

independent survey proposals. Malaysia is participating in the ESCAP (a United Nations agency) Regional Remote Sensing Program, the ASEAN Cooperation Committee on Remote Sensing, and the Earth Resources Program of the European Space Agency.

Defence

Regular force personnel in the Malaysian Armed Forces total 128,000, consisting of 105,000 in the army, 10,500 in the navy and 12,400 in the airforce. Reserves total 40,000 consisting of 38,000 in the army, 2000 in the navy and 600 in the airforce. Regular force strength is expected to be reduced to about 100,000 and reserve force strength increased over the next decade.

In 1991 government defence expenditures were estimated at US\$1.73B less the U.K. Defence MOU expenditures and the internal security budget, or about 3.8% of GDP and 14.8% (including internal security) of the federal operational budget. From Malaysian independence in 1957 the military fought a 42 year counter-insurgency war against the Communist Party of Malaysia (CPM). Since its victory over the CPM in December 1989, the military has redefined its role to one of defending the nation from external aggression and protecting its economic assets in its Exclusive Economic Zones (EEZ) of the South China Sea. Currently, Malaysia has no identified external threat, but has recognized the requirement to protect its current oil and gas production and reserves within its EEZ. These new military roles will result in a larger navy equipped with sophisticated surface combatants, and funds permitting, a submarine force. The air force is expected to acquire modern maritime surveillance and air defence aircraft, supported by sophisticated early warning ground based installations. The army will restructure to a conventional equipped force of tanks, self propelled artillery and mechanized infantry that will include one rapid reaction division capable of deploying anywhere in peninsular Malaysia within 24 hrs.

Preparing for this armed forces conversion from counter-insurgency to a conventional warfare capability Malaysia signed a defence Memorandum of Understanding (MOU) with the U.K. government in September 1988. In this document Malaysia agreed to purchase one billion pounds sterling (C\$2.05 billion) of defence equipment over ten years from the U.K. with 70 to 80% of the costs to be offset by counter-trade arrangements in oil and commodities.

Exact prices of goods purchased by both countries is subject to negotiation under the terms of the MOU. While delivery of U.K. defence equipment will significantly improve the military capabilities of Malaysia's armed forces there will be a continuing requirement for acquisitions from other suppliers to enhance its operational effectiveness. As such, opportunities do exist for Canadian defence firms to bid with British partners to provide U.K. equipment under the MOU, for promoting auxiliary equipment that will improve the capabilities of U.K. equipment, for bidding on tenders issued by the Malaysian military for replenishment stocks of general stores and supplies and for equipment not provided for in the MOU.