Berita Harian*, 26 June 2003, p. 7.
27. Singapore Government White Paper, *The Jemaah Islamiyah Arrests*, p. 19.
28. Singh, "ASEAN, Australia and the Management", pp. 58–59.
29. Pirates must be regarded as terrorists, says Singapore, *The New Straits Times* (Malaysia), 22 November 2003, p. B23.
30. Mohd Najib Razak, keynote address for the international conference on "The Straits of Malacca: Building a Comprehensive Security Environment", Ministry of Defence. The conference was jointly organized by the Maritime Institute of Malaysia (MIMA), Universiti Utara Malaysia (UUM), and Universiti Putra Malaysia (UPM), Kuala Lumpur, 11–13 October 2004.
31. Kamarulnizam Abdullah, "Responses and Options for Malaysia to the Changing Regional Security Environment", paper presented at the International Symposium on Asia-Pacific and a New International Order: Responses and Options (University of Adelaide, Australia, 27–28 January 2005).

13

ECONOMIC RELATIONS
Competing or Complementary?

Teofilo C. Daquila

Singapore and Malaysia belonged to a group of countries popularly known as the High-Performing Asian Economies (HPAEs) by the World Bank in its 1993 publication entitled *The East Asian Miracle: Economic Growth and Public Policy*. Indeed Singapore and Malaysia had grown remarkably during the last four decades only to be interrupted by the 1997/98 economic debacle. As Table 13.1 shows, Singapore grew by about 8–10 per cent during the 1960–1996 period, and Malaysia by about 6–10 per cent during the same period. During the next seven years (1997–2003), Singapore's growth decelerated because of the 1997/98 crisis, the 11 September 2001 bombing, and the SARS crisis in 2003. However, it registered a significant expansion

TABLE 13.1
Growth rate of Real GDP in Malaysia and Singapore
(In percentages)

	1961–70	*1971–79*	*1980–90*	*1991–96*	*1997–98*	*1999–2003*	*2004–06*
Malaysia	6.5	8.0	6.2	9.6	–0.02	4.8	6.0
Singapore	10.0	9.0	7.6	8.9	4.4	3.4	7.8

Source: World Development Index CD ROM 2003 and ASEAN Secretariat (www.aseansec.org)

by about 8 per cent per annum during the 2004–2006 period. For example, in 2005, the Singapore economy grew strongly by 5.7 per cent, which was well above the expected growth of 4.5 per cent.[1] In 2006, it posted a robust growth of 7.7 per cent which was within the 7.5–8 per cent revised expected growth.[2] Malaysia's growth dropped markedly in 1997/98 period, but it managed to recover significantly in the next five years (1999–2003) to register an average growth of about 5 per cent per annum. It also registered a higher than average growth rate of 6 per cent per annum in the 2004–2006 period. In its 2005 edition of the *Asian Development Outlook*, the Asian Development Bank[3] cited Singapore and Malaysia as among the best performers in the Asia-Pacific region in 2004.[4] The ADB further reported that the overall growth performance of these countries was due to the continued strength in external demand because of the robust growth in major industrialized countries and the recovery of the global electronics market. Domestic demand likewise contributed markedly, particularly business investments in East Asia and Southeast Asia, combined with the strengthening of consumption demand in most countries.[5]

Singapore and Malaysia have also shown remarkable improvement in their per capita income. Table 13.2 shows that during the 1970–2002 period, Singapore registered a faster improvement in its per capita income than Malaysia. Malaysia's per capita income was almost half of Singapore's (US$950) in 1970. However, in 2002, Singapore's per capita income rose by almost 22 times, while that of Malaysia expanded eightfold. In 2006, Malaysia's and Singapore's per capita incomes increased further to about US$6,000 and about US$30,000, respectively. Thus, by international classification, Singapore is considered a high-income country while Malaysia, a middle-income country.

Malaysia and Singapore have also experienced a structural transformation away from agriculture and towards non-agricultural sectors, with the

TABLE 13.2
Per capita income in Malaysia and Singapore

	In US$					*Growth rate, %*		
	1970	*1980*	*1990*	2002	*2006*	*1970–96*	*1970–2002*	*2003–06*
Malaysia	400	1,830	2,380	3,900	5,880	9.9	7.5	10.9
Singapore	950	4,830	11,740	21,122	29,500	13.7	10.7	8.8

Source: World Bank. Various Issues. *World Development Indicators*. Washington DC.

manufacturing sector providing substantial stimulus to economic growth as Table 13.3 shows. As their economies continue to grow and as their incomes per capita rise, Malaysians and Singaporeans have increased their demand for goods and services, consistent with their changing tastes and preferences. Thus, more services and institutions have been created to cater to their rising demand for goods and services. This is reflected in the growing importance of the services sector, particularly, the financial and business sectors as well as transport and communications sectors. The services sector in Singapore provided the largest contribution, accounting for 60–70 per cent of the total output in the 1970–2002 period. In 2006, the services sector shared about 67 per cent of Singapore's GDP. This is consistent with Singapore's long-term plan of becoming a financial and business hub in the region. In Malaysia, Nathan[6] reported that the services sector grew significantly by about 6 per cent, and accounted for 57 per cent of GDP in 2004. The Malaysian government, through its Bank Negara Malaysia, is now allowing up to 100 per cent foreign ownership of Islamic banks, up from 49 per cent previously, in order to boost its status as a regional Islamic financial hub.[7]

Consistent with the change in the output structure, the structure of Malaysia's and Singapore's trade has also been transformed. The shares of primary and manufactured goods to exports and imports are shown in Table 13.4. The proportion of primary commodities exported by Malaysia and Singapore decreased significantly while the share of exported manufactured goods increased about four times for both of them. In 1970, the share of imported primary and manufactured goods were about 40–50 per cent of total imports. However, the share of manufactured imports rose to 77 per cent for Singapore in 2006, and to 82 per cent for Malaysia in 2005. Thus, the structure of trade for Malaysia and Singapore has changed away

TABLE 13.3
Output Structure in Malaysia and Singapore

	Agriculture	*Industry (All sectors)*	*Manufacturing*	*Services*
Malaysia				
1970	32.0	25.0	16.0	43.0
2006	8.7	49.0	29.8	43.5
Singapore				
1970	2.3	29.8	20.5	67.9
2006	0.1	33.0	27.6	66.9

Source: World Bank. Various Issues. *World Development Indicators*, Washington DC; Asian Development Bank. Various Issues. *Key Indicators of Developing Asian and Pacific Countries*. Manila.

TABLE 13.4
Structure of Merchandise Trade in Malaysia and Singapore

	Exports (% of total)		*Imports (% of total)*		*Value (US$ million)*	
	Primary	*Manu-factured*	*Primary*	*Manu-factured*	*Exports*	*Imports*
Malaysia						
1970	72	26	41	58	1,687	1,401
2005	23	75	15	82	140,977	113,609
Singapore						
1970	69	28	41	57	1,554	2,461
2006	18	82	23	77	271,801	236,807

Source: United Nations Conference on Trade and Development (http://www.unctad.org), 2007 Yearbook of Statistics Singapore for 2006 data. 2006 Yearbook of Statistics Malaysia for 2005 data.

from the export of primary commodities towards manufactured goods, and towards a rising proportion of manufactured imports. In the case of Malaysia, Nathan[8] stated that export-oriented industries were rapidly replacing import-substitution industries and industries that were based on processing output of primary produce.

The significant expansion of the economies of Malaysia and Singapore in terms of real output growth and per capita income, as well as changes in the structure of their output and trade, have been accompanied by the improvement in the welfare of their people and have made dramatic improvements in social development.[9] This is shown in Table 13.5 in terms of:

1. higher primary enrolment ratio (percentage of school-age members of the population enrolled in a level of education),
2. lower infant mortality rates (per 1000 live births),
3. longer life expectancy (in years),
4. reduced fertility rates (number of births per woman),
5. better access to safe water (percentage of population), and
6. higher expenditure on social security (percentage of total government expenditure)

As expected, Singapore scores more significant gains on most social indicators than Malaysia. Singapore has a higher primary enrolment ratio, lower infant mortality rate, higher life expectancy rate, and more access to clean water than Malaysia. Malaysia has a higher fertility rate and higher expenditure on social security than Singapore.

TABLE 13.5
Indicators of Social Development

	Primary enrolment ratio, %	*Infant mortality ratio (per 1000 livebirths)*	*Life Expectancy at birth (in years)*	*Fertility Rates (number of births per woman)*	*Population with access to safe water, (% of population)*	*Expenditure on social security (% of government expenditures)*
Malaysia						
1970–75	91	46	63	5.2	34	3.3
1980–85	101	28	68	4.2	80	6.4
1989–94	98	12	71	3.4	78	8.0
2001	98	8	73	3.0	96	…
2005	96*	10	74	2.7	94*	3.7
Singapore						
1970–75	110	22	70	2.1	100	5.7
1980–85	115	9	72	1.6	100	3.7
1989–94	107	5	75	1.8	100	5.3
2001	…	3	78	1.5	100	…
2005	94*	3	80	1.2	100*	2.0

Source: UNDP. 2002. *Human Development Indicators; Asian Development Bank*. Various Issues. Key Indicators of Developing Member Countries; World Bank. Various Issues. *Social Indicators of Development*. (*2004 values)

As has already been pointed out at the beginning of this chapter, much of the economic growth and development of Malaysia and Singapore (like other HPAEs) has been attributed to their outward-oriented policies on trade and international capital, including foreign direct investments (FDI). In pursuing their own national, regional, and multilateral economic initiatives, including trade and investments, both Singapore and Malaysia have had significant economic relations. On one hand, both of them have become competitors — they compete for many things, including trade and foreign capital. Competition is the name of the game. On the other hand, both are complementary in many areas including trade, foreign capital, and production factors. Both are fully cognizant of the fact that they are interdependent for their mutual benefit. As Singapore's former Prime Minister Goh Chok Tong said:

> Malaysia is Singapore's top trading partner, while we are your second largest trading partner, after the United States. Last year (2000), the volume of two way trade between our two countries surged 34%. Surpassing the $80 billion mark, it was a record high for the last decade. This tremendous growth in bilateral trade is a clear affirmation of the close linkages between

> our two economies. Singapore's investments in Malaysia have also been on the upward trend since 1996. Singapore is presently Malaysia's top ASEAN investor and her fourth largest foreign investor. This reflects Singapore's confidence in Malaysia. Indeed, the economic resilience and political stability of Malaysia are of vital importance to Singapore. Our interests are inextricably intertwined. As DPM Abdullah Badawi (now Malaysia's PM) is fond of saying, Singapore and Malaysia can be likened to two neighbours living in semi-detached houses, separated by a common wall. What happens to one house will affect the other house.[10]

COMPETITION IS THE NAME OF THE GAME

There are several areas where Singapore and Malaysia have been competing. First, they compete for export markets. By region, the major export destinations of Singapore and Malaysia are Asia, the European Union, and NAFTA (North America Free Trade Agreement) countries. As shown in Table 13.6, the export share to Asia rose significantly in 2000 relative to 1976, and again in 2006, mainly because of the share to Northeast Asia and ASEAN member countries. However, within North Asia, the export share to Japan from both Malaysia and Singapore decreased. The export share to other Northeast Asian countries registered gains particularly, South Korea and China. Within ASEAN, Thailand is an important export destination for Malaysia and Singapore. The rising per capita incomes of the Koreans, Chinese, and Thais have proved to be an important determinant for Malaysia's and Singapore's exports to these countries, as has the import demand of the corporate and government agencies in these countries.

Within the NAFTA region, the United States has historically been a very important export destination for both Malaysia and Singapore. The bilateral Free Trade Agreement (FTA) signed recently between Singapore and the United States is expected to provide more opportunities, including better access to the huge American market and eventually, to the wider Free Trade Area of the Americas (FTAA) which is expected to be achieved in 2005. For its part, Malaysia needs to strengthen its ties with the United States to continue gaining access to its domestic market and the wider American grouping. Malaysia signed the Trade and Investment Framework Agreement (TIFA) with the United States on 10 May 2004, and launched FTA negotiations with the United States on 8 March 2006. To date, six rounds of negotiations have been held between June 2006 and 18–19 April 2007.

In contrast to the Asian and American regions, the export share to the European Union fell in 2000 relative to 1976. It continued to fall in 2006. In fact, all E.U. countries contributed to the marked decrease in the European

TABLE 13.6
Direction of Singapore's and Malaysia's Exports

	Exports (% of total exports)					
	Singapore			*Malaysia*		
	1976	*2000*	*2006*	*1976*	*2000*	*2006*
Total (US$ million)	6,594	137,804	271,801	5,297	98,135	160,669
ASIA	45.0	60.2	65.2	48.2	57.2	57.6
* Northeast Asia	19.7	28.9	27.9	25.0	27.7	24.6
– Japan	10.3	7.5	5.3	21.1	13.0	8.8
– South Korea	1.1	3.6	3.1	1.8	3.3	3.6
– Hong Kong	7.8	7.9	9.8	1.2	4.5	4.9
– China	0.6	3.9	9.5	0.8	3.1	7.2
– Taiwan	…	6.0	…	…	3.8	…
* ASEAN-10	21.1	27.4	30.2	22.0	26.6	26.0
– Malaysia	15.2	18.2	12.8	–	–	–
– Singapore	–	–	–	18.2	18.4	15.3
– Philippines	2.9	2.5	1.8	1.5	1.8	1.3
– Thailand	3.0	4.3	4.0	1.3	3.6	5.3
EUROPEAN UNION	15.4	13.2	10.2	17.3	13.7	12.1
– United Kingdom	3.7	2.6	2.6	…	3.1	1.8
– Germany	4.0	3.1	2.4	4.3	2.5	2.2
– France	2.5	1.6	1.3	1.8	0.7	1.4
NAFTA	16.1	18.3	10.6	16.6	22.0	20.4
– United States	14.6	17.3	9.9	15.6	20.5	18.7
CER Region	6.1	2.6	4.2	2.6	2.8	3.2
– Australia	5.1	2.3	3.7	2.2	2.5	2.8
MERCOSUR	0.9	0.3	0.5	0.4	0.4	0.4
OTHERS	16.4	5.3	7.1	14.8	3.9	6.0

Source: IMF, *Direction of Trade Statistics Yearbook*, Washington D.C.: International Monetary Fund, Various Issues; U.N. Comtrade for 2006 data — http://comtrade.un.org

Union's export share. This could be due to the trade diversion that has taken place because of their enlargement from fifteen to twenty-five members with the consequent diversion of exports away from Singapore and Malaysia, and towards some central and eastern European member countries.

While it is true that Singapore and Malaysia are competitors with regard to their export markets, the extent of competition differs depending on some factors, including which products they do produce and export. The composition of Malaysia's and Singapore's exports is shown in Table 13.7. For both Malaysia and Singapore, there has been a change in the structure of their exports away from primary commodities and towards manufactured

TABLE 13.7
Structure of Exports in Singapore and Malaysia

	Singapore			*Malaysia*		
	1975	2001	2006	1975	2001	2005
Total (US$ million)	5,376	121,687	271,801	3,830	88,032	140,977
	% share of total exports					
0 Food & live animals	7.2	1.3	0.9	6.4	2.0	2.0
1 Beverage & tobacco	0.3	0.8	0.5	0.3	0.4	0.3
2 Crude materials	13.3	0.7	0.6	35.0	2.3	2.7
3 Mineral fuels, etc.	27.0	7.6	16.2	10.5	9.7	13.3
4 Animal, veg. oils & fats	1.9	0.2	0.1	16.3	3.7	4.6
PRIMARY PRODUCTS	49.7	10.6	18.3	68.5	18.1	22.9
5 Chemicals	3.7	8.1	11.3	0.9	4.3	5.4
6 Basic manufactures	8.5	3.9	4.3	17.6	7.2	7.3
7 Machines, transport equipment	22.7	64.4	57.3	6.2	60.6	54.3
8 Miscellaneous manufactures	6.9	8.7	6.5	5.7	8.8	8.3
MANUFACTURED PRODUCTS.	41.8	85.1	79.4	30.4	80.9	75.3
9 Miscellaneous Products	8.4	4.3	1.5	1.1	1.0	1.7

Sources: ASEAN Secretariat (www.aseansec.org); UN COMTRADE (unstats.un.org); ADB, *Key Indicators of Developing Asian and Pacific Countries 2002* (www.adb.org); IE Singapore (www.iesingapore.gov.sg); Yearbook of Singapore Statistics 2007 for 2006 data. Direction of Trade Statistics for Malaysia's total value of exports. Yearbook of Statistics Malaysia for 2005 sectoral shares.

exports. This is due to two factors. First, the prices of primary commodities were volatile and generally declining since the 1980s. Second, the massive, trade-oriented FDIs have gone mostly to the manufacturing industries in the ASEAN region, particularly those coming from Japan and the United States. For Singapore and Malaysia, Sector 7 (machines, transport, and equipment) was the main beneficiary of the shift towards manufactured goods. Thus, in 2001, the competition between Singapore and Malaysia was felt broadly in Sector 7 as its share reached around 60 per cent of Malaysia's and Singapore's exports. In 2006, the share of Sector 7 in Singapore, however decreased, but it continued to be significant. Malaysia's share likewise fell to 54 per cent in 2005.

