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The next step forward for Malaysia

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FOR all the hype about development, not many countries in the world have enjoyed rapid economic growth on a sustained basis after World War II.

Malaysia is one of the exceptions and it has joined a select group of countries in East Asia to have achieved a considerable increase in standards of living. However, it is now at an inflection point and has to transform itself into an advanced economy with an inclusive society and a mature democracy. Can it do so? What is the next step up?

When Malaysia gained its independence, its main assets were rubber plantations and tin mines, and much of these were still owned by foreign companies. A large proportion of the population was engaged in agriculture and poverty was endemic. There was hardly any industry to speak of and that which did exist was small-scale and domestic oriented.

Making matters more tenuous was the multi-racial population, a large percentage of whom were from overseas. Like elsewhere in South-East Asia, the overseas Chinese dominated most aspects of commercial life and formed a powerful urban mercantilist class. Native Malays and bumiputra were still to be found on the land, while many Indians mainly worked the estates.

Out of this diverse ethnic-religious milieu, a political accord to be crafted and a nation had to be built. The accord produced a government by a coalition of the three largest ethnic political parties. This set the template for governance for the future.

One of the most important implications to follow from this was that the legitimacy to govern was not dictated solely by the ability to win elections. It was equally about the ability to bring about economic and social transformation.

This forging of a critical nexus between political legitimacy and economic and social performance is one of the key reasons why Malaysia has managed to side-step the fractious ethnic infighting that has plagued many other countries.

It was the promise of a better standard of living that enticed both Malays and non-Malays to share political power and the economic cake. And every leader from Tun Abdul Razak onwards sought to ensure that there was enough cake for all to eat.

Fast-forward 53 years. Apart for three recessionary episodes in 1985, 1998 and 2009, the *rakyat* has seen significant improvements in their standard of living.

Malaysia's economy became more globally integrated – it hosts a large stock of foreign direct investment, is the 18th-largest trading nation and is a major exporter of electronic semiconductors and palm oil.

At a per capita income of US\$6,800, it is classified as a middle-income country but one that is at the lower end of the scale. Economic growth after the Asian financial crisis in 1998 has moderated, like many other East Asian economies.

In purchasing power parity terms, Malaysia's standard of living is comparable to that of Mexico and a little lower than Argentina. This is a big leap from where it has been but nevertheless requires an even bigger leap to make it to the middle of the pack of advanced Organisation for Economic Cooperation and Development countries.

There have been dramatic social changes as well. Absolute poverty has markedly declined from the days when it was over 50% of households. Of equally striking impact has been the effect of mass education on Malaysia. The emphasis on education was a vital factor in the uplifting of society by expanding tremendously the people's access to education although it did not come cheaply.

A large part of annual budgets have been consistently gone to the building of schools and universities. Investments in socio-economic infrastructure have also been a focal point. Malaysia boasts some of the best public facilities in South-East Asia, something that first-time visitors never fail to notice.

And these are not confined only to major urban centres. The national preoccupation with development has meant that public amenities can be found in all but the most remote of villages.

The satiation of basic needs, however, have given rise to new and non-materialistic ones. Most evident in society is that of the spiritual. Increasing religious devotion spans the entire spectrum, not only Muslims but also Christians, Buddhists, Hindus and others.

Also rising to the surface, especially among the urban elite, are demands for greater freedom of expression, for a less paternalistic form of government, and a more globalised, liberal and ultimately universal values.

Running in contradiction, however, are demands for greater ethnic identity, for a return to conservative traditional values, and for a greater share of the economic spoils. As is found elsewhere, these proponents have strong political platforms from which to make their claims.

To be sure, not all developments have been widely regarded as positive. There have been accusations of authoritarianism, as they have been in other East Asian success stories.

Ethnic-religious pressures and tensions may have been effectively managed – on occasion just barely – but they have not disappeared by any means. If anything, they float close to surface of most societies, ready to rise when the opportunities present themselves.

In many senses, in defeating the enemy of under-development, Malaysia has been successful and the country runs the danger of now becoming a victim of its successes through complacency.

Discussions about escaping the middle-income trap have gone beyond the economic prerogatives to include societal inclusiveness and sustainability of growth. There has been a great deal of thinking on educational imperatives, as well as science and technology.

The question for now and the future lies not so much in the specific details, significant though they are, but in whether the nexus that was created 53 years ago between political legitimacy, economic performance and social stability can remain or whether it will unravel.

This nexus must be preserved even though some political quarters are using the sometime contestable situation to their advantage.

For Malaysian society to take the next step up, it will have to be both open and yet cohesive as has never the case before. There can be no room for half-measures or half-heartedness.

The next step up is in a world where both human talent and investment capital have legs to run. Convincing both of these that Malaysia is one of the best places to stay, work and reap the rewards will have to be one of the central unwavering tasks of the leadership.

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