

A REPORT OF THE CSIS  
SOUTHEAST ASIA PROGRAM AND  
ISIS MALAYSIA

# From Strength to Empowerment

THE NEXT GENERATION OF U.S.-MALAYSIA RELATIONS

*Project Directors*

Ernest Z. Bower  
Mahani Zainal Abidin

*Authors*

Murray Hiebert  
Elina Noor  
Gregory Poling  
Tham Siew Year

May 2012





A REPORT OF THE CSIS  
SOUTHEAST ASIA PROGRAM AND  
ISIS MALAYSIA

# From Strength to Empowerment

THE NEXT GENERATION OF U.S.-MALAYSIA RELATIONS

*Project Directors*

Ernest Z. Bower

Mahani Zainal Abidin

*Authors*

Murray Hiebert

Elina Noor

Gregory Poling

Tham Siew Yean

May 2012



CSIS | CENTER FOR STRATEGIC &  
INTERNATIONAL STUDIES

## About CSIS—50th Anniversary Year

For 50 years, the Center for Strategic and International Studies (CSIS) has developed practical solutions to the world's greatest challenges. As we celebrate this milestone, CSIS scholars continue to provide strategic insights and bipartisan policy solutions to help decisionmakers chart a course toward a better world.

CSIS is a bipartisan, nonprofit organization headquartered in Washington, D.C. The Center's 220 full-time staff and large network of affiliated scholars conduct research and analysis and develop policy initiatives that look into the future and anticipate change.

Since 1962, CSIS has been dedicated to finding ways to sustain American prominence and prosperity as a force for good in the world. After 50 years, CSIS has become one of the world's preeminent international policy institutions focused on defense and security; regional stability; and transnational challenges ranging from energy and climate to global development and economic integration.

Former U.S. senator Sam Nunn has chaired the CSIS Board of Trustees since 1999. John J. Hamre became the Center's president and chief executive officer in 2000. CSIS was founded by David M. Abshire and Admiral Arleigh Burke.

CSIS does not take specific policy positions; accordingly, all views expressed herein should be understood to be solely those of the author(s).

## About ISIS Malaysia

The Institute of Strategic and International Studies (ISIS) Malaysia was established in 1983, in realization of a decision made by the Malaysian Government to set up an autonomous, not-for-profit research organization, to act as the nation's think tank. ISIS Malaysia was envisioned to contribute towards sound public policy formulation and discourse in economics, foreign policy, security studies, nation building, social policy, technology, innovation, the environment, and sustainable development.

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 II diplomacy, fostering high-level dialogues at national, bilateral and regional levels, through discussions with influential policymakers and thought leaders. Its network links include ASEAN-ISIS, CSCAP, NEAT, PECC, and Agora Asia-Europe

Cover photo: *Left*—President Barack Obama speaks at Cairo University, official White House photo by Chuck Kennedy, <http://www.flickr.com/photos/whitehouse/3594694575/>; *right*—Najib Tun Razak, Deputy Prime Minister of Malaysia, [http://commons.wikimedia.org/wiki/File:Najib\\_Razak.jpg](http://commons.wikimedia.org/wiki/File:Najib_Razak.jpg).

© 2012 by the Center for Strategic and International Studies. All rights reserved.

ISBN 978-0-89206-717-6

Center for Strategic and International Studies  
1800 K Street, NW  
Washington, DC 20006  
Tel: (202) 887-0200  
Fax: (202) 775-3199  
Web: [www.csis.org](http://www.csis.org)

Institute of Strategic and International Studies  
No. 1, Persiaran Sultan Salahuddin, PO Box 12424  
50778 Kuala Lumpur, Malaysia  
Tel: 603-2693-9366  
Fax: 603-2691-5435  
Web: [www.isis.org.my](http://www.isis.org.my)



# CONTENTS

Acknowledgments	iv
Executive Summary	vii
1. Empowering the Next Generation of Trade and Investment Relations	1
2. Political and Security Cooperation: Developing a 21st-Century Partnership	14
3. People-to-People Initiatives: Educational, Cultural, and Scientific Exchanges	22
About the Project Directors and Authors	33



## ACKNOWLEDGMENTS

Change comes through the vision and action of leaders. This study was inspired by the vision of such individuals in both the United States and Malaysia, who helped create a climate in which elevating the U.S.-Malaysia bilateral relationship in the context of a dynamic and fast-changing Asia-Pacific region became an obvious choice. In particular, we would like to thank Prime Minister Najib Razak for meeting with the study directors in November 2011 to receive the initial recommendations of this study.

This report's authors were ably assisted by researchers Blake Berger and MeiLee Dozier of the Center for Strategic and International Studies Southeast Asia Program, and Nor Izzatina Abdul Aziz of the Institute for Strategic and International Studies (ISIS), Malaysia. Special thanks go to Mary Beth Jordan of the CSIS Southeast Asia Program for her key role in organizing meetings and administrative support throughout the project. We are also grateful to James Dunton and the CSIS publications team for this report's production.

We would like to acknowledge the thoughtful and generous support and counsel received from the U.S. Embassy in Kuala Lumpur and the Malaysian Embassy in Washington.

A team from the CSIS Southeast Asia Program joined ISIS Malaysia on June 20–21, 2011, for a day-and-a-half seminar with experts and policymakers in Kuala Lumpur. ISIS Malaysia reciprocated with a trip to CSIS on September 28–29, 2011, for a full-day seminar in Washington. The discussions and insights from these two seminars were invaluable in informing this study.

We would like to thank the following individuals who took time out of their schedules to participate in one or both seminars:

Zachary Abuza  
*National War College*

Jack Andre  
*Nathan Associates*

David Angeles  
*National Endowment for Democracy*

Joseph Bosco  
*Center for Strategic and International Studies*

Rita Colwell  
*University of Maryland Institute for Advanced  
Computer Studies*

Aaron Connelly  
*Albright Stonebridge Group*

Aaron Cope  
*Embassy of the United States, Kuala Lumpur*

Jeff Dutton  
*U.S. Department of Commerce*

David Evans  
*HELP University College*

Pek Koon Heng  
*American University ASEAN Studies Center*

J. William Ichord  
*ConocoPhillips*

Isham Ishak  
*Ministry of International Trade and Industry, Malaysia*

Tim Johnson  
Ambassador Paul Jones  
*U.S. Ambassador to Malaysia*

Junedah Sanusi  
*University of Malaya*

Kamaruddin M. Said  
*Universiti Kebangsaan Malaysia*

James Keith  
*McLarty Associates*

Lieutenant Colonel Khairron Anuar b. M. Jamil  
*Malaysian Institute of Defense and Security*

David Kim  
*Asia Foundation*

T. Kumar  
*Amnesty International (USA)*

Jessica Lee  
*Office of U.S. Representative Jim McDermott*

Ariel Liang  
*Mitsui & Co.*

Koo Yew Lie  
*Universiti Kebangsaan Malaysia*

Henrik Liljegren  
*Saab AB*

Shahriman Lockman  
*Institute of Strategic and International Studies,  
Malaysia*

W. Keith Luse  
*U.S. Senate Committee on Foreign Relations*

Mastura Ahmad Mustafa  
*Ministry of International Trade and Industry, Malaysia*

Marc Mealy  
*U.S.-ASEAN Business Council*

Farrah Meisel  
*Bower Group Asia*

Robert Miller  
*Former U.S. Ambassador to Malaysia*

Nafisah Mohamed  
*Ministry of Foreign Affairs, Malaysia*

Mohd Nazari Ismail  
*University of Malaya*

Anthony Nelson  
*U.S.-ASEAN Business Council*

Ginny Ng  
*World Wildlife Foundation*

Marvin Ott  
*Paul H. Nitze School of Advanced International  
Studies at Johns Hopkins University*

Bronson Percival  
*East-West Center, Washington*

Colonel Md. Rahim B. Haji Mohamad  
*Malaysian Air Force Headquarters*

Thomas Reckford  
*Malaysia-American Society*

Firdaos Rosli  
*Institute of Strategic and International Studies,  
Malaysia*

Rozali Mohamed Ali  
*Institute of Strategic and International Studies,  
Malaysia*

Salleh Mohd Nor  
*Academy of Sciences, Malaysia*

Poh Kim Seng  
*Federation of Malaysian Manufacturers*

Shakib b. Ahmad Shakir  
*Ministry of Defense, Malaysia*

Shakila Yacob  
*University of Malaya*

Shazana Mokhtar  
*Ministry of Foreign Affairs, Malaysia*

Siti Salmah Bt Haji Dimiyati  
*Ministry of Defense, Malaysia*

Pamela Sodhy  
*Georgetown University*

M. Supperamaniam  
*Institute of Strategic and International Studies,  
Malaysia*

Colonel Mohd Tahir b. Basiron  
*Malaysian Air Force Headquarters*

Wong Lai Sum  
*Malaysia External Trade Development Corporation*

**Yuenmei Wong**  
*University of Maryland*

**Larry Wong**  
*Institute of Strategic and International Studies,  
Malaysia*

**Steven Wong**  
*Institute of Strategic and International Studies,  
Malaysia*

**Linda Yarr**  
*Elliott School of International Affairs, George  
Washington University*

**Zakaria Ahmad**  
*HELP University College*



## EXECUTIVE SUMMARY

Relations between the United States and Malaysia are at an all-time high. Since President Barack Obama and Prime Minister Najib Razak entered office in 2009, both countries' governments have committed to a new beginning and moved to establish closer ties through increased political, economic, and people-to-people cooperation.

At the political and security levels, U.S.-Malaysia relations experienced a marked shift following the first meeting between Obama and Najib during the nuclear nonproliferation summit in Washington in 2010. Just before the meeting, the Malaysian Parliament had passed export control legislation to bolster Malaysia's efforts to prevent proliferation. During the meeting, Najib offered to send noncombatant medical military personnel to Afghanistan. These two moves sent a signal that Malaysia was intent on improving ties with the United States and in 2010 prompted the assistant secretary of state for East Asia and the Pacific, Kurt Campbell, to describe Malaysia as the country in Southeast Asia with which U.S. relations had improved most. This was underscored by the back-to-back visits of Secretary of State Hillary Clinton and Secretary of Defense Robert Gates to Malaysia toward the end of 2010.

Bilateral economic and trade cooperation between the United States and Malaysia is also reaching new levels. Najib in 2010 brought Malaysia into the nine-country talks on the Trans-Pacific Partnership, which include the United States. Soon after taking office, Najib proposed economic reforms in the service sector, which opened more opportunities for international investors, including U.S. companies.

Both the United States and Malaysia face elections within the next year. The authors of this report believe that the leaders in both capitals should recognize the current window of opportunity and move with a sense of urgency to institutionalize the levels of engagement that are necessary to advance the interests of both countries in the 21st century.

CSIS and ISIS have jointly prepared this study on Malaysia–United States relations, which offers long-term, practical recommendations for Malaysian and U.S. policymakers in three key areas of engagement:

- Security and political
- Trade and investment
- Educational, sociocultural, science, and technology.

Some of the report's most compelling recommendations include:

1. *The U.S. president should visit Malaysia.* A presidential visit, the first since 1966, would highlight the recent positive developments in bilateral relations and reinforce signals that the United States is seeking to bolster its engagement with Southeast Asia. President Obama could

visit Malaysia soon after the U.S. presidential elections in November 2012, when he is expected to travel to Cambodia for the East Asia Summit and a bilateral meeting with leaders of the Association of Southeast Asian Nations.

2. *Initiate bilateral dialogue with official and Track II elements.* To further deepen and institutionalize relations, the two governments should initiate a high-level, interagency bilateral dialogue. Complementing existing bilateral mechanisms, this dialogue should be held every two years in alternating capitals and should not shy away from discussions of contentious issues. In addition, a regular and sustained Track II platform for a group of 20 Malaysian and U.S. thought leaders should be established to discuss strategic issues of mutual national interest. The Track II dialogue should be officially linked as an advisory body to the bilateral talks.
3. *Initiate and regularize exchanges for military officers.* Regular exchanges of military personnel for placement at each other's military headquarters and in operational positions—in naval ships, for instance—will significantly improve the ability of U.S. and Malaysian forces to work together.
4. *Establish an annual high-level business-to-business dialogue.* Greater private-sector synergy between the United States and Malaysia could create new networks of opportunities and boost bilateral trade and investment growth, which has slowed in recent years. The dialogue could be used to explore increased cooperation in services trade and encourage more U.S. investment in services in Malaysia in such areas as finance, health, education, “green” technologies, and tourism and travel. The dialogue could also be used to identify opportunities for Malaysian investment in the United States.
5. *Establish a Malaysia-U.S. Education Foundation.* This foundation could provide scholarships to Malaysian students studying in the United States and grants to U.S. teachers working in Malaysia. The two governments should encourage the private sector to make financial contributions to the foundation. The primary aim should be to increase the number of Malaysian students in U.S. higher education institutions, from about 6,000 at present to 10,000 by 2020.
6. *Leverage sports as a new avenue for bridge building.* Expanding interest in sports such as football/soccer and basketball provides previously untapped opportunities in sports diplomacy. Invitations to school and collegiate/university teams for sports clinics, camps, and friendly or exhibition matches should be initiated, maintained, and increased. Malaysia should also consider introducing and promoting its martial arts in American educational institutions.
7. *Promote exchanges in science and technology.* The United States and Malaysia should encourage both governmental and nongovernmental institutions and organizations to invest in fostering partnerships between their respective organizations. While a framework exists for cooperation between Malaysia's Ministry of Science and the U.S. State Department, both governments should encourage private and public firms to seek out and institutionalize partnerships.

