

Strategic Analysis Paper

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Malaysia: Many Challenges to *Wawasan 2020* Development Vision

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Key Points

- Malaysia now aims to become a fully developed country within the next two decades, abandoning the original target of 2020.
- The current economic policy is in need of reform if Malaysia is to achieve its economic goals.
- There are concerns that democracy in Malaysia is deteriorating with the government tightening its control over the media following allegations of political corruption.
- Nationalist sentiments espoused by the ruling coalition also raise concerns over increasing ethnic divisions in the country.

Summary

A slowing economy, political corruption and social tensions may hinder the government's goal to become a developed country by 2020 as part of the [Wawasan \(Vision\) 2020](#) of former Prime Minister Dr Mahathir bin Mohamad in 1991. In his original paper outlining the vision, Mahathir specified nine requirements that Malaysia needed to achieve under the plan: to be ethnically united, psychologically liberated and secure, democratically mature, moral and ethical, tolerant, scientifically advanced, have a family-based welfare structure,

equitable growth and a prosperous economy. Broadly, these nine requirements can be divided into economic, political and social categories.

Analysis

Economic Goals

As Dr Mahathir stated in *Wawasan 2020*, 'I believe that we should set the realistic (as opposed to aspirational) target of almost doubling our real gross domestic product every ten years between 1990 and 2020'. This puts the GDP target at around US\$352 billion by 2020. While Malaysia was on track for some time to achieve the *Wawasan* economic goals, recent figures show that the economy has fallen behind. In the aftermath of the 2008 Global Financial Crisis, current Prime Minister Najib Razak [told reporters](#) in August 2009 that the country must achieve an annual Gross Domestic Product growth rate of eight per cent if it is to become a fully developed country by 2020. Since then, however, the annual GDP growth rate has been closer to six per cent, averaging 5.65% over the period 2010-15. According to Najib, this will delay the goal of becoming fully developed until 2030. A major factor behind the slowing GDP growth rate is falling commodity prices. According to 2014 figures provided by the [Observatory of Economic Complexity](#), Malaysia's top exports include integrated circuits (US\$40.7 billion), refined petroleum (US\$24.7bn), petroleum gas (US\$21.3bn), palm oil (US\$12.4bn) and crude petroleum (US\$11.5bn). In total, petroleum and palm oil accounted for around 29 per cent of total export revenue for that year. Since then, however, oil prices have plummeted from around US\$100 per barrel to US\$40 at the beginning of this year, at times dipping below US\$30. As the [Financial Times](#) notes, the future of Malaysia's economic growth largely depends on government spending and an oil price rebound:

Falling oil prices mean that oil-related revenues are set to fall well short of the initial target of about 2.5% of GDP. If oil prices stayed at current levels and the government stuck with its original spending plans, the 2016 fiscal deficit would have hit almost four per cent of GDP instead of the 3.1% of GDP the government was originally aiming for.

To offset this, the Malaysian Government has announced various spending cuts to operating and developmental expenditure which are expected to save nine billion ringgit (\$2.9 billion). It is unlikely, however, that these cuts will, on their own, be sufficient to put Malaysia back on track to reach its *Wawasan* economic goals.

New Economic Policy

There are also concerns surrounding the need for reform in Malaysia's economic policy. Current economic policy favours ethnic Malays or Bumiputera, who comprise two-thirds of the total population. Introduced in 1971, the New Economic Policy (NEP) was implemented to address grievances held by the Bumiputera about the generally higher living standards enjoyed by Chinese Malaysians at that time. At face value, it does appear that the NEP did indeed help many Bumiputera to escape poverty. As depicted in the graph (below), the monthly income of ethnic Malays has increased at a greater rate than that of Indian and

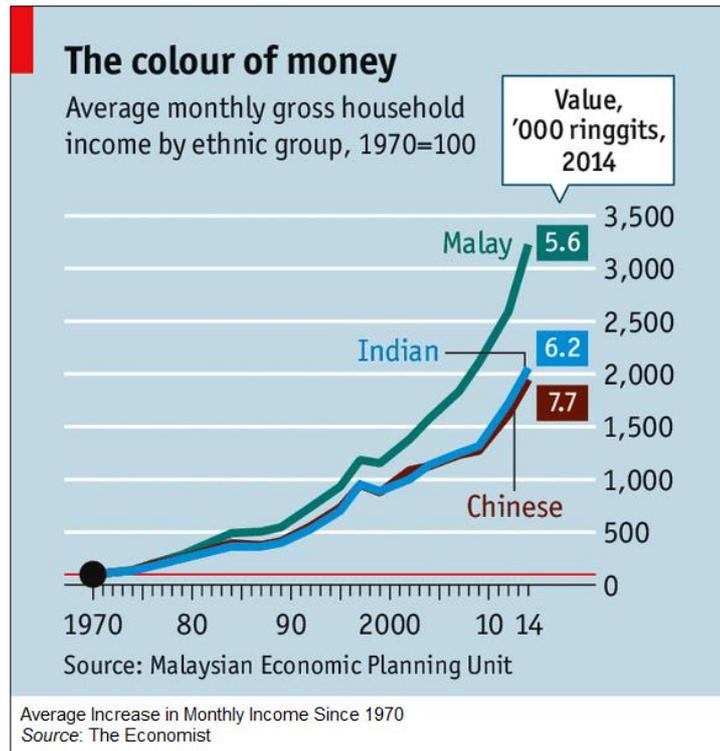
Chinese Malaysians since the NEP was implemented. The current average monthly household income for Chinese Malaysians, however, remains well above that of the Bumiputera. This is of concern to some economists who believe that [‘state-sponsored favouritism’](#) has hooked Malays on handouts and government jobs, and helped to enrich the country’s élites’, while doing little for those in poverty.

