

CHAPTER 2

Malaysia's Security Outlook and Challenges

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Introduction

Traditionally, Malaysia's security threats have emanated from within. From the early 1950s until the signing of the peace accord between Malaysia, Thailand and the Communist Party of Malaya in 1989, the threat of communist insurgency loomed large and was the primary focus of Malaysia's armed forces. The strategic outlook in the post-Cold War era, however, has become much fuzzier —and perhaps more peaceful. As the armed forces transformed themselves from a counter-insurgency platform to a conventional military, Malaysia was faced with the peculiar luxury of preparing to counter an enemy that, for all practical purposes, does not exist. Theoretical "enemies" abound but with the retreat of the "Red Tide," Malaysia does not face an imminent military threat from surrounding states. Thus, it is not surprising that Malaysia has one of the smallest militaries in the region (see Table 1). Malaysia continues to engage the armed services around the region in a myriad of collaborative activities, ranging from joint exercises to military exchange programs.

Regional cooperation is one of the three main principles of the nation's defense. Malaysia does not have an alliance or party to any military pact. It is party to the Five Power Defence Arrangements (FPDA) —involving Australia, New Zealand, Singapore and the United Kingdom— which is a consultative body and continues to serve as an important platform for the five nations to conduct confidence building measures, as well as programs to improve combat readiness and training. Malaysia's approach to security can be best described as "omni-directional," placing emphasis on "security for" as opposed to "security against." In this regard, Malaysia has and will continue to build linkages and establish frameworks to resolve conflicts without the use of force and use military forces for the common good (humanitarian assistance, disaster relief and peacekeeping). Malaysia pursues its security goals through internal balancing and multilateral organizations or arrangements such as the ASEAN Security Community, the EAC and the United Nations. Given that engagement with the United Nations is one of the pillars of Malaysian foreign policy, the Malaysian armed forces are active and regular participants in UN peacekeeping operations (PKO).

This paper is divided into three sections. In the first section, the paper presents an overview of Malaysia's strategic outlook and posits that the outlook is one of cautious optimism and that the management of major power relations (and rivalries) is key to the stability of the region. The second section outlines Malaysia's security challenges, viz, territorial disputes, the protection of the nation's Exclusive Economic Zone, the safety of the Sea Lines of Communication and environmental security. The last section of the paper briefly explores the budgetary constraints and its impact on the Malaysian Armed Forces.

Table 1: Size of Militaries in East Asia

Country	Total
Brunei	7,000
China	2,185,000
Indonesia	302,000
Japan	230,300
Laos	29,100
Malaysia	109,000
Myanmar	406,000
North Korea	1,106,000
Philippines	106,000
Singapore	72,500
South Korea	687,000
Thailand	306,600
Vietnam	455,500

Source: IISS, *The Military Balance 2009*. London: IISS

Overview of Malaysia's Strategic Outlook

Malaysia's regional strategic outlook is one of cautious optimism. Nested within the dense cooperative framework of the Association of Southeast Asian Nations (ASEAN), Malaysia is confident that disputes involving member states will not erupt into an outbreak of large-scale conflicts. The Treaty of Amity and Cooperation (TAC) embodies ASEAN's commitment to resolving conflicts without the use of force. Save for the ongoing dispute between Thailand and Cambodia on the Preah Vihear temple,

ASEAN states have a good and long-standing record of resolving conflicts peacefully. Similarly, there is no expectation that a major war would break out in the region involving Malaysia in the near future. The Cold War rivalry had given way to a period of engagement and reconciliation between the erstwhile former antagonists. It is also notable that all the major powers — China, India, Japan and the US are party to the TAC. Even North Korea has acceded to the Treaty. To be sure, regional stability and security cannot rest squarely on a political commitment. Notwithstanding the Zone of Peace, Freedom and Neutrality (ZOPFAN), Malaysia is not averse to bilateral security arrangements and treaties. In fact, the myriad security arrangements the US has with regional partners is seen as a stabilizing factor. US security commitment and strategic engagement in the region is the lynchpin of regional security and in many ways helps to dampen the security dilemmas between Malaysia and its regional neighbors. More importantly, the US security engagement is a hedge against possible aggrandizement designs of the region's other major powers.

