

“[T]he incumbent forces have reformulated old strategies to deflect contenders for power while narrowing the political space for substantive reform.”

Trauma and Triumphalism in Malaysia

BRIDGET WELSH

When Malaysians learned the results of their country's 13th general election in May 2013, the reaction varied from triumph to trauma. The world's longest incumbent government, now 56 years in power, managed a narrow victory, denying the multi-ethnic opposition that had been consolidating since 1999 a chance to govern. In one of Southeast Asia's most politically polarized countries, the election sharpened deeply felt divides that continue to shape battle lines over the nation's future.

These battle lines in fact reflect Malaysia's political evolution over the past decade, following the 22-year rule of the strongman Mahathir Mohamad. During the past 10 years, while the country has faced the challenges of transforming its economy and accommodating a more complex and demanding electorate, the incumbent forces have reformulated old strategies to deflect contenders for power while narrowing the political space for substantive reform.

AWAKENED AND DIVIDED

Mahathir left office in 2003, handing over the reins of the United Malays National Organization (UMNO), the dominant party in the governing Barisan Nasional (BN) coalition, to Abdullah Badawi, an affable soft-spoken politician with a background in Islamic studies. In his first two years as prime minister, Abdullah won a mandate by distinguishing himself from his predecessor with a more open leadership style and promising political and economic reforms.

The years 2003 to 2005 featured a bloom of new voices, as dialogue flourished with open acknowledgement of the challenges the country faced post-Mahathir, including corruption and inequitable governance. This forward-looking dis-

course catapulted Abdullah's coalition to electoral victory in 2004 with the highest share of seats in Malaysia's history, 91 percent.

The tide soon turned. Abdullah's failure to capitalize on his electoral success by implementing reforms led to widespread dissatisfaction with his leadership. Abdullah's style shook the system and raised expectations across the political spectrum. His legacy was that he acknowledged the challenges the country faced, but failed to effectively address them. Citizens themselves began to take up the mantle and fill the void.

This political awakening for Malaysians led to a remarkable result in 2008 elections, when the BN lost its two-thirds hold on parliament as well as five state governments. The opposition joined forces in Pakatan Rakyat (People's Alliance), led by the charismatic Anwar Ibrahim, offering a viable national alternative for the first time in the country's history. Although the BN retained a slim parliamentary majority, Abdullah himself was forced to step down, passing the premiership to his deputy, Najib Tun Razak.

The catalysts for change ranged from demands for fairer governance to expanded religious freedom. Malaysian politics moved away from revolving around a leader to contestation among elites and in society itself. Public protest and open dissent became the norm.

Broadly speaking, two political forces emerged. The first called for a forward-looking and more inclusive style of governance. Malaysians motivated by this thinking urged greater tolerance, respect for dissent, and political freedoms. They also advocated a national identity that supersedes traditional ethnic politics. The country is home to three dominant ethnic communities: the Malays, who make up the majority and hold political power; the Chinese; and the Indians. There are also multiple ethnic communities based in East Malaysia. These ethnic groups, mobilized by

BRIDGET WELSH is an associate professor of political science at Singapore Management University.

elites, have traditionally formed the foundations for political parties. With the end of Mahathir's strongman rule, growing numbers of Malaysians determined to redefine the country's politics and direction.

It is thus not surprising that a second force emerged in reaction to the push for change, a force determined to protect the legacy of Mahathirism. This involved both authoritarian nostalgia and the politics of racial insecurity that undergirded Mahathir's ideology, ultra-Malay nationalism. Not only did pro-regime groups aim to protect the old order; they integrated the defense of Islam into reactionary rhetoric. They moved beyond the status quo to advocacy of racial and religious dominance and exclusion.

These two ideological outlooks manifested themselves in the messages and voting behavior of the May 2013 general election, with the opposition adopting the mantle of "change" and the incumbent government, with Mahathir himself hitting the campaign trail, opting for the mode of "defend." The election witnessed mass mobilization and a historically high turnout, 80 percent, as both sides engaged in what they regarded as a righteous battle.

