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The Journal of Diplomacy and Foreign Relations (JDFR)

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Rethinking Diplomacy: Globalization, Heteropolarity and the Evolution Imperative

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ABSTRACT

The defining historical process of our times, globalization, is relentlessly conditioning, if not determining outcomes across vast tracts of human activity. In part as a result, a *heteropolar* world is emerging, one in which the sources of power and influence are based more on difference than on similarity. Diplomacy is struggling to evolve in the face of these transformative forces. Yet, none of the key elements of the diplomatic ecosystem – the foreign ministry, the foreign service or the diplomatic business model – are adapting well or quickly enough. Radical reform will be required if diplomacy is to achieve its potential as a non-violent approach to the management of international relations and global issues through dialogue, negation and compromise.¹

Keywords: Diplomacy, heteropolarity, globalization, security, science and technology.

SETTING THE SCENE

As we approach the end of 2014, and 100 years after the outbreak of World War I, the world appears unusually disorderly and unstable. In the wake of recent events, including the carnage in Gaza; Russian revanchism in Ukraine; the terrifying

¹ An earlier version of this paper appeared in the French language. See “Mondialisation, heteropolarité et l’impératif d’évolution de diplomatie” in Tanguay de Wilde d’Estimal et. al. (eds.) *La diplomatie au Coeur des turbulences internationales*. Louvain: Presses Universitaires de Louvain, 2014. Some sections of this analysis also draw upon previous work by the author.

tactics of ISIL in Iraq and Syria; Boko Haram's violent ascent in northern Nigeria; state failure in Afghanistan, Libya and South Sudan, and; the collapse of the Arab Spring, people everywhere have compelling reasons to feel uneasy. Moreover, however worrisome the recent spike in conflict worldwide, the profusion of non-conventional security challenges is even more problematic. From climate change and environmental collapse to food deficits and pandemic disease, the planet is beset by daunting, seemingly intractable problems which threaten large swathes of the population. Alarmed by everything from the spread of Ebola, to crashing equity markets, to the declining quality of their personal or professional lives, many citizens have become cynical and dismayed. Often captured by special interests and trapped in old ways of operating, national governments have for their part failed to defend the public interest. Domestic politics has in many places become dysfunctional. And when faced with international trouble, the first instinct of many policy and decision-makers has been to reach for the gun.

When your tool of choice is a hammer, everything starts to look like a nail.

With the advent of the Global War on Terror post 9/11, policy, in the memorable words of historian Hew Strachan, has become an instrument of war, rather than the reverse. Insecurity has been instilled and fears have been conjured, thus undercutting support for fundamentally different approaches to the construction of world order. The consequences have been dire, not only in places like Afghanistan, Libya and Iraq, but domestically, where rights and freedoms have been circumscribed and inequality is on the rise. Not least in the West, society itself has become increasingly militarized, and the armed forces have become the dominant institutions of international policy.

Is there another – better – way forward? I believe so, and the core of that alternative argument is this: because long-term, equitable and sustainable development has become the basis for security in the age of globalization, diplomacy must replace defence at the centre of international policy.

Unfortunately, that advice is more easily offered than implemented.

Diplomacy today matters more than ever, and it certainly warrants a closer look. One needs to look no further than recent developments regarding Burma's rehabilitation, chemical weapons disarmament in Syria or progress with Iran on nuclear issues to conclude that high-level international political communications can still produce tangible results. Yet diplomacy is in serious disrepair. Convention-ridden, rigid and disconnected, the profession is underperforming and faces a crisis of relevance and effectiveness, related mainly to its inability to change and adapt. In part as a result, diplomacy's image is decidedly negative, associated mainly with weakness, appeasement and caving in to power. And diplomats? They

are misunderstood and marginalized, perceived often as cartoon caricatures in pin stripes and pearls, hopelessly lost in a haze of obsolescence somewhere between protocol and alcohol.

The good news? That archetype of dithering dandies is inaccurate, and diplomacy's deficiencies can be remedied. Moreover, they have to be. The most profound threats facing mankind – and in my view, religious extremism and political extremism do not make the A-list – are simply not amenable to military solutions. Generals and admirals, bombs and guns have their place but in the 21st century, it should not be at centre stage. The best army cannot ensure public health. Air strikes are useless against melting ice caps. Alternatives to the carbon economy cannot be seized by expeditionary forces. Still, defence departments receive the lion's share of international policy funding, while foreign ministries struggle on the sidelines. This gives rise to serious distortions and resource misallocations, but worse still, most governments have failed to apprehend the main lesson of the Cold War.

Militaries work best when they are not used.

Take the sword out of the scabbard, and it makes a dreadful mess.

Bottom line? Security is not a martial art. Defence is about armed force, while diplomacy is about persuasion and influence. The military is both too sharp and too dull a policy instrument to treat the vexing transnational issues which are inherent in globalization and afflict us all.

To better understand how diplomacy can address the issues inherent in the emerging *heteropolar* world, a more elaborate appreciation of the impact of globalization is essential.

THE WHIRLED VIEW

How, then, does globalization work? In a complex, uneven and often paradoxical manner which gives rise to increased volatility, uncertainty and ambiguity.

The globalization age did not end, as many had predicted, with the financial crisis and Great Recession of 2008-10, or the continuing economic turbulence in the Euro-zone. Instead, it continues unabated.

Not unlike the international financial system which represents one of its constituent elements, globalization is largely ungoverned and unregulated, and its most fundamentalist supporters would do just about anything to keep it that way. The apostles of *globalism*, the doctrine of international political economy which supports and underpins globalization, worship at the altar of the marketplace.

While fewer in number than a few years ago, the members of this group advocate free enterprise, smaller government, deregulation, and the embrace of neoliberal orthodoxy, the ideology upon which globalization is predicated.

Intimately related to contemporary capitalism, globalization is a complex and totalizing force. It finds expression in integrated markets, financial and monetary interdependence and increased levels of trade and investment, travel and migration.

Globalization compresses space and accelerates time, subverting hierarchy while expediting the creation of networks. Powered by the revolution in information and communication technologies, and featuring ever-rising levels of digital connectivity, the Internet is its flagship. By de-territorializing political relationships, new communities can now be formed virtually, often in the absence of physical proximity. Just ask any Jihadi recruiter...

Globalization generates wealth, opportunity and possibility, but not for all. It spawns productive efficiency but is inherently unstable. It polarizes and widens inequality at all levels, producing winners and losers, social ferment and political fragmentation.

Globalization is a driver of economic integration, but it socializes costs while privatizing benefits. For the 1 per cent, life has never been better. Among those who find themselves on globalization's downside, however, and especially those trapped in the lower reaches of the "99 per cent", the consequences can generate anger, anxiety and resentment.

Globalization cuts all ways, simultaneously, and its centralized infrastructure is highly prone to serious disruption.

In less than a generation, globalization has erased many of the features which had defined world order in the wake of World War II. The Cold War era's division of the globe into a more or less static system of First (industrialized, market democracies aligned with the USA), Second (industrialized, "socialist" political economies aligned with the USSR) and Third (less developed commodity exporters of various political orientation) World countries has given way to a much more messy, complicated and fluid mix.

With the end of the Cold War and the beginning of the globalization age, power and influence are on the move and their sources are becoming more diverse. Much has been made of the rise of the Asia Pacific as the dynamic centre of the world political economy, largely at the expense of the North Atlantic. Less immediately obvious has been the impact of shifting power upon the nation state, which given

reduced resources and receding clout is now just one among many international actors. Globalization has opened up new horizontal spaces for making contact and collaborating, but it has eroded the traditional role of the state. As a result, power is migrating upwards, to supranational institutions, outwards, to business and civil society actors, and downwards, to other levels of government, to cities, and even to influential individuals. Private philanthropy and offshore remittances are displacing aid as primary sources of development finance.

In cultural terms, globalization has had a homogenizing effect, and until now has been closely associated with Westernization, or Americanization. Yet, this too is changing. In the not distant future, for example, I expect to see indications of a new phase of globalization. These may include the Sinification of business, trade and commercial practices, and the Indianization of a variety of trends and tastes – in music, film and food, for instance – especially in the so-called Anglosphere.

In short, globalization is transforming the world as we know it. For better and for worse, we are in the thick of it.

While notoriously difficult to encapsulate or codify, I would nonetheless venture one assertion about which I have near complete confidence. In the globalization era, the most profound challenges to human survival – climate change, diminishing bio-diversity, public health, food insecurity and resource scarcity, to name but a few – are rooted in science and driven by technology. Moreover, underdevelopment and insecurity, far more than religious extremism or political violence, represent fundamental threats to world order. In that context, the capacity to generate, absorb and use science and technology (S&T) could and should play a crucial role in improving security and development prospects.

And here we confront a central irony: while S&T, as primary drivers of globalization, can provide the remedies which contribute materially to the achievement of security and development, they can also contribute to the opposite – insecurity and underdevelopment.

In contemporary international relations, S&T is a two edged sword, bringing to the world improved hygiene and drought and disease resistant crops on one hand, global warming and weapons of mass destruction on the other.

Be that as it may, long term, equitable, sustainable and human-centred development should become a preoccupation of diplomacy in general, and of science diplomacy in particular.

Alas, such is not the case. If anything, issues such as addressing the needs of the poor and bridging the digital divide have slipped down the international

policy priority list, displaced by efforts to renew NATO, reinforce its most easterly members or forge new “coalitions of the willing” to bomb Iraq and Syria.

This strikes me as nothing short of putting out fires with gasoline. As British author and journalist Robert Fisk once famously remarked, “the only thing we ever learn is that we never learn...”

HETEROPOLIS ON THE RISE

When S&T, the new security and shifting power are whirled into the globalization mix, a model of world order something akin to a *heteropolis* emerges. Quite unlike multipolar Europe of the 19th century, or even the superpower stand-off of the 20th, in this new dispensation, the sources and vectors of power and influence among divergent and competing poles are heterogeneous, characterised by difference rather than similarity.

High-level statecraft for the past few hundred years has been concerned mainly with attempts at balancing power among countries with broadly similar resources. From the age of European empires through to the end of the Cold War, the statistical vectors of national power – armies, navies, missiles, warheads, economies, populations, territories – were carefully calculated and measured, and then balanced and formally or informally codified in an attempt to engineer stability. Numbers were important; alliances were made and treaties entered into for purposes of expressing or extending agreed balances. When imbalances arose, as they inevitably did, negotiations were reopened. If the talks failed, war usually ensued.

And so was world order, however punctuated by periods of great upheaval, fashioned.

The search for international security – from the Congress of Vienna and the Concert of Europe through the Treaty of Versailles and various arms control agreements – turned for centuries on the efforts of diplomats to calibrate power in a manner which produced a workable form of equilibrium. The ultimate arbiter in dispute resolution, and the international policy instrument of choice, was the threat or use of armed force. Metternich, Castlereagh, Bismark and Talleyrand, not to mention Churchill, Stalin and Kissinger, would all have agreed power was essentially a function of the ability to compel your adversary to submit to your will. The elusive goal was stability, and this was engineered by fine tuning relationships within and between alliances, first in a multipolar, and then, following World War II, in a bipolar system dominated by the US and USSR.

With the implosion of the Soviet Union and the advent of American unipolarity in the early 1990s, all of this changed. In that triumphal, if fleeting moment, history was said to have ended and the neoliberal *Washington Consensus* of decontrol and market freedom was imposed wherever it was not embraced. These were halcyon

days for large corporations, financial entrepreneurs, those with surplus capital, and more than a few felons. Yet, nothing lasts forever. With the global economy heading into the worst recession since the 1930s, by the autumn of 2008 it had become clear that the one size fits all prescription of wholesale privatization, marketization, decontrol and deregulation was not going to end well. A string of disastrous strategic choices – perhaps best symbolized by the violent starburst of shock and awe unleashed over Baghdad in 2004 – ensured the end of American hegemony.

In both the academic and popular press, and among the commentariat, the mainstream view is that world politics are at present returning to some kind of a *non-polar*, G-Zero, or, more commonly, *multipolar* dispensation. The prefix *multi* suggests the renewed existence of multiple poles of more or less the same type, as was the case in Europe, for example, in the 19th century. From that observation, it follows that traditional means can again be used to establish some kind of new balance, one based largely upon conventional and widely-shared assumptions about the nature of power and the use of influence.

However, as is so often the case with the received wisdom, there are good reasons to doubt this formula. Military solutions in particular hold little promise in the face of growing want and need.

WELCOME TO McWORLD

International power and influence have become both highly dispersed geographically and highly differentiated in terms of source – hard, soft, smart, and so forth – with the advent of globalization. Previously clear delineations have become blurred and the old assumptions no longer hold. Gone are the days when well-acquainted negotiators with similar cards in their hands came together around felt-covered tables. The nature and workings of power have been reconstituted.

Most thoughts of great, middle and small powers, like the obsolete formulation of First, Second and Third Worlds, are best set aside, if not forgotten. While still significant, states themselves are of diminishing importance; they now represent only one actor among many on a world stage crowded with multinational corporations, NGOs, think tanks and celebrities. With such numerous and varied units of accounting, an entirely new way of seeing has become essential.

As was the case with the earlier multipolar world, there will again be many poles. This time around, however, divergent objectives rather than stability and shared goals will be the hallmarks. Today's key players share little in common; differences between poles now far outweigh the similarities.

The *heterogeneous* quality of competing actors renders comparison difficult and measurement even more so. Indeed, when networks and connectivity rule,

perception can trump reality. Still, although this is very much a new order in the making, we can begin to trace the contours and discern the content of *heteropolarity*, a condition which I believe will increasingly define international relations. With striking speed, new poles are forming and old poles are evolving, often in unpredictable ways.

NOT THE SAME OLD, SAME OLD...

The following thoughts come immediately to mind when identifying the major *heteropoles* in the early decades of the 21st century.

Even with a slightly leaner (but by some accounts still growing) defence budget, the USA will for the foreseeable future remain the world's foremost military power. Notions of America's broad decline remain hotly uncontested; as a leading centre of R&D, innovation, private enterprise, think tank output and post-secondary education, the USA still has tremendous vitality. Yet, an increasing reliance upon military strength, as cautioned against by President Eisenhower in his farewell address over 50 years ago, is rendering the USA the *praetorian*, or hard power pole. In relative terms, America's fundamental economic and industrial position is fading. This trend has been accelerated by the hollowing out of its manufacturing sector and the deterioration of its infrastructure, compounded by the political dysfunction and costly foreign wars. As the haemorrhaging of American prestige and influence continues, the mantle of leadership, and pride of place as the epicentre of the world economy, is set to pass to the Asia-Pacific region generally, and to China in particular – with India not that far behind – within a decade or two.

In combination, these two countries will soon contain over one half of the world's population. China is already the fastest growing manufacturing and industrial economy and the largest provider of consumer goods and emitter of greenhouse gasses. Whatever might be said of China's assertive behaviour and territorial ambitions in adjacent seas, its "peaceful rise" will continue. With an increasing reliance upon advanced technologies, China is moving rapidly up the value-added chain. Within a decade or so, it is set to overtake the USA as the largest economy. India, with its strong democratic credentials, is for its part now the world's back office, call centre and software incubator, offering services in the English language at unbeatable prices. By 2025, it will have the world's largest population. Both of these poles are seeking increased recognition in multilateral forums, and are actively pursuing new opportunities to advance their growing interests. In sharp contrast to the old superpowers, however, neither of these countries is dependent, in the first instance, upon the threat or use of military might. Invasion threats and heavy-handed sabre rattling are not major features.

Elsewhere, post-tsunami Japan, though often overlooked, is still the world's third largest economy and a huge participant in international trade, S&T,

investment and finance. Overtaken in GDP terms by China in 2011, the prospect of having to accommodate new rivals throughout the rest of Asia is likely to present Japan with significant political and cultural challenges. It will be a pole to watch, especially as regards the management of its historically volatile relations with China and Korea.

Today, Brazil is closer than ever to the realisation of its enormous potential. Some current short-term economic challenges notwithstanding, that country has secured its place as the political, financial and agro-industrial dynamo of Latin America, and has become much more assertive in the international arena, and particularly in organisations such as the WTO and OAS (Organization of American States). Brazil's newfound heteropolar identity may find expression as a champion of cultural diversity or as the leader of the Global South. And while it is now democratic, like the other BRICS (Brazil, Russia, India, China and South Africa) it is not pro-Western in any kind of subservient sense. The September 2013 cancellation of a much-anticipated state visit to the USA by President Dilma Rousseff as a result of Ed Snowden's revelations concerning cyber-surveillance by the NSA has underscored Brazil's growing confidence and independence. The 2016 Summer Olympics in Rio, as was the case with the Beijing Olympics in 2008, will reinforce that re-branding.

As a residual empire with enormous reserves of fossil fuels and a significant nuclear capability, Russia seems intent upon consolidating its role as Eurasia's geostrategic bridge and as an energy and resource pole. These ambitions are abetted by its vast geographic presence, memories of greatness and the perceived need to reassert its influence both in the "near abroad" and beyond. As events in Crimea and the eastern Ukraine have demonstrated, Russia is a wild card, and Europeans, especially, are wary of their growing dependence, especially as regards natural gas imports. Foreign Minister Sergei Lavrov, with his enormous experience and encyclopedic global knowledge, stands head and shoulders above most of his peers. If the strategically brilliant diplomacy deployed around the Syrian chemical weapons issue provides any indication, Russia will remain a resurgent player on the international stage for the foreseeable future.

And, speaking of Europe... Beset by the ongoing debt and monetary crisis, it is easy to lose sight of the forest for the trees. While it will take time, and likely another dip or two into recession, the Eurozone's present problems will eventually be worked through. Over the longer term, the continent's winning suit of peace, prosperity, safe and liveable cities, excellent public services and infrastructure, a rich historical heritage and thriving artistic and cultural life suggests that the EU is destined to lead the world in *soft* power, the power of attraction. The source of Europe's strength and the basis of its comparative advantage will reside not in a common defence and security policy, but in the demonstration effect, in the ability of Europe to project its success by example internationally. The Euro-brand is strong.

It must be added that these *heteropoles* are nothing if not varied; they are forming in all shapes and sizes. Certain countries, such as Turkey, Iran, South Africa, Egypt and Mexico, as well as regions, such as Southeast Asia and the Gulf states, will almost certainly figure in the new dispensation. Moreover, because economic activity, culture, social classes and political space have become increasingly transnational and de-territorialized, some of the emerging poles will not consist of countries at all – they may be private sector, sub-national, supranational, or related in some way to civil society. Some of the emerging *heteropoles* will be corporations, multilateral institutions or cities rather than states or regions. Others, including Bill Gates, Bono, and a smattering of others will be individuals – celebrities and plutocrats.

Among and between poles, expect sharp edges, fierce competition and divergent objectives – the emergence of a *heteropolitan* world, one in which the nature and ends of power and influence are no longer easily meshed, will inevitably cause friction. Interests will not easily be aligned. It has already become difficult for competitors to connect directly on issues of mutual concern, such as trade, the environment and intellectual property. Finding the basis for bargaining will be tough, the identification of trade-offs elusive and the act of balancing dizzyingly complex.

Policy and decision-makers in the West, despite a profusion of spirited denials, face a very different future than that imagined by the framers of the Atlantic Charter. The triumphalists who became so prominent at the end of the Cold War could not have been more wrong. The unipolar moment passed sometime between the invasion of Iraq and the beginning of financial crisis. In its place is a vacuum, a whirling vortex with a multiplicity of entry points.

With the end of US pre-eminence and internal pre-occupations within the EU, dominant doctrines, leadership in the realm of thinking and ideas, and the role and place of international organisations are in flux. Indeed, as the G8 gives way to the G20, the US dollar to a basket of reserve currencies, the Bretton Woods agencies to a new development bank controlled by the BRICS, NATO to the SCO, the Trilateral Commission to INSouth (Intellectual Network for the South), and the Washington Consensus to the Beijing Consensus, all of these changes are already being mirrored in shifts in the institutions of global governance.

Market democracies are not the end of history after all. Post Iraq, post Afghanistan, post Kyoto, post Arab Spring, post WTO... We are witnessing a whole new order in the making, and it is not converging around Western institutions or ideals.

In the emerging heteropolar world order – as has already happened with the global economy – volatility and instability are becoming the new normal.

Rather than a thinly veiled disguise for dominance/dependence, this time around interdependence will be real but values, interests and objectives will inevitably conflict. Fragile states will fail. Sparks will fly. The trick will be to find ways to prevent fires, and to accommodate change much more successfully, and especially more peacefully, in the 21st century than was the case in the 20th. In that regard, while deterrence may still have a role, the actual use of armed force is unlikely to be of much utility.

DIPLOMACY: HUMANITY'S BEST HOPE?

Recalling the dismal experience of two world wars and a Cold War, the products of failed attempts at “managing” the emergence of new powers in the 20th century, this time around an alternative approach will be required. In the *heteropolis* under construction, security and development will flow not from defence but from diplomacy. That is, diplomacy made smarter, faster, lighter and more supple. Dialogue, negotiation and compromise will be key, as will a capacity to engage in knowledge-based problem-solving, supple analysis and complex balancing. Intelligence generation will be central.

