



Malaysia in Perspective

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Mountains, Borneo
Chris Wary

Chapter 1: Geography

Introduction

The crescent-shaped nation of Malaysia is located in southeastern Asia and is slightly larger than the state of New Mexico. Malaysia sits on portions of two land masses that are separated by approximately 640 km (400 mi) of the South China Sea.^{1, 2, 3, 4} The smaller land mass makes up 40% of the country and is known as Peninsular Malaysia, West Malaysia, or Malaysia Barat.⁵ This peninsula extends from Thailand south to the city of Singapore, which became independent of Malaysia in 1965.^{6, 7} The northern part is mostly covered by dense jungle while the central part is lightly populated. The western part is a fertile plain extending to the Strait of Malacca, and this is where the majority of the population resides. The other 60% of the country, known as East Malaysia or Malaysia Timor, lies on part of Borneo, the third-largest island in the world. East

Malaysia comprises the two states of Sabah and Sarawak, which encircle the sultanate of Brunei. The rest of Borneo (70%) belongs to Indonesia, where the island is referred to as Kalimantan.⁸ Peninsular Malaysia is drained by a dense network of rivers and streams, while the river basins on East Malaysia tend to be larger than those on the peninsula.^{9, 10}



*Rolling hills, Malaysia
Mark Leo*

Topographical Features

Four major mountain ranges are found in Malaysia. The Bintang Range, on Peninsular Malaysia, runs from Thailand to Taiping City in Malaysia. East of the Bintang Range lies the Titi Wangsa Range, which naturally divides the eastern and western regions of the peninsula. Peaks in the Titi Wangsa reach 1,830 m (6,000 ft). The Mount Tahan Range begins in the central section of West Malaysia and runs southeast to the Pahang River valley. Mount Tahan (2,187 m/7,175 ft) is the highest peak in this range and the tallest in Peninsular Malaysia. To the east, along the upper two-thirds of the peninsula, is the Timor Range.^{11, 12, 13, 14}

At its widest point, the peninsular landmass spans about 320 km (200 mi). Karst landscapes that contain limestone caves are evident in northern and central Peninsular Malaysia.¹⁵ Coastal lowlands are less extensive on Peninsular Malaysia than on East Malaysia. Numerous small islands lie off both coasts, where fishing is the dominant activity.^{16, 17}

East Malaysia's diverse topography comprises coastal plains, hills, and valleys, as well as a series of ill-defined mountain ranges.¹⁸ The nation's highest peak, Mt. Kinabalu (4,101 m/13,455 ft), lies in the state of Sabah in the Crocker Range.^{19, 20} The Iran range, which is approximately 1,450 km (900 mi) long with summits between 1,200 and 2,100 m (4,000 and 7,000 ft), defines the boundary with Indonesian Kalimantan. In Sarawak, the coastal plain is 30 to 60 km (20 to 40 mi) wide and borders a smooth coastline. Its shallow waters and swampy estuaries do not allow for harbors. In the more craggy and indented Sabah, the plain is narrower, ranging from 15 to 30 km (10 to 20 mi).^{21, 22}



Rain at the Batu Caves
Shubert Ciencia

Climate

Peninsular Malaysia and East Malaysia, which both lie slightly north of the equator, are subject to the same air flow and do not exhibit any significant climatic differences.^{23, 24} Both parts receive the same amount of sunlight every day, averaging 12.5 hours of daylight year-round. Average temperatures range from 23°C–34°C (74°F–93°F), and humidity hovers between 70% and 90%. As a result, the passage of seasons is not marked by changes in temperature and hours of sunlight but by the amount of rainfall, which is dictated by the monsoonal wind cycle.^{25, 26, 27}

Peninsular Malaysia has two dry seasons that alternate with two rainy seasons. The driest months are June and July with a secondary dry spell in February—except in the northwest, where the driest months are January and February with the second dry season in June and July. The rainy seasons happen during the winter and summer months. Along the east coast, the wettest weather occurs from November through January. For the rest of Peninsular Malaysia (except the southwest coast), the heaviest rains occur in October and November and in April and May.²⁸ The average rainfall in Peninsular Malaysia is 254 cm (100 in), most of which falls during the southwest monsoon (roughly May–October).^{29, 30, 31}

The weather patterns in the states of Sabah and Sarawak in East Malaysia vary. The coastal regions have a single wet and a single dry season. The wet season usually corresponds to the northeast monsoon (roughly October–February), with January being the wettest month.^{32, 33, 34} On coastal Sarawak, the driest months are June and July, while in northeast coastal Sabah, the driest month is April. Rainfall is more regular in the inland areas, although the period from June to August is somewhat drier than the rest of the year. The areas along the hills and mountains of inland Sabah receive relatively less rainfall than the rest of the island.³⁵ The average yearly rainfall in Sabah is 263 cm (104 in), while in neighboring Sarawak it is 385 cm (152 in).^{36, 37, 38}



Fishing boats on the South China Sea
Rob and Stephanie Levy

Bodies of Water

Oceans and Seas

The South China Sea is an arm of the Pacific Ocean that abuts the east coast of Peninsular Malaysia and the north coast of East Malaysia.^{39,}
⁴⁰ The strategically located sea is one of the world's most important trade routes and is dotted with numerous islands, many of which are uninhabited. Along the eastern portions of the China Sea Basin, the continental shelf narrows significantly and connects with the Sunda Shelf to form a trough in the area between Borneo, Sumatra, and the Malay Peninsula. The trough extends to a depth of about 40 m (130 ft) at its edge and drops to 100 m (330 ft) in its center.⁴¹ Under the sea floor lie vast reserves of natural gas and other hydrocarbon resources.^{42, 43}

The South China Sea extends to the Strait of Malacca, which runs between the Indonesian island of Sumatra and the Malay Peninsula for roughly 800 km (500 mi).^{44,}
⁴⁵ This narrow seabed is the shortest route between the Pacific and Indian Oceans, so an estimated one-third of world trade and 50% of global energy supplies pass through it annually.^{46, 47} The Strait's narrowness has made it the new hotspot for piracy. Between January and July 2015, 55% of all world piracy incidents took place in these waters.^{48, 49, 50}

The Sulu Sea is part of the North Pacific Ocean and borders Sabah Island on the north and east, from which a string of islands extends and marks the boundary with the Celebes Sea. The region is now used primarily for inter-island trade. Fishing and diving among the sea's renowned reefs are the main economic activities.^{51, 52, 53}

The Gulf of Thailand forms the northeastern maritime border between Thailand and Peninsular Malaysia.⁵⁴ The seabed contains hydrocarbon deposits, and the continental shelf boundary between Malaysia and Thailand is the only established maritime border in the Gulf.^{55, 56}



Bridge over river
Kevin Poh

Major Rivers

Rivers and streams in Malaysia originate from the interior highland forest mountains, forming dense and intricate networks. River volumes fluctuate with the localized and torrential nature of the rains.⁵⁷ Some of the remote and interior villages depend on rivers for transportation. Rivers are also used to generate hydropower. It has been estimated that 85% of the total hydropower potential of the country is in Sabah and Sarawak.^{58,}

⁵⁹

The Rajang, Malaysia's longest river (563 km/350 mi), rises in the Iran Mountains of East Malaysia and traverses Sarawak. It is one of the island's busiest waterways and is navigable by oceangoing craft for about 80 km (50 mi) inland.^{60, 61, 62} The water accumulates sediments as it progresses downstream, so its pace slows as it approaches the coast, where it empties into the South China Sea. An estimated 600,000 people in Sarawak depend on rivers such as the Rajang for daily transportation to schools, clinics, workplaces, and marketplaces.⁶³

The Baram River, Sarawak's second-longest river, originates in the Iran Mountains. The river flows 400 km (250 mi) west and northwest through Sarawak (mostly through rainforest) before emptying into the South China Sea. Beyond 160 km (100 mi) inland, gorges and rapids make upstream navigation difficult.⁶⁴

The Kinabatangan River is Sabah's longest river. Its 563-km (350-mi) course follows a northeasterly route, flowing from the mountains of southwest Sabah and forming a wide delta before emptying into the Sulu Sea. It is navigable upstream for approximately 320 km (200 mi).⁶⁵ Though there has been some logging upstream, the lower reaches are less developed and sparsely populated because of flooding and the threat of piracy.⁶⁶

With a length of approximately 434 km (270 mi), the Pahang River is the longest river on the Malaysian mainland. It is navigable by shallow-draft boats for about 400 km (250 mi).⁶⁷ Its depth seldom exceeds 0.5 meters (1.5 ft) except in areas that have experienced intense weathering as a result of rainfall.⁶⁸

Major Cities

Cities	Population ⁶⁹
Kota Bharu	1,459,994
Kuala Lumpur	1,453,975
Klang	897,867
Kampung Baru Subang	833,571
Johor Bahru	802,489
Ipoh	673,318
Kuching	507,407
George Town	300,000



*Skyline view of Kuala Lumpur at night
Phalinn Ooi*

Kuala Lumpur

Kuala Lumpur, which means “muddy confluence,” is often referred to by locals as “KL.” The city originated as a mining outpost in the 1800s after tin was discovered at the confluence of the Gombak and the Kelang Rivers. Kuala Lumpur enjoyed rapid growth after its founding and throughout the 20th century. The city’s population surged between 1948 and 1960 during a communist guerrilla insurgency and under a forced resettlement program on the city’s fringes. Around 2000, the increasing growth and urban congestion forced many federal offices to move

south to the new city of Putrajaya, even though Kuala Lumpur remained the capital. It is still Malaysia’s cultural, commercial, and transportation hub.⁷⁰ The city is home to the state oil company’s Petronas Towers, which as of 2013 were the seventh-tallest and eighth-tallest buildings in the world.⁷¹

Johor Bahru

Johor Bahru, the capital of the state of Johor, is the southernmost city in the nation and located across a causeway from the city and country of Singapore. The two cities are connected by two bridges, so many of Johor Bahru’s residents work in Singapore. Johor Bahru is a popular tourist and shopping destination.^{72, 73} Originally developed for plantation agriculture that produced rubber, palm oil, and pineapples, Johor Bahru has become an industrial hub.⁷⁴ This transformation was facilitated by its proximity to Singapore, with which it enjoys significant economic ties.



Street view in Ipoh
Bryn Pinzgauer

Ipoh

Ipoh, in the Kinta Valley, is the capital of Perak State. The city's location in a tin mining area helped Malaysia to become the largest tin supplier in the world.⁷⁵ The mines attracted Chinese laborers, who settled there in large numbers. After the mines closed, it developed into a commercial city dominated by ethnic Chinese. Today, the city has become a popular tourist destination, particularly for domestic tourists. The city is gaining fame for its outstanding cuisine.^{76,77}

Kuching

Kuching is the capital of the state of Sarawak. The city's name is thought to be derived from the Malay word for cat, *kucing*, and it is often called "Cat City."^{78,79} The population is predominantly Chinese, although the city is home to a significant number of Dayaks. Sarawak was originally part of the Sultanate of Brunei, but was governed by the British beginning in 1841 in exchange for putting down a rebellion. Eventually, Sarawak was ceded to the British.⁸⁰ South of the Sarawak River, which divides Kuching, the city is predominantly Chinese in character, while north of the Sarawak, it is predominantly Malay.^{81,82} Kuching is often regarded as one of the most beautiful cities in Southeast Asia, partly because of its blend of modern and old-world charm.^{83,84} The city boasts several important architectural sites including the oldest Chinese temple, Tua Pek Kong, and the new State Mosque.^{85,86}



Traffic circle in Kota Kinabalu
Jason Thien

Kota Kinabalu

Kota Kinabalu, the capital of Sabah in East Malaysia, is a port city with deep-water anchorage. Given the name Jesselton by the British, the city was completely destroyed by Allied bombing during World War II after the Japanese occupation. The city's name refers to nearby Mt. Kinabalu. The city is overwhelmingly ethnic Chinese, and most people are employed in government services. Light manufacturing is another important economic activity, especially flour milling and woodworking. Numerous soap, furniture, and plastics factories are located within the city. Today, the city continues to undergo

development as a popular base for tourists. It is near the beach resort of Tanjung Aru and Kinabalu National Park, which was recently designated as a UNESCO World Heritage Site.⁸⁷ Kota Kinabalu is also a key landing point for illegal immigrants arriving from the Philippines.^{88, 89}



*Skyline view of George Town
Flickr / cat_collector*

George Town

George Town, named by the British after King George III, is the capital city of Penang State, which is an island connected by bridge to the mainland. The city is Malaysia's leading port and a UNESCO World Heritage site.^{90, 91} Captain Francis Light established a British presence on behalf of the East India Company on Penang in 1786. It quickly developed into a duty-free port where ships transporting goods could dock, and attracted numerous settlers from Asia and Europe in just a few decades.^{92, 93}

