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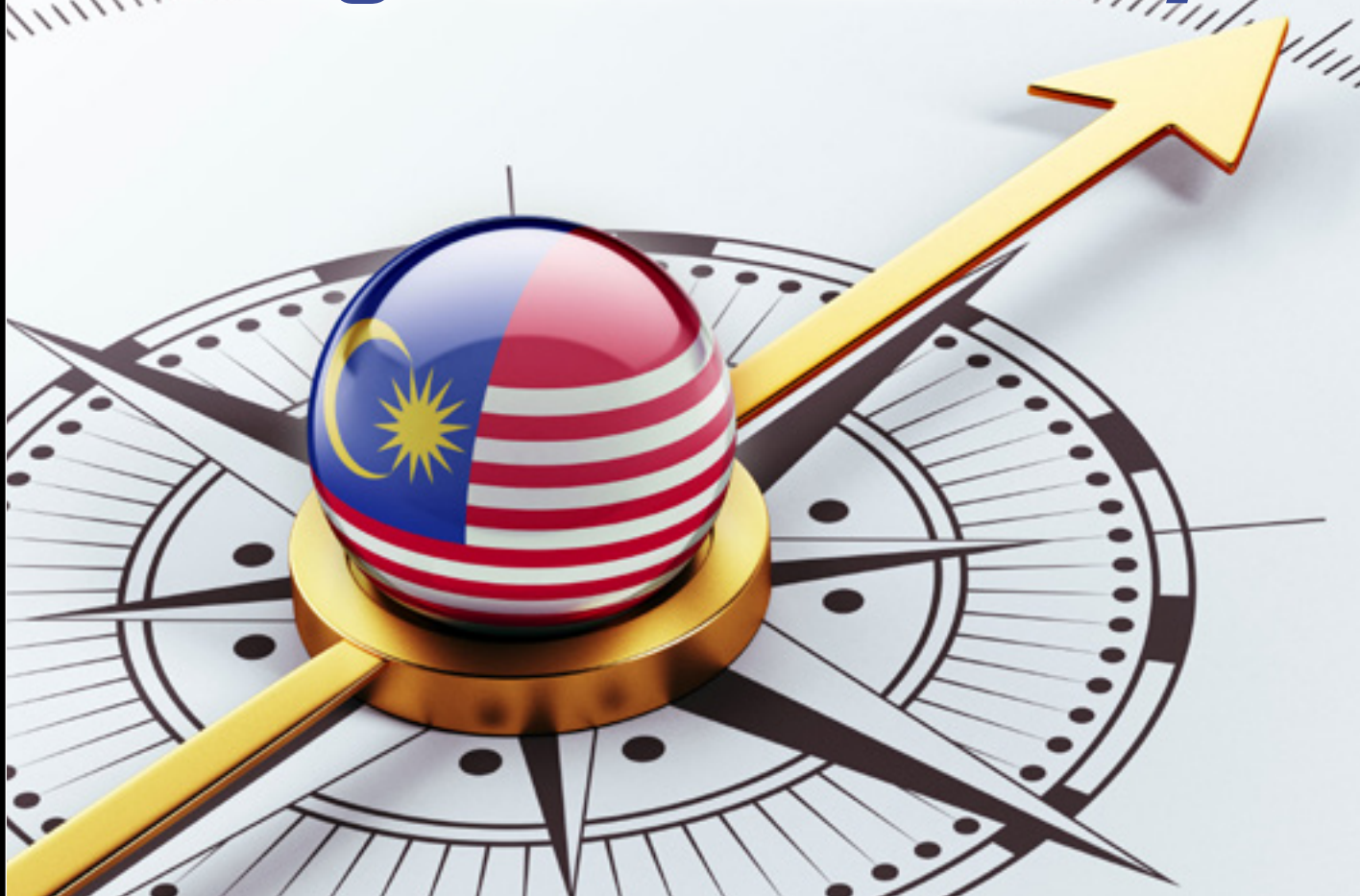
focus



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MALAYSIAN REFORMS Change or/in Continuity?





Institute of Strategic and International Studies (ISIS) Malaysia

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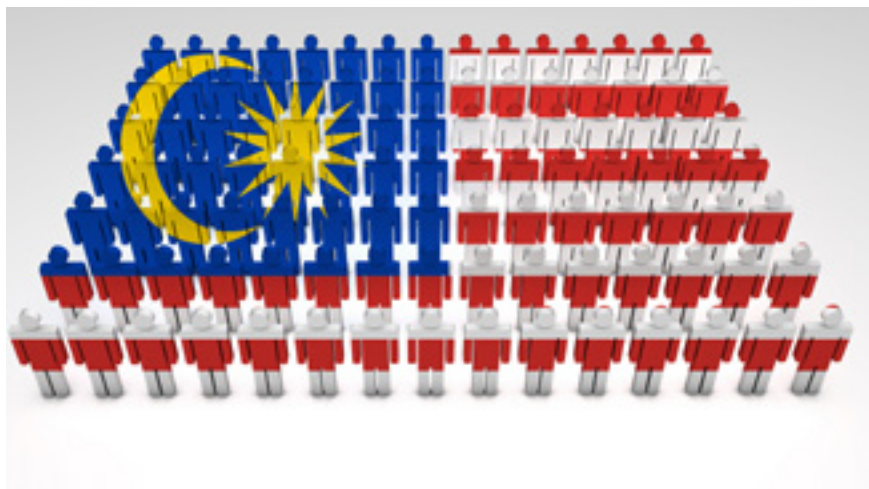


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Editorial Letter

ISIS Malaysia's mandate is to conduct independent public policy research in the national interest and for the government of the day. Despite an almost inseparable link between public policy and politics, the latter is not, and has never been, an area of institutional research. This is to avoid the kinds of partisanship and involvement that contradicts the Institute's *raison d'être* and compromises its ability to serve the government of the day.

Senior researchers, however, do keep close watch over domestic politics. Foreign and even local government officials, scholars and corporate executives frequently ask for political perspectives to better understand the content of public policies for the present and future. Meeting these demands require knowledge of the political developments.

Following Malaysia's May 9th change in government, the trajectory of national policies has come under intense scrutiny. The issue of how political power is acquired, intermediated and used is pressing for the country. This has already been a live issue among the public for the past one year with a plethora of viewpoints. This issue of *ISIS Focus* centres on the theme of "Malaysia's Reforms: Change or/in Continuity?"

We begin the issue by asking Malaysian thought leaders about their views and are thankful that some have responded. Our researchers and friends then contribute their thoughts on particular aspects of political, economic, environmental, social and foreign policy changes. Obviously, the range of possible issues and areas of contestation extends far beyond these and the topics covered should not be viewed as comprehensive. Needless to say, while some effort has been made to ensure intellectual rigour, the views and opinions expressed are the authors' and interviewees' own.

It was Prime Minister Tun Dr Mahathir's bold initiative that led to ISIS Malaysia's establishment on 8 April 1983. ISIS Malaysia remains unwavering in its commitment to serve the government of the day from its unique vantage point of being connected to but outside of government. It is our hope that the perspectives in this issue of *ISIS Focus* will throw some light on where the reform process is headed.

Conversations on Malaysia Baru



BY ABDUL WAHED JALAL, NURSALINA SALLEH
RYAN CHUA, FARLINA SAID AND ZARINA ZAINUDDIN



**YB Maria Chin Abdullah,
Member of Parliament for Petaling Jaya**



How did the government address challenges and resistance posed by the civil service, particularly when cleaning house?

They took the top people and transferred them around to positions with the same pay grade or gave them a demotion. Those transfers perhaps made others feel wary of their job security and fall in line.

**Dr Wong Chin-Huat, Fellow and Head of
Political Studies Programme, Penang Institute**



Is there a need for Malaysia to search for other political systems?

A Westminster democracy competes for the centre and what sustains a society like this is a unipolar population, meaning two bloc parties compete in the middle like in the United Kingdom. But Malaysia is akin to a bipolar society – non-communal division is not well developed. Political parties use communal division, mainly ethnicity and religion, as a form of mobilisation. These parties form coalitions that compete for power, but when the coalitions do not see the prospects for power, they collapse.

I would like to propose a mixed representative system like Germany's, where you keep half of the seats in first-past-the-post and the other half of the seats in a party list. This means that when a single party does not win or a single coalition wins a simple majority, you need to enter post-election coalition. So parties will start calculating during elections, "If I go too far, I will not get a chance to be part of the government after the election". Over time, many extreme and outcast parties will moderate themselves and move towards the middle.

Datin Paduka Marina Mahathir, Writer/Activist



In Malaysia, religious issues may entwine with cultural and political concerns. The struggle with raising the minimum age of marriage illustrates some of the limitations faced by the current administration.

Is the government able to promote women's rights in Islam?

I do not think it is a coincidence that all these issues – child marriage, the caning of women for alleged homosexual acts – have emerged since 9 May 2018. It is the opposition's strategy to provoke the government on issues in which they know the government has not had time to make a clear stand. Thus, you get either ambivalent responses or silence. The issue of child marriage should be clear cut. Muslim countries elsewhere, such as Egypt and Turkey, have banned it and raised the age of marriage to 18. Arguments could have been easily articulated if the Ministry of Women had consulted the women's groups that had done a lot of work on this, such as Sisters in Islam. The Selangor State Government raised the age of marriage to 18 just like that. It can be done if you have the will and are decisive. The other issue is female

genital mutilation. There is absolutely no Islamic basis for this. Yet we are unable to make an unequivocal stand on this.

Is rising conservatism a phenomenon in Malaysia and will this challenge the progress of women's rights?

I think "rising conservatism" is actually a male phenomenon everywhere. It is what they promote in order to stay in power and in control. In Malaysia, I do not think women get angry enough to challenge the status quo, partly because they do not realise all the many ways in which they are discriminated against. Or maybe they know, but think that speaking out will extract too high a price. They just have to see what happens to Sisters in Islam and to people like Siti Kassim. All this is to intimidate women from getting too vocal in demanding their rights. You even have women, such as Wanita ISMA, insisting that we already have all the rights we need. In this way, you scare women away from truly demanding that they be treated like human beings equal under the law in our country.

"I think 'rising conservatism' is actually a male phenomenon everywhere"

Dato' Ambiga Sreenevasan, Lawyer and Human Rights Advocate



Having been part of the Institutional Reform Committee (IRC), what is your opinion on the government's progress thus far in carrying out the recommendations made by the IRC?

A few government announcements that have been made echo some of our recommendations and I understand that some recommendations have been incorporated into the National Anti-Corruption Plan. The government will need to manage expectations as the public expect a lot from them and there is a long list of things that have to be done. They will need to explain that there are different timelines for these recommendations – some that can be implemented in the short- and medium-term and some that will take a much longer time. The key is communication and the government needs to be able to dialogue with the public on its plans and strategies while also being open to feedback.

What do you feel has been the most pressing matter facing the country post-GE14 and how has the government been handling it?

Institutional reforms may appear less pressing than financial matters, but are no less important, as they form the basis for good governance. There have been positive developments, especially with the appointment of independent and reform-minded leaders to some key institutions, such as the Judiciary, the Parliament and the Election Commission. A key institutional reform that has yet to be implemented is the establishment of the Independent Police Complaints and Misconduct Commission.

The reform process is happening, but the pace has been frustrating at times. This is especially when the government appears to backtrack on key promises, such as when they lifted the moratorium on the use of the Sedition Act and the laws that allow for detention without trial. I hope that we will start to see the repealing of repressive laws in the next parliamentary session.

YB Dr Kelvin Yui, Member of Parliament for Bandar Kuching



How would you describe the state-federal relations post-GE14?