From the vantage point of Malaysia, the region is relatively peaceful and is absent of any imminent clear and present danger. The military threat, although impossible to rule out, is minimal. China's sustained military buildup, however, merits an examination. The Chinese military budget grew by 14.9% in 2009, compared to 2008, marking a consistent effort by China to upgrade and modernize the People's Liberation Army (PLA). According to calculations by the International Monetary Fund (IMF), growth for military expenditure outpaced GDP growth. From 1996 to 2006, China recorded an average GDP growth rate of 9.2% (adjusted for inflation), compared to 11.8% for military expenses. China's defense budget does not tell the full story of the development of the PLA as these figures do not include expenses for strategic forces and paramilitary forces, foreign military acquisitions, military-related research and development. The Stockholm International Peace Research Institute (SIPRI) lists China's military expenditure second only to the US (2008). Malaysia does not view China as a threat and thus does not see a need to balance against the Chinese military buildup.

Of interest to Malaysia, however, is the development of Sanja on the island of Hainan as a major naval base, including facilities for strategic submarines (SSBN Jin-class) and major surface ships. China is a maritime nation and has legitimate reasons to strengthen its force projection capabilities, and this effectively changes the balance of

power in the South China Sea. Malaysia is not in a position to challenge — nor does it have any inclination of doing so — China's naval supremacy in the South China Sea. It is, however, concerned with the ramifications of the naval buildup vis-à-vis the US and other major powers. The March 2009 incident involving five Chinese boats and the USNS Impeccable did point out to the potential problems of two major military powers operating within a confined and strategic area. India's interests in establishing strategic links with Vietnam with the objective of balancing China also raises the stake for a potential tussle of influence and power in the region. This development may increase tensions between India and the US on the one hand, and China on the other, and have an adverse effect on regional stability. Management of major power rivalries is a crucial element in regional security, and is a development that needs to be closely monitored.

Security Challenges: Upholding Sovereignty to Human Security

The security challenges faced by Malaysia are predominantly territorial in nature. Undefined or unclear land and maritime boundaries had given rise to contestation and overlapping claims, which had manifested itself in territorial disputes and intrusions in the Malaysia's EEZ. The issues of protecting the EEZ and the security of the Straits of Malacca, are in theory, one of managing and upholding the nation's sovereignty and Malaysia's ability to enforce peace and stability within its boundaries, while ensuring its exclusive access to resources within Malaysia. The large-scale threat to human security centers on the effect of transboundary haze, which had in the past demonstrated its grave impact on economic and social activities in Malaysia. These challenges would be examined in turn.

Territorial Disputes

Malaysia has a number of extant territorial disputes with its neighbors, namely: Brunei: Limbang, Louisa Reef; China: Investigator Shoal, Mariveles Reef, Swallow Reef; Indonesia: Ambalat; The Philippines: Ardasier Reef, Erica Reef, Investigator Shoal, Mariveles Reef, Swallow Reef; Thailand: Ko Kra and Ko Losin; and Vietnam: Investigator Shoal, Mariveles Reef, Swallow Reef.

The majority of these disputes centered on Malaysia's overlapping claim with Brunei, China, the Philippines and Vietnam over parts of the Spratly Islands. The Spratlys

dispute had, on two other occasions, witnessed the use of force by China. In January 1988, the PLA Navy fought off Vietnamese forces to wrestle control over the Johnson South Reef. In the exchange, Vietnam lost two naval ships. The Philippines lost control over the Mischief Reef to China in 1994 when the former was unwilling to gamble on a military confrontation with China to regain control of the reef. The scene is perhaps set for a fresh round of friction and confrontation. In May 2009, Malaysia and Vietnam lodged a joint submission to the United Nation's Commission on the Limits of the Continental Shelf (CLCS) to lay their claim over an area that extends beyond the 200 nautical miles. Earlier, the Philippines passed Archipelagic Baseline Law to reinforce Manila's claims to the Kalayaan Islands. China reacted to the Malaysian and Vietnamese submissions with a strong protest to the UN Secretary-General, while denouncing Manila's actions as "illegal and invalid." The stakes for the Spratlys are high as it is estimated by the Chinese Geology and Mineral Resources Ministry that the Spratlys contain the fourth largest reserve of oil and gas in the world — surpassing Kuwait's known reserves.