George Town has retained its multi-ethnic character, with Malays, Chinese, Indians, and Europeans. Here, the largest Buddhist temple in Southeast Asia, the *Kek Lok Si* Temple, is decorated with thousands of gilded Buddhas. In 2008, George Town was recognized as a World Heritage Site by UNESCO.^{94, 95} Shops and townhouses from the colonial era combine Portuguese, Dutch, Chinese, and Malay cultural elements into an architectural style unique to southeast Asia.^{96, 97, 98}



*Deforestation
Flickr / Wakx*

Environmental Issues

Malaysia is confronting a number of serious environmental challenges including deforestation, pollution, erosion, and waste disposal.⁹⁹ Between 2000 and 2012, Malaysia had the highest rate of deforestation in the world, losing nearly 14.5% of its forest cover.¹⁰⁰ Malaysia's suitability for growing rubber and its plentiful forestry resources provided the basis for the development of a cash-crop economy during the colonial era. After the country gained independence in 1957, it continued to export primary products. As a result, deforestation is the most pressing environmental hazard in Malaysia.^{101, 102} One study attributed 86% of all deforestation in Malaysia between 1995

and 2000 to palm oil development.¹⁰³ Malaysia remains a major exporter of tropical wood, most of which comes from East Malaysia. Nearly 80% of Borneo's rainforests have been negatively affected by logging.^{104, 105, 106} Another source of deforestation is shifting cultivation, in which a forest is cleared to plant crops and then abandoned after a few seasons. Slash-and-burn agriculture is being given up to engage in commercial agriculture, particularly palm oil.¹⁰⁷

Pollution is another major area of concern. Rapid industrial development and increasing urbanization have raised air and water pollution concerns.^{108, 109} Pollution also comes from smoke emanating from Indonesian forest fires. Record-high levels of pollution from these fires engulfed Malaysia as well as neighboring Singapore and Indonesia in 2013.¹¹⁰ Water pollution is also increasing in severity. Over half of water pollution originates at sewage treatment facilities, and another third comes from manufacturing.¹¹¹ Most rivers in Selangor are polluted and pose a potential health risk.¹¹² In January 2014, high ammonia levels (likely from sewage pollution or fertilizer runoffs) caused water in Selangor to be shut off. Falling reservoir levels meant that millions of people in Selangor and the capital of Kuala Lumpur could only turn on taps every other day in March 2014.¹¹³

Coastal erosion has prompted efforts to try to stop degradation of the nation's coastline. An estimated 29% of the coastal areas are subject to serious erosion caused by flooding and rising waters due to climate change.^{114, 115, 116}



Flooding
Jason Thien

Natural Hazards

Malaysia suffers from three major natural hazards: flooding, landslides, and forest fires.¹¹⁷ The primary natural hazard is flooding.¹¹⁸ Monsoonal rains may cause serious flooding, particularly on the low-lying parts of the peninsula where drainage is poor.^{119, 120} Low-lying and coastal areas are flooded annually, with many places flooding more than once a year. In addition, development on flood plains for farming, tin mining, industrialization, and urbanization has contributed to increased flooding, because forests that would absorb water have been leveled.¹²¹ In

2014, more than 160,000 people were evacuated from northern Malaysia after one of the worst monsoons in modern history caused widespread flooding.^{122, 123, 124}

Floods often bring landslides, which represent a significant problem despite the land's relatively small proportion of high elevations. This is because the high amount of rainfall deteriorates bedrock over time, causing residual soils to lose their suction capability

when wet.^{125, 126} Though the threat is greater in the eastern part of the country, the damage is typically greater on the Peninsula because of the higher population density.¹²⁷ Commercial development on slopes has aggravated the prospect of landslides on Peninsular Malaysia. In East Malaysia, logging is a major culprit.¹²⁸

Malaysia is often plagued by forest fires. In 2015, fires sent smoke across the nation and into Singapore. Schools and airports were closed and residents were urged to stay indoors because of poor air quality. Some fires are caused by slash-and-burn agricultural fires that flare out of control.^{129, 130}

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Chapter 1 Assessment

1. Malaysia comprises two land masses separated by the Sulu Sea.

False

Crescent-shaped Malaysia sits on portions of two land masses that are separated by part of the South China Sea.

2. Throughout Malaysia, there is an extended dry season between monsoons.

False

Peninsular Malaysia has two dry seasons that alternate with two rainy seasons. The driest months are June and July with a secondary dry spell in February—except in the northwest, where the driest months are January and February with the second dry season in June and July.

3. Malaysia is slightly larger than the state of New Mexico.

True

Malaysia is slightly larger than the state of New Mexico.

4. Malaysia has only a single major mountain range.

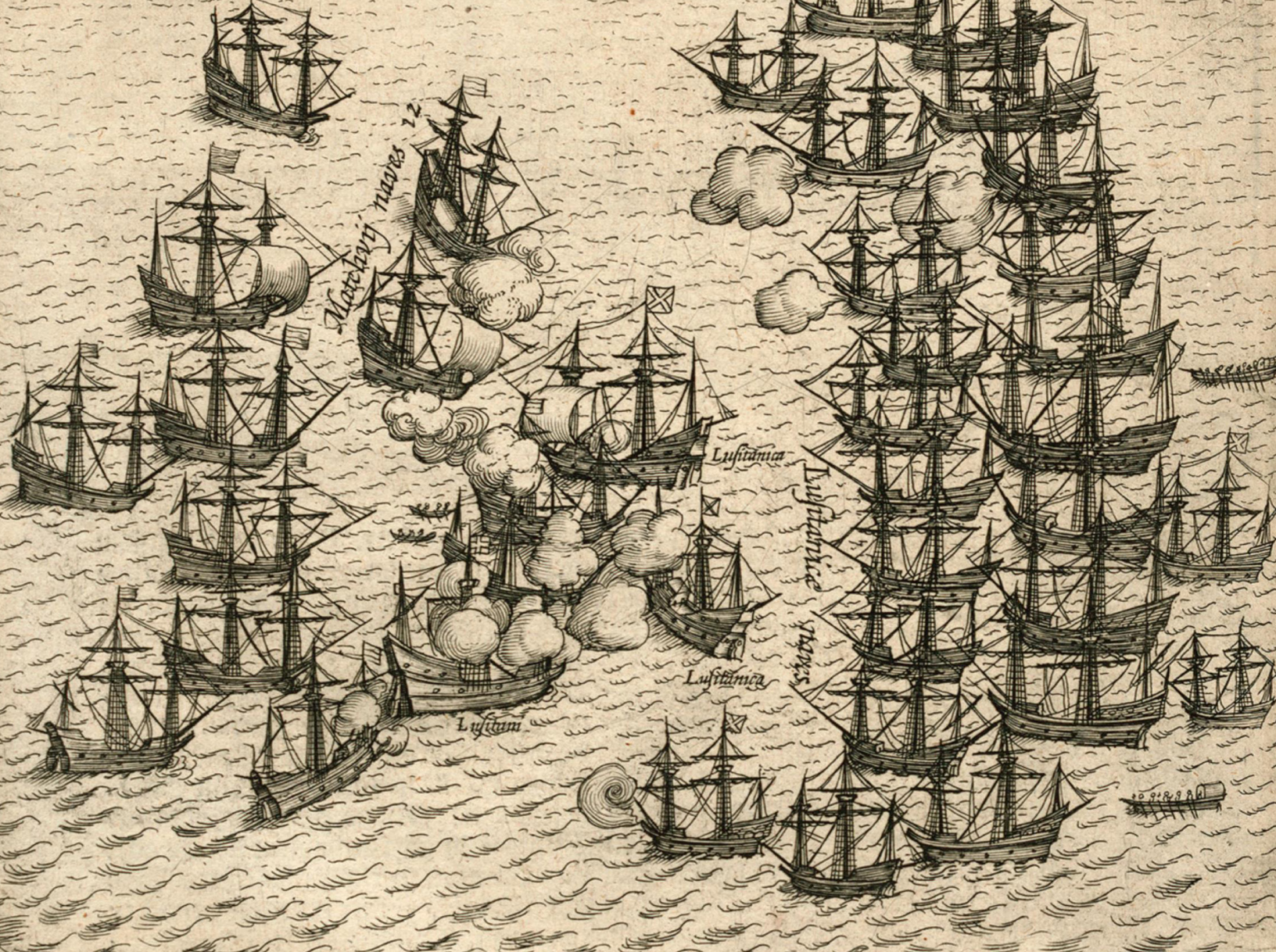
False

Four major mountain ranges are found in Malaysia: the Bintang Range, the Titi Wangsa Range, the Mount Tahan Range, and the Timor Range.

5. The Rajang River is the longest in the nation.

True

The Rajang, Malaysia's longest river (563 km/350 mi), rises in the Iran Mountains of East Malaysia and traverses Sarawak.



*Battle for control over the Strait of Malacca
Courtesy of Wikipedia*

Chapter 2: History

Introduction

Two distinct types of states emerged early in the historical development of Southeast Asia: those that prospered from large-scale rice cultivation and left ancient temple complexes (such as Java, and Angkor Wat in present-day Cambodia), and those that controlled maritime trading but left no architectural legacy.¹ Malaysia falls into the latter category. Successive kingdoms on both sides of the Malay Peninsula sought to control trade in the Strait of Malacca. The portion of Malaysia on the island of Borneo was minimally affected throughout its history by developments on the Peninsula even though it was subject to similar competition. Malacca, a sultanate embodying the elements of Malay culture, was claimed by Portugal in 1511. The Portuguese were

subsequently forced to cede authority to stronger Dutch forces allied with local interests. The Dutch eventually exchanged Malacca with the British for part of Sumatra.² To realize the full value of their resource-rich Malayan holdings, the British encouraged Chinese and then Indian immigration to provide adequate labor for tin mines and rubber plantations. In the process, the British stratified occupational differences in the now-multicultural society.³

After being marginalized under British colonialism, the Malays used their “power in numbers” to improve their status after independence. Since 1957, Malay privileges have been legally mandated by the government, earning it the label “ethnic democracy.”⁴ The tension between promoting the interests of an ethnic group and those of a broader public creates an inherent contradiction that cannot be resolved without a level playing field. The existing system provides incentives for Malays to lobby the government and bureaucracy for individual favors, rather than to form alliances with Chinese and Indian groups to pursue more broad goals, including government accountability.^{5,6}



*Archeological remains Sarawak
Wikimedia / Azreey*

Prehistory

Archaeological remains in northern Sarawak in present-day Malaysia confirm that humans lived in the region as long as 40,000 years ago. On the other hand, peninsular Malaysia has only been inhabited for around 6,000 years. A developed culture first evolved around 2500 to 1500 B.C.E. The forebears of modern Malays migrated from China and Tibet during the first century B.C.E. Small kingdoms began to emerge around the second and third centuries C.E. with the arrival of traders and priests from India. The Indian culture strongly shaped the political and cultural patterns in the region. Hinduism and Mahayana Buddhism became the major religions of the time.⁷ Malaysia became famous for its supplies of gold and tin. By the fourth century C.E., a maritime trading network had evolved that linked the Middle East, India, the Malay Peninsula, and China, and exposed the region to a variety of cultural influences.^{8,9}

The Kingdom of Srivijaya

Among the most powerful early states was Srivijaya, a Hindu-influenced Buddhist kingdom that ruled the Malay Peninsula during the 7th to 14th centuries from across the Strait of Malacca on the island of Sumatra (now part of Indonesia). The state was a *thalassocracy*, which means it derived its legitimacy from its ability to control maritime traffic.^{10, 11} At its most powerful, it dominated the trade of most of Sumatra, the Malay Peninsula, western Java, and western Borneo, although its authority never extended much beyond the coast.¹² It also became a tributary state of imperial China with “preferential trading partner” status.^{13, 14, 15} Srivijaya’s powerful naval fleet forced all ships to stop in any season and pay high docking fees, but its ability to suppress piracy made the fees worthwhile to the ship owners.¹⁶ Palembang, the coastal capital, became a thriving hub. But by the 14th century, after losing Chinese support, Srivijaya’s dominance had eroded and its authority over sea lane trade routes was continually challenged by rival kingdoms. The once mighty kingdom was reduced to putting a chain across the harbor to keep pirates at bay, and lifting it only to enable merchant ships to dock.^{17, 18}



*Replica of the Malacca Sultanate’s palace
Wikimedia / FlickrreviewR*

Malacca Sultanate

Islam arrived around 1400, coinciding with the establishment of the Malacca (*Melaka*) Sultanate on the peninsula’s west coast, which had already become an important trading center and cultural influence along the Strait.^{19, 20, 21} Malay became the dominant regional language of commerce.²² After the king’s conversion to Islam, even greater numbers of Muslim merchants were attracted to the port. Malacca quickly became Southeast Asia’s primary trading center and controlled much of coastal Malaysia and eastern Sumatra. By the late 15th century, as many as 15,000 international merchants were attracted to the region because of its stable government and free-trade policies. Between 1456 and 1498, the Sultanate’s power was at its zenith and Islam had become firmly established.^{23, 24, 25}