Relations between Gabungan Parti Sarawak (GPS) and the federal government can be likened to the early stages of marriage – still trying and learning to live with one another. On a macro level, GPS is federal government-friendly, and rightly so, for purposes of funding and development negotiations. This friendly stance is, however, contrary to the situation on the ground. There is still hostility between the GPS and PH coalitions, which is particularly apparent in the case of community leaders (such as Tuai Rumah) not being allowed to attend or participate in events that are not hosted by the State Government. This is unfortunate as the people may stand to lose more than they could gain from this directive.

How will this affect the enforcement of the Malaysia Agreement 1963 (MA63)?

The Special Cabinet Steering Committee to study the MA63 is, for the first time, bi-partisan and involves non-partisan stakeholders. Previously, negotiations were done behind closed doors among politicians. I was informed by the Minister in the Prime Minister's Department (Laws) Datuk Liew Vui Keong that consensus will be the underlying principle for any decision made by the Committee. GPS has positioned themselves as defenders of the rights accorded to Sarawak under the MA63 as well as against PH as an external foreign agent.

Dr Shamsul AB, Distinguished Professor and Founding Director, Institute of Ethnic Studies (KITA), National University of Malaysia (UKM)



What do you want to see in an integrated and united Malaysia?

For Malaysians to continue building an integration platform (short-term, middle-term or long-term) based on the principles of bargaining, negotiation and mediation. I also want to see the establishment of a National Unity Commission complemented by a National Unity Index that provides regular and periodical monitoring of the state of ethnic relations and integration at all levels of society.

Mariam Mokhtar, Critic



What is your opinion on the government's efforts in dealing with matters relating to the Orang Asli?

The government is only paying lip service to the issues faced by the Orang Asli. For example, the Perak Chief Minister wants the Orang Asli to “improve themselves before seeking aid”. How can they, with their limited resources? In 2015, seven pupils went missing from their boarding school in Pos Tohoi and were not found for seven weeks. Five children died. Will the government reopen the case and punish the teachers, the head, the school administration and the education department for their failure to safeguard the children? Are the allegations of child abuse, including sexual abuse in Orang Asli schools, being looked into?

You have criticised Datuk Seri Anwar Ibrahim in the past, especially for his impatience in returning to the political stage earlier than expected. Do you think that Anwar should be the next Prime Minister and can he be trusted to continue the institutional reforms when in power?

Since his release from prison, Anwar's actions have been disappointing – “kow-towing” to royalty, discouraging negative comments about government-linked companies (GLCs), the forced Port Dickson by-election, the inability to control his own party power struggles, and also the allegations of cronyism and nepotism. He has not proven himself with words nor actions, as a Member of Parliament (MP) and a party-leader. So, he cannot be the next prime minister. Others are more capable. Race and religion are the bane of Malaysia. Anwar will not call for a ban on affirmative action policies. Hence, he cannot be trusted to continue with institutional reforms. He will probably cherry-pick the reforms.

Becoming Malaysia Baru



BY FIRDAOS ROSLI, IZZAH KHAIRINA IBRAHIM
AND NURSALINA SALLEH

Much has been said about “Malaysia Baru” and, more often than not, the concept has been discussed in terms of the destination – Malaysia should be “this” or “that”. What about the processes that need to be undertaken to reach that destination? *ISIS Focus* reached out to YB Khairy Jamaluddin, Member of Parliament for Rembau, Negeri Sembilan, to share some of his thoughts concerning the nation.

ISIS Focus: How would you define Malaysia’s national interest?

YB Khairy Jamaluddin: I think the issue of national interest is something that is not well understood, not just by the public, but also by people who are involved in the political process. My concern is that members of the

new administration are unfamiliar of what the national interest is.

As I understand it, and traditionally defined, national interest would encompass three major areas – political, social and economic. But I would also add a distinct category, namely strategic – this concerns all measures of security for national interest.

Politically, our national interest would be to ensure that we have a political system that respects the will of the people, yet still ensuring stability. Because we are a highly combustible country, the political system must deliver stability, but not at the expense of democracy. So, I would argue that May 9th was a good thing as we showed that we can deliver a change in government through stable and peaceful means – the country did not come apart. In that sense, we have passed the test of a maturing democratic country.

Economically, we need to ensure that we are not dependent on just one sector. As a trading country, we safeguard our resilience



“As I understand it, and traditionally defined, national interest would encompass three major areas – political, social and economic. But I would also add a distinct category, namely strategic – this concerns all measures of security for national interest”

the ratification of ICERD because we knew we could not convince the Bumiputera community. We need to understand implicitly what the national interest is socially. If we cannot achieve social cohesion, then we will be in trouble.

The fourth is the strategic element, which relates to security. It is more than just law and order and securing our borders. New threats, like cybersecurity or foreign influence operations, can disrupt our way of life.

Long-standing issues on the environment and sustainability are not just about recycling, but securing our natural resources – making sure that we have enough water, that our forests are not being taken over by poachers, that our fauna is not being patented by foreign companies. Security is a comprehensive issue, yet things like these are not typically viewed as a security concern.

ISIS Focus: The present administration has not said much about pursuing TN50 or any of its aspirations. Do you think there is a substitute?

YB Khairy Jamaluddin: A lot of people dismiss it as propaganda, but we were trying to future-proof the country for the next 30 years. The TN50 programme was carried out because of the national interest. We have an ageing population. We face urbanisation and demographic changes. Jobs are being lost to automation, robotics and Artificial Intelligence (AI), among others. If we get this wrong, the future is going to be in jeopardy.

I have encouraged the government to at least look at the deliberations and proceedings because the report is completely non-partisan. It addresses sustainability issues, stewardship of natural resources, the future of education, demographic changes, food supply and security, and so on.

A lot of thought has gone into the next 30 years already. They do not have to reinvent the wheel – just have to look at it or change the label, if they like. These megatrends, which were identified not just by the

government then, but also by agencies, universities and think tanks, remain relevant today.

ISIS Focus: Assuming there is no substitute, or credible substitute, to TN50 aspirations, how would you push for a public discourse on megatrends of the future?

YB Khairy Jamaluddin: Well, I have to do it in parliament and continue to raise these things. It is a challenge because the government's narrative has been that they have to sort out the mess they inherited, which I think is not entirely accurate – sure, some circumstances were not great, but by and large, I stand by most of what we did in the last government. To use that as an excuse of not looking beyond the immediate horizon is irresponsible because we live in highly disruptive times; the room for manoeuvre is much smaller. Essentially, the current government's focus and narrative is very short sighted in nature.

We do not have the “next time” to think about the next 30 years because of the mess we inherited. Governing a country is like being the captain of a huge oil tanker or the Titanic. It takes a while for that tanker to even shift by a couple of degrees, so in a highly disruptive world, if you are not even turning your steering now, it is going to be too late – you are going to hit the iceberg. But you can see the iceberg because we have already done that for you through TN50.

ISIS Focus: Let's move on to good governance. What is your prescription of good governance?

YB Khairy Jamaluddin: Integrity is paramount in good governance. I suppose that was where we (Barisan Nasional) faltered, resulting in our loss. People must be able to trust the government not to steal, not to go against the will of the people and not to govern against the national interest.

But good governance is not just about integrity. It is also about being able to execute one's vision, fulfil promises and respond to the current environment in a

by diversifying our sources for growth. Currently, we have oil and gas, commodities, manufacturing, and even a growing services sector. This ensures that if one or two of the engines of growth falter, we have other sources to count on.

Socially, the big question for national interest is social cohesion, and this is tied up with all sorts of issues that come under the rubric of identity politics. Basically, this is to ensure that we do not kill each other. Within the establishment, some understand what it takes to preserve this federation and some do not.

In their haste to be perceived as reform-oriented by the international community, the new government misread the grounds concerning the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD). And the Malay backlash was real. The previous administration did not attempt to push for

“Certain areas, I concede, should remain secret, like the tactical plans of our army. But most things should be up for scrutiny. This is the only way we can ensure that people do not get away with corruption”

timely and decisive manner. Tackling the problem of cost of living, for example, is not just about having open tendering, but also growing the economy, increasing wages and ensuring job creation.

Lastly, we always need to monitor and check against the government. Nobody, as well-meaning as they are, can deliver on good governance unless there is a check against them. Power does corrupt. So good governance requires not just a strong democracy and a credible opposition, but also a free press and informed citizens.

ISIS Focus: *So how do we create an effective and corrupt-free institution? Is this even possible?*

YB Khairy Jamaluddin: First of all, elections must be free and fair. People must have the confidence that they can change the government when it falls short on governance issues without fearing that the country will collapse.

Secondly, there has to be a “sunshine policy” on most things. “Sunshine” in the sense that most parts of the government should not be hidden from the public. We should have open data for as many things as possible. Certain areas, I concede, should remain secret, like the tactical plans of our army. But most things should be up for scrutiny. This is the only way we can ensure that people do not get away with corruption.

Thirdly, there must be competency in the bureaucracy. In open tendering, for instance, we really need technically competent and efficient people who are able to tell us that these specs are wrong or things are overpriced. The procurement process should be transparent and involve an independent technical evaluation that is clear, thorough and professional. This is where I think we can strengthen governance.

ISIS Focus: *Do you think the opposition*



has a concrete plan of action towards good governance?

YB Khairy Jamaluddin: There are things that we have put forward to make parliament a stronger branch of government and hopefully the speaker will consider our plans. Apart from the select committee, we have suggested for an equitable access to development funds; this was neither the case then nor now.

We have also asked for greater transparency – something in the form of the prime minister’s time, where he has to come on a weekly basis to answer queries by the opposition. It is standard practice in other Westminster legislatures to have an Opposition Day in which the opposition sets the agenda. We can then bring in our motions or opposition-sponsored bills. It may not be passed because we are the opposition. But at least we get to debate the motion, legislation or bill.

ISIS Focus: *What reforms do you believe are necessary for the Malaysian government today?*

YB Khairy Jamaluddin: They ought to continue with institutional reforms. For example, they created this parliament select committee of key appointments, but have yet to define which positions should have parliamentary oversight. We should

not underestimate the capacity of the members of parliament to vet people for key positions like the Attorney General, Chairman of the Election Commission, Chief Commissioner of the Malaysian Anti-Corruption Commission (MACC), Inspector-General of Police and even the Chief of Defence Forces.

But I am most interested in economic reforms. I presented a shadow budget which was based on the philosophy of trying to address the issue of inequality. I believe this is the biggest economic challenge in Malaysia today. If we have a very unequal society, we cannot grow the economy because most people are unproductive, underpaid or inherently poor. So I would like to see an economic system that moves a bit more to the left. Simply put, I think we should tax more from rich people and corporations. I suggested a few things like amending the threshold for income tax and introducing a wealth tax.

The economic system that we have today is centre-right, or normally referred to as “Malaysia Incorporated”. It is actually a creation of Dr Mahathir. His view is that if you create opportunities for the people, their boats will float up. In reality, it does not really happen.

I know a lot of people say that we are slow at reforming and opening up, but some of these things require time and proper buy-in. Otherwise, this careful balance that we have created over the past 60 years will falter. I think we have to be mindful about this.

ISIS Focus: *Perhaps the opposition and current government have not negotiated enough towards the path for reforms...*

YB Khairy Jamaluddin: I think the select committee is a good start. I hope there is a spirit of bipartisanship in the committees. We may get a lot of political theatre in the parliamentary chamber, but the select committee should be a place for real bipartisan work because we are not performing for anyone. Let us see how it goes.

