The Emergence of Non-State Actors in Enhancing Malaysia’s Relationship with the GCC Countries

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ABSTRACT

For more than 40 years, there has been growing interest in the socio-political and economic interactions between Malaysia and individual Arab Gulf States. This is most likely because of the economic interaction between these nations and Malaysia as well as the religious affinity between Malaysia and the Arab Gulf states. This has invariably led to the proliferation and establishment of numerous non-state actors who are also playing momentous roles in enhancing bilateral relationships. The aim of this paper is not only to examine and investigate the influence and contributions of non-state actors in enhancing Malaysia’s relationship with the Arab Gulf States but also to provide a significant attempt to assess the role of Malaysian non-state actors in shaping future direction with the Arab Gulf countries and the extent to which Malaysian foreign policy has intensified the role of non-state actors.

Keywords: Non-state actors, Arab Gulf States, Malaysia, foreign policy

INTRODUCTION

Malaysia’s relations with the Arab Gulf states undoubtedly relies on the success of the spread of Islam. However, there has been a drastic shift in Malaysia’s relations with the Arab Gulf states from kinship based on religion only to other facets of human capital development and economic activities. This shift has not been given adequate attention in academic discourse.
on the engagement and involvement of non-state actors in strengthening Malaysia’s relationship with the Arab Gulf States. This paper examines the roles of non-state actors in fostering commercial, trade and economic prosperity between Malaysia and the Arab Gulf states. It will, therefore, be pertinent at this stage to take a look at the emergence of non-state actors in international relations while acknowledging the continuous importance of state actors.

Non-State Actors: Emergence and Evolution

The rise of globalisation, liberalisation and privatisation in the 1980s and 1990s brought a swift transfer of roles from states as sole source of regulation, public policy and economy to non-state actors. This change slowly diminished the authority of the state and its activities at the international arena, and since then, the roles played by international institutions such as non-state actors, multinational corporations (MNC) and non-governmental organisations (NGOs) in a globalised world have become increasingly prominent (Milner & Moravcsik, 2009). The emergence and presence of these international institutions at the international circle gave rise to view points on how international relations could be determined and described. For instance, the world has been dominated by the realist point of view on how international relations can be explained. They have ignored the emergence of non-state actors in international relations, especially if the definition of non-state actor includes terrorist organisations. The realists also believe in the state-centric approach that views all other actors in international relations as being of secondary importance (Willetts, 2001). Therefore, the realists have narrowed the role of non-state actors in international relations, especially in the aspect of policy making.

At a later stage, scholars began to notice the role of non-state actors in international relations because the states, somehow, had to give up some of their authority to meet the demands of non-state actors. In the case of humanitarian or social movements, for example, the states became more alert about the implementation of human rights, as otherwise, they would have had to face aggravated pressure from NGOs (Smith & Johnston, 2002). Therefore, the awakening of non-state actors as influential actors in international relations has become imperative. The neoliberal refers to this as the systemic-level theory of international politics, which plays an important role in reshaping the stance of the states to reconsider the influence of non-state actors in matters related to international relations (Milner & Moravcsik, 2009).

The important roles being played by non-state actors with respect to policy and decision making in the international affairs of states are, therefore, being fully recognised by the states itself. This recognition leads to the emergence of a number of influential non-state actors, NGOs and TNCs. States, directly or indirectly, are gradually depending on these non-state
actors for effective policies to build up the country. For example, attraction of foreign investment from multinational firms is now considered one of the major roles of non-state actors. Though their resources may be limited, they have the ability to mobilise millions of members and initiate global media campaigns to draw the attention of multinational and transnational investors (Fogarty, 2013).

The other area in which the role of non-state actors is well noted is international transactions, which a state may have difficulty regulating. This situation is known as the ‘triangulation of trade and loss of sovereignty’. For example, a government may wish to impose sanctions upon another state, but may find it difficult to control information and people mobility, especially for business purposes (Willetts, 2001). In the international arena, sanctions can only be imposed if the states cooperated with one another. It is noted, however, that most often, there are clashes between powerful and weak states. Weak states anticipate that they will be exploited by powerful states for future hidden benefits, and therefore, they refuse to cooperate (Urpelainen, 2010). Sometimes, mediators like non-state actors facilitate an agreement and ease the conflicts between states in order to build strong cooperation in international relations because conflict may result in trade prohibitions, levying of tariffs and embargoes (Chang, 2005).