The Muslim population of Malacca began to call themselves “Malays,” a label that applied to anyone who practiced Islam and spoke Malay. This meant that being Malay depended on religion and language and not on location or genetics. This designation came to have a powerful significance, even for the affairs and development of present-day Malaysia.^{26, 27, 28}

The thriving Southeast Asian trade had not gone unnoticed by European powers. The

Portuguese in particular were eager to convert Muslims to Christianity.^{29, 30} In 1511, Portugal conquered Malacca, but Portuguese efforts to establish a trade monopoly were thwarted by military raids conducted by Malacca's Sultan Mahmud and his sons' kingdoms, particularly the one based in present-day Johor. Over the next century, Portugal colluded with the sultanates of Johor and Aceh (in present-day Indonesia) in short-lived and shifting alliances while they fought each other for a regional trade monopoly. By 1641, the Dutch appeared, and an alliance with Johor helped the Dutch defeat the Portuguese, thus allowing the Dutch to assume control of Malacca.³¹ Shortly after, Malacca fell into decline, partly because of a plethora of Dutch-imposed taxes, levies, and fines on traders who challenged their monopoly.^{32, 33, 34}



*James Brooke
Francis Grant*

British Rule

In the 18th century, regional authority was fragmented.³⁵ Malay waters became some of the most dangerous in the world. Piracy and slave raiding had long flourished and were integral to the survival of Malay kingdoms.^{36, 37} The cost of defending settlements forced the British East India Company to abandon two islands off the coast of Borneo.³⁸

In 1786, the British signed an agreement with the Sultan of Kedah, north of Malacca, to acquire Penang Island in exchange for nautical protection of the sultanate and annual lease payments.³⁹ ⁴⁰ By 1826, the British had combined their peninsular territories with Singapore under a single administration known as the "Straits Settlements." But the British were reluctant to expand their territory. Their commercial interests were threatened by recurring forays of forces from Siam (present-day Thailand) into northern Malay sultanates and by piracy. Periodic conflicts in tin-producing areas between Malay royalty and Chinese migrant miners disrupted production.^{41, 42, 43}

Direct British control was established through the 1874 Treaty of Pangkor with the Sultan of Perak. The agreement later extended to three other tin-producing states. In 1896, the four states were amalgamated into the Federated Malay States. Although the British continued to pay lip service to indigenous governance, in reality the Malays were little more than figureheads.⁴⁴

Northern Borneo came under British control in the 19th century, though it was ruled by a British family named Brooke, who based decisions on their personal interests.⁴⁵ For assisting the sultan of Brunei in a local power struggle, James Brooke received the island of Sarawak in exchange for small annual payments. Brooke and his descendants, known as “the White Rajahs,” expanded Sarawak’s territory and acted with substantial autonomy from London.^{46, 47, 48, 49} In 1888, the British crown recognized Sarawak as an independent state with protectorate status.⁵⁰ The British agreed to provide protection to Sarawak, Brunei, and the British North Borneo Company (which administered the territory of Sabah) in exchange for full control over defense and diplomacy. This helped consolidate northern Borneo into a distinct territorial entity separate from the island’s Dutch-controlled southern areas.⁵¹



*Flag of the Malayan Peoples' Anti Japanese Army
Wikimedia / Sungai*

Colonial Economy and Society

The British presence on the peninsula was partly responsible for an increase in Chinese migration. From the beginning of the 20th century, the British (along with Chinese who had prospered through mining) expanded into other commercial ventures such as cash crops and spices. The importation of the rubber tree required additional labor to realize its economic potential. Indians, mainly Tamils, were encouraged to come and work on rubber plantations primarily owned by the British.^{52, 53, 54} Different sectors of the export

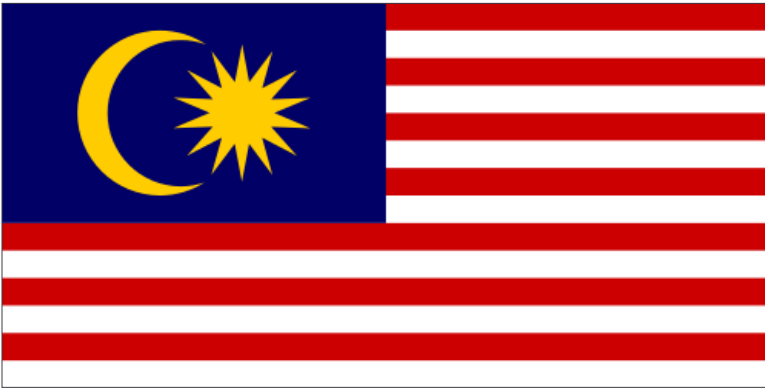
economy came to be associated with specific immigrant ethnic groups. By contrast, the British viewed the Malays as unwilling to be wage laborers.^{55, 56}

These arrangements fell by the wayside then the Japanese attacked Singapore in December 1941. By February 1942, the Japanese occupied the entire Malay Peninsula and Singapore. Under Japanese occupation, ethnic tensions between Malays and Chinese crystallized. The Malays supported the Japanese while the Chinese formed a Malayan People’s Anti-Japanese Army.^{57, 58}

Britain’s economic interests shaped the multicultural character of the colony and the political arrangements that punished the ethnic Malays for their support of Japan.^{59, 60} In January 1946, the British proposed the unification of the nine Malay states plus the two Crown Straits settlements of Malacca and Penang, under a central government. In 1948 the peninsula and Malaya became the independent “Federation of Malaysia” with special rights guaranteed to native Malays.^{61, 62, 63} The ethnic Chinese residents saw these arrangements as unfair, which prompted the Communist Party of Malaya, a largely Chinese group, to mount an insurgency to bring down the colonial government.⁶⁴

⁶⁵ To quell opposition, the British forcibly resettled the Chinese to new towns away

from the insurgents, but that intensified anti-government sentiment.⁶⁶ Promising full independence, the British began negotiations with various groups including the United Malays National Organization (UMNO), the Malayan Chinese Association, and the Malayan Indian Congress. Out of these came a united, ethnically-based coalition known as the National Front (BN), which continues to govern.^{67, 68, 69}



*Malaysian Flag
Courtesy of Wikipedia*

Independence

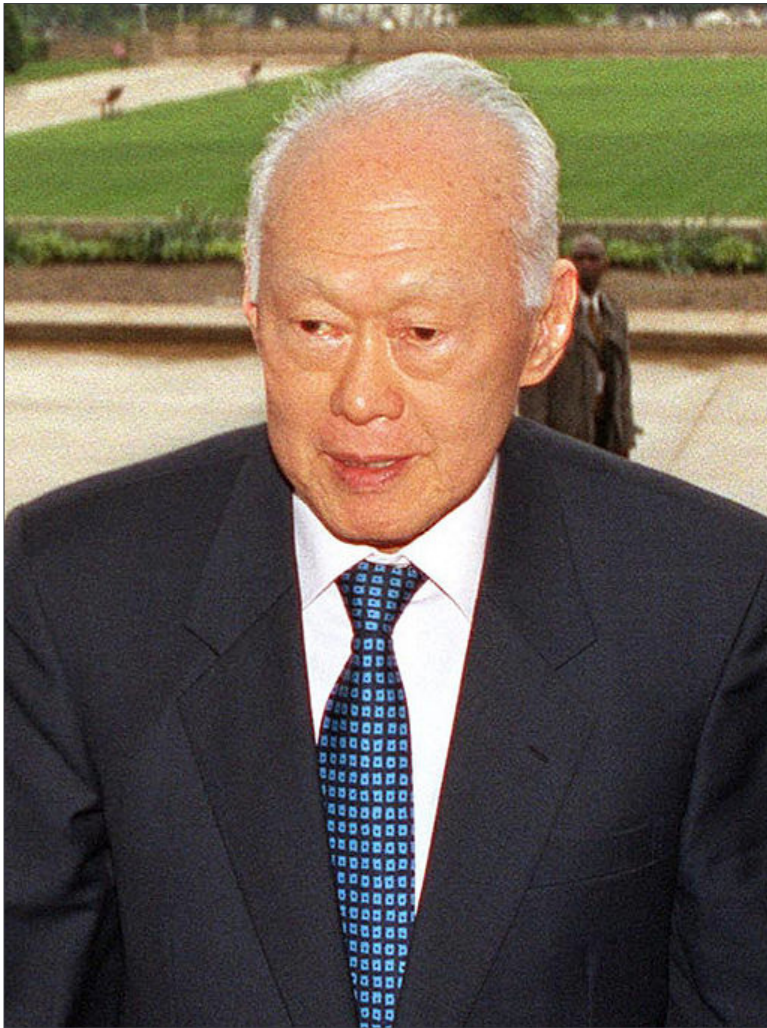
Although the British had agreed to eventual Malay self-rule in the 1948 federation agreement, the ethnic tensions that it stoked significantly complicated matters. Successful self-governance was a British condition for independence. The Independence of Malaya Party (IMP), founded by Dato Onn, the founder of the UMNO, was an attempt to create a party that would reach across ethnic lines. Yet it failed, because of resistance both from the sultans and from most ethnic Malays.^{70, 71, 72} Concerned about the appeal of

communism, the British tried to promote national unity among different ethnic groups by encouraging dialog among noncommunist leaders who represented their own ethnic constituencies: the UMNO, the Malaysian Chinese Association (MCA), and the Malayan Indian Congress (MIC). Their eventual consensus was that Malays would only share political power with non-Malays if non-Malays helped improve the economic fortunes of the indigenous *Bumiputera* (sons of the soil). But realizing that this was non-negotiable for the British, the MCA and the MIC established a partnership with the UMNO called the “Alliance,” which won municipal, local, and federal elections and emerged as an agent for unified Malayan interests.⁷³

An ethno-state required a formal delineation of groups. The Chinese and Indians already had a strong sense of collective identity. The Malays lacked a triumphant past upon which to build such an identity, but establishing one was necessary for legal membership in the group, because it would confer considerable advantages. Traditionally, Malays had distinguished themselves through unconditional loyalty (*kerajaan*) to the sultan.⁷⁴ For legal purposes, Malays were thus defined as Muslims who spoke Malay and adhered to *adat*.⁷⁵

By October 1956, a Constitutional Commission had produced a draft that included numerous compromises to satisfy the diverse ethnic, religious, and linguistic constituencies. Malay was proclaimed the national language, but English remained a national language for at least 10 years. Islam became the official state religion, but freedom of religion for non-Muslims was enshrined as a right. On 15 August 1957, the

Federal Legislature ratified the document, and on 31 August 1957, Malaya became an independent country.⁷⁶



Lee Kuan Yew
Robert D. Ward

Federation of Malaysia

Singapore requested inclusion in the Federation of Malaya in 1957 and again in 1959. Malay leaders were hesitant to agree. Singapore's leftist politics raised concerns.^{77, 78} Yet including Singapore would subject its pro-communist labor activists to the tough provisions of the Federation Internal Security Act, which was enacted during the state of emergency.⁷⁹ Even more troublesome was that Singapore's inclusion would tip the ethnic balance and make the Chinese dominant. To maintain a Malay majority, Singapore and Malaya met with the British and proposed an association that would include Brunei, Malaya, North Borneo (Sabah), Sarawak, and Singapore. The proposal neutralized ethnic Malay opposition because the projected federation's states would all have indigenous majorities, although pockets within North Borneo, Sarawak, and Singapore opposed becoming part of the federation. Nevertheless, in territory-wide elections in 1962 and 1963, pro-federation political parties prevailed. The 1957 constitution was amended to reflect further compromises among the increasing number of member states to achieve consensus. On 16 September 1963, the Federation of Malaysia was established.