How, then, to fix diplomacy, to get from diktat to dialogue, from fighting to talking and from coercion to cooperation? The entire “diplomatic ecosystem” will have to be reconstructed from the ground up.

It is a very tall order but the rudiments are sketched below.

Embracing the Unconventional

For starters, the essential elements of diplomatic practice must be thoroughly reconsidered. Traditional diplomacy, featuring designated envoys engaging mainly in various types of set piece exchanges with others of their ilk about the business of government, will always have a place. But that domain is shrinking. Public and e-diplomacy, featuring extensive use of social and digital media, has become a new centre of activity. Through relationship-building with businesses, academia and think tanks, and by using tools and techniques borrowed from public relations, lobbying and advocacy, diplomats can now connect directly with foreign populations and opinion leaders with a view to influencing host government policy and decision-making through these partners. Convincing nationals in receiving states to share the objectives of sending states by using the power of attraction – soft power – represents a sophisticated form of triangulation. The governments of smaller and medium-sized countries who lack the capacity to secure international policy outcomes through, for example, coercion, may find that this formula has particular appeal.

In other contexts, including conflict zones, civil emergencies or natural disasters – not to mention in the barrio, souk or favela – even more unconventional, fleet-

footed and improvisational approaches will be required. I have written of these practices elsewhere under the rubric of *guerrilla diplomacy*.

The main point here is that given the fast-breaking exigencies of globalization and heteropolarity, simply making a demarche and awaiting instructions from headquarters is no longer enough. Relentless innovation and experimentation, and the development of more nuanced and sophisticated levels of linguistic, cultural and historic expertise will be essential. And if knowledge-based problem-solving is to deliver its potential, a much greater capacity to address S&T-based issues and to engage in science diplomacy will be essential.

Networks, Not Hierarchies

As diplomacy moves away from state-centricity and the Gutenberg galaxy into civil society, cyberspace and beyond, the foreign ministry must also be re-imagined.

Typically among the oldest departments of government, the institutional home of diplomats and diplomacy tends to be rigid and hierarchic. Foreign ministries are tradition-bound and change-resistant, featuring silo-like organisational structures, authoritarian social relations and a heavy reliance upon established forms of interaction and patterned responses. Most foreign ministries are inherently conservative; bringing their values and procedures into sync with the demands of the laterally-connected workplaces of the 21st century represents a major struggle. A cultural revolution, featuring the embrace of experimentation and the tolerance of risk, is long overdue.

In recent years the executive branches of government, specialised line departments, and other international policy actors including corporations, NGOs and even individuals have come to play an ever-larger role in international relations. In response, foreign ministries must learn to not only to make much more of their unique connection to *place* – a critical competitive advantage vis-à-vis other government departments – but also to become smarter, more lithe and more supple. Costly turf wars and competition for leadership on particular files could usefully be left behind in favour of a new, more strategic mandate intended to ensure international policy coherence across government. The result might well be a smaller headquarters operation but provided with adequate resources, the professional quality of working life within foreign ministries could be improved substantially.

Building on its strategic location at the intellectual nexus of thinking about security and development and redesigned as a central agency, the foreign ministry could operate at a higher level of analysis than is the case at present. In addition the custody of bi- and multilateral relations and the delivery of consular services, core responsibilities would include the articulation of grand strategy and the management of globalization and heteropolarity. This would entail engagement

on a range of cross-cutting, inter-sectoral, whole-of-government issues such as trade policy, stewardship of the global commons, and the promotion of good governance, the rule of law, democracy and human rights.

Overseas, standardized models would give way to new forms of representation ranging from hub and spoke arrangements, to co-location with like-minded parties, to temporary accommodation. A diplomatic mission could in some instances be both portable and without lingering overheads – a brass plaque on a hotel room door, coupled with secure laptop or hand-held communications. Overall, the representational footprint would in more cases be designed in response to specific conditions on the ground: more diverse and customized, less fixed and cookie-cutter like.

Polymath Trumps Pedigree

Finally, the foreign service, the occupational group which represents the human face of the profession, will have to be re-invented. That said, as is so often the case with matters of personnel policy and administration, the process of building a better diplomat and of transforming the diplomatic corps, is likely to be especially fraught.

In most foreign services, women, visible minorities, younger people and the poor are often under-represented; the demography and socio-economic profile of the national populations being served are not accurately reflected in the organisational make-up. This issue can be addressed over time through programmes of affirmative action in recruiting and promoting, and by adopting measures to prevent corporate cloning.

More troubling, perhaps, is the disconnect between the particular mix of skills, background and experience typical of many serving and, especially, senior diplomats, and the requirements of the contemporary operating environment. In the 21st century, territorial and ideological issues have in large part given way to transnational challenges, many of which – climate change, diminishing biodiversity, resource scarcity – are, as suggested above, rooted in science and driven by technology.

Far too few serving envoys are competent in these areas.

Similarly, in today's dynamic diplomatic milieu, formal knowledge and impressive credentials are not without value, yet life skills – such as cross-cultural communication, practical problem-solving, self-reliance, resilience and improvisation – are of at least equal importance. Years spent in the most prestigious universities cannot substitute for the range of abilities and attributes which can be acquired through independent world travel, grass roots political activism or NGO volunteer work.

Can many senior diplomats cite demonstrated success at backpacking as a key element in their resumes? No.

If performance is to be improved, foreign services will need a cultural revolution, featuring an emphasis on continuous learning and the encouragement of risk tolerance and dissent. Failure should be perceived and assessed as a learning experience rather than a career catastrophe. Regular opportunities for training and professional development should be woven into the fabric of career progression. For example, mandatory secondment and exchange programmes – with other government departments, NGOs, universities, think tanks and businesses – could be used to ventilate the ranks by bringing the outside in and turning the inside out. Promotion to the executive level could be made contingent upon the successful completion of such an assignment.

An Evolutionary Imperative

Diplomats must be more than international policy bureaucrats, comfortable writing reports and talking to each other about what might be going on outside the chancellery, but disinclined to find out personally. Part network activist, part tech-savvy analyst, part street-smart policy entrepreneur, today's foreign service officer needs the aptitudes and temperament of a guide and interpreter, a broker and a nation brand manager. Easily able to swim like a fish in the sea of the people, he or she must never be seen flopping around like a fish out of water when outside the embassy compound. Whether it is image projection or reputation management, engagement in meaningful dialogue with partners or negotiating joint ventures with civil society, in the roiling precincts of the heteropolis, the new diplomat will need to be able to do whatever it takes to advocate policies, pursue interests and promote values.

A special breed? Perhaps but one with the courage to speak truth to power rather than a penchant for obsequious self-service.

To conclude. In a world beset by perils immune to the application of armed force, the restoration of the diplomatic prospect has become imperative. That much is clear. But diplomacy is not liturgy, the foreign service is not a priesthood and the foreign ministry is not a cathedral. If performance is to improve, these institutions must be made more open, accessible to, and valued by their domestic constituencies.

Diplomacy does matter, now more than ever. Yet, to achieve their potential, foreign services and foreign ministries must spare no effort to better adapt to the challenges posed by globalization and heteropolarity. Absent a demonstrable commitment to heightened relevance, effectiveness and transformation, the prognosis will remain bleak.

Action is urgently required and the time is now.

Openness and Growth in Malaysia: Past Performance and Challenges for the Future

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ABSTRACT

The Malaysian economy has shown impressive growth since the 1970s, benefitting from an outward-oriented development strategy. As one of the East Asian “miracle” economies, its growth was driven by exports of manufactured goods, especially in electrical and electronics products. The country has also been a major attraction for foreign direct investment in the Southeast Asia region, using incentives to woo foreign investors and offering trainable low-wage labour, good infrastructure and political stability. However, after years of robust economic growth, its comparative advantage is changing. Other low-wage labour countries like China are a threat to Malaysia’s competitiveness in export markets. The country has adopted the New Economic Model (NEM) to drive future growth by upgrading the economy to knowledge and technology-intensive high-income activities. However, there are serious obstacles to upgrading such as the shortage of high-skilled labour compounded by a brain drain phenomenon, deteriorating schooling standards and declining tertiary education institutions. The heavy state involvement in the economy also dampens competitiveness, while an affirmative action policy that has long been in place means that meritocracy is not emphasised sufficiently. The much needed changes in the economy are likely to face resistance from some groups. Although knowing what needs to be done, the government will have to show political will to steer the economy forward, while maintaining balance in order to preserve social harmony.

Keywords: Openness, Malaysia, Trade, Foreign Direct Investment, Political Economy

INTRODUCTION

Malaysia has enjoyed much success adopting an export promotion development strategy since the 1970s. However, it currently faces challenges both domestic and external to its ambitions in upgrading its economy to sustain international competitiveness. Hence, how can Malaysia remain open and tackle these issues?

The objective of this article is to highlight the factors that explain Malaysia's past success in developing its economy through an outward-oriented strategy and analyse the current scenario with the view of identifying key challenges that the economy faces. It further makes suggestions on how the country should proceed in meeting these challenges.

OPENNESS AND GROWTH

In the comprehensive World Bank (1993) study, *The East Asian Miracle*, eight "high performing Asian economies" (HPAEs) were analysed as to what brought about their impressive economic success. These eight economies were Japan, the four "Asian Tigers" comprising Hong Kong, Singapore, South Korea and Taiwan, and the "newly industrializing economies" (NIEs) of Southeast Asia, namely, Malaysia, Indonesia and Thailand. One of the common factors among the HPAEs is that of export promotion. Japan and the "Four Tigers" embarked on an export push starting in the late 1950s to late 1960s, while the NIEs did that in the early 1980s. The export promotion strategies of the NIEs were largely based on broad market incentives and foreign direct investment (FDI). Subsequent World Bank studies on the East Asian miracle such as Leipziger and Thomas (1997), and Yusuf (2001) also listed outward-orientation or export promotion as one of the attributes of the "miracle" economies. This "openness" of the "miracle economies" was not confined to trade, as Page (1994, p. 235) noted that all the HPAEs "were open to foreign ideas and technology".

Malaysia, being a relative latecomer, followed the "Asian Tigers" in its economic development strategy by pursuing an outward-oriented policy with emphasis on manufactured exports aimed at the industrialised countries. Like the economies of Singapore and Hong Kong (although to a lesser degree), Malaysia also welcomed FDI especially in its export-oriented manufacturing sector. The World Bank (1993) acknowledged the economic success of Malaysia by including it as one of the "miracle" economies in *The East Asian Miracle* study. The country is often cited as a model for other aspiring developing countries to follow. That the economic success was achieved in the context of a multiracial society made it more impressive. The former Chief Economist of the World Bank and economics Nobel laureate, Joseph Stiglitz (2007), wrote that "Malaysia has much to teach the world, both about economics, and about how to construct a multiracial, multi-ethnic, multicultural society".

The Malaysian economy has done very well over the period 1971-2013. Real gross domestic product grew at an average of 6.5 per cent per annum. This was achieved at a relatively low average inflation rate of 3.7 per cent per annum. Unemployment was kept generally low at an average of 4.6 per cent.¹ As noted by

¹ Calculated from data obtained from Bank Negara Malaysia.

Hill (2012), with the exception of the Asian currency crisis of 1997-98, there was no balance of payments crisis, and few fiscal problems with the exception of the fiscal deficits in the early 1980s. Currently, the World Bank classifies Malaysia as an “upper middle income” economy.²

The openness of the Malaysian economy can be seen in its trade-to-GDP ratio, which was 154 per cent in 2013. In 2013, manufactured exports made up 76 per cent of total exports. The share of electronics and electrical products in total manufactured exports was 43 per cent.³ The country has an open current account and the capital account is largely open with few restrictions. In particular, FDI can freely move in and out. This is especially so for the export-oriented manufacturing sector. As noted by Ariff (1991), the country’s trade regime featured low average tariffs, fairly low dispersion of tariffs, and hardly any use of non-tariff barriers.⁴ Some notable exceptions have been heavy industries and the automobile sector.

RESPONDING TO PRESENT CHALLENGES TO ENHANCE FUTURE GROWTH PROSPECTS

In spite of its success, Malaysia is viewed by some economists and analysts with some degree of reservation or scepticism. For example, Yoshihara (1988) viewed most of the Southeast Asian economies as being “ersatz”, suggesting shallow rent-seeking development that is also over-reliant on foreign capital and exploitation of natural resources. Gomez and Jomo (1999) referred to “patronage” as a prominent feature in the political economy of Malaysia, with well-connected parties being major beneficiaries of the affirmative action programmes. Thus, the intended benefits for the targeted Bumiputera group were not fully realised. In particular, the objective of developing and nurturing the entrepreneurial skills of the community fell short. This has also somewhat dulled the competitiveness of the economy. Indeed, significant criticisms were directed at the affirmative action programme that featured prominently since 1970, with the implementation of the New Economic Policy (NEP) that favours the Bumiputera community in economic and social opportunities. For example, Ariff (2012) wrote that “the major structural problems [of the economy] are largely attributable to the [NEP], [which is] an addiction for some, redundant to others and unjust for the rest”. Woo (2009) opined that the NEP had focused “too much on the redistribution of income and not enough on the generation of income”. He said that the policy “rejects meritocracy and institutionalizes racism, thereby preventing full mobilization of human resources”. He thinks that is why “very few Malaysian firms have moved from import-competing goods to become major world exporters”. While many

² According to World Bank classification, in 2014, an “upper middle income” economy is one with Gross National Income (GNI) per capita of between US\$4,125 to US\$12,746.

³ Calculated from data obtained from the Ministry of Finance and Bank Negara Malaysia.

⁴ For a detailed account of the country’s trade regime through time, refer to Ariff and Nambiar (2011).

scholars would agree that the objectives of the NEP were laudable, there seems to be concurrence that the implementation of it had brought about ill effects to the economy, resulting in protected sectors being uncompetitive (where much of the rent-seeking is said to have occurred). Former Prime Minister Mahathir Mohamad recently said that the Malays only had themselves to blame if the targets of affirmative action programmes are not met. “We cannot blame others and hope that they slow down for our sake”.⁵

Notwithstanding these criticisms, which are not without basis, the overall contribution of the NEP to economic growth through nurturing social and political harmony in Malaysia’s multi-ethnic and multicultural environment cannot be neglected. As noted by Stiglitz (2007), the benefits had been shared and it contributed to the impressive reduction of the poverty rate and also the incidence of hardcore poverty. He also noted that the reduction in interethnic income divide was brought about by “bringing the bottom up” rather than “bringing the top down”. Hence, the strategy of “redistribution through growth” has brought much success despite its shortcomings. Inequality has been reduced over time. The Gini coefficient⁶ declined from 0.513 in 1970 to 0.442 in 1989 (roughly corresponding to the NEP period of 1970–90), and further down to 0.431 in 2012.⁷ The incidence of poverty dropped from 49.3 per cent in 1970 to 16.5 per cent in 1989, and further to just 1.7 per cent in 2012.⁸

The latest blueprint for economic development in the country is the New Economic Model (NEM), which was unveiled in 2010 and covers the period up until 2020. The NEM seeks to propel the nation towards a high-income economy that is driven by knowledge-intensive sectors. Such an economy will depend heavily on high-skilled labour and technological innovations. In fact, the earlier Third Outline Perspective Plan (2001–2010) had already targeted a higher contribution from total factor productivity (TFP) to growth in national income that is driven by technological innovations. New growth strategies are required for what will be a knowledge-led growth phase. What is needed will be “quality-upgrading” in the economy. A strong knowledge-based economy (KBE) can only emerge when the emphasis is on promoting excellence through meritocracy.

Evaluating the past performance of economic development in Malaysia, one can make the point that it was relatively easier for policymakers to bring the

⁵ Reported by Bernama, “Don’t blame others if you fail to meet targets, Dr. M tells Malays”, published on *The Malaysian Insider* (<http://www.themalaysianinsider.com/>), 1 October 2014.

⁶ A commonly used measure of inequality, with a value of 1 representing complete inequality and a value of 0 complete equality.

⁷ Source: Department of Statistics, Malaysia.

⁸ Expressed as a percentage of total population, based on the national poverty line income. Source: Department of Statistics, Malaysia.

economy up from a low level to that of a middle-income economy. However, the present task of steering the economy upwards to that of a high-income one will present more difficulties and involves a more complex process. There are various issues requiring attention from policymakers at this juncture.⁹ As Malaysia's main comparative advantage of low-wage labour continues to wane, there is the issue of sustaining national competitiveness as the economy attempts to move up the value chain, relying on more capital and technology-intensive processes instead. Some issues related to openness include the concern of being over-reliant on FDI or the lack of genuine local entrepreneurs; the narrow export base (overdependence on electronics); the faltering multilateral trade and investment liberalization as talks through the World Trade Organization (WTO) prove difficult to conclude; much of the services sector and some manufacturing industries being relatively closed and lacking in competitiveness; and the increasing competition for FDI (especially those of higher quality). The issues are not confined to that of trade and foreign investment. An open economy is subjected to competition from the best in the world. Hence, Malaysia needs to enhance its competitiveness with suitable policies and also through removing obstacles to being more competitive. In this regard, there is the issue of heavy state presence in some sectors that has a dampening effect on competitiveness. Moving up the value chain to high-income, knowledge and technology-intensive sectors also requires highly-skilled manpower and superior management capability. Underpinning a strong pool of high-skilled labour is a well-developed and rigorous education system (from primary upwards), with emphasis on excellence in science and mathematics. Tertiary educational institutions that are at least of regional-class if not world-class, excelling in research and with strong industry links are also of paramount importance. However, there has been deterioration in the quality of public universities as well as the education system in Malaysia.¹⁰ Compounding the problem in this area is that Malaysia is losing talent – the so-called brain drain phenomenon as highly skilled Malaysians seek better opportunities abroad.¹¹

Although Malaysia had initiated numerous measures to address the abovementioned issues, the country has reaped varying degrees of success from these measures. As such, more needs to be done to improve things and boost competitiveness to make that transition to a high-income economy possible. Policymakers should aim to emulate the success stories of East Asia such as Singapore, Taiwan and South Korea.¹² Malaysia is also at a stage in its economic

⁹ Hill (2012) provides a good summary of the challenges confronting Malaysia in its effort to graduate from a middle-income economy to that of high income.

¹⁰ See World Bank (2011), World Bank (2013) and Lee and Nagaraj (2012) on the decline in the quality of education institutions and the problems in the education system.

¹¹ See report by World Bank (2011) on the issue of brain drain.

¹² The Executive Director of the Malaysian International Chamber of Commerce, Stewart Forbes, had made the point that the government should not be comparing the country's economic

development path where the policy issues related to enhancing competitiveness and efficiency will become potentially more sharply at odds with that of redistribution objectives. How the government handles this will have a significant bearing on the economy's long-term competitiveness and growth prospects. To graduate from the middle-income bracket, the country has to leverage on the global economy and continue to remain open in its trade and foreign investment policies. However, the quest for economic success goes beyond these two policies. Reforms are needed in important related areas. Only an economy that is able to develop its full competitive potential through marshalling its resources efficiently will do well in the export markets and can withstand foreign competition in its own market. Otherwise, its embrace of globalization will only be half-hearted and may well cave in under threat from abroad. Malaysia does not want to be left in a vacuum – not wage-competitive enough to continue relying on labour-intensive sectors but not innovative and productive enough to upgrade to higher value-added sectors.

There is a dualism in the Malaysian economy. Firstly, there are globally competitive firms especially in the export-oriented sectors, mainly foreign multinational corporations (MNCs) but some local as well. They operate in almost free markets, with low or zero tariffs on imported inputs, little constraints on the importation of needed quality manpower, lower or even no ownership requirements to comply with, and also more flexibility when it comes to employment quotas under the affirmative action policy. And then, there are the inward-looking sectors, protected through various means, dominated by government-linked or backed companies and largely uncompetitive, relying on the domestic market. Athukorala (2005) computed the effective rate of protection (ERP) for numerous sectors in Malaysian manufacturing. The results showed that the ERP for export-oriented industries were smaller compared with domestic-oriented industries, reflecting a “protection structure [that] has a built-in dualistic pattern” (Athukorala 2005, p. 28). Athukorala and Menon (1999) alluded to the dualism in Malaysian industry – having highly protected (politically connected) inward-looking sectors, and open, globally competitive export-oriented sectors. Ergun et al. (2011), analysing the contribution of firm turnover to productivity in the manufacturing sector, noted that exporters are more productive than domestic-oriented firms.

This dualistic pattern is also evident in productivity analysis. Alavi (1996) showed that the best performing firms in TFP growth over the period 1979-89 were in labour-intensive activities. Private sector firms, some of which are export-oriented, dominate these sectors. They also receive little state support but show the best TFP numbers. In stark contrast, many industries dominated by state

achievements to less developed countries in the region but instead with the success stories of East Asia. Reported by *The Malaysian Insider* (<http://www.themalaysianinsider.com/>), “Malaysia 19 years behind South Korea, complacency, graft among culprits”, 17 October 2014.

enterprises showed the poorest performance in TFP.¹³ Overall, there is a need to boost productivity in the economy rather than rely mainly on input-driven growth. Mahadevan (2007) noted that “the Malaysian economy is very much input-driven and capital input in particular is the driving force of output growth”. From the studies quoted, it is strongly indicated that sectors that are exposed to foreign competition tend to show higher productivity numbers compared with sectors that are closed.