# 1

## EMPOWERING THE NEXT GENERATION OF TRADE AND INVESTMENT RELATIONS

The secure trade and investment ties between the United States and Malaysia are a key strength in the relationship between the two countries. U.S. manufacturing companies, and to a lesser extent service companies, have long operated profitably in Malaysia, providing employment and learning opportunities for Malaysia's workers and firms. They have contributed toward Malaysia's trade with the United States and the rest of the world. Tourist flows between the two countries and Malaysian students studying in the United States, in turn, have helped to forge a closer understanding of each other's culture, development, and growth dynamics.

Enhancing the existing economic ties is, without doubt, crucial for empowering the next generation of U.S.-Malaysia relations. The new framework for pressing ahead to the next level of trade and investment relations is based on support for regional initiatives in which both countries are participating. Currently, the Trans-Pacific Partnership (TPP) agreement is the main regional trade agreement under negotiation that engages both countries, as well as Australia, Brunei Darussalam, Chile, New Zealand, Peru, Singapore, and Vietnam. A successful conclusion of the TPP is of paramount importance to the United States and Malaysia because it will increase market access for manufacturers and service providers in both countries as well as other partner countries of the potential agreement. It is also expected to bring in additional U.S. investment in new sectors of interest to Malaysia.

Although market access is vital to increasing trade and investment ties between the two countries, it is important to recognize that the United States and Malaysia are at different stages of development. While bolstering ties through trade and investment agreements, the United States must also seek to engage Malaysia as a partner in new forms of cooperation and collaboration that are mutually beneficial. Greater efforts must be made to promote capacity building in Malaysia, because this will contribute to the achievement of its goal of becoming a developed country by 2020. A growing and prosperous Malaysia will undoubtedly increase its demand for U.S. goods and services.

### Recommendations

The United States and Malaysia should:

1. *Conclude and implement a high-standard Trans-Pacific Partnership.* The United States and Malaysia should support continued efforts to successfully conclude a high-quality TPP as quickly as possible, taking into account the needs of all participating countries in a fair and equitable manner. The two countries are open to the idea of broadening participation in the TPP to other countries and boosting the capabilities of other countries seeking to join the negotiations.

2. *Establish mutual recognition agreements* in selected sectors to facilitate the mobility of knowledge workers between the two countries, especially in those service sectors that have been identified as new sources of growth—such as finance, health, and higher education—but also in existing ones such as higher-value-added manufacturing (e.g., electronics and solar energy).
3. *Strengthen government-to-government dialogues on trade and investment issues*, including through the existing bilateral Trade and Investment Framework Agreement.
4. *Establish an annual high level business-to-business dialogue* that can create new networks of business opportunities and boost trade and investment growth between our two countries, which has slowed in recent years. The dialogue could be used to encourage more U.S. investment in services in Malaysia in such areas as travel, finance, health, education, and “green” investment, especially in Sabah and Sarawak. It could also be used to identify opportunities for Malaysian investment in the United States.
5. *Promote Malaysia as an outsourcing center for maintenance, repair, and overhaul activities for airplanes in the region.* The availability of land, good infrastructure (including airports), and significantly lower rental, construction, and operating costs, are some of the factors that can assist the country to promote this sector.
6. *U.S. companies should enhance technology transfer to Malaysia* to enable its electrical and electronic equipment production to shift to a higher-value-added position in the global production chain of U.S. multinationals operating in the region. This will enable American companies to more effectively utilize the U.S.-trained human resources in Malaysia in which they have invested in the last three decades.
7. *Bolster American investment* in traditional sectors of interest in Malaysia by improving the capacity of Malaysian small and medium-sized industries to meet the health, safety, and performance standards in the U.S. market; and strengthening joint research and development, training, industrial collaboration, and information exchanges to improve product and process development to further increase trade and investment relations between the two countries.
8. *Boost Malaysia’s capacity to address global climate change, encourage “green” efficiency, and “green” jobs* to improve the sustainability of trade and investment ties of both countries.
9. *Establish an MBA summer internship program between Malaysia and the United States.* Ten Malaysian MBA students would work in Malaysian subsidiaries of U.S. companies for the summer between their first and second years. Ten American MBA students would do the same in Malaysian companies.
10. *Organize a knowledge-sharing “workshop”* (or working visit) between the staffs of Malaysia’s Ministry of International Trade and Industry and the U.S. Department of Commerce to enable participants to learn how exports are promoted in the respective countries.

## Trade in Goods

The United States remains an important trading partner of Malaysia, although its importance has fallen in recent years (table 1). Comparing 2000 with 2010, Malaysia has slipped from the 17th-largest to the 19th-largest export destination for the United States (table 1). Malaysia, as a source of imports to the United States, fell from the 11th-largest in 2000 to the 16th-largest in 2010.

**Table 1. The Importance of the United States in Malaysia's Trade and the Importance of Malaysia in the United States' Trade, 2000–2010**

<b>Importance of the United States in Malaysia's Trade</b>	<b>Importance of Malaysia in U.S. Trade</b>
<p>In 2000, the United States was Malaysia's Largest trading partner, followed by Japan, Singapore, and Taiwan.</p> <p>Largest export destination, followed by Singapore, Japan, and Hong Kong.</p> <p>2nd-largest source of imports after Japan, followed by Singapore and Taiwan.</p>	<p>In 2000, Malaysia was the United States' 17th-largest export destination;</p> <p>11th-largest source of imports;</p> <p>2nd-largest export destination among the countries belonging to the Association of Southeast Asian Nations (ASEAN) after Singapore.</p> <p>Largest import source among ASEAN countries.</p>
<p>In 2006, the United States was Malaysia's Largest trading partner, followed by Singapore, Japan, and China.</p> <p>Largest export destination, followed by Singapore, Japan, and China.</p> <p>2nd-largest source of imports after Japan, followed by China and Singapore.</p>	<p>In 2006, Malaysia was the United States' 19th-largest export destination.</p> <p>10th-largest source of imports.</p>
<p>In 2010, the United States was Malaysia's 4th-largest trading partner after China, Singapore, and Japan.</p> <p>4th-largest export destination after Singapore, China, and Japan.</p> <p>4th-largest source of imports after Japan, China, and Singapore.</p>	<p>In 2010, Malaysia was the United States' 19th-largest export destination;</p> <p>16th-largest import source;</p> <p>2nd-largest export destination among the ASEAN countries after Singapore.</p> <p>Largest import source among ASEAN countries.</p>

Source: MATRADE; International Monetary Fund, Direction of Trade Statistics Yearbook, 2000, 2007, and 2010, <http://www.matrade.gov.my/en/malaysia-exporters-section/122/1105-malaysias-trade-performance-in-2010>.

Malaysia's exports to the United States grew steadily from 2001 to 2006 (figure 1), but declined from 2006 to 2009 due to the global financial crisis, before improving in 2010. Imports also grew steadily from 2001 to 2006, after which they fluctuated. Overall, Malaysia has a surplus in its trade in goods with the United States, but since 2007 this surplus has been narrowing due to decreasing exports.

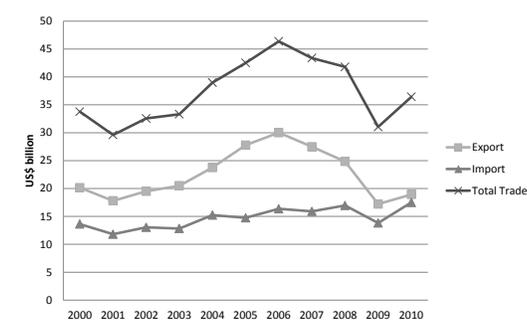
The share of exports to the United States as a percentage of Malaysia's total exports has fallen steadily, from 21 percent in 2001 to 10 percent in 2010. Similarly, imports from the United States as a share of Malaysia's total imports has fallen steadily, from 17 percent in 2000 to 11 percent in 2010 (figure 2).

The top four products exported from Malaysia to the United States did not change between 2005 and 2010 (table 2). They are electrical and electronics goods (HS 85 and 84, where HS is the Harmonization System code for commodity classification), optical and scientific equipment (HS 90), and rubber products (HS 40). These four categories of products contributed as much as 85 percent and 74 percent of the total goods exported to the United States in 2005 and 2010, respectively. The share of palm oil grew from 1.2 percent of total exports in 2005 to 5.8 percent in 2010 (HS 15).

The top 10 components and their respective shares in Malaysia's exports are shown in table 2. The export value of some of these goods declined from 2000 to 2005, before the global financial crisis. These include, for example, electronic integrated circuits and micro assemblies (HS 8542), reception apparatus for radio-telephony, radio-telegraphy, or radio-broadcasting, whether or not combined, in the same housing, with sound recording or reproducing apparatus or a clock (HS 8527).

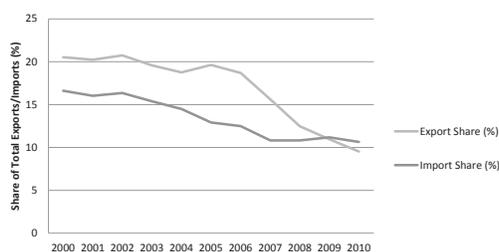
Similarly, the top four products imported from the United States did not change between 2005 and 2010 (table 3): electrical and electronic goods, optical and scientific equipment, and aircraft, spacecraft, and related parts (HS 88). Together, these products made up 80 percent and 73 percent, respectively, of the total imports from the United States in 2005 and 2010. This reflects the intraindustry and in-traprodukt nature of Malaysia's trade with the United States, because Malaysia is an integral part of the regional production networks of U.S. multinationals operating in Malaysia as well as in other countries in Asia.

**Figure 1. Overall Malaysia-U.S. Trade Performance, 2000–2010**



Source: Malaysia External Trade Development Corporation (MATRADE).

**Figure 2. Exports and Imports from the United States as Share of Malaysia's Total Exports and Imports, 2000–2010 (in percent)**



Source: Malaysia External Trade Development Corporation (MATRADE).

**Table 2. Top 10 Goods Exported from Malaysia to the United States and Their Share of Total Exports, 2005–2010**

Rank	2005 HS2	2005 Products	2005 dollars	Percent	2010 HS2	2010 Products	2010 dollars	Percent
1	85	Electrical machinery and equipment and parts, telecommunication equipment, sound recorders, television recorders	13,796,391.61	40.7	85	Electrical machinery and equipment and parts, telecommunication equipment, sound recorders, television recorders	7,209,501.27	36.8
2	84	Nuclear reactors, boilers, machinery and mechanical appliances, computer; aircraft, spacecraft and spacecraft parts	13,061,319.14	38.6	84	Nuclear reactors, boilers, machinery and mechanical appliances, computer; aircraft, spacecraft and parts thereof	4,855,557.24	24.8
3	90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and accessories	998,746.57	2.9	40	Rubber and rubber articles	1,268,070.27	6.5
4	40	Rubber and rubber articles	806,012.91	2.4	90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and accessories	1,242,976.62	6.3
5	94	Furniture; bedding, mattresses, mattress supports, cushions and stuffed furnishings; lamps and lighting fittings; illuminated signs, illuminated name-plates; prefabricated buildings	800,474.34	2.4	15	Animal or vegetable fats, oils and waxes	1,128,875.17	5.8
6	61	Articles of apparel and clothing accessories-knitted or crocheted	515,267.68	1.5	94	Furniture; bedding, mattresses, mattress supports, cushions and stuffed furnishings; lamps and lighting fittings; illuminated signs, illuminated name-plates; prefabricated buildings	747,747.37	3.8
7	27	Mineral fuels, oil, waxes and bituminous substitute	509,204.56	1.5	18	Cocoa and cocoa preparations	325,861.15	1.7
8	44	Wood and wood articles, wood charcoal	427,343.70	1.3	61	Articles of apparel and clothing accessories-knitted or crocheted	308,981.88	1.6
9	15	Animal or vegetable fats, oils and waxes	396,243.58	1.2	38	Miscellaneous chemical products	280,820.79	1.4
10	62	Articles of apparel and clothing accessories – not knitted or crocheted	329,911.05	1.0	39	Plastics and articles thereof	235,584.46	1.2
Others			2,225,138.70	6.6	Others		2,012,720.27	10.3
Total exports			33,866,053.84		Total exports		19,616,680.72	

Note: HS = Harmonization System code for commodity classification.

Source: Department of Statistics, Malaysia, <http://intranet.stats.gov.my/trade/search.php>.