ISIS Focus: *How difficult would it be for us to reach a consensus on social cohesion?*

YB Khairy Jamaluddin: I think it is very difficult. Certain red lines cannot be crossed in Malaysia whether you like it or not. We do not want to compare to Western notions



of identity politics. Some identities are obviously problematic in the Malaysian context, for instance, the LGBT community.

It is difficult to normalise homosexuality in Malaysia, but my position is very simple; I believe we must look after the dignity of every Malaysian. Look after somebody's dignity – do not persecute, shame or discriminate against them. Even in Islam, what happens behind closed doors is none of our business, so long as these things are not manifested in the public. Malaysia is a conservative society, hence public displays of sexuality or affection are inappropriate and against social norms whether one is heterosexual or not. If we universalise our language, then nobody will feel targeted or discriminated against.

There is no real solution to identity politics, simply because for as long as there is identity, for as long as we are different – and we will always be different – there will be people who want to take advantage of these differences. These are just things we have to deal with.

ISIS Focus: *There is now a Special Cabinet Committee on restoring Sabah and Sarawak's rights. Since you were with the previous administration, can we ask how they planned to deal with it, and why was it closed-door?*

YB Khairy Jamaluddin: We had a Special Cabinet Committee on the devolution of powers to Sabah and Sarawak. We had already gone through the concurrent list in the constitution, which detailed areas that come under both federal and state, and also discussed the concessions that we were going to make for devolution with the state government. For instance, the youth and sports department should be jointly administered.

Many of the items in the list had already been agreed upon, but some were more difficult and had to be handled carefully, such as payment of royalty, land issues and the issue of Islam. These are the things that could affect the integrity of the federation. We had to balance between being transparent in discussing these issues and preventing the idea of secession from Malaysia from overcoming the public consciousness.

Politically, we were quite uncomfortable, but agreeable with a more assertive Sarawak nationalism under the late chief minister Tan Sri Adnan because that would be able to check the "Sarawak for Sarawakians" movement, which in its extreme form leaned towards not just autonomy but also secession. So, we were tolerant of a

more assertive identity by the ex-chief minister because we felt that, at least to the Sarawakians, he was doing the right thing by standing up to the *Semenanjung*.

ISIS Focus: *As far as the future is concerned, how do you plan to turn your own ideas into action?*

YB Khairy Jamaluddin: It is difficult to do it alone. I always think that the greatest talent that a politician must have is the ability to build a coalition of people to support his or her cause. That coalition of people should not be restricted to just fellow politicians, within or outside one's party, but also extended to other stakeholders and society at large.

If you cannot do that, then you are not even able to sell the narrative; you cannot capture the ground. So, the most successful kind of politician is one who is able to command and move the ground in the direction that he or she envisions for the country.

ISIS Focus: *What happens if it is a cause that you and your coalition feel to be the right direction forward, but one that is difficult for the public and opposition to swallow?*

YB Khairy Jamaluddin: As a politician, you must be able to build a coalition. Two, you have to pick your battles right – you cannot do everything that you set out to do. You cannot go into every single thing that comes your way and hopefully get more done than less. You have to properly sequence the reforms that you want to do and make sure that when you go in, you go in with the ability to win.

Gaffes happen and mistakes are made when you go in without having done the groundwork or homework of understanding issues, having a clear communication plan, creating the buy-in, having the third party validation ready and convincing the people.

Contrary to what people believe about the government, ministers do not control everything. There are lots of moving parts that you are not aware of sometimes and those are the things that can blindside you. ■

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SOUTHEAST ASIA'S DEMOCRATIC OPTION

In this region and elsewhere, democratisation has come in spurts and seen reverses. Where it has emerged, it still needs encouragement and nourishment to grow.





BY
BUNN NAGARA

For the past half century, East Asia has been a crucible of change demanding global attention because of its promise. Most notably, countries in northeast and southeast Asia have posted high rates of economic growth for decades. And for most of this period, East Asia has also enjoyed peace and stability. As a region, East Asia has been the home of several “miracle” economies and still holds the greatest promise for growth despite volatile phases of the global economy. But what about the politics?

After the economic rise of post-imperial Japan came the rise of the Asian tiger economies, followed by China’s. The surging regional “tide” also lifted the economic fortunes of the other “boats” of neighbouring countries. However, only in Japan did economic transformation follow political transformation, as industrialisation and national development progressively built on a postwar democracy that displaced the militarism of Imperial Japan.

The thought of prioritising economic over political change encouraged optimistic democrats to presume that economic development must be followed by greater democratisation. One result has been a debate of sorts about the potential for genuine democratisation in Southeast Asian countries. How real, how deep and how sustainable have political reforms in this direction, if any, been for Malaysia, Indonesia, Myanmar and the Philippines?

For just over six decades since independence, Malaysia had six prime ministers until May 2018. However, these had all been of the same coalition of parties dominated by the United Malays National Organisation (UMNO) – the Alliance, later the Barisan Nasional (BN) – with an outlook, priorities, style and habits remaining very much the same, leadership personalities aside. Reforms had been discussed, deliberated upon and some even attempted, but these were all within the parameters permitted and limits provided by the governing coalition of parties that had never

lost a general election. Was this necessarily acceptable or desirable?

The governing BN coalition seemed invincible such that any significant challenge could come only from within. And that happened, twice, in the 1980s and the 1990s: Tengku Razaleigh Hamzah’s faction of UMNO broke off with a chunk of the cabinet; then Datuk Seri Anwar Ibrahim’s faction followed a decade later, splitting UMNO’s rank and file. However, in both instances, the UMNO and BN mainstreams held sway, as Razaleigh’s and Anwar’s moves were seen as somewhat personal or marginal, despite their founding of new political parties.

Nonetheless, if these party dissidents’ defeats boosted the UMNO and BN mainstreams’ esteem, it would emerge as false confidence. Two generations of UMNO/BN’s tenure built on business-as-usual patronage would also eat into its electoral foundations quite decisively. By 10 May 2018, a new federal government was in place, after the 14th General Election (GE14) the day before. Suddenly, new questions came to the fore: how real, how deep and how sustainable can reform in Malaysia now be?

After this formal political change post-GE14, a narrative of sorts had developed that social and political changes in Malaysia would somehow carry over into Singapore. A contagion effect is assumed, apparently, because a sociopolitical umbilical cord is presumed to connect the city state with the “hinterland” that is Malaysia of which it had been a part. However, the political dynamics, demographics, inter-communal relations and societal concerns – all factors so vital in Malaysian politics and the GE14 results – are too different between the two countries. Even the social milieu between Malaysia and Singapore is different enough after more than half a century of separation. If and when Singapore undergoes a similar change, it is more likely to be for reasons quite of its own.

Another neighbouring country often compared with Malaysia is Indonesia. It was here that the cries of *Reformasi* (reform)

against the decades-old autocracy of General Suharto were born in the late-1990s. Anwar's attempt to import *Reformasi* from Indonesia proved unsuccessful for years. When GE14 finally came to Malaysia precisely two decades later, the change was for reasons quite unrelated to Indonesia's. There can be no clearer indication that Malaysians moved for change on their own, in their own time and for their own reasons, rather than from any contagion effect from another country.

That testifies to the limited impact of Indonesia's reforms on a neighbouring nation. Some analysts argue that *Reformasi* has had limited impact in Indonesia itself. Praton Iskandar, for example, finds that it had merely moved Indonesia towards an electoral democracy and failed to deliver the promised liberal democracy. Indonesia now has regular general elections in which results are respected, but arguably little more than that. The old elites are very much in place, patronage politics remain alive and well, ethnicity and religion are still manipulated for undeclared political reasons and the military is still a political force – plus a growth in Islamist politics.

Indonesia's reform process is said to have begun in the late-1990s with financial instability, the loss of confidence in the state, political challenges, soaring prices, public dissent, racial clashes, economic collapse, refusal of the army to crush the protests and the fall of the Suharto government in May 1998. The post-Suharto era has seen a growth of democratic institutions, but their scope and achievements remain limited. Hopeful reformists have been disappointed by the growing inertia overcoming the momentum for change, even when much of the promised change had yet to be seen.

There have been some changes since 1998, compared to the Suharto and Sukarno eras. But democratic prerogatives in the status quo post-1998 do not differ significantly from Malaysia's pre-GE14. Malaysian electoral democracy was established instead of a liberal democracy upon independence in 1957, resulting from a political evolution different from Indonesia's. The general slowing of the impetus for change is a universal phenomenon, but what is localised to each country is the extent to which reform is realisable. It may not be helpful therefore to gauge a country's propensity for reform by comparing it directly with that of another country.

The example of Myanmar is unique if



“The example of Myanmar is unique if nothing else. For decades, the image of a lone, defiant and ultimately victorious Aung San Suu Kyi standing courageously against the might of a brutal military machine was etched into the world’s consciousness.”

nothing else. For decades, the image of a lone, defiant and ultimately victorious Aung San Suu Kyi standing courageously against the might of a brutal military machine was etched into the world’s consciousness. Countless and nameless others, all patriotic Myanmars, had suffered in seclusion and perished at the hands of the ruthless Tatmadaw before the 2015 election that signalled her political ascendancy – and after 2015. It was an election that turned the tide only if “the tide” was Suu Kyi’s last credible attempt to establish democracy in Myanmar.

Her turnaround was so swift and complete that if her conversion was not a premeditated. The military’s power is effectively undiminished, it still controls key ministries and makes the important decisions, and Suu Kyi’s administration has come to know better than to challenge or even question it on the big issues. Legions of her cheerleaders around the world have been shocked at her being turned by Myanmar’s deep state, which appeared to embrace her

campaign in 2015 only to devour her and spit her out as its most eloquent frontwoman. There can be no real measure of a maturing Myanmar democracy when it was strangled at birth, denied even an infancy. But somewhere deep in the bowels of the nation it may still be struggling to be born.

Possibly the region’s most celebrated opportunity for reform was the Philippines’ “People Power (or EDSA) Revolution” of February 1986. In November 1985, President Ferdinand Marcos called a snap election after 21 years of increasingly autocratic and violent rule. Three major factors shaped the conduct and aftermath of the election, underlining the uniqueness of the situation as well as the universality of some of its features and themes. These were the election itself, the action of key government officials and institutions, and the role of civil society groups including the Catholic church and the people themselves.

When Marcos abruptly called the election, he was confident of victory. What he did not expect was the depth of abhorrence to

the long years of his corrupt excesses and violent abuses, including the 1983 murder of opposition leader Benigno Aquino Jr. Public revulsion at Marcos' rule meant that the election became the trigger point for massive, non-violent protests in Manila that turned the tables on his plans for continued rule. The count by the government COMELEC (Commission on Elections) went to Marcos as expected, differing with that of the private NAMFREL (National Movement for Free Elections), which went to the slain Aquino's widow Corazon (Cory) as chief opposition presidential candidate.

During the election campaign, the spate of violence and killings of oppositionists implicating the government added to public revulsion. It seemed that for the Marcos regime to retain power, full-scale repression was needed because poll fraud alone would not suffice. In reality, perceptions of the regime by then had dropped so much in public opinion at home and abroad that greater repression would only have accelerated its collapse. The idea of a mass-based popular democracy was on the march and its time had come.

Out on the streets, civilians marched peacefully to the presidential palace demanding Marcos' ouster, flanked by civil society groups and influential Catholic church leaders. As images of massive crowds braving armed soldiers and tanks flashed around the world, Enrile and Philippine Constabulary chief General Fidel Ramos emerged to join the protesters – and the Marcos era was over. Popular will, buoyed by civil society institutions amid the collapse of repressive state institutions, dangled the promise of a grassroots democracy.