Second, Singapore and Malaysia compete for international financial capital including foreign direct investments (FDI). By region, the main sources of

FDI for Singapore and Malaysia are Asia, North America, and Europe. This is shown in Table 13.8. However, in share terms, Malaysia's sources of FDI are relatively more concentrated than those of Singapore. For example, in 2000, FDI from Asia and North America jointly accounted for 80 per cent of FDIs in Malaysia. However, their combined share fell to about 45 per cent in 2007. In Singapore, the sources of FDIs are more diversified as the share of Asia, Europe, and North America stood at about 24 per cent, 43 per cent, and about 15 per cent, respectively, in 2007.

Within Northeast Asia, both Malaysia and Singapore have depended heavily on Japan. In share terms, the Taiwanese and Koreans have invested more in Malaysia than in Singapore. Singapore is more dependent than Malaysia on FDIs from Hong Kong, however, its share showed a decreasing trend. Within the E.U. region, British and Dutch investors were the major sources of FDIs for Singapore. For Malaysia, the British and Germans were the major investors.

While it is true that Malaysia and Singapore compete for foreign funds such as FDIs, the extent of competition is very much dependent on the industries or sectors these investors prefer. Table 13.9 shows the industrial distribution of FDIs in Malaysia and Singapore. As at the end of 1998, about 83 per cent of FDIs in Singapore went to high capital-intensive industries, particularly, electrical and electronic products, and chemicals and chemical products. In the case of Malaysia, about 55 per cent of FDIs went to high capital-intensive products as at the end of 1997, particularly electrical and electronic industries, and the petroleum sector. The share of high-tech products continued to rise for both Singapore and Malaysia to about 87 per cent and about 73 per cent respectively. Thus, these figures confirm the well-known fact that Singapore has been more successful than Malaysia in attracting investments in high, capital-intensive industries. Table 13.9 also shows that Malaysia receives almost half of its FDI in low- and medium-capital intensive industries as at the end of 1997; however, their combined share fell to about 27 per cent in 2007.

Both Singapore and Malaysia compete for FDIs from the developed countries, particularly Japan, the United States, and the United Kingdom, and from the Asian NIEs (Newly Industrializing Economies) such as Korea, Taiwan, and Hong Kong. The extent of their competition, however, differ depending on the various motives and factors which influence these foreign investors. Economic theory states that foreign firms want to maximize profits. In general, foreign investors will place their funds in countries where the returns will be higher than in their home countries. Singapore's Department of Statistics has compiled and published statistics collected from surveys of foreign firms in

TABLE 13.8
Foreign Direct Investments in Singapore and Malaysia

	Actual FDIs at Year-end				*Approved FDIs*			
	Singapore (S$ m.)				*Malaysia (RM m.)*			
Country	*1980*	*1990*	*1999*	*2005*	*1998*	*1999*	*2000*	*2007*
Total	11,202	49,831	170,821	311,084	13,063	12,274	19,819	18,655
	% share of total FDI				*% share of total FDI*			
– Asia	32.7	34.7	26.8	23.8	33.9	19.3	41.1	36.8
ASEAN	7.4	6.0	5.3	3.6	7.9	7.6	9.4	14.4
Malaysia	6.1	4.2	3.3	2.3	–	–	–	–
Singapore	–	–	–	–	7.4	7.3	9.0	13.6
Thailand	0.2	0.8	0.5	0.4	0.01	…	0.1	0.7
Northeast Asia	24.2	28.5	21.2	20.2	25.5	11.3	24.7	22.3
Hong Kong	12.1	6.6	2.7	1.6	1.7	–	–	0.2
Japan	11.7	21.4	15.4	13.2	14.3	8.2	14.5	15.4
China	–	0.1	0.6	0.1	2.8	0.6	1.9	0.1
South Korea	–	–0.1	0.5	0.4	0.6	0.3	3.6	4.9
Taiwan	0.4	0.5	2.0	2.3	7.7	2.2	4.6	1.8
– Europe	38.3	27.0	38.0	42.9	11.8	17.1	24.4	20.3
European Union	33.1	21.2	26.8	33.4	10.6	10.9	24.0	20.0
Germany	3.7	1.8	1.0	2.4	1.2	1.5	8.4	9.3
Netherlands	1.9	8.2	14.2	10.2	1.1	0.1	0.01	7.7
United Kingdom	26.3	9.3	7.0	16.0	3.7	1.6	3.8	1.0
Switzerland	4.5	4.5	10.2	6.9	1.1	5.8	0.4	0.3
North America	22.5	22.2	17.2	14.5	49.5	42.9	37.8	6.5
United States	22.5	17.2	14.5	13.7	49.2	42.0	37.8	6.2
CER Region	2.4	6.2	1.9	1.0	0.9	0.4	0.7	1.6
Other countries	4.2	9.9	16.0	17.5	3.8	20.2	4.0	34.8

Source: Department of Statistics, *Foreign Equity Investment in Singapore*, Singapore: Department of Statistics, Various Issues; MIDA, *Statistics on the Manufacturing Sector*, Kuala Lumpur: Malaysian Industrial Development Authority, 1994–98 and 2007 issues.

TABLE 13.9
Industrial Distribution of FDIs in Singapore and Malaysia
(Stock at year-end, except for Malaysia in 2007)

	Singapore (S$ m.)			*Malaysia (RM m.)*		
	End-1993	*End-1998*	*End-2003*	*End-1993*	*End-1997*	*2007 (Approved)*
	23,901	41,457	82,340	13,500	20,665	18,655
	% share of total			*% share of total*		
1. High-capital intensive	76.5	82.7	86.8	51.0	54.8	72.8
Electrical & electronic products	46.6	57.1	35.1	31.2	32.3	43.6
Scientific & measuring instruments	3.3	1.6	1.9	1.9	1.7	0.6
Chemicals & chemical products	13.8	15.4	38.2	6.6	5.8	6.3
Petroleum & coal products	12.7	8.5	11.5	6.5	9.1	16.9
Basic metal products	0.1	0.1	0.1	4.9	5.8	5.3
2. Medium-capital intensive	18.5	12.1	9.1	29.8	24.6	10.9
Transport equipment	2.5	1.9	2.4	4.0	3.3	1.6
Machinery manufacturing	10.5	7.3	5.0	2.9	4.3	2.0
Food, beverage & tobacco	2.1	1.0	0.5	12.8	8.5	1.7
Fabricated metal products	3.4	1.9	1.2	4.7	3.8	0.2
Non-metallic mineral products	–	–	–	5.5	4.7	5.3
3. Low-capital Intensive	5.0	5.0	3.8	19.2	20.6	16.3
Rubber & plastic products	1.4	1.5	1.1	6.6	5.4	4.3
Textile & textile products	0.6	0.1	0.1	6.1	9.3	0.1
Leather & leather products	–	–	–	0.3	0.1	–
Wood products, furniture, fixtures	0.1	0.03	–	4.2	3.9	1.5
Paper, printing & publishing	1.6	1.9	0.7	1.0	1.0	9.6
Miscellaneous	1.4	1.5	1.9	1.0	0.8	0.7

Source of basic data: Malaysian Industrial Development Authority, *Statistics on the Manufacturing Sector*, Kuala Lumpur: MIDA, 1990–94, 1994–98, and 2007 issues, and Singapore's Department of Statistics, *Foreign Equity Investments in Singapore, 1998–99 and 2003 issues.*

Singapore and the returns on foreign equity, for example, are shown in Table 13.10. In 1980, the Dutch investors had the highest return of 56 per cent on their equities, followed by the Americans (about 35 per cent), Germany (26 per cent), the United Kingdom (24 per cent), and Switzerland (19 per cent). The Japanese investors had a return of about 10 per cent lower than the 17 per cent obtained by investors from Hong Kong. In 1990, the returns on equities of these foreign investors remained high, particularly for American

TABLE 13.10
Returns on Foreign Equity Investments in Singapore
(In percentages)

	1980	*1990*	*1998*	*1999*	*2003*
	By Investing Countries, in %				
United States	34.7	20.7	6.2	11.4	10.3
Europe	25.6	24.5	8.7	17.3	17.8
– United Kingdom	23.7	25.5	22.5	11.8	13.9
– Germany	25.5	23.1	–108.7	36.4	36.9
– Netherlands	56.4	19.8	11.3	21.6	13.9
– Switzerland	18.5	26.2	18.8	26.4	30.5
Asian	15.2	15.2	–8.0	2.3	9.5
– Japan	9.6	17.4	–3.5	6.6	11.6
– ASEAN	17.1	12.7	–4.5	1.9	11.2
– Taiwan	6.6	5.3	–14.2	–7.7	5.7
– Hong Kong	16.8	12.3	–14.6	1.0	7.8
	By Sectoral Investment, in %				
Manufacturing	21.0	18.3	17.4	15.6	21.0
– Electronics	28.4	20.8	20.1	21.0	20.8
– Electricals	–	–	10.2	14.2	14.6
– Machinery	25.9	11.9	12.0	16.5	10.4
– Chemicals	19.5	27.9	21.9	10.0	22.7
– Food products	11.1	12.3	4.8	15.4	14.6
– Textiles	0.3	5.0	2.6	7.0	3.5
Financial services	16.4	9.4	–8.5	5.0	12.0
Business services	8.2	10.3	–5.5	5.0	1.8
Commerce	15.9	16.4	0.8	11.6	12.7
Construction	–13.8	–9.2	–23.2	–3.6	–5.9

Note: (a) Returns on equity investment is a measure of the profitability of the equity investment, and is calculated as the ratio of the current year's earnings to the average of the stock of equity capital invested in the current year and the preceding year.
Source: Department of Statistics, *Foreign Equity Investment in Singapore*, Various Issues.

and European investors. However, in 1998, the returns on their equities fell significantly. In 1999, while some investors experienced an improvement on their returns such as the Germans, Dutch, Swiss, and Americans, other investors continued to receive lower returns. In 2003, the returns to foreign equity from all countries rose except for the Netherlands. After a high return of 28 per cent in 1980, the electronics sector has continued to prove itself profitable as its return to foreign equity has continued to hover around 20

per cent between 1990 and 2003. Based on industrial classification, foreign equity investments in the manufacturing sector generated higher returns, particularly the electronics and the machinery sectors.

We can also explain the behaviour of foreign investors by the eclectic approach, which gives importance to the locational advantages of the host countries. These include the abundance of high quality, low-wage labour, low transportation costs, generous investment incentives, and political regional stability. According to the *Straits Times*,[11] a survey of 977 firms revealed that most Japanese manufacturers cited political stability and infrastructure as the top two factors which have attracted them to ASEAN, including Singapore and Malaysia, while labour-related issues and rising wage levels were viewed as the most pressing problems.[12] It is very well-known that wages are much higher in Singapore than in Malaysia. As such, labour-intensive investments will be more attracted to Malaysia than to Singapore. The positive and negative factors in Singapore and Malaysia are shown in Table 13.11.

In the context of the FDI-cum-trade approach, the ASEAN region since the 1970s, has become not only a production base, but also a distribution base for export-oriented FDIs. The domestic costs of production in Japan rose

TABLE 13.11
Results of JETRO's Survey

INVESTMENT FACTORS		
Here are the key factors influencing Japanese investment decisions in Singapore and Malaysia (in order of importance)		
	"Plus" factors	"Minus" factors
Singapore	– political and social stability, – infrastructure, – quality of labor force, – foreign investment incentives, – potential of domestic market, – low labor cost	– rise in wages, – labor-related problems, – exchange rate fluctuations, – competition with other manufacturers and suppliers, – unfavorable market conditions
Malaysia	– political and social stability, – infrastructure, – foreign investment incentives, – low labor cost, – quality of labor force, – potential of domestic market	– labor-related problems, – rise in wages, – exchange rate fluctuations, – difficulty in obtaining visas or work permits, – competition with other manufacturers

Source: The Straits Times, 13 September 1996.

significantly as the yen appreciated strongly in 1985.[13] Japanese manufacturers then exported their industries by relocating their factories outside Japan, including in Singapore and Malaysia. As Fukushima and Kwan[14] stated, the three main factors accounting for this shift to the ASEAN region were as follows:

1. Japanese firms have already established themselves in the region, particularly in Singapore,
2. There has been successful technology transfer from Japanese electronic companies to the region since the 1980s, and
3. ASEAN countries are ready to receive the transfer of higher technology products and production process through investment in social infrastructures such as transportation networks, and the development of supporting industries for FDI firms.

ASEAN affiliates have produced manufactured goods, mostly intermediate parts and components, which are then exported to parent companies in Japan for the final assembly of high-value products, which indicates an international division of labour. This process generates what is known as the "boomerang effect".[15]

COMPLEMENTARITY FOR MUTUAL BENEFITS

Singapore and Malaysia complement each other in various areas. First, they complement each other with regard to trade. Table 13.12 shows that Singapore's exports to the ASEAN region was mainly directed to Malaysia (a share of

TABLE 13.12
Bilateral Trade between Singapore and Malaysia

	Exports (% of Total Exports)					
	From Singapore			*From Malaysia*		
	1976	*2000*	*2006*	*1976*	*2000*	*2007*
Total (US Million)	6,594	137,804	271,801	5,297	98,135	160,669
* To ASEAN-10	21.1	27.4	30.2	22.0	26.6	26.0
– To Malaysia	15.2	18.2	12.8	–	–	–
– To Singapore	–	–	–	18.2	18.4	15.3

Source: IMF, *Direction of Trade Statistics Yearbook*, Washington D.C.: International Monetary Fund, Various Issues.

18.2 per cent out of 27.4 per cent in 2000). However, in 2006, Singapore's exports to Malaysia fell to about 13 per cent of Singapore's global trade. Malaysia's exports to the ASEAN region went mostly to Singapore, a share of 18.4 per cent out of 26.6 per cent in 2000, and a share of 15 per cent out of 26 per cent in 2007. This shows the high level of trade interdependence between the two countries because of the historical ties between them and their geographical proximity.

Second, Singapore and Malaysia complement each other with regard to foreign investments. Table 13.13 reveals the bilateral FDIs between Malaysia and Singapore based on the year-end FDI statistics compiled by Singapore's Department of Statistics, and the approved FDI statistics provided by Malaysia's MIDA. Both Malaysia and Singapore have been involved in bilateral investments. Both are active and major investors in each other's territory. It should be noted from Table 13.12, that FDIs to Singapore from the ASEAN region has come mostly from Malaysia, and that FDIs to Malaysia from ASEAN has originated mostly from Singapore. However, while Singapore's share of the total FDIs in Malaysia has risen, Malaysia's share of the total FDIs in Singapore has decreased.

A more complete picture of Malaysia's investments in Singapore, taking into account all types of foreign investments is shown in Table 13.14. Total Malaysian equity in Singapore hit S$7,059 million at the end of 1999, but it fell to S$5,232 million at the end of 2003. The share of Malaysia's direct equity showed an increase from a 58 per cent share in 1980 to 72 per cent,

TABLE 13.13
Bilateral FDIs between Malaysia and Singapore

	Actual FDIs at year-end To Singapore (S$ m.)				*Approved FDIs To Malaysia (RM m.)*			
Country	*1980*	*1990*	*1999*	*2005*	*1998*	*1999*	*2000*	*2007*
Total	11,202	49,831	170,821	311,084	13,063	12,274	19,819	20,228
	% of Total FDIs in Singapore				*% of Total FDIs in Malaysia*			
From ASEAN	7.4	6.0	5.4	3.6	7.9	7.6	9.4	10.9
From Malaysia	6.1	4.2	3.7	2.3	–	–	–	–
From Singapore	–	–	–		7.4	7.3	9.0	9.3

Source: Department of Statistics, *Foreign Equity Investment in Singapore*, Singapore: Department of Statistics, Various Issues; MIDA, *Statistics on the Manufacturing Sector*, Kuala Lumpur: Malaysian Industrial Development Authority, 1994–98 issue and 2007.

TABLE 13.14
Malaysia's Foreign Equity Investments in Singapore (at year-end)

	1980	*1990*	*1998*	*1999*	*2003*
	In Singapore Dollars (million)				
Total Malaysian Equity	1171.4	3286.6	7612.5	7059.4	5232.1
– Direct Equity	684.3	2109.7	5498.6	4956.7	4465.7
– Portfolio Equity	411.8	764.1	863.9	785.3	766.4
– Indirect Equity	75.3	412.8	1250.0	1317.4	–
	% Share of Total Equity Investments				
Total Malaysian Equity	100.0	100.0	100.0	100.0	100.0
– Direct Equity	58.4	64.2	72.2	70.2	85.4
– Portfolio Equity	35.2	23.2	11.3	11.1	14.6
– Indirect Equity	6.4	12.6	16.4	18.7	–

Source: Department of Statistics, *Foreign Equity Investment in Singapore*, Singapore. Various Issues.