**Table 3. Top 10 U.S. Products Imported by Malaysia and Their Share of Total Imports, 2005–2010**

Rank	HS2	2005			2010		
		HS2	Dollars	Percent	HS2	Dollars	Percent
1	Electrical machinery and equip and parts, telecommunication equipment, sound recorders, television recorders	85	9,943,130.12	55.3	85	8,878,690.45	49.0
2	Nuclear reactors, boilers, machinery and mechanical appliances, computer; aircraft, spacecraft and spacecraft parts	84	2,885,383.65	16.0	84	2,619,249.04	14.4
3	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and accessories	90	996,752.03	5.5	90	1,061,544.40	5.9
4	Aircraft, spacecraft, and parts	88	542,756.51	3.0	88	740,038.23	4.1
5	Plastics and plastic articles	39	411,692.11	2.3	72	488,367.42	2.7
6	Iron and steel	72	320,788.87	1.8	39	477,850.54	2.6
7	Organic chemicals	29	291,072.51	1.6	29	428,071.30	2.4
8	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	27	285,495.96	1.6	38	222,914.71	1.2
9	Articles of iron or steel	73	139,195.75	0.8	27	188,623.26	1.0
10	Miscellaneous chemical products	38	138,613.28	0.8	32	185,616.64	1.0
Others			2,024,050.36		Others	2,844,321.12	15.7
Total exports			17,978,931.16		Total	18,135,287.44	

Note: HS = Harmonization System code for commodity classification.

Source: Department of Statistics, Malaysia, <http://intranet.stats.gov.my/trade/search.php>.

# Trade in Services

Unlike trade in goods, trade in services between Malaysia and the United States is quite small. Based on U.S. data, exports of services to the United States grew from \$380 million in 1999 to \$1.2 billion in 2010 (figure 3). Within the membership of the Association of Southeast Asian Nations (ASEAN), Singapore, the Philippines, and Thailand exported more services to the United States than Malaysia. Imports of U.S. services grew from \$1.1 billion to \$2.1 billion during this period (figure 4). Imports of services from the United States were higher in Singapore, the Philippines, and Thailand between 1999 and 2006. In 2010, Malaysia was the second-highest importer of services from the United States among the ASEAN countries shown in figure 4.

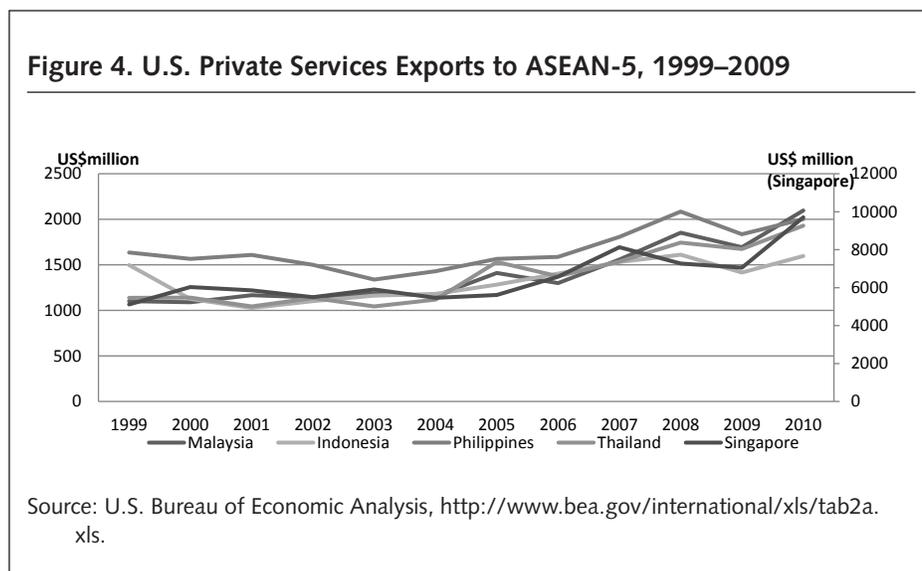
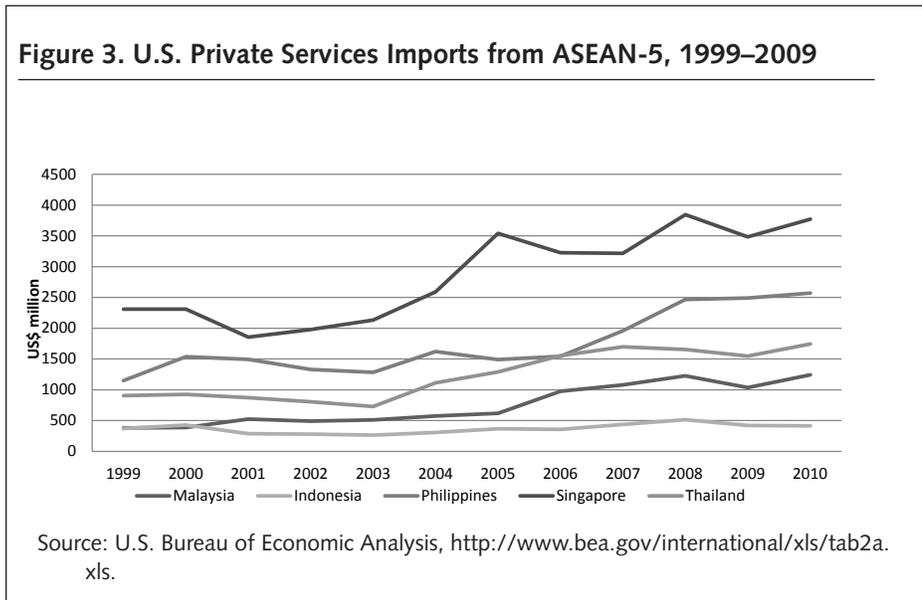
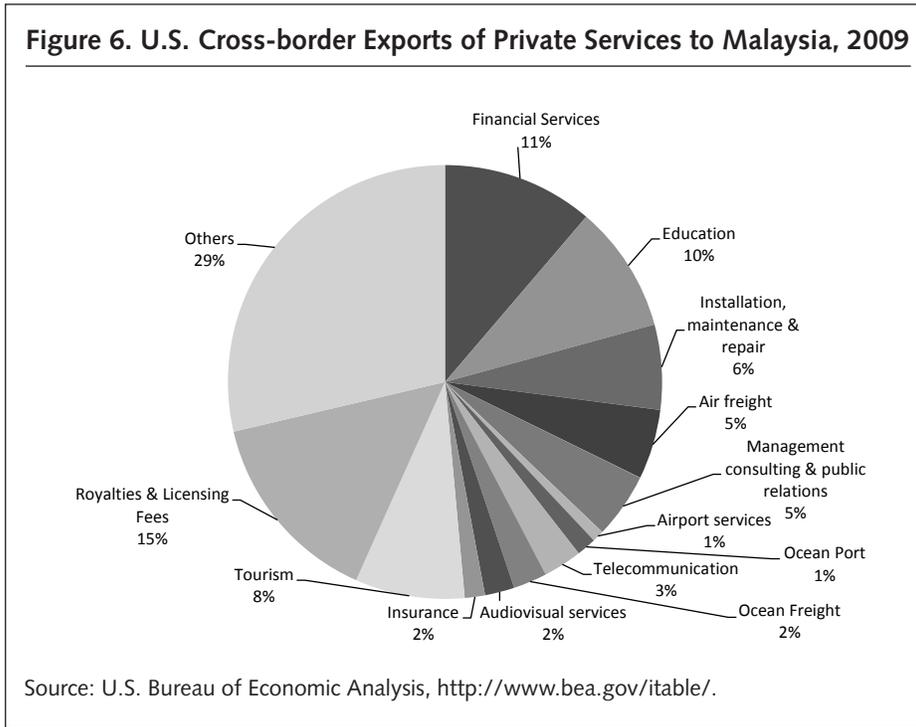
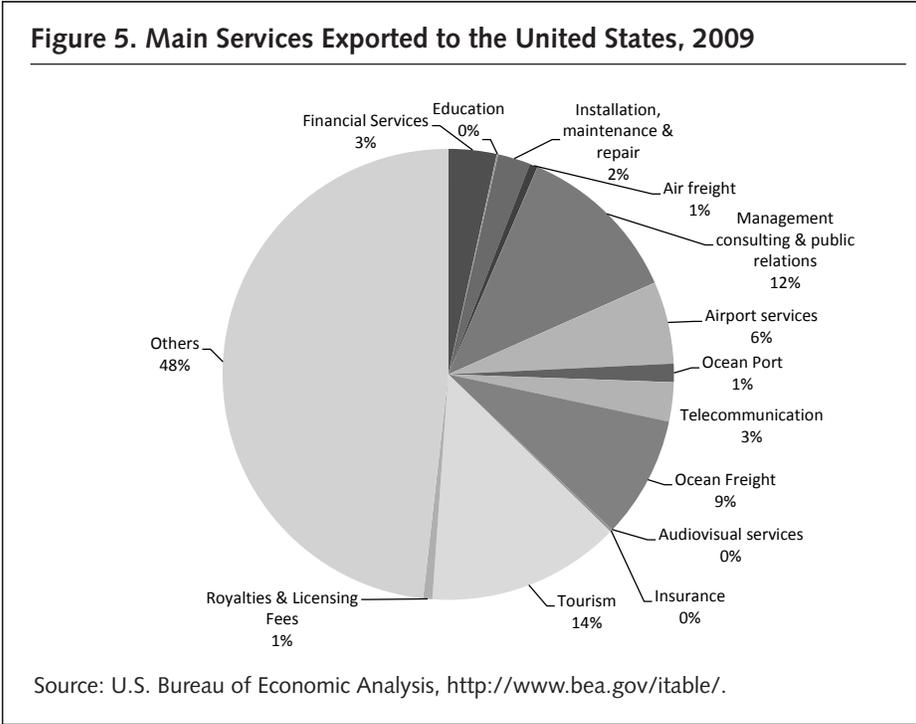
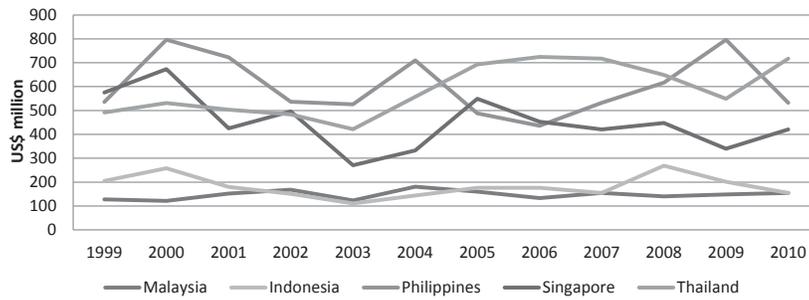


Figure 5 shows that in 2009, the top three services exported by Malaysia to the United States were management consulting and public relations, tourism, and ocean freight. The main services imported by Malaysia from the United States in 2009 were royalties and licensing, financial, and education services (figure 6).



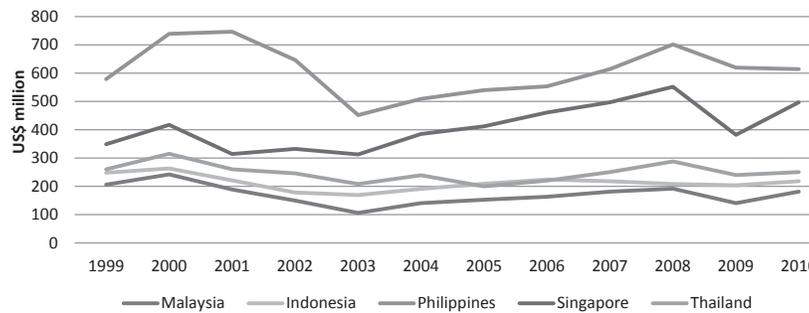
Despite Malaysia's comparative advantage in travel services, Malaysia exports and imports less travel services with the United States than its ASEAN-5 neighbors (figures 7 and 8).

**Figure 7. U.S. Travel Payments to ASEAN-5, 1999–2009**



Source: U.S. Bureau of Economic Analysis, <http://www.bea.gov/international/xls/tab3.xls>.

**Figure 8. U.S. Travel Services Receipts from the ASEAN-5, 1999–2009**



Source: U.S. Bureau of Economic Analysis, <http://www.bea.gov/international/xls/tab3.xls>.

