

'New' Malaysia:: Four key challenges in the near term

Author(s): James Chin

Lowy Institute for International Policy (2019)

Stable URL: <http://www.jstor.com/stable/resrep19781>

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact support@jstor.org.

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



Lowy Institute for International Policy is collaborating with JSTOR to digitize, preserve and extend access to this content.

JSTOR



ANALYSIS

‘New’ Malaysia: Four key challenges in the near term

James Chin
March 2019

LOWY INSTITUTE

The Lowy Institute is an independent policy think tank. Its mandate ranges across all the dimensions of international policy debate in Australia — economic, political and strategic — and it is not limited to a particular geographic region. Its two core tasks are to:

- produce distinctive research and fresh policy options for Australia's international policy and to contribute to the wider international debate
- promote discussion of Australia's role in the world by providing an accessible and high-quality forum for discussion of Australian international relations through debates, seminars, lectures, dialogues and conferences.

Lowy Institute Analyses are short papers analysing recent international trends and events and their policy implications.

The views expressed in this paper are entirely the author's own and not those of the Lowy Institute.

EXECUTIVE SUMMARY

In May 2018 Malaysia underwent its first regime change in its political history. This saw the return of Mahathir Mohamad as prime minister, 15 years after his first tenure as prime minister from 1981 to 2003. As the country heads towards the first anniversary of the Pakatan Harapan (Alliance of Hope) government, it is imperative that the momentum for political change is not stalled. This Analysis identifies four key areas that the new administration must deal with in the next 12 months: the Malay Agenda/Bumiputra Policy; the 1963 Malaysia Agreement (MA63); political Islam; and a clear timetable for transition of power. These issues are not only crucial to the stability of the PH administration, but also for long-term institutional reforms. The first three issues are not new — they went on unresolved under the previous regime, leading to an increasingly dysfunctional political system and culminating in the change of government. The PH government has an opportunity to change Malaysia's political trajectory if it takes steps to resolve these issues. The more immediate issue at the highest level of government is the promised transition of power to Anwar Ibrahim. If not handled properly, PH may turn out to be a one-term government and the country could revert to the old regime.

Prior to Malaysia's 14th General Election (GE14) in 2018, the country was a seemingly stable semi-democracy where the ruling party, United Malays National Organisation (UMNO), was widely regarded as unbeatable. UMNO and the ruling coalition, Barisan Nasional (BN), had won every general election for the past six decades.¹ Yet on 9 May 2018 it was defeated by Pakatan Harapan (PH or Alliance of Hope), a newly constituted coalition led by former Prime Minister Mahathir Mohamad.² PH's victory came in the wake of the corruption scandal engulfing former Prime Minister Najib Razak, and was accompanied by Mahathir's switch to the opposition from his former (and ruling) party, the newly discredited UMNO. Until his resignation in 2003, Mahathir had led UNMO in government for more than two decades.

The first regime change in Malaysia's political history brings unprecedented political challenges for the PH administration. It is not easy to impose a new set of political norms after six decades of one-party rule. Key reform areas are related to issues of good governance, including the independence of state institutions which have been undermined by 60 years of one-party dominance in Malaysia.

The new Mahathir administration faces many political challenges. However, there are four key issues that the administration must address before the next general election in 2023. These are the Malay Agenda/Bumiputra Policy; the 1963 Malaysia Agreement (MA63) and the status of the former British colonies of Sabah and Sarawak on the island of Borneo; political Islam; and the timeline for transition of power from Mahathir to Anwar Ibrahim. The first three issues remained unresolved for many years under the BN regime. The resolution of these issues is crucial to Malaysia's political stability in the near term and to laying the foundation for long-term reforms.

Many seasoned Malaysian observers may regard these issues as 'common sense', but they need to be treated as priorities given the number and scale of reforms necessary to bring the country out of its persistent political system driven by ethnic and religious tensions.

THE MALAY AGENDA/BUMIPUTRA POLICY

In response to racial riots in Malaysia in May 1969, attributed at the time to the wealth imbalance between indigenous Malays (bumiputra)³ and non-Malays, the Malaysian Government sought to re-engineer Malaysian society through the New Economic Policy (NEP).⁴ The NEP had two aims. The first was the eradication of poverty, irrespective of race. The second was "restructuring society to eliminate the identification of race with economic function".⁵ In 1970, Malays comprised nearly 50 per cent of the population and held less than 3 per cent of the

The first regime change in Malaysia's political history brings unprecedented political challenges for the PH administration.

Since the introduction of the [New Economic Policy]...the Malaysian Government has injected billions of dollars in direct subsidies into the Malay community.

country's wealth. This inequity rendered Malaysian society inherently unstable, with its principal ethnic group holding an insignificant share of the economy. The restructuring sought to give the Malay community a minimum of a 30 per cent share across all economic and social spheres and ensure that the Malay community was represented in all occupation groups.