Indeed, it is acceptable to posit that non-state actors have been playing an active role in contemporary global politics and the economy (Hettne & Söderbaum, 2000). This position is further emphasised by the fact that in the twenty first century, there has been agitation for more democratisation, as is being canvassed for in the Arab Gulf states (Kéchichian, 2004). Hence, with the new-paradigm of non-state actors, there is a kind of diplomacy and ideology in the overall activities of non-state actors (Langhorne, 2005).

**Malaysian Non-State Actors in the Arab Gulf**

Malaysia, in its vantage point in Asia has been doing well in education, socio-economic development, commerce and trade, and has long enjoyed political stability, among other positive features. The peaceful co-existence and security and the overall development of the country is not only restricted to the country but extends to other countries through its international relation policy and partnership with other international communities. There has been pragmatic effort by the government to partner with other countries through its foreign policies, for example, through activities related to human and capital development with such countries as those of the Arab Gulf states like Bahrain, Kuwait, Saudi Arabia, Qatar, Oman and the United Arab Emirates.

The country’s relations with the Arab world, as noted earlier, is substantial in terms of socio-economic, trade and commercial activities, which have been conducted over many decades. However, the extent of the growing interest in the
roles of non-state actors between Malaysia and these Arab Gulf states has not been well researched despite the fact that the contributions of these non-state actors have been acknowledged at national, regional and international levels. There has been a drastic and growing demand to investigate and access the roles of non-state actors in the overall developments that have taken place between these countries in all facets of human endeavour. Yet, there is a lacuna regarding the extent to which the roles played by Malaysian non-state actors has assisted in shaping future direction with the Arab Gulf states. Therefore, the main aim of this paper is to investigate the contributions of non-state actors in fostering Malaysia’s relationship with the Arab Gulf States.

**Malaysian Foreign Policy: A Catalyst for Intensification of the Role of Non-State Actors**

Undoubtedly, foreign policy is an important written document that indicates how a particular nation relates with other nations in socio-economic matters, politics, trade, commerce and other critical activities (Slaughter et al., 1998). Malaysia, as it prepares to achieve its vision 2020, is working hard to ensure that its foreign policy is comprehensive and far-reaching (Sharifah, 2003). Malaysian foreign policy has recently affirmed its bilateral relationship with the Arab Gulf states and the West Asian region in general. Undoubtedly, Malaysian foreign policy has intensified the role of non-state actors in these relationships. Indeed, the political challenges faced by the Arab Gulf has caused the USA to come up with a new policy on the Middle East generally with specific focus on the provision of peace, harmony and freedom. As a result of the multifarious challenges faced by the Arab Gulf States, the region’s foreign policies have been shaped towards looking for working partners in alternative regions such as India and Turkey. Malaysia is also one of the countries whose enjoys favour with the Arab Gulf (Aras, 2005; Pradhan, 2010).

Indeed, economic prosperity has significant impact on the foreign policy of Southeast Asia in general and Malaysia in particular. In this regard, non-state actors have been actively collaborating and cooperating with other organisations that have similar objectives. Similarly, the motive was to have an economic orientation that is market-driven. At the end of 1997 Malaysian non-state actors reached a new high in economic sustainability since the economic meltdown (Sharifah, 2003). Subsequently, there has been agitation for change in socio-economic transformation policy and politics. This trend has in no measure positively affected the country’s foreign policy. In this regard, it is asserted that the socio-economic model of Malaysia was focused on growth and development (Sharifah, 2003). Hence, political reformation is corroborated by national transformation in terms of economic and social change.

It is not unrealistic to posit that Malaysia has seen a lot of reform in the past five years. The changes or reforms cut across various realms such as the
economic, legal and political spheres of society. It can be asserted that just like Turkey in the Middle East, Malaysia enjoys a positive reputation among the Arab Gulf states and can be considered a role model for the Arab Gulf states as a result of its creative ideas in striving for reconciliation between democracy and Islam along with its technological advancement. However, there is an international sectarian difference in the country’s seemingly reconciliatory approach towards democracy and Islam. Indeed, the role of Malaysia in the Organisation of Islamic Cooperation (OIC) and specifically, the role it plays through the International Islamic University has elevated its profile and prestige among Muslim countries in general and the Arab Gulf states in particular.

Further, a number of non-state actors in Malaysia have been proactively playing significant roles to ensure that the crisis in the Arab Gulf states is ended and more importantly, that humanitarian services are offered in conflict-prone areas in the Arab Gulf states and the wider region of the Middle East e.g. Palestine. Recently, government policies have been reformulated to address some fundamental problems facing the Arab Gulf States. Available resources further show that since the era of former Prime Minister, Dr. Mahathir, non-state actors especially those in the business community have been growing steadily and playing a greater role in both domestic and foreign affairs (Sharifah, 2003). In 1991, the Malaysia-Saudi Arabia Friendship Society (MBFS) was established, and this has further contributed to Malaysia’s goal of strengthening Malaysia-Saudi relations (Economic Planning Unit, 2006).