Brunei opted to remain independent because the monarch perceived a reduction in status and wealth. In the federation, he would be 1 sultan among 10 and would be obligated to share Brunei's oil revenues.^{80, 81, 82}

The inclusion of Singapore created problems from the start. Indonesia broke off all ties with Malaysia to demonstrate its opposition to the expanded federation, and that created hardships for Malay petty traders. Moreover, Lee Kuan Yew, Secretary-General of the Singaporean People's Action Party (PAP), and the Malay Prime Minister Tunku Abdul Rahman became embroiled in endless disputes, exacerbated by personal animosity. Malay riots in Singapore and mutual recrimination over the Singaporean government's role were the final setbacks. Separation negotiations resulted in an independent Singapore in August 1965.^{83, 84}



*Riot police units
Public Domain*

Ethnic Unrest and Its Aftermath

After the separation, ethnic tensions between the Chinese and the Malays simmered. The elections in May 1969 heightened those tensions. The Alliance was opposed in the elections by the Democratic Action Party (DAP), which had a predominantly Chinese following, and by the Malaysian People's Movement (*Gerakan*), which also represented ethnic Chinese and some Indians. The opposition parties ran on a platform of equal rights for all, threatening the special status that Malays enjoyed. After a bitter campaign, the Alliance maintained power but lost a significant share of the total vote. In particular, the MCA lost

votes, which threatened to undermine the basis of the Alliance's operation. When DAP and *Gerakan* supporters held public demonstrations to celebrate their electoral gains, violence broke out with Malay onlookers. This set off two weeks of riots, mostly around Kuala Lumpur, and became known as the 13 May Incident. Official figures put the death total at 196 people, with 6,000 left homeless and more than 700 buildings destroyed or damaged.^{85, 86} The casualties were disproportionately Chinese and Indians.⁸⁷

In response to the unrest, the government declared a state of emergency and imposed a curfew in affected areas. Sedition laws provided that those who questioned the special status of Malays could be prosecuted.⁸⁸ In addition, a new national educational policy stipulated that the Malay language be phased in as the official language in all educational institutions.⁸⁹ The most significant law was embodied in the New Economic Policy (NEP). The NEP had two purposes: to reduce poverty regardless of ethnicity, and to reduce the correlation between ethnicity and employment status, because the Chinese dominated as traders and excelled in all branches of commerce.⁹⁰ A quota system was introduced to aid Malays in university admission and to assist with employment and promotion, as well as to establish shares of various public and private enterprises to be allocated specifically for Malays.^{91, 92} In addition, the term *Bumiputera* (ironically, a word of Sanskrit origin) gained currency as a way to refer to indigenous Malays, although it excluded some non-Muslim tribal peoples.⁹³

In 1972 the UMNO initiated a partnership with the Pan-Malaysia Islamic Party (PAS) to reduce intra-Malay political differences. It also renewed ties with the MCA, which had left the Alliance prior to the Kuala Lumpur riots. This broader, interracial coalition was renamed the National Front (*Barisan Nasional*—BN). It won large majorities in the 1974 federal and state elections. The BN also promoted educational policies designed for ethnic Malays and adopted aggressive measures to address economic inequalities experienced by Malays.⁹⁴



Mahathir Mohammad
Wikimedia / Rilke

The Mahathir Era (1981–2003)

In 1981, Mahathir Mohamad, a medical doctor of commoner background, became prime minister. Prone to blunt pronouncements, he caused unease among ethnic Chinese and Indians, who associated him with official efforts to promote Malays at the expense of other ethnic groups. His early years in office were marked by attempts to control corruption. He also pursued an ambitious program of economic reform. He reoriented the economy toward producing manufactured goods for export and promoted joint ventures with Japanese and South Korean firms as part of a “Look East” policy. He also privatized state industries, many of which were absorbed into ethnic Malay-owned businesses or run by the UMNO itself. These changes reduced the emphasis on exporting unfinished goods. Mahathir distinguished himself as an uncompromising leader, determined to pursue policies he deemed best for the nation. He personally oversaw the expansion of the Kuala Lumpur Stock Exchange (KLSE).^{95, 96, 97} As the economy grew, he led the BN to successive electoral victories during the 1980s. He also made publishing “false news” a crime, in order to prevent demagogues from fomenting ethnic unrest. At the same time, it muted public criticism of his government.^{98, 99, 100}

Mahathir proved less able to stifle dissatisfaction within his party. In 1993, Anwar Ibrahim won UMNO’s internal election for deputy party president in an upset over Mahathir’s ally Ghafar Baba. Anwar soon assumed the position of deputy prime minister, from which he could potentially challenge Mahathir for the party presidency.^{101, 102} After the 1995 parliamentary elections, Mahathir declared that party support for leadership was a UNMO tradition that could not be challenged. Mahathir blocked Anwar’s path to the party presidency.¹⁰³ In May 1997, the 70-year old prime minister took a 2-month leave of absence and appointed Anwar acting prime minister.^{104, 105}

In July 1997, financial chaos engulfed several Asian countries, including Malaysia.¹⁰⁶ The value of the Malaysian *ringgit* currency plummeted in the wake of the stock exchange (KLSE) collapse, threatening to erase the economic gains of several decades.¹⁰⁷ Mahathir,

facing possible public unrest, blamed “moronic” international currency speculators for precipitating the panic.¹⁰⁸



Abdullah Ahmad Badawi
Wikimedia / Tan

Malaysia 2000–2015

In November 1999, a month after the BN coalition won a decisive victory in national elections, Mahathir announced that he would not seek reelection and designated the deputy prime minister, Abdullah Ahmad Badawi, as his successor. Mahathir retired in October 2003, and Abdullah subsequently pursued policies that served as a repudiation of Mahathir, who has been reduced to blogging his criticisms.^{109, 110}

Anwar, the opposition leader, remained ineligible to run for parliament in the 2008 elections.¹¹¹ In July 2008, weeks after announcing he could put together an opposition coalition to form a new

government, Anwar was arrested again on a sodomy charge, raising political tensions.¹¹² In 2012, Malaysia’s High Court acquitted Anwar.¹¹³ The acquittal was overturned in 2014, and in 2015, Anwar was convicted in a move that prompted widespread criticism and concern over human rights.^{114, 115, 116}

Today, religious tensions and separatist movements continue to raise concerns.^{117, 118, 119,}
¹²⁰ Filipino insurgents mounted several attacks in 2013 and were attacked by Malaysian troops in the Lahad Datu region of Borneo. Approximately 30 people were killed in clashes after the Filipinos demanded cession of part of Sabah State to the now defunct Sultanate of Sulu.^{121, 122}

In October 2013, the ruling National Front coalition retained power in national elections, but with a reduced majority. In January 2014, the government banned a major civil rights coalition on the grounds that it promoted rights counter to the teachings of Islam. The move was broadly viewed as an attempt to cut back civil rights throughout the nation and to prevent criticism of the government. In 2015, the lower house of Parliament passed an anti-terrorism bill that allowed suspects to be held indefinitely without trial. Progress on human rights in the country continues to lag.^{123, 124, 125, 126} Meanwhile, religious issues continue to trouble the nation. In 2015, Malaysia’s Pan-Malaysian Islamic Party tried to get parliamentary approval to expand a strict Islamic code in the state of Kelantan.^{127, 128} The move is part of a broader effort to expand the Islamization of the nation.^{129, 130}

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Chapter 2 Assessment

1. Srivijaya ruled the Malay Peninsula from the 7th to the 14th centuries.

True

Among the most powerful early states was Srivijaya, a Hindu-influenced Buddhist kingdom that ruled the Malay Peninsula during the 7th to 14th centuries from across the Strait of Malacca on the island of Sumatra (now part of Indonesia).

2. The origins of present-day Muslim Malaysia can be traced to the establishment of the Malacca Sultanate.

True

Islam arrived around 1400, coinciding with the establishment of the Malacca (Melaka) Sultanate on the peninsula's west coast, which had already become an important trading center and cultural influence along the Strait.

3. Under Japanese occupation in World War II, ethnic tensions between Malays and Chinese were diminished.

False

Under Japanese occupation, ethnic tensions between Malays and Chinese crystallized. The Malays supported the Japanese while the Chinese formed a Malayan People's Anti-Japanese Army.

4. The elections in May 1969 were followed by riots between ethnic groups.

True

After the separation from Singapore, ethnic tensions between the Chinese and the Malays simmered. The elections in May 1969 heightened those tensions. When DAP and Gerakan party supporters held public demonstrations to celebrate their electoral gains, violence broke out with Malay onlookers. This set off two weeks of riots, mostly around Kuala Lumpur, and became known as the 13 May Incident.

5. The term "Malay" refers to an ethnic group distinguished by genetics

False

The Muslim population of Malacca began to call themselves "Malays," a label that applied to anyone who practiced Islam and spoke Malay. This meant that being Malay depended on religion and language and not on location or genetics.



*Malaysian laborers
Flickr / udeyismail*

Chapter 3: Economy

Introduction

International trade has defined the Malay economy since ancient times. Under British colonial rule, the areas now known as Peninsular and Eastern Malaysia exported raw materials. To fill wage-earning jobs developed by the British in the tin mines and rubber plantations, large numbers of Chinese and Indians emigrated to Peninsular Malaysia around the end of the 19th century and early 20th century. While Malays and Indians worked in plantation jobs, some Indians began to fill civil service positions, and Chinese moved from mining into commerce and self-employment. After independence in 1957, Malaysia relied on timber and oil export earnings, along with manufacturing finished products, to become one of the few multiethnic countries to join the ranks of the world's fastest-growing economies.¹ The nation has achieved average growth of 7% per year for more than 25 years. As a result, only 1% of households currently fall below the national poverty line of USD 8.50 per day, compared to more than 50% in the 1960s.²

Since 1970, Malaysia has moved away from the production of raw materials and diversified its economy. In spite of attempts to reduce Malaysia's reliance on exports, they remain a major driver of the current economy, constituting more than 80% of GDP (gross domestic product). In 2014 alone, oil and gas accounted for 29% of government revenue.³ The current government is actively trying to attract investments in Islamic finance, high technology industries, biotechnology, and in its services sector. The government is also liberalizing some of its subsectors, but the country remains vulnerable to downturns in the global economy.⁴



*Cacao plantation
Yun Huang Yong*

Agriculture

Agriculture accounts for roughly 9% of Malaysia's GDP and employs 11% of the national work force.⁵ Major crops include rubber, cocoa, timber, sugarcane, coconuts, bananas, pineapples, and pepper.^{6,7} But palm oil is by far the largest contributor to agriculture, accounting for nearly 37% of sector revenues.⁸ Malaysia is one of the top world exporters of palm oil, accounting for approximately 39% of world production.⁹ Overall, Malaysia's agricultural sector suffers from lagging productivity. One main threat is a shortage of domestic farmworkers, causing a reliance on foreign laborers. The government is attempting to raise sector performance by encouraging new technologies, improving the skills of farmworkers,

and liberalizing some trade laws.^{10, 11}

The fishing subsector is strong and accounted for about 15% of total sector performance in 2013.¹² It is especially important in rural areas, where it brings in much needed foreign exchange. Most of the activity is focused on fishing inshore waters. Many of the coastal fish stocks are now severely depleted, prompting the government to issue no new fishing licenses and to control fishing practices. The government is actively promoting aquaculture and deep-sea fishing.^{13, 14}

The livestock subsector was another strong subsector performer, accounting for about 13% of total agricultural GDP.¹⁵ Livestock plays an increasingly important role in meeting the nation's food needs. A new program is being implemented to raise cattle on oil palm plantations.¹⁶

Approximately 62% of Malaysia is covered in forests, and its timber and logging industry accounted for slightly more than 10% of 2014 sector GDP.^{17, 18, 19} As a result, Malaysia is a major exporter of tropical wood, most of which comes from the East

Malaysia states of Sarawak and Sabah.^{20, 21} It is also a major world exporter of furniture and plywood.²² Much of the logging, which has led to serious problems of deforestation, is illegal.^{23, 24}



Man making tin goods
OXLAEY.com

Industry and Manufacturing

Malaysia's industrial and manufacturing sector accounts for nearly 35% of GDP and employs 36% of the population. Major industries in Peninsular Malaysia include rubber and oil palm processing, petroleum and natural gas, light manufacturing, pharmaceuticals, as well as electronics and semiconductors. In Sabah and Sarawak in East Malaysia, logging, petroleum, agricultural processing, and natural gas production are central.²⁵ The manufacturing subsector employed approximately 17% of the total workforce in 2014. The largest manufacturing activities include electrical and electronics (25%), refined petroleum (13%), and chemicals (11%).²⁶

Malaysia privatized a number of state-owned firms within the context of New Economic Program (NEP) objectives. Privatization was intended to promote Malay capital accumulation.²⁷ This privatization has resulted in corporate expansion, increased efficiency, and the increased participation of ethnic Malays in the corporate sector.²⁸



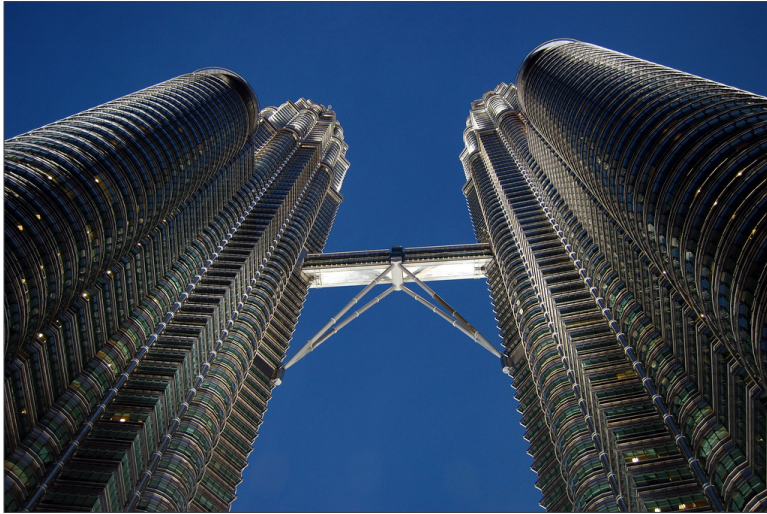
Bakun Dam
OXLAEY.com

Energy

Malaysia's energy sector accounts for about 20% of total GDP. As part of the NEP, Malaysia plans to expand exploration for oil and natural gas as well as promote energy efficiency. The country intends to become a regional hub for oil and natural gas trading, storage, and development as part of its efforts to attract foreign investors.²⁹