Since the introduction of the NEP in 1971, the Malaysian Government has injected billions of dollars in direct subsidies into the Malay community. The aim was to create a competitive Malay community — officially termed the Bumiputera Commercial and Industrial Community (BCIC).⁶ In addition to subsidies, the Malay community were granted other advantages including quotas in university intakes and scholarships, government contracts and procurement, business licences and loans, employment in the civil service and government-related entities, and even discounts on new houses and dwellings. The entire preferential system is often referred to as the Malay Agenda or Bumiputra Policy. While many see this as a blatant form of racial discrimination against non-Malays, the policies have become so entrenched in the Malaysian system that they are considered political 'sacred cows', leading some to refer to the NEP as the "Never Ending Policy".⁷

For policymakers in Malaysia, the NEP is seen from two distinct perspectives. First, there are those who see positives in the policy. They believe that direct government intervention in education has helped to create a prosperous Malay professional middle class, as evidenced by the large number of bumiputra professionals in fields such as accounting, law, and engineering.⁸ This was mainly accomplished by a strict quota system imposed on all public tertiary institutions and scholarships. Public universities in Malaysia, for example, generally reserved a minimum of 55 per cent of their intake for bumiputra students. For 'critical' courses such as engineering and medicine, the percentage was much higher. In addition, special bumiputra-only tertiary institutions were created to dramatically increase the number of places for bumiputra students.⁹ Government-funded scholarships were another means of greatly increasing the number of Malay graduates. More than 80 per cent of all government scholarships for studies outside Malaysia were awarded to Malay students.¹⁰

Compared to the pre-NEP period, the number of Malay professionals created by the NEP affirmative action policies is impressive, with the contemporary Malay community well-represented across all professions: for example, more than 40 per cent of lawyers and almost 50 per cent of medical doctors are ethnic Malay compared to less than 10 per cent pre-NEP.¹¹ In terms of the second aim of the NEP (that of "restructuring society to eliminate the identification of race with economic function"), therefore, the results appear to justify the massive government

intervention in creating a large and prosperous Malay professional middle class.

The second perspective on the NEP is more negative, primarily on the basis of the NEP's push to empower the Malay community economically through the creation of the BCIC. Many scholars have argued that the project has had limited success.¹² The government initially relied on simplistic ways to expand the Malay share of the economy, imposing a strict permit and licence system on large sections of the economy. Many of these permits and licences were only available to Malay business people or Malay-majority businesses. Until the mid-1990s, large Malaysian-owned companies that wished to list on the stock exchange were required to sell 30 per cent of their shareholdings to government-approved Malay shareholders. This policy increased the Malay share of the equity market to beyond 30 per cent.¹³ However, the system of permits, licences, and compulsory shareholdings did not help create an economically competitive commercial and industrial Malay community. There was much abuse; many Malay business people who were 'approved' by the government promptly sold their permits and licences to non-Malays for instant profit, defeating the purpose of the scheme. During the privatisation phase of the first Mahathir administration (1981–2003), the most profitable public utilities were sold to a select group of Malay businessmen close to UMNO. While the privatisation process created instant millionaires in the Malay community, it also produced some negative consequences.

First, many Malay business people who had been awarded government contracts continued to rely on government patronage as their business model. Rather than building viable businesses, they simply on-sold the government contracts and permits to non-Malays. In other cases, they created joint ventures with non-Malay businesses, reaping the benefits as nominal 'Malay' partners, rather than building acumen and business experience in their own right. To keep their 'businesses' going, they sought more bumiputra contracts from government. In this Malay business ecosystem, business people do not learn the most important lesson in business: competition.

Second, the political parties in the (then) ruling coalition, Barisan Nasional, used the permit and licence system, the privatisation process, and government contracts to create a powerful network of individual business people who owed their business success solely to their political connections.¹⁴ This was especially true of UMNO, the predominant party in the coalition. These UMNO-connected business people were expected to support other parties and politicians in the ruling coalition with large sums of cash during general elections and internal party competitions. It became a win-win situation for the political patron and the business client.

...many Malay business people who had been awarded government contracts continued to rely on government patronage as their business model.

As a result of the NEP, the majority of these Malay business people became 'rent-seekers', using their Malay-status to get government contracts. They had no valid claims to entrepreneurship but rather excelled at exploiting government contracts. Using political pressure to extract further government contracts, they infected the political system in the broad. Powerbrokers in government accessed vast wealth to maintain their positions via proxies in the business sector. In turn, these business people collected 'rent' on behalf of their political sponsors in private, while publicly claiming to be acting in the interests of the bumiputra community and the BCIC.¹⁵

The implementation of the NEP and creation of the BCIC had two profound consequences. It created deep resentment among the non-Malay community, particularly the Chinese and Indian minorities. The non-Malay community were especially resentful that their children were denied the right to university education and business opportunities.¹⁶ It led to unnecessary ethnic tensions between the Malays and non-Malays. Had the government modified the affirmative action policies from a bumiputra-only program to a needs-based program, the Malay community's needs would still have been served. That community constituted the single largest bloc among the lowest socio-economic group and would have been the main beneficiary of the affirmative action program regardless. By using a racial criteria, UMNO created an artificial ethnic barrier for political reasons but the price the country paid was a permanent breakdown in inter-ethnic relations among Malays and non-Malays, making national unity impossible.¹⁷

Mahathir's own Council of Eminent Persons suggested that reforms to the affirmative action policies are necessary to bring Malaysia to the next economic level

The expansion of the BCIC also created an elite layer of politically connected Malay business people who depended solely on government contracts to survive. This group added another wedge to the Malay/non-Malay divide by persistently arguing that Malay businesses needed special government protection and expansion of the bumiputra-only contracts in order to realise the Malay Agenda. If the government were to pursue a competitive, free-market approach, this group argued, predatory Chinese businesses would seek to monopolise the Malaysian economy. Some might call the BCIC expansion 'crony capitalism' — Malaysia ranked second on *The Economist's* crony-capitalism index in 2016.¹⁸ However, in Malaysia this form of crony capitalism had an explicit ethnic dimension.¹⁹

