

A stylized water tap graphic with a grey handle and spout. The handle has two horizontal bars. The spout is a large, rounded rectangle containing the text 'SINGAPORE-MALAYSIA WATER TALKS:'. Below the spout is a blue water droplet shape containing a white question mark and the text 'What are the FACTS?'.

**SINGAPORE-  
MALAYSIA  
WATER TALKS:**

**What  
are the  
FACTS?**

## INTRODUCTION

Singapore buys water from Malaysia under the 1961 and 1962 Water Agreements. They will expire in 2011 and 2061 respectively. These Water Agreements are part of the Separation Agreement (Independence of Singapore Agreement) signed in 1965. Any breach of the Water Agreements would call into question the Separation Agreement and undermine Singapore's existence as a sovereign nation.

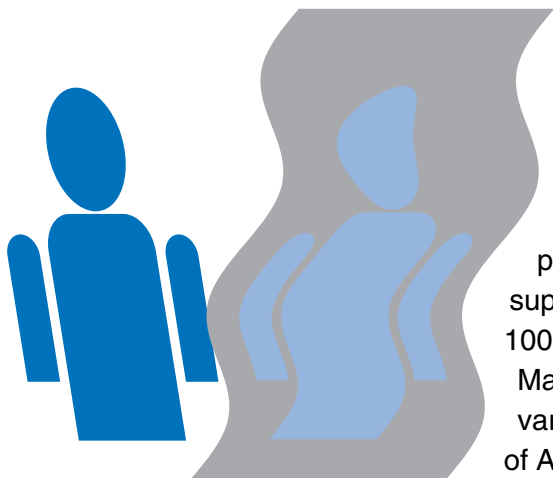
The heart of the water issue is not how much Singapore pays for water, but how Malaysia wants to revise the price of water. We cannot let Malaysia change the terms and conditions of the 1961 and 1962 Water Agreements whenever they are unhappy. Malaysia cannot break their solemn word on a whim. If Malaysia can increase the price of water as and when they liked, what is the value of other agreements we have signed with them? Where will it all end?

Under the Water Agreements, Malaysia should have asked for a price revision in 1986 and 1987. But Malaysia chose not to do so. Then in August 2000, Malaysia suddenly decided it wanted to raise the price of current water. Even though Malaysia had lost its right to review, Singapore was prepared to consider Malaysia's proposal as part of a package of bilateral issues which included future water supply for Singapore after 2061. Malaysia stood to gain a lot from the considerable concessions Singapore was prepared to make. Despite Malaysia's constant flip-flops, Singapore persevered to secure a win-win outcome.

However, when Malaysia could not get its way on a price revision during the negotiations, it started accusing Singapore of being "unreasonable", "insincere", "legalistic", "selfish", "profiteering" etc. The Malaysian media spread so many untruths about the water talks

that the Singapore Government had no choice but to release all the documents and correspondence between the leaders of the two countries. These documents and correspondence show that it was Malaysia that kept changing its position. Every time both sides were close to an agreement, the Malaysian side shifted the goalposts and made new demands. It became clear that Malaysia had no intention of striking a deal on future water after 2061. Since Malaysia has shown it is not sincere about the negotiations, Singapore is prepared to go to arbitration on the matter of price of current water supply.

## Malaysian Tactics - Distortions



The water talks began in 1998, when Malaysia asked to settle all outstanding bilateral issues as a package. Singapore agreed to this approach. The items in the package covered the future supply of water to Singapore for 100 years after 2061; use of Malaysian airspace by the RSAF; variations in the terms of the Points of Agreement; early return of CPF monies amounting to RM 3 billion to West Malaysians and, later, the Malaysian proposal to replace the Causeway with a bridge and a revision of the current water price.

But when negotiations on the package stalled because of Malaysia's constant changes and new demands, Malaysia suddenly and unilaterally discontinued the package approach. With just one letter to Singapore on 7 October 2002, Malaysian PM Dr Mahathir

ended the package: *“Malaysia decided to discontinue the package approach and to give the highest priority to first resolving the long-delayed water issue, particularly the price review of raw water.”* So it was Dr Mahathir who ended the package, without consulting Singapore.

Yet Malaysia continues to blame Singapore. They are unhappy that we released the documents to show the facts – that they had been making abrupt U-turns throughout the negotiations and distorting facts when speaking in public.

What is the reality behind the myths thrown out by the Malaysians? We present to you now some of the most common Malaysian myths and the facts behind them.