The scale and spontaneity of the popular revolt proved too formidable for the faltering state to counter. Less visible, but no less decisive, was support for Cory Aquino's opposition forces from Philippine elites based typically in such cosy enclaves as Manila's Greenhills and Makati business district.

Aquino's presidency enjoyed a honeymoon period of innocent hope and gushing goodwill before tough enduring realities re-emerged. Among the most pressing issues was land reform (access to cultivable land), and Aquino had pledged to give her vast family estate Hacienda Luisita to the landless. That unnerved elite members of the extended family and the business community in general.



“In the ultimate analysis, citizens in a democracy vote not just for one party over another, but for a system of democratic governance and accountability that truly serves the larger public interest.”

Talk of her inexperience and naivety during the election campaign now resurfaced. There were repeated coup attempts against her government. She had as many as 50 advisers, but ultimately elite interests would hold sway. A generation later, most of Hacienda Luisita – as a symbol of reform possibilities – remains in elite private hands; land reform is still urgent across the country and traces of *padrino* (patronage) linger in society.

One can never be presumptuous in any democracy because actions and circumstances in the supposed public interest – and which invite public responses through the vote – can still determine outcomes. In many parts of the developing world, an upset through the popular vote, as witnessed in Malaysia's GE14, would have been accompanied by widespread violence or martial law. Yet none of this happened in Malaysia – what subsequently occurred was the duly peaceful transfer of power in accordance with the Federal Constitution.

The country's institutions pertaining to governance and the state had been tested like never before and they passed. They held when it mattered most. This is highly significant because it is the ultimate test of a mature democracy and a definitive

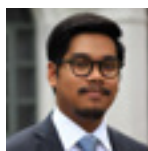
distinction as a modern developed country. Some countries may have achieved better economic development than Malaysia, but unless and until they have also proven capable of a peaceful and constitutional transfer of power, they may not have achieved a fully developed status. There is an implicit recognition that a country's social, political and security institutions matter as essential measures of development, as its capacity to achieve it and as the means of delivering it.

In the ultimate analysis, citizens in a democracy vote not just for one party over another, but for a system of democratic governance and accountability that truly serves the larger public interest. The least such a system can provide is the opportunity for people to vote out a bad or disappointing government as well as vote in a promising one with a chance to prove how good or better it can be. For Malaysia today as elsewhere, one electoral term is all it gets to prove that. This test has begun, and the results so far have been more patchy than consistent. ■



Reality Check: the end of identity politics?

As the sun rose to a “New Malaysia” on May 10th, Malaysians allowed themselves to hope and dream of what the nation “can finally become” – a hope that Malaysia can consign the relic of race-based politics to the pages of history. But is this hope grounded in reality?



BY
HARRIS ZAINUL

The Pakatan Harapan (PH) coalition is perceived to be more multiracial and practising less racial politics than the Barisan Nasional (BN) coalition it unseated. The two largest component parties in PH, Parti Keadilan Rakyat (PKR) and the Democratic Action Party (DAP) are as multiracial as political parties get in Malaysia. Even Parti Pribumi Bersatu Malaysia (PPBM), labelled the “new UMNO”, is marginally more multiracial than the party it splintered from, by virtue of it allowing non-Bumiputeras to become associate members. Although the definition of a Bumiputera includes other non-ethnic Malay natives, in the political sense it has almost always exclusively referred to the Malays.

Does this, however, mean that race-based politics is losing its relevance in Malaysia? As the curtains closed on 2018, the answer is a resounding no.

Firstly, it is false to conclude that PH’s victory makes race-based politics irrelevant. An analysis of the on-the-ground sentiment in the lead up to Malaysia’s 14th General Election (GE14) suggests that there were many factors that could have swayed the votes, with nothing to suggest that it is a wholesale rejection of race-based politics. In no order of priority, these are former Prime Minister Najib Razak and his wife’s opulence, the 1MDB fiasco, rising costs of living associated with the Goods and Services Tax

(GST), and PH’s promises for the moon, stars and everything in between.

Besides, would the nationalist-Malay and the conservative-Malay vote have swung without the assurances provided by the Tun Mahathir-led PPBM and Parti Amanah Negara (PAN)? Moving forward, neither has the attractiveness of the Malay vote to be obtained through race-based politics decreased. For one, the Federal constituencies, delineated prior to GE14 allegedly along racial lines, will remain so for at least another eight years by virtue of Article 113(2) of the Federal Constitution. As it stands in terms of numbers, these Malay-majority seats make up 60.3 percent of all Federal constituencies (134/222).

Besides, according to Merdeka Centre, the Malay vote was almost equally split among the three main contending blocs in GE14, with UMNO-BN bagging the lion’s share at 35-40 percent, PAS at 30-33 percent and PH with 25-30 percent. With the factors above more likely than not being one-off considerations,

“With the conservative faction now dominating UMNO, and with nothing else to lose, the party is able to play the ‘3R’ card of race, religion and royalty to the hilt”

the battleground for the Malay votes in the next general elections could be more hotly contested than ever before.

Secondly, with GE14 continuing the trend of the repudiation of non-Malay voters towards UMNO-BN, coupled with BN’s complete breakdown of its consociational model, there is no political restraint on UMNO from moving closer to the right. Even push back by the more moderate, reform-leaning faction within UMNO has proved ineffective. This is due to UMNO’s hierarchical power structure, with the coveted votes to determine the party’s leadership, and to an extension the party’s direction, firmly consolidated within the hands of the Divisional Heads. And as the results of UMNO’s 2018 General Assembly has shown, appetite for reform remains weak.

With the conservative faction now dominating UMNO, and with nothing else to lose, the party is able to play the “3R” card of race, religion and royalty to the hilt. It now seeks to conveniently present the narrative of the 3Rs being under attack as a diversionary tactic to distract ordinary Malays from the various corruption charges its leadership faces. By presenting itself as the last bastion of defence against this imaginary “onslaught”, UMNO attempts to consolidate its support base by tying the fate of its leadership to the continuance of the 3Rs.

The convenient bogeyman, or the “Other”, in this narrative is the DAP — the second largest component party in PH, and more importantly a majority, though not exclusively, Chinese political party. By playing on deep-seated suspicions and paranoia festered over decades, an image is presented that the Chinese are out to dominate Malaysian politics at the expense of the Malays.

Thirdly, when discussing racial politics in Malaysia, strong consideration has to be given to the role of political Islam. While supposedly separate identities, the Malay race and religion in Malaysia is essentially fused by virtue of Article 160 of the Federal Constitution. Article 160 of the Federal Constitution sets out that a Malay is “a person who professes the religion of Islam, habitually speaks the Malay

language, and conforms to Malay custom”. This essentially means that to be Malay is to be Muslim, and to be Muslim is to be Malay. So intrinsically tied are these two identities that when a person converts to Islam in Malaysia, it is also known as *masuk Melayu*. Hence the role of political Islam is made all the more pertinent given the potential for UMNO and PAS to collaborate, whether officially or unofficially.

The potency of Islam as a political force is due to how religion is viewed upon as infallible by its believers, coupled with the deference given to the ulama in Malaysia. This leaves open the risk for politicians with purported religious backgrounds to hijack the religious agenda for narrow political aims. Case in point is the joint UMNO-PAS rally to reject the proposed ratification of the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD). In the lead up to the first mass mobilisation of people in post-509 Malaysia, the organisers of the rally had alleged, among other things, that the ratification of ICERD would lead to the abolishment of the 3Rs.

A surprise to no one, facts such as ICERD being able to be ratified as little more than window dressing, with no discernible effect on either the position of the monarchs nor the status of Islam, were conveniently ignored. For example, 20 of the 23 UN member states with a monarchy, and 55 of the 57 members of the Organisation of Islamic Countries (OIC) have ratified ICERD with no such implications. Neither did it matter to the 55,000 strong-crowd who had gathered in the sweltering heat, dressed in white, the traditional colour of the *ummah*. This is not without meaning, as for one, it ditches the red-green (both colours being the official colours of UMNO and PAS) combination opted during the Seri Setia by-election held months before. Second, it is symbolic of the “setting aside” of political differences (ignoring the fact that the protest was political in its entirety) in the name of uniting the *ummah* under threat from the Other. It is to be noted that the Malay psyche is highly influenced by the traditional *peribahasa* (proverb) “*bersatu kita teguh, bercerai kita roboh*”. Which is loosely translated to “together we are strong, divided we fall”. The goal of uniting the Malays has been a long-standing feature in Malay politics.

Of particular concern is if Malaysian politics backslides from the regressive race-based model to one based on religion. This would harden the already divisive fissures in Malaysian politics, as any questioning

of purportedly “Islamic issues” will be swiftly rebuked and any space for discourse would be severely restricted on grounds of “sensitivities”.

Fourthly, dampening hopes that the PH victory would usher in a new era of race-free politics was how its coalition leaders, but a few, capitulated on the ratification of ICERD. Some would argue, whether rightfully or not, that PH could not expend precious political capital on a “non-essential”. Regardless, a dangerous precedent has been set, that if a proposal is perceived to affect the 3Rs, then veiled threats of violence can prove to be a successful counter-strategy.

Further casting doubt on Malaysia moving past race-based politics is the fact that PPBM is accepting, whether as official members or “friendly independents”, defecting UMNO members. Questions remain of how the internal dynamics of PH, currently in favour of the multiracial PKR and DAP, will change if PPBM were to strengthen in terms of numbers. Would the coalition, founded for the sole purpose to unseat BN, be able to muster sufficient political will to resolutely move past the allure of race-based politics?

To be sure, convincing arguments could be made that reforms on traditionally sensitive areas should be made slowly. This is purportedly to not “rock the boat”, with memories of the May 13th racial riots just starting to fade in the nation’s consciousness. However, in the bigger scheme of things, not wanting to “spook the Malays” would mean further lost opportunities to have genuine conversations on the state of racial relations, and its direction in “New Malaysia”.

Instead, I would argue that a wider, societal change in how Malaysians view politics, and to an extension race-based politics, will not come easy. Fierce push back on this area, considering its traditional “champions” and vested interests should only be expected. Moreover, as a colleague pointed out, while Rome was not built in a day, it would never have been built at all if someone did not start laying a few bricks.

However, without the political will to create and sustain these spaces for discourse on traditionally sensitive areas, is there any “newness” to Malaysia beyond rhetoric? If the answer is in the negative, then perhaps hopes for PH to usher in a new era of race-free politics is misplaced after all. ■



Sarawak: Promises Kept or Broken?

After almost a year of “Malaysia Baru” and a rather not-so-impressive record of promises fulfilled, will Sarawak really be getting what was promised? Or will they continue to be shortchanged by the federal government?

Sarawak, the largest state in Malaysia, has found herself in uncharted waters. For the first time in history since the formation of Malaysia, the Land of the Hornbills, which had always been coined as Barisan Nasional’s “fixed deposit”, is now an opposition state and governed by an independent state-based coalition.

Subsequent to the fall of the Barisan Nasional (BN) government following Malaysia’s 14th General Election (GE14) on 9 May 2018, Sarawak Barisan Nasional, the state’s government made a unanimous



BY
NURSALINA SALLEH

decision to pull out from the Barisan Nasional coalition to form a state-based pact, named Gabungan Parti Sarawak (GPS – Sarawak Parties Alliance). The Pact is composed of the parties of the state ruling coalition – Parti Pesaka Bumiputera Bersatu (PBB), Sarawak United People’s Party

(SUPP), Parti Rakyat Sarawak and Parti Demokratik Progresif.

How does this affect the political landscape of Sarawak?