In recent years, China had been strengthening its military presence in the area, with the South China Sea Fleet, reportedly to receive the lion's share of the PLAN budget. Jane's reported in April 2008 that the new naval base at Hainan Island is equipped to berth up to twenty submarines. Along with other naval and air assets based in the Island, the PLA has the ability to undertake a major military operation to secure the Spratlys if need be. The 2002 Declaration on the Conduct of Parties in the South China Sea is impotent to prevent China from exercising the military option if it considers its national interest imperiled. The submissions of the 2009 claims and passage of a new legislation by Malaysia, Vietnam and the Philippines are at the very least, increasing the political tension among the claimants. The Spratlys is a powder-keg that may undo decades of constructive engagement between ASEAN states and China, unless handled delicately.

To reinforce and defend its claims Malaysia has maintained a military presence on the Ardasier Reef, Mariveles Reef and the Swallow Reef, to prevent what the Philippines has termed "creeping invasion." Sustaining the military outpost that is some 150 nautical miles away from the nearest airport in Labuan is a taxing endeavor and necessitates air and sea-lift capability to man and reinforce the troops in these

islands. Air and naval assets are also crucial to defending and protecting these claims in the event of any challenges by the other claimants.

The disputed claims between Malaysia and Indonesia over the Ambalat places an important strain on bilateral ties. In March 2005, the KD Renchong and KRI Tedung Naga were involved in a skirmish, resulting in minor damage to both vessels. The Indonesian government also lodged a strong protest against the Malaysian intrusion into the disputed territories. The Royal Malaysian Navy's KD Yu-3508 venture into Indonesian waters in May 2009 elicited strong reaction from Indonesia, with seven of its 30 warships put on alert. While a diplomatic solution must be found to resolve the dispute, Malaysia's extensive maritime claims put a premium on the ability of the Royal Malaysian Navy to effectively defend these claims.

The dispute between Malaysia and Brunei is not militarized and both countries are committed to resolve the dispute over Limbang through joint consultation. Similarly, the claims over the islands of Kra and Losin do not materially effect Malaysia's relations with Thailand. It is noted that some of Malaysia's territorial disputes have been militarized — with the establishment of military outposts and run-ins with the other claimants navy — but these conflicts are likely to be contained and highly unlikely to degenerate into open warfare.

Safeguarding the Nation's Economic Exclusive Zone (EEZ)

Malaysia has an extensive maritime boundary. Its Exclusive Economic Zone (EEZ) is larger than its land area (330 000km² land area vs. 450 000km²). The EEZ plays an important role in the nation's food and economic security. The fishing industry contributes between 1–2% to Malaysia's GDP. Fish is the primary source of protein for Malaysians. 60–70% of the nation's protein intake is derived from fish. This resource is, however, threatened by overfishing and the destruction of traditional fishing grounds. Vessels from Indonesia, Thailand, Vietnam and Taiwan have been known to encroach into Malaysian waters to exploit its rich fish bounty. While the number of encroachment has decreased from 1991 to 2002, the number of vessels detained have increased since 1998 (see Table 2).

Table 2: Number of Fishing Vessels Encroaching Malaysian Waters and Number of Vessels Detained, 1991–2002.

Year	Number of Encroachment	Number of Vessels Detained
1991	2,442	158
1992	2,696	96
1993	1,336	107
1994	1,122	148
1995	1,150	124
1996	1,446	113
1997	1,206	62
1998	1,616	61
1999	1,184	67
2000	890	67
2001	873	99
2002	588	112

Source: IUUF East Coast Peninsular Malaysia, p. 111.

These intrusions resulted in loss of revenue for Malaysian fishermen and the nation. Recognizing these imperatives, the Malaysian Maritime Enforcement Agency (MMEA) was established to increase the capacity to patrol and secure its EEZ, and to provide additional protection to enhance the safety of offshore oil platforms against possible terrorist attacks.

Security of the Sea Lines of Communication

Malaysia is ranked 19th among the world's top trading nations, a fact that underlines the importance of safe and unimpeded sea passage to the country. Counter-piracy has been a priority for the Malaysian armed services in the last decade. Working closely with Indonesia and Singapore, the three littoral states had effectively stemmed the rise of piracy in the Straits of Malacca. In 2004, the International Maritime Bureau (IMB) reported 38 actual or attempted pirate attacks, prompting Lloyds to designate the Straits of Malacca as a "war zone." In the first quarter of 2009, the IMB reported 102 piracy incidents worldwide and only one of them occurred in the Straits. The provision of the public good of a secure Straits of Malacca serves Malaysia's — indeed as well as other nations' — national interest. It is also important that Malaysia, in a

close collaboration with Indonesia and Singapore, successfully managed the Straits in order to ward off major power interference in the region. Recalling that in 2004, then US Pacific Commander, Admiral Thomas Fargo floated the idea of US patrols in the Straits, which was met with strong objections from Indonesia and Malaysia. Thus far, the cooperation of the littoral states — and the subsequent involvement of Thailand in the “Eye in the Sky” program — had reversed the tide of piracy in the Straits. Regardless of these successes, Malaysia continues to view the safety of the Straits as a priority.