## SINCERELY YOURS

### #1 They Say:

*Singapore is being too “legalistic”. Singapore should be more “neighbourly” and pay more for water.*

### **The Fact is:**

**It is not how much Singapore pays for water, but how Malaysia wants a price revision to take place.**

Instead of observing both Governments’ solemn and binding guarantees regarding the Water Agreements, Malaysia is calling the Agreements “unfair” and says that domestic legislation can be used to declare these Water Agreements void. What they want to do is to carry out a price revision in violation of these Agreements.

Singapore has a crucial reason for sticking closely to the law. This is because the Water Agreements are closely tied to Singapore's status as an independent country. The Water Agreements were guaranteed by both Governments in the 1965 Separation Agreement, which is the basis for Singapore's existence as a sovereign nation. Therefore any breach of the Water Agreements would call into question the Separation Agreement, and undermine our very existence. This is unacceptable.

Whenever Malaysia runs out of arguments, they will accuse Singapore of being "legalistic" and not being "friendly" or "a good neighbour". We cannot allow Malaysia to change solemn agreements whenever they are unhappy. If they can chop and change agreements signed, how do we conduct relations with them? Any future agreement both countries enter into will be meaningless!

## **#2 They Say:**

*Singapore is the "stumbling block" in the water issue because it is "insincere" and does not really want to settle the problem.*

## **The Fact is:**

**Malaysia is the real "stumbling block" with its habit of changing its mind.**

Professor S Jayakumar has given a full chronology in Parliament on 25 January 2003 to show that difficulties arose because Malaysia repeatedly changed its position and shifted the goal posts each time both sides were close to an agreement. Despite the twists and turns, Singapore persevered, accommodating as much as possible, and never closed the door on negotiations to reach a win-win solution. Professor Jayakumar also released all the documents and

correspondence for everyone to read and decide for him or herself what is the truth of the matter.

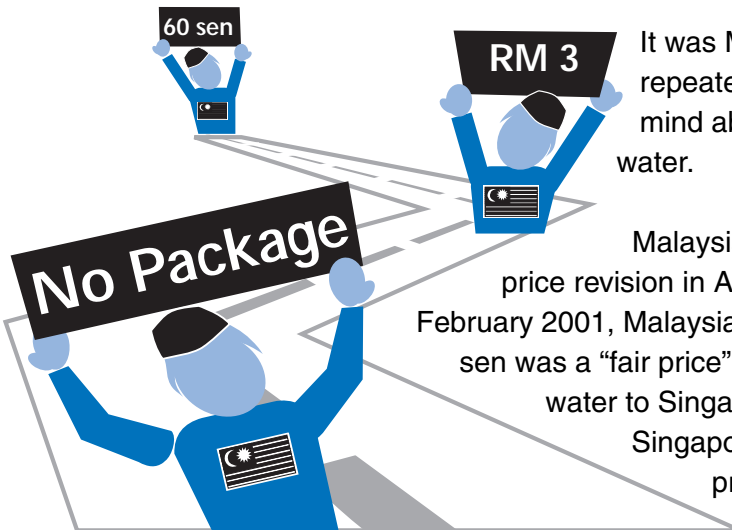
If we are “insincere” or “unreasonable” like what the Malaysians claim, why did Singapore allow Malaysia, within the package discussions, to negotiate for a price revision even though Malaysia has lost its right to do so? As a concession, Singapore even agreed to include Malaysia’s request to build a new bridge to replace the Causeway. It was Malaysia who abruptly ended the package approach in October 2002.

### #3 They Say:

*Singapore “refused” to pay a fair price for water.*

### The Fact is:

**We were prepared to pay a fair price for water but the Malaysians just wanted more and more!**



It was Malaysia that repeatedly changed its mind about the price of water.

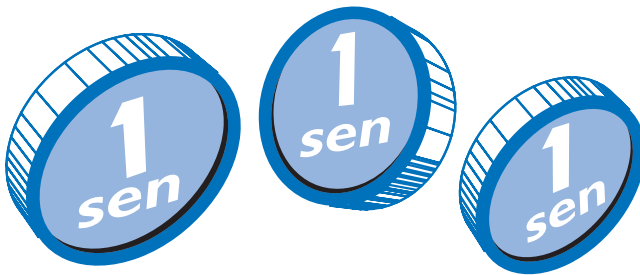
Malaysia first asked for a price revision in August 2000. In February 2001, Malaysia agreed that 60 sen was a “fair price” for selling raw water to Singapore from 2061.

Singapore accepted this price, and as a

goodwill gesture, even agreed to pay Malaysia 45 sen for raw water (up from 3 sen) up till 2061. The basic skeleton of an agreement on the package was forged in September 2001. But six months later, the Malaysians did a complete U-turn on the prices and sent Singapore a totally different pricing proposal.