The bulk of Malaysia's energy in 2012 derived from petroleum and other liquids (40%) and natural gas (36%). Coal provides another 17% and hydropower about 3%.³⁰ In 2013, Malaysia was the second-largest exporter of liquefied natural gas. In spite of being a major world exporter, domestic demands on natural gas are increasing. A new import terminal has been built to help alleviate shortages in the western section of the nation.³¹

Demand for electrical power is growing. In 2012, about 92% of electricity was generated from coal and natural gas.³² Malaysia's domestic coal supplies are insufficient to meet its needs so the nation imports coal, mostly from neighboring Indonesia. The country's hydroelectric capacity is small and underdeveloped. Most facilities are found in Peninsular Malaysia. Sarawak, with its significant annual rainfall, has the potential to be developed and could provide significant amounts of hydroelectric power in the future.³³ There has been some discussion of building nuclear plants for electrical production, but there has been little progress following the Fukushima disaster in 2011.³⁴



*Petronas twin towers
Shubert Ciencia*

Natural Resources

As of January 2014, Malaysia had an estimated 4 billion barrels of proven oil reserves, the fourth-highest in the Asia-Pacific region.³⁵ Production is controlled by the government. Petronas, the national petroleum and natural gas corporation, which answers directly to the prime minister, was established under the Petroleum Development Act of 1974. It has exclusive rights of ownership and is responsible for oversight of all oil extraction and processing activities. Malaysia exports the majority of its oil to Japan, Thailand, South Korea, and Singapore. While the country's oil production from its maturing oil fields is expected to decline, ongoing exploration in offshore areas and several

new projects are scheduled to come online over the next several years. Petronas is actively involved in forging international joint ventures, particularly with Burma and China.^{36, 37} In March 2009 Brunei and Malaysia agreed to settle their maritime territorial dispute, which has prevented exploration of the rich reserves off Borneo for the past 6 years.³⁸

The prospects for liquefied natural gas are also good given Malaysia's proven reserves of 83 trillion cubic feet.³⁹ Construction on the Sabah Oil and Gas Terminal project, which will primarily serve export markets, includes the 499-km (310-mi) Sabah-Sarawak Gas Pipeline between Kimanis, Sabah, and Bintulu, Sarawak. It will be used to transport gas from offshore fields such as Kota Kinabulu, Sabah, for both export and for downstream projects in Sabah.⁴⁰

Malaysia also has reserves of mineral resources including tin, copper, iron ore, barite, ilmenite, and bauxite.^{41, 42} Minerals play a relatively small role in the national economy, with mining accounting for about 9% of GDP in 2012.⁴³ Timber is another important resource. Nearly two-thirds of Malaysia is forested^{44, 45} Nevertheless, illegal logging

and the cutting of trees to make way for agricultural production have devastated much forestland.^{46, 47, 48, 49} The government has enacted policies to protect the forests and has placed some regions off limits.⁵⁰



*Cargo trains
David Jones*

Trade

International trade is a major part of Malaysia's economy. Since 1998 the country has maintained trade surpluses primarily because of the export of electronics.⁵¹ But in July 2015, imports grew at a faster pace than exports, yielding the smallest surplus since October 2014.⁵²

The government has pursued a liberalization of trade practices and has concluded free trade agreements with Japan, Pakistan, New Zealand, India, Chile, and Australia. Malaysia is also a member of the Association of Southeast Asian Nations (ASEAN) Free Trade Area, which has

additional trade agreements with several nations.⁵³

Malaysia's dependence on exports has exposed its economy to global market fluctuations and to economic changes in its top export destinations and key sources of foreign investment.^{54, 55, 56} The country's largest export partners are Singapore (14%), China (12%), Japan (11%), and the United States (8%). The largest import partners are China (17%), Singapore (13%), Japan (8%), and the United States (8%).⁵⁷



*Tourists in Malaysia
Flickr / shankar s.*

Tourism

Tourism is an important component of the Malay economy. In 2014, 6% of GDP was directly contributed by the industry. Approximately 5% of the labor force was directly employed in travel and tourism jobs. Those numbers are expected to rise over the next decade.⁵⁸ Domestic travel accounted for roughly 42% of tourism revenues with international travel accounting for the rest. Revenues for leisure and business travel were nearly equal (49% vs. 51%).⁵⁹ In 2013, approximately 26 million international visitors arrived in the country, up from 7.9 million in 1999.⁶⁰ The bulk of the visitors arrived from neighboring countries including Singapore,

Indonesia, China, and Thailand.⁶¹

Malaysia offers visitors opportunities for various types of tourism experiences. Malaysia is home to a variety of cultural sites including five UNESCO World Heritage Sites. Most cultural sites are located in Peninsular Malaysia, although Kuchin (also known as Cat City), located on Sarawak, is increasingly popular as a tourist destination.^{62, 63, 64} Medical tourism is booming and data suggest that 80% of world medical tourists traveled to Malaysia, Thailand, and Singapore in 2012. Although the sector only began in 2002, Malaysia has become a popular destination for affordable cosmetic surgery, dentistry, and dermatology^{65, 66} Ecotourism is another major draw; tourists are drawn to the nation's beaches, caves, and rainforests.^{67, 68, 69}



Malaysian money
Flickr / ~ezs

Banking and Finance

Banking and Currency

The official unit of currency in Malaysia is the Malaysian Ringgit (MYR). In late September 2015, USD 1 traded for approximately MYR 4.3.⁷⁰ Banknotes are available in denominations of MYR 1, 5, 10, 20, 50, and 100.⁷¹ Currency is issued by the Central Bank of Malaysia (Bank Negara Malaysia), which was founded in January 1959. The bank's main duties include maintaining financial and price stability as well as creating and implementing monetary policy for the nation.⁷²

In addition to the central bank, Malaysia's banking system consists of commercial, investment, and Islamic institutions. In 2013 there were 27 licensed commercial banks, 11 investment banks, 16 Islamic banks, and 3 international Islamic banks operating through more than 2,000 branches.^{73, 74} There are plans to open the sector to international banks in the future, but no timelines for doing so have yet been established.⁷⁵ The banks enjoy strong government support and have stable funding levels. The outlook for the nation's financial system is positive and stable through 2016.^{76,}

⁷⁷

Islamic law (shari'a) prohibits charging interest (*riba*), the primary means by which Western financial institutions earn a profit.^{78, 79} The first Islamic bank in Malaysia was established in 1969. In 1983 the Islamic Banking Act allowed the country's first Islamic bank to be established.⁸⁰

The country also has a stock market, Bursa Malaysia, which is open to foreign

investment. Foreign corporations may issue shares on the Bursa, but if the majority of operations are in Malaysia, at least 12.5% of the company must be owned by ethnic Malays (*Bumiputra*).⁸¹



*People waiting in line for ATM
Emran Kassim*

Foreign Investment

According to the 2015 Global Doing Business report, Malaysia ranked 18th in the world for ease of doing business. The country's best ratings in the report are in the categories of protecting minority investors (5), trade across borders (11), and starting a business (13). The country does less well in registering property (75), resolving insolvency (36), and enforcing contracts (29).⁸² The favorable investment has helped Malaysia attract a significant amount of Foreign Direct Investment (FDI). Between 2010 and 2014, nearly USD 75 billion poured into Malaysia.^{83, 84, 85} Nearly two-thirds of FDI dollars go into the manufacturing and oil and gas sectors. These are followed by finance, IT, and agriculture (in marginal

amounts).^{86, 87} Foreign investment is restricted in other sectors including resource-based industries.⁸⁸ Malaysia's five largest investors, in order of contributions, are Singapore, Japan, the Netherlands, Hong Kong, and the United States.⁸⁹ The United States holds significant investments in Malaysia's oil and gas sector as well as in manufacturing and financial services. Companies such as Texas Instruments and Intel are also heavily invested in the electronics sector.⁹⁰ In 2013 the United States contributed approximately USD 2.8 billion.⁹¹

Standard of Living

According to the Human Development Report, Malaysia is a high-development country and ranks 62nd out of 187 countries included for study.⁹² Malaysians enjoy one of the highest standards of living in Southeast Asia.⁹³ The average Malaysian has a life expectancy of nearly 75 years. Roughly 95% of the population is literate, and the typical Malaysian can expect to receive 13 years of education.⁹⁴

Economic expansion and government policies have helped to dramatically lower poverty rates. Approximately 1% of households currently fall below the national poverty line of USD 8.50 per day.⁹⁵ The low poverty rate is due, in part, to a new minimum wage of MYR 900 per month (USD 297) and low unemployment, which hovers around 3.1%.^{96, 97, 98} In 2013 half of workers made less than MYR 1,500 (USD 345) a month.⁹⁹



*Stilt houses over water
Flickr / shankar s.*

¹⁰⁰ The average monthly salary for individuals stood at about MRY 2,350 (USD 540).¹⁰¹ In 2014 the average household income in the country was MYR 6,141 (USD 1,412). Urban incomes were nearly double that of rural incomes (USD 1,571 vs. 881).^{102, 103}

In spite of increasing wages and household income, however, ordinary Malaysians are finding it harder to make ends meet because the cost of living has gone up. Many Malaysian households are saddled with increasingly high levels of debt, a problem that could pose a risk to national economic growth.^{104, 105, 106}

Economic Outlook

Economic projections made in the first half of 2015 are generally favorable. GDP is expected to climb between 4 and 6% each year through 2020. At the same time, a recovery in global oil prices could be a significant boon to the nation's economy. Inflation is projected to remain around 3% through 2020.^{107, 108, 109}

But by the third quarter of 2015 a number of external and internal issues raise warning flags of the risks faced by the Malaysian economy. The continued fall of world oil prices and volatile capital flows are serious short-term risks. Unfavorable exchange of the Malaysian Ringgit presents another risk to foreign investor confidence, which could reduce FDI inflows. The poor exchange rate also threatens Malaysia's supply of foreign reserves.^{110, 111, 112, 113} A shortage of skilled labor, particularly scientists, academics, and highly qualified professionals, poses a potential stumbling block for further economic growth. The shortage has caused some companies to consider limiting future expansion in Malaysia.¹¹⁴

Several domestic issues also pose a threat to economic growth. In August, the prime minister was engulfed in a major scandal in which he allegedly siphoned millions of U.S. dollars from a state-owned investment fund. Thousands of protestors erupted onto the streets of the capital calling for his resignation.^{115, 116, 117} Another domestic concern is the growing racial divide fueled by simmering ethnic tensions.^{118, 119, 120, 121} In spite of these risks, however, many analysts remain optimistic. Economic growth may slow because of decreased global demand for commodities, but domestic growth in manufacturing and tourism is likely to provide a buffer.^{122, 123, 124}

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Chapter 3 Assessment

1. Agriculture accounts for less than 10% of Malaysia's GDP.

True

Agriculture accounts for roughly 9% of Malaysia's GDP and employs 11% of the national workforce.

2. Domestic travel revenues account for the overwhelming percentage of Malaysia's tourism income.

False

In 2014 domestic travel accounted for roughly 42% of tourism revenues with international travel accounting for the rest. Revenues for leisure and business travel were nearly equal (49% vs. 51%).

3. Islamic banks are not allowed to charge interest.

True

Islamic law (shari'a) prohibits charging interest (riba), the primary means by which Western financial institutions earn a profit.

4. Malaysia has a negative balance of trade.

False

Since 1998 the country has maintained trade surpluses mainly because of the export of electronics.

5. The United States is the largest contributor of Foreign Direct Investment (FDI) dollars in Malaysia.

False

Malaysia's five largest investors, in order of contributions, are Singapore, Japan, the Netherlands, Hong Kong, and the United States.