Although it was only initially intended as a temporary measure, the NEP remains in

place today and has drawn criticism from various commentators, including [The Economist](#), which labelled the policy as one that ‘has become central to a system of corrupt patronage’. There has also been some dissatisfaction among the general public. [According to a poll conducted in 2008](#), seventy-one per cent of Malaysians agreed with the statement that Barisan Nasional’s ‘race-based affirmative action policy is obsolete and must be replaced with a merit-based policy’. Unsurprisingly, 83 per cent of Chinese respondents and 89 per cent of Indian respondents agreed with the statement. Perhaps more surprising, however, is that 65 per cent of Malay respondents also felt that the NEP was outdated. Faults within the NEP are also recognised among some politicians. The former PAS-Malaysian Islamic Party MP for Kuala Selangor, Dzulkefly Ahmad, told *Malaysia Today* at the time of the poll that ‘the Approved Permit system was meant to allow Malay entrepreneurs a stake in industries, such as the automotive business. Instead, it became a monopoly for a selected few’. Prominent Malaysian economist K.S. Jomo also concludes that [an alternative approach needs to be found](#) to create more lasting conditions for improved inter-ethnic relations. Although there is no doubt that the NEP has achieved some socio-economic goals, it is no longer likely that the policy will promote equitable growth in the longer term and aid Malaysia’s larger goal of becoming a fully developed country.

Political Goals

Under *Wawasan 2020*, the Malaysian Government is tasked with establishing a mature, moral and ethical democracy. Recent events, however, have shone a spotlight on political corruption in the country. Prime Minister Najib Razak and the 1Malaysia Development Berhad (1MDB) strategic development fund that he chairs have come under scrutiny after allegations were raised that monies had been siphoned into the Prime Minister’s personal bank account from 1MDB. The 1MDB fund was set up by Najib in 2009 when he took office with a mission to ‘drive sustainable economic development by forging strategic global



partnerships and promoting foreign direct investment'. In July 2015, then Attorney-General Abdul Gani Patail linked a donation of US\$681 million made to Najib's account (which was later returned), with companies and bodies that had ties to 1MDB. Patail was then replaced by Apandi Ali, who, after an investigation, cleared Najib of any wrongdoing, declaring that the money was a personal donation by an unnamed member of the Saudi royal family. The Swiss Attorney-General, on the other hand, who began investigating the matter in 2015, has confirmed allegations of criminal conduct in four cases involving 1MDB, over a period spanning 2009 to 2013. Najib, however, was not among those accused of wrongdoing and has not been investigated by the Swiss. Whether or not Najib is guilty of the corruption allegations laid against him, they unfortunately highlight corruption within the Malaysian government.

As per the aim of *Wawasan 2020*, Malaysia is to become a democratically mature country. To quote the original paper, 'The third challenge we have always faced is that of fostering and developing a mature democratic society practising a form of mature consensual, community-oriented Malaysian democracy that can be a model for many developing countries.' While what constitutes a mature democracy may perhaps be a matter of debate, there are some prominent issues surrounding the nature of Malaysia's democratic system. As noted in a recent [FDI Strategic Weekly Analysis](#), the ruling Barisan Nasional coalition holds power while lacking majority support. At the 2013 general election, the Barisan Nasional secured only 47 per cent of the popular vote but won 51 per cent of parliamentary seats, with the opposition Pakatan Rakyat alliance receiving 50 per cent of votes while taking only 48 per cent of the seats. Barisan Nasional garners most of its support from more sparsely-populated rural areas. The 2013 general election was, however, the worst ever result for Barisan Nasional and its largest component, the United Malays National Organisation (UMNO). To maintain its grip on power, the Barisan Nasional may be willing to sacrifice certain democratic values.