Sarawak, to this day, remains to be the only state in the country where the United Malays National Organisation (UMNO) is



“The setting up of a bipartisan Special Cabinet Steering Committee to study the MA63 is a significant and very much welcomed move towards delivering PH’s electoral promises to the Borneon states”

given the difference in priorities and needs between the two.

Following the dissolution of Sarawak BN, GPS continues to position themselves as the great defenders of the rights of Sarawakians, which are enshrined in the Malaysia Agreement 1963 (MA63). This move can be interpreted as a way to maintain its relevance and influence where local based parties will be put to the test with the imminent emergence of Parti Pribumi Bersatu Malaysia and possibly UMNO in the state.

GPS, with no current affiliation to the former or current government, believes that the state now has a better platform to focus on Sarawak’s interests and ask for its legal rights based on the MA63 and the Federal Constitution.

This claim is in fact nothing new, but something that was originally given to the state being an equal partner in the nation’s formation by way of the MA63. However, ignorance or cluelessness of their rights and position under the Constitution and the MA63 has rendered the people in the Borneon states passive in making their demands. This lack of assertion, coupled with perceived ignorance by the federal government, has inadvertently caused an “erosion” of these rights.

This heightened awareness can be attributed to the boldness of the late Pehin Sri Adenan Satem, the former Chief Minister of Sarawak, in publicly reclaiming what is believed to rightly belong to the state accorded by the MA63. This claim was triggered by the harsh realities on the ground that have festered for decades especially in the remote areas. Basic rights to health and education are greatly compromised due to insufficient connectivity caused by the lack of infrastructure and basic necessities, such as roads, clean water and electricity. Year after year, schools in the rural areas remain in their dilapidated state and it has become a point of contention between the federal and state governments, among other things.

This newfound awareness, however, has its drawbacks. In recent years, there have been calls, albeit only in certain pockets of the

society, for “Sarawak for Sarawakians”. There are even reckless insinuations of secession from Malaysia if the rights enshrined in the MA63 are not returned to the state. These sentiments, in their varying degrees, will have serious implications on Malaysia’s social cohesion if the MA63 continues to be used as a political pawn to win votes in the state.

In the run-up to the GE14, as an attempt to unseat Sarawak BN as the defenders of the Sarawakians, the Pakatan Harapan (PH) had promised Sarawak full autonomy in education, healthcare and fiscal matters following the state’s demands for greater autonomy from the federal government. PH also pledged to give 50 percent of all taxes collected in Sarawak and 20 percent of oil royalties to the state government if they emerge victorious in capturing Putrajaya.

The setting up of a bipartisan Special Cabinet Steering Committee to study the MA63 is a significant and very much welcomed move towards delivering PH’s electoral promises to the Borneon states. Prime Minister Tun Dr Mahathir Mohamad chaired the first Steering Committee meeting on 17 December 2018 to review the MA63 as part of the federal government’s efforts to restore Sabah and Sarawak’s status as equal partners in Malaysia. The Steering Committee is expected to produce a report with recommendations to the federal government with respect to the implementation of the rights and autonomy of Sabah and Sarawak. This is a stark contrast from the usual gentleman’s handshake and behind closed doors dealings between politicians belonging in the same coalition practiced by the previous administration.

Recently, the proposal to amend Article 1(2) of the Constitution to “restore” the rights of Sabah and Sarawak as equal partners failed to be passed in Parliament. This may serve as a reminder that this is a delicate matter and cannot be rushed and regarded as just another item to be crossed off a checklist (PH Manifesto) to render a promise fulfilled. ■

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not present. Although the previous federal government was led by UMNO, there was never an opportunity for it to set foot in the Land of the Hornbills. This is mostly attributed to the assurance given by former UMNO presidents to Sarawak BN leaders, based on the mutual understanding that the state should be governed by its own local parties.

Despite this assurance, there had been efforts by UMNO to spread its wings to Sarawak, but were faced with strong opposition from PBB and Sarawakians in general. Many Sarawakians believe that there is a clear disconnect between Putrajaya and the needs of the people in Sarawak since local based parties have a better understanding of their needs than those based in the Peninsular. This is especially the case for those living in rural areas in spite of the strong support for Peninsular-based parties, which is largely evident in the urban and semi-urban areas. This is expected

Debt & Despair

In a Thursday evening press conference on 24 May 2018, Finance Minister Lim Guan Eng confirmed that government debt and liabilities at end-2017 was in excess of RM1 trillion. Within hours, Malaysians all over the country dutifully resumed a longstanding national tradition: complaining about the state of public finances. But how serious is the Malaysian government's debt?



BY
CALVIN CHENG

Economists were quick to point out that actual government debt stood at merely RM687 billion in 2017 — only a bit more than half of the widely-reported RM1 trillion figure. The remainder actually consists of non-debt contingent liabilities, such as government debt guarantees as well as committed future payments for Public-Private-Partnership (PPP) projects. But many others did not make this distinction. Before long, a nationwide fetish for debt reduction became ingrained in the public psyche.

Yet, for all the furore, fears of a looming public debt crisis were widely overstated. The Malaysian government has never defaulted on its sovereign debt, and it likely never will anytime in the near future. Recall that a monetarily-sovereign, currency-issuing, politically stable government can literally never default on its public debt unless it wanted to. Historically, national debt crises are usually triggered by defaults in private



| | 2017 | 2018E | % chg |
|---------------------------|--------------|--------------|-------|
| Federal Government Debt | 687 | 725 | +6% |
| Committed Debt Guarantees | 102 | 118 | +15% |
| 1MDB Net Debt | 38 | 38 | - |
| Other Liabilities | 260 | 185 | -29% |
| Total | 1,087 | 1,066 | |

Public Debt & Liabilities (RM Billions)
Source: Ministry of Finance, Malaysia

sector debt — and in select cases of sovereign debt defaults, they are more often than not the result of political upheaval or losses in monetary sovereignty.

But there may be other reasons to be concerned. Elevated levels of public debt do carry other, more inconspicuous hazards, even if a sovereign debt crisis is unlikely. The danger is then not that government debt will spark a crisis, but something more subtle: that public indebtedness will constrain the fiscal space of the federal government, thus creating headwinds for long-term economic growth and welfare of the nation.

As such, rational anti-debt arguments often take an affordability standpoint: higher government debt levels directly increase debt service costs as the required principal and

interest payments rise in tandem with the size of the debt stock. Indeed, back in 2012, the Malaysian government spent only about RM19 billion in debt service payments. By 2018, this amount had grown by a whopping 60 percent to RM31 billion. Debt service alone made up about 13 percent of annual government operating expenditures in 2018, representing the top operating expenditure item after emoluments. With current global interest rates at its highest levels in almost a decade, debt service will only rise as it is eventually refinanced at increasingly higher rates. This limits fiscal space — more of the annual budget going to debt service means less available to fund current expenditure, keep essential government services running and respond to crises. Other anti-debt commentators also rightly note that government-guaranteed debts are increasing at an alarming rate, nearly tripling from RM97 billion in 2010 to a sizable RM260 billion in 2018.

On the other hand, the situation may not be as dire as the anti-debtors paint it to be. The sustainability of government debt fundamentally depends not on its absolute level in ringgits, but on its amount relative to the size and growth of the nation's economy.



Source: World Bank, Kose et al. (2017)

One way to look at it is by using benchmarks such as government debt-to-GDP. This will show that even as government debt grew in 2018, the debt-to-GDP has remained constant, meaning the increase in debt levels was matched by a roughly commensurate increase in the size of the country's economy. Over the past few years, Malaysia's government debt-to-GDP has actually decreased from a peak of 55 percent to current levels of about 51 percent of GDP — not an exceptionally high level compared to our international peers with similar national income per capita figures.

Besides, debt sustainability has other dimensions too and the underlying composition of Malaysian government debt offers some comfort: 97 percent of Malaysian government debt is raised domestically and denominated in ringgit (though that may change with the issuance of Samurai bonds), while 75 percent of Malaysian government debt is owed to Malaysian residents. Further, a substantial portion of federal government debt is owed to itself: the top holders of Malaysian government debt are actually other arms of the government, including the Employee's Provident Fund (EPF) and Retirement Fund Incorporated (KWAP). All this acts to decrease foreign currency risks and limit sudden spikes in borrowing costs that can occur when foreign holdings are large.

Besides, other underlying characteristics of Malaysian government debt, such as its maturity structure, has also improved in recent years. The average maturity of outstanding Malaysian government debt has risen from about 5 years in 2005 to 7.6 years in 2018, close to the average debt maturity

“Whatever the optimal level of public debt is, at least one thing is certain: it is not zero”

of advanced economies of about 8 years. Here, a longer debt maturity profile reduces short-term refinancing risks and helps improve government fiscal space. Additionally, as the government's 2019 Fiscal Outlook Report notes, there is still strong demand and adequate capacity in domestic financial markets to absorb government debt issuances.

Even “off-balance sheet” liabilities, like PPP lease liabilities and government guarantees are not a problem in and of itself. PPP lease liabilities are a natural result of financing infrastructure projects through PPPs, while government guarantees help reduce borrowing costs of agencies and increases overall fiscal space for the federal government. The problem here then, is that these guarantees and PPPs are not subject to the same degree of parliamentary and public oversight as regular on-budget expenditure — and consequently they were often deliberately used by the Najib administration to circumvent public scrutiny. While a full list of government guarantees are published in the Accountant General's Annual Federal Government Financial Statement, the particulars and balance sheets of these guaranteed quasi-government bodies are frequently not readily accessible. It is probably worse in the case of PPPs, where any detail of a PPP's contractual agreement and their termination clauses are virtually non-existent. On this, increased transparency and public



Source: Auditor-General's Report, various years

disclosure will bolster public scrutiny and increase accountability, directly helping to reduce insidious crony-capitalist rent capture and leakages.

In the end, it is important to understand that fundamentally, government debt is simply the accumulation of all previous yearly budget deficits and is thus a function of government revenue and expenditure. As such, for as long as Malaysia continues to run a budget deficit, the absolute level of government debt will only continue to grow larger each year.

For this reason, public finance reforms need to first address the myriad issues that remain on the budget level. On the revenue side, the return to reliance on oil-related revenues and one-off contributions from state-owned enterprises (SOE) is both unsustainable and a direct consequence of the narrower tax base. Accordingly, comprehensive tax reforms are needed to broaden the tax base and improve revenue sustainability. On the expenditure side, politically-difficult pension and emoluments reforms have yet to be undertaken, with longer-term issues like demographic change threatening to compound these challenges in the decades ahead.

Consequently, it is time to move away from the demonisation of government borrowing and debt, and from unbridled efforts to reduce public debt just for the sake of it. Instead, herding public efforts towards the more pressing matter of building expenditure and revenue sustainability — such as broadening the tax base and moving away from oil-related revenues — would be much more productive for Malaysia as a whole. Indeed, recall that government borrowing ultimately serves two main purposes: to support the domestic economy in times of demand slack and to finance investments that carry future socio-economic benefits for the nation. As such, we should all be cognisant of the fact that whatever the optimal level of public debt is, at least one thing is certain: it is not zero. ■

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THE (NON) EVOLUTION OF MALAYSIA'S PUBLIC SECTOR

While Malaysia has gone through different phases of political, social and economic development over the years, the underlying organisational structure and functions remain predominantly the same today. In light of the historic election results in May 2018, public organisations have evolved into a permutation of regulatory capture that is reactive rather than proactive in adapting to changing times.





BY
FIRDAOS ROSLI

In the early years of Malaysia's independence, the wholesale changes to the government machinery in achieving the aspirations of the New Economic Policy (NEP) enabled the country to grow at its fastest rate in history, averaging at 7.1 percent a year from 1970 to 1990.