*Girl peeking out a window
Kah Wai Sin*

Chapter 4: Society

Introduction

Malaysia is a multiethnic country with deep divisions among its major groups. Ethnic Malays are the largest group and make up 50% of the population, followed by the Chinese (23%), indigenous groups (12%), Indians (7%), noncitizens (8%), and a small number of other groups (1%).¹ Unlike other ethnic groups, which tend to be based on race, Malay is a cultural and religious designation. The legal constitutional definition states that a Malaysian Malay is “a person born to a Malaysian citizen who professes to be a Muslim; habitually speaks the Malay language; adheres to customs; and is domiciled in Malaysia or Singapore.”^{2, 3, 4}

Modern Malay culture has been strongly influenced by the traditions of other cultures, including those of Thailand, Java, Sumatra, and Hindu India. Malays traditionally lived in a feudal society with clear distinctions between commoners and nobility. Although feudalism no longer exists, its legacy still underlies the class distinctions

that characterize Malay life.^{5,6,7} Even though Islam has replaced Hinduism as the main religion, Hindu traditions are still evident in daily life, especially in ritual celebrations and the belief in spirits.⁸

Malaysia is a pluralistic society, but its culture is strongly shaped by the dualistic notions of *budi-Islam*, which frames Malay identity and values. *Budi* is focused on the maintenance of peace and harmony in all things. It is this aspect of culture that has contributed to the Malays' reputation as a tolerant, cooperative, patient, and sensitive people.^{9,10}

Though there are certainly differences among individuals, certain core values drive modern Malaysia's culture. Malaysian people accept hierarchy, believing it reflects the inequalities among people. The people are likely to value collective interests over individual desires. Self-image is defined in terms of "we" rather than "I." Loyalty and friendship are more valuable than material wealth.¹¹

Ethnic and religious tensions simmer beneath the surface, sometimes boiling over into protests and violence.^{12,13,14} The minority Chinese and Indian groups often feel victimized by the government's Bumiputra policy, which gives preferential treatment to Malays, providing an institutionalized form of discrimination.^{15,16,17}



*Malay woman
John Ragai*

Ethnic Groups

Malay

The Malay Archipelago includes the Philippines, Indonesia, Singapore, Malaysia, and Thailand. Besides speaking the same mother tongue with its many dialects, Malays claim a common linguistic and cultural heritage that includes adherence to *adat* (customary law) and *kerajaan* (unconditional loyalty) to the Sultan.¹⁸ The arrival of large numbers of Chinese and Indians under the British gave the Malay a sense of identity as indigenous people who refer to themselves as Bumiputra (sons of the soil).¹⁹

Malay culture reflects influences from Thailand, Java, and Sumatra, as well as Hindu elements. Malays have traditionally been rural dwellers, but they have moved to the cities as part of Malaysia's trend toward urbanization. Malays in the past adopted a feudal system of social organization, reflecting sharp divisions between Malay commoners and royalty. Many of those differences are still visible in contemporary Malay culture.²⁰



Chinese family
John Ragai

Chinese

In Malaysia, ethnic Han Chinese are the largest minority.²¹ They are believed to have migrated from southeastern China. There are several major groups, each speaking its own Chinese language. Because these various languages may be unintelligible to other speakers, Mandarin functions as the lingua franca among the Chinese general population.²² The three main subgroups include the Hokkien on the island of Penang, the Cantonese concentrated in Kuala Lumpur, and the Mandarins located mainly in the state of Johor.²³ The Chinese remain largely marginalized in the government and have little influence over key decision-making processes. Resentment over the

Bumiputra policy, which favors ethnic Malays, is high. Many contemporary Chinese in Malaysia believe they are victims of discrimination in areas such as employment and education. These concerns have prompted many to leave the country or to protest against the favoritism of Bumiputra policies.^{24, 25, 26} Many young Indians, marginalized and struggling economically, are being recruited into violent gangs operating throughout Malaysia.²⁷



Indian man
John Ragai

Indians

In Malaysia, the term Indian encompasses all people from the subcontinent, which includes Pakistan, Bangladesh, and Sri Lanka as well as India.^{28, 29} Indians, mainly Tamil from southern India, were encouraged to migrate, often coming as indentured servants in the early 20th century to work on Malay rubber plantations. Work was prized over education, and many were marginalized after the rubber plantations were converted into palm oil plantations. Most Indians had failed to become citizens because they lacked the required proficiency in Malay or English, which was required. While some returned to India, others remained and competed with illegal immigrants from Indonesia for jobs in the service sector.³⁰ Many continue to live in poverty and have low levels of educational achievement.³¹

Like the Chinese, many Indians feel victimized by what they view as discrimination based on Bumiputra policies. In November 2007, Indians led a protest march through Kuala Lumpur. The march was the first ethnically organized street demonstration of a significant size since race riots in 1969. Among other demands, they asked for USD 4 trillion in reparations from the British for bringing them to Malaysia and then failing to secure equal status for them after exploiting their labor.^{32, 33, 34}



*Kadazan-Dusun serving of rice wine in bamboo cups
Flickr / shankar s.*

Kadazan-Dusun

The largest tribe in Sabah state in East Malaysia, the Kadazan-Dusun, is in fact two tribes that share a common ancestry and consider their father to be a red banyan tree.^{35, 36} The tree, *Nunuk Ragang*, or Red Banyan Tree, was large enough to shelter 7 3.6-by-6 m (12-by-20 ft) huts underneath its numerous branches and thick foliage, as well as birds, insects, and “spirits,” which animists believe exist in every animate and inanimate object.³⁷ Historically animists, the now mainly Christian Kadazan-Dusun may not claim the economic benefits of Bumiputra status because they are not Muslim.^{38, 39} Originally, as many as 150–200 kinsmen lived together in longhouses, but now

they live in detached homes.⁴⁰ The annual May *Pesta Kaamatan* harvest festival is their most significant cultural event, featuring a ceremony that culminates with offerings to the rice spirit.^{41, 42}

Iban

Known for their legendary head-hunting in the past, the Iban have become a tourist draw for East Malaysia. They account for more than one-fourth of the Sarawak population.⁴³ The Iban traditionally are totemists; they believe that the spirit of an ancestor or a dead relative manifests itself in an animal or object.^{44, 45} Many still engage in rice cultivation, but today younger Iban have migrated to towns and cities where they often find work in construction. Iban who still live in rural regions grow rice by using shifting cultivation: planting for a short period of time, then abandoning and leaving the fields to regenerate.⁴⁶ The longhouse continues to be the center of Iban life.^{47, 48}



*Orang Asli boys
Flickr / amrufm*

Orang Asli

This label, meaning “original people,” refers to indigenous groups on the Malay Peninsula—many of whom were traditionally forest dwellers.⁴⁹ They were mostly isolated until the middle of the 19th century and so maintained a strong hold on traditional lifestyles. The 18 ethnic groups that comprise these peoples are commonly subdivided into three distinct groups: the Negrito, the Senoi, and the Proto-Malay. While some remain engaged in their traditional hunter-gather activities, many now cultivate rice near the hill country or have moved to the coast where they make a living as fishermen. They retain much of their traditional

lifestyle, including their animist beliefs. Nearly 70% are animists, about 15–20% are Muslim, and another 10% are Christian.⁵⁰

There has been an active effort to proselytize the Orang Asli to remove the awkward distinction between indigenous people and Bumiputra. While this opens the door to a host of privileges, in fact the Orang Asli and their way of life remain under siege. During British colonial rule, forests were cleared by commercial logging interests and for rubber plantations. This affected the traditional Orang Asli way of life. Subsequent conservation efforts after independence also put pressure on the Orang Asli, who practice slash-and-burn agriculture rather than settled farming. The government now regulates Orang Asli access to forestland, and they are subject to nonvoluntary resettlement in some cases to make room for development projects.^{51, 52}



*Mosque in Kota Kinabalu
Eugene Lim*

Religion

Malaysia is a country of multiple faiths, but the nation’s official religion is Sunni Islam.^{53, 54, 55} Approximately 61% of the people are Muslims, 20% Buddhists, 9% Christian, 6% Hindus, and 1% are practitioners of Confucianism, Taoism, or other traditional Chinese religions.⁵⁶ Indians Sikhs follow Sikhism. Some indigenous tribal people in East Malaysia have become Christians and others have become Muslims, but many maintain animistic beliefs.⁵⁷

The constitution guarantees freedom of religion while at the same time placing restrictions on

those freedoms.⁵⁸ Each state administers shari'a (Islamic) laws through a system of courts that has jurisdiction over all Malaysian Muslims.^{59, 60, 61} Proselytizing Muslims is forbidden, while proselytization of non-Muslims is tolerated.⁶² All citizens must carry identity cards that identify individual religious affiliations. Muslims are under the jurisdiction of shari'a courts, while other citizens fall under the jurisdiction of the parallel secular civil court system. The government restricts religious assembly and denies legal status to certain religious groups.⁶³ Some religious groups are listed as "deviant sects" because the government believes they threaten national security. Shi'a sects are high on that list and in 2011 were banned from proselytizing, although Sunnis are allowed to do so. A number of Shi'ite scholars have fallen afoul of the law and been imprisoned for various alleged crimes.^{64, 65, 66} Non-Muslims who wish to marry Muslims must first convert to Islam in order to have their marriages legally recognized.⁶⁷

Malaysia has become increasingly Islamized in recent years and shari'a law is becoming more dominant. This has increased divisions among the nation's religious groups and fueled tensions.^{68, 69} In recent court rulings, non-Muslims have been legally banned from using the word *Allah* when referring to God.^{70, 71} Some churches were forced to remove crosses from their buildings after being threatened by a mob of radical Muslims.^{72, 73}



Spice market
Flickr / shankar s.

Cuisine

Malaysian food reflects influences from Thailand, China, Indonesia, and India.⁷⁴ Malay cooking involves many spices such as chili, turmeric, coriander, star anise, and cumin.^{75, 76, 77, 78} Food varies across the nation, with each region having its own specialty.^{79, 80} Rice and noodles are staples served at nearly every meal.^{81, 82, 83} In addition, a typical meal usually has a spicy meat or seafood dish accompanied by a wealth of vegetable dishes.⁸⁴ Islamic religious protocols prohibit the eating of pork, so chicken, beef, and mutton are preferred. Fish dishes are also common and generally feature shrimp or cuttlefish.⁸⁵

Malays generally use only halal meats, or ritually slaughtered animals.^{86, 87} *Satays* (grilled meat on a skewer covered in peanut sauce) is a favorite food.

Masak lemak is a rich and creamy dish made with a coconut base flavored with turmeric and lemongrass. Chilies are sometimes added to increase the heat.^{88, 89} *Masak pedas* are hot chili dishes. *Ayam masak merah* (spicy tomato chicken) is flavored with dried red chilies, ginger, garlic, cloves, cardamom seeds, cinnamon, and star anise.^{90, 91} *Masak*

assam are hot and sour dishes generally flavored with tamarind.^{92,93} All include meat, poultry, or seafood.⁹⁴

Laksa is a noodle soup made in many varieties. Some are served in a curry sauce while others are served in a sour fish base.^{95,96} *Laksa Johor* is distinguished by the use of spaghetti rather than traditional *laksa* noodles.⁹⁷

Malay desserts are typically made with coconut, coconut milk, and palm sugar. Popular desserts include steamed coconut pudding (*kuih talam*), glutinous rice topped with caramelized coconut (*pulut inti*), black rice pudding (*pulut hitam*), and *aiskrim potong*, an ice cream dish made from coconut milk and flavored with red beans, rose syrup, and local fruit.^{98,99}



*Woman in traditional head dress
eMie Daksum*

was accompanied with wide baggy pants tied at the waist with a string and fitted around the legs and ankles.¹⁰⁸

Traditional Dress

Before the beginning of the 20th century, Malay women wore sarongs tied above the chest (*kemban*). With the rise of Islam, the *kemban* was replaced by the more modest *baju kurung*, a knee-length, loose-fitting blouse worn over a long skirt pleated at the sides. A head scarf or *tudung* completed the outfit.^{100,101} Chinese women wore a long dress known as a *cheongsam*.

The dress, often made from silk, featured a high collar with buttons near the shoulder.^{102,103} Indian women traditionally wore the sari, consisting of a large piece of cloth wrapped around the body. The embroidered end of the cloth was draped over the left shoulder. Women from northern India wore the *salwar kameez*, a long tunic worn over pants and complemented with a matching shawl.^{104,105}

Malay men traditionally wore the *baju melayu*, a loose tunic worn over pants. A short sarong wrapped around the hips (*sampin*) often completed the outfit. Men also wore a traditional headdress known as the *songkok*.^{106,107} Ethnic Chinese men in Malaysia traditionally wore a short-sleeved shirt worn over pants. Ethnic Indian males traditional wore a *sherwani*, a knee-length, tight-fitting coat with buttons in the front. This



*Woman embroiderist
Shubert Ciencia*

Gender Issues

Although Muslim Malay women have traditionally occupied a subordinate role, in Malaysia they have enjoyed more rights and privileges than in other Muslim nations. Malay culture historically recognized women's roles in public places, their right to be treated as independent individuals, the right to work, and inheritance rights.¹⁰⁹ Malaysia has made strides in educational achievement for women, who now comprise 75% of all university students.^{110, 111, 112}

Nevertheless, the rights of Malay women are restricted under the civil code of shari'a

law.¹¹³ Local and state governments can and do impose their own regulations. In the fundamentalist Muslim state of Kelantan, for example, short hair is illegal for girls.¹¹⁴ Women are required to cover all but their hands and faces even though such attire is not required in other places. The Kelantan government enforces gender segregation, requiring women to sit apart from men at public and social activities, and it has implemented separate check-out lines for men and women in supermarkets. Some of these practices have spread to the other states and federal territories.^{115, 116, 117}

Even though nearly half of all Malay women work, discrimination in the workplace is common. Private sector employers often pay lower wages to women; in the public sector, however, equal pay for equal work is mandated. Most working women are concentrated in low-skilled and low-wage jobs. Women typically receive less than half of what men in the same jobs are paid.^{118, 119, 120, 121}

Women have the legal right to participate in politics, but they remain underrepresented in political positions. Only a small fraction of the members of parliament and government ministers are women.^{122, 123, 124} Persistent negative attitudes toward women and stereotypical thinking have made it difficult for women to break into higher positions in politics or in the corporate world.^{125, 126}