Environmental Security: Transboundary Haze

Transboundary haze became a central issue in 1997 when uncontrolled open burning, exacerbated by the El Niño phenomenon caused significant degradation of air quality. Farmers and plantation workers typically use fire as a cheap and efficient method to clear forests and vegetation for commercial purposes. The Indonesian Ministry of Environment cautioned against open burning. Unsurprisingly, these warnings were ignored as fire is commonly used by small and big landowners to clear land, which produced haze and degraded air quality. Nevertheless, the haze is a temporary phenomenon and would usually clear with the advent of the raining season in September. Instead of rain, El Niño prolonged the dry season and set in motion the haze problem throughout Indonesia and beyond:

The use of fire for land clearing is not restricted to Kalimantan and Sumatra — and fires were reported from 23 of Indonesia's 27 provinces in 1997–98 — but the large number of fires set on those massive islands by plantation firms and government projects clearing tens of thousands of hectares at a time produced enough smoke by July to create a blanket of haze that spread hundreds of kilometers in all directions.¹

Transboundary haze is not a new problem, with at least five other serious cases (1982–3, 1987, 1991, 1994, and 2006) in the last quarter of the century. The extent and devastation wrought by 1997 sets it apart from other antecedents.

¹ Barber, Charles Victor and Schweithelm, James, “Trial by Fire: Forest Fires and Forestry Policy in Indonesia's Era of Crisis and Reform” in Matthew, Richard, Halle, Mark & Switzer, Jason (Eds.) *Conserving the Peace: Resources, Livelihoods and Security* (Winnipeg: International Institute for Sustainable Development, 2002), p. 129.

The forest fires of 1997 coupled with the haze had a devastating effect on flora and fauna. Sumatra and Kalimantan — areas where the hazard was most pronounced — are home to several endangered species like the orangutan and the Sumatran tiger. The widespread burning of the forests completely disrupted the support system and habitat for these and many other wildlife. Together with the destruction of plants and fragile ecosystem, the cost for the fires and haze could be immeasurable.

To be sure, the El Niño phenomenon was a catalyst and amplified the degree of environmental degradation but it was not the cause of the 1997 fire forest and the resulting haze. Fault lies squarely in the hands of irresponsible and short-sighted parties. Narayan Sastry explains:

The forest fires in Southeast Asia in 1997 was entirely man-made. The main reason for setting fires was to clear the land for vegetation — either primary growth forest or overgrowth — for shifting agriculture, plantations, or transmigration-program settlers. Fires were often used to resolve land disputes and, in particular, to drive off settlers. Although the fires were originally blamed on slash-and-burn farmers, examinations of satellite images have shown that large plantation companies, many with ties to the Suharto government, used the fires to clear vast areas of land.²

Sastry's analysis points to a larger and systemic problem associated with forest fires and haze. That the fires were set off by small bands of farmers practicing traditional method of farming — slash-and-burn — is irrefutable. Nevertheless, the impact by systematic and large scale clearing of land by plantations companies takes the problem beyond the social realm. Fires were not accidental but instrumental and purposive acts to enhance financial gains. Not only has the rampant acts of degradation threatened and destroyed the imbalance of the ecosystem, it had undermined the harmonious relationship forged between societies that had co-existed with nature and relied on the jungle for their livelihood. The destruction of the forests robs these communities of their heritage and culture, forcing them to flee and perhaps even to abandon the lifestyles of their forefathers. The cost of the forest fires and haze runs in the billions and has a negative impact on human security.

² Sastry, Narayana, "Forest Fires, Air Pollution, and Mortality in Southeast Asia," *Demography*, Vol. 39, No. 1 (February 2002), pp. 2–3.

