

ISIS FOCUS



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ISIS International Affairs Forum



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INSTITUTE OF STRATEGIC AND INTERNATIONAL STUDIES (ISIS) MALAYSIA

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ABOUT ISIS MALAYSIA

The Institute of Strategic and International Studies (ISIS) Malaysia was established on 8 April 1983, in realization of a decision made by the Malaysian Government to set up an autonomous, not-for-profit research organization that would act as the nation's think-tank. ISIS Malaysia was envisioned to contribute towards sound public policy formulation and discourse.

The research mandate of ISIS therefore spans a wide area. It includes economics, foreign policy and security studies, social policy, and technology, innovation, environment and sustainability.

ISIS Malaysia today fosters dialogue and promotes the exchange of views and opinions at both national and international levels. It undertakes research in collaboration with national and international organizations, in important areas such as national development and international affairs.

ISIS Malaysia also engages actively in Track Two diplomacy, fostering high-level dialogues at national, bilateral and regional levels, through discussions with influential policymakers and thought leaders.

RESEARCH

Economics

Research in this area is generally aimed at promoting rapid and sustained economic growth and equitable development in the nation. We study specific (rather than generic) issues that concern the nation's competitiveness, productivity, growth and income. Areas of research include macroeconomic policy, trade and investment, banking and finance, industrial and infrastructure development and human capital and labour market development. The objective of all our research is to develop actionable policies and to spur institutional change.

Foreign Policy and Security Studies

The primary aim of this programme is to provide relevant policy analyses on matters pertaining to Malaysia's strategic interests as well as regional and international issues, with a focus on the Asia-Pacific Region. These include security studies, foreign policy, Southeast Asian politics and military affairs.

Social policy

Demographic and socio-cultural trends are changing Malaysian society and the social policy programme was established to respond to these developments. Research in this area is concerned with effective nation building, and fostering greater national unity. In particular, we look at issues involving the youth, women and underprivileged communities. In conducting its research, ISIS Malaysia networks with non-governmental organizations and civil society groups.

Technology, Innovation, Environment & Sustainability (TIES)

The TIES programme provides strategic foresight, collaborative research and policy advice to the public sector, businesses and policy audiences, on technology, innovation, environment and sustainable development. Its focus includes green growth as well as energy, water and food security. Towards this end, TIES has been active in organizing dialogues, forums, policy briefs and consultancies.

HIGHLIGHTS

ISIS Malaysia has, among others, researched and provided concrete policy recommendations for:

- Greater empowerment and revitalization of a national investment promotion agency;
- A strategic plan of action to capitalize on the rapid growth and development of a vibrant Southeast Asian emerging economy;
- A Master Plan to move the Malaysian economy towards knowledge-based sources of output growth;
- The conceptualization of a national vision statement;
- Effective management and right-sizing of the public sector; and
- Strengthening of ASEAN institutions and co-operation processes.

ISIS Malaysia has organized the highly regarded Asia-Pacific Roundtable, an annual conference of high-level security policymakers, implementers and thinkers, since 1986.

INTERNATIONAL NETWORKING

As a member of the Track Two community, ISIS Malaysia participates in the following networks:

- ASEAN-ISIS network of policy research institutes;
- Council for Security and Cooperation in Asia and the Pacific (CSCAP);
- Network of East Asian Think Tanks (NEAT); and
- Pacific Economic Cooperation Council (PECC).

It is also a partner institute of the World Economic Forum (WEF).

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Mindanao Framework Peace Agreement

This forum on the Mindanao Framework Peace Agreement was held on 23 November 2012. Chaired by **Tan Sri Ahmad Fuzi Hj Abdul Razak**, Secretary General of the World Islamic Economic Forum Foundation, the forum drew on the first-hand experiences of **Tengku Dato' Ab Ghafar bin Tengku Mohamed**, previously director general of the National Security Division, Prime Minister's Department, and the Secretary of the National Security Council, who had served as facilitator of the peace process. **Prof Dr Kamarulzaman Askandar**, coordinator, Research and Education for Peace (REP), Universiti Sains Malaysia (USM) also provided commentary on the topic. **Tan Sri Dato' Seri Mohamed Jawhar Hassan** made the welcoming remarks. **Elina Noor**, ISIS Deputy Director of Foreign Policy Studies, reports.



Panelists (from left): Ahmad Fuzi Hj Abdul Razak, Ab Ghafar bin Tengku Mohamed, Mohamed Jawhar Hassan and Kamarulzaman Askandar

For decades, the Muslim Moro peoples have locked horns with the Philippine government for greater autonomy over the governance of Mindanao. Over the last forty years, this struggle has deteriorated into a bloody and costly armed conflict. The recently concluded framework peace agreement between the Philippines government and the Moro Islamic Liberation Front (MILF) presents the best chance for peace to take root in southern Philippines. The creation of the Bangsamoro homeland is a step in the right direction but the situation as regards peace and stability is still fragile and much work remains to be done.