When the votes were counted, the country effectively was evenly split, with 51 percent voting for Pakatan and 47 percent for BN. Malapportionment, an openly biased electoral administration, manipulation of the mainstream media as a vehicle for incumbent propaganda, massive vote buying, and irregularities on election day itself assured that, despite the opposition winning a majority, the BN coalition would hold onto power.

The results mirrored many of the country's social cleavages that have deepened in the past decade. As intense politicking combined with limited problem-solving has become the pattern, attention has centered on winning or retaining power in elections, with little focus on governing and even less on finding common ground for the future. Malaysia's politics has become obsessed with the contest, rather than the content. As this partisan routine has repeated itself, divisions in the society have sharpened.

MALAY MAJORITY

The most salient of these divisions is ethnicity, colored by perceptions of marginalization. One of

the legacies of the "New Economic Policy" (NEP), a system of race-based preferences imposed during the 1970s, has been to reshape the country's demographics. Before 1980 policy makers focused on protecting the Malay community and its plurality vis-à-vis the other communities. Today Malays make up the overwhelming majority. Not only do they constitute the largest share of the population (57 percent); due in part to government support, they have the largest families.

This trend has been compounded by a dramatic "brain drain" across races, but disproportionately among non-Malays who feel that their country does not offer them a level playing field for opportunities. Thus Chinese, Indian, and East Malaysian communities, especially non-Muslim ones, have become shrinking minorities. The government has shown no interest in offering greater inclusion. Instead the minorities, especially the Chinese, have become punching bags for ultra-Malay nationalists whose racism is *de facto* endorsed by UMNO leaders notable for their failure to protect non-Muslims from ethnic extremism.

The UMNO leaders' unwillingness to respect minority communities, particularly the Chinese, has led to widespread flight of support from the governing coalition. But as the coalition has lost its multi-ethnic base, it has blamed the Chinese rather than look within. The incumbent government has done little to genuinely promote a meaningful and inclusive Malaysian identity, thereby intensifying the ethnic divisions.

CLASS CONSCIOUS

It is not only ethnicity that has come to the surface. Class divisions have become more prominent, and widened in the past decade. The overwhelming majority of Malaysians live in a vulnerable state, earning incomes less than \$1,000 a month. Household debt is extremely high: over 70 percent on average. While members of Malaysia's elite, especially those in UMNO, have prospered via links to government contracts and deals, this prosperity has not been widely shared. Indeed, the middle class in Malaysia has contracted over the past decade.

Those at the top have taken larger shares, feeding off the entrenched corruption in the system. Although social mobility has always been a feature

*Political reform Najib-style
has become a performance
rather than a practice.*

of Malaysian development, the opportunities for advancement have narrowed with a lack of reform in the education system and fewer high-paying jobs. The result is rising inequality, with one of the most skewed income differentials in East Asia.

As with the ethnic cleavages, class-based appeals has been a source of political mobilization. One of the distinguishing features of Prime Minister Najib's political career has been his use of class-based appeals for political support. The main vehicle has been the introduction of populist cash transfers targeted at lower-income Malaysians. Multiple billions of dollars have been deployed in a variety of forms, from schoolbook vouchers to direct cash handouts, to woo political support.

In the 2013 general election, the majority of lower-class Malaysians supported the incumbent government, due to the effectiveness of these measures and the reality that they do offer short-term relief for underlying conditions. It is no coincidence that the poorest areas in the country are the governing coalition's politically "safe" areas, never mind that much of the poverty is the result of failures in government policy. A vicious circle has emerged whereby short-term measures are used to ameliorate vulnerability, while longer-term sustainable policies to promote development have been neglected.

The nexus between social cleavages and politics is also manifested in regional divides across the country. Development has traditionally focused on the urban areas. Mahathir conceptualized modernity as an urban phenomenon, investing heavily in landmark buildings in the capital of Kuala Lumpur and in the movement of the administrative capital to Putrajaya. Najib has followed this framework, focusing his main development initiatives in urban Johor and on creating a Kuala Lumpur financial center.

Rural communities, especially in East Malaysia, have been left behind. While basic infrastructure and services are provided, parts of the country still lack electricity and roads. These areas contain vulnerable communities, but are also the political base of the incumbent government. A quarter of its parliamentary seats are from East Malaysia, and over half are from rural areas. Politically these rural communities may have a place in the nation, but economically they have been displaced.