Malay society has patriarchal values. Women are often seen as followers and supporters with limited roles outside the family.^{127, 128, 129} Women are victims of domestic violence, which continues to be a problem in the nation. Because domestic violence is widely viewed as a private issue, police and other authorities are reluctant to intervene.^{130, 131}



*Man painting a batik
Shubert Ciencia*

Arts

Batik

Batik has been claimed by both Indonesia and Malaysia as an indigenous product. The motifs and colors on the cloth mean different things to different cultures.¹³² UNESCO's 2009 decision to add Indonesian batik to its list of Intangible Cultural Heritage goods vindicated Indonesia's claim to ownership.¹³³ Because of Muslim prohibitions against representing human and animal likenesses, batik typically comes in a floral pattern. The specific pattern may reflect the social status of the wearer. There are two major

types produced in Malaysia: hand-drawn and block print. Hand-drawn is more labor intensive and requires higher artisanship skills. Hot wax is used to etch out the desired design. After it dries, artists apply dyes within the design, which can sometimes be quite complex and feature many shades of color. By contrast, block-print batik can only produce monochromatic designs. The block print is applied to fabric that is then dip-dyed in one color. Block print is often used to make cotton leisure wear while the more intricate hand-dyed is used on more expensive fabric, including silk, to produce higher quality garments made to the customer's specifications.^{134, 135}

Dance

Dance is an important part of Malay's cultural heritage, although it is rarely performed alone because, according to *adat* (customary law), the collective is more important than individuality.^{136, 137} The popular *joget* dance is a hybrid form that combines elements from Portuguese folk dance, Western, Arab, and Southeast Asian instruments, and Malaysian singing.¹³⁸ *Zapin*, a dance that originated in the Arab-Persian world, was supposedly introduced to Malaysians in the 15th century by Muslim missionaries.¹³⁹ The dance, typically performed in pairs, involves fast, synchronized steps. There are numerous regional varieties of *zapin* in the archipelago.^{140, 141} Two other dances are also popular. Women often perform the *tarian lilin* (candle dance) in which candles in small dishes are balanced while performing the dance steps. The dance, which originated in Sumatra, tells the story of a young woman left behind by her suitor who struck out to find his fortune.¹⁴² The *kuda kepang* was brought from Johor. This dance tells the story of nine Javanese men who traveled to the interior of Java to spread Islam. The dance, which involves enacting early Islamic battles, is accompanied by traditional music played on such indigenous instruments as gongs, tambourines, and angklungs.^{143, 144, 145}

Folklore

Malay stories (*Penglipurlara*) are recited orally and passed down from generation to generation. As in many national tales, Malay folktales involve animal fables, ghost stories, fairy tales, legends, and myths. Many are moral teachings about daily life.¹⁴⁶ ¹⁴⁷ Hikayat Sang Kancil is a tiny mousedeer popular in many Malay stories. Kikayat Sang Kancil begins as a devious character who typically repays good with evil. But through his experiences he becomes wise and shrewd, finally winning praise from King Solomon.¹⁴⁸ Women also feature prominently in many Malaysian folktales. The Kikayat Panji Semarang is an epic romance about a female warrior who dresses as a man to carry out her role. Another popular story is about the Princess of Mount Ophir, who vows never to marry.¹⁴⁹



Sepak Takraw ball
Wikimedia / Siren-Com

Traditional Sports

Sepak takraw (Malay football) is arguably the most popular traditional sport in the nation. The game, in which players use their feet and heads to knock a rattan ball back and forth across a net, is often described as a combination of volleyball and soccer.^{150, 151} *Gasing* is a game of spinning tops. Tops can weigh between .1 to 5 kg (.22 to 11 lb) and, if launched by an expert, can spin for as long as 2 hours. Competitions occur throughout Malaysia.^{152, 153, 154} *Sepak raga bulat* (rattan ball), traditionally associated with village life, is now played in cities where players standing in a circle must keep the ball in the air using any part of the body except their hands.¹⁵⁵ Kite flying (*wau*) is a competitive sport in Malaysia. Kites are made by skilled artisans, who build the frame from split

bamboo. The surface covering can feature complex floral designs or images of animals. Paper tassels are often added. The *wau bulan* (moon kite) is named for its crescent-shaped tailpiece. Each year, kite enthusiasts from around the world gather at Malaysia's world kite festival.^{156, 157, 158}

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Chapter 4 Assessment

1. All Malays are Muslims.

True

Malay is a cultural and religious designation. The legal constitutional definition states that a Malaysian Malay is “a person born to a Malaysian citizen who professes to be a Muslim; habitually speaks the Malay language; adheres to customs; and is domiciled in Malaysia or Singapore.”

2. Malaysians are more likely to value individual over collective needs.

False

Malaysians are likely to value collective interests over individual desires. Self-image is defined in terms of “we” rather than “I.” Loyalty and friendship are more valuable than material wealth.

3. Indigenous groups such as the Kadazan-Dusun are not allowed to claim Bumiputra status.

True

Christian Kadazan-Dusun may not claim the economic benefits of Bumiputra status because they are not Muslim.

4. The Iban have become a tourist draw on the Malay Peninsula.

False

Known for their legendary head-hunting in the past, the Iban have become a tourist draw in East Malaysia. They account for more than one-fourth of the Sarawak population.

5. Dance is an important part of Malaysia’s cultural heritage.

True

Dance is an important part of the nation’s cultural heritage, although it is rarely performed alone because the collective is more important than the individual according to adat (customary law).



*Bumiputera in parade
Wikimedia / Ccefalón*

Chapter 5: Security

Introduction

Since its independence in 1957, Malaysia's foreign policy has reflected a pragmatic approach to the geopolitical challenges facing the country. Malaysia views itself as a leader in Southeast Asia, firmly believing its moderate Muslim government can be a model for other nations in the region. Under Prime Minister Najib, current policy focuses on maintaining national security and assuming a larger role in global affairs. The policy also emphasizes the continued transformation of Malaysia into a modern and progressive Muslim nation. The current government is devoted to expanding trade with the ASEAN group as well as Europe, Japan, South Korea, and India.^{1,2} Although staunchly aligned with the West at the point of its independence, Malaysia has increasingly moved to align itself with other developing and Muslim countries.^{3,4,5}

Domestic stability is maintained through a system of special privileges afforded to ethnic Malays, self-proclaimed "sons of the soil" (*Bumiputera*). *Bumiputera* consider it generous that immigrants have been allowed to remain in the country, practice their own religions, and become citizens.⁶ Given the dominant role Malays play in the political system, *Bumiputera* security is equated with national security.⁷ Recently, the government and opposition political parties agree that policies favoring the *Bumiputra* should change, but there has been little progress on the issue. The ethnic Malay who benefit from these policies make up the majority of the population. Alienating this group could mean a loss of power for the ruling party.^{8,9} Recent dissatisfaction with

these race-based policies have created tensions among ethnic groups. As a result, some of the more educated have left the country, thus threatening economic development.^{10, 11, 12} Some suggest that the exclusionary policies are a major factor in the rise of violent gangs among ethnic Indians.¹³

Domestic terrorism also threatens national security. In 2015, militants linked with the Islamic State allegedly planned attacks in Kuala Lumpur and other army and police facilities. Other criminal syndicates threaten oil operations and the domestic economy. Protests increasingly demand electoral reform. Racial and religious tensions are on the upswing, which could prove problematic for the current ruling party.¹⁴



*US and Malaysian service members
Specialist 2nd Class Joe Bishop*

U.S.–Malaysian Relations

U.S.–Malaysian relations have been devoid of major disputes since Malaysia's independence in 1957. Current relations are friendly but not particularly warm. Relations tensed when Malaysia opposed the 2003 war to oust Saddam Hussein from Iraq. The nation also refused to support the International Security and Assistance Force in Afghanistan. Since the departure of Prime Minister Mahathir, relations have improved and bilateral cooperation in security has strengthened.^{15, 16, 17} Both countries engage in joint military training and exercises, including the RIMPAC (Rim of the Pacific) multilateral naval exercises near Hawaii. Each year, Malaysian military officers come to the U.S. to study at

professional military education institutions.¹⁸

Malaysia has enjoyed increased trade with the U.S. despite the two countries being unable to formulate a bilateral free trade agreement.^{19, 20} The United States is Malaysia's fourth-largest import-export partner.²¹ Malaysia is the United States' 20th-largest import and 25th-largest export partner. In 2012, trade between the two nations totaled USD 42 billion, with the balance of trade favoring Malaysia.²² The United States is Malaysia's largest foreign investor, especially in manufacturing, banking, and oil and gas. Malaysia also has considerable investments in the U.S. real estate, gaming, and biotechnology sectors.²³



Coast of Sarawak
Flickr / Jan

Relations with Neighboring Countries

Brunei

The 266 km (165 mi) border between Malaysia and Brunei on the island of Borneo has long been disputed.^{24, 25} In 2009, Brunei and Malaysia resolved a long-running sea boundary dispute over area off the coast of Sarawak where both countries had awarded exploration contracts to different multinational oil firms in 2003.²⁶ Strong historical, linguistic and ethnic, and cultural ties have generally helped keep relations between the two nations cordial. The recent opening of the Friendship Bridge between Brunei and Sarawak underscores the strong relations.²⁷ Trade relations between the two are growing. In 2012, trade totaled USD 1.1 billion, although neither is a Top-5 trading partner with the other.^{28, 29, 30}

Indonesia

Indonesia and Malaysia share a 1,881 km (1,169 mi) border on the peninsula.³¹ Their bilateral relations have long been contentious despite common ethnic, religious, and linguistic bonds.^{32, 33} Although relations in 2015 were somewhat improved, distrust continues to weaken ties and threaten lasting partnerships.³⁴ Some experts suggest that relations between these two nations are the most important in the region. This is because Indonesia is the world's largest Muslim nation, while smaller Malaysia has a more advanced economy and a more democratic government.³⁵

Territorial disputes over Borneo in the early 1960s quickly dissipated the goodwill when Malaya, as the country was then known, proposed including the British-administered territories of Sarawak and Sabah as part of a federation to be called Malaysia. Indonesian President Sukarno, firmly opposed to Malaysian expansion, launched a *konfrontasi* movement with the slogan “crush Malaysia” (*ganyang Malaysia*). This movement included several limited armed incursions as well as a cessation of trade.³⁶

Territorial disputes continue.^{37, 38} In 2002, the International Court of Justice ruled that the Ligitan and Sipadan Islands belonged to Malaysia.³⁹ The situation briefly escalated into a naval confrontation several times.^{40, 41} In June 2009, Indonesian lawmakers accused Malaysia of violating the maritime boundary by entering disputed waters 19 times since May 2009.⁴²

Tensions have also arisen over the treatment of an estimated two million undocumented Indonesian workers in wealthier Malaysia.^{43, 44} Although both nations have agreed on

some limited rights for the migrant workers, issues of pay and recruitment continue to cloud relations.⁴⁵

Tensions also arise from Indonesian claims that the Malays are taking credit for items Indonesians consider part of their own cultural heritage. This has incited nationalist flare-ups in Indonesia, mostly in cyberspace, reflecting deep-seated animosities.^{46, 47, 48} Calls for *ganyang Malaysia* have been raised by self-styled “patriotic vigilantes” on the streets of Jakarta.⁴⁹

In spite of such tensions, trade relations between the two are strong. Indonesia is a Top-10 import-export partner for Malaysia.⁵⁰ Malaysia is Indonesia’s fifth-largest import partner and seventh-largest export destination.⁵¹



*Malaysia / Singapore border
Flickr / Yabby*

Singapore

Singapore’s secession from the Federation of Malaysia in 1965 caused serious tension between the two nations. Today, those hard feelings have mostly been put aside; as of 2015, Singapore-Malaysia relations were warm and strong. Nevertheless, there remain issues complicating those relations.^{52, 53} Trade between the two nations is strong. Singapore is Malaysia’s largest export partner and second-largest import partner.^{54, 55} Malaysia, on the other hand, is Singapore’s second-largest import and export partner.⁵⁶

Defense and strategic cooperation between the two countries is strong. In March 2015, the two national defense ministers signed a letter of intent to increase cooperation on security and military concerns in the region, including the exchange of intelligence.^{57, 58}

Singapore relies heavily on Malaysia for water. Approximately half of Singapore’s water supply is piped in, mostly from the Malaysian state of Johor. Issues over supply and price have, in the past, caused tensions.^{59, 60} The current water agreement between Singapore and Malaysia, signed in 1962, is set to expire in 2061.⁶¹