The Forum on the Mindanao Framework discussed the Malaysian-facilitated framework peace settlement between the MILF and the Philippines government, with a forward-looking focus on how the framework will be implemented, as well as the possible challenges ahead.

Tan Sri Fuzi introduced the discussion by noting that although the recent framework agreement, signed between the MILF and the government of the Philippines, brings to a close 15 years of negotiation, it is not the final step in the peace process. Rather, it represents the beginning of a long journey of partnership between the parties to the agreement, as well as between the Muslim and Christian populations in the Philippines at large. Whether there can be optimism about the agreement's successful implementation, and how resilient the Agreement will prove to be over time, will depend on the parties involved.

Providing the context to the signing of the agreement, **Tengku Dato' Ab Ghafar** explained that the parameters of the negotiations proceeded on the basis of full autonomy, as the MILF was disinclined to integration, and as independence was out of the question. The MILF

expressed a desire to form a government over an area the Bangsamoro could call their own, and to have a relationship with the central government that is different from the existing one. Essentially, it called for the devolution of powers from the central government. Based on the Decision Points of Principles of April 2012, the framework agreement was eventually completed on 8 October 2012 and signed by the parties a week later, on 15 October 2012.

One of the main strengths of the agreement is its inclusivity. After it was signed by the MILF and the government of the Philippines, it was submitted to the public for feedback for seven days. Tengku Dato' Ab Ghafar underscored that the agreement was reached not only because there was political will to invest in peace, as pledged by Filipino president Benigno Aquino, but also because the process engaged stakeholders comprehensively, so that no one with an interest in it was left out. The government of the Philippines engaged in 160 consultations with diverse parties, including the church, indigenous citizens, and the international community. The MILF, for its part, touted the framework agreement as one which was drawn up not just for itself but for the Bangsamoro at large.

The agreement means that for the first time, there is official recognition of the identity and grievances of the Bangsamoro, as well as of the failure of the Autonomous Region of Muslim Mindanao (ARMM).

Moving forward, the agreement faces several challenges. For the government of the Philippines, this investment in peace must be seen to reap dividends, and to do so quickly.

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Implementation of the agreement has to be done within four years: that is to say, within President Aquino's term, for without the government's commitment and political will to see it through, the agreement is likely to falter. It is unlikely that the process initiated by the agreement will transition to the next presidency. The government of the Philippines is presently working on the signing of an Executive Order that will put the terms of the agreement into effect. This must be followed by a joint resolution of the Philippines' Congress.

The MILF will lead the formation of a Transition Commission which will be tasked with proposing constitutional change, writing the basic laws of the Bangsamoro homeland as prescribed by the agreement, and spearheading development of the area. Of great weight will be the Transition Commission's decision on the kind of laws that will govern the Bangsamoro homeland and provide it with a blueprint for the future. Will it adopt Islamic laws wholesale, or will it limit the application of Islamic laws only to certain aspects of governance? If it chooses the former, how will it contextualise those laws?

Importantly, will stakeholders even recognize the authority of the Transition Commission?

The MILF, as party to the agreement, must also manage tensions that exist among the Muslims in Mindanao. Many of the 20 or so tribes remain very territorial, and islanders and mainlanders do not always see eye-to-eye on a number of issues. Some of them, such as those in Sulu, Tawi-Tawi, Tausug and Basilan, have long questioned the rationale of identifying themselves as Moro rather than as Muslims.

... there are vested interests among 'mainstream Muslims' who would prefer to see the status quo system of perks and patronage prevail

Additionally, there is uncertainty surrounding the Mindanao National Liberation Front (MNLF)'s involvement in the process, since it has indicated to the government of the Philippines its unwillingness to include the MILF in its parallel peace process. This and other differences between the MNLF and the MILF may well prove to be contentious in the future.

The MILF must also manage expectations as it steers the peace agreement through its course. Many MILF combatants — particularly those who have been fighting for the cause for 40 years — expect immediate peace dividends from the agreement. Anything less may be seen as capitulation. On the other hand, there are vested interests among 'mainstream Muslims' who would prefer to see the status quo system of perks and patronage prevail. Separately, the MILF will also have to deal with the sensitive issue of land entitlement involving Christian settlers in the area.

The Transition Commission must also determine the future role of the armed forces of the Philippines in the area. Will there be a full withdrawal by forces from both sides in the conflict areas? If so, how will this be done? The MILF's condition has been that disarmament should take place simultaneously. Tengku Dato' Ab Ghafar remarked however that rather than the usual phrase of disarmament, demobilisation and reintegration (DDR), used in post-conflict situations, the preferred term for the process is 'normalization.'

Suggesting that the framework agreement might be a model for similar initiatives elsewhere,

Prof Dr Kamarulzaman Askandar attributed the agreement's success to a couple of different ways in which the peace process has been unique and innovative.