TABLE 13.15
Earnings of Malaysia's Equities in Singapore (in S$ million)

	1980–85	*1986–90*	*1991–94*	*1998*	*1999*	*2003*
Total	990.9	870.8	1630.8	–272.5	628.2	767.5
Foreign Direct Equity	477.1	413.3	938.9	–359.0	347.3	618.0
Foreign Portfolio Equity	507.7	353.3	499.7	53.1	110.2	149.5
Foreign Indirect Investments	6.1	104.2	192.2	33.4	170.6	–

Source: Department of Statistics, *Foreign Equity Investment in Singapore*, Singapore. Various Issues.

at the end of 1999, and a much higher 85 per cent in 2003. The share of its equity portfolio fell to about 15 per cent in 2003, relative to 35 per cent in 1980.

The substantial investments by Malaysians in Singapore could be explained by the earnings generated from their investments. They have proved to be profitable as shown in Table 13.15. During the 1980–90 period, earnings on Malaysian equities came up to a total of about S$1,862 million. However, during the 1991–94 period, Malaysian equities earned an amazing return of S$1,630 million for a four-year only period. According to Singapore's Department of Statistics, the bulk of the income for Malaysian investors

during the 1991–94 period was from investment holding companies, banks, wholesale companies, and companies manufacturing rubber and plastic products.[16] In 1998, however, they suffered a total loss of S$272 million, due to the 1997/98 economic crisis affecting the region, including Malaysia and Singapore. However, there was a quick turnaround as earnings reached S$628 million in 1999, and about S$768 million in 2003. All types of Malaysian equity investments have generated substantial earnings from both direct and portfolio investments. The overall profitable picture of Malaysian investments is further confirmed in Table 13.16 which shows the returns on Malaysia's equity investments in Singapore. Of all the ASEAN countries, Malaysia is the one whose equities have generated the highest returns, even higher than the ASEAN average.

Third, Singapore and Malaysia complement each other with regard to factor endowments. This is illustrated in the context of a sub-regional cooperation known as the "Growth Triangle", which operates across the national boundaries of Singapore, Indonesia and Malaysia. Its aim is to link three different areas (Singapore, Johor of Malaysia, and Riau of Indonesia — the growth triangle became popularly known as SIJORI), with different factor endowments and comparative advantages, to create a larger economic zone with greater potential for economic success.[17] Singapore offers the advantage of efficient infrastructure and higher skilled workers, while Indonesia and Malaysia provide the land resources and lower costs of production, including an ample supply of inexpensive labour and raw materials. Because of its success, the growth triangle has been expanded to include other areas

TABLE 13.16
Returns on Foreign Equity Investments in Singapore from Malaysia and other ASEAN countries
(In percentages)

	1980–85 annual average	*1986–90 annual average*	*1991–94 annual average*	*1998*	*1999*	*2003*
Malaysia	9.9	5.9	11.1	–3.8	8.6	5.6
Indonesia	–3.9	–1.9	12.4	–1.8	–22.6	6.7
Philippines	5.6	3.7	0.4	–26.1	0.1	–9.0
Thailand	11.0	–5.1	12.0	–13.0	–14.6	24.3
ASEAN	9.0	4.8	10.5	–4.5	1.9	5.7

Source: Department of Statistics, *Foreign Equity Investment in Singapore*, Singapore. Various Issues.

of Malaysia and Indonesia, and is now known as the Indonesia-Malaysia-Singapore Growth Triangle. Another example that can be cited here is the mobility of labour, with thousands of Malaysians commuting daily from the Malaysian boundary of Johor to work mostly in Singapore factories. The same is true for a number of Singaporeans who live in Singapore, but work in, and commute regularly to, Malaysia.

Recently, Chew[18] reported that Malaysia has proposed to develop the South Johor Economic Region (now known as Iskandar Development Region or IDR). This began when Malaysia's Prime Minister Abdullah Badawi talked with Singapore's Prime Minister Lee Hsien Loong during the September 2006 Asia-Europe Meeting in Helsinki, aimed at seeking Singapore's support. Cited by Prime Minister Badawi as "Shenzhen" to Singapore, the IDR would provide a hinterland for Singapore's economic expansion, and is expected to bring the two countries closer in the long run. In a special report, the *Straits Times* described the Iskandar project as "Johor's extreme makeover", "Malaysia's biggest development project ever", and is expected to "complement Singapore, not compete with Malaysia."[19] With an estimated investment amounting to US$105 billion over twenty years, and an area of 2,217 sq. km., it was described as Malaysia's most ambitious project ever.[20] On 15 May 2007, a retreat was held in Malaysia bringing the two leaders of Malaysia and Singapore together for the first time and aiming at boosting their bilateral ties.[21] This is in the context of a fresh track in ties between Malaysia and Singapore that "allows closer economic, social and other ties to be forged even as outstanding issues are addressed", and "underpinning it all is the close personal relationship between the two countries' prime ministers."[22]

ECONOMIC POLICY ACTIONS AND RESPONSES

Both Singapore and Malaysia have implemented outward-oriented policies because of the open nature of their economies — openness to trade and foreign capital including FDIs. In terms of trade, Singapore is more open than Malaysia as shown in the trade to GDP ratio. This ratio is commonly used to measure and compare openness. As shown in Table 13.17, Singapore's ratio increased to 320 in 2002, much higher than Malaysia's ratio of 210. In 2005, Singapore's total trade to GDP ratio rose further to 367 while Malaysia's trade ratio fell to 182. In terms of FDIs, Singapore is more dependent on, and hence more open to, FDIs than Malaysia. Unlike Malaysia, Singapore has a very small domestic market and lacks natural resources. Also, heavy dependence on FDIs has enabled the Singapore government to provide employment to many Singaporeans and even Malaysians. In fact, a large

TABLE 13.17
ASEAN Trade Ratios

	INDO	*MSIA*	*PHILS*	*SPORE*	*THAI*	*ASEAN-5 weighted average*
X to GDP						
–1970	13.4	41.4	21.6	105.6	15.0	22.4
–2002	35.4	113.8	48.9	173.6	64.8	65.6
–2005	30.3	103.3	40.8	199.1	62.0	87.1
M to GDP						
–1970	15.0	37.3	21.1	126.0	19.4	23.9
–2002	28.6	96.4	47.8	146.1	57.5	57.0
–2005	24.2	79.0	48.7	167.6	60.1	75.9
(X+M) to GDP						
–1970	28.4	78.7	42.6	231.6	34.4	46.3
–2002	64.0	210.1	96.8	319.7	122.3	122.6
–2005	54.2	182.3	89.5	366.7	122.1	165.3

Note: X = merchandise exports, M= merchandise imports, GDP = Gross Domestic Product.
Source: ADB, *Key Indicators of Developing Asian and Pacific Countries*, Manila: Asian Development Bank, Various Issues.

proportion of the labour force in Singapore are working in Singapore-based foreign companies.

With Singapore being a more open economy than Malaysia, they also differ when it comes to economic policies and policy responses they each adopt when disturbances strike them. We will give three examples, namely, policies to control inflation, policy responses to the 1997/98 economic crisis, and policy shifts.

1. Responses to Inflationary Pressures

ASEAN governments, except Singapore's, have employed the orthodox means of controlling inflation through restrictive monetary policies. To control money supply, the conventional instruments used by central bank authorities are open market operations (OMO), changes in the discount rate, and changes in the reserves requirements.

Due to the small size and narrowness of the government securities market in Malaysia, the use of OMO is severely limited. Bank Negara Malaysia has relied more on the statutory reserves requirement. In Singapore, the money

supply is largely endogenous as it is determined by its balance of payments position resulting from the highly open nature of its economy.[23] Instead of relying on traditional instruments, the Monetary Authority of Singapore (MAS) uses exchange-rate targeting in which the appreciation of the Singapore dollar is managed against a basket of foreign currencies. Since 1975, the MAS has operated a managed float by linking the Singapore dollar to an undisclosed trade-weighted basket of currencies (and occasionally, varying the weights). The MAS intervenes in the foreign exchange market whenever market forces threaten to force the exchange rate out of an undisclosed target band which is set by the MAS and which may well be changed from time to time. Thus, the volatility of the Singapore dollar is managed, which in turn results in low and stable prices, and hence low and stable rates of inflation. Both the Malaysian and Singapore central banks have been successful in controlling inflationary pressures, and have thus achieved relatively low rates of inflation as shown in Table 13.18. In fact, Singapore's and Malaysia's prices were more stable than in other ASEAN countries in the last four decades.

TABLE 13.18
Inflation Rates in ASEAN countries (Average in each sub-period)
(In percentages)

	INDO	*MSIA*	*PHILS.*	*SPORE*	*THAI*	*ASEAN-5 weighted average*
1971–75	20.3	7.4	17.4	9.7	10.1	15.8
1976–80	15.4	4.5	11.7	3.7	10.5	11.5
1981–85	8.7	4.7	21.1	3.3	5.1	10.5
1986–90	7.1	5.0	7.6	1.3	3.9	5.9
1991–96	8.7	3.9	9.9	2.4	5.0	7.2
1997–98 crisis period	32.2	4.0	7.8	0.9	6.8	16.1
1999–02	11.9	1.9	5.1	0.5	1.0	6.1
2002–06	9.0	2.2	5.3	0.6	2.9	4.0
1971–80	19.4	6.5	13.8	7.3	9.7	13.7
1981–90	7.9	3.3	14.4	2.3	4.5	8.2
1991–02	13.7	3.2	7.9	1.5	4.0	8.3
1991–06	12.3	2.9	7.1	1.3	3.7	7.0

Source: ADB, *Key Indicators of Developing Asian and Pacific Countries*, Manila: Asian Development Bank, Various Issues, and IMF, *International Financial Statistics Yearbook*, Washington DC: IMF, Various Issues.

2. Responses to the 1997/98 Crisis

In response to the crisis, Malaysia relied on demand-management policy (fiscal, monetary, and exchange rate policies), imposed capital controls, and pegged the Malaysian ringgit (RM). Again, because its economy is more open, Singapore has depended more on supply-side policies. This example will be further discussed below.

With Anwar Ibrahim serving then as finance minister, Malaysia followed IMF-like demand-management policies including tight monetary and fiscal policies (essentially, a combination of high-interest rates and reduced government spending) together with financial reforms. However, with the sacking of Anwar in August 1998, former Prime Minister Mahathir rejected the IMF-like policies. Instead, having taken over the finance portfolio, Dr Mahathir rescued the Malaysian economy through a combination of easier fiscal and monetary policies (i.e. higher government spending and lower interest rates, respectively) and the imposition of capital controls.

On the other hand, Singapore has depended heavily on the use of supply-side policies. Its very open nature limits the effectiveness of demand-management policies. Aimed at reducing the costs of doing business in Singapore, these policies consisted of a S$10.5 billion package of cost-cutting measures.[24] This package consisted of a 10 per cent rebate in corporate taxes, property tax rebates, cuts in industrial land rentals of up to 40 per cent, lower transport charges through cuts in customs and excise duties for cars and petrol, and lower utility and telecommunication rates. A large component of the production costs in Singapore is labour cost. Thus, the Singapore government has relied on wage guidelines, including wage cuts, restraint in wage increases, and even cuts in the contribution rates to the CPF, a compulsory savings scheme in Singapore in which both employers and employees each contribute 20 per cent of the employees' salary to this fund.[25] As part of its cost-cutting measures, these contribution rates were reduced. Moreover, the government cut the annual, variable-component bonus for civil servants in 1998 to a month, down from the two months given the previous year. High-salary officers and civil servants also received wage cuts varying from 1 per cent to 5 per cent. Even ministerial pay was cut by 10 per cent.

Singapore has also employed long-run supply-side policies, which include training and re-training programmes for workers, and more research and development activities for innovations and improvement in technology, aimed at improving productivity. In Singapore, there are more than 600,000 workers with secondary education or lower. As such, it is extremely important that these workers upgrade their skills and learn new tasks to be more productive and to

be more employable in the future. There are also other schemes such as the job re-design programmes, implemented by the Singapore Productivity and Standards Board, which involve changing both job content and arrangement to encourage workers to become more productive.

In addition to demand-management policies, Malaysia fixed the ringgit to the U.S. dollar at RM3.80 and also unilaterally imposed currency and capital controls on 1 September 1998. The controls cover external accounts, authorized deposit institutions, trade settlement, and currency held by travellers. These controls were expected to contain the speculation on the ringgit and to minimize the impact of short-term capital flows on the domestic economy.[26] These controls were largely aimed at the substantial offshore ringgit market in Singapore, which constrained the ability of Malaysian authorities to lower domestic interest rates. Consequently, all offshore ringgit had to be brought on shore by the end of September 1999. Moreover, the Malaysian government restricted capital outflows by imposing a one-year holding period for repatriation of portfolio capital inflows. As Singapore's economy had been too closely linked with that of Malaysia, the Singapore government decided to stop trading on its Central Limit Order Book (CLOB) over-the-counter market, which was dominated by Malaysian stocks. This policy resulted in a temporary freezing of more than US$10 billion worth of Malaysian assets held in Singapore. In February 1999, the one-year holding period was replaced with a system of graduated exit levies, which was further relaxed in September 1999. As Haggard stated, capital controls [in Malaysia] were carefully crafted to assure foreign direct investors, and by mid-2001, they had been dismantled.[27] However, while many of the restrictive economic measures were lifted in April 2005, including the removal of the peg on the Malaysian ringgit,[28] economists suggested that Malaysia should lift its ban on the trading of the currency in international markets.[29]

3. Policy Shifts

This section will discuss two examples of changes in policy directions. The first is in terms of Malaysia's shift towards depending less on trade and FDIs because of the severe impact of outward-oriented policies heavily reliant on trade and FDIs. The second is in terms of Singapore's shift towards forging bilateral Free Trade Agreements (FTAs) because of the slow pace of regional and multilateral initiatives.[30]

ASEAN and even Northeast Asian economies, particularly the badly hit economies of Thailand, Indonesia, Malaysia, and South Korea, are still feeling the impact of the 1997/98 crisis. Thus, the outward-oriented trade

and investment policy was viewed by some as no longer relevant during the post-crisis period. Among ASEAN countries, Thailand and Malaysia have re-examined the validity of this policy. In Thailand's case, former Prime Minister Thaksin has considered an alternative two-track model in which the role of FDI is lessened, and SMEs are given more emphasis to stimulate economic growth. Malaysia's domestic orientation is due to its new "Look East" policy arising from the successful economic recovery of South Korea following its "self-reliant" model which emphasizes the agribusiness sector as an engine of growth. However, there are some people who suggest that Malaysia reinvent its economic model by ending its pro-bumiputera policies.[31]

As for Singapore, the outward-oriented policy is still very much relevant. Singapore has depended and will continue to rely on FDIs and trade as these are its main engines of growth. As a free trader and a vocal champion of global free trade, Singapore has supported a strong, rule-based multilateral trading system embodied in the WTO. Singapore has also supported and will continue to encourage regional initiatives such as ASEAN, Asia-Pacific Economic Cooperation (APEC) and Asia Europe Meeting (ASEM). Singapore has also forged bilateral FTAs with New Zealand, Japan, European Free Trade Association (EFTA), Australia, the United States, Korea, Jordan, and India. It has on-going negotiations with Mexico, Canada, Pakistan, Peru, Ukraine, and the Gulf Cooperation Council (GCC) countries.

Because of questions raised against the continued relevance of the outward-oriented policy in the developing world, the World Bank has launched a book titled "Can East Asia Compete? Innovation for Global Markets", which provides an optimistic scenario for East Asia's future. The book argues that East Asia can regain its competitive advantage through

1. innovations with research and development, financial and business services, and information and communication technology as the three engines, and
2. through opening up their markets.