# Investment

Malaysia was the second-largest recipient of U.S. investment in ASEAN, after Singapore, in 2010 (table 4). U.S. direct investment to Malaysia was \$3.8 billion in 2010 (latest data available), the largest inflow since 1999. U.S. foreign direct investment stock in Malaysia was estimated at \$430 million in 2009 (latest data available).<sup>1</sup>

**Table 4. Direct Investment Flows from the United States to ASEAN-5, 1999–2010**  
(millions of dollars)

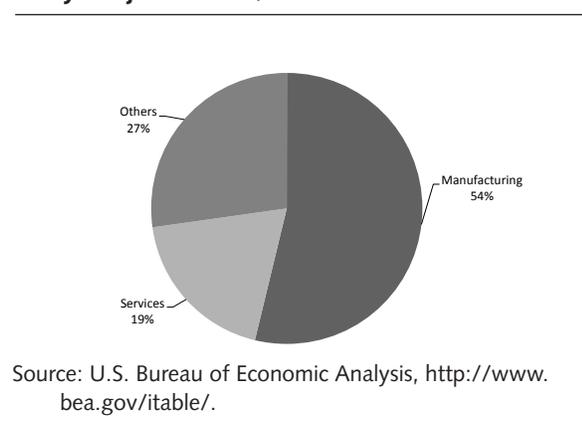
Country	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Malaysia	-250	1,787	17	-609	416	(D)	2,040	866	2062	819	651	3,819
Indonesia	505	683	985	(D)	(D)	(D)	(D)	771	2925	1750	583	-309
Philippines	-255	480	970	-669	-22	555	-126	-165	-2,274	19	269	1,109
Singapore	3,863	3,688	5,593	530	5,446	(D)	3,206	8,035	14,003	8,572	4,627	13,736
Thailand	1,103	722	1,286	1,433	-627	691	789	695	1,198	-97	1,094	2,603

Note: (D) = Suppressed to avoid the disclosure of data on individual companies.

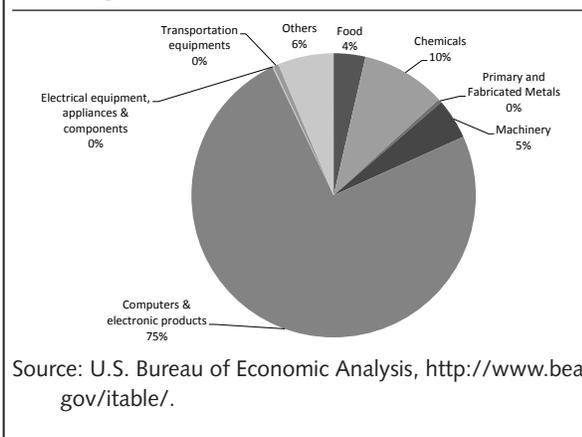
Source: iTable, U.S. Bureau of Economic Analysis, <http://www.bea.gov/international/ai1.htm#usdia>.

Figure 9 shows that 54 percent of U.S. investment in Malaysia is in the manufacturing sector. Within manufacturing, investment in computers and electronics products takes the largest share; while within services, investment in financial services is the largest (figures 10 and 11). Meanwhile, Malaysia’s foreign direct investment in the United States is led by the wholesale trade sector.

**Figure 9. U.S. Investment in Malaysia (Stock), by Major Sectors, 2010**

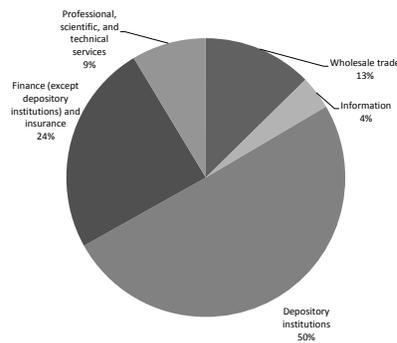


**Figure 10. U.S. Investment (Stock) in Manufacturing, 2010**



1. Office of the U.S. Trade Representative, “Malaysia,” <http://www.ustr.gov/countries-regions/southeast-asia-pacific/malaysia>.

**Figure 11. U.S. Investment (Stock), in Services, 2010**



Source: U.S. Bureau of Economic Analysis, <http://www.bea.gov/itable/>.

## The Trans-Pacific Partnership Will Expand Opportunities for Trade and Investment

In recent decades, much of the U.S. investment in Malaysia has been focused on the export-oriented manufacturing sector. In other sectors, including services and financial services, investment has been relatively restricted, even though U.S. banks and express delivery companies have long operated in Malaysia. The Malaysian government has retained considerable discretionary authority over foreign investment in most sectors, including financial services, professional services, oil and gas, telecommunications, automobiles, and mining. The equity of foreign investors is generally capped at about 30 percent, and foreign firms are required to form joint ventures with local companies.

Malaysia's government procurement has also long been relatively closed to foreign companies, and the government generally has favored domestic firms as part of its goal to encourage greater participation by the Bumiputera (Malay or indigenous people) in the economy. Preferences in government procurement are provided to Bumiputera suppliers, and foreign companies are required to bring on a local partner for tenders to be considered. The Malaysian government has taken steps in recent years to make the procurement process more transparent.

U.S. exporters—particularly of meat, agricultural goods, and beverages—have long complained that they face tariffs (almost 15 percent on agricultural products), tariff rate quotas, and import license requirements, all of which hold back their exports to Malaysia. The automobile sector has been protected by high tariff and nontariff barriers for more than two decades, but some of these measures have slowly been dismantled in recent years as part of Malaysia's commitments under the ASEAN Free Trade Area.

U.S. investors have said for years that fairly widespread piracy and counterfeiting and irregular enforcement efforts in protecting intellectual property rights (IPR) have served as barriers to U.S. exports and investment in Malaysia. The government, however, continues to express a commitment to protecting IPR and has developed legislation and regulations to improve the protection of patents and copyrights.

In an attempt to address some of these tariff and nontariff barriers, improve access to government procurement in both countries, and boost protection for IPR, the United States and Malaysia in 2006 launched negotiations on a bilateral free trade agreement. However, the talks ground to a halt after about two years because the two sides could not reach agreement in three specific areas: government procurement, services, and financial services. After Prime Minister Najib Razak came to power in 2008, he introduced a number of economic reforms, including liberalizing measures covering some 27 services subsectors. Malaysia also relaxed some barriers in the financial services sector, although foreign equity is still limited to 70 percent.

To help ensure that Malaysia's economy does not get bogged down in the "middle-income" trap, Prime Minister Najib in 2010 decided that Malaysia would join negotiations on the Trans-Pacific Partnership, the regional Asia-Pacific trade agreement, mentioned above, that aims to establish a broad-based, high-standard regional pact. The nine negotiating partners, which include the United States, intend to create a platform for economic integration across the Asia-Pacific region and advance economic opportunities for companies based in the member countries to boost exports that are critical to creating high-quality jobs across the region. (Beyond Malaysia and the United States, the other countries involved in the negotiations are Australia, Brunei, Chile, New Zealand, Peru, Singapore, and Vietnam. Japan, Canada, Mexico, and the Philippines have expressed interest in joining the TPP.)

Prime Minister Najib and his cabinet are interested in joining the TPP because it will create a single market of about 470 million people, which will grow if other Asia-Pacific Economic Cooperation forum members join. The TPP would also mark Malaysia's first preferential trade agreement with the United States, which represents nearly 12 percent of Malaysia's foreign trade. Malaysia's aspiration to develop into a high-income economy is premised on increasing private investment in the country, including inflows of foreign direct investment. Malaysian officials hope a TPP agreement will boost inflows of investment and keep Malaysia tightly integrated in the global supply chain. The Federation of Malaysian Manufacturers (FMM) believes that new trade agreements such as the TPP will provide a legal and predictable platform to boost trade and investment between Malaysia and the United States. The FMM says the TPP will boost Malaysia's competitive edge and ability to attract higher levels of investment.<sup>2</sup>

Malaysia also hopes that new U.S. investment can be attracted to existing and new service sectors that will diversify Malaysia's manufacturing development. This includes travel and tourism, where Malaysia has a comparative advantage; but this sector is underserved by tourists from the United States. Other service sectors that could benefit from the TPP include finance, health, higher education, and the maintenance, repair, and overhaul activities of airplanes. These are some of the key economic sectors identified in Malaysia's Economic Transformation Program, which was launched in 2010 as a road map to propel Malaysia to high-income status by 2020.<sup>3</sup>

In addition to investment, the TPP will increase export opportunities to the United States and other TPP partners. Malaysian exporters will also be able to sell to the U.S. government. The FMM points out that, although the U.S. government buys rubber gloves, an important export item for Malaysia, Malaysian exporters are unable to sell rubber gloves to the U.S. government without a

---

2. Federation of Malaysian Manufacturers (FMM), "FMM Commends Government for Participation in FTA Talks," [http://www.fmm.org.my/SharedImages/Library/pdf/F\\_2242.pdf](http://www.fmm.org.my/SharedImages/Library/pdf/F_2242.pdf).

3. Performance Management and Delivery Unit, *Economic Transformation Programme: A Roadmap for Malaysia* (Putrajaya: Performance Management and Delivery Unit, Prime Minister's Department, 2010).

free trade agreement with the United States.<sup>4</sup> Malaysia is also expected to gain from tariff liberalization for specific products of interest to Malaysian manufacturers, such as footwear, textiles and fabrics, apparel, and ceramic tableware.<sup>5</sup>

Given the United States' and Malaysia's different stages of development, the TPP is also expected to provide U.S. capacity building for Malaysia. In particular, Malaysia's small and medium-sized enterprises (SMEs) lack human, technical, and financial capacity to meet the technical, health, and safety standards of the United States. Capacity building to strengthen the export capabilities of SMEs will improve the ability of Malaysian companies to engage in trade and investment with the United States and other TPP member countries.

Since the costs of adapting to the technical standards and regulations in the U.S. market can be high for SMEs, establishing mutual recognition agreements (MRAs) can help to reduce these costs as products or services tested once can be accepted in all TPP member countries. This will also prevent technical standards and technical regulations from discouraging trade between TPP member countries. These standards and regulations can continue to protect health, safety, the environment, and consumers. MRAs can also serve to facilitate the movement of professional workers from Malaysia to the United States.

## Conclusion

Malaysia and the United States enjoy close trade and investment relations. However, there is still considerable potential for boosting these ties. Current trade and investment relations are focused mainly on Malaysia's manufacturing sector and particularly on electrical and electronic goods. U.S. investment has led to increasing intraindustry and intraproduct trade between the two countries due to the fragmentation of production in this sector. There is much scope for strengthening this relationship by deepening existing ties and by diversifying and increasing U.S. investment in new sectors.

Efforts to empower the next generation of economic ties between the two countries will be based on the United States' substantial economic interests in the Asia-Pacific region and Malaysia's key position in the dynamic economies of the region. Malaysia is an important gateway to many of the East Asian economies, and its cultural diversity provides invaluable human resources that are able to work with the different cultures in the region. The long historical relationship between the United States and Malaysia has helped to build considerable human resources and technological capacities in Malaysia that can be tapped to propel economic ties to a higher level. The recent reforms launched by the government to transform Malaysia's economy and the market-opening initiatives in the TPP are expected to provide new opportunities for the next generation of U.S. investors in Malaysia.

---

4. "Look at Opportunities Arising from M'sia-US FTA, Says FMM," *Bernama.com*, November 1, 2006, [http://www.bernama.com/bernama/v3/news\\_lite.php?id=227335](http://www.bernama.com/bernama/v3/news_lite.php?id=227335).

5. FMM, "FMM Supports Malaysia-USA Free Trade Agreement," [http://www.fmm.org.my/p\\_ne\\_it.asp?NewsID=968](http://www.fmm.org.my/p_ne_it.asp?NewsID=968).

# 2

## POLITICAL AND SECURITY COOPERATION

### DEVELOPING A 21ST-CENTURY PARTNERSHIP

*Our two countries have an excellent relationship, and I know that you have played an important role in developing those ties. You and I have the privilege of leading our countries at a time full of both challenges and opportunities. Our actions will have profound consequences, and our combined efforts can have lasting positive impact.<sup>1</sup>*

—U.S. president Barack Obama to Malaysian prime minister Najib Razak,  
May 17, 2009

*I have stressed that Malaysia will see a more positive development in our ties [with the United States]. I will use this new beginning to see every possibility that can bring mutual benefits to Malaysia and the U.S. . . . There is much that can be achieved from working together, from strengthening regional peace and stability to improving the economic prospects of both countries.<sup>2</sup>*

—Malaysian prime minister Najib Razak,  
April 14, 2010

The United States and Malaysia should seize the current important window of opportunity to consolidate and institutionalize stronger political and security ties. Both countries, acting to promote their own agendas, have defined a compelling set of mutual interests that should drive a process building on the strong foundation of long-established security cooperation and redefining their political ties.

In practical terms, the United States and Malaysia have shared common goals in many bilateral as well as regional areas. These include trade and investment, defense and security, and transnational issues such as nonproliferation, climate change, and counternarcotics cooperation. The two countries are also beginning to cooperate more on science and technology, people-to-people ties, and strengthening regional frameworks.

The one discordant note in the bilateral relationship has been political differences, most notably over Malaysia's differences with U.S. foreign policy in the Middle East and U.S. perceptions about the Malaysian government's treatment of political opponents. The latter has prompted concerns in Malaysia about U.S. interference in its domestic politics. Both the U.S. and Malaysian bureaucratic apparatuses have allowed the lack of political agreement in a few areas to color an otherwise very strong partnership.

---

1. "Obama Applauds Najib's Appointment as Prime Minister," *Star Online* (Kuala Lumpur), May 17, 2009, <http://thestar.com.my/news/story.asp?file=/2009/5/17/nation/3925771&sec=nation>.

