



Malaysia: Centralized Federalism and Foreign Relations

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Foreign policy and relations come under the purview of the central government in most federal countries. However, globalization has created new opportunities for constituent states to play increasingly active roles, especially regarding foreign trade and investment. In cooperative federal systems, some restructuring of federal-state relations has resulted. This has not been the case in Malaysia's centralized federal system, however. Instead, these new ties between constituent states and foreign corporations, non-governmental organizations, and even foreign governments have highlighted the inefficiencies of centralized federalism which cannot be addressed without the necessary political will.

Malaysia is a middle-level power in the realm of international relations. Currently, it chairs the Non-Aligned Movement and the Organization of the Islamic Conference. However, its foreign policy agenda is essentially pursued via the Association of Southeast Asian Countries (ASEAN). As a founding member, Malaysia has promoted changes within ASEAN over the past decade, including the establishment of the ASEAN Free Trade Area and ASEAN growth triangles to promote economic cooperation, the inclusion of Vietnam, Laos, Cambodia and Myanmar, and the development of a clear voice in inter-

national affairs – usually in support of the interests of developing countries.

Despite its pro-South foreign policy rhetoric, Malaysia's major trading partners and sources of Foreign Direct Investment are its traditional partners, the United States, the European Union, Japan, China and Singapore. Since the late 1980s, Malaysia's steady economic growth, combined with low inflation, and its political stability attracted a lot of foreign investment. This helped to transform the basis of the Malaysian economy to export-oriented industrialization and the export of petroleum and Liquefied Natural Gas. With a population of only 25 million, Malaysia is now the world's nineteenth largest trading nation.

Its export-led growth and emergence as a second-generation Newly Industrialized Country would suggest that the government, the private sector, and the general population have made the most of the opportunities arising from globalization. The federal government's reluctance to share power with the constituent states has limited opportunities, however.

The Federal Constitution is explicit about the federal government's pre-eminence in the realm of foreign relations. Foreign relations and security matters are mostly a federal executive affair. There has been little direct involvement of the state governments or even the federal parliament in deliberations over international treaties or agreements like the ASEAN Free Trade Area or the World Trade Organization. It is only when particular border-states are involved – as in the cases of displaced persons fleeing into Malaysia to escape hostilities or when the federal government wishes to encourage participation in the ASEAN Growth Triangles – that the state governments are consulted. Significantly, while lead agencies are identified in the federal government to undertake such initiatives, state departments, units, or personnel are only appointed to work with the lead agencies on an ad-hoc basis.

Malaysia's semi-democratic political process has further enhanced the powers of the federal executive. The Barisan Nasional ruling coalition has controlled the federal parliament and most of the state assemblies without interruption since independence, thereby facilitating the federal government's ability to direct development projects at both the national and state levels. The federal executive has also utilized coercive laws like the Internal Security Act, which allows for detention without trial, to enhance its status compared to the other branches of government. Consequently, researchers have described Malaysia as a "quasi democracy," or even a "statist democracy." Hence, by constitutional design and process, Malaysia's federalism has transformed into a centralized state with a strong executive. Despite this, the constituent states are being drawn into various forms of rela-

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tions with foreign counterparts due to globalization. However, when these relations occur regularly, the state governments invariably defer to the federal authorities, even when the former might ably handle the situation.

Penang State is an example of how this can work. It has already built up impressive manufacturing capabilities in producing electrical machinery and in assembling and testing semiconductors and consumer electronics, and now wishes to attract high value-added investments in Information and Communications Technology. To achieve this goal, a semi-government state agency conducts missions overseas to attract investors, often led by the chief minister. It further assists these investors in applying to the Ministry of International Trade and Industry for investment approvals, the Ministry of Finance for tax incentives, and the Immigration Department of the Ministry of Home Affairs in order to bring in foreign workers. Seeking these approvals from federal authorities, especially the Immigration Department, results in delays and has hampered Penang's competitiveness, since its competitors like China, India and Vietnam, exercise decentralized decision-making, resulting in greater efficiency.

The issue of illegal immigration in Sabah state has highlighted similar problems associated with over-centralization. During the 1970s, displaced persons from the southern Philippines fled to Sabah, and were not repatriated. Rapid economic growth in Sabah in the intervening 30 years attracted additional immigrant labour, mostly illegal, from neighbouring parts of the Philippines and Indonesia. By the 1980s, it was estimated that approximately half a million foreigners resided in Sabah. Since immigration is a federal matter, the Sabah state government of the time had no recourse except to pressure the federal government to address the problem. It was not until 1988 that the federal cabinet declared that social issues surrounding illegal immigrants in Sabah had assumed serious national security proportions. This resulted in the formation of the Federal Special Task Force (FSTF) which coordinated the activities of the army, police and immigration departments, and consultation with the state government.

However, the large numbers of illegal immigrants involved led to the politicization of the issue, while corruption in the National Registration Department, another federal agency, resulted in an estimated 50,000 illegal immigrants acquiring Identity Cards fraudulently, and thereafter registering themselves as voters. Since the FSTF acted hesitantly, while the private sector desired cheap labour to work in the plantations and industries, distrust and suspicion of federal intentions resulted. It was not until 2002, when the immigrant population had increased to an estimated one million, and protests by the new BN Sabah government which had replaced the former opposition, that the FSTF performed more effectively. Yet the problem has not abated. In May 2006 it became necessary to create another secretariat, headed by the deputy prime minister. Ultimately, it appears that the problems in Sabah and Penang can better be resolved through the sharing of power with the country's constituent states.