According to the *Straits Times*,[32] in his meeting with the editors of eleven Asian newspapers at the Istana, Singapore's former Prime Minister Goh Chok Tong said that "we would like ASEAN to move faster; I'm impatient because I believe ASEAN is taking a lot of time in just looking at ASEAN, whereas it should be looking outside ASEAN". Goh's view is valid since trade outside the regional grouping (extra-ASEAN) has been far more significant, at around 75–80 per cent of ASEAN's global trade during the

past two to three decades. Intra-ASEAN trade broadly accounts for about 15–20 per cent of ASEAN's global trade. If we exclude Singapore from the picture, intra-ASEAN trade would be much lower at around 3–5 per cent. As such, Singapore has been encouraging a faster pace of trade liberalization within ASEAN, as well as outside ASEAN, including its own FTA policy. Singapore's FTA policy is aimed at complementing its regional and global trade liberalization policies, and generating economic and strategic benefits from them.[33]

However, Singapore's dual move towards AFTA and FTAs has been quite controversial among its ASEAN fellow members. There were concerns that such FTAs may undermine the strength of AFTA and complicate future negotiations of ASEAN with other strategic partners like China and Japan. Malaysia's Foreign Minister Syed Hamid Albar said that "when we do something outside the ASEAN context which could weaken the organization, we must think twice".[34]

Singapore's go-it-alone move was viewed by others as against the spirit of ASEAN. For instance, Malaysia expressed its criticisms against Singapore's FTA policy.[35] According to Malaysian Foreign Minister Syed Hamid Albar, "Singapore may not have done anything wrong in legal terms but morally, the [Singapore] Republic's action showed that it had undermined friendship in ASEAN."[36] Moreover, a Malaysian newspaper, *Berita Harian Malaysia*, argued that Singapore's FTA with non-ASEAN countries could "provide a third route or back door for them to penetrate AFTA markets".[37]

More interestingly, during a lunch talk before the members of the Singapore International Chamber of Commerce, Malaysian Minister of International Trade and Industry Rafidah Aziz highlighted that Singapore's special trade pacts with several countries are not FTAs but bilateral agreements.[38] In her opinion, there is a huge difference between an FTA and a bilateral agreement. An FTA involves tariff negotiations, but a bilateral agreement does not, as it is only concerned with trade facilitation and the promotion of trade.[39] With her definition of bilateral trade agreement, Rafidah said that "all of us do that" which presumably refers to all trading nations in the world including ASEAN members. She further argued that if trade negotiation is undertaken by an ASEAN member country, which includes offers of tariff cuts to a non-ASEAN country, the same offer should be made to the rest of ASEAN countries and this could therefore, nullify the benefit of having bilateral FTAs because the rest of the ASEAN countries could also benefit.[40] She further stated that the non-ASEAN country being offered concessions could not come into ASEAN through the bilateral agreement because of the ASEAN local content rule of

at least 40 per cent. When asked what if Singapore's bilateral trade pacts with various countries had tariff negotiations, she said that "… they [Singapore and her bilateral partners] have to go back to ASEAN provisions, and the ASEAN Secretariat will alert them on this … then whatever provisions in the Act will then apply".[41]

However, by now, it should be clear that Singapore's bilateral trade agreements do, in fact, involve trade negotiations and tariff cuts. With the passing of time, Malaysia's earlier stance against Singapore's bilateral FTAs has changed, given Rafidah Aziz's announcement that the Malaysian government is already studying the costs and benefits of forging bilateral FTAs, but those which are focused on services such as telecommunications. Former Prime Minister Dr Mahathir also announced during his visit to Tokyo in December 2002 that his country would be having an FTA with Japan.[42] The prime ministers of Malaysia and Japan agreed on 11 December 2005 to start formal negotiations. After several rounds of negotiations in Kuala Lumpur and Tokyo, an agreement in principle was reached on 25 May 2005.[43] The proliferation of FTAs and their benefits and opportunities may have led to Malaysia's policy-makers taking a second look at bilateral pacts. Malaysia has also been negotiating an FTA with Australia, which is expected to increase Australia's GDP by A$1.9 billion in the next twenty years while Malaysia's GDP is assumed to expand by A$6.5 billion.[44] Malaysia also signed a Trade and Investment Framework Agreement (TIFA) with the United States on 10 May 2004, and launched negotiations with the United States for an FTA on 8 March 2006, aimed at enhancing the trade and investment relations between them. Malaysia also began to pursue an FTA with Korea following Malaysia's prime minister's visit to Korea in August 2004. On 18 November 2005, Malaysia and Chile also agreed to launch a joint study on the feasibility of an FTA between them.

Other ASEAN countries have become interested in forging FTAs. The Philippines officially proposed the establishment of an FTA with Japan during President Arroyo's third visit on 4 December 2002.[45] The United States has also proposed bilateral FTAs each with Thailand and the Philippines. Australia is also working towards commencing negotiations for an FTA with Thailand. ASEAN itself is keen on establishing FTAs with countries outside the regional grouping such as China, the United States, Japan and India. Singapore, New Zealand, and Chile have even moved on to a higher plane by jointly announcing a new trilateral FTA initiative during the APEC summit held in Los Cabos, Mexico, in October 2002. Thus, on 18 July 2005, Chile, New Zealand, and Singapore signed the Trans-Pacific Strategic

Economic Partnership Agreement, while Brunei signed on 2 August 2005. The Agreement has been implemented since 28 May 2006 between New Zealand and Singapore, since 12 July 2006 for Brunei, and since 8 November 2006 for Chile.[46]

Singapore and Malaysia have similarly experienced economic transformations. They have also similarly shown changes in the structures of their output. Singapore did not have much of an agricultural sector from the start, unlike Malaysia. However, over the years, both countries have given more importance to the manufacturing and services sectors. Their trade structures have also similarly manifested changes away from primary commodities and towards manufactured goods. Accompanying these changes and transformation, are the higher levels of social development experienced by both countries.

However, the pace and extent of these transformations differ in the two countries. Initially, both were poor and underdeveloped. While Malaysia has been transformed into a middle-income economy, Singapore has reached a high-income level status, because of its faster rate of economic expansion. With hardly anything of an agricultural sector and no natural resources, Singapore has been relatively more dependent than Malaysia on the promotion and development of the manufacturing and services sectors, with the latter accounting for 60–70 per cent of its total output. Singapore is also more dependent on the production and exports of manufactured goods than Malaysia. In terms of social development indicators, Singapore has registered more gains than Malaysia.

Much of the economic growth and development of Malaysia and Singapore have been attributed to their outward-oriented policies on trade and international capital, including foreign direct investments (FDI). In implementing their respective national policies, intra-ASEAN regional policies, and multilateral policies on trade and investments, both Singapore and Malaysia have had significant economic relations. On the one hand, they have become competitors in a number of areas, including trade and foreign capital. On the other hand, they have become interdependent — complementary in many areas also, including trade and foreign capital.

Historically, Japan, the United States, and the European Union (collectively called the Triad) have been the main trading and investment partners. However, with enlargement activities taking place in the American and European continents, which have somehow brought about some trade and investment diversion away from ASEAN in general, and more particularly, away from Singapore and Malaysia, the challenge now for Singapore and Malaysia, is

how to continue, if not increase, their trade and investment relations with the Triad. Will this dependence on the Triad continue or would it be better to diversify their export markets?

Another issue is the increasing economic dynamism of newly emerging economies particularly China and India, which have been viewed by many countries, including Malaysia and Singapore, with both optimism and pessimism. On the brighter side, Singapore and Malaysia can trade and invest more in these economies. On the other side, both China and India can threaten Singapore's and Malaysia's external activities by diverting trade and investments not only from the Triad, but also from other developed economies, as well as from the NIEs, into their own respective economies. The competition between Singapore and Malaysia on the one side, and China and India on the other side, is very much dependent on the type of goods and services being traded and on the type of industries or sectors drawing foreign investors. Thus, Singapore and Malaysia can compete in the medium- and high-capital intensive industries and products, while India and China have become attractive for less-capital intensive industries/investments. Another way out of this competition is for Singapore and Malaysia to diversify into newer products and services. However, this would require, among other things, massive investments in R&D activities, educational restructuring, and political will and commitment. Also, Singapore and Malaysia can combine their resources — human, physical and financial resources — to strengthen their position in a competitive, globalized world so as to be able to increase their trade and investment ties with other parts of the world: The "wall" separating the two semi-detached houses needs to be torn down.

In this chapter, other issues in Malaysia and Singapore have been analysed, including the differences in their economic policies and policy responses to various shocks. Their differences have stemmed mainly from the degree of their economic openness: with Singapore having a much more open economy than Malaysia, or even any other ASEAN countries. The 1997/98 economic crisis brought enormous devastating consequences for many ASEAN economies, including Malaysia and Singapore. It has proved to be a turning point for some ASEAN economies, such as Malaysia and Thailand, and even other Asian economies like Korea. The validity of the outward-oriented trade and investment policy has been questioned and doubted, resulting in some governments undertaking policy shifts towards "inward-looking" policies or being less-dependent on trade and FDIs. These differences in policy re-orientation would certainly contribute further to the already slow pace of regional integration in ASEAN.

Another emerging trend discussed in this chapter is the forging of bilateral FTAs by ASEAN countries, particularly between Singapore and non-ASEAN countries, for economic and strategic interests. Singapore, a vocal supporter of free trade, has argued that FTAs would complement its regional and multilateral policies. However, it met with criticisms in the early phase — as seen as being contrary to the ASEAN regional spirit, and even to multilateralism. However, other ASEAN countries have realized the merits of the FTA policy — which is the way to go! Consequently, other ASEAN countries are also negotiating FTAs with countries outside the regional grouping. Globally, there are many FTA negotiations taking place as well. The challenge now is for Singapore and Malaysia, and even other like-minded nations in ASEAN to group together to forge trilateral or any other type of plurilateral FTAs.

Notes

1. Terence Chong, "Singapore — Globalizing on Its Own Terms", *Southeast Asian Affairs*, Daljit Singh and Lorraine Salazar, eds. (Singapore: Institute of Southeast Asian Studies, 2006), pp. 268 and 305.
2. Ho Khai Leong, "Singapore Campaigning for the Future", *Southeast Asian Affairs*, Daljit Singh and Lorraine Salazar, eds. (Singapore: Institute of Southeast Asian Studies, 2007), p. 297.
3. Asian Development Bank, *Asian Development Outlook* (Manila: ADB, 2005), p. 3.
4. Other countries included as best performers were the Republic of China (PRC), Hong Kong (China), India, Kazakhstan, Uzbekistan, and Vietnam (Asian Development Bank 2005: 3).
5. Asian Development Bank, *Asian Development Outlook*, pp. 3–4.
6. K.S. Nathan, "Malaysia: The Challenge of Money Politics and Religious Activism", *Southeast Asian Affairs*, Daljit Singh and Lorraine Salazar, eds. (Singapore: Institute of Southeast Asian Studies, 2006), p. 163.
7. Reuters, Associated Press, Bloomberg News. "Malaysia Allows Full Foreign Ownership of Islamic Banks", *Straits Times*, 28 March 2007, p. H24.
8. Nathan, "Malaysia", p. 162.
9. Seiji Naya and Pearl Imada, "Economic Success of the NIEs and ASEAN: Some Lessons for Latin America?", *Southeast Asian Affairs* (Singapore: Institute of Southeast Asian Studies, 1992), p. 44.
10. Quoted from a speech of former Prime Minister Goh Chok Tong at a dinner in honour of Dato Seri Abdullah Ahmad Badawi on 7 February 2001 <http://ppm.goinfo.com>.
11. *Straits Times*, 17 September 1996.
12. Kiyohiko Fukushima and C.H. Kwan, "Foreign Direct Investment and Regional

Industrial Restructuring in Asia", in NRI and ISEAS, compilers, *Foreign Direct Investment in Asia* (Tokyo: Tokyo Club Foundation for Global Studies, and Singapore: Institute of Southeast Asian Studies, 1995), p. 7.

13. Because of rising production costs in the newly industrializing economies (NIEs) triggered by higher wages and currency appreciation in the late 1980s, the NIEs were no longer the major target for Japanese FDIs.
14. Fukushima and Kwan, "Foreign Direct Investment".
15. The "boomerang" effect is a term to describe the impact on the Japanese economy of increased imports of goods resulting from Japanese overseas investment in manufacturing (Shinohara 1982 as cited in Meng Kng Chng and Ryokichi Hirono, *Asean Japan Industrial Cooperation: An Overview* (Jakarta: ASEAN Secretariat, Japan Institute of International Affairs, and Singapore: Institute of Southeast Asian Studies, 1987), p. 87.
16. Department of Statistics, *Foreign Equity Investments in Singapore* (1987–1994), p. 12.
17. Lee Tsao Yuan, ed., *Growth Triangle: The Johor-Singapore-Riau Experience* (Singapore: Institute of Southeast Asian Studies, 1991).
18. Chew Hock Choon, "Will Malaysia Dare to Scrap Bumiputera Policy?", *Straits Times*, 3 March 2007, p. S14.
19. Leslie Lopez, "Special Report: Johor's Extreme Makeover", *Straits Times*, 5 May 2007, p. S1.
20. Ibid., p. S2.
21. Zakir Hussain and Carolyn Hong, "Leaders' Retreat to Further Boost KL-Singapore Ties", *Straits Times*, 20 April 2007, p. 15.
22. Carolyn Hong, "KL Boosts Infrastructure and Agriculture", *Straits Times*, 1 April 2006, p. 26.
23. Lim Chong Yah and Associates, *Policy Options for the Singapore Economy* (Singapore: McGraw Hill, 1988), p. 323.
24. "Government Decides on $10.5 Billion Cut", *Straits Times*, 25 November 1998, p. 1.
25. Even in the case of the 1985/86 recession, Singapore also implemented cost-cutting measures to restore competitiveness, including a reduction in compulsory employers' contribution to the Central Provident Fund (CPF) from 25 per cent of wages to 10 per cent, a reduction in corporate taxes, and accelerated depreciation.
26. Zainal Aznam Yusof, *Malaysian Economic Outlook: Moving Towards a Slow Recovery* (Singapore: Institute of Southeast Asian Studies, 1999), p. 5. Paper presented at the 1999 Regional Economic Outlook.
27. Stephen Haggard, "Politics, Institutions and Globalisation: The Aftermath of the Asian Financial Crisis", *American Asian Review* 19, no. 2 (2001): 71–98.
28. On 21 July 2005, Malaysia removed its exchange rate peg in favour of a managed float weighted basket of currencies, following China's removal of the Renminbi peg to the U.S. dollar the same day. See Nathan, "Malaysia", p. 164.

29. Leslie Lopez, "Malaysia Slips behind Rivals in Economic Race", *Straits Times*, 24 November 2006, p. 17.
30. In this section, discussion will be based heavily on the article by Teofilo C. Daquila and Le Huu Huy, "Singapore and ASEAN in the Global Economy: The Case of Free Trade Agreements", *Asian Survey* 43, no. 6 (Nov/Dec 2003): 908–28.
31. See Lopez, "Malaysia Slips"; Leslie Lau, "Pro-bumiputera Policies Must End, Says Anwar", *Straits Times*, 6 August 2005, p. 34 and Chew Hock Choon, "Will Malaysia Dare to Scrap Bumiputera Policy?" *Straits Times*, 3 March 2007, p. S14. Bumiputera literally means "sons of the soil", referring primarily to Malays and other indigenous races. The policy of nurturing Malays was an integral part of the New Economic Policy (NEP) which was introduced in 1970, and, was replaced by the New Development Policy in 1990. See Nathan, "Malaysia", p. 153. Ooi Kee Beng, "Malaysia — Abdullah does it His Own Way", in *Southeast Asian Affairs*, Daljit Singh and Lorraine Salazar, eds. (Singapore: Institute of Southeast Asian Studies, 2007), p. 187. Ooi stated that one of the objectives of the NEP was to increase Malay ownership of equity shares from 1.9 per cent in 1970 to 30 per cent in 1990; however, it reached 19 per cent in 1990, and has remained just under that level ever since.
32. *Straits Times*, 3 May 2003, p. 1.
33. Some of these benefits are: First, FTAs could provide certain predictability for Singapore businessmen and investors, lower barriers to trade and investment, and open up considerable opportunities for ASEAN's business community. Second, FTAs are expected to provide benefits and opportunities not only to ASEAN members, but also to their trading partners. Third, FTAs could promote the liberalization and integration of regional markets and hasten global free trade within the context of the WTO. Fourth, FTAs could meet Singapore's strategic interests. Establishing FTAs with various countries around the world could help to anchor the presence of these countries in the region, and keep Singapore and ASEAN on their radar screen. In the case of the ASEAN-India FTA, ASEAN is a strategic partner for India as it could provide a link to Northeast Asia. India could somehow provide a balance between ASEAN and Northeast Asia. The trilateral FTA between Singapore, New Zealand, and Chile, is viewed as a pioneering attempt at linking the Americas and the Asia-Pacific region to liberalize trade consistently with APEC and the WTO. This agreement will also pave the way for the three partners to access the three regions to which they belong — Latin America, Asia, and the Pacific. For a further discussion on Singapore's FTA policy, see Daquila and Le, "Singapore and ASEAN", pp. 908–28.
34. See Hardev Kaur, "Hardev Kaur, "Amid Globalization Trend, Pacific Rim Sees a Bellweather or Bilateral Trade", *The Worldpaper*, 2003, <http://www.worldpaper.com/2001/may01/tradeblocs4.html> (accessed 21 April 2007).
35. Prior to her independence in 1965, Singapore was part of the Federation of Malaya. Singapore is connected to Malaysia in the north by a causeway carrying

road, rail, and water supply links. Malaysia has always been Singapore's major trading partner. However, their relationship has been strained because of various historical disputes over several overlapping territorial claims, border customs, and the negotiation of a new agreement for Malaysia to supply water to Singapore.