2. Nuraina Samad, "PM Najib Upbeat about U.S.-Malaysia Ties," *Education Malaysia*, April 14, 2010, [http://www.msdcw.org/v2/index.php?option=com\\_content&view=article&id=168:pm-najib-upbeat-about-us-malaysia-ties&catid=63:general&Itemid=50](http://www.msdcw.org/v2/index.php?option=com_content&view=article&id=168:pm-najib-upbeat-about-us-malaysia-ties&catid=63:general&Itemid=50).

In the past two years, political relations appear to have been turning the corner, however. Following at least four face-to-face meetings between President Barack Obama and Prime Minister Najib Razak since 2009, in addition to numerous exchanges of cabinet-level visits, the stage is now set for bilateral ties to be elevated to a more strategic level. With increased coordination and cooperation already in place, achieving the goal of improved bilateral relations will require commitment and follow-through at the highest levels. What is needed is a strong and sustained signal at the leadership level to both countries' bureaucracies, businesses, and people that Malaysia and the United States have long-standing and mutually beneficial ties and share common values and interests, and that it is time to transform a friendship into a dynamic and responsive partnership for the long term.

## Recommendations

The United States and Malaysia should:

1. *Encourage a visit to Malaysia by the U.S. president.* A presidential visit, the first since 1966, would highlight the recent positive developments in bilateral relations and send a signal that the United States is seeking to bolster its engagement with Southeast Asia.
2. *Initiate bilateral dialogues at the official and Track II levels.* To further deepen and institutionalize relations, the two governments should initiate a high-level, interagency bilateral dialogue. Complementing existing bilateral mechanisms, this dialogue should be held every two years in alternating capitals and include discussion of contentious issues. In addition, a regular and sustained Track II platform for a group of 20 Malaysian and U.S. thought leaders should be established to discuss strategic issues of mutual national interest.
3. *Solidify links between U.S. and Malaysian legislatures and judiciaries.* Annual exchange visits by members and staff of the U.S. Congress and the Malaysian Parliament from across the partisan divide will provide a framework for sustained bilateral engagement. Similar exchanges and regular dialogue between the judiciaries of both countries will further reinforce ties.
4. *Initiate and regularize exchanges for diplomats and policy specialists.* Arrangements should be made for an officer of the Malaysian Ministry of Foreign Affairs to work at the U.S. State Department for a period of six months, in connection with an assignment to the Malaysian Embassy in Washington. Similar arrangements should be made for U.S. diplomats in Kuala Lumpur. Likewise, reciprocal placements between U.S. and Malaysian think tanks should be encouraged.
5. *Strengthen defense cooperation.* Building on the strong links between their defense establishments, the United States and Malaysia should adopt the following measures:
  - a. *Facilitate access to advanced defense technology.* The two governments should work more closely to promote Malaysia's access to and acquisition of advanced military platforms from the United States. Collaboration in this area will have a multiplier effect on the bilateral relationship by generating institution-building opportunities in the long term.
  - b. *Improve the quality and sophistication of joint exercises.* U.S. and Malaysian military forces should be exposed to increasingly complex scenarios in their joint exercises, thus improving their ability to respond to common security challenges.

- c. *Initiate and regularize exchanges for military officers.* Regular exchanges of military personnel for placement at each other's military headquarters and in operational positions—in naval ships, for instance—will significantly improve the ability of U.S. and Malaysian forces to work together.
  - d. *Expand military education and training programs.* The U.S. government should increase its assistance to improve the capabilities of the Malaysian Armed Forces, especially in training and doctrine development. Consideration should be given to expanding U.S. assistance in the development of Malaysia's Professional Military Education programs. Malaysia should offer student positions to U.S. military officers at the Malaysian Defense College.
  - e. *Expand assistance in the development of defense and security research capabilities.* The U.S. government should assist the Malaysian Ministry of Defense to improve its research capabilities through exchanges of researchers in designated defense and security-related research institutions. The two countries should also initiate joint research efforts in areas of common interest.
6. *Increase collaboration in strengthening regional frameworks.* The United States and Malaysia should intensify cooperation in pursuing parallel objectives in the East Asia Summit (EAS). In particular, both countries should build upon the EAS's core functional areas and promote an ambitious agenda to ensure that the annual summit achieves its full strategic potential. Sustained engagement and coordination in other regional forums, such as the Association of Southeast Asian Nations (ASEAN) Regional Forum and the ASEAN Defense Ministers Meeting Plus, will contribute to an effective and strengthened regional architecture.
  7. *Consolidate measures on the nonproliferation of weapons of mass destruction and disarmament.* Malaysia and the United States should adopt concrete steps toward strengthening the global nonproliferation regime and realizing the long-term goal of a world without nuclear weapons. Malaysia should consider becoming a participant in the Proliferation Security Initiative, subject to its understanding of international law. Together with other nuclear-weapon states, the United States should consider signing the Protocol to the Southeast Asian Nuclear Weapon-Free Zone (SEANWFZ) Treaty.
  8. *Consult on public advisories and reports.* The Malaysian and U.S. governments should share information and proactively engage each other more intensively with a view to improving the accuracy of travel advisories and congressionally mandated reports, such as the annual Trafficking in Persons Report.
  9. *Maintain dynamic and effective embassies in each other's capitals.* Both countries should ensure that their embassies continue to have the personnel, resources, and mandate to sustain and expand active engagement of decisionmakers and opinion shapers. Only the most motivated and highly trained individuals with a passion for strengthening the bilateral relationship should be posted to these embassies.

## Background

U.S.-Malaysia political and military relations had first begun to expand during the Cold War when both nations faced a common threat from the spread of communism. With the communist victory in Vietnam in 1975 and the U.S. withdrawal from that country, then-U.S. vice president Nelson

Rockefeller flew to Southeast Asia on a trip that included a visit to Malaysia in order to assure noncommunist states of the continued U.S. commitment to the region.<sup>3</sup>

During the 1980s, the military-to-military relationship expanded significantly in two key areas: increased fiscal allocation for the International Military Education and Training (IMET) program, and increased Foreign Military Sales credits. This relationship was institutionalized in the 1984 Bilateral Training and Consultations (BITACG) arrangement, which provided for joint training exercises; U.S. access to jungle warfare schools in Pulada, Johor; logistical support; and intelligence sharing. The arrangement allowed for the creation of a U.S. small-ship repair facility in Lumut, Ipoh, and a U.S. Air Force repair facility in Kuala Lumpur.<sup>4</sup>

## U.S. Foreign and Military Assistance to Malaysia: Increasing Cooperation

The U.S.-Malaysia military relationship has expanded substantially since the BITACG arrangement was signed in 1984. Following the 9/11 terrorist attack in the United States, a Memorandum of Understanding on Counter-Terrorism and an Acquisition and Cross-Servicing Agreement (ACSA) were signed in 2002 and 2005, respectively.

The IMET program has been a key pillar in building cooperation and interoperability between the U.S. and Malaysian militaries. The program has three main objectives: to foster and encourage closer links between the militaries, to improve the ability of foreign militaries to utilize their own military equipment and U.S. defense services, and to improve international recognition of human rights.<sup>5</sup> Since the beginning of the program in 1976, the United States has trained over 3,230 Malaysian military personnel. From 2001 to 2009, the United States on average allocated \$840,000 annually toward the Malaysian IMET program.<sup>6</sup> As a supplement to the IMET program, a student exchange program was established to connect the Malaysian Armed Forces Staff College to the U.S. Army Staff College at Fort Leavenworth.<sup>7</sup>

U.S. assistance to Malaysia is predominately channeled to two areas: antiterrorism and non-proliferation activities, and military operations and law enforcement.<sup>8</sup> Apart from IMET, assistance programs include the Non-Proliferation, Anti-Terrorism, Demining, and Related Programs; Anti-Terrorism Assistance; Export Control and Related Border Security Assistance; and International Narcotics Control and Law Enforcement Assistance.<sup>9</sup> The United States has also fostered

---

3. See Seng Tan and Amitav Acharya, *Asia-Pacific Security Cooperation: National Interests and Regional Order* (Singapore: Institute for Defense and Strategic Studies, Nanyang Technological University, 2004), 147.

4. Johan Saravanamuttu, *Malaysia's Foreign Policy: The First Fifty Years—Alignment, Neutralism, Islamism* (Singapore: Institute of Southeast Asian Studies, 2010); Richard J. Ellings and Sheldon W. Simon, *Southeast Asian Security in the New Millennium* (New York: National Bureau of Asian Research, 1996).

5. U.S. Government Accountability Office (GAO), *International Military Education and Training: Agencies Should Emphasize Human Rights Training and Improve Evaluations* (Washington, D.C.: U.S. Government Printing Office, 2011).

6. Security Cooperation Agency, U.S. Department of Defense, *Historical Facts Book*, 2009.

7. Bruce Vaughn and Michael Martin, *Malaysia: Political, Security, Economic, and Trade Issues Considered*, Congressional Research Service, Washington, D.C., May 2007.

8. Thomas Lum, *U.S. Foreign Aid to East and South Asia: Selected Recipients*, Congressional Research Service, Washington, D.C., October 2008.

9. Ibid.; Vaughn and Martin, *Malaysia*.

closer ties through joint sponsorship of the Southeast Asia Regional Center for Counter-Terrorism established in Kuala Lumpur in 2002.<sup>10</sup>

## U.S.-Malaysia Joint Operations: Expanding Interoperability

The U.S. Navy's Pacific Fleet, in coordination with the Royal Malaysian Navy, has conducted the Cooperation Afloat Readiness and Training (CARAT) exercises since 1996.<sup>11</sup> The CARAT exercises are divided into two phases: on land and at sea. They are designed to develop and improve Malaysia's disaster response and humanitarian assistance capacity and maritime security capabilities. The CARAT exercises additionally provide the U.S. Navy with the opportunity to improve operating capability in the region's waters. The 17th U.S.-Malaysian CARAT exercises were held from June 6–15, 2011, in Kuantan. Approximately 1,800 U.S. Navy and Marine Corps personnel participated, and the exercise marked the first time a U.S. attack submarine participated.<sup>12</sup>

The U.S. and Malaysian service-to-service relationship has been further bolstered by Keris Strike exercises. The purpose of these exercises is to facilitate military-to-military interoperability and to enhance peacekeeping operational skills through joint command post exercises. The exercises are jointly hosted by the U.S. Army, U.S. Pacific Command (PACOM), and the Malaysian Army.<sup>13</sup>

The United States and Malaysia are also cooperating to enhance Malaysia's peacekeeping capabilities through the United Nations Global Peace Operations Initiative. This program has sought to maintain, build, and reinforce the capacity and effectiveness of peacekeeping forces.<sup>14</sup>

To the surprise of many, Malaysia is also playing an active role in providing humanitarian aid and medical assistance in Afghanistan, despite the fact that Malaysia had strongly opposed the U.S.-led wars in Afghanistan and Iraq. Beginning in July 2010, Malaysia deployed 40 military personnel, including female doctors and paramedics, to Afghanistan, attached to New Zealand's provincial reconstruction team northeast of Kabul. The Malaysian contingent does not have a combat mission. The team was initially geared toward providing health and dental services, but it

---

10. Michael Martin, *U.S.–Malaysian Relations: Implications of the 2008 Elections*, Congressional Research Service, Washington, DC, April 2008.

11. "Cooperation Afloat Readiness and Training (CARAT)," GlobalSecurity.org, [www.globalsecurity.org/military/ops/carat.htm](http://www.globalsecurity.org/military/ops/carat.htm); Mike Morley, "Submarine Participation the Highlight of 17th U.S.-Malaysia CARAT Exercise," U.S. Pacific Command, June 8, 2011, [www.pacom.mil/web/site\\_pages/media/News\\_2011/06/08-Submarine-17thUS\\_malaysia-CARAT-exercise.shtml](http://www.pacom.mil/web/site_pages/media/News_2011/06/08-Submarine-17thUS_malaysia-CARAT-exercise.shtml); Dzirhan Mahadzir, "Storming the Beach in Drill with U.S. Troops," *Star Online* (Kuala Lumpur), August 29, 2011, <http://thestar.com.my/lifestyle/story.asp?file=/2011/8/29/lifefocus/9310761&sec=lifefocus>.

12. Morley, "Submarine Participation."

13. Christina Douglas, "Combined U.S., Malaysian Forces Achieve Mission Success," U.S. Army, July 19, 2010, <http://www.army.mil/article/42505/>; Brian Melanephy, "Keris Strike 09 Opening Ceremony, U.S. Army, July 15, 2009, <http://www.army.mil/article/24441/>; Christina Douglas, "Reserve Command Leads U.S. Efforts in Keris Strike 2010," U.S. Army Reserve, July 19, 2010, <http://www.usar.army.mil/arweb/NewsAndMedia/storiesfromthefront/Pages/ReserveCommandLeadsUSEffortinKerisStrike2010.aspx>.