Socio-Economic Relationship Between Malaysia and the Arab Gulf States

Malaysia plays a significant role in the socioeconomic development of Asia in general and Southeast Asia in particular. The current socio-economic bilateral relationship between Malaysia and the Arab Gulf states can be traced back to 1979 with the establishment of the Arab-Malaysian Development Authority, which strengthened commercial and trade activities. The focus on economic development of the Arab Gulf states no doubt has helped Malaysia to promote its eco-democratic system more vitally. This system had also helped to improve the well-being and standard of living of her citizens (Habibi, 2010; Kamrava, 2012). Also, the social stability, peace and harmony enjoyed in Malaysia serve as an impetus in encouraging the Arab Gulf states to collaborate with the country in many areas of economic and capital endeavour, especially in trade and commerce. It is commonly known that peace, security and stability serve as determinant factors in the socio-economic development of any nation. The socio-economic vibrancy of Malaysia’s bilateral relationship with the Arab Gulf states has lately been enhanced by the involvement of Malaysian businessmen in the oil industry through the establishment of the Gulf Cooperation Council (GCC) (Kéchichian, 2004; Habibi, 2010; Kamrava, 2012).
In 1981, the Gulf Cooperation Council (GCC) was formed aimed primarily at promoting the socioeconomic and political interests of the Arab Gulf states and more importantly, solving the multifarious problems of the Arab Gulf states (Habibi, 2010). There have been changes in the socio-economic relations between the Gulf and the West since the terrorist attack on the World Trade Centre (WTC) on 11 September, 2001. Now, there are several transnational business networks between Malaysia and the Arab Gulf states, and the economic ties between the two countries, on the basis of promoting socioeconomic development and cooperation, are very strong. The economic relationship between Malaysia and the Arab Gulf states is reflected in investment and business ventures between the countries (Sharifah, 2003; Abu-Hussin, 2010; Abu-Hussin & Salleh, 2013). Aras (2005) reported that:

*The GCC countries have great potential for reconciling economic development and modernity in the Gulf, and this may serve as an example for other regions. The GCC is also active in providing funds to a number of infrastructural programmes outside the Gulf. It is necessary for regional countries to understand the conditions that created the constructive roles of Turkey and the GCC for regional peace, stability and development. In this regard, Turkey is a natural key to any plan or concept that aims to promote democracy and raise living standards, thanks to having both European and Middle Eastern identities, political and social modernization, and rising democratic standards. (p. 94)*

It is further asserted that Malaysia plays a significant role in attracting the Arab Gulf states through Transnational Commercial Organisations (TCOs) such as financial markets, business cooperation, stock exchanges etc. Similarly, in the Arab Gulf states, there are many Malaysian non-state actors that contribute significantly to socioeconomic development. These non-state actors play important socioeconomic roles mostly in the areas of multimedia and information technology (IT).

There are various aspects of IT revolution such as software development and IT services. For the enhancement of the socio-economic bilateral relationship between Malaysia and the Arab Gulf states, Malaysia, compared to many other countries like India, does not promote this relationship with semi-skilled and skilled workers. Nonetheless, professionals like medical doctors, engineers, accountants and businessmen etc. also form what is now known as non-state actors, and they have been contributing meaningfully to socioeconomic development in the Arab Gulf states (Gallarotti et al., 2012). On the other hand, the Arab Gulf states in the recent past have sought exportation of hydrocarbon from the Southeast Asian market to replace trade with western countries.

As a result, recent socioeconomic activities between Malaysia and the Arab Gulf states have become strengthened, especially in the areas of trade and economic
cooperation. The establishment of an economic cooperation framework (ECF) would be especially important in fostering bilateral socio-economic and commercial relations between these nations.

The revival of religion is certainly part of the global search for identity and belonging for communities, social structure, institutions and new sets of orientations that provide meaning and purpose. In this regard, Muslim countries that are largely interconnected by religious belief, such as Tauhid (oneness of God), culture and history naturally develop a cohesive collective identity known as an “Ummah” (nation or community of Islam). The “Ummatic” identity, sentiments and agenda could provide ideational, normative and cultural factors relevant to officials involved in the decision-making process related to socioeconomic activities. Highlighting the importance of religious belief and values that could potentially shape future relations between Malaysia and the Arab Gulf, sectors such as halal products and food security that are a major concern to the Muslim community encourage cooperation between Malaysia and the GCC to boost economic opportunities in these sectors.