36. "Malaysia Cautions on Trade Pacts", *The Hindu*, 23 November 2000.
37. "Singapore Won't be Back Door to AFTA", *Business Times*, 3 May 2001.
38. "S'pore's Trade Pacts are not FTAs", *Business Times*, 12 October 2001, p. 7.
39. Ibid.
40. Ibid.
41. According to Rafidah Aziz, an FTA would be subject to rules agreed by the ASEAN countries under the two regional arrangements — the Common Effective Preferential Treatment (CEPT) scheme and the ASEAN Investment Area (AIA). The CEPT scheme enables tariff negotiations under AFTA. See "S'pore's Trade Pacts", *Business Times*, p. 7.
42. "The Paradox of Asia's FTAs", *The Business Times*, 18 December 2002. Japan is Malaysia's second most important trading partner after the United States. Bilateral trade between Japan and Malaysia reached a total of RM99 billion (S$46 billion) in 2001. Japan is also the second largest foreign investor in Malaysia. See "Malaysia Aims for First Free-trade Deal with Japan", *Straits Times*, 13 December 2002, p. A22.
43. See Malaysia's Ministry of International Trade and Industry website for details (www.miti.gov.my).
44. Michael Knipe, "Winning Formula", *The Australian*, 15 June 2006, p. 4.
45. It is expected that the proposed Japan-Philippines FTA could be beyond the usual FTA to maximize the many areas of complementarity between them. President Arroyo cited examples such as Japan utilizing Filipino health care workers, given Japan's ageing population, and Japanese high tech firms hiring skilled young Filipino workers. For details, see *Philippine Star*, "Arroyo Pushes Free Trade with Japan", 4 December 2002.
46. See Singapore's Ministry of Trade and Industry's website for details <www.mti.gov.sg>.

14

MALAYSIA-SINGAPORE ECONOMIC RELATIONS
Once Partners, Now Rivals. What Next?

Mahani Zainal Abidin

INTRODUCTION

When the British ruled the entire Malay peninsula, the links between the various parts of their empire were established almost unconsciously. The economies of the various Malay States and Strait Settlements were interdependent, and Singapore, Penang, and Kelang were their gateways. Singapore grew rich on trade provided by the shipment of rubber and tin from Malaya and this same trade funded the development of the Malay hinterland. Since their separation in 1965, both Malaysia and Singapore have made good economic progress and as their development took on different profiles, they needed each other more and more. The old ties remain and Malaysia continues to supply goods and labour to Singapore, which in turn provides facilities for trade, and other services such as the financial sector. Thus, the first phase of economic relationship between the two countries after their separation can be characterized as complementary.

The expanding global economy, foreign direct investment inflows, and growth in Southeast Asia, have contributed to the advancement of the Malaysian and Singapore economies. Singapore's gross domestic product (GDP) grew by 8 per cent per annum from 1960 to 1999. For Malaysia, the growth rate was slightly lower, which is natural when you take into account

that it started from an agriculture base and was a larger economy. During 1970–99, the Malaysian GDP expanded by 6.9 per cent per annum. Although small, lacking in physical resources and dependent on its neighbours for the supply of resources, such as water, labour, and food, Singapore has outpaced its neighbours in economic performance. Singapore widened its economic horizon and strove to be a service centre for the Southeast Asian region. Its role as the regional entrepôt has greatly assisted Singapore's growth.

Even though Malaysia's economic achievement is laudable, Singapore's progress, despite the above constraints, is impressive. Its performance is illustrated by the following selected indicators: Besides having the highest per capita income in the region, Singapore's international foreign reserves in 2003 at US$103 billion is larger than Malaysia's (US$54 billion). Considering that Singapore's population is only one fifth of Malaysia's, its GDP at US$87 billion in 2002 was nearly as large as Malaysia's (US$95 billion). In 2002, its exports amounting to US$128 billion were more than Malaysia's (US$92 billion).

As the two economies developed further, their economic relationship became competitive. To make matters more complex, the economic issues became linked with political and security issues. Malaysia began to develop its own infrastructure capacity to support its industrialization and trade. Another important reason for the development of this infrastructure was to prepare for the transformation and increasing role of the services sector in the Malaysian economy. These developments lead away from the existing dependence on Singapore port and airport facilities and its role as a regional services centre, and make for competition between the two economies.

In the event, it was not regional issues that grabbed the headlines and made the relationship extremely testy at times. They were bilateral issues, namely the supply of raw water to Singapore, the withdrawal of Malaysian workers' contribution in the republic's Central Provident Fund, the Malaysian railway land in Singapore, the use of Malaysian airspace by Singapore military aircraft, the land reclamation in the Tebrau Strait, and the building of a bridge to replace the causeway that links the two countries. Although these are essentially economic issues, they cannot be considered just on their economic merits, but had entered the political arena also.

The erratic relationship, as represented by the bilateral issues, hides the close, stable and complementary business links between the private sectors of the two countries. In reality, the economic relationship between Malaysia and Singapore takes place at two levels. At the higher level is the state-to-state relationship, while the lower level is conducted among businesses and people. The state-to-state relationship is not always smooth, with economic

considerations often taking into account political imperatives. On the other hand, the business-to-business and people-to-people links are closer and are determined almost purely by economic considerations. Fortunately, economic relations at the business level continue to flourish despite the erratic relationship at the state level.

On this journey, the two countries are both partners and competitors, with many commonalities, and also some significant divides. Inevitably the economic relationship is influenced by the political one. Since independence, Malaysia has been led by five prime ministers compared with Singapore's three. Some of the pairings have seemed smoother than others. Tunku Abdul Rahman Alhaj (the first Prime Minister) and Tun Dr Mahathir Mohamed (the fourth Prime Minister) have often appeared at odds with Lee Kuan Yew, formerly Prime Minister, subsequently Senior Minister, and latterly Minister Mentor of Singapore and still hugely influential.

Both countries now face a demanding future, with challenges from globalization, emerging new economies in China, India, and Vietnam, and security threats that erode business confidence in the region. The 1998 Asian financial crisis had severely affected growth in the region and post-crisis economic growth has been lower than it was immediately before the crisis. Both countries have to compete hard to regain their erstwhile high flying performance. Malaysia's fifth Prime Minister, Dato' Seri Abdullah Ahmad Badawi, who took office in November 2003, may open a new phase in the relationship between the two countries. Will this new political impetus and economic reality produce a new form of relationship between the two economies?

STRUCTURE OF THE ECONOMIC RELATIONSHIP

The Malaysia-Singapore economic relationship can be analysed from three aspects. First, trade, which has been the anchor. Second, investment is another key link. Third, the level of relationship — at the macro level is between sovereign states, and in its micro form, is conducted between companies and people.

Trade Links

Singapore is one of Malaysia's top trading partners. In 2001, the republic was Malaysia's second largest export destination after the United States, and third largest source of imports. Total trade between Malaysia and Singapore in 2003 was US$26 billion,[1] tilted in Malaysia's favour. The trade volume

between Malaysia and Singapore was so significant that it formed about half of the intra-ASEAN trade.

Malaysia's exports to Singapore grew from US$0.3 billion in 1970 to US$16.5 billion in 2003, as in shown in Table 14.1. The pattern of exports has changed over the years: the main export products during the early period were inedible crude materials, mineral fuels, and lubricants and this changed to machinery and transport equipment in 2003 (with a share of 65.4 per cent of total exports to Singapore). The second largest export item in 2003 was mineral fuels and lubricants at 7.9 per cent. Imports from Singapore experienced higher growth, expanding from US$0.07 billion in 1970 to US$9.8 billion in 2003 (Table 14.2). The main import items mirrored that of exports with machinery and transport equipment having the largest share at 50 per cent, followed by mineral fuels and lubricants (23.5 per cent). The intra-industry export and import structure indicates the existence of a production network among Malaysian and Singapore companies where some of the imports from Singapore undergo further processing in Malaysia before being re-exported to third countries via Singapore.

The importance of Malaysia in Singapore's trade has increased over the years. Since 2000, Malaysia has overtaken the United States as Singapore's number one trading partner — trade with Malaysia constituted about 16 per cent of Singapore's total trade in 2003. Being an entrepôt, Singapore operates as a trade channel and some of its exports are actually re-exports of goods from other countries. Therefore, it is important to look at Singapore's own domestic exports to determine its real trade links. In terms of Singapore's non-oil domestic exports, Malaysia is its third largest market, after the United States and the European Union: in 2003, 9.6 per cent of total Singapore non-oil domestic exports were sent to Malaysia.

The strong trade links are built on the availability of logistics infrastructure and supporting trade-related services. The presence of a large number of distribution agents, buying houses, and global procurement companies provide the opportunity for a Malaysian manufacturer to market its product globally and to obtain imports.

Investment

The analysis will first examine Singapore's investment in Malaysia and then Malaysia's investment in Singapore. Table 14.3 shows Malaysia as among the top four investment destinations for Singapore companies. For example, in 1997, Malaysia was the second largest destination of Singapore's direct investment (after China) with investments of S$8.9 billion. This position

TABLE 14.1
Malaysia Export to Singapore by Section
(In US$ million)

Section	*Descriptions*	*1970*	*1980*	*1985*	*1990*	*1995*	*2000*	*2001*	*2002*	*2003*
0	Food	31.95	93.74	173.55	349.29	411.24	521.29	516.92	546.50	564.47
1	Beverages and tobacco	1.89	5.16	5.55	12.53	24.39	114.13	130.66	111.84	150.82
2	Crude materials, inedible	150.95	412.61	152.21	175.66	112.95	109.66	86.63	80.87	83.68
3	Mineral fuels, lubricants, etc.	44.50	422.34	717.50	917.79	684.53	1,012.84	980.66	1,024.97	1,303.87
4	Animal and vegetable oils and fats	24.39	213.39	337.34	201.34	260.82	182.84	172.87	234.61	285.39
5	Chemicals	3.87	19.45	27.87	91.92	219.50	499.79	432.66	456.92	569.74
6	Manufactured goods	12.24	88.66	103.37	432.45	763.97	1,139.00	1,010.61	1,032.24	1,041.68
7	Machinery & transport equipment	14.00	136.89	365.29	2,082.68	6,456.16	13,198.58	10,230.87	10,825.87	10,812.18
8	Miscellaneous	4.66	20.82	50.08	500.13	686.68	956.89	1,019.34	1,283.87	1,396.29
9	Miscellaneous transactions and commodities	4.55	4.24	3.24	10.18	270.50	310.76	324.76	332.29	314.47
	Total	293.00	1,417.29	1,936.00	4,773.97	9,890.74	18,045.79	14,906.00	15,929.92	16,522.63

Source: Department of Statistics, Malaysia

TABLE 14.2
Malaysia Import from Singapore by Section
(In US$ million)

Section	*Descriptions*	*1970*	*1980*	*1985*	*1990*	*1995*	*2000*	*2001*	*2002*	*2003*
0	Food	14.26	29.53	20.66	25.61	35.63	48.53	53.61	64.18	76.84
1	Beverages and tobacco	1.16	3.24	1.13	3.26	15.13	8.50	13.03	16.21	27.34
2	Crude materials, inedible	5.58	11.26	15.16	33.55	36.03	56.84	60.97	56.34	57.87
3	Mineral fuels, lubricants, etc.	21.39	395.42	644.89	798.50	84103	2,044.92	1,872.29	2,006.47	2,311.18
4	Animal and vegetable oils and fats	1.53	3.47	6.21	4.55	2.24	4.95	4.55	12.58	5.61
5	Chemicals	4.50	30.55	78.32	227.47	370.42	737.42	642.97	766.26	877.74
6	Manufactured goods	17.42	67.05	79.89	299.26	461.00	642.74	500.92	547.87	516.92
7	Machinery & transport equipment	3.58	142.95	366.16	1,313.66	3,811.74	7,203.82	5,332.71	5,200.13	4,904.82
8	Miscellaneous	6.29	27.74	38.37	187.58	295.97	601.00	496.26	564.18	681.16
9	Miscellaneous transactions and commodities	8.61	13.24	19.68	227.92	467.63	413.24	325.87	305.13	351.82
	Total	84.32	724.45	1,270.47	3,121.37	6,336.82	11,761.95	9,303.18	9,539.37	9,811.29

Source: Department of Statistics, Malaysia

TABLE 14.3
Malaysia Export to Singapore by Section
(In RM million)

Section	*Descriptions*	*1970*	*1980*	*1985*	*1990*	*1995*	*2000*	*2001*	*2002*	*2003*
0	Food	121.40	356.20	659.50	1,327.30	1,562.70	1,980.90	1,964.30	2,076.70	2,145.00
1	Beverages and tobacco	7.20	19.60	21.10	47.60	92.70	433.70	496.50	425.00	573.10
2	Crude materials, inedible	573.60	1,567.90	578.40	667.50	429.20	416.70	329.20	307.30	318.00
3	Mineral fuels, lubricants, etc.	169.10	1,604.90	2,726.50	3,487.60	2,601.20	3,848.80	3,726.50	3,894.90	4,954.70
4	Animal and vegetable oils and fats	92.70	810.90	1,281.90	765.10	991.10	694.80	656.90	891.50	1,084.50
5	Chemicals	14.70	73.90	105.90	349.30	834.10	1,899.20	1,644.10	1,736.30	2,165.00
6	Manufactured goods	46.50	336.90	392.80	1,643.30	2,903.10	4,328.20	3,840.30	3,922.50	3,958.40
7	Machinery & transport equipment	53.20	520.20	1,388.10	7,914.20	24,533.40	50,154.60	38,877.30	41,138.30	41,086.30
8	Miscellaneous manufactured articles	17.70	79.10	190.30	1,900.50	2,609.40	3,636.20	3,873.50	4,878.70	5,305.90
9	Miscellaneous transactions and commodities	17.30	16.10	12.30	38.70	1,027.90	1,180.90	1,234.10	1,262.70	1,195.00
	Total	1,113.40	5,385.70	7,356.80	18,141.10	37,584.80	68,574.00	56,642.80	60,533.70	62,786.00

Source: Department of Statistics, Malaysia

was generally maintained except for 2001 when the British Virgin Islands and Bermuda pushed Malaysia into fourth place. Table 14.4 shows Singapore investment in Malaysia by type of activity. The largest portion of investments is in manufacturing (37 per cent), followed by financial and insurance services (36 per cent), commerce (17 per cent), real estate (3.7 per cent), transport, storage, and communication (1.6%), business services (1.5 per cent), and construction (0.6 per cent).

Singapore is an important investor in the Malaysian manufacturing sector: It made a total investment of RM21.8 billion from 1980 to April 2004. Although Singapore is behind the United States, Japan and Taiwan, in investment value, its breadth of interest is reflected by its having the most number of companies investing in Malaysia (3,028), compared with only 812 companies from the United States, even if the United States has the largest investment value of RM44.8 billion. In the early 1980s, Singapore invested mainly in food processing, textiles, and textile products. But since then Singapore has favoured electrical, electronics, and fabricated metal products (Table 14.5).

In addition to manufacturing, Singapore also has invested in the Malaysian financial, IT, and real estate sectors. In mid 2002, in the Multimedia Super Corridor (MSC), there were twenty-three companies with Singapore ownership or interests, out of 712 companies with approved MSC status. There is a long history of Singapore investment in Malaysian banking and financial institutions, although some of these interests have been trimmed when Malaysia required the local incorporation of banking institutions. There are a further 131 Singapore companies operating in the Labuan International Offshore Financial Centre. Malaysia is a popular place for Singaporeans to buy real estate. Homes, memberships in golf clubs, and other real estate purchases by Singaporeans are concentrated in the southern part of peninsular Malaysia because of its proximity to Singapore.

Malaysia's investment in Singapore is smaller, both in size and share, when compared with the city state's investment in Malaysia. In 1998, Malaysia invested S$6.5 billion, which put it in seventh place, and this was more than Hong Kong, even though overseas Chinese were thought to favour Singapore because of family and historic ties. In 2001, Malaysian investment was S$5.8 billion, which was less than nine other countries, and this could be construed as Malaysian investors diversifying their investment locations.