Firstly, it was facilitated by Malaysia, as a neighbouring country, despite existing contentions between the two countries. These include the Philippines' claim of Sabah and the number of Filipino refugees there since the Marcos emergency. There were also concerns in the Philippines that Malaysia might be too close to the MILF given the religious and ethnic identification amongst Malay Muslims. This concern was specifically raised in 2009, after the collapse of the Memorandum of Agreement on the Ancestral Domain. To allay suspicions, Malaysia had to prove its impartiality repeatedly but things took a dramatic turn for the better with the appointment of Tengku Dato' Ab Ghafar as facilitator.

The issue of facilitation and who is facilitator is vital, as is an efficient support team. Prof Dr Kamarulzaman Askandar had heard of initial considerable unhappiness and reluctance on the part of the Philippines to accept an earlier appointed facilitator from a Malaysian government intelligence agency. For facilitation or mediation to work, there must be trust and confidence amongst the parties involved, especially when neighbouring countries are involved. For a long time, this trust was insufficient at best, and absent at worst. It has undoubtedly been a lesson well learnt for

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Malaysia and indeed, for any other country seeking to play a mediating role in a peace-building process.

Secondly, when the process collapsed in 2008, recognition dawned that other parties should be involved. As such, observers and monitors were engaged to guarantee that the implementation of discussions and decisions would be done by both parties within the framework of the peace process. Civil society organisations, necessary in any peace-building process, proved significant in rallying for a foundation of peace in this case.

Prof Dr Kamarulzaman reiterated that one of the main challenges would be for peace dividends to manifest immediately following the framework agreement. Infrastructure such as roads would have to be built and water supply to be laid quickly. Failure to do so would allow war-mongers and peace spoilers to wield influence.

Intra-Bangsamoro cohesion will also prove a major challenge to the progress of the peace process. MNLF leader Nur Misuari is still around and rallying against the MILF. As extant warlords, politicians, and others with vested interests stand to lose power and influence as the groundwork is laid for a new Bangsamoro government in 2016, circumstances will be made even more challenging.

Tengku Dato' Ab Ghafar observed that the framework agreement married the interests of the

government of the Philippines and those of the MILF. With the Bangsamoro state constituting six of Mindanao's 23 provinces, peace within the former is vital for development in much of the latter.

Tengku Dato' Ab Ghafar ascribed the successful signing of the agreement to a confluence of several factors. These include:

- His meeting with the late MILF leader, Salamat Hashim, which reopened the peace process;
- The involvement of good negotiators in the preceding four agreements;
- The contribution of the Malaysian-led International Monitoring Team (IMT) for nine years; and
- The role of a contact group that provided ideas and facilitated consultations between non-government organisations and the government.

The agreement also coincided with a period during which the Philippines armed forces was undergoing a transition in focus from national security to defence.

Tengku Dato' Ab Ghafar clarified that the Tripoli Agreement of 1976 and the Jakarta Peace Accords of 1996 are still in existence. However, the government of the Philippines is currently engaging with the MNLF to bring these to a close once economic development has been achieved, according to the provisions of the agreements. Tengku Dato' Ab Ghafar pointed out that in

... the framework agreement marks the first time the peace process in the Philippines has received full support from the international community



Question and answer session

contrast to the 2012 framework agreement which has generally been accepted by the Bangsamoro at large, the 1976 and 1996 agreements which were made with the MNLF led to corruption, conflicts and the creation of warlords. This, in turn precipitated the entry into the fray of the armed forces of the Philippines.

To ensure the 2012 framework agreement is even better understood and more widely-received, the MILF is translating it into various local dialects for the different Bangsamoro sub-ethnicities. The role of the IMT will also be redesigned, probably with a decreased military component.

Consultations on implementing the framework agreement are on-going with the Philippines' Congress, with full support from the Senate and the House of Representatives. However, with the Philippines' general mid-term elections scheduled for May 2013, the extent and

continuation of this support in Congress is yet to be determined.

On a brighter note, the framework agreement marks the first time the peace process in the Philippines has received full support from the international community, including the United States and the Organization of the Islamic Conference (OIC). To a question on a possible role for the OIC in the peace process, Tengku Dato' Ab Ghafar noted that it was important for the OIC to understand the needs of the Bangsamoro. He underscored that the 1976 and 1996 agreements were signed with the MNLF, not the Bangsamoro. The unfortunate result of this was that Nur Misuari not only did not govern, but on the contrary, he enriched himself and the people close to him.

Prof Dr Kamarulzaman Askandar added that one of the key distinctions between the present agreement and past attempts is political

will and the commitment to see peace through. Pressure to implement the agreement must come from within. The solution to the Mindanao conflict lies not just in Mindanao but in other parts of the country — in Manila, the Philippines Congress, and elsewhere. Just as ceasefire monitoring plays a significant role in the reduction of conflict, so too does civil society, in socializing the issues to a mainstream audience.