Estimates by the World Wildlife Fund (WWF) on the opportunity cost of resources lost to the countries affected provide a sobering picture of the stakes involved: Malaysia could have financed all of the federal government's social programs for the last three years out of the resources that is lost to the fire and haze.³ Transboundary haze is not merely an environmental issue. Its ramifications go beyond clean air and protecting wildlife and fauna. Even as the flames of the 1997 fires are put off, the citizens of the affected countries continue to shoulder the burden of our mismanagement of environment, in terms of lost opportunities and incomes that would otherwise derived from the devastated jungles and forests. Fortunately, a repeat of the extent of the 1997 fires did not materialize. Nevertheless, the threat of haze looms large over the heads of Malaysians every year. In the dry season last year, a total of 47 hotspots were recorded in Sumatra and as in previous seasons, the haze found its way to Malaysia. In Kuala Lumpur visibility dropped to as low as 5,000 meters, and 2 of the 51 of the reporting stations monitored by the Malaysian Department of Environment registered unhealthy readings. ASEAN, through the Transboundary Haze Agreement which came into force in 2003 had initiated a framework to manage transboundary haze. However, without the concurrence and participation of the key state — Indonesia — this agreement has yet to fulfill its full potential.

Funding Security in Times of Economic Downturn

The defence budget, which accounts for 6.6% of the overall budget, is the fourth largest allocation in the 2009/2010 budget, after education, higher education and health. The global financial crisis had a significant impact on defence expenditure as the 2009 defence budget fell below that of 2007, with a contraction of 10.46% compared to the corresponding year. The development portion of the budget — used for procurement, spare parts and maintenance was slashed 50% from RM4,681 million in 2008 to RM2,351 million in 2009. At the time when the budget was presented to Parliament, the Royal Malaysian Air Force (RMAF) was allocated RM1.613 billion to procure 18 SU-30MKM and 12 utility helicopters to replace the aging fleet of Nuri. Three months later, the government postponed the planned purchase of the Eurocopter EC-725 Cougar citing financial constrains.

³ Severino, Rodolfo C. *Southeast Asia in Search of an ASEAN Community: Insights from the former ASEAN Secretary-General* (Singapore: ISEAS, 2006), pp.108–109.

The Royal Malaysian Navy experienced a similar letdown in not obtaining the green light to purchase six additional Kedah-class Offshore Patrol Vessel and two Lekiu-class frigates.

Table 3: Defence Budget, 2005–2009

	2005	2006	2007	2008	2009
Operating	7,751	8,451	9,547	9,840	10,650
Development	4,065	4,106	4,082	4,681	2,351
Total	11,816	12,557	13,629	14,521	13,001
% Increase	—	6.27	8.53	6.54	-10.46

The prognosis on the state of the global economy for 2010 is less than encouraging, with detractors even pointing to a “double dip” and even the most optimistic analysts would indicate a mild recovery, it is highly unlikely the development cost of the defence budget would increase. This effectively means that big item arms purchase such as the Eurocopter and Lekiu-class frigates are unlikely to be funded. To confound matters, the Royal Malaysian Air Force announced the decommissioning of its MiG-29N fleet in 2010 and is considering a multi-role combat aircraft (MRCA)-type fighter to replace the MiG-29, yet again putting a strain on the Ministry of Defence’s tight budget. Without any doubt, the global financial crisis had all but halted the Malaysian Armed Forces (MAF) modernization plans, and it would be a challenge for the MAF to fulfill its missions under the specter of reduced funding.

Conclusion

The current global financial crisis is leaving an indelible mark on the MAF with several of its big item purchases postponed until such times the Malaysian economy had sufficiently improved. The RMAF urgently needs to replace its fleet of Nuri helicopters which was first commissioned in 1968 and 14 have crashed with high number of fatalities. Similarly, Malaysia’s extensive maritime expanse requires the Navy and the Maritime Enforcement Agency to mount sufficient patrols to combat piracy, human trafficking, smuggling, illegal fishing and to maintain the nation’s EEZ integrity. To be sure, the MAF’s force modernization plans need to be reviewed in the wake of the global financial crisis. Nevertheless, Malaysia is fortunate that such

drawbacks are not expected to have a major impact on the nation's security. It does not face an imminent military threat from its neighbors and beyond. At the same time, the security challenges outlined in this paper are not existential in nature, nor do they directly relate to the nation's core national interest.