Malaysia has been promoting this area by implementing halal standards and developing halal industrial parks. In fact, Saudi Arabia has expressed willingness to share expertise with Malaysia in building a halal park in the Middle East (Bernama, 2010). UAE, on the other hand, requires the halal certification logo for all imported products, and the Malaysian halal logo is the one most recognised (personal interview with Consul Agriculture of Malaysia in Dubai, September, 2014). This is due to the fact that the Malaysian halal certification system, through its Department of Islamic Religious Department (JAKIM), applies stringent tests to all products before issuing the halal certificate. There are also about 80 Malaysian-based companies that have established businesses in UAE that are actively promoting halal food (MATRADE, 2010).

Cooperation and Collaboration Between the Gulf Cooperation Council (GCC) and Malaysia

Malaysia is considered a ‘second home’ for tourists from Southeast Asia, and Bukit Bintang, located in central Kuala Lumpur, is a prominent entertainment and leisure spot for them. Four major languages are spoken in Malaysia, namely, Malay, Mandarin, Tamil and English. However, according to Foley (2012), in the last few years, the prominence of the Arabic language in entertainment hubs in Kuala Lumpur such as cafes, restaurant, clubs etc. is an indication that the Arab presence in tourist spots is growing. This phenomenon reflects the Malaysian tourism slogan, “Malaysia – Truly Asia”.

This undeniable fact has necessitated the employment of Arabic-speaking employees as well as the serving of Arab food in different restaurants. The number of Arabs from the Arab Gulf states especially from Khaliji, specifically Saudi Arabia, is so high that Malaysians refer to
the peak period in Arab travel to Malaysia as the “Arab Season” (Foley, 2012). A huge number of Arabs live in harmony and work without fear in Southeast Asia. Malaysia is also an ideal country in terms of intellectual exchange for the Arab Gulf states as it offers attractive educational opportunities. In addition, medical care in Malaysia is considerably cheaper for patients from the Arab Gulf states compared to treatment obtained in Western and European countries. Foley (2012) noted:

While Gulf Arabs contributed generously to religious institutions in Southeast Asia in the twentieth century, they made few investments in the region’s economy, apparently preferring safer opportunities in the West. The director of the Arab-Malaysian Development Bank observed in 1979 that religion factored little into the economic decisions of Gulf Arabs: ‘When it comes to paying out money, they take out their Japanese calculators and do their sums.’ But this dynamic changed at the start of the twenty-first century, when Gulf states ‘re-oriented’ their focus eastward — towards not only China, but also the Muslim nations of Southeast Asia. For many in the Gulf, Malaysia was an attractive alternative destination to the West for education, healthcare, investment and leisure — especially after the 9/11 terrorist attacks, the Dubai Ports World affair, and the 2008 global financial crisis. Malaysia also offered two additional benefits: an entity way to Indonesia and the other growing economies in Southeast Asia and a way to check the growing influence of Iran in the region. There are 70,000 Iranians living in Malaysia alone. (p. 78)

This indicates that apart from the influence of religion, Gulf investment in the economy of Southeast Asia is a significant factor in Malaysia’s relations with the Arab Gulf states. Taking note of this, Southeast Asian leaders strongly uphold the stand point that the presence of Gulf countries in the region will considerably boost the economy of the region in the immediate future, allowing the region to compete with the growing economy of China. The presence of the Arab Gulf states in the region can also influence the growing interest of Western markets in Southeast Asia. It is notably presumed that negative events in the Gulf have served as positive reinforcement to the growing interest of Southeast Asia in the Gulf in order to maximise economic benefits. Further still, the economic success or prosperity stories recorded between Malaysia and the Gulf states suggest that non-state actors have contributed immensely to socioeconomic relations between them.

