

Mahathir Looks Beyond Malaysia's First Century

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By Andy Mukherjee

One year after a historic regime change, Malaysia's politics remain a combustible cocktail of sleaze and power lust. At least the economy is on the right track, even if it's nowhere close to fulfilling its potential.

Over the coming years, Malaysia plans governance improvements at state institutions, a qualitative boost to education and a more direct assault on low incomes and inequality. These three crucial efforts will take time to bear fruit, assuming they can survive the country's murky politics.

Kuala Lumpur is agog with speculation about whether Prime Minister Mahathir Mohamad, who came out of retirement to hand the Barisan Nasional coalition its first loss in six decades, will bid adieu after hosting the Asia-Pacific Economic Cooperation meeting next fall. He turns 94 on July 10 and has an agreement to hand over at an unspecified date to former deputy Anwar Ibrahim, whom he jailed in 1998 on sodomy charges. But when political analysts began to suggest that Azmin Ali, the deputy president of Anwar's party, was positioning himself as Mahathir's preferred successor, videos emerged purporting to show Azmin and another man engaged in sexual acts, a crime punishable by up to 20 years in prison under Malaysia's colonial-era sodomy laws.

Azmin denies it's him in the video; Anwar has rejected suggestions his people had anything to do with it; Mahathir says it's all dirty politics. Whatever the truth, the risk is the Anwar and Azmin camps wear each other down and enfeeble the Pakatan Harapan alliance, which Mahathir chairs. Barisan is also falling apart, for different reasons, and is leaning toward conservative Islamic elements. If the liberals lose their grip, the economy will unravel.

That would be a shame since the government is only starting to address Malaysia's long-term structural weaknesses. Previous Prime Minister Najib Razak is on trial for the 1MDB scandal, in which \$4.5 billion was allegedly embezzled from a state investment fund and laundered around the world. While Najib denies any wrongdoing, 1MDB exemplifies the deep-seated connection between money and political patronage in Malaysia. The rot spread to the state-run Hajj fund for Muslim pilgrims and to Felda, an agency that's allocated land to smallholders to alleviate poverty.

The government has vowed to remove politicians from state-linked companies and disallow "support letters" that help favored businessmen win contracts. Considering many of today's ills are leftovers from Mahathir's first spell as prime minister (1981-2003), some skepticism is warranted. However, two recent developments suggest the government is sincere. Last month, state-backed institutional shareholders overwhelmingly rejected directors' remuneration at FGV Holdings Bhd., which processes palm oil from fruit grown by Felda smallholders. There's also Mahathir's choice of a human-rights lawyer as the first female anti-corruption chief. It's unclear if the momentum against cronyism will be sustained, but for now – and for some people – the gravy train has stopped.

In education, the impetus to change comes from sliding proficiency in science and math as well as a growing jobs mismatch. While 94% of polytechnic students are getting jobs, they are still underfunded and underused, says Syed Saddiq, youth affairs minister, who wants Malaysians to give up their fetish for college degrees. To address the first gap, Malaysia will embrace English for scientific subjects. The populist expediency of letting the Malay language dominate state-funded education has backfired. Mahathir, a physician by training, knows that only too well. While minorities are unhappy with an Islamist tilt in national education, some in the majority Malay community blame parallel Chinese and Tamil schools for deepening the racial divide. The disparity with Singapore, where all three communities study together and ace international competitions, couldn't be more stark.

If Mahathir is convinced about English, he's less persuaded about income supplements for low-wage earners, based on my conversations with people close to him. Still, a debate rages about what it'll take to prevent 300,000 Malaysians

commuting every day to Singapore while Malaysia itself runs on imported Bangladeshi labor. From unemployment to legalization of medical marijuana, young people want a bigger say on issues that affect them. Saddiq is pushing for constitutional change to lower the voting age to 18 years from 21 to induct 3.7 million new electors.(1)

Mahathir's legacy may be a long-term vision document that extends well into the future, perhaps to 2057, marking the first century of independence from British colonialists. It may prove as far-reaching as the New Economic Policy of 1971, which set the tone for pro-Malay affirmative action that continues today. "A horizon that's within the reach of the present generation of politicians will only yield a vision that pleases the electorates," Muhammed Abdul Khalid, economic adviser to the prime minister, told me.

Mahathir's stature as the founder of modern Malaysia will give longevity to the ideas he leaves behind. In sharing the economic pie, race will remain important, though gender- and region-based inequalities will also be in focus. In the near term, there will be fires to fight: A trade war won't be good for Malaysia's open economy, especially amid an overhang of residential property. But as long as politics doesn't lurch dangerously right, long-term investors shouldn't write the country off.

(1) Malaysia's population is 33 million.

To contact the author of this story: Andy Mukherjee at amukherjee@bloomberg.net

To contact the editor responsible for this story: Matthew Brooker at mbrooker1@bloomberg.net

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Andy Mukherjee is a Bloomberg Opinion columnist covering industrial companies and financial services. He previously was a columnist for Reuters Breakingviews. He has also worked for the Straits Times, ET NOW and Bloomberg News.

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