We discuss several challenges that the Malaysian economy currently faces that need to be addressed to move towards a high-income economy.

Changing Comparative Advantage; Need for Malaysia to Reinvent Itself

The NEM (p. 25) noted the following: “Economic transformation ... is a process requiring continuous innovation and productivity growth with significant technological advancement and entrepreneurial drive.”

Malaysia started moving into labour-intensive manufacturing products aimed at export markets in the 1970s. This picked up further momentum from the mid-1980s onwards, spurred by large inflows of FDI. It proved to be a highly successful strategy for the country. For example, Malaysia became one of the largest exporters of electronics products and a major player in the textiles industry. Nevertheless, following years of strong economic performance, Malaysia is starting to lose its comparative advantage as a low-wage economy. Other labour abundant countries such as China, India and those in the Indo-China region are better placed to undertake such activities. These countries are opening up to foreign investment following liberalisation and reforms. Thus, they are getting more integrated to the global economy. Therefore, Malaysia has to start moving into higher value-added activities in order to compete successfully in export markets. Such activities will be more capital and technology-intensive. They are also likely to be knowledge-intensive as the services sector comes to the fore replacing manufacturing activities as the future engine of growth. Hence, the absorptive capacity of the economy is important and this has implications on industrial policy as well as policies related to science, technology and innovation. It is obvious that high-skilled labour will be of paramount importance in such an economy. The country will need more engineers, scientists, researchers, information technology (IT) personnel, technicians and professionals in finance and banking, among others. Some of these may be foreigners if we do not have sufficient local talent. As such, suitable policies and supporting institutions pertaining to human resource management and education will be imperative to move forward. A strong work culture has to be sustained and a reward system based on meritocracy will also be required to attract and retain the needed manpower.

¹³ Athukorala and Menon (1999) also highlighted this point when analysing the outward-orientation strategy in Malaysia.

Promoting Competitiveness: The Changing Role of the State

When an economy moves up the value chain, competitiveness will be increasingly based on non-price factors. Branding, marketing, innovations, technological capability, creativity, among other factors, will form the basis of competitive advantage. From a policy perspective, the need for an environment to promote such competitiveness is crucial.

In the context of the Malaysian economy, given its history of significant state intervention, there is now a need to adopt a more market-based approach to allocation of resources. While redistribution policies were needed in the past and contributed to the social harmony that was important as the foundation on which economic success was built, nevertheless, moving forward the implementation of such a system has to be done carefully and in a more transparent manner. Otherwise, a system of ethnic-based quotas linked to the disbursement of loans, awarding of licences and public sector contracts can be breeding ground for abuse and corruption. The result is it does not promote excellence and it would not assist the targeted groups as intended. It would also serve as an encumbrance to the competitiveness of the economy overall.

The NEM (p. 21) had this to say on state intervention in the economy: "Many distortions would be removed and the economy will experience greater competitiveness from the elimination of subsidies, price controls and a myriad of incentives which have lost their original objectives." Over-involvement by the state in the economy (beyond that needed to address market failures) will result in distortion of prices leading to misallocation of resources. Worse, such a system can be captured by rent-seekers. Hence, the influence of state-linked companies in some industries needs to be reviewed with regards to promoting keener competition that would enhance efficiency. The awarding of contracts and licences, even within the framework of the affirmative action policies, needs to be transparent and free of patronage. Care has to be taken when granting protection to some industries based on the "infant industry" argument. For example, the national carmaker Proton has been protected since its inception in the mid-1980s but is still not competitive in export markets today.

For a number of years since the Asian currency crisis of 1997-98, private investment, which had been so robust for about a decade prior to the crisis, had been anaemic. This led to a situation where public investment had to make up for it, leading to a widening fiscal deficit and increasing government borrowing.¹⁴ The slump in private investment is indicative of a lack of investment opportunities in the domestic economy and/or a lack of investor confidence. Fortunately, private

¹⁴ Fiscal policy as a macro management tool should be used to boost aggregate demand when economic growth is below trend or potential growth, not as a substitute to anemic private investment when the economy is not going through a downturn.

investment has recovered since the last few years. But the signs are there that private investors will respond accordingly if they feel that the rates of return do not justify the opportunity costs and risks. This is especially so given the present day's liberalized global economic environment, when cross-border capital flows can take place easily.

While the enactment of the Competition Act 2010 and its subsequent enforcement in January 2012 is a step in the right direction towards promoting keener competition in the country, there are issues related to competition that are not addressed by such legislation. One necessary condition for greater competitiveness in the economy is to have an open entry-exit policy for firms in industries. The most competitive firms should be allowed to enter the industry while those that cannot compete should be allowed to fail. Government assistance should be confined to providing supporting services to enhance the competitiveness of well-run firms which have a realistic chance of succeeding in global markets, and not in propping up ailing and failing firms which are dependent on state protection and cannot be weaned off the domestic market.

Another issue is that of the effect of power concentration in the Federal government on the competitiveness of the various states and, ultimately, the country. Giving greater autonomy to the states in developing their economies and managing their resources may promote greater competitiveness and overall efficiency. A similar approach is adopted in China where the provinces are given a certain degree of autonomy in running their economies and compete with each other for FDI, for example. Each state may have different strengths (comparative advantage), so allowing them to develop these to the fullest would be advantageous. Neighbouring states can also benefit from leveraging off each other's strengths.¹⁵

There are cases where protection has not led to the desired outcomes. Such ventures turned out to be costly to the economy and taxpayers. Athukorala and Menon (1999, p. 1125) referred to this policy of "picking winners" among industries, and singled out the protected heavy industries that failed as "born losers which were artificially spawned with subsidies" (p. 1130). National industrial objectives will need to be carefully evaluated in the future.

A better option for nurturing sectors with potential for the export markets will be that implemented by South Korean policymakers, which is termed as a "protected export promotion" (PEP) trade strategy (Liang 1992). In a PEP strategy, protection is given to sectors not to enable them to exploit the domestic market (indefinitely) but to prepare them for the highly competitive global market. It

¹⁵ This is similar to the concept of growth triangles as adopted by the southern state of Johor with Singapore and Indonesia.

targets an import-competing sector as a leading sector but aims at developing export capacity. The strategy is unambiguously outward-oriented. Firms which are provided protection (and subsidies) should be given a time frame to “get up to scratch”. If they fail to do so, the protection and aid will be withdrawn. Certainly, a more market-based approach is needed to provide assistance to industries earmarked for the export markets by the government. For example, instead of (indefinite) high tariff protection, an industry can be given loans at favourable rates and/or financial assistance for research and development (R&D), marketing and related value-enhancing activities. However, these should be designed such that it is reviewed annually (e.g. as part of the budget proposal by the finance minister) by subjecting the beneficiary firms to the most demanding performance indicators. Those who helm such firms can be well paid to attract the brightest talents but their employment should also be pegged to clear key performance indicators. The appraisal process should be continuous and transparent to the taxpayers, as it is ultimately their money that is spent to promote these industries.

Competition for Foreign Direct Investment Will Intensify

Malaysia needs to continue to attract FDI. More than that, we need to get high-quality FDI in more technology-intensive sectors.¹⁶ This is important to spur the economy towards the knowledge-intensive and high-income activities envisaged in the NEM. The typical profile of the direct foreign investor in Malaysia will change in the near future. These are not likely to be foreign MNCs looking for cheap labour. They are likely to be in high value-added manufacturing and, increasingly, service providers. Foreign investors in these sectors will look for high-skilled labour at competitive wages; a transparent business environment that is competitive; first-class infrastructure not just in physical assets but also in crucial supporting services especially in IT; a strong legal system able to protect their (intellectual property) rights and resolve disputes promptly and impartially; an open trade and investment regime; and a well functioning financial system. While Malaysia offers investors many of these features, as past performance testifies, yet there are aspects that need to be enhanced if we are to continue to remain attractive to FDI in a more competitive global environment.

Competition for FDI is intensifying among developing countries. In East Asia, the rise of China in the world economy and its increasing openness and liberalisation mean that it will continue to draw much FDI onto its shores. This can well be at the expense of countries like Malaysia, which offers similar comparative advantage like low wages but is starting to lose out. There are other economies besides China offering similar attractions to MNCs, such as India and the Indo-China nations. Typically reflecting such adjustments in the Malaysian economy and the associated

¹⁶ The need for high quality foreign direct investment is acknowledged by the Malaysian Industrial Development Authority (MIDA), which is responsible for FDI policies and approvals.

threats from rival countries, are the cases of Intel and Dell, two globally renowned MNCs in the IT industry that have operated successfully in the country for years. In the case of Intel, in 2008 it set up its biggest semiconductor manufacturing plant ever in Ho Chi Minh City, Vietnam, as well as a high-cost wafer fabrication facility in Dalian, China.¹⁷ The former move reflects a response to Malaysia's changing comparative advantage while the latter move represents a development that Malaysia desires (as a host country) at this transitional phase in its economy. As for Dell, one of the largest PC manufacturers, it opened up a factory in Chennai, India in 2007. This resulted in part of its Malaysian operations in Penang being moved there, in view of the growing market and lower labour cost. Hence, Malaysia needs to guard against the possibility of a hollowing out of the economy – no longer being able to offer low labour cost but not having the prerequisites to succeed higher up the value chain.

*Promoting Local Entrepreneurship to Enhance Competitiveness
and Diversify Sources of Growth*

To reduce the reliance on foreign investors and to generate more sources of growth from within the economy, local entrepreneurship will need to be promoted. The same sort of business environment that is provided for the largely foreign-dominated export-oriented sectors in manufacturing, which is an open market-based system favourable to nurturing and promoting excellence, will need to be extended to hitherto closed sectors. With reference to the dualism in the Malaysian economy that was referred to earlier, these are sectors that have heavy state intervention, either directly or indirectly, and where protection and patronage have been the greatest. Some firms in these sectors are uncompetitive in global markets and therefore have been domestic-oriented. More protection for these sectors will not nudge them to be more competitive; instead, it will likely perpetuate mediocrity. Only a determined push towards greater competition and the lessons learnt from it will prepare them to compete with the best. To be sure, there are Malaysian firms who can compete with the best in the world. But these firms are not found in the protected sectors; they are in the highly competitive export sectors, where they are not shackled by restrictive state policies.

The government should have the confidence that there will be Malaysian firms who can rise to the challenge and improve over time to compete in export markets. An example of how (trade) liberalization can promote competitiveness in domestic sectors is found in the tool industry in India. Up until 1991, it had been protected with a 100 per cent import tariff. Following sharp cuts in tariffs, one-third of the domestic market was lost to Taiwanese firms. However, over the next decade, Indian firms boosted their productivity to match those of their Taiwanese rivals and won back the domestic market. They went on to improve further and eventually were able to become large exporters.¹⁸

¹⁷ As reported in the San Jose Mercury News, 17 April 2008.

¹⁸ See Dollar and Collier (2001) for details.

*Reliance on a Narrow Manufacturing Base for Exports;
Need to Diversify Growth Sources*

The export-oriented manufacturing sector is still over-reliant on the electronics sector. In the current Industrial Production Index (IPI), the electronic and electrical (E&E) cluster comprises 40 per cent of the export-oriented industries (which has a weightage of 80 per cent in the total IPI). Within the E&E sector, electronics make up two-thirds of it. This sector is also largely dominated by foreign MNCs. Malaysia's strength in the electronics sector is in the labour-intensive segment of assembly and testing. As such, a move up the value chain in electronics is required as a response to countries with low-wage labour encroaching into Malaysia's current niche in this sector.¹⁹ Otherwise, the country will be priced out in the not too distant future. Overall, there is a need to diversify the export base so that growth will not be adversely affected by a slowdown in one sector. A good policy initiative will be to promote more resource-based manufacturing to generate greater linkages within the economy and enhance value-added. Given Malaysia's changing comparative advantage, it is also strategic to move the industrial base up to higher value-added manufacturing sectors less dependent on low-wage labour as the primary input.

Related to the issue of diversifying the economy and finding new sources of growth, the attention of policymakers should now be on the services sector. There is a need to have more efficient service providers, as it will be the leading sector for the future. The services sector is the largest contributor to national income. In 2013, it represents 55.2 per cent of gross domestic product, compared to 24.5 per cent for manufacturing.²⁰ Much of the services sector is closed and reflects the dualism in the economy that was discussed earlier. As indicated by the World Bank's Services Trade Restrictions Index (STRI), overall professional services are rated as "virtually closed with limited opportunities to enter and operate" while overall transportation services are rated as having "major restrictions" and financial services close to that rating. Only telecommunications services overall are rated as "virtually open but with minor restrictions".²¹ As noted by Ariff and Nambiar (2011, p. 97), the services sector can only assume the role of growth engine from manufacturing if it is globally competitive and the way to achieve that is through "extensive liberalization measures".

*International Trade Environment – Multilateralism Stuttering;
Regional Agreements Proliferating*

Much has been achieved in trade and investment liberalization through the multilateral efforts of the WTO. Many countries have also undertaken unilateral

¹⁹ Intel's move to Vietnam is a typical example.

²⁰ Calculated from data obtained from Bank Negara Malaysia.

²¹ Details on the calculation of the index and other related information can be obtained at the World Bank's Services Trade Restrictions Database website.

liberalization as they pursued an outward-oriented development strategy. These developments had led to increasing globalization and better prospects for the world economy as a whole. However, the present Doha Round of the WTO has reached an impasse due to contentious issues where middle ground cannot be achieved by member states. As a result, in the last decade or so, there has been a proliferation of regional trade agreements (RTAs) as countries pursued their own cross-border trade and investment agenda, not wanting to be left behind. Malaysia is of no exception and has signed a number of bilateral and plurilateral trade agreements through the years, either on its own or as part of the ASEAN (Association of Southeast Asian Nations) group.

While pursuing RTAs is good in general for Malaysia, being a small country, there is a real danger that it faces when negotiating in a small group with some dominant trade partners. The dominant partner in a group can dictate the agenda and Malaysia may well find itself isolated on issues that are of significant importance to it. A recent case in point is the still ongoing Trans-Pacific Partnership Agreement (TPPA), which comprises 12 countries including Malaysia, Singapore, Japan and the United States.²² The TPPA is seen by some groups as having an agenda driven significantly by the United States. The government seems firmly behind it but faces serious resistance to it domestically from various parties, including former Prime Minister Dr. Mahathir. Some parties are opposing the TPPA for fear that it would mean compromising the affirmative action agenda. Among them, the Malay rights group Perkasa and the Malay Economic Action Council (MTEM). There is also resistance to the TPPA on the grounds that the negotiations are not done in a transparent way and much information is not made available to stakeholders, including consumers. In fact, in December 2013, Joseph Stiglitz wrote an open letter to TPPA negotiators asking them to resist proposals to weaken consumer rights in intellectual property. Nevertheless, numerous trade and industry associations are in favour of pursuing the TPPA, including the Federation of Malaysian Manufacturers which represents important manufacturing interests. Overall, the impression is that competitive sectors in the country are in favour of the TPPA as it is seen as opening up foreign markets while the protected sectors are wary of the competition it brings.

Need for Top Quality Human Resources

The NEM (p. 20) states that “the right workers need quickly to find the right jobs; the right jobs must rapidly attract the right workers, including those from abroad.”

Much has changed in the global economy from the time since Malaysia started its path to developing its economy from the days of commodity exports in the 1960s and 1970s. Trade and investment barriers have come down significantly

²² A notable omission from the group is China.

through multilateral efforts (e.g. the achievements of the WTO) as well as unilateral liberalization by countries realising the benefits of an open economy to long-term growth prospects. Multinational corporations (MNCs) have played an increasingly important role in the global economy through FDI, taking advantage of the liberalized environment to extend markets and lower production costs. Among other things, this means that the demand for the most talented people has increased and opportunities abound for them globally. Just as there is stiff competition to attract them to a country's shores, so too there will be challenges to retain the brightest and most talented among a country's own labour force.²³ The NEM is aware of this: "... Malaysia must remove barriers preventing its brightest people from gaining skills, while enticing these gifted people to remain within its borders" (p. 20).

The government had set up TalentCorp under the Prime Minister's department in 2011 to manage the talent supply in the economy. Among other objectives, the unit is tasked to woo back highly qualified Malaysians from abroad. However, although given an allocation of some RM65 million, it has only managed to attract about 2,500 professionals back compared with an estimated one million working abroad. A World Bank report (World Bank 2011) analysing the brain drain problem in Malaysia identified several main reasons that explain the phenomenon – career prospects, compensation and a "sense of social injustice". A World Bank senior economist was quoted as saying that governance issues and a lack of meritocracy were "fundamental constraints" to Malaysia's expansion.²⁴

Improving the Education System

The NEM (p. 20) recognizes the need for excellence in education: "A quality education system which nurtures skilled, inquisitive and innovative workers ... is the foundation of sustained economic growth."

There are probably too many public universities and as a result, resources, especially well-qualified academics, are strained.²⁵ The standings of the universities on reputable international rankings have been poor, and lag far behind those in other East Asian countries.²⁶ For example, in the widely quoted QS rankings for 2014/15, Malaysia's top university was the University of Malaya at 151, while the National University of Singapore was ranked 22. The University of Hong Kong

²³ Malaysia's neighbour, Singapore, has adopted the strategy of attracting the best talents from abroad with much success (the so-called importation of "foreign talent"). This is in addition to producing its own high-skilled labour through excellent local tertiary education institutions that consistently rank highly in reputable surveys.

²⁴ Spoken by Philip Schellekens as reported by *The Malaysian Insider* (<http://www.themalaysianinsider.com/>), "NEP, brain drain holding back Malaysia, says World Bank", 28 April 2011.

²⁵ A check at the Ministry of Education website (<http://www.moe.gov.my/>) shows 20 public universities currently.

²⁶ E.g. see the Times Higher Education (THE) Rankings and the QS World University Rankings.

ranked 28 while Seoul National University was at 31. It is better to emphasise quality rather than quantity. The high number of public universities does not enable economies of scale in the use of scarce resources. A World Bank Report (World Bank 2011) showed that although public spending on education in Malaysia has been above that of many other countries, yet the quality of its universities are poor as measured by international rankings. The report also noted the “increasing gap” between local universities and those in Singapore. Of concern is the finding that local graduates lack the skills required by employers in the private sector, indicating a serious skills mismatch. The proficiency of graduates in technical, IT and professional areas are found wanting, and their weak command of English was also highlighted.

While a greater degree of accountability should be imposed on the universities, they also need to be given greater autonomy so that they can excel. The top management in these universities should be given more authority to hire the right talents and weed out those who are not performing. There should not be any political interference in academic matters and the appointment of key management staff. The universities should also use transparent and rigorous key performance indicators (KPIs). The wage structure should be more competitive to attract and retain the best academics. Academic freedom should be maintained so that universities can be what they should be – fertile ground for creativity and innovation, and the source of academic excellence and scholarly pursuits. It should be the place where the leaders of tomorrow are nurtured.

The declining standard in education is also evident at the lower level. In the 2012 Programme for International Student Assessment (PISA) for 15-year-olds, Malaysia ranked 39 among 44 countries.²⁷ Other Asian countries like Singapore, South Korea, Hong Kong, China and Taiwan performed noticeably better. In another wider assessment of 65 countries in the fields of mathematics, science and reading, Malaysian students were ranked 52. This compares badly with less developed countries like Vietnam, which came in at 17.

Hence, the indications are that the entire education system needs to be reviewed and measures need to be put in place urgently to stop the decline. Lee and Nagaraj (2012) had noted several problems in the education system – lack of educational quality; ineffective use of subsidies; outdated pedagogic techniques; use of racial quotas; underinvestment in primary education; and the switch away from English language instruction.

Political Obstacles to Reforms

It is clear that many changes are needed in the Malaysian economy to sustain

²⁷ For full results and analysis, see the PISA 2012 report by the Organization for Economic Cooperation and Development (OECD).

and enhance its competitiveness for the future. However, many of these changes will mean a painful transition period. Hence, we can expect resistance from those adversely affected, and from those who need to make painful changes. This is where the political will of the government will be severely tested. How the people can be convinced that these changes, though painful, are needed for the long-term future of the country will be important. In such a situation, a strong political position for the government of the day is needed to drive through changes.

One path to initiate and enforce changes is by engaging in multilateral and plurilateral agreements that demonstrably increases the (net) welfare and competitiveness of the country. Malaysia needs to remain open in its trade and investment regimes as its domestic market is too small to sustain healthy growth. Many positive spillovers from the presence of top foreign MNCs will also continue to enhance the competitiveness of the economy. In view of the stuttering WTO negotiations that are bogged down by contentious issues, many countries have taken to initiate regional and bilateral trade agreements on their own. Malaysia is of no exception. However, reciprocity to market access is required in any trade negotiation. Hence, just as Malaysia desires greater access to foreign markets, it should also be willing to consider opening up more of its sectors to foreign nations. Although in the short term, this would mean exposing some sectors to fierce foreign competition but over the longer term, this could well see the emergence of highly competitive national firms in such industries as the most efficient ones respond. For sectors and workers affected by dislocation from liberalisation, the government should formulate suitable support measures to ease the transition process. Adequate social safety nets and retraining programmes should be among such measures.

