

Malaysia: A new way forward?

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Author: Mahani Zainal Abidin, ISIS

After taking office in April 2009, Prime Minister Najib Razak consolidated his position in 2010 as he introduced plans to transform the economy and the public sector.



Najib's popularity was further bolstered by Malaysia's robust economic performance and a foreign policy that saw relations with key countries improve rapidly. In June 2010, a survey by the Merdeka Centre, an independent pollster, suggested that the prime minister's approval rating stood at 72 per cent. Even so, it remains unclear whether Najib's personal popularity will be able to improve the fortunes of the [ruling coalition](#), Barisan Nasional, which continues to be haunted by the loss of its long-held two-thirds parliamentary majority at the general election of 2008.

In 2010, Malaysia's economy rode the wave of the East Asian recovery – exports grew by 16.5 per cent, portfolio funds arrived to push the Malaysian stock market back up to an all-time high, foreign direct investment recovered and the Ringgit appreciated by 9 per cent. GDP is expected to have grown by 7 per cent in 2010.

Still, this quick recovery from the global crisis did not overshadow the need for a major structural overhaul of Malaysia economy. Accordingly, the government launched several key transformation measures in 2010, comprising of the [New Economic Model](#) (NEM), the National Economic Key Areas (NKEAs) and the 10th Malaysia Plan.

The NEM [goals for Malaysia](#) – to become a high-income economy and to promote inclusive and sustainable growth – provide a succinct description of the country's economic challenges. The plan is for Malaysia's per capita income to rise from the present US\$7,000 to US\$15,000 by 2020, with much of this growth expected to come from the private sector. Indeed, at a time when the government is trying to trim its fiscal deficit from 7.4 per cent of GDP in 2009 down to 5.4 per cent in 2011, the public sector's financial capacity will be decidedly limited. Special measures will be directed at to raise incomes and improve standards of living of the lower 40 per cent of Malaysia's households.

The most contentious parts of the NEM are its new approach to affirmative action (the New Economic Policy) and attempt at dismantling vested interests. The NEM proposed that affirmative action be administered in a market-friendly and transparent manner and be based on merit and needs, a proposal met by strong opposition from conservative *bumiputera* groups and which resulted in the restoration of the old 30 per cent quota for *bumiputeras*, albeit at the macro level, in the 10th Malaysia Plan. This demonstrates the inherent difficulties in making significant revisions to policies seen to impinge on *bumiputera* special privileges. For the United Malays' National Organisation (UMNO), the dominant party in the ruling Barisan Nasional coalition, affirmative action is an especially delicate subject, given that the *bumiputera* groups constitute its power base.

The year also saw the turning of a new leaf in Malaysia's relationship with the United States. At the Nuclear Security Summit held this April in Washington, DC, Najib was one of the few leaders to have a one-on-one meeting with President Obama. In August, Malaysia agreed to join the Trans-Pacific Partnership, which the United States has actively promoted. The visits to Malaysia by US Secretary of State Hillary Clinton and Secretary of Defence Robert Gates in early November were widely seen to validate the upbeat assessments of the future of Malaysia-US relations. This stands in contrast to the often testy relationship between these two countries over the previous two decades. Closer to home, Malaysia has also settled a long-standing dispute with Singapore over land controlled by Malaysian Railways in the latter's territory. Over the past year, relations with Australia, China, India, Japan, and the countries of the Middle East have also experience positive growth.

The government's improved image stands in strong contrast to the disorganised and quarreling of the opposition coalition. The opposition leader, Anwar Ibrahim remains mired by sexual misdemeanour allegations, especially in light of recent comments on the matter released by Wikileaks. Anwar's party, Parti Keadilan Rakyat, suffered a major blow when Zaid Ibrahim, who was contesting for deputy president of the party, alleged underhanded practices and left the party.

Perhaps more glaring is the fractious relationship between the parties of the opposition coalition on key policies. The Democratic Action Party (DAP) has long been at odds with

Parti Islam SeMalaysia (PAS) over the latter's plans for setting up an Islamic State in Malaysia. In addition to turning voters over to the ruling coalition, disillusionment with the opposition coalition has also given birth to a new movement consisting of independents. If the results of the next general election are unclear, these candidates may well emerge as powerbrokers if they were to win sufficient numbers of seat in Parliament.

Najib may be tempted to call an early election in 2011, even though he has until 2013 to do so, to take advantage of strong economic performance in 2010 and the current troubles facing the opposition coalition. Having introduced various economic reform measures, he has now turned his attention to politics. The idea of allowing direct individual membership to Barisan Nasional, as opposed to becoming members through one of its constituent parties, is gaining traction. This could potentially attract supporters from Malaysia's urban middle class, many of whom appear to have eschewed affiliation with [ethnic-based parties](#) .

There are still big challenges ahead. The NEM's success will depend on the effectiveness of its implementation. Getting private sector funding for the projects under the NKEA will be critical. Higher inflation – partly stemming from the removal of subsidies – in addition to concerns about income inequality, corruption, and ethnic relations may well become the hot issues in 2011, especially if an election were to take place.

Dr. Mahani Zainal Abidin is the Chief Executive of the Institute of Strategic and International Studies, Malaysia.

This is part of a special feature: [2010 in review and the year ahead](#).

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