14. Robert F. Willard, "Statement of Admiral Robert F. Willard, U.S. Navy, commander, U.S. Pacific Command, before the Senate Armed Services Committee on U.S. Pacific Command Posture," Senate Armed Services Committee, March 24, 2010, <http://armed-services.senate.gov/statemnt/2010/03%20March/Willard%2003-26-10.pdf>.

has subsequently decided to focus on capacity building and institutional development, working closely with the Afghan Ministry of Public Health.<sup>15</sup>

The United States and Malaysia further solidified interagency and intergovernmental linkages through the U.S.-organized Joint Interagency Task Force West (JIATF-West).<sup>16</sup> The JIATF is a PACOM task force authorized to facilitate cooperation in counternarcotics operations with the Malaysian Police and Maritime Enforcement Agency. The JIATF-West collaboration provides Malaysia with access to security force training, security infrastructure development, and analytical and intelligence support.<sup>17</sup> This builds on previous interagency linkages in counternarcotics between the two countries. During the 1980s, for example, the Malaysian Anti-Narcotics Task Force and Committee cooperated closely with the U.S. Drug Enforcement Administration, which provided both funding and equipment for Malaysian antinarcotics operations.<sup>18</sup> Intelligence sharing and coordination in this area continues between the two countries' enforcement agencies.

To reinforce counterterrorism and counternarcotics operations, the United States and Malaysia in 2009 enacted the Mutual Legal Assistance Treaty (MLAT). This treaty allows each country to assist the other in a broad range of activities, including in obtaining evidence, assisting in criminal extradition, and the freezing and seizing of assets.<sup>19</sup> The MLAT provides an additional avenue facilitating judiciary and law enforcement exchanges between U.S. and Malaysian agencies.

## Strengthening Political Ties Bilaterally and Multilaterally

While U.S.-Malaysia military and security relations took root over the years, political ties between the United States and Malaysia experienced fluctuations. Diplomatic relations were often strained in the waning years of former prime minister Mahathir Mohamed's administration, particularly in the wake of the 1997 Asian financial crisis.

A significant turning point came following the 9/11 attacks, when Mahathir offered condolences to the United States, offered the services of the Malaysian Search and Rescue Team, canceled a trip to Germany, and delayed celebrations of Malaysian National Day, which were scheduled for September 12.<sup>20</sup>

The Obama administration's renewed attention on the Asia-Pacific region has coincided with Najib's own push to strengthen Malaysia's engagement with its key international partners, including the United States. Under both leaders, the bilateral political relationship has warmed consid-

---

15. "Armed Forces' Mission to Help Afghans Rebuild Lives," *New Straits Times* (Kuala Lumpur), January 29, 2012, <http://www.nst.com.my/top-news/armed-forces-mission-to-help-afghans-rebuild-lives-1.38605>.

16. Thomas J. Keating, "Statement of Admiral Timothy J. Keating, U.S. Navy, Commander, U.S. Pacific Command, before the Senate Armed Services Committee on U.S. Pacific Command Posture," Senate Armed Services Committee, March 19, 2009, <http://armed-services.senate.gov/statemnt/2009/March/Keating%2003-19-09.pdf>.

17. *Ibid.*

18. Pamela Sodhy, "Malaysia and the United States in the 1980s," *Asian Survey* 27, no. 10 (October 1987): 1074–1094.

19. U.S. Department of State, "Mutual Legal Assistance Treaty with Malaysia," July 28, 2006. <http://www.gpo.gov/fdsys/pkg/CDOC-109tdoc22/html/CDOC-109tdoc22.htm>.

20. Pamela Sodhy, "U.S.-Malaysian Relations during the Bush Administration: The Political, Economic, and Security Aspects," *Contemporary Southeast Asia* 25, no. 3 (December 2003): 363–386.

erably. At a personal level, Obama and Najib appear to have developed a closer relationship with each other than any of their predecessors. In November 2010, Hillary Clinton became the first U.S. secretary of state to visit Malaysia since Warren Christopher in 1995. A week after her trip, then-secretary of defense Robert Gates made his first visit to Malaysia.

These visits were reciprocated by visits to the United States by Malaysia's deputy prime minister, Muhyiddin Yassin, as well as the foreign minister, law minister, attorney general, and leading police officials. The flurry of exchanges prompted the U.S. assistant secretary of state for East Asia and the Pacific, Kurt Campbell, to declare in 2010 that "few countries have come as far, in terms of our bilateral relationship, as the one between the United States and Malaysia."<sup>21</sup>

These visits have been supported by expanded bilateral cooperation on a number of fronts, including maritime security and antipiracy, humanitarian assistance and disaster relief, human trafficking, and nuclear nonproliferation.

Political relations have also been enhanced in regional multilateral settings such as the United States' participation in ASEAN summits and the EAS. The U.S.-Malaysia Senior Officials Dialogue represents an important forum through which high-level officials interact candidly to further elevate the relationship.<sup>22</sup> In 2010 alone, two such dialogues were held, one before and another after Najib's April trip to Washington.

As the Obama administration has sought to "rebalance" U.S. policy toward Asia, the United States has increased its interaction with ASEAN, facilitating closer ties between the United States and ASEAN states, especially Malaysia. During the EAS in November 2011, Obama and Najib addressed the South China Sea dispute and stressed the need for a shared set of principles and the importance of resolving the issue, negotiating a Code of Conduct, and respecting international law, including the UN Convention of the Law of the Sea.<sup>23</sup>

One issue that has made its mark on bilateral relations in recent years has been nuclear nonproliferation. During the Najib-Obama meeting in April 2010, the leaders emphasized the critical importance of addressing nonproliferation. Najib said that the proliferation of nuclear weapons and associated materials was one of the most pressing challenges facing the international community.<sup>24</sup> Obama welcomed the efforts made by Malaysia in addressing this challenge, especially through its passage of the Strategic Trade Act 2010, which regulates its exports and prevents the proliferation of weapons of mass destruction. During the ASEAN summit and EAS meeting in Bali, in November 2011, Obama expressed the U.S. desire to sign the ASEAN-proposed SEAN-WFZ Treaty and encouraged other nuclear states to sign on as well.<sup>25</sup>

---

21. "Clinton for Historical Visit to Malaysia," *Star Online* (Kuala Lumpur), October 31, 2010, <http://thestar.com.my/news/story.asp?file=/2010/10/31/nation/7335676&sec=nation>.

22. U.S. Department of State, "Third U.S.-Malaysia Senior Officials Dialogue," media note, June 11, 2010, <http://www.state.gov/r/pa/prs/ps/2010/06/142995.htm>.

23. White House Office of the Press Secretary, "Background Briefing by a Senior Administration Official the President's Meetings at ASEAN and East Asia Summit," November 19, 2011, <http://www.whitehouse.gov/the-press-office/2011/11/19/background-briefing-senior-administration-official-presidents-meetings-a>.

24. Prime Minister Najib Razak, "U.S.-Malaysia Relations: Looking Ahead at Key Pillars of Cooperation," speech, Center for Strategic and International Studies, Washington, D.C., April 14, 2010.

25. White House Office of the Press Secretary, "East Asia Summit," fact sheet, November 19, 2011, <http://www.whitehouse.gov/the-press-office/2011/11/19/fact-sheet-east-asia-summit>.

## Conclusion

The increasing cooperation between Malaysia and the United States on a diverse range of issues demonstrates the two nations' mutual recognition of the importance of their relationship. While they do have policy differences, they have demonstrated that it is in their mutual interest to move beyond the differences and see the relationship flourish.

The recommendations listed earlier in this report suggest ways to further develop existing programs and launch new initiatives. The authors of this report hope to spur the U.S. president to visit Malaysia. This report emphasizes the importance of official and Track II level dialogues. The U.S.-Malaysian Senior Officials Dialogue is a forum that could be further institutionalized with regularized meetings.

Bilateral military and interagency exercises and operations have been a key pillar of U.S.-Malaysia security relations. Joint military exercises such as CARAT and Keris Strike should be maintained and enhanced, as should such initiatives as the Global Peace Operations Initiative, in providing the framework for the continued development of Malaysia's peacekeeping capabilities.

The interagency and intergovernmental relationship sustained through the JIATF West and MLAT mechanisms should be maintained and strengthened. Further, creating a dialogue between U.S. and Malaysian judiciaries could bolster the MLAT mechanism.

The United States and Malaysia have made substantial progress on confronting the nuclear nonproliferation issue. With the United States agreeing to sign onto ASEAN's SEANWFZ treaty, Malaysia should consider becoming a participant in the U.S.-initiated Proliferation Security Initiative. Malaysia has made headway on nuclear nonproliferation by passing rigorous export controls.

# 3

## PEOPLE-TO-PEOPLE INITIATIVES EDUCATIONAL, CULTURAL, AND SCIENTIFIC EXCHANGES

*When foreign students sit side-by-side with American students in classrooms around the world, they exchange new ideas, challenge old stereotypes, and gain immeasurable knowledge from and about each other.<sup>1</sup>*

—Assistant U.S. secretary of state Janice Jacobs, Bureau of Consular Affairs

Enhancing relations between Malaysia and the United States requires both countries to find multiple ways to connect and interact. While diplomatic and trade relations constitute much of a traditional bilateral relationship, people-to-people ties developed through educational and cultural exchanges fill the gaps often left by high-level diplomatic and commercial relations. They also allow for continued engagement, even when differences in politics or foreign policy may stall progress in other arenas—and they provide a “bottom-up” alternative to the formal “top-down” approach to international relations.

Programs supporting more informal exchanges are generally uncontroversial and often enjoy both political and popular support. More important, the relationships formed are integral to building human resource capacity, promoting intercultural dialogues, and maintaining enduring partnerships. The more informal relationships that are formed between countries, the stronger the roots of a sustainable, long-term bilateral relationship.

Bilateral relations between Malaysia and the United States have benefited from a range of programs already in place to enhance educational and cultural linkages. The challenge is to introduce the next generation of programs so that the relationship can expand, taking into consideration best practices, weaknesses, and gaps in the current range of programs along with the financial constraints imposed by a global economic downturn. This requires a critical review of past programs and innovative solutions for future ones.

## Recommendations

Together, Malaysia and the United States should:

1. *Establish a jointly endowed chair.* A jointly endowed chair should be established in the humanities and social sciences, focusing on issues that relate to Malaysia and the United States. Funding could be drawn from the two governments, the private sector, or a combination of both. During a two-year tenure, the holder of this chair should be attached for an equal period to universities in Washington and in Malaysia.

---

1. Embassy of the United States, Kuala Lumpur, “More Malaysian Students Studying in the U.S.,” press release, November 15, 2010, [http://malaysia.usembassy.gov/pr\\_msianstudents-111510.html](http://malaysia.usembassy.gov/pr_msianstudents-111510.html).

2. *Expand cooperation between U.S. and Malaysian educators.* To reinforce the long-standing educational links between the two countries, the following measures should be considered:
  - a. *Promote Malaysian studies in the United States.* The Malaysian government should promote the field of Malaysian studies and the teaching of Bahasa Malaysia under the rubric of existing Southeast Asian studies programs in U.S. universities, particularly those in Washington. Consideration should be given to producing television documentaries on Malaysia for broadcast in the United States.
  - b. *Improve cooperation between educators at the K-12 and postsecondary levels.* Greater contact and cooperation should be encouraged between U.S. and Malaysian educators, with the aim of improving skills and competencies in science and technology. The two governments should work toward increasing the number of English-language teachers from the United States that are assigned to Malaysian schools, particularly in rural areas. Consideration should be given to increasing U.S. technical assistance in the development of postsecondary vocational education programs in Malaysia.
3. *Establish a Malaysia-U.S. Foundation for Education.* This foundation could provide scholarships to Malaysian students in the United States and grants to U.S. teachers in Malaysia. The two governments should consider providing an initial endowment and encourage the private sector to make financial contributions to the foundation. The primary aim should be to increase the number of Malaysian students in U.S. higher education institutions, from about 6,000 at present to 10,000 by 2020.
4. *Intensify people-to-people exchanges through the use of new and social media.* Capitalize on online media using social networking tools to raise awareness and understanding of Malaysia and the United States among the public of both countries. Blogs, Web sites, and online videos featuring discussion of traditional arts, food, and textiles should be encouraged through competitive grants and partnered projects.
5. *Appoint cultural ambassadors from among popular personalities.* The appointment of cinematic, dance, fashion, or sports icons as cultural ambassadors would spotlight developments in these various fields in both countries. It would also elevate the national profile of Malaysia and the United States, particularly among youth.
6. *Leverage sports as a new avenue for bridge building.* Expanding interest in sports such as football/soccer and basketball provides previously untapped opportunities for sports diplomacy. Invitations to school and collegiate/university teams for sports clinics, camps, and friendly or exhibition matches should be initiated, maintained, and increased. Malaysia should also consider introducing and promoting its martial arts in American educational institutions.
7. *Create more twin town and sister city relationships.* Formalizing partnerships at the municipal and city levels would foster deeper economic and cultural ties beyond those at the state or federal level. This would also help promote business and investment ties, and technical cooperation in areas such as green technology and good environmental practices, public transportation and traffic management, and disaster response.
8. *Enhance coordination among existing Malaysia-U.S. alumni associations.* New and older alumni associations in Malaysia should work closely together rather than as disparate bodies with the same broad objectives. This will strengthen networking and allow for greater representation of the individuals and interests involved. American universities and colleges should build, maintain, and sustain communication with Malaysian alumni.