The new PH administration has acknowledged that the Malay Agenda/Bumiputera Policy needs reform. Mahathir's own Council of Eminent Persons (CEP) suggested that reforms to the affirmative action policies are necessary to bring Malaysia to the next economic level.²⁰ However, having garnered only about a quarter of the Malay votes in GE14, the Mahathir government recently announced that the Malay Agenda will continue,²¹ with some changes. He has not offered specifics. In all probability, there is no political appetite to make real changes to the Malay Agenda until PH has won the Malay vote at the next general

election, due in 2023. The overriding fear is that if changes are made now, PH will lose Malay support and may even lose government at the next election.²²

THE 1963 MALAYSIA AGREEMENT (MA63) AND SABAH AND SARAWAK

For the first time since the 1980s, the state governments in both Sabah and Sarawak, located on Borneo island in East Malaysia, are controlled by a political party that is not a full member of the federal governing coalition based in Peninsula or West Malaysia. In Sarawak, the governing party has stated clearly that it is only interested in 'Sarawak First' policies, while in neighbouring Sabah, the state government is only an ally of the PH government and has refused to join as a full coalition member.²³ Historical grievances have fuelled a rising state nationalism, and have contributed to the contemporary tensions between East and West Malaysia.

Historical grievances have fuelled a rising state nationalism, and have contributed to the contemporary tensions between East and West Malaysia.

The starting point for understanding these contemporary tensions is the Malaysia Agreement 1963 (MA63), which created the Federation of Malaysia. It was signed by the United Kingdom, Malaya, Singapore, North Borneo, and Sarawak and grants the states of North Borneo (as Sabah was then called) and Sarawak a high degree of autonomy in the proposed federation. The origins of this autonomy lie in the so-called "Twenty Point" agreement — 20 areas in which the political leaders of North Borneo and Sarawak sought autonomy in return for supporting the formation of the new Malaysian Federation.²⁴ Their principal targets were:

- Religion: Islam's status as the national religion of Malaysia should not be applicable to Sarawak and Sabah.
- Immigration: Immigration control should be vested in the state governments of Sabah and Sarawak.
- "Borneanisation": Positions in the civil service should be filled by local residents whenever possible.
- Constitutional safeguards: No amendments or modification to the Twenty Points should be made without the agreement of the Sabah and Sarawak state governments.
- Right of secession: No secession from the federation should be permitted.
- Indigenous races: The indigenous peoples of both Sarawak and Sabah should enjoy a 'special position' commensurate with that of the Malay community.

- Tariffs and finance: Sabah and Sarawak should be given a high degree of autonomy over their financial affairs, such as control of their own finance, development expenditure, and tariffs.
- Language: English should continue as the official language.

Many of these aims were considered by an Inter-Government Committee (IGC), which comprised representatives from all sides. Where there was agreement, it was incorporated into the new Malaysian Constitution, which was based on the Malayan Constitution.²⁵

For Sabah and Sarawak leaders, then and now, there was a fear of being *taken over* by those on the peninsula if they did not retain a high degree of autonomy.²⁶ After half a century of the federation, many feel that these supposedly autonomous matters have been effectively taken over by the federal government through bureaucratic regulations as well as constitutional amendments contrary to MA63. State nationalists argue that Sabah and Sarawak contribute more in economic terms to the federation than they get out of it, especially in oil and gas, and that political neglect has resulted in the underdevelopment of Sabah and Sarawak compared to the peninsula. For example, they point out that many parts of the interior in Sabah and Sarawak do not have access to electricity or piped water.²⁷

State nationalists argue that...political neglect has resulted in the underdevelopment of Sabah and Sarawak compared to the peninsula.

In Sabah and Sarawak, the political ideologies of Ketuanan Melayu (Malay supremacy) and Ketuanan Islam (Islamic supremacy), both strongly maintained by the ruling UMNO party for more than 50 years, are controversial. The main indigenous peoples in Sabah and Sarawak, the Kadazandusun Murut (KDM) and the Dayaks, respectively, are largely non-Muslims and non-Malays for whom such concepts are anathema.

More importantly, the version of Islam practised in both states is far more liberal and tolerant compared to that in West Malaysia. This is largely due to the population structure. Unlike West Malaysia, where Malays constitute more than half the population, Sabah and Sarawak are plural states with no single ethnic group making up more than 40 per cent of the population. In Sarawak, around 40 per cent of the state's population is Christian.²⁸ In Sabah, a major grievance is the rapid dilution of the indigenous community through a covert state-sponsored migration program to increase the Muslim population.²⁹ Prior to the 1980s, Sabah was a non-Muslim state. By the late 1990s, the Muslim population in Sabah had increased to about half and, more importantly, the Muslims became a voting majority, thus altering the power balance in the state significantly. Today, roughly one-third of Sabah's population are migrants, almost all of them Muslims from Southern Philippines and Indonesia.³⁰ There is consensus that it was the federal government under the first Mahathir administration that initiated this covert program to gain control of Sabah under a Muslim government.³¹

