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# RSIS COMMENTARIES

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## **Land Swap Deal: New Era for Singapore-Malaysia Relations**

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*Although the land swap deal for development of Malayan Railway land in Singapore will take three more months to conclude, the historic bilateral agreement represents a breakthrough in the attitudes of the two countries and signals a new spirit of cooperation in Singapore-Malaysia relations.*

THE PRIME MINISTERS of Singapore and Malaysia met in Putrajaya on 22 June 2010 to discuss the terms of a proposed swap of Malayan Railway (KTM) land with other possible sites in downtown Singapore, for joint development. They had earlier met in Singapore on 24 May 10 and agreed on the mode of implementation of the Points of Agreement of 27 November 1990 signed by then Prime Minister Lee Kuan Yew and Malaysian Finance Minister Daim Zainuddin on the railway land and other issues.

### **Longer than Expected**

Under the agreement of 24 May the KTM Terminal in Tanjong Pagar would shift to Woodlands and the returned KTM properties at that station and three other places -- Woodlands, Kranji and Bukit Timah -- would be developed by a joint company M-S Pte Ltd, which will be 60% owned by Malaysia's Khazanah Holdings and 40% owned by Singapore's Temasek Holdings. At their meeting on 22 June, PM Lee Hsien Loong and PM Najib Tun Razak discussed the values of the properties, prepared by Singapore. They agreed to further consider the proposals and views of both parties over the next three months and meet again after Aidil Fitri (Hari Raya Puasa) in September with a view to concluding the deal. Then officials of both sides would draw up the detailed terms of the agreement to be embodied in a written instrument to be signed by the two PMs and ratified by their parliaments, hopefully by year's end.

While the process is taking longer than was initially expected, the two sides are proceeding with caution because ultimately it's about money. Both sides want to be sure that the deal would be fair and

beneficial to both parties. Sceptics warn that there was still room for the deal to be stymied by unforeseen obstacles or objections, given the twists and turns of the relations between the two neighbours over the past two decades. However, as key parties in the two countries have given their support, the deal is expected to go through, eventually.

Veteran observers on both sides of the Causeway view it as representing a psychological breakthrough in the way the two countries approach contentious issues between them. Malaysia had accepted the fact of Singapore's sovereignty over the railway land while Singapore had acknowledged Malaysia's entitlement to some economic value for the railway land and stations that KTM had to give up. The agreement to relocate the KTM Station to Woodlands within a year has opened up the possibility of a resolution to other outstanding issues, if approached with the same spirit. These include the price of water supply from Johor to Singapore and the withdrawal of CPF savings by Malaysian workers and use of Malaysian airspace by the Singapore Air Force.

### **Swift Move**

What is noteworthy is the rapid pace at which the two prime ministers have agreed to move forward on the deal. They are to wrap up the land swap deal in three months, the joint company to develop the railway land is to be formed within six months and the Tanjong Pagar station is to relocate to Woodlands within a year. The two PMs view their objective to conclude the deal after Hari Raya Puasa as a good time. The three intervening months would give the two sides time to carefully consider their positions, with PM Najib expressing appreciation for PM Lee's flexibility in wanting to reach agreement. PM Najib has also undertaken to visit Singapore within the period to push the process forward.

The POA had defied resolution for 20 years by two generations of prime ministers in both countries, but has now been resolved by the third generation. It symbolised the discarding of the mental and emotional baggage that was said to have burdened the previous generations. Though sons of past prime ministers, both PM Lee and PM Najib have sloughed off the historical legacies that have stood in the way of mutual accommodation the past 50 years. They have decided to reset bilateral relations to the higher level that they deserved. By moving decisively to bring the legacy issue to a close the two leaders have demonstrated statesmanship. While they agreed to develop the railway land for mutual benefit they also signalled a new partnership by committing to joint ventures beyond Singapore, such as investing in a wellness township in Iskandar Malaysia and building a new mass rapid transit link between Singapore and Johor Baru.

### **New Psyche**

The KTM land agreement thus heralds the beginning of a new era in the relations between the two countries. The *leitmotif* of the change in attitude could be the difference in psyche of the two younger prime ministers from that of their older predecessors. However another driving force for change could be the development of Iskandar Malaysia, in which Singapore's participation is welcomed. While Iskandar Malaysia has an excellent master plan for growth, Putrajaya might see Singapore's greater involvement as an added ingredient for success.

As an initial step, the two governments have decided to reduce their respective toll charges at the Second Link between Tuas in Singapore and Gelang Patah in Johor, by 30% from August. It's a small but significant start to the new effort to promote increased commerce and tourist exchanges between the two countries. Singapore-Malaysia relations look set to becoming more intertwined economically and reinforced physically, leading to new areas of collaboration and a closer nexus between the peoples of the two countries.

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