During the NEP period, the Razak administration created four types of organisation: (i) Malay-Muslim/Bumiputera participation-led organisations, such as Lembaga Urusan Tabung Haji (LUTH) and Perbadanan Nasional Berhad (PERNAS); (ii) rural development authorities, such as South East Johore Development Authority (KEJORA) and Muda Agriculture Development Authority (MADA); (iii) urban and social protection and development-led organisations, such as Urban Development Authority (UDA), Social Security Organisation (PERKESO) and Community Development Department (KEMAS); and (iv) rural industry-led organisations, such as Rubber Industry Smallholders Development Authority (RISDA) and Malaysian Agricultural Research and Development Institute (MARDI).

Additionally, in order to aid trade and investments during the NEP period, the Razak administration introduced Petroleum Development Act 1974, Free Trade Zone Act 1971, Industrial Coordination Act 1975 and Standard and Industrial Research Institute of Malaysia (SIRIM). All these organisations laid the foundations for social mobility and industrial development in the subsequent years and acquiesced in political support for the ruling coalition.

The Hussein administration reinforced the need for a greater push in realising the NEP by introducing yet another rural development authority, South Kelantan Development Authority (KESEDAR) and — to encourage Bumiputera equity participation — Bumiputera Investment Foundation (YPB) and Permodalan Nasional Berhad (PNB). This, in turn, gave rise to the state-led development with Malaysian state-owned enterprises (SOEs) with Bumiputera participation to complement the then British-owned corporations, such as Guthrie and Sime Darby,

“In the mid-1980s, Malaysia confronted its first acid test of economic and organisational strength following the fall of tin and oil prices. The effects of the ‘Volcker Shock’ in 1980 and the 1985 Plaza Accord made it more compelling for corporations from newly industrialised countries, such as Japan, South Korea and Taiwan, to relocate productions to Southeast Asia”

in driving the Malaysian economy. It can be argued that both administrations created the necessary organisations in levelling the playing field, which gave birth to the rise of the Malay middle class.

As a result, the Mahathir administration raised the ante by expanding the middle class through heavy industrialisation in the early 1980s and, in the following decade, through active export promotion, technological advancement, high-quality urban infrastructures and entrepreneurial development. In the early years of Mahathir's first administration, Malaysia introduced heavy manufacturing-led organisations, such as Heavy Industries Corporation of Malaysia Berhad (Hicom) and Perusahaan Otomobil Nasional (Proton), as the main drivers of the country's foray into the industry.

In the mid-1980s, Malaysia confronted its first acid test of economic and organisational strength following the fall of tin and oil prices. The effects of the “Volcker Shock” in 1980 and the 1985 Plaza Accord made it more compelling for corporations from newly industrialised countries, such as Japan, South Korea and Taiwan, to relocate productions to Southeast Asia. Malaysia responded positively by amending the Investment Coordination Act 1975 and introduced the Promotion of Investment Act 1986 with an aim to relax equity requirements involving foreign investments in the manufacturing sector. Apart from the automotive sector, SOE and Bumiputera participation in the manufacturing industry is minimal. As a result, the Malaysian economy expanded, on average, around 5.9 percent a year and received 26 percent of total foreign direct investment (FDI) inflow to ASEAN in the said decade.

It is worth noting that, at this point, the government should have prepared the stage for further public sector reforms for the coming decade. This should have been done on the basis of upgrading the functions of existing

organisations following the tremendous success of the NEP. This is evident where Malaysia's urbanisation rate had increased from 33.4 percent in 1970 to 49.8 percent in 1990 while urban and rural poverty rates declined to 19.3 percent and 7.3 percent respectively. Additionally, mega economic blocs have emerged since the late 1980s, such as the Asia-Pacific Economic Cooperation (APEC), European Union (EU), North American Free Trade Area (NAFTA) and ASEAN Free Trade Area (AFTA). It is of utmost importance that public sector reform and investment-related policies must correspond to the changing global economic environment so that trade and investment could grow in tandem with the growing economy.

Rural-based development authorities should have been streamlined in order to attract greater public infrastructure upgrading and spread the benefits of trade involving rural areas. Instead, it was business-as-usual for rural-based organisations that were created since the 1960s and, ergo, trade and investments continued to favour the west coast of the Peninsular with better public infrastructure and diverse social dynamics. Malaysia continued to rest on its laurels as positive macroeconomic indicators gave little incentive for Malaysia to reform its organisations at this juncture.

Although the 1991-2000 National Development Policy (NDP) carried similar affirmative programmes for the Bumiputera, Malaysia pressed for changes in the areas of trade, technological, entrepreneurial and infrastructure upgrading. In this respect, the government created the Malaysia External Trade Development Corporation (Matrade), Multimedia Development Corporation (MDeC), Tabung Ekonomi Kumpulan Usahawan Niaga (TEKUN Nasional) and Prasarana Malaysia Berhad throughout the period. The Malaysian economy grew at about

7.2 percent per year during the period, owing to the high FDI inflow since the mid-1980s.

Throughout the 1990s, the economy was booming with hot money, but alas, Malaysia was accosted by the Asian Financial Crisis (AFC) and the government had to step in almost instantly or risk facing an imminent economic meltdown. It is worth highlighting that due to the government's direct and persistent intervention in the economy — particularly in the heavy industries, financial and services sectors since the 1980s — the Mahathir administration resorted to taking a defensive stance in dealing with the AFC compared to the Commodity Crisis a decade earlier. The AFC put a lot of stress on major local banks, which in turn gave birth to corporate restructuring organisations, such as Danamodal Nasional Berhad and Pengurusan Danaharta Nasional Berhad. Without external involvement when dealing with the AFC, the close relationship between the government, SOEs and Bumiputera participation remained intact and heavy.

It was at this point that the momentum for further public sector reform was interrupted, largely due to two factors. First, although Malaysia has not been able to grow at pre-AFC growth rates, the economy was still able to grow, albeit slower. Second, the commonly held belief that tweaking an outdated economic model would provide similar results instead of pushing for real reforms.

In 2003, Prime Minister Mahathir Mohamed stepped down in favour of Abdullah Ahmad Badawi. The euphoria of that move was evident following the 11th General Election where Barisan Nasional (BN), the ruling coalition, won more than 90 percent of the seats in the lower house. It was a huge opportunity for the Abdullah administration to press for public sector reforms while maintaining such overwhelming support for BN.

In 2004, the government introduced the Government-Linked Companies Transformation Programme with an aim to improve the competitiveness and performance of 20 selected SOEs within a decade. While it is commendable that the initiative was a good starting point in consolidating and improving the governance of commercial-driven public organisations, not all SOEs were involved in this process.

Up until today, there is no specific law to govern all SOEs in Malaysia and, as such, no one really knows the exact number or influence of SOEs in driving the Malaysian economy, apart

“In 2004, the government introduced the Government-Linked Companies Transformation Programme with an aim to improve the competitiveness and performance of 20 selected SOEs within a decade”

from the ones listed on Bursa Malaysia, such as Maybank, Malaysian Airports Holdings Berhad and UMW Holdings Berhad. Furthermore, Malaysia did not have a competition law (it was later introduced in 2010) although other neighbouring countries, such as Thailand, Indonesia, Singapore and Vietnam, enacted their respective national competition laws as early as in 1979.

From the organisational perspective, instead of levelling up the bureaucratic layer and tackling financial scandals and corruption cases involving BN members and government officials, the Abdullah administration shunned reforms altogether. There was a platform for Malaysia to inject external pressure for reform by clinching a trade deal with the United States, but negotiations reached a deadlock much sooner than initially anticipated. The government exacerbated the situation further by introducing organisations with overlapping functions and jurisdictions, most notably, the five investment authorities covering different economic corridors throughout Malaysia. What was intended to be the panacea for the growing public discontent became the ruling coalition's worst nightmare.

As a result, BN lost its two-thirds majority for the first time since the 1969 general election. Although Prime Minister Abdullah was timely in upgrading functions of the anti-corruption agency to combat various scandals, it was already too little, too late. He was forced to step down as Prime Minister about a year after the 12th general election.

Najib Razak took the helm as the Malaysian Prime Minister at the height of the Global Financial Crisis (GFC). His administration quickly responded to the crisis by establishing Danajamin Nasional Berhad in 2009, an SOE, in order to shield the economy from the GFC and ensure the continued flow of credit in the financial system to businesses. Later in the year, Prime Minister Najib disbanded the Foreign Investment Committee and replaced its functions with Ekuinas Nasional Berhad, yet another SOE, to promote equitable and sustainable Bumiputera economic participation.

During the nine years of the Najib administration, the government's attempt

to improve the quality of organisations was nothing short of an ambitious endeavour. Within months after Prime Minister Najib assumed premiership, he unveiled the New Economic Model, an upgrade to the NEP, to not only commit to the government's intentions in pursuing deep-reaching structural reforms, but perhaps more importantly, to realise Mahathir's Vision 2020.

In a nutshell, Prime Minister Najib's reform strategy involved a two-step process; firstly, by injecting bottom-up reforms via the 1Malaysia concept, the National Transformation Programme and a slew of new public organisations, such as 1Malaysia Development Berhad (IMDB), Performance Management and Delivery Unit (Pemandu), Talent Corporation, Urban Transformation Centre and Land Public Transport Commission (SPAD). Many of which, as some might have guessed, carry the same mandate with existing organisations. In addition, the government also introduced major legislative reforms, such as the National Wages Consultative Council Act 2011, Competition Act 2010 and the Goods and Services Tax (GST) Act 2014.

However, although these measures were institutionalised to reform government machinery and delivery, decades-old issues involving Bumiputera and labour policies remain up to this date.

Surprisingly, these initiatives worked well, particularly from the household income growth standpoint. From 2009 to 2016, the mean monthly household income increased across the board by 10.2 percent for Bottom 40, 5.2 percent for Middle 40 and 4.1 percent for Top 20 categories per annum. Although many Malaysians enjoyed a higher standard of living, the cost of living had also risen during the period.

Secondly, the Najib administration also devised a complementary strategy to speed up reforms, namely by actively getting involved in high-quality trade agreements; in particular, the Trans-Pacific Partnership (TPP) and the ASEAN-led Regional Comprehensive Economic Partnership. The TPP will inevitably realign Malaysia's key policies to the “gold” standards of the 21st century covering areas,

such as Bumiputera policy (particularly on government procurement, SOEs and the services industry), labour, investor protection and intellectual property rights. For the first time in decades, the government attempted to define the perimeter of policies involving Bumiputera participation in the Malaysian economy.

The strategy was not all infallible. Prime Minister Najib's attempt to make restitution for the damages of past administrations is an admiration, but he was unable to captain a sinking ship following his slipshod manner in dealing with scandals involving 1MDB.

The 14th General Election (GE14) saw BN lost the federal power for the first time in history. Pakatan Harapan (PH), a coalition of four Peninsular-based parties, with two other allied Sabah-based parties, entered Putrajaya with a promise to restore the economic glory of the past by reforming public sector and combat widespread corruption. Soon after chairing the first cabinet meeting, Prime Minister Mahathir announced the dissolution of the National Council of Professors (MPN), Special Affairs Department, SPAD and Federal Village Development and Security Committee (JKKKP). The government also reviewed and discontinued several infrastructure and 1Malaysia-linked projects as well as the GST, all of which were introduced during the Najib administration. To date, the government is setting the scene to undertake a number of reform initiatives, such as the review of key labour laws, introduction of government procurement and fiscal responsibility rules.