One of the most important outcomes of GE14 is that the ruling coalition in both Sabah and Sarawak are not formal members of the federal PH alliance. In Sabah, the ruling coalition consists of Party Warisan Sabah (PWS or Sabah Heritage Party) and PH Sabah. An electoral alliance between the two contributed to their success in the 2018 general elections. The federal PH had invited PWS into a coalition prior to the election, but PWS refused on the basis that Sabahans would not tolerate a party that was not locally based. This strategy of state nationalism worked, and the electoral pact allowed PWS–PH Sabah to capture power. In neighbouring Sarawak, the Sarawak BN discarded the federal BN on election night and rebranded themselves as Gabungan Parti Sarawak (GPS or Alliance of Sarawak parties). Both PWS and GPS have proclaimed themselves to be state nationalists who want to secure 'rights' under MA63. Both claim to be actively seeking 'autonomy' from Malaysia's administrative capital, Putrajaya.

One of the most important outcomes of GE14 is that the ruling coalition in both Sabah and Sarawak are not formal members of the federal [Pakatan Harapan] alliance.

These political machinations reveal historical grievances in Sabah and Sarawak that are real and deep, and if not dealt with properly at the political level could provide the impetus for a secession push. Small secessionist movements are already active in both states. These could easily gain momentum if Putrajaya continues to ignore historical grievances. While there is no constitutional provision for secession, there is a compelling precedent: in 1965, Singapore separated from the Malaysian federation through a special act of parliament.

Putrajaya so far has responded to the discontent by establishing a special cabinet-level committee on MA63 and the status of Sabah and Sarawak led by Mahathir himself.³² He has promised to grant autonomy to both states via a process of decentralisation. However, this process has invited suspicion. First, Sabah and Sarawak lost significant autonomy during the first Mahathir administration. Second, the special cabinet committee is evenly divided between the peninsula and Sabah/Sarawak with the prime minister holding the casting vote.³³ The opposition GPS-led Sarawak state government has already announced that certain issues are non-negotiable even before the committee starts its work. The (PWS) Sabah government's position is more positive, given its alliance with PH Sabah. Nevertheless, PWS is unlikely to back down on its core demands of greater autonomy for Sabah and Sarawak, higher oil royalties, and more development funding.³⁴

POLITICAL ISLAM

The question of the role that Islam should play in Malaysian politics is not new.³⁵ In 1951, a breakaway group of Muslim clerics seeking to establish an Islamic state formed Parti Islam Se-Malaysia (PAS or Islamic Party of Malaysia). For the first three decades of independence, PAS was the mainstay of political Islam in Malaysia.³⁶ Since then, PAS has steadfastly called for the establishment of an Islamic state in Malaysia.

There is nothing accidental about the rise of political Islam in Malaysia...

In the 2000s, however, new groups began to emerge to challenge PAS's version of Malaysia as an Islamic state. Many of these groups, including Malaysian Muslim Solidarity, Jemaah Islah Malaysia, the Association of Malaysian Scholars, and the Islamic Welfare and Missionary Association of Malaysia, as well as sections of PAS, openly called not only for the creation of an Islamic state but, more contentiously, that the entire non-Muslim population be disenfranchised. In their version of an Islamic state, the most extreme of these groups seek to strip the non-Muslim population in Malaysia (currently about 35 per cent of the population), of their political rights, reducing them to the status of *dhimmni* — a protected minority with restricted rights.³⁷ The ultimate aim of these groups is to create a Malay-Islamic state where Sunni Islam's supremacy is fused with Malay ethnicity and identity. In this unique Islamic state, Islam and the Malays would form one, Muslim, people.³⁸

There is nothing accidental about the rise of political Islam in Malaysia, which came about primarily through three factors. The first derived from the fierce political competition between UMNO and PAS for the Malay vote. The two parties found Islam to be the most effective political tool to get electoral support and mobilise the Malay polity — the 'Malay vote' became the 'Islamic vote'. Both sides vied to be the most 'Islamic', creating more hard-line positions on Islam, despite Malaysia's multi-racial and multi-religious society. A key reason why the 'Islamic vote' was so potent was the constitutional requirement that all ethnic Malays are Muslim. Thus by the 1990s, the only political game in the Malay community was Ketuanan Islam (Islamic supremacy), which coupled with the already prevalent Ketuanan Melayu (Malay Supremacy) meant it became increasingly impossible to separate the two.

The second factor was UMNO's bureaucratisation of Islam.³⁹ To demonstrate its true championship of Islam, UMNO's Mahathir established the Malaysian Islamic Development Department (JAKIM) within the prime minister's office. A key consequence of JAKIM was a gradual revolution in the teaching of Islamic theology in government schools. That teaching espouses a theology derived from the Middle East, particularly Saudi Arabia. Rather than teaching inclusiveness and tolerance of other faiths, this Saudi Arabia-centric curriculum promotes an exclusivist view of Islam, Islamic supremacist attitudes,⁴⁰ disdain for Islamic theologians who disagree with this doctrine, contempt for minorities, and hatred for Islamic groups such as the Shias.⁴¹

Third, after the Iranian Revolution in 1979, Malaysia, like the rest of the Islamic world, underwent a revival of Islam. Saudi Arabia tapped into this global interest by giving money to numerous institutions and charities in the developing Muslim world and generous scholarships for thousands of Muslim students to study in Saudi Arabia. Its aim was to counter Iran and promote ultraconservative Islam — Wahhabism and/or Salafism. Thousands of young Malaysians went to Saudi Arabia and other parts of the Middle East to study Wahhabism/Salafism and its intolerant and

exclusivist way of thinking. A sizeable number became religious teachers or *ustaz*, established their own Tahfiz schools and propagated their ideas to young Malaysian Muslims inside Malaysia.⁴²