CONCLUSION

The NEM (p. 17) said this about the economic transformation that Malaysia has to go through: "But to start this process, the government is aware that it has to make extremely tough decisions in order to meaningfully put in place a critical mass of bold measures. The political leadership must be clear about the trade-offs involved in making some of these tough decisions."

We believe that the economic planners in the government know what needs to be done. The NEM is an expertly crafted plan, identifying the necessary actions and policies, and recognising the political economy aspects that need to be handled subtly but firmly. All that is well and good as a starting point, as a plan. Now the government needs to boldly execute that plan with unswerving resoluteness.

In Malaysia's unique multi-ethnic setting, the country has reached a juncture where promoting growth through a merit-based system is likely to result in trade-offs with its redistribution objectives. Affirmative action has helped to maintain social cohesion and this has played a significant part in Malaysia's economic

success, as acknowledged by Stiglitz (2007). It should continue to play such a role moving forward, though in a different form that is more market-based and addressing weaknesses in its implementation as well as preventing abuse. The NEM (p. 24) has acknowledged thus: “Affirmative action programmes and institutions will continue in the NEM but ... will be revamped to remove the rent seeking and market distorting features ...”. These programmes “would be based on market-friendly and market-based criteria together taking into consideration the needs and merits of the applicants.”

This article has highlighted several areas that need the urgent attention of policymakers if Malaysia is to make a successful transition to a high-income economy in today’s challenging external environment. Change that is good is often painful, so there is likely to be resistance. The NEM had anticipated this, warning of “resistance by vested interest groups” (p. 16). It also added that “resistance is likely to come from the business community including protected industries, ... licence holders, beneficiaries of subsidies, and experts at doing business the old way...” (p. 17). The frequent protestations of Perkasa and other like-minded groups and individuals attest to this. Notwithstanding this, the government should be bold enough to tilt the balance in favour of promoting greater competitiveness to ensure continued economic prosperity for all groups in the nation. The global economy is getting more competitive. It is not just a question of sustaining improvement but that of moving faster than our rivals. Much has been said of late in the press that we should not be comparing ourselves favourably to less developed countries in the region such as the likes of Thailand, Indonesia and Vietnam.²⁸ That is indeed correct but Malaysia should be careful that it does not rest on its laurels lest even these countries catch up with it. President John F. Kennedy said in 1963 that “the United States has to move very fast just to even stand still.” The Malaysian policymakers would do well to heed these words. It is time to stride forward and do so with clarity and commitment.

²⁸ Remarks made by Stewart Forbes, op. cit., *The Malaysian Insider*, 17 October 2014.

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Malaysia and the UN in 2015: Revisiting UN Peacekeeping and Exploring Opportunities

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ABSTRACT

Since sending UN Peacekeepers to Congo in 1960, many Malaysians have served as civilian observers, military observers, troops and police contingents for UNPKO throughout the world, except for the Americas. Malaysia was once the sixth largest UN Troop Contributing Countries (TCC). Malaysians have served in all types of climates, ranging from the coldest winters in Bosnia to the scorching deserts in Sahara. Malaysia was the first ASEAN member to participate in UNPKO and closer to home, Malaysian “blue helmets” had served in Cambodia and East Timor. Exceptional Malaysians have led UNPKO in field missions like Somalia and Tajikistan. Leaders par excellence have risen to the ranks of Assistant Secretary General (ASG) in UNHQ New York. In 2015, Malaysia is a non permanent member in the UN Security Council (UNSC). This paper discusses some of the UN approaches in dealing with threats to global peace and security. It then reflects on Malaysia’s experience and inherent capabilities, exploring opportunities for Malaysia to complement UN approaches and remain relevant as a “veteran” in UNPKO.

The paper is divided into five parts. The first part describes UN Peacekeeping, its evolution and major failures. The second part aims to touch a little on the UN and the Department of Peacekeeping Operations (DPKO). The third elaborates on Malaysia and UNPKO. The fourth focuses on reforms in the UN. Finally, the fifth

part explores how Malaysia can play a better role in UNPKO reforms, concluding the paper.

Keywords: UN, UN and Malaysia, Peacekeeping Reforms, UN Peacekeeping, New Horizons Initiative, Protection of Civilians

PART I: UNITED NATIONS PEACEKEEPING OPERATIONS

The Charter of the United Nations (UN) calls upon the peoples of the world “to unite our strength to maintain international peace and security”, and charges the Security Council with the task of “determining the existence of any threat to the peace and deciding what measures shall be taken”. The UN Charter gives the United Nations Security Council primary responsibility for the maintenance of international peace and security. In fulfilling this responsibility, the Security Council may adopt a range of measures, including the establishment of a United Nations peacekeeping operation. The legal basis for such action is found in Chapters VI, VII and VIII of the Charter. While Chapter VI deals with the “Pacific Settlement of Disputes”, Chapter VII contains provisions related to “Action with Respect to the Peace, Breaches of the Peace and Acts of Aggression”. Chapter VIII of the Charter also provides for the involvement of regional arrangements and agencies in the maintenance of international peace and security, provided such activities are consistent with the purposes and principles outlined in Chapter I of the Charter.

Peacekeeping was never mentioned in the Charter as one of the tools to be employed by the United Nations, yet it took only three years for this whole new technique to be conceived, that of using troops under UN command to keep disputing countries or communities from fighting while peacemaking efforts are pursued. This technique of keeping peace was implemented thirteen times in the UN’s first forty years.

Since the establishment of the first UN field operations in 1948, the size and scope of UN Peacekeeping operations has expanded dramatically. Since then, 69 peacekeeping operations have been deployed by the UN, 56 of them since 1988 (www.un.org). Over the years, hundreds of thousands of military personnel, as well as tens of thousands of UN police and other civilians from more than 120 countries have participated in UN peacekeeping operations. More than 3, 220 UN peacekeepers from some 120 countries have died while serving under the UN flag.

Over the past six decades, United Nations peacekeeping has evolved into a complex, global undertaking. During this time, the conduct of United Nations peacekeeping operations has been guided by a largely unwritten body of principles and informed by the experiences of the many thousands of men and women who have served in UNPKO. The spectrum of contemporary peace operations has become increasingly broad and includes both United Nations led peace operations,

as well as those conducted by other actors, normally with the authorisation of the Security Council. (UN Capstone Doctrine)

The UN brings unique skills and resources to bear on conflicts that are ready for resolution, thus helping to alleviate the suffering of people affected by war and assisting them in the reconstruction of their post-conflict societies. UN peacekeeping has proved to be a versatile tool for deterring or reversing inter-state conflict, ending civil wars and mitigating humanitarian crises.

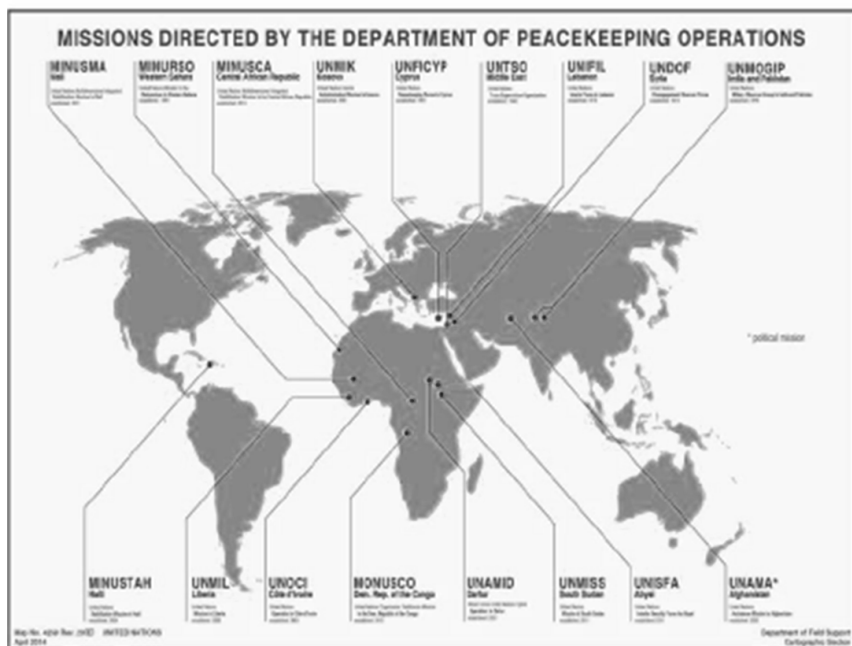


Figure 1: Current UNPKO Missions Worldwide

Source: www.un.org/peacekeeping

The traditional concept of UN peacekeeping, as it was first developed, was to deploy in a 'buffer zone' separating fighting forces, e.g. in the Golan Heights between Israeli and Syrian forces. Today, its meaning has changed, its role widened and its responsibility broadened. Most peacekeeping operations now are multidimensional, requiring each to carry out a variety of functions involving peacemaking and peacebuilding. Secretary General Kofi Annan, in his 1999 report on the Work of the Organisation, thus summarised these functions:

"While some traditional peacekeeping operations remain, peacekeepers throughout the decade of the 1990s have been involved in the broader post-conflict

peacebuilding processes associated with the implementation of peace agreements. This involves the return and reintegration of refugees and internally displaced persons, reconciliation, rebuilding judicial systems, strengthening the promotion and protection of human rights, electoral assistance and assistance in rebuilding war-torn political, economic and social infrastructures, as well as more traditional peacekeeping tasks.”

Peacekeeping and peacemaking are two sides of the same coin. While soldiers and civilian observers help maintain peace between warring groups, efforts are made by diplomats to negotiate the dispute and lasting peace. Peacekeeping takes place only after a crisis emerges but peacemaking may begin long before that. In a variety of ways, the UN can try to prevent new disputes from flaring up, or existing disputes from escalating into conflicts. This may involve making personal contacts, using the “good offices” of the Secretary General, sending fact-finding missions or installing an early warning system. Peacebuilding means efforts to identify and support areas which tend to consolidate peace. Once a ceasefire is achieved and a peace agreement is negotiated, peacebuilding can start. Opposing parties may be disarmed and weapons destroyed, refugees may be repatriated, elections can be held and steps taken to monitor respect for human rights. In cases where the conflict is between two or more countries, sustained cooperative work may be undertaken to deal with their economic, social, cultural and ethnic problems. Only such peacebuilding measures can place an achieved peace on a durable foundation.

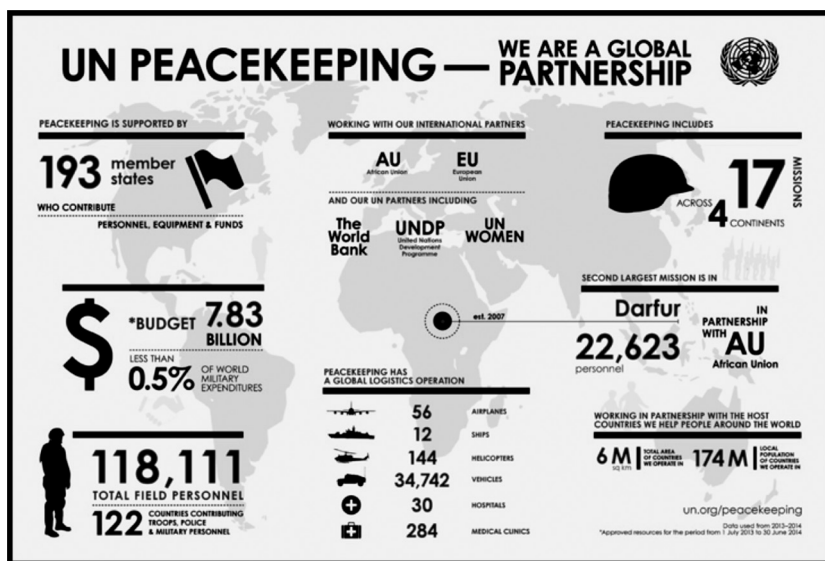


Figure 2: UNPKO Factsheet
Source: www.un.org/peacekeeping

PART II: PERTINENT ORGANISATIONS AND STRUCTURES ASSOCIATED WITH UN PEACEKEEPING

The Security Council

United Nations peacekeeping, as a flagship activity of the Organisation, is a unique instrument that is built on a global partnership. It is also remarkably diverse. Peacekeeping operations range from large military deployments to small observer forces, from complex integrated missions to specialist police, rule of law and other civilian operations. The flexible manner in which the Security Council has employed UN peacekeeping prevents easy definition or categorisation. UN peacekeeping operations share some key features. Each operation takes place at the request of the Security Council and in accordance with the basic principles of peacekeeping **consent, impartiality** and the **non-use of force except in self-defence and in defence of the mandate**. UN peacekeeping missions provide a transitional security presence to which different political, police and civilian components can be integrated. Every operation is assembled from uniformed personnel provided voluntarily by countries, along with civilian staff, and with financing from all 193 Member States. Each operation provides an international framework through which a wide array of partners can act with legitimacy and in coordination. There are five permanent members (P5) of the Security Council; China, France, the Russian Federation, the United Kingdom and the United States. The Council's presidency rotates on a monthly basis, ensuring some agenda-setting influence for its ten non-permanent members, who are elected by a two-third votes of the General Assembly to serve a two-year, non-consecutive term. The main criterion for eligibility is contribution "to the maintenance of international peace and security," often defined by **financial or troop contributions to peacekeeping operations or leadership on matters of regional security** likely to appear before the Council. Malaysia was recently elected one of the ten non-permanent members of the Security Council for 2015-2016.

The non-permanent members were borne out of a secondary consideration of "equitable geographical distribution", which gave rise to the regional groups used since 1965 in elections: the African Group has three seats; the Asia-Pacific Group, two; the Eastern European Group, one; GRULAC (Latin America and the Caribbean), two; and WEOG (Western Europe and Other Groups), two. Each has its own electoral norms. An Arab seat alternates between the African and Asian blocs by informal agreement. Turkey and Israel, which has never served on the Council, caucus with WEOG.

Special Committee on Peacekeeping Operations

The Special Committee was established by General Assembly resolution 2006 (XIX) of 18 February 1965 to conduct a comprehensive review of all issues relating to peacekeeping. It reports to the General Assembly on its work through the

Fourth Committee (Special Political and Decolonization) and is comprised of 147 Member States, mostly past or current contributors to peacekeeping operations. Fourteen other Member States, intergovernmental organisations and entities, including the African Union, the European Community, the Organization of Islamic Cooperation, the International Committee of the Red Cross (ICRC) and the International Criminal Police Organization (Interpol), participate as observers.

The Department of Peacekeeping Operations (DPKO)

Located within the Secretariat of the UN System is DPKO which provides political and executive direction to UN Peacekeeping operations around the world and maintains contact with the Security Council, troop and financial contributors, and parties to the conflict in the implementation of Security Council mandates. The Department works to integrate the efforts of UN, governmental and non-governmental entities in the context of peacekeeping operations. DPKO also provides guidance and support on military, police, mine action and other relevant issues to other UN political and peacebuilding missions. The four main offices of DPKO are:

- a. Office of Operations - The main role of the Office of Operations is to provide political and strategic policy and operational guidance and support to the missions.
- b. Office of the Rule of Law and Security Institutions (OROLSI) - the role of OROLSI is to strengthen the links and coordinate the Department's activities in the areas of police, justice and corrections, mine action, the disarmament, demobilisation and reintegration of ex-combatants and security sector reform.
- c. Office of Military Affairs - The Office of Military Affairs (OMA) works to deploy the most appropriate military capability in support of United Nations objectives; and to enhance performance and improve the efficiency and the effectiveness of military components in United Nations Peacekeeping missions. This office is divided into three main Services, namely, Military Planning Service, Force Generation Service and Current Military Operations Service.
- d. Policy Evaluation and Training Division - Policy Evaluation and Training (PET) Division provides an integrated capacity to develop and disseminate policy and doctrine; to develop, coordinate and deliver standardised training; to evaluate mission progress towards mandate implementation; and to develop policies and operational frameworks for strategic cooperation with various UN and external partners. This division looks at Best Practices in UNPKO.

The Department of Field Support (DFS)

DFS provides support in the areas of finance, logistics, information, communication and technology (ICT), human resources and general administration to help missions promote peace and security. DFS has seven main offices, namely, Office of the Assistant Secretary General, Field Personnel Division, Field Budget and Finance Division, Logistics Support Division, Information & Communications Technology Division, Policy Evaluation and Training (PET) Division (shared with DPKO) and DFS also includes the United Nations Logistics Base in Brindisi (UNLB).

PART III: MALAYSIA AND UN PEACEKEEPING

Malaysia first took part in peacekeeping in 1960, in Congo. Since then, Malaysians have served in many African peacekeeping missions as UN Military/Election Observers, Troop, Medical and Police Contingents, Civilian staff and various other appointments. Malaysians have also served in the Middle East, South Asia, East Timor and Cambodia. Most notable amongst UNPKO missions was during UNOSOM in Somalia. Malaysians rescued US Special Forces in the *Bakara Market* incident after the US' failed attempt to capture the rebel leader. The rescue was depicted in the movie *Black Hawk Down* which did not give any credit to Malaysians. When the UN exited from Bosnia at the end of the UNPROFOR mission, Malaysia paid for the Malaysian Contingents and kept them under the British Multinational Division Sector. Malaysian troops were applauded for being able to survive the camp move from the original MALCON HQ in Konjic to Livno in bone-chilling temperate climate and knee-high snow. Malaysian Air Defence personnel were deployed to direct fighter aircrafts during the conflict. Malaysia was once one of the sixth largest TCC in the UN. Unfortunately, after years of being at the forefront, Malaysia failed to maintain her position in the evolution of UNPKO. Today, Malaysia's contribution to UNPKO remains. The failure of maintaining this footprint is attributed much to the lack of understanding on the importance of UNPKO and the mismanagement of Malaysian involvement.

20)	Morocco	.....	1587	0	1,587
21)	Indonesia	.....	1512	34	1,546
22)	Benin	.....	1241	53	1,294
23)	Chad	.....	1167	9	1,176
24)	Italy	.....	1083	35	1,118
25)	Sri Lanka	.....	1064	4	1,068
26)	France	.....	912	40	952
27)	Mongolia	.....	871	64	935
28)	Malaysia	.....	896	14	910

Figure 3: Snapshot of Ranking by Country: December 2013

Source: www.un.org/peacekeeping

PART IV: REFORM OF PEACEKEEPING

Over the last two decades or so, the UN has instituted a number of reforms to ensure that the delivery system for peacekeeping will be able to evolve with the changing dimensions of threat and response. Here are the notable ones.

An Agenda for Peace

Pursuant to the statement of 31 January 1992, adopted at the conclusion of the first meeting held by the Security Council at the level of Heads of State and Government, the Secretary General of the United Nations, Mr. Boutros-Boutros Ghali was invited to prepare, for circulation to the Members of the United Nations by 1 July 1992, an “analysis and recommendations on ways of strengthening and making more efficient within the framework and provisions of the Charter the capacity of the United Nations for preventive diplomacy, for peacemaking and for peacekeeping. Mr. Boutros-Boutros Ghali made important reform proposals in two major reports to the General Assembly. They were titled *An Agenda for Peace* and *An Agenda for Development*. These reports showed the Secretary General’s innovative thinking and they continued to influence reforms over the following decade in such areas as peacekeeping. In his report, he mentioned that the terms preventive diplomacy, peacemaking and peacekeeping are integrally related and were defined as follows: Preventive diplomacy is action to prevent disputes from arising between parties, to prevent existing disputes from escalating into conflicts and to limit the spread of the latter when they occur. Peacemaking is action to bring hostile parties to agreement, essentially through such peaceful means as those seen in Chapter VI of the Charter of the United Nations. Peacekeeping is the deployment of a United Nations presence in the field, hitherto with the consent of all the parties concerned, normally involving United Nations military and/or police personnel and, frequently, civilians as well. Peacekeeping is a technique that expands the possibilities for both the prevention of conflict and the making of peace.

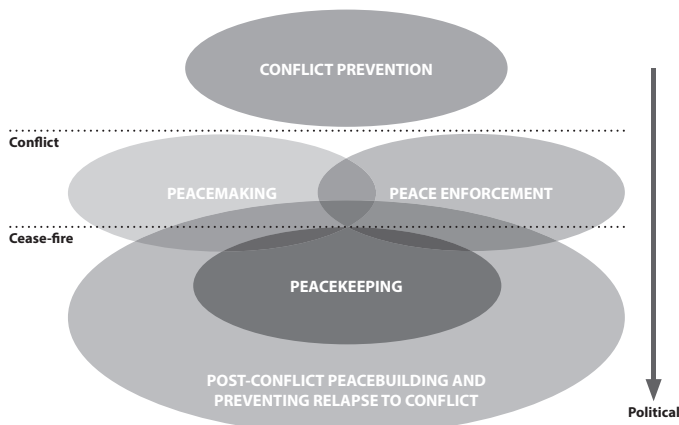


Figure 4: The Boundaries of Peace Effort: Linkages and Grey Areas
Source: *UN Capstone Doctrine 2008*

He addressed the critically related concept of post-conflict peacebuilding action to identify and support structures which will tend to strengthen and solidify peace in order to avoid a relapse into conflict. Preventive diplomacy seeks to resolve disputes before violence breaks out; peacemaking and peacekeeping are required to halt conflicts and preserve peace once it is attained. If successful, they strengthen the opportunity for post-conflict peacebuilding, which can prevent the recurrence of violence among nations and peoples. These four areas for action, taken together, and carried out with the backing of all Members, offer a coherent contribution towards securing peace in the spirit of the Charter. The United Nations has extensive experience not only in these fields but in the wider realm of work for peace in which these four fields are set. The potential of the United Nations in maintaining international security is not only in its traditional sense but in the new dimensions presented by the era ahead.