Tengku Dato' Ab Ghafar underscored the value of a country having a national agenda to commit to peace rather than conflict. Without a consensus led at the top and shared by the base, nothing can happen. As a committed partner, Malaysia will continue to support the peace process in Mindanao until 2016, and to assist in providing training and capacity-building related to land reform and Islamic issues, among others.



Participants at the forum

US Political Cultures, the 2012 Election Results and the Future of US Asia-Pacific Policy

Dr Charles E Morrison, President of the East-West Centre and former Chair of the Pacific Economic Cooperation Council (PECC), spoke on the topic, 'US Political Cultures, the 2012 Election Results and the Future of US Asia-Pacific Policy,' on 11th December 2012. The session was jointly chaired by **Mr Steven CM Wong**, Senior Director of ISIS Malaysia, and **Ms Elina Noor**, Assistant Director of Foreign Policy and Security Studies, ISIS Malaysia. ISIS Research Associate **Justin Lim** reports.

With the dust of the United States elections having settled, Dr Charles E Morrison offered a post facto analysis of the different political cultures in the United States that had shaped the campaigns and ultimately determined the election results. He discussed President Obama's re-election, a newly-constituted administration, and the 2013 Congress and its implications for the future of US policy interaction with the rest of the Asia-Pacific.

After the welcoming remarks, Mr Morrison provided a bird's eye view of American culture and politics. He spoke briefly on the separation of powers – the executive, legislative and judiciary functions that are kept distinct so that there are sufficient checks and balances in the government. Next, he described the American dream, synonymous with a land of opportunity and religious tolerance, and the American 'middle-class' society characterized by un-restrained economic opportunity and equality.

He also stressed America's long tradition of 'isolationism' – its non-interventionist foreign policy up to the mid-20th century, which offered it little experience in the multi-polar international system of today, in comparison to its European counterparts.

US Political Cultures

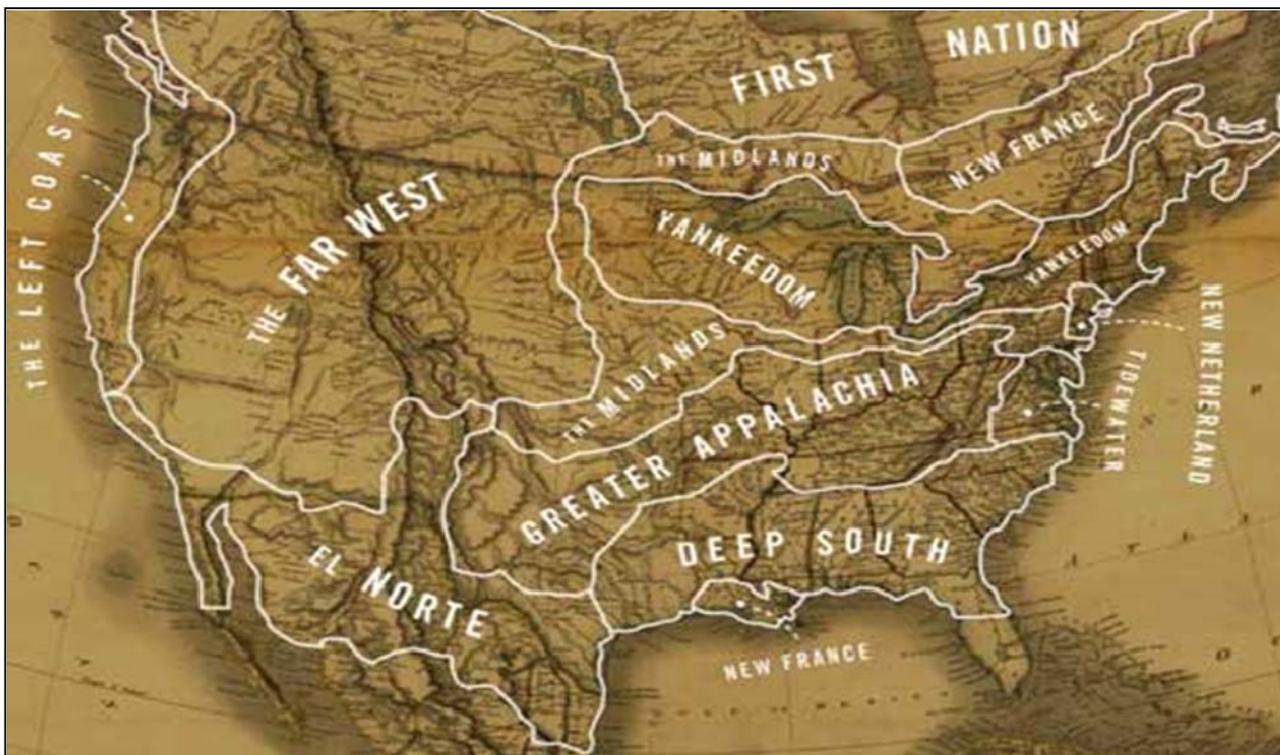
Two political parties of very distinct and sharply contrasting ideals and philosophies dominate politics in America. Left-wing Democrats are



Charles E Morrison

considered liberals, favouring more social welfare and higher taxation for the rich while the Republicans are generally conservatives, and are against increased government intervention. They have an aggressive approach to foreign policy, and are generally pro-military and religion. They also differ from Democrats on ethical issues such as gun controls, abortion and the minimum wage.