9. *Review visa application procedures.* To facilitate travel by Malaysians to the United States for business, work, study, and tourism, the U.S government should explore ways to further streamline its visa application procedures that were implemented following the 9/11 terrorist attacks. This review should be done without compromising U.S security.
10. *Develop science and technology cooperation.* Science diplomacy should be an integral part of the bilateral relationship. The United States and Malaysia have already begun to build the framework for science and technology cooperation, especially through the 2010 signing of a science and technology memorandum of understanding between the two governments. While the memorandum has helped establish a framework, much more can be done to increase cooperation in this vital field, including:
  - a. *Promote institutional and organizational exchanges in science and technology.* The United States and Malaysia should encourage both governmental and nongovernmental institutions and organizations to invest in fostering partnerships between their respective organizations. While a framework exists for cooperation between Malaysia’s Ministry of Science and the U.S. State Department, both governments should encourage private and public firms to seek out and institutionalize partnerships.
  - b. *Cooperate in the development of “smart cities.”* The United States should establish a consultative mechanism to help Malaysian cities incorporate international best practices in developing “smart cities” that incorporate sustainable approaches to agriculture, water, energy, transportation, and information-technology-based management systems.

## Background: Education

*To be an educated citizen today is to be able to see the world through others’ eyes and to understand the international dimensions of the problems we confront as a nation—skills that are enhanced by international experience. The programs that we put in place today to make international experience integral to higher education will determine if our society will have the globally literate citizenry and the international talent that will be necessary to respond to the demands of a globalized world.<sup>2</sup>*

—NAFSA policy statement

The linchpin of international educational exchange in the United States is the Fulbright program. Its incarnation in Malaysia is the Malaysian-American Commission on Educational Exchange (MACEE), which was established in 1963 and is now one of about 50 similar Fulbright programs worldwide. Among its alumni are Tan Sri Dr. Koh Tsu Koon, former chief minister of Penang, Datuk Dr. Fong Chan Onn, former minister of human resources, and Senator Dato’ Dr. T. Mari-muthu, a member of Parliament.

MACEE stands out as the first major effort to establish academic linkages between the United States and Malaysia, and thus it provides scholarships to students and teachers from both coun-

---

2. NAFSA: Association of International Educators, “An International Education Policy: For U.S. Leadership, Competitiveness, and Security,” October 2007, [http://www.nafsa.org/\\_/File/\\_/neip\\_rev.pdf](http://www.nafsa.org/_/File/_/neip_rev.pdf).

tries to travel for studies or work in the other. It is a truly binational program furthering mutually shared interests rather than the goals of any one country. This is reinforced through a 10-member board appointed by the permanent honorary cochairs—the U.S. ambassador to Malaysia and Malaysia’s minister of education—who appoint five board members each.

In addition to MACEE, the U.S. government supports a number of other programs for academic exchanges, with a clear effort to support activity at different levels of education and make scholarships available to underserved or disadvantaged populations. For example, there are the Humphrey Fellowship for midlevel professionals, the Youth Exchange and Study Program (YES) for high school students from predominantly Muslim countries, and the Global Undergraduate Exchange Program (Global UGRAD) serving underrepresented sectors.

In an attempt to help extend the benefits of educational exchanges beyond the classroom and graduation, the U.S. Embassy in Kuala Lumpur has supported an alumni network, highlighting prominent graduates to bring prestige to their institutions and encourage a sense of identity and pride among them.

## Opportunities and Challenges

*U.S. universities continue to be perceived as the most highly ranked and prestigious centers of scientific and technological study in the world. . . . U.S. colleges and universities are very keen on recruiting more Malaysian students in order to diversify their international student populations and to attract high-quality students.*<sup>3</sup>

—Dr. James Coffman, executive director of the  
Malaysian-American Commission on Educational Exchange

*Malaysia faces challenges in creating a new multi-channeled learning environment where international and local students study, connect and work with one another across classrooms, community and country borders in so many exciting ways. The Malaysian Ministry of Higher Education has made a recent move to transform the landscape of tertiary education where one main thrust aims in intensifying internationalization and ensuring 10% to 30% enrollments of international students.*<sup>4</sup>

—Ambigapathy Pandian

The U.S.-Malaysia education exchange program as a whole underperforms its potential in a variety of ways. The relationship could benefit from simply expanding the number of opportunities available for academic exchanges. Even for the programs available, their limited scale means they cannot meet the real demand or interest in Malaysia for a U.S. education.

---

3. Embassy of the United States, Kuala Lumpur, “More Malaysian Students Studying in the U.S.”

4. Ambigapathy Pandian, “Multiculturalism in Higher Education: A Case Study of Middle Eastern Students’ Perceptions and Experiences in a Malaysian University,” *International Journal of Asia-Pacific Studies* 4, no. 1 (May 2008), [http://web.usm.my/ijaps/articles/IJAPS\\_3\\_Ambigapathy\\_\(33-59\).pdf](http://web.usm.my/ijaps/articles/IJAPS_3_Ambigapathy_(33-59).pdf).

The number of Malaysian students enrolled in U.S. institutions of higher education increased 4.2 percent between 2009 and 2010, and a further 9 percent from 6,190 in 2010 to 6,735 in 2011.<sup>5</sup> However, this is still far from the peak in 1999–2000, when 9,074 Malaysian students studied in the United States despite the 1997 Asian financial crisis. Improved economic conditions since then should have allowed these numbers to rise; instead, they fell to a low of 5,281 in 2006–2007. The terrorist attacks on the United States in 2001 and the barriers to travel that followed made other destinations more attractive for international students. In 2005, 36 percent of Malaysian students studying abroad chose Australia and 27 percent chose the United Kingdom, while the United States attracted only 15 percent.<sup>6</sup>

The United States should do more to capitalize on its status as a popular country for postsecondary education, which benefits its economy as a whole and its universities in particular, and contributes to its goals of projecting a positive image abroad and increasing diversity on campuses. Malaysia, however, makes up only 1 percent of the foreign-born student population in the United States. Vietnam, a less developed country than Malaysia, with a per capita income of only \$1,168 in 2010,<sup>7</sup> compared with Malaysia's \$8,126,<sup>8</sup> had 14,888 students studying in the United States, almost double the number from Malaysia.<sup>9</sup> Of the countries that belong to the Association of South-east Asian Nations (ASEAN), Vietnam and Indonesia have reportedly been targets for increased recruitment among many institutions, and the growing number of students from Vietnam is likely a result of those efforts.<sup>10</sup> It follows that stepping up recruitment efforts in Malaysia could produce larger numbers of students as well.

Only 129 students from the United States studied in Malaysia in 2009–2010, a decrease of almost 9 percent from the 137 students the previous year, the highest number on record.<sup>11</sup> While the year-to-year fluctuations in numbers for each country are due to travel restrictions and changing economic conditions, the flow of U.S. students to Malaysia still stands in stark contrast to the flow of students coming from Malaysia. With most of the existing bilateral scholarship programs established for Malaysian students studying in the United States, scholarships should also be created to encourage more U.S. student travel to Malaysia. There are currently just five Fulbright grants for U.S. students to study in Malaysia, only one of which is dedicated to an international relations focus.

---

5. Institute of International Education (IIE), "Open Doors Fact Sheet: Malaysia," <http://www.iie.org/en/Research-and-Publications/Open-Doors/Data/Fact-Sheets-by-Country/~media/Files/Corporate/Open-Doors/Fact-Sheets-2011/Country/Malaysia%20Fact%20Sheet%20-%20Open%20Doors%202011.ashx>.

6. See Organization for Economic Cooperation and Development (OECD), *Education at a Glance 2007: OECD Indicators* (Paris: OECD, 2007), 298–325, <http://www.oecd.org/dataoecd/4/55/39313286.pdf>. See also "Table C3.8: Number of Foreign Students in Tertiary Education, by Country of Origin and Destination (2005) and Market Shares in International Education (2000, 2005)," <http://www.oecd.org/dataoecd/17/10/39308963.xls>.

7. U.S. Department of State, "Background Notes: Vietnam," January 5, 2012, <http://www.state.gov/r/pa/ei/bgn/4130.htm>.

8. U.S. Department of State, "Background Note: Malaysia," March 2, 2012, <http://www.state.gov/r/pa/ei/bgn/2777.htm>.

9. IIE, "Open Doors Fact Sheet."

10. IIE, "New Survey Finds Continued Growth in International Students Enrollments in the U.S.," press release, November 14, 2011, <http://www.iie.org/en/Who-We-Are/News-and-Events/Press-Center/Press-Releases/2011/2011-11-14-Open-Doors-Fall-Survey-International-Students>.

11. IIE, "Open Doors Fact Sheet."

The United States also needs to raise awareness about the Malaysian language and culture among its own population in general. Out of 6,000 accredited postsecondary institutions in the United States, fewer than 20 have Southeast Asian studies departments. A jointly endowed chair could partially model Ohio University's Tun Abdul Razak Chair, which was founded in 1980 and is funded by the Malaysian government, the university, and 38 corporations. Most recently, it received a \$750,000 contribution from Yayasan Sime Darby, a Malaysian multinational corporation.

Ohio University's Southeast Asia program also offers Bahasa Malaysia and a Malaysia resource center. About 2,400 Ohio University alumni live and work in Malaysia, the university's greatest concentration of alumni outside the United States. Many of them are leaders in key sectors of Malaysian society and members of an alumni chapter in Kuala Lumpur. Having a similar program and a jointly endowed chair in the humanities and social sciences in the Washington area, with its policy and international relations, focus could help develop a generation of future leaders and policymakers in both countries.

The English language remains important in Malaysian education, despite the decision to return to Bahasa Malaysia as the language of science and mathematics instruction in 2012. The demand for English language teachers remains largely unmet. There are currently 15 Fulbright English Teaching Assistantships (ETAs) in Malaysia, an increase from previous years but not enough to meet surging demand. At the 2011 ASEAN-U.S. Leaders' Meeting, the United States and Brunei announced the launch of the United States Partnership with ASEAN on English Language Education, a five-year, \$25 million initiative supported by the governments of Brunei and Singapore with the East-West Center in Hawaii as the implementing coordinator. Malaysia stands to benefit from this development, especially if a significant number of the English teachers are assigned to neglected primary and secondary schools in rural areas, as the current Fulbright ETAs are.

Educational exchanges between the United States and Malaysia would benefit if the two countries focused on unmet academic and social needs. MACEE was by decree not prescriptive in its program goals; however, there is much to be gained from funding specific areas of interest, need, and comparative advantages. Malaysia, for example, can benefit from U.S. capabilities in science and technology for its own development, while the United States could learn from Malaysian competencies in areas like tropical agriculture. Malaysia needs to develop its elementary and vocational education while also addressing the needs of its underserved rural populations. Given that new programs take time to develop and fund, it is expedient to encourage existing scholarship programs to support these targets.

As the demand and need for more programs and scholarships have increased, the budget for them has dropped dramatically. The global recession and domestic budget woes have deeply affected the United States, which has funded the vast majority of all academic exchange programs thus far. Unfortunately, these programs are frequently perceived to be nonessential and therefore are at risk as budgets shrink. In 2011, for example, the Fulbright budget was cut by \$16.4 million, to \$237.4 million.<sup>12</sup> Privately funded foundations have been similarly affected by the global economic slowdown.

In this difficult economic environment, it is critical that governments, academic institutions, and the private sector explore alternative sources of funding. The role of corporations in funding scholarships is underdeveloped, as is the capacity of U.S. and Malaysian educational institutions

---

12. Ian Wilhelm, "Fulbright Keeps Moving Forward Despite Budget Uncertainties," *Chronicle of Higher Education*, October 23, 2011, <http://chronicle.com/article/Fulbright-Keeps-Moving-Forward/129499/>.

in seeking funding from Malaysian companies and U.S. companies operating in Malaysia. Foreign governments could also do more to support these programs. Foreign governments' contributions to the Fulbright programs, for example, rose \$10 million, to \$89 million in 2010, the latest year for which data are available.<sup>13</sup>

## Cultural Exchanges

*Citizen Diplomacy is the concept that the individual has the right, even the responsibility, to help shape U.S. foreign relations, one handshake at a time. Citizen diplomats can be students, teachers, athletes, artists, business people, humanitarians, adventurers or tourists. They are motivated by a responsibility to engage with the rest of the world in a meaningful, mutually beneficial dialogue.*<sup>14</sup>

—U.S. Center for Citizen Diplomacy

Academics are not the only channel through which people-to-people relations are formed. In fact, cultural exchanges can encompass any number of activities, including athletics, the arts, dance, and music.

In 2009, the U.S. Department of State's Bureau of Educational and Cultural Affairs funded the Malaysia America Soccer Exchange Program—a partnership between the International Center's Sports Corp. Division, the Football Association of Malaysia, and other Malaysian state-level football departments—to strengthen bilateral relationships through women's soccer. Other ongoing programs supported by the U.S. government through its embassy in Kuala Lumpur include the Performing Arts Programs, the Ambassadors' Fund for Cultural Preservation, the International Visitors Program, the Women Mentoring Program, and the Citizen Exchange Programs.