The Brahimi Report

In 2000, the UN started a major exercise to analyse its peacekeeping experience and introduce a series of reforms to strengthen its capacity to manage and sustain field operations. This was brought about by the surge in demand for UN peacekeepers, with the 'blue helmets' being increasingly asked to deploy to remote and often volatile environments. Peacekeeping also faced a varied set of challenges which included deploying its largest, most expensive and increasingly complex operations; designing and executing transition strategies for operations where stability has been achieved; equipping communities as far as possible with capacity to ensure long-term peace and stability. In March 2000, the UN received the result of the *Report of the Panel on United Nations Peace Operations*, better known, and henceforth referred to as, the *Brahimi Report* named after the Chair of the Panel, Lakhdar Brahimi. The Report contained 57 explicit recommendations to the Secretary General, the Security Council, the General Assembly and Member States in general. The report focused attention on strategic, political and basic operational matters: renewed political commitment on the part of Member States; significant institutional change; and increased financial support. Following the Brahimi report, UN Member States and the UN Secretariat continued major reform efforts, including the development of major works like the Handbook on United Nations Multidimensional Peacekeeping Operations (2003), UN Capstone Doctrine (2008) which outlines the most important principles and guidelines for UN Peacekeepers in the field, and Peace Operations 2010 which contains the reform strategy of the Department of Peacekeeping Operations (DPKO) among its key initiatives.

A New Partnership Agenda: Charting a New Horizon for United Nations Peacekeeping

In 2009, a year before the tenth Anniversary of the *Brahimi Report*, the Under Secretary Generals of DPKO and DFS jointly signed *Foreword of The New*

Horizons Initiative. Building on past lessons and reforms, *The New Horizons Initiative* brought new light to the way DPKO and DFS would partner for purpose, action and way to the future. These new initiatives address Strategic Planning for missions, start-ups in establishing and managing missions, *Robust Peacekeeping* and *Protection of Civilians* being some of the main initiatives in delivery at the field whilst on building capacity, future needs are defined. Two Progress Reports on the *The New Horizons Initiative*, No. 1 and No. 2 have since been published.

The Global Field Support Strategy was reported as part of the Secretary General Report to the 64th Session of the General Assembly in January 2010.

Following *The New Horizons Progress Report No. 1* which was published in October 2010, the *Global Field Support Strategy*, the Norwegian Institute of Peace (NUPI), together with DPKO and the United Services India (USI) conducted a Conference in India in April 2011. The Conference titled *Peacekeeping Vision 2015- Capabilities for Future Mandates* was organised by DPKO, supported by NUPI and hosted by USI. It was attended by more than 200 delegates including Security Council members, leading TCCs and PCCs, Peacekeeping Training Institutes (including Malaysia), NATO, various parts of the UN Secretariat and other important staff from UN past and present missions of the day.

PART V: MALAYSIA AND UN REFORMS

There have been two major events with regards to UN Reforms in Malaysia. One was a workshop and the other a roundtable. Both were hosted by ISIS Malaysia.

Workshop

The workshop on *Civilian Contribution to Peace Operations: Assessing Progress and Addressing Gaps* was held on 27 September 2010 in Kuala Lumpur, organised by the Stockholm International Peace Research Institute (SIPRI), the Institute of Strategic and International Studies (ISIS) Malaysia and the Asia Pacific Civil-Military Centre of Excellence (APCMCOE). It brought together 25 experts from around the region to discuss Asia Pacific perspectives of and experience in the civilian component of peace operations. The main objectives of the workshop were to conduct a regional inventory of what countries are doing and/or developing; observe 'lessons learned' about civilian deployment; discuss challenges confronting Asia-Pacific countries; and develop a regional civil-military network to further the discussion.

The workshop was one in a series of four regional workshops, covering Africa, Asia Pacific, Europe and South America and conducted as part of the SIPRI project *Civilian Contribution to Peace Operations: Assessing Progress and Addressing Gaps*. The project's objective is to take stock of the international

civilian architecture and to map what has been done and by whom. The project was generously funded by Foreign Affairs and International Trade Canada (DFAIT) and United States Institute of Peace.

One of the core aims of the project is to broaden the dialogue on the role of civilians in peace operations beyond Europe and North America to the Global South, and to harness the potential of partners in Africa, Asia and South America, including the African Union (AU), the Association of Southeast Asian Nations (ASEAN), Brazil, Egypt, India and Japan, among others. The Asia-Pacific Region has important lessons to be learned from with regards to the civilian contribution to peace operations. Asia, through the United Nations Transitional Authority in Cambodia, was home to one of the first UN multidimensional peace operations. Furthermore, roughly 20 per cent of the civilian personnel deployed to UN peace operations are from Asia. The project's working definition of civilians is non-uniformed personnel working for a peace operation led by the UN or a regional organisation under a UN mandate. The scope of the project excludes **civilian police and humanitarian actors**. The full report on the Workshop can be obtained from the SIPRI website.

Roundtable

In October 2011, the International Peace Institute (IPI) coorganised a meeting of troop- and police-contributing countries in Kuala Lumpur with the Pearson Peacekeeping Centre (PPC), ISIS and the Asia-Pacific Civil-Military Centre of Excellence. The roundtable event was the first regional meeting of the IPI-PPC joint "Being a Peacekeeper" series. Senior officials representing the military, police and the MFAs of the ten ASEAN countries, plus Japan and China, participated in the roundtable. In total, there were approximately 50 participants, including Ameerah Haq (Special Representative of the Secretary General for Timor-Leste) who delivered the keynote address; Izumi Nakamitsu, head of UN DKPO's Division of Policy Evaluation and Training; and Brigadier General Jean Baillaud, the Chief of Staff in DPKO's Office of Military Affairs. Participants reflected on their own countries' experiences, both their successes and their challenges – in contributing to UN peacekeeping, which informed a forward-looking discussion on how best the countries of the region can contribute to international peace and security by improved cooperation within the region and increased collaboration with the United Nations. Launched in New York in November 2010, the "Being a Peacekeeper" series brings together existing, emerging, and potential troop- and police-contributing countries in an informal setting to allow for an open and honest exchange of experiences, successes, concerns and challenges. It seeks to facilitate initial and additional opportunities for networking among experienced contributors and countries aiming to become more actively engaged in peacekeeping. Finally, it provided a forum for interaction among contributors and other key elements in the UN peacekeeping system, such as the Department

of Peacekeeping Operations and specific UN peacekeeping missions. The impetus to hold regional roundtables came out of discussions at the global kick-off event of the series in New York in November 2010. **Southeast Asia was identified as a priority**, given both the available capacity of the states in the region, as well as their interest in increasing Southeast Asian contributions to UN peacekeeping.

Issues related to UNPKO.
Malaysian Perspectives

1. The Military Adviser

Malaysia's commitment to global peace and security is a matter of foreign policy. The Permanent Mission of Malaysia in the UN, based in New York, represents Malaysia's interest in the UN. The Military Adviser in the mission advises the Head of Mission on UNPKO. He is a member of the Military Police Advisers Committee (MPAC) and takes part in MPAC related activities. He also attends activities organised by the UN and DPKO. These may range from issues related to the dynamics in UNPKO conducted by the Security Council, the Special Committee of Peacekeeping or DPKO. DPKO regularly conducts meetings on issues related selection of mission leadership, civilian, military or police staff appointments whether as mission appointee, seconded or contracted to DPKO, field mission capabilities or other Departments linked to UNPKO. The Military Adviser also attends Troop Contributing Countries (TCC) and Police Contributing Country (PCC) meetings, which DPKO conducts to request asset contributions from Member States for new peacekeeping missions or additional capabilities required for current peacekeeping missions. Sometimes, there are requests for contingents or capabilities in UNPKOs where TCCs or PCCs remove contingents or capabilities from missions due to either service no longer required by UN or because TCCs/PCCs just do not desire to continue contributions. The Military Adviser is also required to attend national needs when senior military staff visit New York for job or leisure. The assessment of Malaysian concerns and involvement in the UN is largely due to these shortcomings.

2. Ministry of Defence as National UNPKO Advisor

The complex nature of UNPKO which involves civilians, police and military are currently handled separately by the Ministry of Defence and the Police HQ in Bukit Aman. There is no "one stop centre" that studies, collates and recommends Malaysian initiatives for the needs of UNPKO. The nature of *Service Parochialism* becomes an everyday affair when the Permanent Mission in New York forwards vacancy announcements in the UN for Malaysian participation. Due to ongoing competition and rivalry within Services, many a time, the vacancy announcements are not appropriately replied either by the right candidates or within the stipulated time before closing date. It is for this reason many qualified Malaysians fail to make it to UN positions.

3. Malaysian Peacekeeping Training Centre (MPTC)

Though the centre has been acknowledged as one of the regional UNPKO training centres, it falls short of addressing capacity building and programmes that have been envisaged within the UNPKO reforms perspectives. These include Robust Peacekeeping and Protection of Civilian. Training for Police and Civilians in Multidimensional PKO, Secondment staff for DPKO, Staff for Mission HQ like Force HQ and Joint Operations Centres as an example of such capacities that need to be explored.

4. Peacebuilding

Malaysia developed the Malaysian Technical Cooperation Programme (MTCP) and also pioneered the Langkawi International Dialogue (LID) which celebrates its 20th Anniversary in 2015. LID is a Malaysian initiative that aims to promote ideas and experiences on development and economic growth to developing countries in Africa and the Caribbean. Established in 1995, LID is a platform through which ideas on development, trade, and even topics such as religious extremism are discussed and exchanged among participating countries. Malaysia acts as the host for the dialogue, inviting mainly African and Caribbean countries to engage. LID also brings together industry and labour leaders, social groups, civil servants, members of the media and academia to access varied perceptions on issues related to socio-economic development and the role of technology in business development under the South-South Cooperation. The role of South-South Cooperation in Peacemaking and Peacebuilding is well described by Dr Anita Mathur in the Department of Political Affairs. (Anita Mathur 2014) However, UNPKO considerations, MTCP involvements and LID engagements are not collectively seen in the lenses of Peacebuilding in African countries.

Recommendations:

1. Malaysia's unique diverse culture, religion and command of the English language by Malaysians are assets in UNPKO. The experience of Malaysia in UNPKO sets her apart from other ASEAN members. However, there is a need to evolve with the reforms in UN Peacekeeping. To do that more effectively and efficiently, the Permanent Mission in New York has to be better equipped to deal with the reforms. Staff selected to represent Malaysia's interest should be knowledgeable, experienced and have the drive to identify opportunities for Malaysia and Malaysians. Malaysians already in the UN system may be consulted to provide more information on the way ahead. Malaysians are severely under-represented in the UN and Malaysia needs to take stock by promoting outreach programmes for appointments in the UN. Only through tangible commitments in the UN can Malaysia be offered opportunities for higher posts in the UN hierarchy.

2. The Ministry of Foreign Affairs should take over UNPKO affairs for the nation. This way, there could be a more holistic approach in assessing the need to contribute to UNPKO and the need to be part of the UN Reforms. Information can be better managed with a “one-stop-centre” consisting of Civilian, Military and Police personnel to maintain better prospects for Malaysia in the peace continuum.
3. MPTC should endeavour to take more roles especially in the areas of addressing UNPKO reforms. Robust Peacekeeping, Protection of Civilians and other capacities like Air assets and Maritime Forces deployment could be undertaken given the experience of Malaysia in FPDA and other Combined Exercises. Logistic issues like reimbursement procedures for Contingent Owned Equipment (COE), Self Sustainment and other claims can be shared as Best Practices.
4. A holistic approach towards Peacebuilding in mind should be envisaged when taking part in UNPKO. Past and current international programmes should be enhanced to include government initiatives like the Economic Transformation Programme (ETP) which can be used by host countries of UNPKO to garner public and private investments for Post Conflict Peacebuilding. Malaysian civil service retirees, chambers of commerce and other related institutions can play a bigger role in host countries to restructure, reconstruct and reintegrate the population and be part of the peace process.

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Islamic International Law and the Settlement of International Disputes

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ABSTRACT

This article examines the possibility of institutionalising Islamic international law or *siyar* in international dispute settlement. This article starts by arguing that Islamic international law has developed as a branch of law since the eighth century but it started to decline following the colonisation of the Muslim States by the West. However, with the emergence of independent Muslim States, the revival of such law is possible and this also includes its possible use in dispute settlement. This article finds that Article 38 of the ICJ Statute could provide the avenues for Islamic international law rules to be referred to by the relevant international adjudicating bodies but based on case law, the avenues are confined to general principles of law.

Keywords: Public International Law, International Dispute Resolution, Islamic International Law, International Relations, International Politics

INTRODUCTION

International dispute settlement is an important element within the international legal order. It refers to the process where a dispute between two or more States is settled by invoking any provisions or principles of international law regulating the external relations between those States. As settlement of disputes is one of the purposes of law, the same purpose should extend to international law. A large number of conflicts that have occurred in the world today involved Muslim States. Some of them were armed conflicts and had resulted in bloody wars such as the Iran-Iraq conflicts in the 1980s but some others were mere disputes.

Both terms have different meanings. Conflict means a situation where at least two actors (parties) strive to acquire scarce resources (Wallensteen, 2012, p. 8) whereas dispute refers to disagreement over facts, laws or policies in which a claim or assertion of one party is met with refusal, counter-claim or denial from the other party (Merrills, 2005, p. 1). Disputes and conflicts may inter-relate with each other as the former can mutate into the latter and vice versa. This can be seen

in the origin of both the Iran-Iraq War and the Iraqi invasion of Kuwait, which arguably was the resolved status of the Shatt al-Arab region affecting Iraq, Iran and Kuwait (Khadduri & Ghareeb, 1997, p. 26).

Since armed conflicts are not uncommon in the Muslim World, the proneness of a dispute between two Muslim States turning into an armed conflict may put the utility of Islamic law in inter-State relations under the limelight. Against such a backdrop, this article investigates how Islamic law may play a relevant role in settling disputes, particularly those involving Muslim States, thus minimising the probability that those disputes would end in wars or armed conflicts.

First, this article seeks to discuss the position of Islamic law as one of the sources of international law. In this respect, the definition of 'Islamic international law' or *al-siyar* will be elaborated in a critical way. Then, the article will navigate through the uses of Islamic international law in proposing solutions to international disputes which have so far been settled through arbitration only and have not involved judicial settlement. Finally, the application of Islamic law within the international dispute resolution regime will be examined.

ISLAMIC LAW AS A SOURCE OF INTERNATIONAL LAW

With little doubt, Islamic law has its own unique character when it comes to the making and application of the law that regulates the conduct of States. As will be elaborated below, Islamic law can be harmonised with international law through the contribution of State practice to the formation of international law rules. But what is equally important as history has shown is that Islamic international law has already existed as a branch of law which has not only been debated by theorists but has also been practised by rulers in the Muslim World.

WHAT IS ISLAMIC INTERNATIONAL LAW?

Islamic international law is also known as *siyar*. The word *siyar* originates from the word *sirah* which literally means behaviour or conduct (Hamidullah, 1977, pp. 9-10) and it has been used to denote and explain the conduct and practices of Arab kings and rulers before the Islamic period (Hamidullah, 1977, p. 10). It later evolved into a regulatory system that was supposed to control the conduct and relationships of the Muslim State with other nations. This made *siyar* a branch of *fiqh* (Islamic jurisprudence). In fact, the historical development of the science of *siyar* was started by Abū Hanīfah whose efforts were continued by Abū Yusuf and Al-Shaybanī who further refined the views of earlier Muslim jurists. This was followed by Al-Sarakhsī and Al-Awza'ī who developed various concepts which covered not only the external conduct of the Muslim State in general but also those which governed the political, military and economic aspects of the conduct (Hamidullah, 1977) (Khadduri, 1996) (Weeramantry, 2001).

As mentioned before, Islamic international law is part of *fiqh*. Therefore, the basic sources of such law would not depart so much from the sources of the Shari'ah, i.e. Al-Qur'an, Al-Hadith, *ijmā'* and *qiyās* (Hamidullah, 1977). The fact that *siyar* is part of the Shari'ah indicates that it is divinely guided (Hamid, 2011). In the same vein, the *fuqaha'* (Muslim jurists) could formulate and issue *fatawa* (decrees) on any topic that came under the 'radar' of *siyar* but similar to modern international law, State practice, treaties and the evidentiary sources of law also form an integral part of the sources of *siyar* (Hamidullah, 1977, pp. 18-75). A question can be raised on the legal status of the conduct of a Muslim ruler if it contradicts with the opinions of the jurists. If we were to reword the question in a positive language, we might hypothesise that the *siyar* was only practised by the Prophet (peace be upon him or p.b.u.h), the first four caliphs and the few pious Muslim rulers who emerged later in Islamic history.

This question or hypothesis is approached by dissecting the nature of Islamic international law which has a higher degree of flexibility than other branches of *fiqh*. The *siyar* requires the use of reason more extensively due to the complexities that were evident in inter-State relations and the existence of political elements which shaped not only such relations but also intra-State relations inducing the relevant players to depart from theoretical concepts laid down by the *fuqaha'*. In some circumstances, the *fuqaha'* themselves exercised caution upon alluding to precedents that were less favourable to rulers and although they took notice of such precedents in forming their views, the supremacy of a caliph's judgements on political questions was recognised. Khadduri documented the choice that Al-Shaybanī had to make when he was consulted by Caliph Harun al-Rashid who sought to revoke the peace covenant of the Christians of Banu Taghlib (a peace covenant was an instrument that made non-Muslims who settled in a Muslim territory the people of peace who must be protected by a Muslim ruler). Al-Shaybanī preferred the covenant to be preserved as it was granted by Umar and the impugned act of the Christians was never used by previous caliphs to justify revocation. Al-Shaybanī however was 'cautious' and he remarked the supremacy of the caliph's decision against the Christians of Banu Taghlib for the reason that they were suspected of supporting the Byzantines (Khadduri, 1996, pp. 34-35).

Thus, Muslim rulers took a rather pragmatic approach to a problematic situation in international relations especially when there was no clear guidance from Al-Qur'an atau Al-Hadith. Whether they acted upon the advice of the *fuqaha'* seemed to be less relevant as indicated by the experience of Al-Shaybanī in the Banu Taghlib case. Furthermore, tactical and strategic decisions by the Prophet (p.b.u.h.) during military campaigns have long been considered not a source of Islamic law. History also shows that Umar, one of the four pious caliphs, had totally adopted the practices and policies of the Persians in government agriculture and taxation (Hamidullah, 1977, p. 36), and the Prophet (p.b.u.h.) was reported

to have imported from pre-Islamic customary practices in relation to exchange of diplomatic emissaries (Zahid & Shapiee, 2010, p. 133).

The flexibility of *fiqh siyar* can be seen from the measures taken by Umar in the regulation of international trade. The policy that had been in practice during the time of the Prophet (p.b.u.h.) was that in its external trade with a non-Islamic State, an import duty at the rate of ten per cent would be imposed on goods brought from the State to the Islamic State. This is known as *ushur*.¹ Nevertheless, during Umar's reign, a lower rate of such duty (five per cent) was imposed on oil and wheat brought from the land of the Nabateans, which was a non-Islamic State (a *Harbī* State) (Uz-Zaman, 1981, p. 273) (Ahamat & Kamal, 2011, pp. 404-405). The rationale of such change could be the high demand for both goods which were important, necessity goods. A too-high duty could increase the price of those goods which in the end could impact on the people of the Islamic State negatively.

HARMONISING ISLAMIC LAW WITH MODERN INTERNATIONAL LAW?

The term Islamic international law or *siyar* had been used since the eighth century (i.e. the time of Al-Shaybanī) but its development had been stymied by Western colonialism which had impacted the Muslim world especially from the 16th to the 20th century. Having lost their sovereignty to the Western Powers, the Muslim States no longer enjoyed the full freedom to conduct their external relations with fellow Muslim States or with non-Muslim States, causing lesser reliance on the principles developed by Muslim jurists. From a different angle, the era of modern international law began with European jurists developing various concepts and principles influencing the rules which later made up the international legal order. These were initially derived from Christian precepts including those of morality whose theoretical ambit included natural law (Anghie, 2005). This explains why the colonisation by Spain and Portugal of the New World was more of an obligation to subdue non-Christian States and spread Christianity in the places which they conquered (Miller, 2011, p. 853).