The sectoral composition of Malaysia's investment in Singapore also differs. Malaysia's investment is mainly in finance, insurance, and commerce, unlike that of Singapore in Malaysia, which focuses on manufacturing. In 2001, Malaysia's investment in financial and insurance services was 50 per

TABLE 14.4
Malaysia Import from Singapore by Section
(In RM million)

Section	*Descriptions*	*1970*	*1980*	*1985*	*1990*	*1995*	*2000*	*2001*	*2002*	*2003*
0	Food	54.20	112.20	78.50	97.30	135.40	184.40	203.70	243.90	292.00
1	Beverages and tobacco	4.40	12.30	4.30	12.40	57.50	32.30	49.50	61.60	103.90
2	Crude materials, inedible	21.20	42.80	57.60	127.50	136.90	216.00	231.70	214.10	219.90
3	Mineral fuels, lubricants, etc.	81.30	1,502.60	2,450.60	3,034.30	3,195.90	7,770.70	7,114.70	7,624.60	8,782.50
4	Animal and vegetable oils and fats	5.80	13.20	23.60	17.30	8.50	18.80	17.30	47.80	21.30
5	Chemicals	17.10	116.10	297.60	864.40	1,407.60	2,802.20	2,443.30	2,911.80	3,335.40
6	Manufactured goods	66.20	254.80	303.60	1,137.20	1,751.80	2,442.40	1,903.50	2,081.90	1,964.30
7	Machinery & transport equipment	13.60	543.20	1,391.40	4,991.90	14,484.60	27,374.50	20,264.30	19,760.50	18,638.30
8	Miscellaneous manufactured articles	23.90	105.40	145.80	712.80	1,124.70	2,283.80	1,885.80	2,143.90	2,588.40
9	Miscellaneous transactions and commodities	32.70	50.30	74.80	866.10	1,777.00	1,570.30	1,238.30	1,159.50	1,336.90
	Total	320.40	2,752.90	4,827.80	11,861.20	24,079.90	44,695.40	35,352.10	36,249.60	37,282.90

Source: Department of Statistics, Malaysia

TABLE 14.5
Approved Manufacturing Projects with Singapore Participation by Industry, 1980 – April 2004

	1980		*1985*		*1990*		*1995*	
	No.	*Foreign Investment (RM)*	*No.*	*Foreign Investment (RM)*	*No.*	*Foreign Investment (RM)*	*No.*	*Foreign Investment (RM)*
Food Manufacturing	12	54,755,600	12	24,696,667	12	116,286,000	9	35,174,298
Beverages & Tobacco	—	—	1	950,000	1	0	1	0
Textiles & Textile Products	5	1,475,185	12	5,360,106	35	50,215,698	8	12,625,000
Leather & Leather Products	—	—	—	—	—	—	2	7,798,198
Wood & Wood Products	4	3,608,580	2	597,216	8	145,014,165	14	184,808,080
Furniture & Fixtures	—	—	—	—	7	12,119,000	15	53,040,570
Paper, Printing, & Publishing	4	9,836,000	2	875,000	8	179,972,190	6	3,784,540
Chemical & Chemical Products	2	7,549,500	5	2,174,500	4	7,806,424	13	41,103,572
Petroleum Products (Inc. Petrochemicals)	—	—	—	—	—	—	2	161,716,000
Rubber Products	2	180,000	2	780,000	3	965,800	4	3,748,428
Plastic Products	5	1,182,009	5	6,563,800	10	34,706,704	14	29,726,900
Non-Metallic Mineral Products	11	19,506,098	8	12,767,725	8	31,502,340	12	38,077,701
Basic Metal Products	3	11,240,000	7	22,762,000	2	17,925,000	2	1,790,290
Fabricated Metal Products	9	1,296,633	8	4,935,000	7	23,050,000	12	161,712,512
Machinery Manufacturing	1	200,000	8	7,195,000	8	80,557,541	12	35,002,755
Electronics & Electrical Products	4	6,500,000	15	5,080,700	26	135,344,216	49	210,980,143
Transport Equipment	—	—	2	229,000	1	22,000,000	10	24,464,735
Scientific & Measuring Equipment	—	—	1	4,200,000	—	—	—	—
Miscellaneous	1	0	2	1,010,000	7	37,850,000	1	3,100,000
Total	63	117,329,605	92	100,176,084	147	895,315,078	186	1,008,653,722

Source: Malaysian Industrial Development Authority

TABLE 14.5 — *cont'd*

	2000		*2003*		*Total 1980–April 2004*	
	No.	*Foreign Investment (RM)*	*No.*	*Foreign Investment (RM)*	*No.*	*Foreign Investment (RM)*
Food Manufacturing	20	276,527,523	30	174,262,222	256	1,773,812,285
Beverages & Tobacco	1	10,371,516	—	—	27	49,897,223
Textiles & Textile Products	6	33,892,589	4	22,721,682	299	668,063,584
Leather & Leather Products	2	2,245,760	2	5,537,012	15	39,673,469
Wood & Wood Products	6	16,506,368	4	28,185,025	127	1,111,223,550
Furniture & Fixtures	8	28,676,563	3	3,203,325	103	281,587,236
Paper, Printing, & Publishing	3	7,871,855	2	35,059,117	114	2,352,448,668
Chemical & Chemical Products	15	226,993,017	6	18,219,023	146	838,376,121
Petroleum Products (Inc. Petrochemicals)	1	10,300,000	1	204,305,990	27	1,112,017,990
Rubber Products	3	7,582,877	1	5,500,000	105	188,237,321
Plastic Products	5	20,937,972	28	171,784,715	223	858,265,827
Non-Metallic Mineral Products	3	39,875,516	2	5,602,599	150	655,905,642
Basic Metal Products	4	27,630,818	3	21,678,746	105	1,474,628,170
Fabricated Metal Products	15	95,274,569	20	227,800,775	238	1,182,739,089
Machinery Manufacturing	12	135,435,628	7	51,705,562	169	755,217,914
Electronics & Electrical Products	37	706,820,508	38	215,175,588	789	7,916,855,698
Transport Equipment	1	3,940,897	2	1,370,383	64	185,726,685
Scientific & Measuring Equipment	3	127,600,000	3	32,805,602	20	242,326,240
Miscellaneous	—	—	—	—	51	124
Total	145	1,778,483,976	156	1,224,917,366	3,028	21,811,817,823

Source: Malaysian Industrial Development Authority

cent of all investment, followed by commerce (25 per cent). Manufacturing with 11.5 per cent was third. Other significant sectors were real estate (5.3 per cent) and business services (3.8 per cent). Investment in the financial sector included the presence of Malaysian banks such as Maybank Berhad, which has a sizeable network of branches in the republic.

State and Business Level Relationships

One legacy of the colonial times is that the agreements made in a spirit of cooperation between parts of one empire are now examined much more closely when the contracting parties are sovereign states. The supply of raw water by Malaysia to Singapore, which is set out in the 1961 and 1962 agreements, before the latter separated from the former, has become a thorny issue. Water from Malaysia constitutes about 72 per cent of Singapore's supply[2] and thus is economically critical, households and commerce depend on it, and it is needed by ships calling at the port of Singapore. Much more than that, water is vital in terms of security, and it is never far from the top of the agenda in state-to-state discussions.

Another state-to-state contentious issue is the long thin sliver of land owned by Malayan Railways cutting across the middle of the island, from Johor in the north, to almost the sea at Tanjung Pagar in the south. It is a 999-year leasehold, runs close to some of the island's prime real estate, and has an incalculable economic value. The Points of Agreement[3] were signed by the two governments in 1990, and this covered the move of the customs, immigration and quarantine railway checkpoint from Tanjung Pagar to Woodlands in the north, but interpretations of this document differ.

At the business and people levels, relationships are simpler and a matter of mutual economic benefit. Before the appreciation of Singapore's currency and the related cost increases, Malaysian tourists flocked to Singapore for shopping and holidays. However, now the flow is reversed, and tourists from the republic form the majority of visitors to Malaysia. In 2003, they comprised 56 per cent of tourist arrivals to Malaysia. Many make day trips to Johor Bahru for entertainment, food, and even to do basic daily grocery shopping. Many Malaysian holiday resorts depend heavily on Singapore trade.

Malaysians were, (and still are) a significant proportion of the Singapore work force, some holding manual jobs in construction sites and factories, but many also participating at a high level in Singapore's government and business. That said, Malaysians (mostly of Chinese extraction) are the largest single foreign group employed in the private sector and in the government. When they decide to stop working in Singapore and return to Malaysia, they find that they cannot withdraw their mandatory contributions to the

Singapore Central Provident Fund (CPF), so that has become another bone of contention.

FIRST PHASE OF THE RELATIONSHIP: PARTNERSHIP

The first phase of the economic relationship between Malaysia and Singapore, from 1965 to late 1980s, can be described as a partnership. Malaysia served as the main hinterland for Singapore while the latter provided logistics and services for trade for the former. As an entrepôt, Singapore was dependent on movement of exports and imports from Malaysia. This function led to the development of other spin-off activities especially trade-related services such as finance, importing agent, freight forwarding, and distribution. Singapore was also able to tap the unskilled workers from Malaysia to work in its textiles and wood based industries.

For Malaysia, Singapore facilitated its trade and, in turn, this made Malaysia a successful exporting nation. The proximity to Singapore and the well-functioning channel for export and import had helped Malaysia attract FDIs. Many of the multinational companies, especially in electrical, electronics, and textile industries, learnt about Malaysia after coming to Singapore. They then invested in Malaysia to take direct advantage of the availability of unskilled labour. Singapore also sourced its human talents from Malaysia, with many holding senior posts in both the public and private sector.

During this period, partnership was also formed in the financial market. After the separation, Malaysia did not have its own stock market and, instead, its companies were traded on the Stock Exchange of Singapore until 1990 when Malaysia established its own stock exchange market. Due to a technical deficiency, namely the absence of a scripless stock clearing mechanism, an over-the-counter market for Malaysian stocks was created in Singapore known as the Central Limit Order Book International (CLOB). As part of its efforts to be the regional financial centre, Singapore became a source for the Malaysian private sector to raise funds. An off-shore Ringgit market also emerged. Similarly, close links also exist in businesses, with investments and common equity holdings prevalent across the Causeway.

Malaysia also assisted and benefited from Singapore economic restructuring in the mid 1980s. When costs of production (labour and land) increased, many Singapore industries that became cost uncompetitive moved to Malaysia while keeping the higher value-added activities such as marketing and distribution in the republic.

In summary, Malaysia had contributed to the rapid expansion of Singapore's economy while Singapore had facilitated Malaysian trade and enlarged its domestic market.

SECOND PHASE OF THE RELATIONSHIP: RIVALS

As the two economies advanced, and in particular Malaysia, it began to have competencies that until then had been available only in Singapore. Malaysia began to build its own logistics infrastructure to cater for its own requirements and that encroached on what was previously a Singapore preserve. This movement was partly inevitable. Services such as airlines and shipping became growth nodes. In just a few years, the value of the Singapore dollar versus the Malaysian ringgit doubled, after many years of being close to parity, and Malaysia become distinctly more cost-competitive. At the same time there were groups in Malaysia that challenged the dependence on Singapore on the grounds of national self-sufficiency. They asserted that these services — shipping, distribution and air transport — give the highest value added, and thus the best profit potential. The port of Pasir Gudang was the outlet for bulk cargo such as palm oil, but the biggest upset came when the Port of Tanjung Pelepas (PTP) attracted two erstwhile major users of the Port of Singapore, Maersk and Evergreen, by offering equity holdings in PTP as well as competitive charges.

The newly constructed Kuala Lumpur International Airport (KLIA), although currently handling less traffic than Singapore's Changi Airport, is seen as a competitor because it has some considerable natural advantages, not least of which is space to expand. Early in 2004 there was an impasse between SIA and its pilots over pay, and Singapore's then Senior Minister Lee Kuan Yew warned the pilots' representatives "The mistake of PSA was it was getting too complacent," referring to PSA's loss of Maersk and Evergreen to PTP. "We are going to compete and if we can't compete, then we deserve to starve. And we will compete. In the same way, SIA will compete."[4]

The above seaport accomplishment has encouraged more ambitious plans to develop the southern part of Johor as a multi-modal logistics hub, combining a seaport, airport (Senai), and rail terminal. If successful, this may not only divert Malaysian goods at present handled in Singapore, but it has the potential to be a major transportation centre. Competition to capture transportation traffic is even extended to budget airlines. Malaysia's successful budget airline, Air Asia, had some difficulty in getting permission to transport passengers from Singapore to take its flights in Senai; it quickly became an "issue".

The Pan-Electric Industries (Pan-El) debacle in 1985 triggered the separation of the Kuala Lumpur Stock Exchange (KLSE) from the Singapore Stock Exchange (SES). "It was ironic that independent Malaysia was not independent in regard to the exchange," *Daim Zainuddin*.[5] Besides providing

independence, the split is seen as essential because the financial and services sectors were recognized as key sectors to drive growth and offered more stock-broking business for Malaysians.[6] The split, effective in 1990 after being announced in 1989, was especially noteworthy as it cut Malaysia's last economic link with Singapore.

The economic tension between Malaysia and Singapore sharpened during the 1998 Asian financial crisis. To support its capital controls, introduced in September 1998 to respond to the crisis, Malaysia required the sale of Malaysian stocks to be made only at the KLSE. As a consequence, CLOB was closed by Singapore, resulting in the shares traded in CLOB being suspended for about sixteen months. During this period, Malaysia had wanted Singapore to allow Malaysian workers to withdraw the money held in their accounts at Singapore's Central Provident Fund (CPF). This would augment Malaysia's foreign currency reserves at a difficult time. In the event Singapore did not cooperate.

In another case, a proposal by Singtel, Singapore's national telecommunication company, to buy part of Time Telecom, a leading Malaysia telecommunication company distressed by heavy losses due to the crisis, was rejected for strategic reasons.

The crisis was also another turning point for regional relationships. To revive economic growth, Singapore initiated bilateral trade talks with economies outside ASEAN. It signed bilateral trade agreements (FTA) with Japan, the United States, New Zealand, Australia, and the European Free Trade Area, and was in negotiations with many others. Malaysia's initial response was of apprehension because it was concerned that the new Singapore trade direction may lead to a lesser emphasis on the ASEAN integration process.

The issue of supply of raw water by Malaysia to Singapore reached a climax in 2003. Singapore published a booklet in March 2003 entitled, "Water talks, if only it could". As a riposte, Malaysia published "Water — The Singapore-Malaysia Dispute: The Facts". Malaysia's contention is that the price of raw water is unfair. By buying raw water at three Malaysian cents per thousand gallons[7] (equal to U.S. cents 0.2 per thousand litres) Singapore was able to profit massively. Although Malaysia is on record as saying that it will never cut off supply, Singapore now recycles as much water, known as "Newater", as it can, to reduce its dependence on Malaysia.

As the two economies developed, competition and the ensuing tense economic relationship are perhaps inevitable. However, some of this competition is healthy and had spurred both countries to higher levels of efficiency and competitiveness. Malaysia's competitiveness is based on increased competency, cost advantage, and policy flexibility. Therefore, the earlier form

of economic relationship between the two countries will no doubt change because Malaysia has sufficient capability, capacity, and potential to achieve high growth.

WORKING TOGETHER IN THE FUTURE

The future direction of the economic relationship between Malaysia and Singapore will in part be decided by the economic landscape and processes, and, of course, in part by the political leadership in both countries. The two economies share many similarities: both are very open economies and their growth is very dependent on the global economy; both suffer from competition from emerging economies, particularly from China in terms of FDIs, cheap manufacturing products and processes, and the hollowing out of industries; and the need to reinvent and find new sources of growth.

The future economic setting looks very challenging. It is by no means sure that the global economy will continue to expand at the rate it has in the past: too many key growth centres have uncertain prospects. The U.S. economic imbalances are not likely to be resolved soon; Japan is yet to revitalize fully its economy; and the European Union is constrained by policy rigidities. In all probability, global export growth will be weaker than before. To worsen the situation, global economic crises appear to happen quite frequently, thus creating severe fluctuations. Moreover, efforts by Malaysia and Singapore to transform to higher value-added economies will be more demanding and costly.

Taken together, the Malaysia-Singapore package of economic resources is impressive. They have a proven track record of a conducive investment and business environment, a wide range of experience in services, and cost effective manufacturing. Some even speculate that a seamless link between Singapore, Southern Malaysia, and the nearby Indonesian Riau Islands, has the potential to rival the Pearl River delta in Southern China. This area has a large supply of skilled and unskilled labour, land and world class manufacturing capability, logistics and legal infrastructure, and a pro-business environment. The need to work together is greatest if the two countries acknowledge the fact that they had benefited from the earlier cooperative partnership and that their future growth lies in the improvement of their international competitiveness. Only by combining their resources can Malaysia and Singapore effectively meet the challenges of globalization.

If this is so, on what kind of partnership should the two countries embark? The old idea and form of complementarity is no longer valid. Malaysia should not be seen as only having labour, land, and primary commodities while

Singapore is the provider of logistics transportation and financial services. The new partnership must be between equals.

Perhaps the thought whose time has come is that for Malaysia and Singapore to start new phase of "Co-petition", a period of working as collaborators. What it means is that some industries will develop ever-closer links to leverage their relative strengths while injecting healthy competition, and that the governments of the two countries will also play their part by facilitating and harnessing these links. For example, the two countries can develop a joint regional or global competitive advantage in the education services by sharing expertise and resources, and focusing on different, yet complementary market segments. Likewise, a similar approach can be adopted for health services, tourism, and biotechnology.

In order to demonstrate this new direction, it is important that a clear reassurance be given to the private sector on both sides of the Causeway about the new type of the future relationship. The private sector and people can respond to the new signal if barriers to free movement of workers, goods, and services are removed. For example, traffic between Johor Bahru in Malaysia and Singapore should be unrestricted, so that the sea and airports in the two countries can optimize their combined capability.

Another area of the new cooperation is the promotion of the business entrepreneurial class to generate growth in the domestic economy as well as to venture into third countries. While Singapore laments its lack of entrepreneurship, Malaysia has a pool of business talent who could immensely benefit from better access for financing, which the former can provide.

Dato' Seri Abdullah Ahmad Badawi has signalled something of this new direction. In addition to talks, Malaysia has paved the new phase of bilateral relationship by offering business openings that would not have been expected a few short years ago. In March 2004, Temasek, the Singapore government's principal investment arm, purchased 5 per cent of the national telephone company, Telekom Malaysia.[8] This was shortly followed by Temasek receiving permission to negotiate for the purchase of a company with 30 per cent controlling share of Alliance Bank, Malaysia's second smallest bank. Such easing of restrictions on Singapore government-linked companies' acquisitions in Malaysia underscores the new trend in the bilateral relationship. The private sector has not been slow to pick up on these signals, with a recent major purchase of commercial property by a Singapore company and a fact-finding visit by Singapore private investors.