Together, these factors produced a brand of intolerant Islam that promoted the narrative of Muslims vs non-Muslims in Malaysia over the past three decades. The non-Muslim population, especially the Christian community in Malaysia, feel they are under siege by Islamists who are suspicious of anything they deem to be Christian.⁴³ For example, attempts were made to stamp serial numbers on every Bahasa Indonesia bible imported into Malaysia because of a fear that exposing Malays to Indonesian-language bibles may lead them to apostasy.⁴⁴

TRANSITION OF POWER FROM MAHATHIR TO ANWAR

Malaysia underwent its first change of government in six decades in 2018. While there is a lot of political goodwill towards Mahathir and the new government, increasingly there is a sense that a big political crisis is looming. In 2020, Mahathir is expected to retire and Anwar Ibrahim, leader of Parti Keadilan Rakyat (PKR or People's Justice Party), to take over as prime minister under an explicit agreement made between the coalition parties prior to the election. According to that agreement, Mahathir would serve for the first two years of the new government and hand over the prime ministership to Anwar in 2020.⁴⁵ The reasons for such an arrangement are clear: Mahathir's advanced age — he will be 95 years old in 2020; and a change of leadership around that time would provide a sufficient period for settling into office before the next general election, due in 2023.

Mahathir himself has confirmed several times that Anwar Ibrahim will replace him. However, among the political class there are persistent rumours to the contrary.⁴⁶ Anwar's ability to lead PH to victory in the next election is in question, particularly after leading the opposition to defeat in 2004, 2008, and 2013. It was only in the 2018 election, under Mahathir, that the opposition finally succeeded.

While Anwar Ibrahim has been resilient politically, his skills in government are untested. There is also persistent talk that Mahathir would prefer Mohamed Azmin Ali, the Minister of Economic Affairs, as prime minister.⁴⁷ With Azmin Ali the deputy president of Anwar's party, PKR, this scenario would be politically convenient: PKR gets the prime ministership, with Anwar compensated in other ways. Mahathir also saves face under such an arrangement, having kept his word on the transfer of power.

Persistent chatter about Anwar Ibrahim's ability to ascend to the top job is having a destabilising impact on Malaysian politics. In a government in which power is highly centralised in the office of the prime minister, the

While Anwar Ibrahim has been resilient politically, his skills in government are untested.

prime minister's standing is crucial in maintaining continuity and defusing tensions.

Similarly, the Malaysian economy and financial markets do not like political uncertainty, particularly after such an unprecedented regime change. Malaysia has thrived economically in the past, in part because of the political certainty produced by UMNO's long reign.

CONCLUSION

In May 2018, the majority of the Malaysian polity voted for a substantial break from the past, and meaningful political reform. If that process is stalled, PH may well be a one-term government. This Analysis has outlined four key challenges facing the new Malaysian Government in the near term. As the country heads towards the first anniversary of regime change in May 2019, it is becoming increasingly important for the PH administration to deal urgently with these challenges. Failure to address them is not just politically reckless; more importantly, it retards the process of reform on a range of issues that were promised in the 2018 election.

As a highly emotive issue for the Malay community, and after half a century of affirmative action policies, the Bumiputera Policy cannot be reformed peremptorily. Other countries and their governments have faced similar problems when trying to restructure affirmative action programs. Nevertheless, the key warning from such experiences is clear: if no reforms take place, there may be a rapid expansion of the affirmative action policies, far beyond what was originally envisaged.⁴⁸

The grievances of Sabah and Sarawak following MA63 and the federation it created are real and deep. The PH administration must acknowledge that these two states cannot be treated in the same way as the 11 other states on the peninsula. The federal government's promised decentralisation process should start at the earliest opportunity. The aim should be to return as much of the bureaucratic power to the state governments of Sabah and Sarawak as envisaged in the 1962 IGC report.⁴⁹ Much has changed since the report was published and a new set of rules should be put in place for future federal–Sabah/Sarawak relations. The special cabinet committee on MA63 established in December 2018 is a step in the right direction.

The question of political Islam is perhaps the hardest to deal with in policy terms. There are no clear successful examples elsewhere. What is really needed in the 'new' Malaysia is a complete mindset change when it comes to the position of Islam and the politicisation of Islam. The current practice (in which JAKIM and other government Islamic bodies refuse to get involved in inter-faith issues on the basis that Islam is constitutionally 'higher' than other religions) is not sustainable and inflames religious tensions between Islam and other faiths. Giving the

In May 2018, the majority of the Malaysian polity voted for...meaningful political reform. If that process is stalled, PH may well be a one-term government.

non-Islamic faiths an official platform, such as a dedicated ministry,⁵⁰ would provide a forum for rational discussion of inter-faith issues.

Finally, the centralisation of power in the prime minister's office means that political certainty, both within Malaysia and in Malaysia's international relations, is critical. As quickly as practical, Mahathir should appoint Anwar as deputy prime minister and the official number two in the administration, sending a powerful signal to the world that the succession is on track. A clear timetable for the transition should be agreed as soon as possible, including a specific date for the transfer of power. Collectively, these two actions would eliminate much of the persistent chatter and political gossip in relation to Anwar's political future, and contribute to political stability.