The direction of international law shifted when positivism started to influence the external behaviour of the emerging European Powers i.e. the Dutch and the British (Anghie, 2005, pp. 62-65). The emergence of a secular Europe whose nation States began to detach from the papal authority in Rome underscored the replacement of moral reasoning with bringing civilisation to uncivilised societies. Whether the Muslim world was part of those societies is a point of contention for many jurists, although the legal status of the so-called uncivilised non-European States was rather alluded to by the jurists only for legitimating the treaties entered into by Western Powers with those States (Anghie, 2005, pp. 67-71). The status of

¹ The permission to impose *ushur* by the Islamic State on goods imported by *Harbī* non-Muslims was based on the Hadīth on Banu Taghlib. See Sunan Abī Dāwud, Vol. 3, 230.

the Ottoman Empire was enhanced by it joining the Berlin Conference in 1878. The same goes to the assertion that *siyar* had been downgraded as law practised by States because the Muslim States no longer had the capacity to conduct their external relations freely and without being dictated by the Western Powers.

After World War 2, after the United Nations (UN) was founded as the international organisation which is guided by the United Nations Charter, the approach of international law towards colonialism changed dramatically. Colonisation was no longer permitted by international law and this prohibition is in parallel with the prohibition of the use of force. Further, colonised and occupied territories are now entitled to the right of self-determination. These territories later gained independence and most of them are now part of the Third World. In the context of the UN, by them being independent, the views of the Third World countries would now be considered in decision-making within the international legal order although such a phenomenon occurred quite late in time. Many of those countries are Muslim States. The question now is, will the opening of the door of such decision-making process to the practices and legal principles recognised and applied by independent Muslim States revive Islamic international law?

Therefore, it is important to discuss the sources of modern international law and whether Islamic international law may function within the framework of those sources. The sources of international law are laid down in Article 38(1) of the Statute of the International Court of Justice which provides that when settling a particular dispute, the ICJ will apply the following:

- (a) International conventions establishing rules expressly recognised by the contesting States (treaties)²
- (b) International custom, as evidence of general practice accepted as law
- (c) General principles of law accepted by civilised nations
- (d) Judicial decisions and teachings of highly qualified publicists.

Islamic international law, if it is to be included within the decision-making process of the ICJ and other international adjudicative bodies, must go through the rule-making procedures that emerge from the legal sources above.

As was mentioned by Hamidullah, treaties are among the additional sources of *siyar* apart from the usual sources of the Shariah (Hamidullah, 1977). History has shown that Muslim States had entered into treaties with non-Muslim States but there are no precedents in Islamic history that all States in the world adhered to a treaty (Hamidullah, 1977, p. 32). How the Muslim States dealt with treaties as a source of law was subject to certain specific rules which had been developed by *siyar* jurists from the major sources of the Shariah. The Quran has given in-

² International conventions take a general or particular form depending on their nature and purposes but the rules that they have created must be expressly recognised by the contesting States. In other words, those States must be parties to those conventions.

junction to Muslims (as well as Muslim States) that they must observe the covenants that they have made. “And fulfill the covenant of Allah when you have taken it, [O believers], and do not break oaths after their confirmation while you have made Allah, over you, a witness. Indeed, Allah knows what you do” (Al-Quran, Al-Nahl: 91). This Quranic verse establishes a principle that Allah is the surety for any agreement that a Muslim State has entered into, making the breach of that agreement something which is against Allah Himself (Hamid, 2011). This Quranic principle predates the principle of *pacta sunt servanda* under modern international law which obliges States to carry out obligations in any treaty that they are parties to in good faith (Hamid, 2011).³ An Islamic perception of such an important international law principle, which gives treaty a binding effect, has been noted to have existed (Zahid & Shapiee, 2010). There can also be an issue arising from a possible contradiction between treaties and the major sources of the Shariah. Hamidullah pointed out that certain rules are imperatively compulsory and forever so but treaty and customary rules do not fall under such category of rules, so that the former should not be evaded except in extreme stress and unavoidable necessity. “But whoever is forced [by necessity], neither desiring [it] nor transgressing [its limit], there is no sin upon him. Indeed, Allah is Forgiving and Merciful” (Al-Quran, Al-Baqarah: 173). On this note, Muslim States could enter into treaties despite them not fulfilling the injunctions of canon law (Shariah) only if the necessity remains (Hamidullah, 1977, p. 32).

The distinctiveness of *siyar* rules in this area is not necessarily indicative of their incompatibility with modern international law because of the positive nature of treaty-made rules. States are free to codify rules as treaty rules so long as they are not caught by the grounds of invalidity which are found in the Vienna Convention on the Law of Treaties, 1969. In the course of concluding and implementing treaties with Muslim rulers during the colonial period, the significance of *siyar* treaty rules was neglected by the powerful European Powers as they moved away from the “legal niceties” to a rather practical approach when dealing with the uncivilised societies (Anghie, 2005, p. 64). At present however, there is no reason why the rules of Islamic international law cannot be incorporated into treaties, particularly those made by independent Muslim States. Consent of sovereign States is expressed by treaties (Dixon, 2011, p. 16) and it is a celebrated international law principle that ‘there is no super State above the others that can legally impose anything on the other States’ (Oppenheim, 1955, p. 119) (Zahid & Shapiee, 2010, p. 129). Thus, Muslim States could agree that *siyar* rules are inserted into bilateral, plurilateral or even multilateral treaties so that the rules can be binding on them. But whether this can be made possible depends on internal motivation, external pressure and the sense of interdependence that are associated with the codification of the specific *siyar* rules.

³ See also article 26 of the Vienna Convention on the Law of Treaties, 1969.

The second source of international law is international custom. Custom is also included as one of the sources of *siyar* (Hamidullah, 1977). However, there is a gap between custom as generally understood in the Shariah (which is known as *`urf*) and customary international law which involves the most important process of rule-making in the international legal order (Zahid & Shapiee, 2010). M. Anwar Zahid and Rohimi Shapiee have attempted to reduce this gap by formulating special criteria for a practice of the Islamic State to be part of customary *siyar*, which are: (1) reasonableness and sensibility of the practice in the judgement of the Islamic State, (2) frequency and dominance of the practice in inter-State relations in general, (3) being in force at or before the time of an international transaction in which the practice is relevant, and (4) does not contradict the Shariah or the spirit of Shariah (Zahid & Shapiee, 2010, pp. 128-129). Other than these criteria, one should not forget the view by Hamidullah about the position of treaty and customary law vis-à-vis the Shariah in that contradiction with the latter is only allowed in times of necessity (Hamidullah, 1977, p. 32).

If customary *siyar* is to be invoked in present-day inter-State dispute settlements, can such legal source be made compatible with the elements of international custom as per Article 38(1) of the Statute of ICJ? Elements of international custom have been formulated by the ICJ in many decisions, including in the *North Sea Continental Shelf* cases where the elements were laid down that there must be a State practice which was “extensive and virtually uniform” and the practice showed “general recognition that a rule of law or legal obligation is involved” (North Sea Continental Shelf Cases (Denmark/Netherlands v. Federal Rep. of Germany), 1969, p. 43). The requirement of settled practice will require any customary practice under *siyar* to be extensive and uniform among not all States in the world but those affected by such a practice. Thus, a practice of the Islamic State (now Muslim States) must be as practised by non-Muslim States as well. The second requirement is more difficult to prove because both Muslim and non-Muslim States must be shown to believe that the practice is rendered obligatory by reasons of law.

There might be a limited scope of the possible practices that fall under the types of customary *siyar* and customary international law. Those practices must be general and consistent and accepted or at least tolerated by both Muslim and non-Muslim States. Any objection at the time a *siyar*-based practice purportedly crystallises into custom would disprove the existence of such a customary rule. Practices which contravene the Shariah or its spirit should be excluded as they would not pass the test of *siyar* from the very beginning. Only about 50 UN Members are from the Muslim world. “It is difficult for a Muslim Nation State’s ‘siyaric’ practice to be common to a significant number of States which constitute the whole international community, hence failing to meet the conditions of international custom, in particular generality of practice” (Ahamat & Kamal, 2011, p.

414). However, where *siyar* has contributed to the international legal order, the resulting rules could satisfy the elements of customary international law. These rules include those relating to diplomatic inviolability, protection of prisoners of war (PoWs) and protection of women, children and religious persons during wars.

There is another possible way for customary *siyar* to develop; that is through the notion of local or regional custom. Local custom develops from practice which satisfies the elements of custom but is confined to a certain region. In the *Asylum* case, Colombia claimed that unilateral grant of asylum was a local custom but the claim was rejected by the ICJ (*Asylum Case (Colombia v. Peru)*, 1950). It was held that such practice was not a local custom because there were fluctuation, contradiction, uncertainty and discrepancy in the official views expressed on various occasions, inconsistency in rapid succession of treaties accepted and rejected by States within the region, and the influence by political expediency on the practice – all these would show the elements of constant and uniform usage and being mutually accepted as law could not be proven (*Asylum Case (Colombia v. Peru)*, 1950, p. 277).

The Muslim world may not be easily characterised as one region due to the vast areas it covers, stretching from Indonesia in the east to Morocco in the west and from Kazakhstan in the north to the Comoros in the south. There is also diversity of culture, language and ethnicity of the people that live in those areas though they are supposed to be united by faith. At the State level, the extent of Shariah being applied also varies from one State to another. In general, some Muslim States make reference to the Shariah in their constitutions and more often than not, the Shariah law becomes the overriding law in the event of a conflict with other types of law (for example, Saudi Arabia, Iran and Pakistan). Some others do not make direct reference to the Shariah in their constitutions but Shariah law is implemented in parts there (for example, Malaysia and Indonesia). There are also Muslim States which do not implement Shariah law but their constitutions do not mention about their secular nature (for example, Egypt). Finally, there are Muslim States which clearly mention in their constitutions that they are secular States (for example, Turkey).

These differences suggest consistency and generality of a certain practice of Muslim States are hard to be proven making the possibility of regional Muslim custom a remote kind of thing.

The third source of modern international law as per Article 38(1) of the Statute of ICJ is general principles of law recognised by civilised nations. These principles refer to the principles applied in all major legal systems of the world which are considered on the international plane because there is lack of original international law rules to settle an international dispute. There was an issue

whether the “civilised nations” should exclude the Islamic legal system as such terms have been historically linked to Western nations. However, international efforts including by the International Law Association (ILA) have been taken to discuss the role of Islamic law in international law (Strawson, 1993) (Ahamat & Kamal, 2011, pp. 414-415). The acceptance of *siyar* as part of general principles of law was cemented by Arbitrator Mahmassani in *Libyan American Oil Co. (LIAMCO) v Libya* which allowed Islamic law to be included in the definition of the term “general principles of international law” in Article 38 (Libyan American Oil Co. (LIAMCO) v Libya, 1978, pp. 35-37). The principles of Libyan civil law were considered part of the world’s major legal systems and Islamic law was recognised as one of the sources of Libyan civil law (Libyan American Oil Co. (LIAMCO) v Libya, 1978, p. 35). The application of *siyar* was made even more explicit when Arbitrator Mahmassani applied specific Qurānic provisions promoting the sanctity of contracts (and treaties) in international relations (i.e. the claim of illegal expropriation by a foreign multinational company against a State) (Libyan American Oil Co. (LIAMCO) v Libya, 1978, pp. 54-58).

APPLICATION OF ISLAMIC LAW IN INTERNATIONAL DISPUTE SETTLEMENT

As discussed in the third part of this paper, modern international law has specific avenues to incorporate Islamic international law (*siyar*) into the international legal order. These avenues reflect the use of Islamic law in the settlement of inter-State disputes. To the knowledge of the writer, Islamic international law is yet to be found in any decisions of the ICJ but there have already been cases decided by way of arbitration in which reference was made to Islamic international law. The oft-repeated case when it comes to the use of Islamic law in international arbitration is the *Red Sea Islands* case.

In this case, Yemen and Eritrea had a dispute regarding the sovereignty over the Red Sea islands, particularly the Hanish and Zuqar islands. In settling the dispute, the arbitral tribunal referred to a classical Islamic international law rule that territorial sovereignty was not an important factor for the basis of international law rights. This differed from the approach of the European Powers in the 19th century which used territorial sovereignty as their basis to make sovereign claims under international law.

Thus, in Islamic international law, the territory of a certain State is not always under the exclusive governance of that State as the highest political entity in the Islamic political order is the caliphate, not nation States which is the concept promoted by modern (Western) international law. The general view under Islamic law is there should be only one caliph at one time. However, some Muslim jurists permitted the existence of “self-governing” *amirs* (rulers). This means although there should be only one caliph at one time, the real power was actually in the

hands of provincial *amirs* who ruled independently of the caliph (al-Mawardi, 1999, pp. 35-41).

The Arbitral Tribunal in the *Red Sea Islands* case ruled that the application of Islamic international law allowed some territories of the Ottoman Empire, particularly the Hanish and Zuqar islands, not to be formally and effectively subjected to the centralised bureaucracy of Ottoman governors. As a result, the socio-economic conditions in the affected areas became more insulated and less connected to the central rule in Istanbul. In this regard, the Tribunal stated:

In making this award on sovereignty, the Tribunal has been aware that Western ideas of territorial sovereignty are strange to peoples brought up in the Islamic tradition and familiar with notions of territory very different from those recognized in contemporary international law. Moreover, appreciation of regional legal traditions is necessary to render an Award which, in the words of the Joint Statement signed by the Parties on 21 May 1996, will “allow the re-establishment and the development of a trustful and lasting cooperation between the two countries.” (The Government of the State of Eritrea v the Government of the Republic of Yemen, 1996, p. 146)

The above statement reveals recognition of the relevance of Islamic international law in contributing to the settlement of inter-State disputes in modern times, although more should be done to reduce the legal uncertainties arising from the emphasis of Islamic law on the caliphate as the only recognised polity (in general) and the lack of in-depth discourse on nation-States among Islamic law jurists. The Tribunal did realise the importance of Islamic law and this was reflected in its statement that the Western concept of territorial sovereignty was at odd with Islamic international law and ill-understood by societies that followed the Islamic tradition. This could be a call to the body that settles disputes involving Muslim States or communities to take into account the views of Islamic law on the matter that becomes the source of those disputes propose remedies provided such law. The Tribunal finally made the following decision:

In finding that the Parties each have sovereignty over various of the Islands the Tribunal stresses to them that such sovereignty is not inimical to, but rather entails, the perpetuation of the traditional fishing regime in the region. This existing regime has operated, as the evidence presented to the Tribunal amply testifies, around the Hanish and Zuqar islands and the islands of Jebel al-Tayr and the Zubayr group. In the exercise of its sovereignty over these islands, Yemen shall ensure that the traditional fishing regime of free access and enjoyment for the fishermen of both Eritrea and Yemen shall be preserved for the benefit of the lives and livelihoods of this poor and industrious order of men. (The Government of the State of Eritrea v the Government of the Republic of Yemen, 1996, p. 146)

In the *Red Sea Islands*, the sovereignty over the Hanish, Zuqar, Jebel al-Tayr dan Zubayr isles was awarded by the Arbitral Tribunal to Yemen. However, the resort to Islamic law with regards to the territorial sovereignty issue had produced an *unorthodox* decision that despite the sovereignty award, Yemen was required to give unrestricted access and fishing rights to poor Eritrean traditional fishermen who had long been fishing in the relevant areas.

The use of an Islamic law concept in the above case seems to be small in scope. Islamic law was mentioned in part to accept “equity” which stresses amicable settlement that pursues mutual benefits for both disputing parties and is mutually accepted. It may not be unacceptable if one says that the utilisation of the Islamic law concept produced a “win-win” solution for both Yemen and Eritrea though in actual sense, Yemen had to be satisfied with more diluted sovereign power and authority that it could exercise over the relevant islands and their waters.

In another case that was discussed in the third part of this paper, *LIAMCO v Libya*, more extensive recognition was given to Islamic law. This case was also settled by arbitration. As discussed, the arbitrator in this case made a more direct reference to Islamic law by recognising the law as part of general principles of law recognised by civilised nations, the source of international law under paragraph 1(c) of Article 38 of the Statute of ICJ, and invoked a Quranic principle on performance of contractual obligation. This case is different from the *Red Sea Islands* case in that the former did not involve an inter-State dispute. However, it can be argued that the case established international legal principles particularly on obligations owed by States to aliens and those principles may be extended inter-State obligations.

A question can arise as to the status of the principles raised in the *Red Sea Islands* case. The reasoning of the Tribunal suggests that the substance of the invoked Islamic international law rule resembles a rule of equity. Thus, it may be argued that the rule in question could be part of general principles of law recognised by civilised nations. Referring to the *River of Meuse* case, an equitable principle which is recognised by most legal systems of the world can be followed by an international court or tribunal in deciding a case submitted to it (The Diversion of Water from the Meuse (Netherlands v. Belgium), 1937, p. 76).

ISLAMIC INTER-STATE DISPUTE SETTLEMENT

There is a special multilateral mechanism for Islamic inter-State dispute settlement mechanism. Article 14 of the OIC Charter provides:

The International Islamic Court of Justice established in Kuwait in 1987 shall, upon the entry into force of its Statute, be the principal judicial organ of the Organisation.

The IICJ is supposed to be the judicial arm of the OIC and hence, should take the lead in providing avenues for dispute settlement for Muslim States. Efforts to establish the IICJ started with the adoption of No11/3-P (IS) at the Third Islamic Summit in 1981 with revisions being made in 1981, 1982 and 1983 until the formal creation of IICJ at the Fifth Islamic Summit in 1987 (Al-Midani, p. 1). Only Member States (of the OIC) can be parties to disputes before the IICJ⁴ and jurisdiction of the IICJ is based on consent of parties to recognise the decisions of the Court.⁵ The IICJ has both contentious and advisory jurisdictions. In the event that the IICJ exercises its contentious jurisdiction, Member States must recognise its ruling as binding “such that its interpretation of the commandments of the Shariah, of treaties, and of international law prevails” (Al-Midani, p. 2). It is further argued that the use of Islamic law by the IICJ can help “to create jurisprudence which will benefit the Islamic community and the international community as a whole” (Al-Midani, p. 2). Such positive assertions highlight the possibility of operationalising *siyar* rules in dispute settlement through the IICJ. In fact the IICJ Statute clearly states that the Shariah is the fundamental law of the Court.⁶ Unfortunately, the IICJ is yet to come into force.

CONCLUSION

Islamic international law is a clearly demarcated branch of *fiqh* or Islamic law. Its long history has shown its formation and longstanding existence throughout the history of the Muslim world. However, when Islamic international rules are to be considered in modern day international dispute settlement, the inconsistencies between Islamic international law and modern international law have to be addressed. As shown before, there are avenues in which Islamic international law rules can be operationalised in settling disputes especially between Muslim States, the strongest being general principles of law recognised by civilised nations. There are at least two cases in which discussion on Islamic law was made, namely, *LIAMCO v Libya* and the *Red Sea Islands* cases. While *LIAMCO* involves a case between a private individual and a State, the recognition of the status of Islamic law was expressly made in that case. This formalises the legal position of Islamic law in the international legal order. In relation to the *Red Sea Islands*, two interesting points can be made. First, Eritrea is predominantly Christian. This shows Islamic international law rule has already been conceptualised and applied within the international legal order beyond “intra-Muslim disputes”. Second, there was use of classical Islamic international law rule which influenced the outcome of present-day dispute settlement. This indicates Islamic international law is capable of modern-day application in inter-State dispute settlement.

Nevertheless, it is not clear if the applicability of Islamic law rules in inter-State dispute settlement covers the ICJ. Despite the fact that both cases analysed

⁴ Article 21(a) of the Statute of IICJ.

⁵ Article 21(b) of the Statute of IICJ.

⁶ Article 27 of the Statute of IICJ.

earlier were settled through arbitration, Islamic law can be used in the form of general principles of law. The limitation in this, however, is that general principles can only be used in situations of a lacuna in international law. The main sources of international law will be treaty and customary international law. As regards customary international law, certain rules that are widespread and virtually uniform among all affected States including the Muslim States may be considered to have attained the status of customary international law. But it will be hard for *siyar* rules that conflict with the principles of modern international law to follow suit except when they have qualified as local or regional custom. As discussed above in the third part of this article, the inconsistencies and diversity of the Muslim States' legal system and practice may prevent regional Islamic custom from crystallising.

Therefore, treaties can be the best mechanism to institutionalise *siyar* rules in inter-State dispute settlement. This will still depend on the willingness of the Muslim States to negotiate, conclude and implement those treaties. On the international plane, the OIC and its Member States have taken the initiative to establish the IICJ Statute. As the IICJ is yet to be enforced, its role in making decisions based on Islamic Shariah rules remain untested. However, there is still room for Islamic law to be implemented – that is through arbitration. In the end, it is a choice that is to be exercised by the Muslim States themselves.