Morrison drew upon a book by Colin Woodard that he had read, which described eleven distinct 'nations' – regional ethno-cultural divisions in North America – which formed as a



Source: Colin Woodard, *Eleven Nations*

result of different waves of immigration to the region, and out of which nine shaped the current American identity. They range from the pro-government Yankeedom comprising the traditional, educated, white middle class, to El Norte, a largely Hispanic state with strong self-reliant values, the Deep South founded on slavery to the fundamentally conservative Tidewater. The interplay and dynamics between these cultures have shaped and continue to mould the landscape of American politics.

Current American Angst

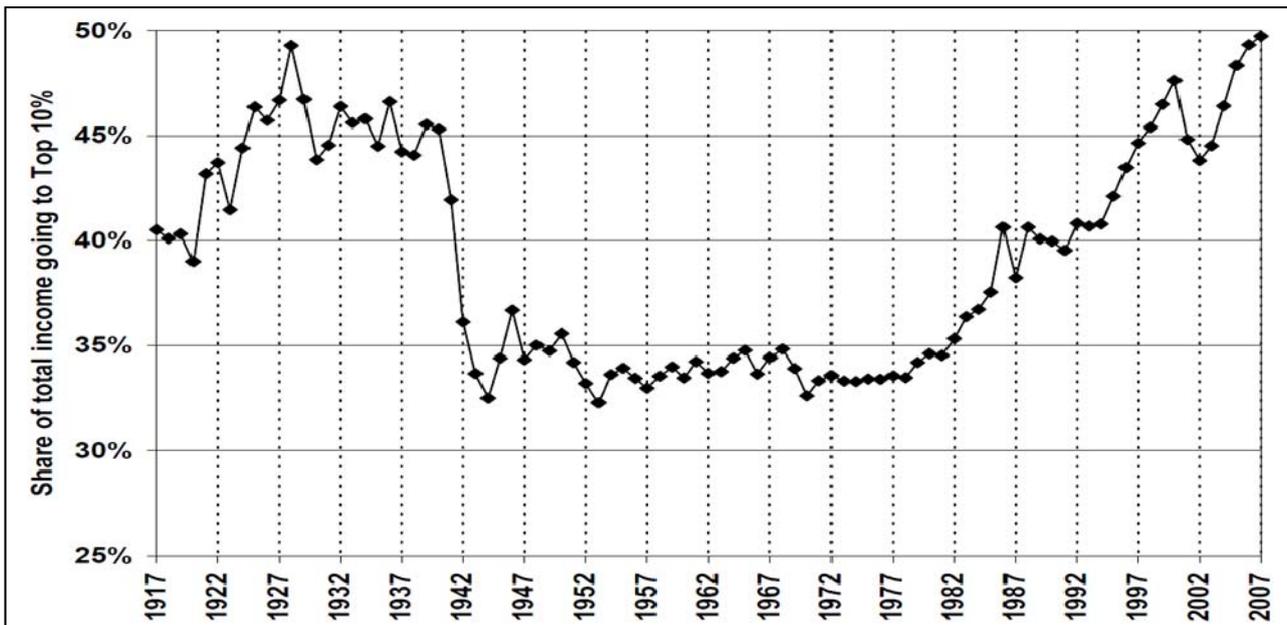
However, over the last few years, polls have shown an increasing dissatisfaction amongst the American public over the direction of the country. This increasing angst is the result of deteriorating public sentiment due to high unemployment, stagnant income growth, and increasing income inequality. The share of wealth of the top 10 per cent of the population has also reached historical highs, threatening the 'middle class' ideal.

External factors such as increasing immigration, dependence on foreign commodities, heightened global terrorism and the war in Iraq have all also contributed to the angst.

Moreover the angst has infiltrated both sides of the political divide: The left-leaning 'Occupy Wall Street' movement which began in 2011 and the right-inclined 'Tea Party' of 2009 are still ongoing. However these movements have since lost traction due to their controversial and idealistic stances on the issues protested.