Interestingly, the government has also reinstated or rebranded a few organisations and initiatives of the Najib administration. These include, among others, Bantuan Rakyat 1Malaysia to Bantuan Sara Hidup, SPAD is now replaced by the Land Public Transport Agency and the MPN to remain as is. The review of mega infrastructure projects as proposed in PH's election manifesto, such as the KL-Singapore High-Speed Rail and the Light Rail Transit 3, proceeded with minor modification. Besides, although there are less federal ministers today than in the previous administration, it is, once again, business-as-usual for existing government agencies and SOEs.

As the bond between the public sector, SOEs and Bumiputera participation becomes more prominent over time, so does the size of the civil service, which has in turn impacted public finances greatly. This is where the government is often torn between addressing

“The strong bond between the public sector, SOEs and Bumiputera participation in Malaysia is here to stay”

the overlapping jurisdiction, duplicative and fragmented public sector and facing the fear of mass unemployment. This is all against the backdrop of the inability of civil servants, particularly Bumiputera employees that account for 79 percent of the total public sector employment, to make the switch to a seemingly less secure job prospect. Evidently, public sector employment gets larger after each economic crisis due to the increase of contract workers at the federal government level and, if one were to observe the international definition of public sector employment strictly, workers of newly created SOEs as well. What complicates the matter further is that remuneration in the public sector, SOEs and private sector is highly asymmetrical. There are contrasting expert views in addressing this issue and they are not going to dissipate soon nor will it be solved in a matter of years or decades to come, and presumably so.

Perhaps this is why politicians are quick to capitalise this said relationship to their own advantages in order to gain, or sustain, public support. Just four months after GE14, the PH government organised Kongres Masa Depan Bumiputera dan Negara (KBN) in the heart of Kuala Lumpur, perhaps to reaffirm its commitment to champion the special position and privileges of the Bumiputeras in the wake of the historic election results. While a total of 63 resolutions were raised at the KBN, these did not manage to pacify the tens of thousands of Malays that rallied against the possible ratification of the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD) two months after KBN was held. At the time of writing, the flagging Bumiputera support continues following the ruling coalition's losses to BN in recent by-elections, prompting Azmin Ali, the economic affairs minister, to push for a new Malay-led economic policy in the coming months. It would seem that the present government has little option but to institutionalise more Bumiputera-centric policies as their main buttress.

Let us state the obvious: real reform

necessitates a precise perimeter of Bumiputera policy so that the role of public sector and SOEs in driving the Malaysian economy is better defined. As far as the issue is concerned, this author has not witnessed any concerted effort in defining the extent of Bumiputera-related policy apart from the previous administration's attempt during the TPP negotiations. As the agreement adopts the “negative listing” approach in services and investments — in which all sectors or sub-sectors that are not listed in the agreement are, by default, treated equally — Bumiputera involvement in the Malaysian economy can no longer be vague in the future. The tension now lies in whether or not the Mahathir administration is proceeding with the ratification process. It is worth noting that reform is never a one-off process, but a continuous one and the government should be mindful against disrupting the momentum.

Pushing for real reforms is not going to be linear for the present administration. As far as political support is concerned, PH is walking on eggshells on Bumiputera and Muslim-related issues despite sizable urban support for the ruling coalition throughout the country. It appears that PH is still grappling to find a sweet spot between managing voter expectation and attempting to fulfil its utopian manifesto to the *rakyat*. Will this become a classic case of “the more things change the more they stay the same”? Only time will tell.

The strong bond between the public sector, SOEs and Bumiputera participation in Malaysia is here to stay. The country's progressive and repetitive nature of reforms were successful in tackling issues concerning social equity in its early years of formation and later integrating with the global economy with a view to growing the economic pie. However, at each point of an economic crisis, the government tightens the bond even further. Malaysia has now become a defensive economy where it can no longer grow at great speeds nor suffer immensely from a crisis. It will soon dawn upon us to revisit such a bond, but the real question is, whose rules will Malaysia play by then?

There is no better time than now to look into the quality of our organisations with a view to remove structural barriers, improve policy execution and enhance the overall future prospect of the Malaysian economy. ■



Environmental Reforms for Malaysia Baru

The narrative on Malaysia's environment policy has always been about preservation and conservation. Post May 9, we need another noun in our policy vocabulary to rebuild the country – restoration.



BY
HEZRI ADNAN

Malaysia has accumulated all kinds of environmental damages following decades of rapid industrialisation.

Take water for example, five states are currently considered water deficit, while 377 rivers are getting narrower, shallower and filled with mud from unrestrained development. The pollution load on land also shows no sign of ebbing, with Malaysians generating about 38,000 tonnes of household waste daily. Consequently, most landfills

have exceeded their operating capacity with serious health threats.

A restorative rather than destructive economy seeks to turn such environmental challenges into opportunities for growth. Instead of regurgitating the antagonism between ecology and business, Malaysia should open up prospects for businesses to facilitate the recovery of a landscape or an environmental service that has been damaged or destroyed. Restoration of ex-mining lands

into premier housing estates, or rejuvenation of the degraded Klang River are examples of local-scale eco-innovations. Moving forward, we need solutions as big as the problems we face.

When Malaya was a resource-rich land, we pursued preservation policies to keep natural ecosystems in pristine state. Just as game hunting during the Colonial era began to threaten faunae in the forests, the authorities were quick to set aside a number of protected areas. The first Malayan wildlife reserve was created in Chior, Perak, way back in 1903 to protect the *bos gaurus* or bison. Unfortunately, now both the Chior reserve and its charismatic gaur are gone.

Following Independence, we undertook

extensive logging and agricultural development in rural Malaya, Sarawak and Sabah. As a result, the natural areas dwindled in size, causing further loss of flora and fauna species. Eventually, the governments – both federal and state – declared various conservation measures to reduce the wear and tear of economic development. The Sustainable Forest Management System, for instance, was established to halt the depletion of valuable timber species and to ensure forest sustainability.

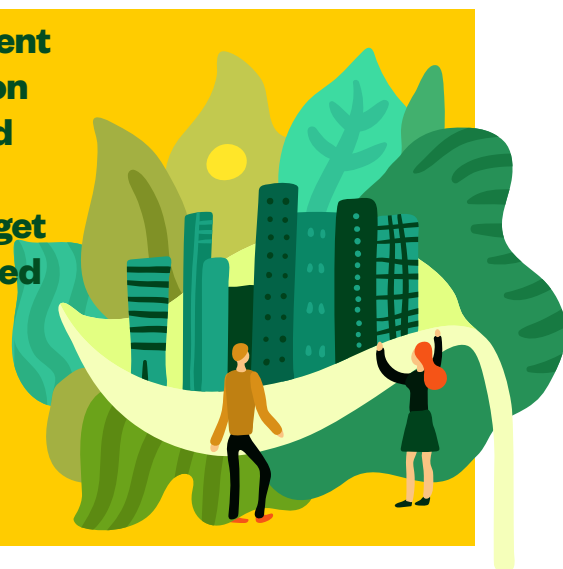
But the truth is, the word sustainability has little actual meaning in the world. Many of the policy statements on conservation were rarely matched with credible implementation. A case in point is the Ulu Muda forest reserves in Kedah. Almost 74 percent of Ulu Muda's 106,418 ha forests have for many years been gazetted for timber production. Aside from its rich biodiversity, it is also a key watershed for the northern states. Yet contrary to popular belief, it was never fully protected as a water catchment area. Never mind the fact that Ulu Muda provides 80 percent of the raw water in Penang, 70 percent in Perlis and 96 percent in Kedah for industrial, irrigation and domestic usages. In the event of a water supply disruption, the livelihood of four million people in the three states will be affected, risking some RM115 billion worth of economic activities.

A few months after the 14th General Election, the Pakatan Harapan-led Kedah state government put a stop to logging activities by revoking logging concession licenses at Ulu Muda. While this is a welcome step, a deeper reform would require the Kedah government to “lock up” Ulu Muda forests as a permanent water catchment area in legal terms. Here is the rub though: for a state operating on a mere RM700 million budget, the loss of RM40 million annually from the logging ban surely hurts.

As a result, some may argue that the federal government must compensate the Kedah state government in place of its forest premium. Such is the convenient stance of the Penang state – an economic powerhouse – instead of offering its neighbour Kedah some payment for its raw water supply to Penangites. At a time when inter-basin water resources transfer is a rule than an exception, should not states help each other out to secure the stable supply of water?

Perhaps a better option than its current plan to access raw water from Perak is for Penang to jointly develop with Kedah

“In the past, the enforcement of environmental regulation was constrained by limited funding. Only about one percent of the annual budget goes to environment-related agencies. Regrettably, the bulk of this funding ends up as emoluments, which is a part of the operating expenditure”



innovative projects that restore the ecosystem function of the Ulu Muda River. There is something to learn from the Ta Shizen Gata Kawa Zukuri project (or nature-oriented river works), which has effectively restored degraded river corridors and their biodiversity on a large scale in Japan.

Government policy, however, is not the holy grail of environmental reforms. What is more critical than policies is winning of the hearts and minds of the average citizen to embrace environmentally-friendly habits and behaviour. This is no easy feat since the environmental awareness level among Malaysians is very low.

The Pakatan Harapan government got off on a good start with its campaign to eliminate the consumption of single-use plastic by 2030, which is now gaining positive responses from the public. The motivation is to release Malaysia from the global hall of shame with it being ranked among the top ten countries with mismanaged plastic waste in the world. Malaysia had produced 940,000 tons of mismanaged plastic wastes, most of which may have been washed into the oceans.

To its credit, the government knows that imposing an overnight ban to curtail plastic pollution is not an option. Doing so will jeopardise the business of over 1,000 plastic manufacturers in the country with export value in the tune of tens of billions of Ringgit.

As an alternative, the government unveiled a 12-year roadmap based on restorative principles. It contains a push for a gradual plastic-free lifestyle change for 32 million citizens to adopt and reflect on a set of practices that show them the importance of the environmental issues to their daily lives. For businesses, the roadmap encourages

research and commercialisation of eco-friendly technologies, including the creation of biodegradable plastic industry. By joining countries that are transitioning to restoration models, Malaysia is in the race to tap into the USD\$1 trillion worth of new businesses in the global circular economy market.

Saying no to plastics is a necessity, but it is only a means to an end. In fact, Malaysia faces greater environmental problems than plastic waste; sewage pollution of rivers being one of them. Creating a high-level, cross-party platform – such as a parliamentary select committee on the environment – will be a useful step forward to prioritise responses to our environmental menace.

The acid test for policies and roadmaps lie in their implementation. This is true both for the “slow creep” problem like water scarcity or a “flavour-of-the-month” issue like plastic waste. In the past, the enforcement of environmental regulation was constrained by limited funding. Only about one percent of the annual budget goes to environment-related agencies. Regrettably, the bulk of this funding ends up as emoluments, which is a part of the operating expenditure.

In reality, it is the development expenditure that transforms economy and society through the creation of new goods and services. Is the ruling government willing to allocate more development expenditure to set the restorative economy in motion? One thing is certain. A business-as-usual funding strategy will not lead to Pakatan Harapan being able to deliver on its environmental reform promises in the next four and a half years. ■

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BACK TO THE PAST?

The Return of Mahathir's Nationalist Foreign Policy



BY
BRIDGET WELSH

Mahathir Mohamad's return as Malaysia's prime minister has brought important shifts in foreign policy priorities and partnerships from that of his predecessor Najib Tun Razak. Framed through a nationalist lens and by Mahathir's earlier tenure as premier from 1981 to 2003, these changes are predominantly coloured by the past and do not fully reflect an appreciation of the new global environment and a calculated positioning of Malaysia for future regional uncertainties.