With more middle- and upper-class support for the opposition in the urban areas, those who have benefited from development are moving away from the regime, while those who arguably

have benefited least make up its base of support. The incentives to invest in addressing these divisions and introduce better development policies are missing. The problems are clear, but what has evolved in Malaysia is a dynamic in which political conditions pose an obstacle to enhancing social mobility and promoting greater equality.

THE NEW POLITICAL ECONOMY

Another dimension of the divisions in Malaysia has to do with the political economy, in particular the vested economic interests. Most analysts argue that Malaysia is stuck in a "middle income trap," unable to increase its per capita income to developed country levels. This condition is endemic across the world, and the challenges of transforming economies in a more global economic environment are real. Some hurdles, however, are uniquely Malaysian.

The lightning rod of economic reform in Malaysia has long been calls to reform the race-based New Economic Policy, which was introduced in 1971 and became deeply intertwined with Malay political power. The first decade of the NEP had a profound equalizing effect, serving as a successful vehicle for promoting equality for the Malay community. As with any policy, however, the positive effects diminished with time, and negative unintended consequences emerged.

The most important of these consequences were the creation of an economic elite politically linked to the dominant party, UMNO, and the fostering of the Malay community's dependence on noncompetitive government contracts and subsidies. The current prime minister has had to deal with this political albatross created by his father, former Prime Minister Tun Razak. For those in the system, the NEP is their protection, but those outside the benefit circle are burdened with an ineffective policy's weight on the economy as a whole.

The NEP is the lynchpin of the challenges that would-be reformers face. Foremost among its harmful impacts has been a reliance on using government funds as the main driver of the economy. In the 1970s, the government encouraged foreign direct investment in manufacturing. This served the country well, until the 1997–98 Asian financial crisis and the subsequent slowdown of the American economy. Yet, by compartmentalizing manufacturing for foreign investors and continuing to protect other sectors, the government has failed to address the need to foster competition and entrepreneurship in local markets.

Local businesses, especially Malay businesses, have been sheltered from competition, weakening their ability to thrive in an increasingly globalized economy. The government essentially has been the banker for Malaysian businesses, with those linked to the system receiving the lion's share of funds. When ventures have failed, the government has bailed them out.

Compounding the resulting burden on taxpayers has been the use of public spending to offset political challenges. In 1999 Mahathir disbursed government funds to minimize dissent within UMNO after he sacked his deputy, Anwar Ibrahim, who was then prosecuted and imprisoned on charges of corruption and sodomy. We have seen a different pattern in recent years. Rather than paying off those inside the dominant party UMNO, government coffers are used to pay off the public through subsidies and populist initiatives. But considerable funds are also used to increase salaries and benefits for those inside the system, notably civil servants and security personnel.

Consequently, Malaysia's national debt has increased—it is now over 50 percent of GDP—with funds often moved off budget in an attempt to obscure the financial strains on the system. As public spending has increased, dependence on these funds to promote consumption and inject liquidity into the economy has also risen. The result has been to deflect attention from seeking new sources of economic growth while reducing Malaysia's competitiveness globally.

An important element in the prominence of the public sector in Malaysia is the central role played by government-linked companies (GLCs). In the past decade these companies have become more competitive as they have ventured overseas, especially in regional business ventures. Yet they, too, present an obstacle to structural reform of the economy, having become a means for the government to distribute jobs and crowd out domestic competition.

To sustain this dependence on public funds, the government has relied increasingly on revenues from gas and petroleum managed by the GLC Petronas. The company reports directly to the prime minister, and its contribution makes up almost half of government revenues. This has in effect dampened any push for alternative sources

of revenue, and large numbers of Malaysians pay no income taxes.

In fact, dependence on commodities in general has been rising. Along with petroleum and gas, Malaysia produces palm oil and rubber. The agriculture sector has become more commercialized, with palm oil its dominant product, and now makes up a larger share of the economy. Rural folk have given up their land for shares in companies, and agriculture has shifted away from a variety of products to export commodities beholden to international terms of trade and controlled by a handful of plantation companies.