... increasing angst is the result of deteriorating public sentiment due to high unemployment, stagnant income growth, and increasing income inequality

Share of Total Income Going to Top Ten Per cent



2012 Elections Results

Pre-election polls showed Romney leading the charge in the presidential race, but Obama gained the upper hand towards the end of the campaign, firmly securing his lead. He won a second term with 332 electoral votes, far exceeding the 270 threshold needed to secure his victory. The concurrent Senate’s Class I and House of Representative elections led to a Democrat and Republican majority outcome respectively.

Morrison opined that it was Obama’s unique ability to empathize with the electorate and especially the minority groups which gave him the distinct edge that helped him win the election. Only 39 per cent of the white population, which consists of 71 per cent of the electorate voted for Obama.

He also deduced that it was Obama’s position as the incumbent which was favourable to him in the light of the improving economy that edged him over his rival Mitt Romney. Moreover his quick and tactful response to Hurricane Sandy had also bumped up his ratings towards the end of the campaign.

With the election euphoria dissipating, President Obama returns to the White House with much of the work cut out for him; finishing the job will be his priority. However, history shows that second terms are rarely kind to Presidents. More so for President Obama as he began his second term with fewer votes than his first, quite unlike past Presidents who served two terms such as Eisenhower, Reagan and Clinton. The overwhelming public approval seen at the start of his first term has fizzled out.

Obama’s second term will also be characterized by less idealism and better awareness of his executable limits – leading a divided Congress.

Morrison noted several key trends. Republican candidates have been losing the popular vote in five out of the six presidential elections held, and this is largely attributed to demographic changes in the electorate. The Republicans are still generally perceived as a party of the rich; they should learn to reposition themselves in a manner similar to that of the Clinton-led Democratic Party of the 1990s.

Also, in the past, youth votes have been consistently equally divided between the two parties; recently they have diverged and favoured Democratic candidates. A record number of female office bearers were elected too.

Overturing the ban on corporate funding for political campaigning meant that more than 70 per cent of the \$700 million spent on the elections was contributed by independent non-political groups. As a result, political campaigning, especially through opponent-bashing, exerted a greater influence in the presidential race. While such spending could never have determined the outcome of the election, it will play a significant role in the course of action taken by the winning candidate.

Looking Forward – a Divided Congress, US Asia-Pacific Policy

Although President Barack Obama won re-election, Republicans still retain their strong majority in the House of Representatives. A deeply divided Congress did not go away.

While a divided government encourages accountability and promotes checks and balances, as enshrined in the constitution, thereby preventing the approval of undesirable laws and decisions, the unceasing trading of proposals and filibustering in the face of the impending fiscal cliff has proved to be counterproductive. A paralyzed partisanship in the Congress is obstructing

A paralyzed partisanship in the Congress is obstructing progress in vital national issues, and recent polls have also indicated that a divided government is not working

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progress in vital national issues, and recent polls have also indicated that a divided government is not working.

This stalemate, evaluated against the backdrop of globalization, adds another layer of constraint to policymakers. Globalization has evidently resulted in the polarization of society, driven the increase in income inequality and constrained access to wealth creation opportunities in the United States. Moreover, immigration, and the large number of foreign-born nationals will continue to drive America's demographics, shape the political landscape and challenge the traditional white dominant parties of both the Republicans and the Democrats.

As this gridlock is likely to remain, will it be a dominant factor in forming national consensus? What will be the implications for domestic policies such as long-term fiscal and social security? Also, if there is less coherence on the ground, how would this affect foreign policy initiatives? Going forward, the administration will need to manage these two fronts delicately.

A domestic orientation was adopted during Obama's first term: keeping the house from falling apart due to the financial crisis. However, with the economy resuscitated and recovering incrementally, will the use of the President's and Secretary of State's time be different in the second term – i.e. taking an outward-looking stance and perhaps facing the Asia-Pacific region?

This is especially relevant in the present age; the United States remains the world's largest

economy and the single most powerful nation. Its global leadership remains vital, but can it work effectively to forge international coalitions with its foreign policy initiatives? A discussion ensued regarding Malaysia's potential in partnering the US in mediating the Middle East conundrum.

On the Asia-Pacific policy of the US, Obama's re-election has meant that the administration's *Pivot to Asia* initiative is here to stay. The Trans Pacific Partnership (TPP) and US involvement in the East Asian Forum (EAS) will continue to be emphasized. And, continuing US interdependence with Asia amidst rising Chinese and Japanese nationalist sentiments will further complicate US foreign policy. Most importantly, can the US increase its involvement in the region without stirring further these sentiments?

The US relationship with China will be the most complex since the fall of the Iron Curtain.

Continuing US interdependence with Asia amidst rising Chinese and Japanese nationalist sentiments will further complicate its foreign policies

Sustained engagement with Beijing will be critical to managing security and economic issues, not only between the two nations, but also in the entire Asia-Pacific region and the rest of the world.

The whole world watches intently as the ballet between the Eagle and the Dragon intensifies; every twist and twirl will define the 21st century.