After agreeing to Singapore's counter-offer of 45 sen for current water and 60 sen for future water, they had another change of heart and raised their asking price to 60 sen from 2002 to 2006 and RM3 from 2007. Later, Malaysia asked for RM6.25 for current water. This is a 200-fold increase!

## THE FACTS BEHIND “3 SEN WATER”



### **#4 They Say:**

*Singapore is “profiteering” by buying raw water from Malaysia at 3 sen per 1,000 gallons and selling treated water back to Malaysia at 50 sen.*

### **The Fact is:**

**It is Malaysia who is “profiteering” from our subsidies on treated water.**

## **3 sen for river water**

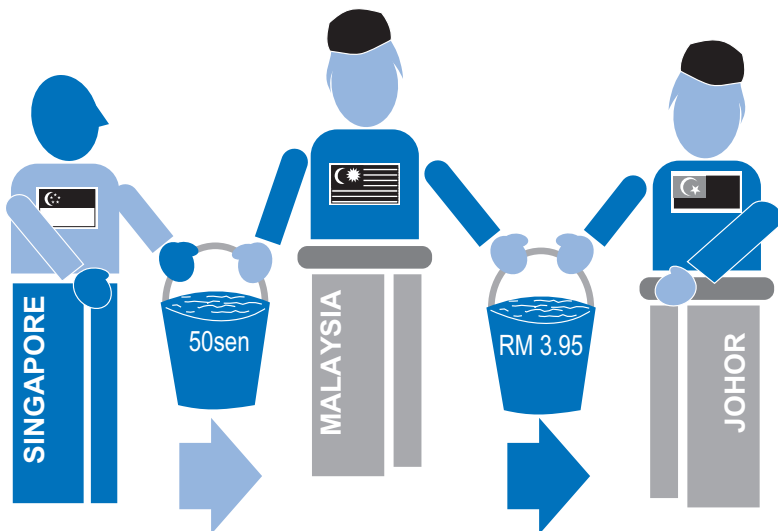
Singapore pays 3 sen for raw water which otherwise would have gone from the river to the sea. Why only 3 sen? It is because Singapore bears the full cost of treating this water, as well as building, operating and maintaining the pumps and pipelines. Johor bears nothing.

## **Subsidy in the treated water**

Singapore is being generous in selling treated water to Malaysia at 50 sen. The real cost of treating the water is RM2.40 per 1,000 gallons. So Singapore is in fact absorbing RM1.90 per 1,000 gallons in cost. And since Malaysia buys 37 million gallons a day (mgd) of treated water, this means that Singapore is subsidising Malaysia to the tune of RM70,000 a day.

## **So who really profits?**

The Malaysians are buying 37 mgd of water from Singapore when under the Water Agreements, Singapore needed only to provide Johor with 17 mgd of treated water. So why is Malaysia buying more than double their entitlement? The answer is simple: Malaysia is making easy money from this cosy arrangement. Having bought Singapore-treated water at 50 sen per 1,000 gallons, the Malaysian government then sells it to Johor citizens at RM3.95 per 1,000 gallons – a 700% profit.



Malaysia also says Singapore profiteers by selling treated water to ships at RM40 per 1,000 gallons. The fact is, Malaysia also does the same thing. In fact, Malaysia charges a much higher price for water sold to ships at their ports than its domestic rates.

The water we sell to ships is less than 1% of our total water demand. How can Singapore get rich by selling water to ships? Singapore charges a high price to water sold to ships precisely to discourage this kind of demand.

**#5** They say:

*The British fixed the 3 sen price “in 1927” because it “favoured” Singapore.*

**The Fact is:**

**The 3 sen price was agreed to under the 1961 and 1962 Water Agreements, after Malaya’s independence, and not under the 1927 Water Agreement.**

The 1927 Water Agreement did not cover the price of water supplied to Singapore. So it is absolutely wrong to say that the 3 sen price was imposed by Britain who “favoured” Singapore. The price was set under the 1961 and 1962 Water Agreements. The Johor state government and the City Council of Singapore signed the Agreements. Malaysia is also wrong to hint that the British colonial masters had intervened in 1961 and 1962 in favour of Singapore. Malaya was already a sovereign nation in 1957 and Singapore had achieved self-government in 1959. How could the British have played any role in this, and would the Malayan government have allowed Johor to sign agreements that were against the country’s interest?