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South-South Cooperation: Opportunities and Challenges in Malaysia-India Bilateral Relations

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ABSTRACT

South-South Cooperation (SSC) is a broad framework for collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains. Involving two or more developing countries, it can take place on a bilateral, regional, sub-regional or international basis. SSC may be defined as a strategy for the greater mutual use of developing countries' resources in order to promote economic independence, increased self-reliance and improved bargaining with the developed countries. This article attempts to examine and evaluate the nature and level of Malaysia-India cooperation on South issues. Firstly, it traces briefly the origins, growth and development of the Malaysia-India bilateral relationship especially in the economic, defence and socio-cultural aspects. Secondly, it examines some of the significant developments that took place including the signing of the bilateral Malaysia-India Comprehensive Economic Cooperative Agreement (MICECA) and the regional ASEAN-India Free Trade Agreement (AIFTA) as manifestations of South-South cooperation. Thirdly, it evaluates the relevance of the Malaysian Technical Cooperation Programme (MTCP) in Malaysia-India relations. Finally, the article concludes by arguing that given the present steady growth record, Malaysia-India cooperation can be a model for the future of South-South cooperation in terms of facing common challenges and seizing strategic opportunities to promote development, security, peace and progress in the current regional and world order.

Keywords: South-South Cooperation, economic independence, globalization, Malaysia-India cooperation as model, South empowerment.

INTRODUCTION

The global economic recession that hit many countries around the globe in 2008 and 2009 has underscored the need to forge new mutually beneficial business partnerships which will ultimately act as engines of economic growth and socio-

economic development.¹ According to the International Monetary Fund (IMF), emerging economies grew 7.3 per cent in 2010 as compared to 3.0 per cent in advanced economies. In fact, it is estimated that developing countries have contributed about 70 per cent of the world's growth in the last decade.² Hence, the quest for South-South Cooperation (SSC) to bridge the gap between haves and have-nots and ensure distribution in terms of resources and opportunities is deemed vital in facing the rising challenges posed by ever increasing globalization and interdependence. Moreover, SSC, in addressing some major global issues such as climate change, reforming the international financial system and promoting more equitable economic development is also considered to be still relevant.³ Thus, many developing countries like Malaysia and India reaffirm their commitment to South-South cooperation as an important vehicle for improving developing countries' access to trade and markets in the developed world.

SSC is a broad framework for collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains.⁴ Involving two or more developing countries, it can take place on a bilateral, regional, subregional or international basis. SSC is defined as the strategy for the greater mutual use of developing countries' resources in order to promote economic independence, increased self-reliance and improved bargaining with the developed countries. The Paris Declaration (2005) and the Accra Agenda for Action (AAA 2008) provided a paradigm shift in the SSC.⁵ South-South countries have more say over their development process through wider participation in development policy formulations, stronger leadership on aid coordination and more use of country systems for aid delivery. Developing countries could now set their own strategies for poverty reduction and coordinate among other countries to simplify procedures and share information to avoid duplication.

All these developments in SSC have taken the form of increased volume of South-South trade, South-South flow of foreign direct investment, movements towards regional integration, technology transfers, sharing of solutions and experts, and other forms of exchange. In this regard, both Malaysia and India have given utmost priority in energizing South-South Cooperation. During the Cold War period, Malaysia and India generally opted for neutrality by not taking sides in the game of power politics between the two ideologically-oriented power blocs.⁶ Both nations realised that developing and under developed countries should forge strong political ties and economic linkages. For Malaysia and India, strengthening cooperation among the South-South countries will improve their social, economic and political well-being at the international level.⁷ Accordingly, Malaysia and India have played an active role while sharing the same political platform at the Non Aligned Movement (NAM) and the Group of 15 (G15) which are the major organs of South-South Cooperation.⁸

The objective of this article is to examine and evaluate the nature and level of Malaysia-India cooperation on South issues. The paper is divided into four parts. The first part traces briefly the origins, growth and development of the Malaysia-India bilateral relationship especially in the economic, defence and socio-cultural aspects. Second, it examines some of the significant developments that took place, namely, the signing of the bilateral Malaysia-India Comprehensive Economic Cooperative Agreement (MICECA) and the regional ASEAN-India Free Trade Agreement (AIFTA) as manifestations of South-South cooperation. Third, the paper evaluates the relevance of the Malaysian Technical Cooperation Programme (MTCP) in Malaysia-India relations. Finally, the article concludes by arguing that given the present steady growth record, Malaysia-India cooperation can be a model for the future of South-South cooperation in terms of facing common challenges and seizing strategic opportunities to promote development, security, peace and progress in the current regional and world order.

MALAYSIA- INDIA BILATERAL RELATIONS: AN OVERVIEW

Bilateral relations between Malaysia and India in the post-colonial era embraced political, economic, academic, defence and cultural relationships. These have continued in the post-Cold War period. In the current phase, the advent of globalization has not only contributed to a sharper focus on the economic and commercial relations between Malaysia and India but also in the areas of defence and socio-cultural ties.

Malaysia-India Economic Cooperation

In a report released by the Malaysia External Trade Development Corporation (MATRADE) in 2013, Malaysia is the 12th most competitive economy in the world for doing business, partly attributed to the nation's advanced foreign trade policy and open market.⁹ According to the report of The National Trade Promotion Agency of Malaysia, total trade for 2012 surpassed the one trillion ringgit mark with a value of RM1.31 trillion compared with RM1.27 trillion recorded in 2011. Exports grew by 0.6 per cent to RM702.19 billion while imports expanded by 5.9 per cent to RM607.36 billion, resulting in a trade surplus of RM94.82 billion signifying the 15th consecutive year of surplus. Table 1 shows Malaysia's top ten trading nations for the year 2012.¹⁰ India was Malaysia's 11th top trading nation with total trade amounting to RM41,150.1 million.

No.	Country	Total Trade (RM million)	Share (%)
1	China	180,610.5	13.8
2	Singapore	175,963.2	13.4
3	Japan	145,322.5	11.1
4	United States	109,882.5	8.4

5	Thailand	74,013.1	5.7
6	Indonesia	58,728.6	4.5
7	South Korea	49,966.3	3.8
8	Taiwan	47,042.3	3.6
9	Australia	43,717.1	3.3
10	Hong Kong	43,390.7	3.3
11	India	41,150.1	3.1

Table 1: Malaysia's top ten trading nations for 2012

Source: MITI Report 2012, pg. 135. Modified to include India

Whereas, India's total merchandise trade increased from US\$621 billion in Fiscal year 2011 to US\$794 billion in Fiscal year 2012. India's exports during 2011-12 amounted to US\$304.6 billion, as compared to US\$251.1 billion during 2010-11. India's imports during 2011-12 amounted to US\$489.4 billion, as compared to US\$369.8 billion during 2010-11. Overall, trade deficit for 2011-12 amounted to US\$184.7 billion, as compared to US\$118.6 billion during 2010-11.¹¹ India's top ten export market for the fiscal year 2012 is as in Table 2.

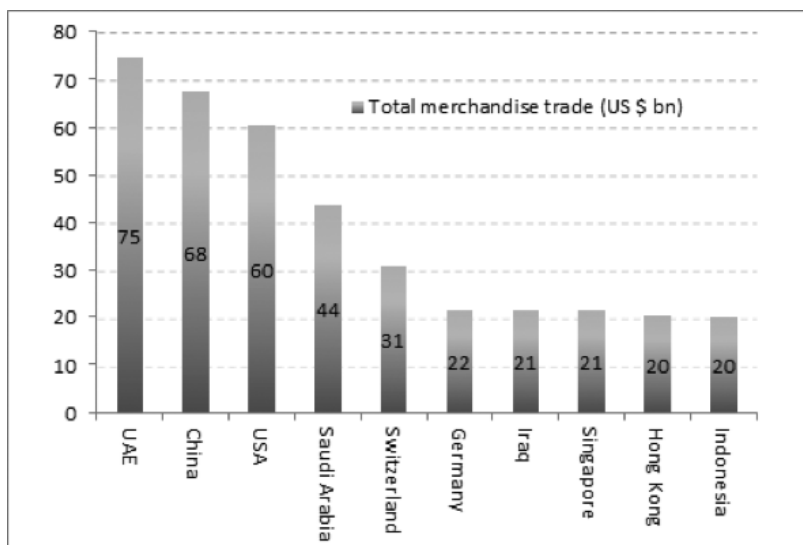


Table 2: India's top ten trading nations for 2012

Source: Ministry of Commerce and Industry, GOI. Orbis Economics Estimates
<http://www.orbiseconomics.com/2013/06/who-is-india-trading-most-with-hint-its.html>

Based on the above tables, it clearly indicates that neither Malaysia nor India falls into the category of the top ten trading partners for both countries. Nevertheless, India is considered one of Malaysia's important trading partners.¹² Bilateral economic ties in terms of trade and investment in the 1990s started to pick up when India opened up its economy and adopted the Look East Policy (LEP) in 1991. At the same time, Malaysia also launched the National Development Policy (NDP) that set the broad economic development framework for ten years. However, trade and investment with India have been in Malaysia's favour since 1992. For the year 2012, India was one of the trading partners that recorded expansion in trade with Malaysia. Figure 1 shows that the balance of trade is in favour of Malaysia from the year 2002 (US\$1.1 billion) to 2012 (US\$5.7 billion). Bilateral trade between Malaysia and India has been on an upward trend. From 2002-2011, trade has increased by more than four-fold. Besides engaging in trade, Malaysia and India are also active investment partners. Malaysia and India are important destinations for FDI. Both countries have adopted proactive investment policies and measures to attract FDI inflows. Both countries are also becoming increasingly significant sources of outward investment. Although two-way investment flows between Malaysia and India have so far been limited, the continuous investment flows and increase in bilateral trade in recent years indicate that there is potential for increased investment flows between the two countries.

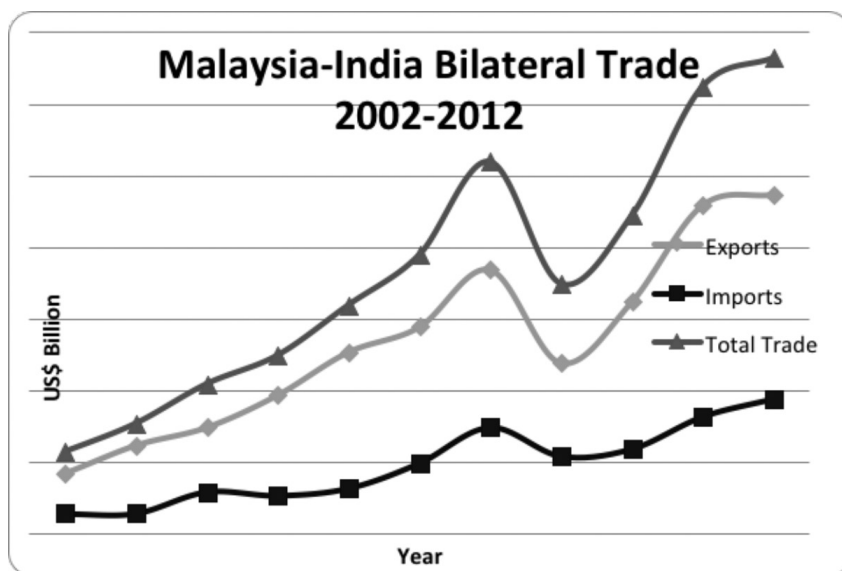


Figure 1: Malaysia-India bilateral trade 2002-2012

Source: Department of Statistics, Malaysia

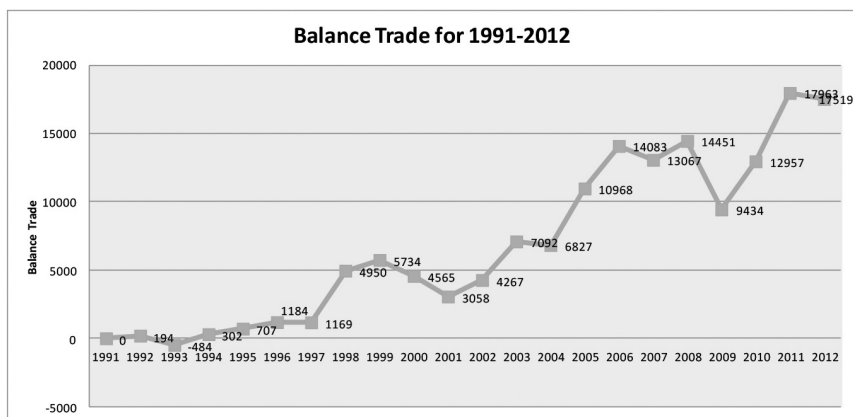


Figure 2: Balance of Trade between Malaysia and India

Source: Data compiled from Ministry of International Trade and Industry (MITI) and Malaysia External Trade Development Corporation (MATRADE).

Figure 1 and Figure 2 indicate the trend of bilateral trade between Malaysia and India (2002-2012) and Balance of Trade (BOT) from 1991-2012 respectively. The LEP has certainly helped India to increase its trade with Malaysia. Nevertheless, the trade has always been in favour of Malaysia. There has been a consistent upward trend which means when there is an increase in Malaysia's export rate, the import rate with India increased as well. Similarly the BOT shows that Malaysia is having an advantage over India. The implementation of the Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA) through the Strategic Partnership is expected to further cement this mutually beneficial relationship. The trade between Malaysia and India has been growing at the rate of 5 to 6 per cent per annum at a time when Malaysia's exports to other countries have gone down.¹³ Although Malaysia-India bilateral relations traditionally have been focused on trade and technology, Malaysia has now tapped into India's service sector given that India stands out as a source of talent in this sector. Among the areas identified are financial services, information and communications technology (ICT), biotechnology, small and medium enterprises (SME) development, healthcare and pharmaceuticals.

Malaysia-India Defence Cooperation

Malaysia regards its defence and security cooperation with India as vital and the highest form of cooperation. Moreover, Malaysia was the first country in Southeast Asia to sign a Memorandum of Understanding (MoU) on defence cooperation with India. The initiative, established in February 1993, has been a mechanism to strengthen bilateral cooperation.¹⁴ It lays down the following key issues and engagements:

- Exchanges at the level of leadership, policy officials and joint staff of the respective defence establishments.
- Service-to-service exchanges between the defence establishments at various levels.
- Promotion of cooperation in areas of training and education, and in strategic and security studies.
- Promotion of cooperation in defence supplies and defence industry, including technological assistance, co-production, joint ventures and industry collaboration.
- Exchanges of information, assessments and experiences, and cooperation in capacity-building in tackling regional and global challenges, including international terrorism, maritime security, disaster management and relief, and peace-keeping operations
- Expanding interaction and cooperation with other nations to promote regional and global security, peace and stability, including through closer collaboration in the relevant regional and multilateral framework.

Malaysia's defence cooperation with India has been in top gear recently. The high level military-to-military visits between nations, training, joint exercises and port calls all seem to put Malaysia-India defence cooperation on the right track. In sum, one could state that the defence MoU that was signed in 1993 was a turning point in Malaysia-India defence cooperation and paved the way towards strategic partnership. The signing of the MoU also initiated yearly meetings between the Defence Secretary of India and Malaysia, the venue alternating between New Delhi and Kuala Lumpur. Just like India, strengthening defence cooperation with friendly countries remains an important objective and component of Malaysia's overall defence policy. There have been many developments between the two nations in terms of training, joint exercises and goodwill visits at the level of service chiefs, reciprocal visits of ships, sports and adventure activities, and strategic security dialogues. The burgeoning defence ties with Malaysia are an indicator of India's willingness to enhance its interaction with Malaysia. One of the most significant contributions to Malaysia-India defence cooperation recently has been India's role in the enhancement of the military knowledge and professional skills of Malaysian Armed Forces (MAF) personnel. Defence relations and partnerships are obviously augmented by strong and expanding trade ties. For India, Malaysia is a prime trading and investment partner in ASEAN and Asia given the regional entity's strategic location.¹⁵

Malaysia-India Socio-Cultural Cooperation

The third area that brought about closer ties between the two countries is the socio-cultural dimension. The people-to-people connectivity between Malaysia and India via air routes has improved significantly following a bilateral agreement in this regard in 2007. At present, there are about 100 flights between the two countries, the majority of which are operated by Malaysia Airlines. According to Malaysia Tourism Statistics 2012, India is the sixth largest source country for

tourism in Malaysia, with 691,271 Indian tourists visiting the country in 2012 alone¹⁶ whereas, Malaysia is the 10th largest source country for foreign tourists visiting India, with 0.19 million Malaysians in the year 2012.¹⁷ With the signing of the MoU for Cooperation in the Field of Tourism in 2010, there are more people-to-people contacts and also greater flow of tourists from both countries. Although there was a slight drop in the number of Indian tourists visiting Malaysia (-0.3 per cent) in 2012, the number is expected to go up in the coming years given that 2014 is Visit Malaysia Year. Another area that made a significant inroad into Malaysia is India's entertainment industry. Movies from India, mostly Hindi movies, have started to flow into Malaysia since 1995 and have been popular over the years. Malaysia also started to host various Indian entertainment events such as film festivals, musical shows, showbiz award events and film shooting. With the MoU signed between the Federation of Indian Chambers of Commerce and Industry's (FICCI) Entertainment Committee and Malaysia's Multimedia Development Corporation (MDec) in 2010, there has been a significant collaboration involving development of co-production initiatives in broadcasting and digital content.¹⁸ People-to-People exchanges between Malaysia and India have also expanded with the signing of the Cultural Exchange Programme for 2010- 2013 and the establishment of an Indian Cultural Centre in Kuala Lumpur in February 2011.

In terms of education, for the year 2013, about 3,400 Malaysian students are studying in India and 1,500 Indian students are studying in Malaysia.¹⁹ During 1960s and 1970s, an estimated 30,000 Malaysian students studied in Indian educational institutions. However, along the years, India has lost its attractiveness from the Malaysian side. Over 30 per cent of doctors in Malaysia today studied in India. The Manipal University alone has over 3,000 alumni in Malaysia.²⁰ There are indications of an increasing number of Malaysian students going to India for higher and technical/professional education. Malaysians account for ten per cent of the total number of foreign students studying in India, and there is much scope for growth in this area.

As a whole, Malaysia and India are going through a more progressive and productive era in bilateral relations at present. Evidently, both nations are committed in working together in SSC be it in the economic, political or socio-cultural spheres. Additionally, both governments realise the importance of working closely in regional and intergovernmental organisations. SSC has now emerged as a more viable platform than ever before for the two countries. Indeed, the bilateral relationship focuses specifically on development cooperation with emphasis on economic cooperation, human resources and technical assistance.

MALAYSIA-INDIA COMPREHENSIVE ECONOMIC COOPERATION AGREEMENT (MICECA)

MICECA was signed on 18 February 2011 and came into force on 1 July 2011.

The MICECA is a comprehensive agreement that covers Trade in Goods, Trade in Services, investment and economic cooperation. It value-adds to the benefits shared from ASEAN-India Trade in Goods Agreement (AITIG) and further facilitates and enhances two-way trade, services, investment and economic relations in general. Although Malaysia and India started off with a Free Trade Agreement, it was later converted to Comprehensive Economic Cooperation Agreement (CECA). A study group was established prior to Malaysia's Trade Performance under MICECA.

Year	No. of CoOs issued	Total export value
2012	816	RM97.88 mil.
Jul - Dec 2011	67	RM9.76 mil.

Table 3: Malaysia's Trade Performance under MICECA (2011-2012)

Source: MITI Report 2012

Officials from Malaysia and India are currently discussing dates and agenda for the first review of MICECA. One of the objectives is setting a target for Malaysia-India bilateral trade to reach US\$15 billion in the next five years. The summary of the trade in goods can be listed under four main tracks.²¹ Track 1 is the normal track whereby the tariffs (on products listed) will be reduced to 'o' or eliminated by June 2013. Track 2 is also the normal track which includes listed products that will be reduced to 'o' or eliminated by 2018. The third track is the Sensitive Track which includes sensitive products whereby tariffs will not be reduced to 'o' but will be kept at five per cent by 2016. The fourth track is the Special Track whereby the tariffs will be kept at five per cent- 20 per cent over a period of four to seven years. Finally, the list of super sensitive commodities track where tariffs will be reduced by 50 or 25 per cent by the end of 2018. There is also a special product which applies to India only where tariffs will be reduced progressively and capped at 37.5 - 50 per cent (depending on the product) by 31 December 2018. Malaysia has also excluded 838 tariff lines from the tariff concession under the Exclusion List (EL), i.e. there will be no elimination or reduction in tariffs on health, security or moral reasons. These include products such as firearms, bullet, tobacco and alcoholic beverages.

In terms of investment, MICECA provides a framework to further facilitate cross-border investments between the two countries. One major benefit from MICECA is that Malaysian investors will be able to enter the Indian market on an equal level as it incorporates provisions on national treatment as well as protection of investors and investments through expropriation, transfers and subrogation provisions.²²

In the area of services, India has committed to allow Malaysian foreign equity shareholding ranging from 49 to 100 per cent in 84 services sub-sectors, including

professional services, healthcare, telecommunications, retail and environmental services. In return, Malaysia has made commitments to allow Indian foreign equity shareholding in 91 services sub-sectors. MICECA also contains a dedicated chapter that facilitates the temporary entry of installers and servicers, contractual service suppliers, independent professionals and business visitors (including potential investors) from Malaysia into India, and vice versa.