Participants at the forum

A Renewable Energy Future: Policy Learning from Asian Pioneers

Dr Benjamin K Sovacool spoke on the topic of policy learning on renewable energy from Asian pioneers at an International Affairs Forum organised by ISIS Malaysia on December 7, 2012. Dr Sovacool is a researcher, author and consultant on energy policy and governance and is currently the Director of the Energy Security and Justice Program, Institute for Energy and the Environment, Vermont School of Law, USA. ISIS Intern **Wong Yun Wei** and ISIS Analyst **Alizan Mahadi** report.

The talk was based on three of **Dr Benjamin Sovacool's** previous academic studies. These were : overcoming the impediments facing renewable energy and energy efficiency, a comparative study on the top eight renewable energy policy mechanisms in Southeast Asia, and a global study in developing an energy security index.

The first study, entitled 'What can countries do to overcome the impediments facing renewable energy and energy efficiency,' analysed the desirability of mechanisms to encourage renewable energy and efficiency. The results were achieved through undertaking 81 research interviews of practitioners from 93 related institutions in 13 countries.

It was found that the top three preferred mechanisms (out of 31 suggested) were eliminating subsidies on fossil fuels; creating accurate electricity prices and encouraging feedback; and implementing a national feed-in tariff scheme. Sovacool pointed out that the current subsidies system did not work in favour of developing renewable energy. From 2002 to 2007, renewable energy only received 12 per cent of all OECD subsidies compared to the 50 per cent received by nuclear power and 27 per cent by fossil fuels. Thus, it was not surprising that 72 per cent of the respondents suggested that subsidies on fossil fuels should be eliminated.

The second highest suggestion was creating accurate electricity prices through



Benjamin K Sovacool

abolishing rate caps. It was highlighted that there was a price differential between the average industrial price (7.6 cents/kWh) and average residential price (12.9 cents/kWh) in the United States in 2007. Furthermore, the prices do not reflect externalities — that is, the costs that are not transmitted through prices such as the direct and indirect costs of environmental impacts by the use of fossil fuels.

The third preferred mechanism was implementing feed-in tariffs (FITs), which is also known as the fixed price policy or standard offer contracts. FITs set a fixed price for utility purchase of renewable energy and as the percentage of

adopters increases, the FIT reduces in retail price. It is believed that in order for FITs to succeed, it must have eight core characteristics:

- A long term fixed price contract must be provided;
- The extra cost incurred when paying the higher than retail price is distributed amongst all electricity consumers, not only the tax payers;
- The long term contract must be drafted in such a way that it can cover investment cost and provide a modest return of 5-6%;
- Public utilities are obligated to purchase the renewable energy even if they do not need it and tariffs are paid irrespective of the user's actual power consumption;
- Those who are interested in taking advantage of the FITs must be able to access the grid and have priority access;
- The tariff price must be reduced every year in order to reduce the costs involved;
- The FITs scheme must be flexible (meaning it can be differentiated by type, project size, location and resource quality);
- Both residential and commercial sectors should be able to access the FITs scheme.

Sovacool cited Germany as an example when explaining the benefits derived from a successful FITs scheme. FITs brought about rapid diffusion of technology, created more jobs and saved the nation a significant amount of money.

In the second study, Sovacool evaluated the effectiveness of eight renewable energy policy mechanisms in Southeast Asia. The policy mechanisms evaluated were:

- Renewable Portfolio Standards;
- Green Power Programmes;
- Research & Development;
- System Benefit Funds;
- Investment Tax Credit;
- Production Tax Credit;
- Tendering System; and
- Feed-In Tariffs

Ninety relevant institutions were interviewed, including electricity suppliers, regulatory agencies, manufacturers, research institutions and financial institutions, on determining which of the eight renewable energy policy mechanisms meet the following criteria:

- Efficacy — refers to the ability of a mechanism to achieve its target or accomplish its goals, that is, it results in a substantial increase in the amount of renewable energy generation;
- Cost effectiveness — refers to the ability of a mechanism to reach its target at the lowest societal cost, that is, it keeps electricity prices low for consumers;
- Dynamic efficiency — refers to the ability of a policy to promote diversification of renewable energy sources and technologies
- Equity — refers to the eligibility of a policy mechanism for all, i.e. it supports electricity companies and manufacturers as well as users and firms outside of the energy sector;
- Fiscal Responsibility — refers to how much a policy costs the government. A fiscally responsible policy would be self-sustaining and will not need continual disbursement of government revenue.

It was found that FITs were the most preferred policy mechanism, once again, with an overwhelming 61 per cent of the respondents preferring FITs. Renewable Portfolio Standards were a distant second at 12 per cent while the remaining policy mechanisms were preferred by 10 per cent of respondents or below. Reasons similar to those uncovered by the earlier study were cited.