**#6** They say:

*Singapore is “underpaying” Johor for raw water because Hong Kong buys water from China at RM8 per 1,000 gallons.*

**The Fact is:**

**Singapore cannot be compared with Hong Kong. Hong Kong does not pay for any infrastructure, maintenance or operation costs for the water.**

From time to time, Malaysia used the RM8 per 1,000 gallons that Hong Kong pays China for water to argue that the 3 sen Singapore pays Malaysia was unreasonable. This comparison is wrong. Hong Kong pays China a higher price because Hong Kong does not bear the infrastructure, maintenance, and operation costs in the treatment and delivery of water. China bears these costs and passes them on to Hong Kong by charging a higher price.

On the other hand, Singapore pays for all infrastructural and operation costs like the building of water pipelines, dams and treatment plants. While Singapore has spent S\$1 billion on such projects, Malaysia did not have to spend a cent.

**#7 They say:**

*Malaysia has a “right” to review the price of current water supply.*

**The Fact is:**

**Malaysia has lost its right to a review.**

The 1961 and 1962 Water Agreements allowed for a price review after 25 years. This means that Malaysia should have asked for a price review in 1986 and 1987. But Malaysia did not. Now, Malaysia has lost its legal right to do so. Also, Malaysia has no right under the Agreements to backdate any price increase to 1986 and 1987.

There has been no official explanation on why Malaysia did not ask for a price review in 1986 and 1987. But public statements by Malaysian politicians suggest that it was a calculated move. Johor State Assembly Speaker Zainalabidin Mohd Zain recently told the State Assembly that Johor saw no point in calling for a price review in 1986 because of her heavy reliance on Singapore for treated water at that time. Even Dr Mahathir admitted that Malaysia did not revise the price of raw water then because Singapore might go on to raise the price of treated water.

Malaysia is calling for a price review now because Johor is expected to have its own water treatment plant in Kota Tinggi up and running by 2003. When that happens, Johor will stop buying treated water from Singapore. Any increase in the price of treated water by Singapore will thus have no impact on Malaysia.

## WHAT NEXT?

**#8** Malaysia's de facto Law Minister Rais Yatim says:

*Malaysia will enact a law to make the 1961 and 1962 Water Agreements null and void.*

**The Fact is:**

**Malaysia cannot do this as it goes against an established principle of international law.**

No country can enact a law to get itself out of its international treaty obligations. If a country can do this, then treaties between nations will mean nothing. Even Dr Mahathir has said that Malaysia is "bound" by the Water Agreements and "cannot just break the agreements".

**#9** They say:

*Malaysia must satisfy the water needs of her people.*

**The Fact is:**

**Singapore has no problem with this.**

When negotiating a future water agreement, Singapore has always said that Malaysia must satisfy the water needs of its own people before selling to us. Singapore previously even mentioned that if Johor cannot meet Singapore's long-term needs because of its own needs, we can consider water from Pahang. However, Malaysia is reluctant to let Pahang sell water to Singapore and is not serious about engaging Singapore in talks on future water supply.

**#10** They say:

*Singapore is not “serious” about the water talks.*

**The Fact is:**

**Singapore is extremely serious about the water talks. But it takes two hands to clap, so Malaysia must show the same seriousness.**

Despite Malaysia’s twists and turns, Singapore has tried our best to accommodate them. But sadly, Malaysia only wants to settle on its

own terms. It is not serious or

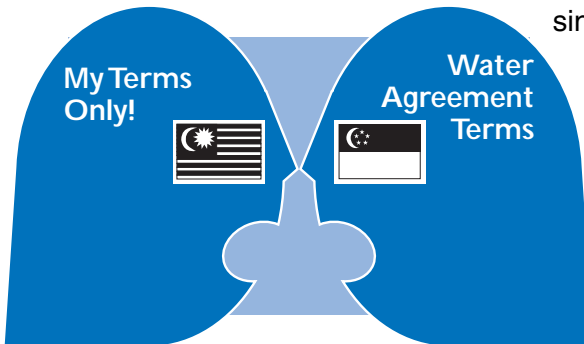
sincere about a new pact to

supply water beyond

2061. Malaysia just

wants Singapore to

cave in to its demands.



Since Malaysia has ruled out further negotiations, a way forward can be to

refer the matter to the Permanent Court of Arbitration (PCA), an international institution well-known for its impartiality. Unfortunately, Malaysia does not want to go to the PCA.

So what is the next best solution? Arbitration according to Johor laws is provided for under the terms of the Water Agreements. Singapore is prepared to do this, if this is what Malaysia wants. But Malaysia has to show seriousness and sincerity in wanting to resolve the water issue.

Ministry of Information, Communications and the Arts  
February 2003

**SINGAPORE**