In the immediate aftermath of a momentous regime change, implementing a wholesale political reform agenda is challenging, but modest changes are achievable. They would lay the foundation for much deeper reforms in the future years of the administration. More importantly, they would establish the new government's credibility as a 'change and reform' government, living up to the expectations of voters.

ACKNOWLEDGEMENTS

The author would like to thank Aaron Connelly and Lydia Papandrea for their assistance in preparing this paper, and the two anonymous reviewers for their comments on the draft.

NOTES

¹ Sophie Lemière, "The Downfall of Malaysia's Ruling Party", *Journal of Democracy* 29, Issue 4 (2018), 114–128; Johan Saravanamuttu, *Power Sharing in a Divided Nation: Mediated Communalism and New Politics in Six Decades of Malaysia's Elections* (Singapore: ISEAS-Yusof Ishak Institute, 2016); Aurel Croissant and Philip Lorenz, "Malaysia: Competitive Authoritarianism in a Plural Society", in Aurel Croissant and Philip Lorenz eds, *Comparative Politics of Southeast Asia* (Switzerland: Springer International Publishing, 2018), 141–176.

² Mahathir was previously prime minister from 1981 to 2003.

³ The Malays are officially defined as bumiputra, literally 'sons of the soil' or indigenous. Strictly speaking, bumiputra includes the tribal groups found in East Malaysia; however, in normal usage, when Malaysians refer to bumiputra, they are referring to the Malays. In this Analysis, the Malays and bumiputra are used interchangeably.

⁴ Just Faaland, JR Parkinson and Rais Saniman, *Growth and Ethnic Inequality: Malaysia's New Economic Policy* (Kuala Lumpur: Dewan Bahasa dan Pustaka, 1990). The lead author is one of the key architects of the NEP. See also the official account of the riots: National Operations Council, *The May 13 Tragedy: A Report* (Kuala Lumpur: National Operations Council, 1969).

⁵ *Dasar Ekonomi Baru [New Economic Policy]* (Government of Malaysia, 1970), 2.

⁶ Chin Yee Whah and Benny Teh Cheng Guan, "Malaysia's Protracted Affirmative Action Policy and the Evolving Bumiputera Commercial and Industrial Community", ISEAS Economics Working Paper No 2015-3, December 2015, <https://www.iseas.edu.sg/images/pdf/ISEAS%20Economics%20Working%20Paper%202015-03.pdf>.

⁷ See "The Slaughter of Sacred Cows", *The Economist*, 3 April 2003; "A Never Ending Policy", *The Economist*, 27 April 2013; "Race-based Affirmative Action Is Failing Poor Malaysians", *The Economist*, 18 May 2017.

⁸ Faaland, Parkinson and Saniman, *Growth and Ethnic Inequality: Malaysia's New Economic Policy*; Khoo Boo Teik ed, *Policy Regimes and the Political Economy of Poverty Reduction in Malaysia* (Hampshire, UK: Palgrave Macmillan, 2012); Ozay Mehmet, *Development in Malaysia: Poverty, Wealth and Trusteeship* (London: Routledge, 2011); Donald Snodgrass, *Successful Economic Development in a Multi-Ethnic Society: The Malaysian Case*, Development Discussion Paper No 503, Harvard Institute for International Development, Harvard University, 1995.

⁹ The most prominent of these bumiputra-only institutions is Universiti Teknologi MARA (UiTM). It is the largest publicly funded university in Malaysia with over 170 000 students enrolled and campuses in every state: "UiTM Current Statistics", updated January 2019, <https://cspi.uitm.edu.my/v2/index.php/home/facts-figure>.

¹⁰ Hena Mukherjee et al, "Access and Equity Issues in Malaysian Higher Education", in Suseela Malakolunthu and Nagappan Rengasamy eds, *Policy Discourses in Malaysian Education* (London: Routledge, 2017), 63.

