

Domestic Developments in India and Malaysia

The 4th Session of the Second India-Malaysia Dialogue focused on both the political and economic scenarios of the two countries. The session was moderated by **Mr Mahendra Ved**, an Indian journalist and a member of the Commonwealth Journalists Association of India. Presentations on the topic were delivered by **Dato' Dr Mahani Zainal Abidin**, Chief Executive of ISIS Malaysia, **Ms Rita Sim**, Executive Director of the Sin Chew Media Corporation, and **Professor Y Yagamma Reddy**, Director of the Centre for Southeast Asian and Pacific Studies of the Sri Venkateswara University, India. **Keith Leong**, Researcher at ISIS reports.



(From left) Y Yagamma Reddy, Mahendra Ved, Mahani Zainal Abidin and Rita Sim

Mr Mahendra Ved touched on the many similarities between India and Malaysia, not least of which are the long-held domestic ties between them. Both nations are also former British colonies, resulting in them being multiparty parliamentary democracies, as well as multiracial and multi-religious entities.

Both have had momentous elections recently, namely the 2009 General Elections in India, and the March 8th 2008 General Elections in Malaysia. Both elections underscored the importance of coalition governance, and the need for political players to understand each other as well as to cooperate in order to administer their nations.

This is especially important given the great ethnic diversity in both nations, particularly

India, whose Constitution allows political expression and space to even the country's smallest ethnic groups.

Dr Mahani Zainal Abidin spoke of the recent developments in Malaysia's economy and the challenges the economy faced. While Malaysia shares many similarities with India economically, it needs to take stock of how it can achieve higher growth, a path that India is already on. On the other hand, it cannot be denied that Malaysia has thus far recorded good growth and has made significant strides towards development. It is an upper middle-income country that has scored great success in eradicating poverty. Malaysia is also a leading exporter of electrical and electronic goods plus commodities and enjoys sound physical infrastructure.

On the other hand, it has also suffered its share of setbacks, culminating in the economic crises of 1985 and 1998. The former was caused by drop in commodity prices and Malaysia's large fiscal deficit, which in turn led to the economic liberalisation that spurred growth in the 90s. However the Asian Financial Crisis of 1998, from which the nation has since recovered, saw Malaysia's economic growth slow down. Indeed its fiscal position has been negative since then. The '98 crisis also revealed that Malaysia was caught in a middle-income trap which it is still struggling to escape from.

Mahani then turned to how Malaysia is faring in the current post-global financial and economic crisis scenario. The country's position is especially tricky given that the United States, once its engine for growth, has become the cause of the present crisis! While the Government undertook rapid counter-cyclical measures to shield the country from the fallout, these have had the effect of pushing the country's fiscal debt even higher. Malaysia has in fact one of the highest fiscal debts as a percentage of GDP amongst the Asean nations.

Nevertheless, Malaysia's response to the global crisis in the form of two stimulus packages and lower interest rates has succeeded in maintaining liquidity. The nation's exports still exceed its domestic demand, and its financial system is still strong, a result of a greater caution after the Asian Financial Crisis. Malaysia's financial institutions avoided the complex financial instruments that caused the current crisis.

Challenges

Mahani went on to describe the additional policy

measures the government undertook, namely the liberalisation of the service sector and bumiputera equity requirements, initiatives to attract human capital, and the abolishing of the Foreign Investment Committee guidelines. As a result, the global financial crisis has had little impact on Malaysia's economy, but this does not detract from the need for a deeper restructuring of the economy to help it move past the middle income trap.

Mahani then concluded by highlighting the challenges facing Malaysia's economy today. Chief amongst them is the formulating of a New Economic Model that will guarantee new areas for growth, and transform the country into a high-income, advanced economy, which is especially important given that oil now contributes almost 35 per cent to government revenues. Mahani felt that the focus should be on developing the services sector and reducing the fiscal deficit.

... the global financial crisis has had little impact on Malaysia's economy, but this does not detract from the need for a deeper restructuring of the economy to help it move past the middle income trap

Other challenges include the problem of acquiring technology, intensifying research and development, accelerating the country's human capital development, and expanding the talent base. There was also a need to revive private investments so as to create a more flexible labour market and to ensure the success of the regional corridors.

Ms Rita Sim delivered an update on political trends in Malaysia. She characterised Malaysia as a parliamentary democracy, comprising a lower house of Parliament with 222 seats, and various state assemblies. The country has been governed since 1969 by the Barisan Nasional (BN) coalition led by Umno, although its dominance has since been challenged by the historic 12th General Elections of 2008.