FITs brought about rapid diffusion of technology, created more jobs and saved the nation a significant amount of money

Implications for Malaysia

While it is important to emphasise that multiple public policy mechanisms are needed to promote renewable energy, the previous studies have demonstrated that if a country had to pick only one most effective public policy mechanism, then feed-in tariff would be the choice. Implementing successful policy mechanisms are vital as renewable energy brings in a range of benefits such as job creation, reducing air pollution and lowering the price of electricity. Through internalizing externalities, the benefits of overcoming barriers in implementing renewable energy and energy efficiency outweighs the costs.

The final academic paper was based on a global energy security index developed by Sovacool. Energy security performance between 1990 and 2010 was measured using five interrelated concepts: availability; affordability; technology development and efficiency; environmental sustainability; and regulation and governance.

The study indicated that Malaysia has made remarkable gains in improving its energy security over the past two decades. This is evidenced by Malaysia expanding access to electricity, adopting modern technology in energy services which resulted in lowering its energy intensity, maintaining stable energy prices as well as improving the efficiency of the transmission grid.

Implementing successful policy mechanisms are vital as renewable energy brings in a range of benefits such as job creation, reducing air pollution and lowering the price of electricity

Despite the fact that Malaysia is blessed with substantial reserves of fossil fuels, Malaysian planners emphasize 'sustainable' production of those reserves

In terms of availability, Malaysia is rich with fossil fuels, as the country has the largest oil reserves and the second largest natural gas reserves in Southeast Asia. Despite the fact that Malaysia is blessed with substantial reserves of fossil fuels, Malaysian planners emphasize 'sustainable' production of those reserves. The other traditional energy security indicators, that is, affordability and access, demonstrated that Malaysia's national electrification programme has achieved one of the best rates in Southeast Asia, with more than 99 per cent of the population boasting connection to the national grid in 2010.

Malaysia also fared well in developing policies towards technology development and efficiency; the Four Fuel Diversification Strategy 1981 explicitly promoted hydroelectricity, natural gas and coal as alternatives to oil and contributed to reducing national oil dependence from 90 per cent in 1980 to 10 per cent in 2003. In addition, the Electricity Supply Act started the privatization of the electricity sector and enabled independent power producers to enter the wholesale electricity generation market.

Moving towards sustainability, the National Forest Act has mandated that only trees of a certain height and age can be felled. The Act prohibits the harvesting of timber within an extensive network of reserves, has set strict quotas, and relies on surveillance to track compliance. However, Malaysia's performance in sustainability is not entirely positive; the country has struggled to lower its carbon footprint and emissions of sulphur dioxide. Moreover, Malaysia

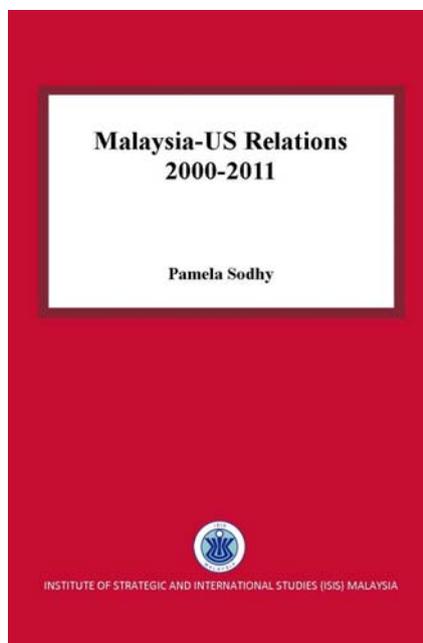
is the second fastest growing emitter of greenhouse gases in the world, with an annual rate per year of 7.9 per cent, excluding changes in land use. Finally, in terms of regulation and governance, the Malaysian government has largely kept the national energy policy consistent and coherent.

While Malaysia was found to be one of the nations with the most improvement in energy security, Sovacool raised a cautionary note. The study found that in absolute terms, even the 'best' performers had many unfavourable aspects as

regards energy security that indicates that globally, energy security is deteriorating. It was found that trade-offs exist in improving energy indicators. For example, if Malaysia increases the production of palm oil for biofuel, to reduce oil dependence, it may create a trade-off with environmental sustainability. It is vital to view energy security holistically, taking into consideration not only the traditional view of energy security which is access, and security of supply and dependence, but other aspects such as water, climate change adaptation and governance.



A participant poses a question



Malaysia-US Relations 2000-2011
by Pamela Sodhy
Kuala Lumpur: ISIS Malaysia, 2012
126 pages E-book

This monograph looks at the present relationship between Malaysia and the United States during a decade-long period covering the main political, economic, and socio-cultural relations during the prime ministerships, in Malaysia, of Dr Mahathir Mohamad, Abdullah Ahmad Badawi, and Najib Tun Razak and the presidencies, in the United States, of George Bush and Barack H Obama.

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NOTES



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