The most touted break from the Najib era has been Mahathir's approach to China. Najib had moved the country closer to the rising global hegemon by expanding investment ties and dampening down responses to China's territorial expansion in the South China Sea. Malaysia became

a critical country in Xi Jinping's Belt and Road Initiative due to its advantageous geopolitical location within Southeast Asia and its importance in the Obama administration's Asia pivot policy. Najib's government on its part had recognised China as the main driver of the region's economy post the 2008 financial crisis. After the 2015 revelation of the 1Malaysia Development Berhad (1MDB) scandals, involving USD\$4.5 billion tied to kleptocracy associated with the Najib government, China became a needed source of revenue for the debt incurred through the scandal and critical for Najib's own political survival.

In the May election, Najib's relationship with China became a campaign issue as multiple infrastructure investments were

seen to be too costly and inadequately providing trickle-down to the domestic economy. After assuming office, Mahathir threatened to cancel the Chinese-funded USD\$20 billion East Coast Rail Link (ECRL) project and a USD\$2.5 billion natural gas pipeline project in Sabah. While Mahathir's August visit to China softened the blow and engagement with China remains strong, this initial distancing was couched in nationalist terms as reducing the country's debt burden. At its core, Mahathir returned to his practice of protecting national sovereignty.

Mahathir also took a more nationalistic approach towards Singapore. Lee Hsien Loong's People's Action Party (PAP) government had similarly allied closely to Najib and, despite prosecutions of bankers associated with 1MDB, Singapore remains embroiled in the scandal as a financial centre. The close support for Najib drew attention to Singapore and reignited old antagonisms over territory. Mahathir baited Singapore in speeches and Singaporean officials in turn reacted defensively, as they were

“To address Malaysia’s debt problem, Mahathir reached out to Japan, arguably his closest ally from the 1980s”

caught by surprise by Mahathir’s return. By year’s end, the bilateral relationship had deteriorated due to spats over air space and land reclamation, as greater suspicion and competitiveness had set in between neighbours.

To address Malaysia’s debt problem, Mahathir reached out to Japan, arguably his closest ally from the 1980s. Mahathir had introduced the Japan-centred Look East policy in 1982 and was one of the few countries in the region that appreciated Japan’s investment and commitment to Southeast Asia. By July, Mahathir was able to secure a guarantee of Y200 billion (\$1.83 billion) of Samurai bonds, strengthening Malaysia’s financial position. During his three visits to Japan, Mahathir announced a third national car and began negotiations for a soft loan to restructure national debt. Japan served to not only offset the distancing from China, but emerged as Malaysia’s regional anchor, especially given the perceived decline of the United States in Asia.

Coming to power with the promise of political reform ironically placed Mahathir in the position of engaging his old foes in the West from a different angle. Mahathir has long been demonised for his authoritarianism and attacks on the West for its role in Palestine and unfair treatment of developing countries. While unwilling to echo Najib’s warm embrace of the Trump administration, Mahathir put aside old criticisms and encouraged his administration to work with the United States in the 1MDB investigations and reaffirmed strong security ties. Malaysia’s national interest came before his personal reservations and reflected his traditional approach in maintaining cordial bilateral working relations even in the face of differences.

Mahathir however was not able to overcome different views of the treatment of the Rohingyas in Myanmar, opting to openly criticise the ASEAN member that he advocated be brought into the organisation in the 1990s in the meeting in November. Mahathir reembraced his role as a spokesperson for the Muslim world,



even at the expense of an ASEAN member, reflecting the continuing erosion of the non-interference principle within the regional organisation.

Mahathir’s long-standing resistance to trade also shaped his response to Malaysia’s entry into the new Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the new US-less Trans-Pacific Partnership Agreement. While it is expected that Malaysia will join the agreement in 2019, Malaysia was not among the initial 11 signatures, in contrast to Najib’s position as an advocate for the trade agreement.

Where both men agreed however is in their position on the International Convention on the Elimination of All Forms of Racial Discrimination (ICERD). Initially part of the election manifesto and advocated by Malaysian’s Foreign Minister Saifuddin Abdullah, Mahathir has announced that his government would sign the agreement at the United Nations General Assembly in September. By November, Mahathir had reversed his position, returning to a Malay nationalist framework that allows for systematic racial discrimination domestically to “protect” the majority Malay community. He returned to his ideological roots with long-standing Malay chauvinist views, despite the overwhelming non-Malay support that had put him back into office.

While many in Mahathir’s Pakatan Harapan government are touting reform, most notably the Foreign Minister

Saifuddin, and there are indeed different forms of engagement, with civil society in particular, Mahathir continues to dominate Malaysia’s foreign policy direction. This is despite concerted efforts to promote a more liberal and people-centred foreign policy framework within his government. There is a disconnect between Mahathir’s foreign policy and the more democratic ideals of his government’s political base.

The further challenge is that Mahathir’s responses do not conform to new realities. Alienating China, goading Singapore, embracing Japan, feeding into ASEAN fragmentation, returning to the role of an anti-globalisation advocate and sticking with positions tied to race do not necessarily position Malaysia for new vulnerabilities. Old allies are important, but inadequate for the risks of today’s era of unpredictability. Mahathir is losing the opportunity to rebrand Malaysia on the international stage and to forge needed relations to promote the country’s needed economic and social transformation. Rather than prepare Malaysia for a more multipolar world, less favourable economic conditions in a region on the frontline of trade wars and greater regional competition and division, the choice has been to return to the past – potentially undercutting Malaysia’s future potential. ■



Rising Threat of Stimulant Drugs in Malaysia

Amphetamine-type stimulants (ATS) have overtaken opioids as the drug of choice for drug users in Malaysia. Is the country well-equipped to respond to this rising threat? What are the implications for treatment and rehabilitation?



BY
PUTERI NOR ARIANE YASMIN & NURSALINA SALLEH

It has been 35 years since drug abuse was declared a national security problem in Malaysia. Back then, and indeed until about 10 years ago, heroin use was the number one challenge for drug policy makers.

Thanks to the introduction of a farsighted policy in 2006 to implement harm reduction programmes, like methadone maintenance therapy (MMT) and needle-syringe exchange programmes, the challenge of opioids is much more manageable in recent times. The human immunodeficiency virus (HIV) epidemic has also begun to come under control.

The issue that drug policy makers face today is a new breed of stimulant drugs that are cheap and readily available. This is due to their inherently easy to obtain ingredients and flexible manufacturing techniques. These drugs are known as ATS and they encompass both the amphetamine and methamphetamine type of drugs, both of which are highly addictive with euphoric effects. Examples of ATS include speed, methamphetamine or meth, ice, shabu and ecstasy.

ATS have already overtaken opioids as the drug of choice for drug users in Malaysia. Arrest data from the National Anti-Drug Agency (NADA) indicates a steady increase in ATS use in the country over the last five years. A review of data on drugs provided by

“The issue that drug policy makers face today is a new breed of stimulant drugs that are cheap and readily available. This is due to their inherently easy to obtain ingredients and flexible manufacturing techniques”

NADA from 2013 to 2017 highlights that an increasing proportion of those arrested use methamphetamine (whether in crystalline or pill form) and ecstasy as their drug of choice.

By 2017, 58 percent of all arrests were for methamphetamine. Specifically, out of 26,791 persons apprehended by NADA in 2017, 15,549 (58 percent) were using methamphetamine, two-thirds of which were using crystalline methamphetamine. As many as 4,366 (28 percent) were using methamphetamine tablets and 764 (5 percent) were using ecstasy.

In other words, the percentage increase year on year is fastest and highest for methamphetamine in comparison to other drugs. For the first time ever, NADA's data in 2017 for methamphetamine use surpassed those arrested for opioids.

There are obvious limitations of the arrest data provided by NADA – these numbers of arrests tell us nothing about the size of the population of drug users or whether arrestees were occasional, frequent or dependent users. The numbers do, however,

alert us to the fact that ATS has quickly risen as the most popular drug of choice in Malaysia and crystalline methamphetamine is by far the most popular form of ATS used.

It is also worth mentioning that our quick survey of selected, privately run treatment facilities in Kuala Lumpur also suggest a similar trend. The majority of those who are currently in inpatient treatment and rehabilitation are ATS users on methamphetamine.

The rising trend of ATS consumption has profound implications for the treatment and rehabilitation of drug use in the country. It also sheds light on the limitations of the drug dependence treatment system in the country.

There is a diversity of users and their drug use patterns, therefore interventions and treatments must be equally diverse in order to avoid a mismatch between the drug abused and treatment offered.

Treatment for ATS is a challenge on its own. Current treatments, such as methadone maintenance, are still aimed at opiate users, but these cannot be used to treat ATS

“It is high time for Malaysia to introduce and strengthen counselling approaches designed for the long-term treatment for stimulant dependence, including the training of frontline health and enforcement personnel to respond to and manage the acute episodes of stimulant intoxication”

dependence. There is no substitution drug for ATS dependence in the same way that methadone is available as a substitute for heroin use or opioids. While pharmacological treatments show initial promise in clinical trials, there are currently none which have been approved for use in the treatment of ATS dependence.

Treatment for ATS is made more problematic as it is unclear what harm reduction means in the context of ATS. There are perceptions that harm reduction as an approach is only meant for people who inject opioid drugs and, therefore, does not apply to ATS users. This view must be corrected as a “harm reduction” approach applies to all forms of drug use and can contribute towards reducing the risk of overdoses or infectious disease. For instance, ATS is a popular drug used by men who have sex with men to enhance sexual performance, which could contribute towards a higher risk for contracting the HIV.

This is not to say that all is doom and gloom in the treatment of ATS. Psychosocial interventions have shown some effectiveness in treating methamphetamine use disorders thus far. However, Malaysia has limited capacity to support longer-term psychosocial rehabilitation of ATS dependents.

We have a shortage of medical doctors, psychiatrists, psychologists, counsellors and law enforcement officials who are trained in addiction treatment and rehabilitation and



are able to understand and respond to ATS intoxication and dependence. It should also be highlighted that NADA and Ministry of Health (MoH) professionals currently working on addiction are generally more familiar with opioids, but will need more training to be conversant with diagnosing and treating ATS use disorders.

It is clear that Malaysia's current policy is not sustainable in responding to the rising threat of ATS. Incarceration for drug use has resulted in overcrowding in prisons with drug users constituting more than 40 percent of all prisoners in 2016. Furthermore, there is no evidence to show that the therapeutic counselling programme in prisons is effective in treating drug dependence in general.

It must be stressed that ATS users also come with the added challenge of psychosis, hallucinations and violent and/or aggressive behaviour. News of the RapidKL bus driver ramming seven cars on Jalan Ampang or the father hacking his five-year-old son to death with a parang in August 2018 only solidify

the need to address this pertinent issue. It is high time for Malaysia to introduce and strengthen counselling approaches designed for the long-term treatment for stimulant dependence, including the training of frontline health and enforcement personnel to respond to and manage the acute episodes of stimulant intoxication.

In an effort to start the ball rolling on addressing the complexities of ATS in the country, ISIS Malaysia will convene a regional roundtable in 2019 on “Responding to ATS in the Asia-Pacific Region: Where Are We and How Do We Move Forward?”. The roundtable will focus on data and epidemiology, treatment, prevention and policy, and highlight the institutional and professional gaps in responding to ATS by drawing lessons learnt from neighbouring countries. ■

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Selected Publications



The Future of Think Tanks in Malaysia: Innovate – or Die

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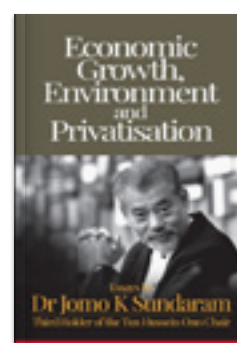
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