- ¹¹ Rahimah Abdul Aziz, "New Economic Policy and the Malaysian Multiethnic Middle Class", *Asian Ethnicity* 13, Issue 1 (2012), 29–46.
- ¹² Syahira Hamidon, *The Development of Malay Entrepreneurship in Malaysia* (Kuala Lumpur: Institut Terjemahan & Buku Malaysia Berhad, 2014); Rajah Rasiah and Ishak Shari, "Market, Government and Malaysia's New Economic Policy", *Cambridge Journal of Economics* 25, Issue 1 (2001), 57–78; Chin Yee Whah and Benny Teh Cheng Guan, "Malaysia's Protracted Affirmative Action Policy and the Evolution of the Bumiputera Commercial and Industrial Community", *SOJOURN: Journal of Social Issues in Southeast Asia* 32, No 2 (2017), 336–373; Edmund Terence Gomez and Jomo KS, *Malaysia's Political Economy: Politics, Patronage and Profits* (Cambridge: Cambridge University Press, 1999).
- ¹³ US Department of State, "2013 Investment Climate Statement — Malaysia", Bureau of Economic and Business Affairs, March 2013, <https://www.state.gov/e/eb/rls/othr/ics/2013/204686.htm>.
- ¹⁴ Gomez and Jomo, *Malaysia's Political Economy: Politics, Patronage and Profits*.
- ¹⁵ "Race in Malaysia: Failing to Spread the Wealth", *The Economist*, 25 August 2005.
- ¹⁶ James Chin, "From Ketuanan Melayu to Ketuanan Islam: UMNO and the Malaysian Chinese", in Bridget Welsh ed, *The End of UMNO?: Essays on Malaysia's Dominant Party* (Selangor, Malaysia: Strategic Information and Research Development Centre, 2016), 226–273; Donald Nonini, "Getting By": *Class and State Formation among Chinese in Malaysia* (Ithaca, NY: Cornell University Press, 2015).
- ¹⁷ Jomo KS, "The New Economic Policy and Interethnic Relations in Malaysia", Identities, Conflict, and Cohesion Programme Paper No 7, United Nations Research Institute for Social Development, 1 September 2004, <http://www.unrisd.org/80256B3C005BCCF9/search/A20E9AD6E5BA919780256B6D0057896B>.
- ¹⁸ "Comparing Crony Capitalism around the World", *The Economist*, 5 May 2016.
- ¹⁹ Kua Kia Soong, "Bumiputera Congress Bursts 'New Malaysia' Bubble", *Malaysiakini*, 3 September 2018, <https://www.malaysiakini.com/news/441514>.
- ²⁰ CK Tan, "Mahathir Advisers Propose Review of Malay Privileges to Spur Economy", *Nikkei Asian Review*, 20 August 2018, <https://asia.nikkei.com/Politics/Malaysia-in-transition/Mahathir-advisers-propose-review-of-Malay-privileges-to-spur-economy>.
- ²¹ "Malaysian PM Mahathir Says Affirmative Action Policy to Remain", *The Straits Times*, 2 October 2018.
- ²² At the time of publication, PH had lost two by-elections (Cameron Highlands in January 2019 and Semenyih in March 2019), primarily due to a swing by Malay voters. In an upcoming by-election on 13 April 2019 in Ranau constituency, Malay voters are again in the majority. If PH were to lose three consecutive by-elections, it will send a clear signal to the PH administration that they are losing steam among Malay voters. If that persists, there is a likelihood that PH will be a one-term government.

- ²³ James Chin, "Sabah and Sarawak in GE14: Local Factors and State Nationalism", *Journal of Current Southeast Asian Affairs* 37, No 3 (2018), 173–192.
- ²⁴ Great Britain Commission of Enquiry, North Borneo and Sarawak, *Report on the Commission of Enquiry North Borneo and Sarawak*, Chairman the Rt Hon Lord Cobbold (Thor Beng Chong; Knebworth House, Hertfordshire: Kuala Lumpur and Great Britain, 1962).
- ²⁵ Inter-governmental Committee (Great Britain and Malaya), *Report of the Inter-Governmental Committee, 1962* (London: HMSO, 1963).
- ²⁶ James Chin, "Federal–East Malaysia Relations: Primus-Inter-Pares?", in Andrew Harding and James Chin eds, *50 Years of Malaysia: Federalism Revisited* (Singapore: Marshall Cavendish, 2014), 152–185.
- ²⁷ James Chin, "Why New Malaysian Govt Must Heed MA63 Rallying Cry", *The Straits Times*, 31 May 2018; Lee Hock Guan, "The ISEAS Borneo Survey: Autonomy, Identity, Islam and Language/Education in Sarawak", ISEAS-Yusof Ishak Institute, *Perspective*, Issue No 19, 5 April 2018, https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2018_19@50.pdf.
- ²⁸ Department of Statistics Malaysia, *Population Distribution and Basic Demographic Characteristics* (Putrajaya: Jabatan Perangkaan Malaysia, 2011), https://www.mycensus.gov.my/banci/www/index.php?r=site%2Findex&id=3&page_id=35&language=en.
- ²⁹ "Minister: Sabah Will Never Forget Dr M's Project IC", *The Star*, 31 December 2017.
- ³⁰ "Foreigners Make Up One-third", *Daily Express*, 28 September 2018, <http://www.dailyexpress.com.my/news.cfm?NewsID=127532>.
- ³¹ In Sabah, a covert program called "Project IC" (referring to Malaysian Identity Cards), also known as "Project M" (referring to Mahathir), granted Muslim migrants citizenship that enabled them to vote. For more, see Kamal Sadiq, *Paper Citizens: How Illegal Immigrants Acquire Citizenship in Developing Countries* (Oxford; New York: Oxford University Press, 2008). An Inquiry into immigrants in Sabah established in 2013 stated "we can only conclude that it was more likely than not, that 'Project IC' did exist": Royal Commission of Inquiry, *Report of the Commission of Enquiry on Immigrants in Sabah* (Government of Malaysia 2014), 300.
- ³² Goh Pei Pei, "MA63 Committee Line-up Ready, to be Submitted to Cabinet on Wednesday", *New Straits Times*, 8 October 2018.
- ³³ Aside from the Chair, there are 16 members of the Malaysia Agreement 1963 (MA63) Special Cabinet Committee — eight each from Malaya and Sabah/Sarawak: Allison Lai, "Liew Reveals Composition of Steering Committee of Special Cabinet Committee on MA63", *The Star*, 10 October 2018.
- ³⁴ "S'wak Govt Raises Four non-Negotiable Issues During MA63 Special Committee Meeting", *Borneo Post*, 3 January 2019.
- ³⁵ In this Analysis, political Islam is simply defined as any group/individual who uses Islam as their primary ideology to mobilise political support.
- ³⁶ Farish Noor, *The Malaysian Islamic Party 1951–2013: Islamism in a Mottled Nation* (Amsterdam: Amsterdam University Press, 2014).