To date, Malaysia has benefited from favorable commodity prices and proximity to a prolific buyer in China, but in the process the structure of its economy has become less diversified and less autonomous, with less food security and less control over prices. This has led the government to intervene to maintain the costs of basic food items through subsidies.

The majority of Malaysians, however, work in either manufacturing or services. While industry has contracted, services have been a growing sector, absorbing much of Malaysia's young population. Comparatively, at less than 30 million in total population (more than half of whom are under 30), Malaysia's market is small, and the service sector has limited outreach globally. In part, this is due to the fact that most Malaysians no longer speak English, and its work force is not as regionally competitive.

While Malaysia has tremendous talent, many young people leave the country for better salaries. Wages have not increased much over the past decade, and those who are not members of the political elite or independent professionals lack equal access to higher incomes. The government has not substantively invested in developing quality human capital. The service sector is thus dominated by jobs offering low salaries, reinforcing socioeconomic vulnerabilities. The job of choice for most Malaysians, especially Malays, is working in the civil service, which now, with 1.4 million workers, is the country's largest employer.

While Malaysia records promising growth, averaging 5 percent annually in recent years, this growth has yet to translate into meaningful change due to the structure of the economy.

*The government is seen not only
to endorse poor governance,
but to benefit from it.*

Malaysia has one of the highest rates of capital flight in the world, estimated at over \$250 billion in the past decade; many insiders opt not to keep their money at home.

The link between politics and the economy is strong, with ultra-Malay nationalist forces constraining any reform of the NEP. Race-based policies limit competition, and entrench a political elite that is vested in keeping the system in its current form, rather than bringing about reforms that might challenge protected interests and undercut the security of the incumbent government.

NAJIB THE SURVIVOR

When he assumed office in April 2009, Najib, a man from inside the system, touted himself as a reformer. He knew that in order to consolidate his leadership he would have to project awareness of the country's challenges. With the support of consultants, he offered an "Economic Transformation Program," and promised greater liberalization of the economy.

Najib presented himself to the international community as a neoliberal, making business deals, creating new funds for investment, promising tax reform and policy changes in the public sector and procurement. For four years, he has won over international governments and businesses, signing trade agreements and special business partnerships. This is particularly the case for English-speaking countries: Najib is an Anglophile. The wooing of external actors has been a crucial component of securing his position at home.

While promoting himself as an economic reformer internationally, Najib has tinkered with domestic laws to showcase political reforms. He removed the draconian Internal Security Act, the Printing Presses and Publication Act, and other laws limiting political freedom—only to replace these laws with tougher provisions and in some cases apply them even more frequently than his predecessor, Abdullah. The aim has been to portray himself as engaging in political reform, while substantive measures to protect religious freedom or make the electoral process genuinely fairer have gone by the wayside.

After churches were attacked in 2010, Najib's government placed most of the controversial legal cases regarding religious rights into cold stor-

age. Meanwhile, it has used the guise of reform as a means to undercut the integrity of the electoral process. In one example, the government claimed to bring in indelible ink, but failed to do so, thereby opening up the possibility of double voting. This issue is one of many associated with electoral irregularities surrounding the May 2013 vote. Political reform Najib-style has become a performance rather than a practice.

The one area where Najib has failed even to claim reform is corruption. In the past four years an unprecedented number of scandals have emerged. One scandal alone—in which a former official close to the prime minister and his wife was accused of buying condominiums for her family using government funds—involved \$83 million. In another instance, video testimony revealed a pattern of land deals and corruption in the East Malaysian state of Sarawak. To date there has been no follow-up investigation, and one of the parties allegedly involved was elected to the parliament. In yet another case, a state chief minister was recorded in alliance with individuals

carrying \$30 million in a suitcase. This was excused as campaign funds for the dominant party, and no investigation occurred.

The Malaysian public is so inundated by such revelations that there is little shock

when yet another scandal surfaces. Given that the main anticorruption agency is reeling from its own scandal, after two people, including one opposition staffer, died in its custody, public faith in its integrity has declined. By failing to act, the government is seen not only to endorse poor governance, but to benefit from it.