Sixteen parties contested that election, namely the 13 parties of the BN and the three main Opposition parties, the Parti Keadilan Rakyat (PKR), Democratic Action Party (DAP) and Parti Islam Semalaysia (PAS), which eventually became the Pakatan Rakyat (PR) alliance. The 2008 elections saw the BN lose its two-thirds majority in Parliament, falling eight seats short of this 'psychological barrier' as Sim described it.

The PR combination also managed to form governments in five states, although one, Perak, later fell and was taken over by the BN. The elections were followed by a series of unprecedented by-elections, of which BN has only won two. This has led to intense speculation as to what the results of the next general elections would be.

Changing Profile of the Malaysian Voter

The 2008 elections also demonstrated the changing profile of the Malaysian voter. While young voters were decisive in determining the elections, voter registration and participation has remained low. Sim claimed that four out of ten Malaysians who were eligible to vote have not registered to do so, and some 2.8 million Bumiputeras have not registered. This means that seven out of ten eligible Malays are registered voters, compared to nine out of ten Chinese.

These figures are significant given that small changes in voting trends can make big differences in election outcomes in Malaysia, as per 2008. For instance, a 13 per cent vote swing in Kedah saw the BN government of the state fall!

Sim then turned to the two political coalitions, which many hope will herald a two-party system for Malaysia. While Umno attempts to consolidate its Malay base, it still faces considerable obstacles in winning back non-Malay support and its BN allies have been weakened considerably. Prime Minister Najib Tun Razak will face the multiple challenges of transforming Umno into a more multilateral party, and of winning back non-Malay as well as young voters. His '1Malaysia' slogan has resonated with ordinary Malaysians, but more needs to be done to solidify its appeal.

The PR, on the other hand must deal with internal disputes, not only between its component parties but also dissent within the parties themselves. Sim felt that the rise of conservatives in the Islamist PAS party would prove especially problematic to PR's attempt to win power on a broad-based, multiracial platform. On the other hand, PAS' electoral machinery often proves to be Pakatan's main means to connect with the Malay grassroots. Malaysian politics is therefore very much at the crossroads and it will be very interesting to see where it goes from here.

Differing Perceptions and Policies

Professor Yagamma Reddy focused on the need for symbiotic approaches in India-Malaysia relations. He described the historical, cultural and geographical commonalities between India and Malaysia, as well as watershed events such as

The Second India-Malaysia Strategic Dialogue

Malaysia's support of India during the Sino-India War of 1962.

While India has embarked on a Southeast Asian (and hence Malaysia) friendly 'Look East Policy' in its foreign relations, Reddy felt that there was still a need for greater understanding between the nations. While officials from the two countries regularly exchange visits, engage in joint training and sign MOUs frequently, India-Malaysia relations, in his words remain a 'mixed bag.'

He felt that the relationship has not been consistently smooth and has not accrued the benefits to both sides that it ought to have. For instance, Malaysia continues to refrain from supporting India's membership in Apec and opposes the latter's entry into the proposed East Asian Community (EAC). This is due primarily to differing perceptions and policies.

Reddy therefore feels that it is time for India and Malaysia to embark on an enhanced partnership. Strong areas of cooperation, such as the integral defence relationship between the two countries, already exist. He also spoke of the constructive diplomacy that was used to handle sensitive issues between the countries such as the Hindraf (Hindu Rights Action Force) protests and the ban on Indian workers in Malaysia.

While bilateral trade between India and Malaysia is flourishing, it remains at best an unequal trading partnership. Investments are impressive but mutual cooperation and the lack of political will means that bilateral investments remain wanting. This, according to Reddy is unfortunate given the geographical and historical linkages between the two countries.

India and Malaysia, are after all geographically similar, and even share the same tropical, monsoon-based, weather patterns. Trade between the two countries has flourished since the 1400s and indeed a significant ethnic Indian community has become an integral part of Malaysian society.

Potential complementary activities between India and Malaysia, suggested Reddy, could include economic strategies to boost the coastal plains of each country, which will in turn support intra-regional trade. Both countries, after all, enjoy an export-based economy thanks to the British, and cooperation is appropriate, especially in the agricultural sector.

Reddy concluded by reaffirming the need for a symbiotic approach to India-Malaysia relations. He said it is in Malaysia's interest to engage with India, given the latter's economic, scientific and strategic importance in international affairs. Ved brought the session to a close by stressing the need for soft diplomacy in bringing the countries closer together.

... it is in Malaysia's interest to engage with India, given the latter's economic, scientific and strategic importance in international affairs