The possibilities for cultural sharing are virtually limitless; however, the funds for them are not. Since cultural programs are at even greater risk than academic ones of being eliminated in budget cuts, it is important to borrow ideas that have proven effective elsewhere and devise creative, low-cost ways to make them work.

The next generation of cultural efforts between Malaysia and the United States should attempt to engage larger numbers of people from both countries to increase their effectiveness. This can be accomplished in part by taking greater advantage of already popular activities and personalities, and channeling their widespread appeal through mass media and various forms of social media.

“Citizen diplomacy” by definition occurs among people in all parts of society, including students, professionals, athletes, and artists. However, recruiting highly respected people in these fields and celebrities to serve as “cultural ambassadors” or “sports ambassadors” provides an opportunity to leverage their star power to raise the profile of bilateral relations. The free media attention they are able to generate often more than justifies the costs.

While the Malaysia America Soccer Exchange Program was a positive start, sports in general are underemployed as a way to engage the two countries in an area that has broad public appeal, involving not only the athletes and coaches but also their fans.

---

13. Ibid.

14. U.S. Center for Citizen Diplomacy, “What Is Citizen Diplomacy?” <http://uscenterforcitizendiplomacy.org/pages/what-is-citizen-diplomacy/>.

With 64 percent of Malaysians using the Internet,<sup>15</sup> the multiple forms of social media available today are an inexpensive and underexploited way to engage large numbers of people and help build and sustain relationships. They also enable outreach to more remote populations in both countries by allowing those otherwise unable to travel abroad to participate in and enjoy events. Social media can get greater mileage out of all cultural programs by preserving an accessible record of events, projecting attractive visual imagery, and generating “buzz,” without bloating the program budget. For example, a simple Facebook page that was created after the Malaysia America Soccer Exchange Program allowed the friendships that had been formed to continue and created a virtual record of the event for mass consumption.

Separately, cities and municipalities can develop twinning relationships, a largely unexplored option that can deliver mutually beneficial economic and social dividends for whole communities. There are four sister city relationships between the United States and Malaysia: Beaufort, Sabah, and Beaufort, North Carolina; New York City and Kuala Lumpur; Kuching and Seattle; and Malacca and Santa Monica. Cambodia, the Philippines, and Indonesia all have more twinning relationships with U.S. cities. Finding and developing more appropriate city matches is a worthwhile challenge, because twinning represents the ultimate large-scale bilateral relationship below that of the national governments. Sister cities are also less prone to political differences, are not burdened by security or global strategic concerns, and can choose how they want to engage in a mutually beneficial way.

## Science and Technology Cooperation: Paving the Way Forward

*We are also energetically working together to promote science, technology, entrepreneurship and innovation—including visits from President Obama’s science envoy, an APEC young entrepreneur’s summit, and an event called Silicon Valley Comes to Malaysia. As two countries with rich natural heritage—forests, coral reefs, and diverse wildlife—America and Malaysia are ensuring that biological wealth both supports development today and remains as a resource to enrich the lives of future generations.<sup>16</sup>*

—U.S. deputy secretary of state William J. Burns

Improving cooperation in the science and technology sector can not only supplement the people-to-people ties between the United States and Malaysia but can also become a foundational building block of the relationship. Science diplomacy should be a key focus of both administrations. Cooperation in this sector can have a tremendous spillover effect into other aspects of the bilateral relationship.

Science and technology ties between the United States and Malaysia were institutionalized by the signing of a memorandum of understanding between the U.S. State Department and the Malaysian Ministry of Science in November 2010. On hand to sign the memorandum were Secretary

---

15. Internet World Stats, “Asia: Malaysia,” <http://www.internetworldstats.com/asia.htm#my>.

16. William J. Burns, “The United States, Malaysia, and the Asia Pacific” (remarks, Institute for Strategic and International Studies, Kuala Lumpur, December 15, 2011), <http://www.state.gov/s/d/2011/178872.htm>.

of State Hillary Clinton, Deputy Prime Minister Muhyiddin Yassin, and Foreign Affairs Minister Anifah Hj. Aman. The memorandum agreed that the two countries would establish a joint committee on science and technology cooperation, which would focus on four areas of cooperation: (1) joint research, development, and design; (2) personnel exchanges; (3) joint organization of science conferences; and (4) the common use of research devices, facilities, and equipment.<sup>17</sup>

Since the signing of the memorandum of understanding, there has been a flurry of activity and bilateral visits seeking to boost ties between the science and technology sectors in the United States and Malaysia. U.S. ambassador to Malaysia Paul Jones met with Maximus Johnity Ongkili, Malaysia's minister for science, technology, and innovation, in May 2011. They emphasized the importance of the memorandum and came to an agreement that the field of biotechnology would be one of the first areas of cooperation.<sup>18</sup>

Deputy Prime Minister Muhyiddin traveled to Washington in June 2011 to open the Biotechnology International Convention, the first international leader to do so. He also visited the University of Maryland to facilitate greater cooperation.<sup>19</sup> The U.S. presidential science envoy for South and Southeast Asia, Rita Colwell, visited Malaysia in July 2011 to explore further cooperation in science and technology. Colwell was the first presidential science envoy to visit Malaysia and is also a member of Prime Minister Najib's Global Science and Innovation Advisory Council. Colwell met with her Malaysian counterparts and the Malaysian Industry-Government Group for High Technology and gave a series of lectures at Malaysian universities.<sup>20</sup>

The institutional linkages formed through educational exchanges and initiatives are crucial to building a foundation for a strong science and technology relationship. While the United States and Malaysia do not share a long history of cooperation in this field, much has been accomplished in recent years to solidify the relationship.

The Universiti Teknologi Malaysia (UTM) and the Massachusetts Institute of Technology agreed in 2010 to cooperate on conducting research in industrial biotechnology and graduate student exchanges at the Ph.D. and postdoctoral levels.<sup>21</sup> The relationship between the two institutions has since expanded to develop the Blended Learning Open Source Science, or Math (BLOS-

---

17. U.S. Department of State, "Memorandum of Understanding between the Government of the United States and the Government of Malaysia on Science and Technology," November 2, 2010, <http://www.state.gov/documents/organization/154234.pdf>.

18. Malaysian Ministry of Science, Technology, and Innovation, "Projects and Activities," February 21, 2012.

19. Paul Gabriel, "Biotech Tie-up Sought," *Star Online* (Kuala Lumpur), June 29, 2011, <http://thestar.com.my/news/story.asp?file=/2011/6/29/nation/8994712&sec=nation>; M. Hafidz Mahpar, "Malaysia Stamps Its Mark at Biotech Conference in the U.S.," *Star Online* (Kuala Lumpur), July 1, 2011, <http://biz.thestar.com.my/news/story.asp?file=/2011/7/1/business/9009790&sec=business>.

20. Rita Colwell, "Promoting Science Diplomacy through Scientific Collaboration," Akademi Sains Malaysia Eminent Person's Lecture, Institute of Diplomacy and Foreign Relations Malaysia, Kuala Lumpur, July 26, 2011, [http://www.idfr.gov.my/index.php?option=com\\_content&view=article&id=529:akademi-sains-malaysia-asm-eminent-persons-lecture-by-dr-rita-colwell-us-science-envoy-entitled-promoting-science-diplomacy-through-scientific-collaboration-26-july-2011&catid=40:newsline&Itemid=73&lang=en](http://www.idfr.gov.my/index.php?option=com_content&view=article&id=529:akademi-sains-malaysia-asm-eminent-persons-lecture-by-dr-rita-colwell-us-science-envoy-entitled-promoting-science-diplomacy-through-scientific-collaboration-26-july-2011&catid=40:newsline&Itemid=73&lang=en); "Malaysia Can Be Leader in Clean Water Initiatives—U.S. Envoy," *Bernama*, July 25, 2011, <http://my.news.yahoo.com/malaysia-leader-clean-water-initiatives-us-envoy-050611822.html>; "U.S. Presidential Science Envoy to Strengthen Ties with Malaysia," *The Edge*, July 25, 2011, [http://gsiac.might.org.my/?page\\_id=1422](http://gsiac.might.org.my/?page_id=1422).

21. Universiti Teknologi Malaysia, "Research Collaboration Between UTM and MIT on Industrial Biotechnology," November 1, 2010, <http://www.utm.my/news/news/319-research-collaboration-between-utm-and-mit-to-tackle-pollution.html>.

SOMS) program at UTM, which will advise the Malaysian government on ways to make science and math more attractive to students.<sup>22</sup>

Separately, the University of Maryland in 2011 signed a memorandum of understanding with Universiti Putra Malaysia and the Malaysian Ministry of Health to further facilitate joint research and faculty and student exchanges.<sup>23</sup>

## Conclusion

Developing the next generation of people-to-people ties between Malaysia and the United States requires an effort to build on existing programs while making better use of modern technology and past experience. A jointly endowed chair in the Washington area, for example, would help build on the success of the existing model while bringing more bilateral cooperation to the U.S. capital. Alumni programs can be better coordinated and more closely connected by using social media for their members' benefit.

Existing scholarships can be used to better fulfill the specific needs of each country. Improved coordination among institutions can lead to better outcomes, and more popular activities and personalities can engage larger audiences without necessarily costing more.

---

22. Universti Teknologi Malaysia, "UTM-MIT to Help Government Make Science and Mathematics More Innovative and Interesting," September 19, 2011, <http://www.news.utm.my/2011/09/utm-mit-to-help-government-make-science-and-mathematics-more-innovative-and-interesting/>.

23. College of Agriculture and Natural Resources, University of Maryland, "Agreements," May 2011, <http://ipan.umd.edu/mous.cfm>.





## ABOUT THE PROJECT DIRECTORS AND AUTHORS

### About the Project Directors

**Ernest Z. Bower** is senior adviser and director of the Southeast Asia Program and the Pacific Partners Initiative at CSIS in Washington. He is also president and CEO of Bower Group Asia, a well-known business advisory firm. Before forming his company, he served for a decade as president of the U.S.–ASEAN Business Council, a top private business group composed of America’s leading companies in Southeast Asia. For more than 20 years, he helped to establish and build the council from the ground level, working with government and private-sector leaders from the United States and Southeast Asia.

**Mahani Zainal Abidin** is chief executive of ISIS Malaysia. She received her Ph.D. in development economics from the University of London, and she has research interests in industrialization and economic transformation, international trade, and regional integration. She was professor in the Department of Applied Economics at the University Malaya and deputy director-general of the Department of Higher Education in the Ministry of Higher Education, Malaysia. She has also served on the twice-convened National Economic Action/Advisory Council established by the Malaysian government. She is a trustee of the 1Malaysia Foundation and a commissioner of the Land Public Transport Commission.

### About the Authors

**Murray Hiebert** is senior fellow and deputy director of the CSIS Southeast Asia Program. Before joining CSIS, he was senior director for Southeast Asia at the U.S. Chamber of Commerce, where he worked to promote trade and investment opportunities between the United States and Asia. He joined the U.S. Chamber in 2006 from the *Wall Street Journal’s* China bureau, where he covered trade, intellectual property rights, and China’s accession to the World Trade Organization. Before his posting in Beijing, he worked for the *Wall Street Journal Asia* and the *Far Eastern Economic Review* in Washington. His previous postings included Malaysia, Singapore, Vietnam, and Thailand.

**Elina Noor** is assistant director of Foreign Policy and Security Studies at ISIS Malaysia, where she focuses on United States–Malaysia relations. She was previously a part of the Brookings Institution’s Project on U.S. Relations with the Islamic World. She has also worked on weapons of mass destruction terrorism and cybersecurity issues. Her research interests include major power relations, terrorism, and the international laws of war. She read law at Oxford University, and she received an L.L.M. in public international law from the University of London and an M.A. in security studies from Georgetown University, where she was a Women in International Security Scholar.

**Gregory Poling** is a research assistant with the Southeast Asia Program at CSIS, where he manages projects that focus on U.S. foreign policy in ASEAN countries. Before joining CSIS, he lived and worked in China for a semester as an English language teacher. He received an M.A. in international affairs from American University, a B.A. in history and philosophy from Saint Mary's College of Maryland, and studied at Fudan University in Shanghai.

**Tham Siew Yean** is professor and principal research fellow at the Institute of Malaysian and International Studies (IKMAS) at the National University of Malaysia. She was previously deputy director (2004–2007) and director (2007–2010) of IKMAS. She has also served as a consultant to several national and international agencies, as well as a resource person in the ASEAN–China and Malaysia–Japan Joint Study Groups for free trade agreements. She has published extensively on foreign direct investment, industrial development, and trade in services in Malaysia. She received a bachelor's degree in economics from the University of Malaya and a Ph.D. in economics from the University of Rochester.







**CSIS** | CENTER FOR STRATEGIC &  
INTERNATIONAL STUDIES

1800 K Street, NW | Washington, DC 20006  
Tel: (202) 887-0200 | Fax: (202) 775-3199  
E-mail: [books@csis.org](mailto:books@csis.org) | Web: [www.csis.org](http://www.csis.org)