As part of his strategy for political survival, Najib has galvanized the incumbent base, tapping into the "defend" position that emerged after the 2008 election. His main ally in this effort has been Mahathir himself. While other politicians take the lead in ultranationalist rhetoric, Najib has not distanced himself significantly from their positions. What has marked his tenure is his ability to stand in the shadows of blame, to cloak himself in "reformer" vestments, and allow the dark forces of race and vested interests to work effectively.

In the months since the May election, there has been a notable lack of open leadership on the part of the prime minister—a survivor's silence. He is now investing his energies in quiet negotiations to

Ten years after the strongman left office, Malaysians are engaging politically.

retain the leadership position in his own party, in a contest to take place in December.

REACTIVE OPPOSITION

Malaysia's opposition has responded to these developments. Between 2008 and 2013 the main focus was on developing a record in governance, and deepening cooperation among the three component political parties—the personality-based party of Anwar Ibrahim, the People's Justice Party (PKR); the predominantly Chinese, liberal Democratic Action Party (DAP); and an Islamist party (PAS). The 2013 election was seen as their best chance to oust the ruling coalition, but they fell short.

This has resulted in an inward turn for the opposition, as the relationships both within and among parties are being reevaluated. The Islamist party suffered the biggest setback, as it lost seats in the rural heartland. While much of this was due to a failure to appeal to the young and to the pragmatic needs of the electorate, PAS is grappling with how to hold onto its rural base given the onslaught of government cash handouts.

The party is also wrestling with how to position itself on issues of political Islam. One of the important threads in contemporary Malaysia has been increasing tensions over religion and the political role of Islam. Cases over the role of religious law, conversion, *kalimullah* (use of the word Allah), and respect for non-Muslims have divided Malaysia, with deep polarization often reinforced along ethnic lines.

The trend has been increasing intolerance and conservatism, and contracting space for moderate voices. PAS has bucked international trends and allied itself with more liberal forces in the opposition Pakatan Rakyat coalition, often to the disgruntlement of some of its more conservative religious leaders. They feel insecure with the rising professionals and moderates in their party, who are comfortable working across religions and have more practical governing skills.

Since the May election, conservatives within PAS have been fighting to turn their party in a more independent directing, one that will be seen as in line with defending orthodox religious positions. This effort is increasing pressure on cooperation within the opposition. While it is likely that some sort of accommodation will emerge that maintains a role for the moderates within PAS, the inward-looking dynamic within the party will limit the opposition's ability to regroup and formulate a postelection strategy.

The opposition as a whole has to grapple with a variety of challenges, including the emergence of a new generation of leaders post-Anwar, leadership transitions within parties, the imbalance between the seats of the DAP and other parties (it has almost twice as many as PAS), the shortfall of support in East Malaysia, the need to appeal to new and younger voters, and the realities of an electoral system that has become increasingly skewed. This year the process of redistricting has begun, with the opposition already at a disadvantage after the May defeat.

Party elections in PAS and PKR will assure that moving beyond the inward-looking dynamic is unlikely in the short term. At best, the opposition likely will continue an approach honed in pre-election mode—of reacting to developments, exposing scandals, and focusing on governing the three states in Pakatan hands: Selangor, Penang, and Kelantan.

CITIZEN POLITICS

What does all this mean for ordinary Malaysians? Many had hoped for a new government. Others were triumphant in the status quo, though traumatized in the process. The past decade has witnessed an unprecedented number of protests as ordinary citizens have taken to the streets to engage in politics. The cause that has brought the most people out has been electoral reform, and this is now on the agenda more than ever, with attention centering on a “people's tribunal” examining irregularities in the May election.

The mobilization of Malaysians continues to expand across the political spectrum, with more people using social media and speaking out without fear. Reactions are provoking counter-reactions, fueling political polarization on one level, but simultaneously leading to greater engagement with local issues and fostering everyday empowerment. The nature of Malaysian politics is changing: Ten years after the strongman left office, Malaysians are engaging politically not because Mahathir tells them what to do, but in response to the legacy he left behind.

The years ahead likely will be filled with heated contestation, and the political elite will continue to focus on the struggle to maintain power and limit reform. But in Malaysian society itself, pressures for meaningful action will grow, as the driving force of politics continues to shift from elites to ordinary people. ■