The Emergence of Islamic Banking

The emergence of Islamic banking and finance has further strengthened Malaysia’s engagement with Arab countries. The establishment of these institutions has benefitted from the surplus of oil money in the Arab Gulf. The Islamic banking and
finance sector in Malaysia has recently been a platform for funds from the Arab Gulf states, and this continues with the participation of Arab Gulf banking institutions in the Malaysian market. For example, BIMB, the first Islamic bank in Malaysia, received a substantial investment from Dubai Islamic Investment Bank, a subsidiary of the Dubai Group, in 2007. Dubai Islamic Bank purchased a forty-percent share in BIMB, valued at RM828 million (US$224) (Bernama, 2007). Few other funds in the Islamic banking and financial sectors have received such a significant injection of Arab petrodollars. Furthermore, the Kuwait-based Gulf Investment Cooperation (GIC) recently launched a RM500 million (US$164 million) issuance of sukuk.¹

The Malaysian government via the Malaysian Islamic Finance Council and Central Bank of Malaysia (BNM) are encouraging Islamic banks from the Arab Gulf states to establish businesses in Malaysia. BNM has given licences to several bank operators from the Middle East, such as Al Rajhi Banking & Investment Banking, KFH and ACR ReTakaful Holdings (a joint venture between Khazanah Nasional Berhad² and the Dubai Group). Moreover, the Malaysia International Islamic Financial Centre (MIFC) is actively promoting Malaysia as a major hub for international Islamic finance in the Arab region and encouraging substantial discourse between the market players in Malaysia and the Arab region. With the appointment of the Crown Prince of the State of Perak, Malaysia, HRH Raja Dr Nazrin Shah Ibni Sultan Azlan Shah, as the financial ambassador of MIFC, Malaysia is now widely accepted as a leading example of the industry and is recognised as the most advanced player in the Islamic banking and finance industry. One such example of cooperation between Malaysia and the Arab Gulf states is the gas exploration project in Sarawak between Mubadala Company of Abu Dhabi and the Malaysian National Petroleum Company (PETRONAS) and Sarawak Shell Berhad (Mubadala, 2014). Mubadala was also given two concession blocks in offshore Sarawak, in the eastern part of Malaysia (2013) and has a strategic joint venture investment with 1MDB in Sarawak for developing a US$4 billion aluminium complex in Malaysia (Fitch, 2011). The success of Mubadala Company in Malaysia is believed to be due to the strong contribution of Malaysian entrepreneur Jho Low. Jho Low is linked with Mubadala through its subsidiary hospitality unit, the Viceroy Group of Hotels, of which he is a director, and was believed to have connected Malaysia with the UAE (AR, 2013).

Foley indicated the extent of the involvement of the Arab Gulf states in Malaysia in terms of education, investment, health and leisure services. In addition, he pointed out (Foley, 2012):

¹_Sukuk_ is an asset-based Islamic bond that is structured according to Syariah (Islamic law) principles.

²_Khazanah Nasional is a government-owned investment organisation that manages the sovereign wealth fund.
At the same time, the Gulf’s bilateral trade with Southeast Asian nations is still smaller than its bilateral trade with China, Europe, Japan and the United States. Although the number of Gulf tourists have grown rapidly in recent years, even the number of Saudi tourists (87,000) were dwarfed by those from Singapore, Indonesia, Brunei and China in 2011. One sees similar numbers in Indonesia, where only a fraction of the 7 million tourists annually come from the Gulf. Although the number of GCC students in Southeast Asian colleges and universities has risen, and the fees at Malaysian universities are a fraction of those at Western institutions, there are now 50,000 Saudis studying in the United States — many more than in Malaysia. (p. 84)

![Diagram of non-state actors in enhancing Malaysia’s relationship with the Arab Gulf states](image)

**CONCLUSION**

The paper has meticulously explored the socioeconomic bilateral relationship between Malaysia and Arab Gulf states through the lens of non-state actors. Non-state actors are otherwise referred to as transnational organisations or non-governmental organisations. This paper has investigated the interesting factors that have contributed to the bilateral relationship between Malaysia and the Arab Gulf states. It explicitly elaborated that the roles of non-state actors in strengthening the bilateral relationship between Malaysia and the Arab Gulf states cannot be over-emphasised. Lack of governmental support in providing essential facilities for humanitarian services is one of the fundamental factors that enables or paves the way for the emergence of non-state actors. Studies have shown that socioeconomic and political expansion...
between the Arab Gulf states and countries like Turkey and India is being transformed by non-state actors.

In the Malaysian context, non-state actors have contributed immensely to the enhancement of the dialogue between Malaysia and the Arab Gulf states especially in the desired change and required transformation. Various areas to which there have been meaningful contributions by non-state actors to the enhancement and development of Malaysia’s economic relationship with the Arab Gulf states were also thoroughly examined. In conclusion, it is suggested that the Malaysian government, policy makers and stakeholders should encourage and motivate Malaysian non-state actors to contribute towards shaping future direction with the Arab Gulf states. In other words, Malaysian foreign policy must inculcate the idea of intensifying the role of non-state actors towards the enhancement of existing relationships for future growth and development.

REFERENCES