MICECA also provides for economic cooperation in several areas including infrastructure development, human resource development (HRD), SMEs, tourism, science and technology, creative industries, finance and business facilitation. Overall, although MICECA provides various benefits, it is also a complex agreement given that it has some challenges.²³ According to some analysts, negotiation was not achieved easily in MICECA which truly reflects the sensitivity from both sides. Nevertheless, it also reflects the compromises required to create a solid foundation for Malaysia and India to increase the trade relations substantially such as in the service and investment sector.²⁴ The service package of MICECA has added unique features. It facilitates temporary entry of contractual visitors, service supply and independent professionals. It provides commitments on a wide range of key service sectors including accountancy, auditing, architecture, urban planning-engineering, and medical and dental services. This is very important because very often, visa restrictions from both sides do act as barriers. MICECA also provides strategic partnerships between Malaysian and Indian companies which can be undertaken through joint ventures, in services sectors such as tourism, construction, franchising and healthcare. Hence, this particular aspect of service has been sufficiently addressed at the present time.

The investment segment of MICECA aims to provide a liberal and forward looking transparent investment regime which will provide a level playing field for both countries. India is happy with Malaysia since Malaysia has offered a comparatively high level of FTA in key sectors of interest to India such as construction, IT related services as well as management and consultancy services. Under Malaysia's 2012 budget, Malaysia opened up 17 service sub-sectors to foreign equity participation and foreign companies to own certain sub-service sectors such as private hospitals, department services, accounting, taxation and legal services. Some of these services are considered strength sectors for the Indian economy. Meanwhile, MICECA has also set a target of achieving US\$15 billion trade by 2015.²⁵ Given that bilateral trade between Malaysia and India in 2012 reached US\$13.3 billion, it raises the possibility that Malaysia and India can achieve this target well before 2015.

The main challenge resulting from the implementation of MICECA will be increased competition to the domestic industry.²⁶ This is particularly true in areas where India has comparative advantage. However, this increased competition is

expected to spur Malaysia's industries to increase their competitiveness through increased productivity and efficient utilization of resources by shifting limited resources away from less economically-viable activities into areas where Malaysia has comparative advantage. In addition, MICECA will contribute to lower costs of inputs as Malaysian industries will be able to source cheaper inputs from India.²⁷

In summary, MICECA is still in the early stages of development. Therefore, it is still too early to see its tangible output. The Malaysian business community is encouraged to take full advantage of the opportunities offered under the agreement. MICECA creates an attractive operating environment for the business community of both countries to further strengthen their bilateral trade and economic linkages on a long term basis.

ASEAN-INDIA FREE TRADE AGREEMENT (AITIG)

Another platform where Malaysia and India cooperate is in the ASEAN-India Free Trade Agreement (AITIG) which clearly is a factor boosting bilateral economic relations within the framework of ASEAN regionalism. Indeed, globalization has spurred the development of regionalism since the end of the Cold War some two decades ago. As an essential part of its trade policy, India has negotiated a number of regional trade agreements such as the ASEAN-India Free Trade Agreement (AIFTA). The AIFTA was signed in Bangkok, Thailand on 13 August 2009 and came into effect on 1 January 2010. Following the AIFTA, India and ASEAN signed an agreement on goods in August 2011, providing tariff-free access to a range of product lines such as textiles, pharmaceuticals, chemicals, engineering products, processed food and auto parts, among others. In 2008, before the conclusion of the agreement, ASEAN-India annual trade was US\$30 billion, which increased to US\$80 billion in 2012. India and ASEAN have also set trade targets of US\$100 billion by 2015 and US\$200 billion by 2022.²⁸ However, the FTA on service and investment is yet to be signed to date. And in light of the slowdown of global trade in merchandise goods, an FTA in services and investment will assume even greater significance, particularly because India's growth is very much anchored in the service sector such as professionals in information technology, healthcare, finance and education. The service sector is of main interest to India as it contributes over 55 per cent to India's gross domestic product and also in terms of export revenues.²⁹ Therefore, an FTA on services and investment is seen as a step towards greater economic integration in the region.

Year	No. of CoOs issued	Total export value
2012	25,870	RM5.85 billion
2011	19,048	RM4.37 billion
2010	11,917	RM2.27 billion

Table 4: Malaysia's Trade Performance under AITIG

Source: MITI Report 2012

For Malaysia, MICECA and AITIG are seen as complementary rather than competitive frameworks of economic cooperation. Benefits accruing from MICECA are multifold, as it contains disciplines across trade in goods, services and investments that lead to progressive opening of markets by both Malaysia and India.³⁰ These market access opportunities are expected to translate into free movement of goods, investment, services and professionals between the two countries. The benefit of MICECA to Malaysia is that certain products that are deemed to be sensitive products (within ASEAN) could be settled bilaterally with India through the agency of MICECA. For example, with respect to textile products, India exports cotton whereas Malaysia exports synthetics. With MICECA, Malaysia could liberalise textile products because of the bilateral FTA. Similarly, India wants to sell spices to Malaysia (but India has to compete with other ASEAN countries). However, with India, Malaysia could deal with this issue on a bilateral basis.³¹ This is how Malaysia benefitted from MICECA. Since Malaysia is the coordinating country for the ASEAN FTA, Malaysia perceives the FTA as allowing Malaysian companies to increase their participation in various sectors such as business services, environment, healthcare and biotechnology.³² India and Malaysia could also liberalise the textile and spice products bilaterally as both countries could not do so through ASEAN.

MALAYSIAN TECHNICAL COOPERATION PROGRAMME (MTCP)

The Malaysian Technical Cooperation Programme (MTCP) was first initiated in 1978 and was officially launched on 7 September 1980 in New Delhi to signify Malaysia's commitment to SSC, in particular in technical cooperation among developing countries.³³ In line with the spirit of South-South Cooperation, Malaysia through MTCP shares its development experiences and expertise with other developing countries. The MTCP was first formulated based on the belief that the development of a country depends on the quality of its human resources. The programme forms part of the commitment of the Malaysian government towards the promotion of technical cooperation among developing countries, strengthening of regional and sub-regional cooperation as well as nurturing collective self-reliance among developing countries.³⁴ The MTCP emphasises the development through the provision of training in various areas which are essential for a country's development. Malaysia's ten key areas of expertise in MTCP are as follows:³⁵

- Management and Public Administration;
- Science, Technology and ICT Management;
- Economic, Finance and Trade;
- Diplomacy;
- Environment;
- Agriculture;
- Social Development;
- English Language;

- Professional Services; and
- Industrial/Technical Training.

Although the human resource development training was initially intended for ASEAN countries, later under the spirit of SSC, this programme was extended to more than 139 developing countries including India. MTCP is being conducted in four modalities. First, fully funded by the host country; second, by cost sharing between the host and receiving country; third, fully funded by the receiving country; and finally through trilateral cooperation – between international organisations, host and receiving country. MTCP, which is a government-to-government initiative, has helped (if not in monetary terms) the development of human resource in developing countries. More than 100 specialised courses are offered by 80 MTCP training institutions, many of which are centres of excellence for training. For example, the Nuclear Agency of Malaysia is considered one of the top five training institutes by the International Atomic Energy Agency (IAEA).³⁶ Even though India is well known for its nuclear technology and considered advanced compared to Malaysia, nevertheless Malaysia provides training in different areas of nuclear technology compared to India. One of the areas of expertise that Malaysia is given due recognition is in the Halal Ecosystem and Islamic Banking.³⁷ Many countries have realised that *halal* is a new source of economic growth given that there are 1.8 billion Muslims in the world. Tourism is very much linked to the development of the *halal* industry as one of Malaysia's trade promotion strategies to capture the huge Muslim market. Malaysia's *halal* industry is being recognised throughout the world which in turn enhances the country's capability for further developing the industry.

The other area of expertise in MTCP is Islamic finance. Malaysia continues to demonstrate dynamic growth with a comprehensive Islamic financial system that is supported by legal and *shariah* governance frameworks. The Islamic financial system comprises four main components, namely, Islamic banking, *takaful* and *retakaful*, Islamic interbank money market and Islamic capital market. Given that Islamic banking is based on profit sharing and not interest (unlike the conventional banking system), it has become a preferred banking choice among developing nations. To date, there are more than 100 Islamic banking products and services available in the industry. Malaysia has established itself as the international hub of Islamic Finance and strengthened the country's role as an intellectual epicentre for Islamic finance.

SOUTH-SOUTH COOPERATION IN THE FOREIGN POLICY OF MALAYSIA AND INDIA

For India, SSC is seen as a means to promote partnerships “based on its firm belief that we live in an interconnected world where the global community shares a common destiny”.³⁸ India also takes the view that development cooperation

should not interfere in the internal affairs of partner countries, and thus does not attach policy conditions to its cooperation. Therefore, the role of India's aid is to help these countries build up their capacity to strengthen their institutions and human resources for self-development. SSC is seen as an important pillar of India's foreign policy and diplomacy. India does not appear to have a specific regional policy or approach to its SSC.³⁹ That said, in recent years, India has become an important actor in promoting regional integration through strengthening trade relations and increasing investment in regional infrastructure. India also provides technical assistance through its Indian Technical and Economic Cooperation (ITEC) programme which is essentially bilateral in nature. However, triangular cooperation arrangements under which Indian institutions provide training to candidates from developing countries with funding being made available by donor countries or multilateral institutions are also being carried out under this programme. India considers triangular cooperation to be an effective means of fostering development by leveraging the best features of India's cooperation. For instance, India's centres of excellence are seen as having technical prowess and human resource capabilities at competitive rates to provide technical assistance to developing countries. India is thus able to complement on a bilateral basis the assistance provided by developed countries.

Strategically speaking, Malaysia, especially under the leadership of Dr. Mahathir Mohamad (1981-2003) has been in the forefront of forging South-South cooperation based on the conviction that development is the best source of security for nations of the South.⁴⁰ Training is an important area of development cooperation. In this respect, Malaysia and India reciprocate in participating in the training programmes offered by both countries. In fact Malaysia sees India's participation as very encouraging and supportive. Whereas, Malaysia takes part in the ITEC programme because it is a government-to-government initiative. Therefore, Malaysia perceives this kind of cooperation as very relevant to the SSC. The only constraint that Malaysia faces in conducting the programme is finance. The creativity and efficiency associated with conducting a programme is very much based on the budget approved. For instance, if only a small budget is allocated for a particular programme, then it will be difficult to conduct a training session with much input. However, the Malaysian government tries to cooperate with the participating countries and international organisations to overcome this shortcoming.

RECOMMENDATIONS

Rising economic interdependence in the era of globalization has strongly impacted the nature, goals and impetus for South-South cooperation at the bilateral as well as multilateral levels. However, there are still many areas of improvement in bilateral relations that could assist the development and empowerment of rapidly developing South countries such as Malaysia and India.

First is the awareness of business opportunity. Many business people are not aware of the India-ASEAN Free Trade Agreement and the MICECA. Hence, the government and private bodies like Malaysia-India Business Council (MIBC) need to organise seminars and forums to explain the opportunities and the privileges available as stated in the agreements. Similarly, India is also not aware of Malaysia's national programme such as the Government Transformation Programme (GTP) and the Economic Transformation Programme (ETP). With greater awareness, Indian companies and businessmen could actually grab the opportunities available and venture into various businesses in Malaysia. MATRADE organises a series of solo trade fairs annually to promote Malaysia's products and services in various major cities in India such as in Mumbai, Pune and Chennai.⁴¹ There is also a handbook titled *Ready Reckoner* for Indian and Malaysian businesses on MICECA. This handbook contains all the necessary information, benefits, rules and regulations on doing business in Malaysia and India.

Second is the need to segment the large Indian market.⁴² A critical problem facing India's economy is the sharp and growing regional variations among India's different states and territories. Therefore, segmentation is essential to handle the huge Indian market. The market can be segmented using several relevant bases. The major ones include geographic, demographic, socio-cultural, psychographic and buying behaviour. Additionally, knowing how the bureaucracies in both countries operate in practice could certainly help overcome frustration over policies and procedures including red tape that can stifle the overall progress in economic cooperation. In an important sense, it is worth investing time and effort to understand how exactly each society ticks and to capitalize on the most effective plug-points of access into the political systems prevailing in both countries. In other words, understanding engines of economic growth must be accompanied by a proper understanding of the political economy of both nations.

The third strategy to improve trade with India is through making branding a strategy.⁴³ The fast-moving Indian market is receptive to new brands. Malaysia mainly exports palm oil, petroleum products, chemical products and electronic products to India. Branding strategy is essential to differentiate Malaysian products and services from other low-cost producing countries. Linking brand-to-business model will solve specific problems faced by the customer. For instance, Malaysia wishes to portray itself as exporting premier products by targeting the market for middle to upper income groups in India.

Finally, Malaysia needs to establish a sense of presence in India.⁴⁴ At present, besides the Malaysian High Commission in New Delhi, the Malaysian government has set up a MITI (Ministry of International Trade and Industry) office in Mumbai to facilitate business matters. Establishing presence plays a critical role in the successful development of export markets. A strong social media presence is

imperative nowadays to get businesses noticed. The setting up of a liaison or representative office that is not directly engaged in commercial transactions helps to address the attendant issues concerning the products and services. Furthermore, the setting up of a branch/project office for commercial and trading activities also ensures the movement and monitoring of bilateral trade and investment.

CONCLUSION

South-South cooperation is no longer an isolated mechanism of exchange with limited impacts. It is an effective means to equip developing countries to face the development challenges (especially given the current global financial crisis) and has become an important instrument for achieving the Millennium Development Goals (MDGs) and promoting global interdependence.⁴⁵ Malaysia's and India's approach to SSC has been strongly influenced by their colonial past, their struggle for independence, their drive to build a nation that embraces security and development as cornerstones of national survival and advancement, and their generally constructive approach to meeting and addressing the challenges of globalization. Malaysia and India understand that SSC is not an alternative to the need to restructure the existing economic order or as a substitute for North-South cooperation. Both countries perceive SSC as the second best option open to the developing countries in their effort to stem the deterioration of their global economic position. SSC promotes closer technical and economic cooperation among developing countries by allowing them to share best practises and to diversify and expand their development options and economic links. It is a powerful tool for building new partnerships and creating more democratic and equitable forms of global interdependence and governance. Therefore, with respect to Malaysia-India relations, the South-South dimension is not only ideologically relevant but also serves as an important platform and forum for the economic, social and technological empowerment of the South.

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Reimagining India: Unlocking the Potential of Asia's Next Superpower

By McKinsey & Company (Editor)

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Reimagining India: Unlocking the Potential of Asia's Next Superpower

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India is indeed too complex of a nation for it to be completely analysed via any single journal, let alone article. However, the recent publication of *Reimagining India: Unlocking the Potential of Asia's Next Superpower* by the McKinsey & Company has successfully set a new milestone on detailed intellectual analysis of India, hitherto unreached. The combination of articles by various prolific figures across different disciplines on India would surely bring all readers across the complete spectrums of what the country has to offer.

Starting with Chapter One titled *Reimagining*, the book provides introductory proposition of what India is today and what the country could be in the future. A recently awakened giant of Asia, alongside the progressive China, India by all measures seems destined for upward prosperity. Abundant with natural resources, rich with human talents and diversity, and no lack of desire for improvement and self-invention are among the few contributing factors which could uplift India to join the group of developed nations. A few attempts have been made on this front with the most reformist being the opening up of Indian local market to international players by Mr. Manmohan Singh, then its Finance Minister, in the 1990s. The subsequent effect of this move had greatly helped India to enliven its economy with more competitiveness, productivity and vibrancy. However, the area of transparency in India remains fragile until today with widespread cases of misconduct by those in office. The chapter then concludes with the underlying message that the Indian Economic Model would only succeed if the government in power could cleanse the federal and state administrations from any bureaucratic loopholes.

Chapter Two, on the other hand, dissects India's *Politics & Policy* by looking at the journey that the country had gone through since its very first founding. Early explorers who came upon its land all commented highly on the boundless potentials within India. To quote the great poet Mark Twain who travelled there in

1896, “India had...the first civilization, she had the first accumulation of material wealth, she was populous with deep thinkers and subtle intellects; she had mines, and woods, and a fruitful soil”. However, the great promises of India could not be easily materialized for it is faced with mounting challenges, primarily due to the vastness of its land. It was also Twain who succinctly put this observation into words by writing “*If only there had been but one India and one language – but there were eighty of them! Where there are eighty nations and several hundred governments ... unity of purpose and policies are impossible ... patriotism can have no healthy growth*”. The issues of national disunity and lacking in coherent voice have long persisted in India. Even the early towering figures of Mahatma Gandhi and Jawaharlal Nehru had failed to accomplish much in this endeavour. It is now left upon the new and current generation of Indians to come to a realisation that unless the whole country is united towards the same aspiration, the trapped voice of India will not be unleashed anytime soon.

The topics of *Business & Technology* are covered in great length in Chapter Three. Looking at the annual graduation ceremonies of distinguished American Ivy League universities, one would not fail to see that the majority of top-of-the-class graduates have always been students from India. The Indians’ talents and competence are very much evident even in the American professional industries with numerous successful Indian entrepreneurs and conglomerates. The Indian expatriates living in the United States are successful in their respective industries so much so that political analysts struggled with the question of why the same success stories could not be replicated on their own Indian soil. However, there seems to be hope for India’s business and technology industries with the increasing trend of aspiring Indians who strive to transform their ideas into implementations back home. We nevertheless would have to wait in the next few decades or so to see whether the India’s story would unfold successfully as predicted.

Next, the book elaborates on the main *Challenges* faced by India in Chapter Four. Being a considerably young nation which just regained independence a couple of decades ago, India is now undergoing the journey towards modernisation which all developing nations at some stage have to endure. From infrastructure development to education opportunities, India has a lot on its plate. Furthermore, the tasks it faced are not at all straightforward in comparison to that of other countries. This is due to its massive population whose majority are still deeply trapped within the dire poverty brackets. Over the long run, the various problems in India would only potentially worsen given the continued widening gaps between the affluent groups and the poor masses. With the fact that the Indian society might not be fully ready to embark on a transformation journey, there might be unintended consequences along the way. One striking example is that the Indian political atmosphere continues to be very much gripped by hereditary transition of power across generations. This is made possible when the popularity nationwide of

certain politicians could be calculatedly sustained simply by introducing strategic populist policies.

Chapter Five then provides some lighter elements of the book by touching on India's *Culture and Soft Power*. The soft power approach and diplomacy of India have thus far firmly ingrained the country's name in the minds of global community inter alia as the land of colour, choreographed dancing, Bollywood cinematography and finger-licking delicacies. For instance, the roles and personae of Shah Rukh Khan, a globally admired Indian television star, have contributed much more in promoting India to the world than any Indian diplomats could ever dreamed of achieving. However, an important question lingers for top Indian bureaucrats to answer. How would India like to position itself in the future global map? Is it sufficed for India to be seen only as the hodgepodge of cultures, foods, dialects, tribes and religions? Or is India ready to dream bigger and higher to perhaps claim itself as the potential future third largest economic giant after the United States and China?

The book finally concludes with Chapter Six by attempting to locate *India in the World*. Because of its long-stretched history, strategic demography, humongous human potentials, unique diversity and soaring self-pride, the world has been looking at India with cautious anticipation. Would this country finally wake up to unleash its true potentials to the world or would it be drowned out by the nitty-gritty concurrent issues faced at home? All of the main superpowers today, namely, the United States, Russia and China would be glad to be in the good book of India. The alliance formed with this rising power could be driven by regional interests for economic progress, military might and technological innovation. But any partnership initiated by foreign powers with India would surely trigger the alarm for Beijing's top leaders. After all, we cannot discredit the possibility that the future India might stand in the way of the future China, and no one could really predict just how high the trebuchet of India would be launched into the sky to be the next shining beacon for others to envy.

This great land had witnessed the birth of some of the most sophisticated early human civilisations. In this great land also, countless of important events took place, histories made, dreams accomplished and hopes perished. Looking at the overall story of India at this juncture of our lifetime, readers would finally ponder on the main question of whether India is really on the verge of reimagining and transforming itself. The answer depends on the level of commitment by India's top leadership and policy makers whether to undertake the continued reforms of the country. To start from where it stands, India certainly has what it takes to progress forward. The prophetic words of Mark Twain sum it up well:

"So far as I am able to judge, nothing has been left undone, either by man or nature, to make India the most extraordinary country that the sun visits on his rounds."

In the end, the publication of *Reimagining India: Unlocking the Potential of Asia's Next Superpower* has set a very high benchmark of a comprehensive intellectual analysis of India. The contents of the book vary in complexity, point of view and logical reasoning. As the writers are directly connected to the country, whether being a citizen or having previous experience living there, the articles produced are all filled with burning passion and unyielding hope. As a result, the final outcome is a magnum opus which is a must-read for all aspiring diplomats, policy makers, academia or even the general public who would want to have a glimpse of this nation called India. It is hoped that the knowledge and insights developed within the book will trigger follow-up debates and discussions of this subject matter for the betterment of human civilization and future generations.

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