Malaysia's new regional initiative — the Iskandar Development Region (IDR) — is an opportunity for more such cooperation. IDR is a land development in Southern Johor near PTP, which lies across the Singapore

Straits from the northwestern coast of Singapore. Foreign companies, including those from Singapore, can invest in real estate, logistics, manufacturing industries, health, and education services. Incentives, which are not available in other locations in Malaysia, include relaxed equity ownership rules and freer movement of people. One of the biggest attractions from the Singapore point of view is that the IDR has land aplenty, in distinct contrast to Singapore. Should Singapore begin to relocate its higher value-added economic activities in manufacturing and services sectors to IDR, it will be strong evidence of the new bilateral relationship.

For its part, Singapore has also said much of the same things when George Yeo, Singapore Minister of Trade, on 16 April 2002 stated:

> This is a relationship which is inseparable. Malaysia and Singapore are like Siamese twins. Occasionally we get close to each other and annoy each other. We say you go your way and I go my way. We try and we cannot go very far because we share a common umbilical cord.

This high-level intention can lead to a cooperative and once again complementary relationship. Malaysia and Singapore must realize that they share the same future, and that mutual interest dictates that rivalry should make way for partnership and healthy competition. Therefore, it is pertinent and timely for Singapore to show reciprocity to Malaysia's overtures.[9]

Notes

1. The exchange rate used is RM3.80 for US$1.
2. National Economic Action Council, Malaysia, *Water: The Singapore-Malaysia Dispute: The Facts* (Kuala Lumpur: the Government of Malaysia, 2003).
3. The Points of Agreement proposes the relocation of Malayan Railway existing in Tanjung Pagar in south of Singapore to Bukit Timah, in the centre, and eventually to Woodlands in the north. These moves would ultimately free the Malayan Railway land in Singapore to be developed for commercial and other uses. However, the disagreement rose between the two signatories (Singapore and Malaysia) on the date in which the agreement becomes effective. As a result of the disagreement, the relocation has yet to take place.
4. *Straits Time* (Singapore), "A leaner PSA- and its Lessons for SIA", 7 January 2004.
5. See M.S. Cheong and A. Adibah, *Daim: The Man Behind the Enigma* (Petaling Jaya: Pelanduk Publication, 1995). The Singapore incorporated company was ordered into receivership on 30 November 1985. To head off panic selling that could lead to a market crash, the Singapore authorities decided to close the stock market for three days. The Kuala Lumpur Stock Exchange (KLSE) had to follow suit to avoid the dumping of shares, which were listed on both exchanges,

in the Kuala Lumpur market. It was then that Tun Daim Zainuddin, the then Malaysian Finance Minister, decided that the Exchange be spilt, thus giving it control over its own Exchange.

6. The KLSE grew and in the 1993 equity market boom, the KLSE handled unprecedented daily volumes of RM2–3 billion, surpassing even the Tokyo and New York stock exchanges in terms of volume. At its peak, KLSE was the third largest market in Asia, after Tokyo and Hong Kong.
7. It was set by two agreements, in 1961 and 1962, which will expire in 2011 and 2061 respectively.
8. S. Jayasakaran, "Malaysia-Singapore Ties — Friends Reunited: Singapore's Purchase of a Stake in Telekom Malaysia Could Herald Improved Bilateral Ties", *Far Eastern Economic Review*, 11 March 2004.
9. The following references were also used for this chapter: *Agence France Presse*, Politicians Try to Calm Trade Jitters over Malaysia-Singapore Row, 16 April 2002; *Asiamoney*, The End of CLOB no. 7 (9 September 2002), p. 6; M. Bhaskaran, *Re-inventing the Asian Model: The Case of Singapore* (Singapore: Eastern Universities Press for Institute Policy Studies, 2003); *Far Eastern Economic Review*, Malaysia — Singapore, 08/01/2004, vol. 167, no. 1 (8 January 2004), p. 11; N. Ganesan, "Malaysia — Singapore Relations: Some Recent Developments", *Asian Affairs: An American Review* 25, no. 1 (Spring 1998): 21; K.C. Lo, "Attracting and Retaining Investments in Uncertain Times: Singapore in Southeast Asia", *Urban Studies* 40, no. 2 (February 2003): 421; M. Mahathir, *The Malaysian Currency Crisis: How and Why It Happened* (Petaling Jaya: Pelanduk Publication, 2000); N. Nadzri, "Malaysia, Singapore on Talking Terms, Thanks to Abdullah's Visit", *New Straits Times* (Malaysia), 14 January 2004; K.S. Nathan, "Malaysia–Singapore Relations: Retrospect and Prospect", *Contemporary Southeast Asia: A Journal of International & Strategic Affairs* no. 2 (24 August 2002), p. 385; G.C. Tong, "Malaysia — Singapore Cooperation", *Presidents & Prime Ministers* 10, no. 1 (January/February 2001): 24.

15

SINGAPORE'S PERSPECTIVE ON ECONOMIC RELATIONS WITH MALAYSIA

Linda Low and Lee Poh Onn

The Singapore perspective of its economic relations with Malaysia premised as a pure economic thesis is that the duo is a natural economic union as shown in section 2. However, the political economy reality is the enigma of the historical baggage of the 1963 merger and 1965 exit which mires their relations as two sovereign states as section 3 will show. Whatever the issue, from water to the Malaysian Railway and immigration checkpoints, the root causes are not as critically unsolvable and impassable as the political will and mindset involving crucial personalities.[1] The case-study on the water issue in section 4 illustrates the baggage problem. Moreover, big and small brother politics and economics between Malaysia and Singapore may not be so different or unique as between the United States and Canada, for instance, except for the political union and subsequent tumultuous dissolution. Whether time will heal matters is still too soon to tell, as long as senior statesmen on both sides of the causeway who forged the merger and witnessed the divorce still influence policies and processes.

The concluding section shows that political economy realism means that the Malaysia-Singapore economic relations are at best functionally cordial, more neutered and sustainable under the Association of Southeast Asian Nations (ASEAN) and other ASEAN plus regional configurations. These

include ASEAN Plus Three (with China, Japan and Korea), ASEAN-CER (Common Economic Relations, Australia and New Zealand), ASEAN-Japan, ASEAN-US, ASEAN-Mercusor, and ASEAN-India where Southeast Asia is valued in itself as an economic package of sorts and as a political and security buffer. In truth, Malaysia and Singapore function better as part of a wider grouping or when faced with a common external threat than economic twinning, complementation, and cooperation would suggest.

TWO COUNTRIES, ONE ECONOMIC NEIGHBOURHOOD

Malaysia was Singapore's top trading partner in 1964, 1970, and 1980 for total trade and exports, first in 1964 also for imports, but second in 1970 and 1980 for imports (Table 15.1). Only in 1990 was Malaysia third to the United States' first and Japan's as second in total trade. In 2000, Malaysia was Singapore's leading trade partner (total trade, exports and exports) with the United States second. Clearly, Malaysia is Singapore's traditional top ranking trade partner though how Indonesia ranked is unknown as Indonesian trade statistics are not released by Singapore since the 1963 Indonesian Confrontation.

Table 15.2 shows Malaysia is the only Southeast Asian country source for foreign equity investment in Singapore though it has become only its tenth largest by 2001.

Table 15.3 shows Malaysia is again the only Southeast Asian investment destination for Singapore investment abroad, and ranks as the fourth largest between 1997 and 2001. The traditional proximity factors by geography, history, politics, and socio-cultural links are as strong as the economics.

With Malaysian visitor arrivals aggregated as the total from ASEAN, there is no empirical evidence that Malaysia remains the largest country source though whether daily commuters should be classified as visitors is another matter. Malaysians commute daily to work in Singapore earning Singapore wages while living in Johor at Malaysian cost-of-living.

The sharp rise in Malaysia-Singapore bilateral trade and investment by 2000 after the 1997 Asian crisis is due to a number of factors. One is the rise of direct foreign investments (DFI) via Singapore-based companies to Malaysia, with production leading to trade after a couple of years' lag. There is a close correlation between Malaysia-Singapore bilateral trade and U.S. and Japanese manufacturing DFIs to Malaysia. A second factor is the electronic cycle and inter-firm trade, from the strong upturn in 1998 and robust expansion in 2000 to the crash of the new US dot.com economy in March 2001. Electronic exports make up some 60 per cent and 58 per

TABLE 15.1
Singapore's Total Trade, Exports and Imports, with Malaysia and the United States since 1964, Selected Years, $ million/%

	Total trade				*Exports*				*Imports*			
	Malaysia		*United States*		*Malaysia*		*United States*		*Malaysia*		*United States*	
	$m	*%*	*$m*	*%*	*$m*	*%*	*$m*	*%*	*$m*	*%*	*$m*	*%*
1964	2,136.3	34.2	309.7	5.0	1,159.4	41.8	116.5	4.2	976.9	28.1	193.2	5.6
1970	2,443.2	19.9	1,342.1	10.9	1,039.7	21.9	527.3	11.1	1,403.5	18.6	814.8	10.8
1980	13,333.6	14.3	12,509.2	13.4	6,218.0	14.8	5,272.0	12.7	7,115.6	13.6	7,237.2	14.1
1990	27,412.0	13.4	37,826.0	18.5	12,449.0	13.1	20,246.0	21.3	14,964.0	13.7	17,581.0	16.0
2000	82,589.2	17.6	75,906.7	16.2	43,189.8	18.2	41,188.9	17.3	39,399.4	17.0	34,717.8	15.0
2003	77,200.1	16.3	64,520.3	13.6	39,672.4	15.8	33,460.1	13.3	37,527.7	16.8	31,030.2	13.9

Source: Singapore Department of Statistics, http://www.singstat.gov.sg

TABLE 15.2
Top 10 Country Sources of Foreign Equity Investments in Singapore
($million stock at end of 2001)

	1998	*1999*	*2000*	*2001*
US	22,976	24,791	31,814	37,300
Netherlands	9,480	22,875	29,156	34,870
Japan	26,106	28,130	29,202	29,258
Switzerland	13,023	15,698	16,114	15,506
UK	17,630	11,863	8,939	14,392
Br Virgin Islands	6,567	6,713	10,975	13,518
Cayman Islands	4,561	5,178	7,007	8,071
Germany	1,950	2,125	4,230	6,274
Hong Kong	4,646	4,685	6,180	6,024
Malaysia	6,525	6,200	5,569	5,883

Source: Singapore, Department of Statistics, <http://www.singstat.gov.sg>.

TABLE 15.3
Top 8 Investment Destinations for Singapore Investments Abroad
($million stock at end of 2001)

	1997	*1998*	*1999*	*2000*	*2001*
China	10,477	12,186	14,296	15,710	16,542
Br Virgin Islands	2,901	3,993	4,848	3,714	16,072
Bermuda	1,085	1,281	2,045	3,815	12,872
Malaysia	8,908	8,610	8,517	9,754	10,413
Hong Kong	8,113	7,668	10,405	8,508	9,261
Indonesia	6,519	4,485	5,507	5,462	6,912
US	2,905	3,064	4,197	6,187	6,580
UK	7,678	3,276	3,387	4,903	5,768

Source: Singapore, Department of Statistics, <http://www.singstat.gov.sg>.

cent respectively of Singapore and Malaysia's total exports. A breakdown of Singapore's re-exports to Malaysia shows a marked increase of more than 70 per cent in integrated circuits, parts of data processing machines and peripherals, parts of diodes photocells transistors (used in telecommunication equipment), and printed circuit board assembly for use in personal computers. Re-exports of capacitors and transistors rose too with strong demand for DRAM chips, handsets, and other consumer electronic devices. The strong

growth in bilateral trade reflects the trade flow of intermediate and capital goods from the United States, European Union (EU), and Japan to Malaysia via Singapore. The third factor is oil exports over and above domestic exports in electronic and information technology sectors. Higher oil prices and demand mean petroleum-related products account for some 15 per cent of domestic exports to Malaysia.

Thus, production-based integration through DFIs and MNCs, especially in electronics, has irrevocably tied Malaysia and Singapore together. Intra-firm subcontracting and other cooperative arrangements combine economies of scale with flexibility and time-to-market efficiency. Mutually beneficial arrangements and integration have defied the politics for so long since both Malaysia and Singapore are mindful of the economics and markets at work.

THE ENIGMA AND CHALLENGE OF BILATERAL ISSUES

A preamble to take stock of Malaysia-Singapore bilateral relations should start with Prime Minister Goh Chok Tong's agreement with Prime Minister Mahathir's proposal to resolve outstanding issues, including long-term water supply,[2] as a package, at the end of 1998. Other contentious bilateral issues include the relocation of customs, immigration, and quarantine checkpoints from the Tanjong Pagar railway station which is technically on "Malaysian" soil being Malaysian Railway's terminal in Singapore; and East Malaysians being allowed to withdraw their Central Provident Fund (CPF) savings while West Malaysian are not able to do so until they are 55 as they come back and forth across the causeway for employment in Singapore. By 2003, Singapore's reclamation at Pulau Tekong and Tuas entered the foray as it was alleged to be "a land grab at sea" and damaging to the Malaysian marine and coast environment.[3] Bilateral relations reached an ebb, reminiscent of the situation in 1998, following remarks made by Lee Kuan Yew about Johor in a defamatory civil suit against an opposition party member during the 1997 general election.[4] That stirred tempers and sentiments reminiscent of the 1965 post-separation period. From time to time, comparisons made on the welfare of Malays on either side of the causeway have led to serious, defence and rebuttals that Singapore's meritocracy policy was adverse to the Malays' special rights. The separation was clearly due to personalities and political differences, especially when the People's Action Party (PAP) championed a meritocratic "Malaysian Malaysia", which was seen as countering the *bumiputra* policy of positive affirmation.

The enigma lies with two economies being in the most intimate propinquity in geography, history, socio-culture, and economics, but not

in politics. The British legacy includes a common law legal and regulatory system and the English language, even though Singapore uses it in commerce, business, science and technology and day-to-day affairs more than Malaysia, which cultivates its bahasa. Singapore has traditionally been an entrepôt and its small, city-state macroeconomics basically departs from Malaysia's macroeconomics with different levels of both growth and development registered and in their industrial structure. With its rich natural endowments, Malaysia has a competitiveness based on comparative advantage while its policy-induced competitive advantage affects manufacturing and services. Both Malaysia and Singapore have state-led institutions, processes, and policies driving industrialization more than laissez-faire market forces. However, Singapore's macroeconomics begins to depart, and may even be diametrically opposed to Malaysia's more protectionistic approach, which is in deference to its *bumiputra* policy and makes ethnicity and politics more central than economics.

However, as Malaysia became more open to trade, DFIs and MNCs, its ramp up high-technology manufacturing and services, as shown in its multimedia supercorridor, was either consciously or unconsciously mimicking Singapore's strategies and policies. Nationalism and head-on competition cannot be discounted when Tanjong Pelapas won over two of the Port of Singapore Authority's (PSA) largest port and freight conference customers, after Kuala Lumpur International Airport gave Changi Airport a run for its hub status. Penang has already challenged Singapore's electronics cluster in so far as intra- and inter-firm trade and re-exports have also grown with U.S. and Japanese manufacturing DFIs flowing to Malaysia as noted above. In turn, the hollowing out of Penang-based electronic firms to China will not have this transnational feedback loop and both Malaysia and Singapore may lose.

The point is, economic twinning and complementation make more economic sense for Malaysia and Singapore than rivalry does, especially when they are driven by political-economic rationale. As a pair of ASEAN's foremost newly-industrializing economies, the duo should join forces in areas ranging from information communication technology to health and education service exports. The common-sense approach is to agree to disagree on basic national fundamentals and values, and not let these distract them. It would be even better if they could inspire Thailand and the rest of the ASEAN members to make the ASEAN Economic Community a reality by 2020. On one level, the immediate common threat may be China and India rather than each other in ASEAN.

However, the irony is that Malaysia and Singapore relations have always been bilateral rather than at the ASEAN level. As ASEAN Plus Three proceeds,

the gap between ASEAN and China will be narrowed, as would an ASEAN-India free trade agreement, which makes a tighter ASEAN unit imperative. In other words, Malaysia and Singapore are non-exemplary and distract more than gel the region to be internationally competitive. It is noteworthy that the 2003 World Competitiveness Report has decided that regions matter as they are the new players in international competitiveness. Regional economies are included in the rankings as they develop a different profile from that of countries, implying that the regional approach has become another dimension in the management of their global competitiveness. This is consistent with regional crossborder production networks and new regionalism, which have even gone cross-regional.

Instead, Singapore's regionalization policy since 1993 is to encourage Singapore-based firms and Singaporeans to tap into areas beyond traditional ASEAN countries, such as the Indochinese states, China and India. Both push and pull factors are at work. As noted, Singapore's more open macroeconomics strategy is in contrast with the more inward-looking industrialization of both Malaysia and Indonesia, due to ethnic politics and distribution concerns and the larger domestic bases both for resources and markets. Acrimonious bilateral relations do not help as Singapore rightly or wrongly made the Suzhou industrial parks its regionalization flagship project instead. As a top globalizer, Singapore has changed track somewhat by going beyond the traditional growth triangle concept made with Johor and the Riau Islands and establishing similar industrial parks on a much larger scale and scope in China, India, and Vietnam.