One of these is freedom of the press. The country's most popular news website, *The Malaysian Insider*, was blocked by the government in early March 2016 following its coverage of the 1MDB corruption allegations. In an official statement regarding the decision to block the news site, the Ministry of Foreign Affairs said that, although the government upholds freedom of speech, such freedoms must be exercised with responsibility. Prime Minister Najib then took it a step further, writing that it was an example of 'unhealthy journalism' and that the news site was 'constructing their own version of "reality"'. Controlling the media is not something new for the Malaysian authorities, having also blocked sites such as *Sarawak Report* and *The Edge Malaysia* for reporting alleged corruption. According to the Reporters Without Borders (RSF) [2016 World Press Freedom Index](#), Malaysia is ranked 146 out of 180 countries for press freedom. With press freedom [widely regarded as a pillar of democracy](#), such freedoms will need to be protected for *Wawasan 2020* to come to fruition.

It could be argued that Malaysia is not heading in the direction of the mature, moral and ethical democracy envisaged in *Wawasan 2020*. Some critics have even accused Malaysia of heading in the opposite direction for some time. Professor Amin Saikal of the Centre for Arab and Islamic Studies at the Australian National University [has claimed that](#) 'Malaysia has

been sliding towards authoritarianism since Mahathir pursued the sodomy case against his deputy, Anwar Ibrahim [in 1998]’.

Social Goals

Perhaps the biggest challenge faced by the Malaysian Government in terms of achieving the goals of *Wawasan 2020* is to establish an ethnically united society. According to the Malaysian [Department of Statistics](#), the three major ethnic groups in Malaysia are Malays (Bumiputera), who account for 67.4 per cent of the population, Chinese-Malaysians (24.6%) and Indian-Malaysians (7.3%). Underlying ethnic tensions date back to before independence and frequently centre on economic disparities primarily between Chinese-Malaysians and the Bumiputera, which provoked riots in 1969 and subsequently led to the implementation of the NEP. Today, the deteriorating political situation is bringing these ethnic tensions back to the surface. As noted by *Asia Sentinel*, ‘critics say the Prime Minister is attempting to use a perceived threat by the Malaysian Chinese, who dominate the economic landscape, to dominate the political one’. Similar sentiments were expressed by [Bloomberg](#):

At stake is the unbroken rule since independence in 1957 of the United Malays National Organisation, the biggest actor in one of the longest-ruling coalitions in the world. Ethnic Malays are the bulwark of that coalition, and Najib needs to keep them onside.

The reaction of Najib to recent unrest appears to validate such concerns. Allegations of government corruption sparked protests in August 2015 that drew more than 25,000 demonstrators, which were then followed in September by pro-government rallies of around 30,000 marchers. The element of ethnic tension underlying these protests became apparent in the government response. Najib was [quoted](#) by the *Bernama* News Agency as saying [of the participants in the Bersih 4 rally], ‘Don’t they understand, are they that shallow and poor in their patriotism and love for their motherland? Don’t they understand the country was built on the blood and sweat of our freedom fighters?’ He went further stating that those who took part in the protests only want to ‘discredit our good name, scribble black coal on Malaysia’s face to the outside world’. Protesters at the following pro-government rally also accused those attending the August Bersih rallies as undermining Malay rule and claimed that most participants were Chinese. The use of patriotic language and the association of Chinese-Malaysians with supposedly “anti-government” attitudes raise concern over the possibility of future ethnic tensions.

Using ethnicity to secure political power is a dangerous prospect. While tensions are not close to breaking point, there has been an increasing number of demonstrations over political divisions and racial and religious tensions over the past five years, according to the [US Bureau of Diplomatic Security](#). To calm ethnic tensions and move towards a more united Malaysia, the government needs to cease using Malay nationalism as a way of maintaining its hold on power. The likelihood of that happening, however, would seem to be low. After losing the popular vote in 2013, the Barisan Nasional has positioned itself as a champion of ethnic Malays to maintain its grasp on power and turning its back on those nationalist sentiments could spell political suicide for the coalition.

Conclusion

Wawasan 2020 will not be achieved in the short-to-medium term. The government has openly admitted that the economic goals of *Wawasan 2020* will not be reached for at least another two decades due to slowing economic growth. The same also holds true for its social and political aspirations. While the Malaysian political system is democratic in nature, there has been little progress towards becoming a more mature democracy. There is also the possibility that the system will begin to deteriorate within the next decade as the Malaysian Government tightens its control over the media. The Barisan Nasional coalition maintains power despite lacking majority support and, instead of appealing to the wider population and attempting to draw in new supporters, the coalition is increasingly focussing on shoring up its primary support base of ethnic Malays. This could, in turn, lead to further ethnic division within the country. By 2020, Malaysia will fall short of achieving the primary economic, political and social goals of *Wawasan 2020*. While Malaysia still hopes to become a fully developed country in the next two decades, it is important that the government does not abandon the pursuit of becoming a democratically mature and ethnically united country. At this point, a number of policies and approaches need to be rethought if all of the goals of *Wawasan 2020* are to be achieved within the medium term at least.

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