Thailand

Relations are generally good between the two countries, which share a 595 km (370 mi) highly porous border.⁶² Insurgents in Thailand’s southern provinces, which is inhabited mostly by ethnic Malays and Muslims, is a major thorn in better relations. Thailand’s response to insurgents has been to isolate the problem, and in the process it has isolated Malaysia as well.^{63, 64} The Malaysian government does not support the insurgency; it

has worked with the Thai government on joint development initiatives for the southern region and on programs designed to counter extremist Islamic teachings. However, the strong Thai military response against the insurgents increased pressure on officials in Kuala Lumpur to criticize what many Malays see as human rights violations against the Thai Malay population.^{65, 66, 67, 68}

Border security with Thailand remains a major concern. In September 2015, following reports of an impending attack by ISIS-affiliated groups in Kuala Lumpur, the Malaysian defense ministry ordered intensified security along the shared border.⁶⁹ In addition to terrorist worries, there are also concerns about human trafficking. Malaysia is working hard to resolve the problem and has increased security along the border, especially since the 2015 discovery of unmarked graves of trafficking victims.^{70, 71, 72}

Both countries are Top-5 trading partners.^{73, 74} The reduction of trade barriers is one of the actions intended to expand trade between the two countries. Half of Thailand's cross-border trade revenues is from border trade with Malaysia. The two nations have set a goal of USD 30 billion by 2018.^{75, 76}



*Malaysian police
Flickr / MyLifeStory*

Malaysian Police Force

The Royal Malaysia Police (*Polis Diraja Malaysia/ PDRM*) is Malaysia's primary internal security force. The approximately 112,000-officer force is under the direction of the Minister of Home Affairs and is headed by an Inspector General of Police. The PDRM is subdivided into several divisions, including the Special Branch, Criminal Investigation Division, Commercial Crime Investigation Division, Narcotics Crime Investigation Division, and the Internal Security and Public Order Department. The Internal Security and Public Order Department is further divided into several units including the Special Operations Force and the Marine Police.^{77, 78} The Special Operations Force (*Pasukan Gerakan Khas/ PGK*) is the nation's counter-terrorist unit and has approximately 2,000 officers.⁷⁹

The police have frequently been accused of various human rights abuses. The most common complaints are excessive use of force at public protests, mistreatment and suspicious deaths of prisoners while in custody, and unjustified shootings. The lack of transparency in

the investigation of such claims has increased public distrust of the agency. Poor and antagonist relations between the public and police, along with alleged corruption, have impeded police enforcement efforts.^{80, 81}



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Specialist 2nd Class Will Gaskill*

Malaysian Armed Forces

Malaysia's Armed Forces (*Angkatan Tentera Malaysia/ATM*) has an estimated 118,000 troops divided among the army, navy, and air force. In addition, there are 51,600 reservists of which 50,000 are in the army. The ATM is responsible for Malaysia's internal and external defense.^{82, 83, 84}

The ATM is capable of low- to mid-level intensity conventional military operations on its own soil but is limited in its capacity to operate outside national borders. Shortages of ordnance, munitions, and spare parts plague the military. The navy and air force lack the capacity to carry out significant operations, though both could deploy a battalion of troops in short order, if

required.⁸⁵

The Malaysian Army (TDM)

The Malaysian Army (*Tentera Darat Malaysia/TDM*) is transitioning to a more mobile force focusing on combined-arms operations.⁸⁶ The majority of the TDM forces are ethnic Muslim Malays. All males are required to serve for two years in the Malaysian military. Women may serve in the TDM and are deployed in support, logistics, and administrative positions. The government has created an experimental all-female infantry platoon to explore the possibility of women in combat roles. Morale within the force is problematic, especially in combat units. Retaining workers with specialized skills is difficult and most recruits do not reenlist.^{87, 88}

The Royal Malaysian Air Force (RMAF)

The RMAF has 18,900 troops and approximately 217 aircraft including 42 fighter/interceptor and 55 fixed-wing attack craft.^{89, 90} The RMAF can provide credible border defense but is unlikely to offer effective resistance against a well-equipped attack. Most of the force is made up of ethnic Muslim Malays. Women may serve in all capacities except special forces. Most female pilots fly transport aircraft or helicopters. Morale is generally high. Retention of highly qualified personnel is an issue and some engineering support has to be contracted out to private companies.⁹¹

The Royal Malaysian Navy (RMN)

The RMN has a current troop strength of 18,000 sailors and 61 naval vessels, most of which are coastal defense craft.^{92, 93} Continued activity in the Straits of Malacca have helped maintain the readiness and effectiveness of the force. The small size of the force, however, limits its ability to operate outside of territorial waters. A new naval base is planned in Sarawak state at Bintulu and is expected to be operational in about 2019. Women are allowed to serve in any branch of the navy except its special forces units or on submarines and other small craft that cannot provide separate quarters. Although morale is generally good, retention is problematic because of low wages relative to the private sector.⁹⁴



Riot police break up the HINDRAF supporters
Wikimedia / lastsham

Issues Affecting Stability

Terrorist Groups

The risk of terrorism in Malaysia is currently rated as moderate. Although the counter-terrorism police and strict antiterrorism legislation have prevented a successful terrorist attack within the country, increasing activity by ISIS militants raises the likelihood of successful attacks in the medium-term.⁹⁵

The terrorist group *Jemaah Islamiyah* (JI), which was behind the Bali bombing in October 2002, is a militant Islamist group seeking to establish a pan-Islamic state across much of Muslim Southeast

Asia. Several of its top leaders have been Malays, and its base is in Indonesia. Its numbers have dwindled to an estimated several hundred members and its activities have been broadly reduced.^{96, 97, 98} Within Malaysia, a sister organization of JI, the *Kumpulan Mujahidin Malaysia* (KMM), harbors an agenda of overthrowing the government to establish an Islamic state. The group may have bases in southern Thailand as well, but its lack of a unified command has impeded its ability to carry out attacks. Nevertheless, the government remains concerned about the group because some of its members have allegedly trained in Afghan mujahideen camps and others have trained with Muslim extremist groups in the Philippines and Indonesia.^{99, 100}

In October 2008, the Malaysian government branded the Hindu Rights Action Force (HINDRAF) a threat to national security. The group does not advocate the overthrow of the government or even violent protest; it has, however, exploited anger over the destruction of long-standing Hindu temples built on government land to rally impoverished Indian Malays. In 2007, it organized a rally that attracted at least 10,000 to

protest the marginalization of ethnic Indians and to seek compensation from the British government who sponsored the Tamil migration to Malaysia.¹⁰¹ The police arrested 245 protestors and 5 HINDRAF leaders under the International Security Act.¹⁰² In 2009, the 5 leaders were released, which reduced their political appeal to Indian Malays.¹⁰³ While some ethnic Malays find HINDRAF's language inflammatory, they sympathize with the concerns of Indians and their inability to legally express their grievances against enshrined *Bumiputera* privilege. Others view HINDRAF as a terrorist organization.¹⁰⁴

Illegal Immigrants

Malaysia has long attracted impoverished Indonesians and its economic success has recently attracted migrants from 12 Asian countries. An estimated 2.9 million migrants are currently in the nation. The Malaysian population widely regards these workers as responsible for increasing crime rates. Many regard them as a threat to national security. Many also see them as being responsible for lowering wages in some sectors, which could destabilize economic growth.^{105, 106} Illegal workers are also problematic because they help fuel Malaysia's human trafficking issues. Some workers on Malaysian palm oil plantations have allegedly been trafficked to the plantations and are being forced to work against their will.¹⁰⁷

Internal Politics

Recent crackdowns and increasing restrictions on Malaysian civil liberties threaten political stability. In 2013, the ruling national coalition gained only 40% of the seats in parliament, its lowest showing ever. The financial scandal surrounding the current prime minister has spawned massive protests as people call for political reform. The prime minister has been accused of using public money for his personal gain, and some have even called for the prime minister's resignation. It remains to be seen whether Prime Minister Najib and the ruling party will survive this latest threat, which has created a power struggle within party.^{108, 109, 110, 111} To help counter antigovernment protests, Malaysia recently enacted a controversial law restricting civil rights.^{112, 113} Restrictions on civil rights could polarize the country and fuel racial and ethnic tensions already simmering below the surface. These rising political tensions could threaten Malaysia's continuing economic prosperity. If foreign investors suspect a worsening outlook for either the economy or the government's stability, they could withhold much needed investment dollars.^{114, 115}

Water Security

Water security is an increasingly salient national issue. Surface water sources are diminishing in some parts of the country, including Johor state, which provides much of Singapore's water supplies.^{116, 117, 118} Many water issues stem from rapid urbanization rather than from water availability. Rainfall normally provides sufficient rain to fill the rivers. The infrastructure to deliver the water to urban residents has failed to keep pace with Malaysia's rapidly growing cities. Still, the effects of global climate change could create more unpredictable supplies so it is crucial that Malaysia develop better policies and infrastructure to manage water supplies.^{119, 120}



*Malaysian girls
Norhafydzah Mahfodz*

Outlook

Malaysia is facing a series of challenges. Some reports find Malaysia's political risk to be moderate, whereas other experts rate Malaysia's political risk as high.^{121, 122} The rising lack of public confidence in the UMNO ruling party could be a sign of increasing polarization within the population. The current financial scandal has caused not only a decrease in public confidence, but a rift within the ruling party. These factors have the potential to destabilize the ruling party and the government.^{123, 124, 125} The continuing weakness in global oil prices is another worrisome issue. Because of the reduced prices, the government has been forced to increase subsidies even while available revenues are decreasing.^{126, 127, 128} Although the political rifts and tensions are real, they are unlikely to result in the downfall of the government and the destabilization of the country.^{129, 130}

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Chapter 5 Assessment

1. Trade between Malaysia and the U.S. has been increasing despite strained relations.

True

Malaysia has enjoyed increased trade with the U.S. despite the two countries being unable to formulate a bilateral free trade agreement. The U.S. is Malaysia's fourth-largest import-export partner.

2. Trade between Malaysia and Brunei is virtually nonexistent.

False

Trade relations between the two are growing. In 2012, trade totaled USD 1.1 billion although neither is a Top-5 trading partner with the other.

3. Indonesians and Malays are distrustful of each other despite their shared cultural heritage.

True

Their bilateral relations have long been contentious despite common ethnic, religious, and linguistic bonds. Although relations in 2015 were somewhat improved, distrust continues to weaken ties and threaten lasting partnerships.

4. Malaysia's Royal Police Force is highly professional and enjoys the faith and confidence of much of Malaysia's population.

False

The police have frequently been accused of various human rights abuses. The public level of distrust of the force is increasing. Poor and antagonist relations between the public and police have impeded police enforcement efforts.

5. The risk of terrorist attacks in Malaysia is high.

False

The risk of terrorism in Malaysia is currently rated as moderate. Counter-terrorism police and strict antiterrorism legislation have prevented a successful terrorist attack within the country.

Final Assessment

1. Peninsular Malaysia and East Malaysia exhibit significant climatic differences.
TRUE OR FALSE?
2. The Strait of Malacca is the shortest route between the Pacific and Atlantic Oceans.
TRUE OR FALSE?
3. The rate of deforestation is higher in Malaysia than in any other nation.
TRUE OR FALSE?
4. The majority of Malaysia's water pollution comes from sewage treatment plants.
TRUE OR FALSE?
5. Kuala Lumpur is the national capital and Malaysia's largest city.
TRUE OR FALSE?
6. Peninsular Malaysia was inhabited long before the region of modern-day East Malaysia.
TRUE OR FALSE?
7. The Dutch were the first Europeans to conquer Malacca.
TRUE OR FALSE?
8. The 1963 inclusion of Singapore in the Federation of Malaysia created problems from the start.
TRUE OR FALSE?
9. Malaysia is becoming increasingly secular.
TRUE OR FALSE?
10. Human rights in Malaysia are under siege from the government.
TRUE OR FALSE?

11. Oil production in Malaysia is controlled by the government.
TRUE OR FALSE?
12. Malaysians have one of the lowest standards of living in Southeast Asia.
TRUE OR FALSE?
13. Exports are a major economic driver in Malaysia.
TRUE OR FALSE?
14. Malaysia has one of the least friendly business climates in the world.
TRUE OR FALSE?
15. Less than 5% of all households in Malaysia fall below the national poverty line.
TRUE OR FALSE?
16. The Chinese in Malaysia are comprised of several groups.
TRUE OR FALSE?
17. Sarongs are commonly worn by Malay women.
TRUE OR FALSE?
18. The Malaysian Constitution officially provides for freedom of religion.
TRUE OR FALSE?
19. Malaysian food is rarely spicy.
TRUE OR FALSE?
20. Women in Malaysia are not permitted to hold political office.
TRUE OR FALSE?
21. The main sticking point in positive relations between Thailand and Malaysia is the Muslim insurgency in southern Thailand.
TRUE OR FALSE?

22. Malaysia and Singapore's relations have remained strained since Singapore seceded from the Federation of Malaysia in 1965.

TRUE OR FALSE?

23. Illegal migrant workers are a potential threat to national security.

TRUE OR FALSE?

24. Women are prohibited from serving in Malaysia's armed forces.

TRUE OR FALSE?

25. Malaysia's ruling UMNO remains firmly in control of the government.

TRUE OR FALSE?

Further Resources

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