Diversification goes as far in its many bilateral free trade agreements signed with five Organisation for Economic Cooperation and Development (OECD) economies, namely, New Zealand, Japan, European Free Trade Association (Switzerland, Iceland, Liechtenstein, and Norway), Australia, and the United States. It is in negotiations with Canada, Mexico, Korea, Jordan, Sri Lanka, Pacific Three (Singapore, Chile and New Zealand) as well as under the China-ASEAN FTA to expand markets and connect partners.[5] After its initial opposition, Malaysia has begun to pursue its own bilateral free trade agreements starting with Japan. Singapore's "promiscuity" has changed the ASEAN mindset about multilateralism under the World Trade Organisation (WTO), which is now seen as the only track to trade liberalization since new regionalism extends beyond tariff liberalization to non-tariff barriers. The momentum under ASEAN Plus Three, ASEAN-CER, ASEAN-Japan, ASEAN-US, ASEAN-Mercusor, and ASEAN-India has also strengthened the multi-track argument.

These developments may bring about a stronger outward-oriented approach for Malaysia as it catches up with globalization, information communication technology, deregulation and tapping the new knowledge-based economy. With some convergence in the policy mindset between Malaysia and Singapore, bilateral relations may benefit from the outlook and approach towards a more realistic problem solving of bilateral issues. International competitiveness means Malaysia will increasingly adopt benchmarking and best practices. The convergence may exact some price in rivalry and competition as both Malaysia and Singapore pursue DFIs and MNCs in high-technology areas. But if this can be further sculpted towards cooperative competition rather than a zero-sum game strategy, the duo will be more dynamic and resilient. The underpinning factor, however, remains politics. The political economy of acrimonious bilateral issues has to be tempered and checkmated by market forces, be they from DFI and MNCs in terms of globalization and technology pressures, or from within as domestic businesses realize they bear the cost of querulous politicians. The market can be the only true honest broker in helping the two parties to see a way through, as neither ASEAN nor other bigger powers want to interfere in such a "domestic" quagmire.

As Malaysia, under the new administration of Abdullah Badawi, deepens the connectivity between bilateral quarrels and the challenges of new regionalism and globalization, Singapore must also put in efforts to respond less arrogantly and without the diffidence that its sovereignty is being challenged. It takes two hands to clap and the so-called four-eyes meetings between Lee and Mahathir have not quite produced the desired harvest or closure of outstanding issues. As a personality change may be discerned in Malaysia, the new generation of leaders in Singapore must also be given more autonomy to break new grounds to resolve the bilateral stalemate creatively.

THE WATER CASE STUDY

It cannot be understood how a new agreement on the pricing and supply of water would seem "impossible" to work out. Yet, as the dynamics of the Singapore-Malaysia baggage relationship would indicate, the ongoing process of negotiating on price (present and future) and future supplies has been tedious and drawn out, with no resolutions emerging even after years of negotiations between the leaders. Since their separation in 1965, it has often been argued that water is the trump card that has been used by Malaysia to coerce Singapore into complying to its demands. Singapore is presently still dependent on Malaysia for its water supplies (around 50 per cent of its

daily water requirements is sourced from Johore), although this is likely to change in the coming years with the introduction of recycling (NEWater) and desalination of water in Singapore. Singapore would like to be independent and remain sovereign; however, its present dependence on Malaysia for water is one factor that is a thorn in its flesh.

Since historical times, the only form of surety that Singapore has had that Malaysian water supplies are assured (at agreed quantities and a fixed price) is through the 1961 and 1962 water pacts. Understandably, it is not difficult to hazard a guess as to why Singapore would like to have this form of assurance continued beyond 2061 when the second water and final pact expires for good. Cost-effective and life-sustaining water supplies from Malaysia have been a constant throughout these years in spite of the political vagaries and upsets between Singapore and Malaysia from time to time.

Malaysia, on its part, and for the longest time, has been stating that the current water pacts have made it hostage to an "unfair" pricing deal for water. Mindful of this "blunder" committed in the past, Dr Mahathir understandably does not want history to repeat itself, and Malaysia to make the same mistake of losing out in terms of economic gains from a higher price for water.

From this perspective, it is not difficult to see why Malaysia has had hesitations and about-turns in committing itself to a new water pact. Understandably too, this shifting of goal posts is in part strategy used in negotiations, in part distrust, rivalry, and animosity carried from the past, and in part the personalities of the politicians involved in the negotiations.

This may be the reason nothing substantive has emerged in terms of a new water agreement between Singapore and Malaysia over the years. Drawn into this complex negotiation process is the call by Malaysia to revise not only the future, but also the current price of raw water agreed on in the current water pacts, and to backdate these revisions to 1986 and 1987, and Singapore's refusal to do so if such revision is not undertaken in the context of resolving a package of bilateral issues, including a formal guarantee by Malaysia that water will be supplied for another 100 years after the expiry of the 1962 Water Agreement.

Since the mid 1980s, Malaysia has always stated that it wanted the low price of 3 sen per 1000 gallons of raw water agreed upon in the 1961 and 1962 Water Agreements to be revised upwards. Little progress in negotiations was made until senior minister Lee Kuan Yew met Mahathir in August 2000 to agree on, *inter alia*, the current and future water supplies, Malaysia's proposal for a new bridge to replace the causeway, the relocation of the train station from Tanjong Pagar to Kranji, and a joint electronic card for immigration clearance. Both Senior Minister Lee and Prime Minister Mahathir then

agreed that Malaysia would supply 350 million gallons per day (mgd) of raw water to Singapore up to the year 2061, at a premium of 50 per cent of the interstate raw water levy that Johore charged Malacca (which worked out to be a payment of 45 sen per 1000 gallons). After 2061, Malaysia agreed to supply 150 mgd of raw and 200 mgd of treated water to the Republic, with the price of raw water set at the same formula of a 50 per cent premium over the Malaysian interstate raw water levy. For treated water, the price formula in the 1990 Agreement will be used.[6] The treatment of raw water is intended be a joint venture between Singapore and Johore entities.

In February 2001, Prime Minister Mahathir wrote to Senior Minister Lee saying that the price of raw water charged to other Malaysian states cannot form the basis for determining the price offered to Singapore as there are elements of subsidies in this pricing structure. The Johore State Government had pressed for an even higher price which was subsequently moderated by Dr Mahathir to 60 sen per 1000 gallons, with a five-yearly review of its price. Although no formal agreement for water after 2061 had been reached, Mahathir said that Johore was prepared to supply Singapore with 250 mgd of treated water and 100 mgd of raw water. In September 2001, Senior Minister Lee and Dr Mahathir met up for talks which resulted in a broad agreement to resolve several issues in one package.[7] Singapore agreed to increase the price that it was paying Malaysia for raw water under this package deal, thereby showing itself prepared to make a departure from what has already been set in the existing water pacts of 1961 and 1962. Singapore agreed to increase the price from 3 sen to 45 sen for raw water supplied under the current water pacts, although Singapore was not legally obliged to do so. This offer was also made good in return for assured supplies of water from Malaysia after 2061.

In 2002, these two issues dragged on and off with the water price raised to 60 sen and up to RM6.25 per 1,000 gallons for current raw water.[8] In early 2002, the Singapore Government finally agreed to the 60 sen pricing on two conditions. First, that this price will only be charged after the expiry of the current water pacts, and that five year reviews will only be for adjustments in inflation. Shortly thereafter, Malaysia wanted a new pricing structure: 60 sen for 1000 gallons up to 2007, RM3.00 from 2007 to 2011, and from 2011 onwards, RM6.25, the benchmark price which Hong Kong pays Guangdong for water.

Singapore counter-offered and Prime Minister Goh Chok Tong wrote to Dr Mahathir suggesting that water could be priced at a percentage of the production costs of Singapore's alternative sources of water. Malaysian politicians alleged that Singapore was using NEWater as a ploy to make

Malaysia accede to its demands for a lower raw water pricing structure. Then, in October 2002, Malaysia's Prime Minister wrote to Singapore stating that negotiations over water was to be delinked from other bilateral issues, and negotiated separately. This threw the whole negotiation process into disarray, forcing the Singapore Government to withdraw all concessions discussed between Senior Minister Lee and Prime Minister Mahathir in 2001.

Subsequently, Singapore reiterated that Malaysia did not have a legal basis to revise the price of raw water after 1986 and 1987 (twenty-five years after the 1961 and 1962 Water Agreements respectively), and that it would only consider price reviews as part of a bilateral package. In the October 2002 meeting, Malaysian officials insisted that it still had the legal right to revise prices in 2002, and to backdate prices to 1986 and 1987. In terms of a new agreement for supplying water after 2061, Malaysia stated that negotiations for such an agreement only needed to begin in 2059, two years before the expiry of the 1962 water agreement. The idea of bringing up the water issue for arbitration, mooted earlier in September, was brought to the forefront as a means to resolve the current deadlock. Malaysia called off negotiations in December 2002, and pressed for arbitration. Singapore's Foreign Minister, Professor S. Jayakumar, accepted Malaysia's decision to go for arbitration, and stated that arbitration might help both countries to clear the impasse over water and move on to other issues.

Singapore has insisted that the water dispute is not about money, but is rather an issue of sovereignty and honouring present water agreements. Any revision in prices must clearly follow either what has been set in the existing water pacts, or through mutual agreement by both parties, to do so. From April to July 2003, both governments released booklets and websites to bring awareness to their people as the media joined in the diplomatic melee.[9] The outbreak of severe acute respiratory syndrome (SARS) did not help as the Malaysian media carried reports claiming Singapore allowed SARS cases to enter Malaysia. Arbitration seemed the way to go between Singapore and Malaysia until the new Prime Minister Datuk Abdullah Badawi came onto the scene. In January 2004, Malaysia's Prime Minister expressed the view that both Malaysia and Singapore should engage in bilateral talks instead of arbitration to resolve the deadlock in the present water negotiations. Subsequently, both prime ministers have now agreed to resolve issues through negotiations, where such matters have not already been sent for arbitration, as in the case of Pedra Banca.

Malaysia's argument revolves around the arithmetic and computation of how 3 sen per gallon of raw water sold by Malaysia to Singapore under current agreements is sold at RM15.06 after treatment, notwithstanding that it is

Singapore's means of water conservation for Singaporeans. From Malaysia's viewpoint, the Public Utilities Board generates immense profits and surplus. Singapore considers the water agreements as solemnly guaranteed in the 1965 separation agreement lodged with the United Nations, and are a sovereign matter, not about money, though it accepts price revisions with the right formula, rather than when revised at the will or dictate of Malaysia. With NEWater, Singapore's bargaining power may be enhanced in that it now has an alternative supply of and offers Malaysia competition for, imported raw water. However, Malaysia has also seen the ground for setting the ultimate pricing formula to include such high-technology manufactured water costs since Singapore produces and sells water domestically and as bunker supply both at one price.

POLICY IMPLICATIONS

Whereas traditional and historical links are the basis of trust and credibility in foreign economic relations, Malaysia-Singapore relations have proved to be the exception. If Indonesia-Singapore relations can be improved since the 1963 Confrontation between Lee Kuan Yew and Suharto, then it may be deduced that the same cannot be said of Lee and Mahathir. However, Malaysia-Singapore relations may not be as irreparable as deemed, because personality and politics have to give way to the stronger competitive dictates of globalization, information communication technology, and the general forces of the market. Both Malaysia and Singapore are globalized economies, reliant on DFIs, MNCs, and technology from abroad. The economics and competitiveness of the two nations as an exemplary duo bilaterally and within ASEAN, will be far more persuasive than with them as a querulous pair, no matter how *sui generis* are the grounds, be it water or customs, immigration and quarantine issues.

The argument is stronger if regionality matters in international competitiveness and ASEAN needs the pair for Southeast Asia to gain some ground relative to China as the anchor tenant in Northeast Asia. Since international terrorism plagues Southeast more than Northeast Asia, and security and transaction costs weigh heavily in foreign investors' considerations, ASEAN as a region has to compensate harder in other ways. Malaysia and Singapore with their respective competitiveness and edge in their own rights, will prove a more effective duo if they combine forces and energies. They may incorporate Thailand to become a more dynamic trio leading the rest of ASEAN if their leaders are of the same mindset in developmental and competitiveness terms. Malaysia and Singapore are strong in terms of

infrastructure, legal and regulatory frameworks, even banking and monetary stability, despite Malaysia being hit by the Asian financial crisis in 1997. Both are English-speaking economies with a British legacy in administration and management in both the public and private sectors. They should take advantage of the fact that Southeast Asia is seen as a strategic buffer and partner by many big economies and powers, offering free trade arrangements with ASEAN.

The economic prospects in both Malaysia and Singapore as they go forward into their respective next stage of industrialization, including servicization, are likely to make them even more open, as they trade and grow with the global economy. Both are maturing and trying to be more innovative and creative in the changed global and technological landscape. There is no reason to assume a zero-sum game strategy in working side-by-side when a positive-sum game can be crafted. The common external threats of international terrorism, including maritime security and piracy, or contagious diseases, ranging from SARS to bird flu, have proved that cooperation is the better part of valour. The new generation of leaders should keep to this positive-sum focus and objective. As both Malaysia and Singapore claim to be pragmatic and flexible, they should see a way through to marginalize the histrionics of history, personality, and politics.[10]

Notes

1. This chapter will not go into the historical details and rhetoric as both governments make their respective cases to their constituencies. The bibliography offers a sample of some of these works and websites.
2. Two existing water agreements expire in 2011 and 2061.
3. The International Tribunal for the Law of the Sea rules against Malaysia in 2003 (*Business Times*, 9 October 2003). There is another long-standing dispute between Malaysia and Singapore over the Horsburgh Lighthouse and Pedra Branca.
4. Lee subsequently apologized for his remarks about Johor as unsafe with "mugging, smuggling and car-napping" in connection with the opposition party member "hiding" there.
5. See Linda Low, "Policy Dilemmas in Singapore's RTA Strategy", *The Pacific Review* 16, no. 1 (February/March 2003): 99–127; and Linda Low, "Multilateralism, Regionalism, Bilateral and Crossregional Free Trade Arrangements: All Paved with Good Intentions for ASEAN?", *Asian Economic Journal* 17, no. 1 (March 2003): 65–86.
6. The price should be at either the weighted average of Johore's water tariffs, plus

a premium of 50 per cent of the surplus of the sale of this water by PUB to consumers in Singapore, and after deducting Johore's water price and PUB's cost of distribution and administration. Alternatively, treated water could be priced at 115 per cent of the weighted average of Johore's water tariffs; whichever is higher.

7. In principle, Singapore has agreed to allow Malaysia to site their customs and immigration checkpoint at Kranji, although this runs counter to international law and practice. Malaysia was also given an extra twelve plots of land in Bukit Timah in compensation for the present Malayan Railway land. Singapore has also agreed to allow West Malaysians to withdraw their CPF after they have ceased working in the Republic. Singapore acceded to Malaysia's request to build a tunnel to link a newly electrified rail service to the Kranji station in Singapore, and to construct a new bridge to replace the current causeway (*Straits Times*, 15 September 2002). The tunnel proposal has, however, been discontinued.
8. Malaysia invoked the Hong Kong formula of RM6.25 per 1,000 gallons paid to China. Singapore has, however, repudiated this price. Unlike Singapore, Hong Kong has not borne any of the expenditure in building the infrastructure and pipelines. Singapore, on the other hand, has absorbed all the costs of building the infrastructure in Johor and has borne the costs of operating the dams, pipelines, plant, and equipment.
9. In response to Singapore's Ministry of Information, Communication and the Arts publication in March 2003, "Water Talks? If Only it Could", Malaysia's National Economic Action Council (NEAC) took out full-page advertisements in local newspapers and the *Asian Wall Street Journal* from 14 July to 20 July 2003, and subsequently also published a booklet, "Water: The Singapore Malaysia Dispute" in the same month, which portrayed Malaysia as the aggrieved party. Any closure also became hard, as Singapore's Ministry of Information, Communications and the Arts later reacted with an advertisement in the *Asian Wall Street Journal* on 25 July 2003 and five Malaysian dailies on 28 July 2003. Interestingly, the NEAC carried a point-by-point rebuttal immediately after these Singapore advertisements, fuelling speculation on how Malaysia had come to know about these advertisements in advance.
10. The following references were used for this chapter: Abdullah bin Haji Ahmad Badawi, *Malaysia-Singapore Relations* (Singapore: Times Academic Press for the Institute of Policy Studies, 1990); http://www.mfa.gov.sg; http://www.neac.gov.my; Azizah Kassim and Lau Teik Soon, eds., *Malaysia and Singapore: Problems and Prospects* (Singapore: Singapore Institute of International Affairs, 1992); Kog Yue Choong, Irvin Lim Fang Jau and Joey Long Shi Ruey, "Beyond Vulnerability?: Water in Singapore-Malaysia Relations", IDSS monograph no. 3 (Singapore: Institute of Defence and Strategic Studies, Nanyang Technological University, 2002); Low, Linda and DM Johnston, eds., *Singapore Inc.: Public Policy Options in the Third Millennium* (Singapore: Asia Pacific Press, 2001);

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