- ³⁷ *Dhimmi* is the term used to describe non-Muslims who live in societies governed by Muslim rulers and law. They have limited political rights and are subject to a specific tax higher than the tax on Muslims.
- ³⁸ James Chin, "Malaysia: Pseudo-democracy and the Making of a Malay-Islamic State", in William Case ed, *Routledge Handbook of Southeast Asian Democratization* (London: Routledge, 2015), 399–409.
- ³⁹ Tamir Moustafa, *Constituting Religion: Islam, Liberal Rights, and the Malaysian State* (Cambridge: Cambridge University Press, 2018).
- ⁴⁰ One example of such an attitude is the Islamic authority's insistence that the word 'Allah' is a reserved word that can only be used by Muslims in Malaysia to refer to the Islamic God. This is despite clear evidence that the word 'Allah' was widely used by all faiths throughout the Middle East.
- ⁴¹ Ahmad Fauzi Abdul Hamid, "The New Challenges of Political Islam In Malaysia", Asia Research Centre Working Paper No 154, June 2009.
- ⁴² Ahmad Fauzi Abdul Hamid, "The Extensive Salafization of Malaysian Islam", ISEAS Trends in Southeast Asia No 9, 2016.
- ⁴³ Ludicrous examples of such behaviour include attempts by a laundromat in Muar to ban non-Muslims from using its washing machines arguing that their clothing will contaminate Muslim washing ("Muslim-only Laundromat puts Malaysia in a Spin", *Today* (Singapore), 27 September 2017), and complaints that a housing project was promoting Christianity because the roof-top air vents resembled crosses ("Stir over Langkawi Housing Project's Cross-shaped Air Wells Prompts Developer to Repaint Them", *The Straits Times* (Singapore), 29 December 2015).
- ⁴⁴ "New Stamp for Bible Copies", *The Star*, 23 March 2011.
- ⁴⁵ "PM Mahathir Says He Will Honour Agreement to Hand Power to Anwar after Two Years", *The Straits Times*, 3 September 2018; "Mahathir Says He'll be Malaysian PM for 2 Years at Most if Pakatan Wins", *The Straits Times*, 4 February 2018.
- ⁴⁶ James Chin, "The Bittersweet Return of Anwar Ibrahim to Malaysian Politics", *Channel News Asia*, 23 September 2018.
- ⁴⁷ Shannon Teoh, "PKR Deputy President Gets Wider Powers", *The Straits Times*, 9 June 2018; Stefania Palma, "Malaysia's Anwar Ibrahim Faces Threat from Rival", *Financial Times*, 2 January 2019.
- ⁴⁸ Thomas Sowell, *Affirmative Action Around the World* (New Haven: Yale University Press, 2004).
- ⁴⁹ Inter-governmental Committee (Great Britain and Malaya), *Report of the Inter-Governmental Committee, 1962* (London: HMSO, 1963).
- ⁵⁰ This idea is not new. It has been implemented at state level with few repercussions. In Sarawak, non-Islamic religious groups have responded positively to the Unit For Other Religions (Unifor), which was set up in the Chief Minister's Office to regulate policies to promote religious harmony: "Unifor Receives Good Response from non-Islamic Religious Groups — Uggah", *Borneo Post*, 28 October 2018.

ABOUT THE AUTHOR



James Chin

Professor James Chin is Director of the Asia Institute, University of Tasmania. He is a leading commentator on Malaysian politics and has published extensively on Malaysia and the surrounding region. Prior to University of Tasmania, he was the founding head of the School of Arts and Social Sciences, Monash University, Malaysia campus. He was previously Senior Visiting Research Fellow, Institute of South East Asian Studies (ISEAS), Singapore, and Senior Fellow, Jeffrey Cheah Institute on Southeast Asia.

Professor Chin's most recent publications are *Malaysia Post Mahathir: A Decade of Change?*; *50 Years of Malaysia: Federalism Revisited*; and *Awakening: The Abdullah Badawi Years in Malaysia*. He has published extensively in leading journals such as *Asian Survey*, *Journal of Contemporary Asia*, *Asian Journal of Political Science*, *Commonwealth and Comparative Politics*, *The Round Table*, *Southeast Asian Affairs*, *Asian Politics & Policy*, *Journal of Democracy*, *Electoral Studies*, *Democratization* and *South East Asia Research*. He has written commentary for leading publications such as *The New York Times*, East Asian Forum, *The Interpreter*, *The Diplomat*, *Australian Outlook*, *The Straits Times* and *New Mandala*, and has appeared on CNN, BBC World TV, CNBC, Bloomberg TV, and Channel News Asia. His comments are often reported in *The New York Times*, *Financial Times*, *Wall Street Journal* and other leading publications.

He has a PhD in political science from Victoria University of Wellington, New Zealand. His dissertation was awarded the Desmond Todd Memorial Prize.

LOWY INSTITUTE

Level 3, 1 Bligh Street
Sydney NSW 2000 Australia

Tel: +61 2 8238 9000
Fax: +61 2 8238 9005

www.lowyinstitute.org
twitter: @lowyinstitute