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### Malaysia in 2023: Reconsolidation Under Pressure

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## Malaysia in 2023

### *Reconsolidation under Pressure*

#### ABSTRACT

Prime minister Anwar Ibrahim steered his cobbled-together government through economic and sociocultural challenges in 2023, emerging stable but spooked. State-level elections in August sustained each party's roster of states, but with declining margins for Anwar's coalition. Fiscal pressures—high debt, declining revenues, rising cost of living, and a persistently weak currency—constrained room for maneuver, while state-level and societal cultural contests tested Malaysia's multiracial, multireligious tolerance.

**KEYWORDS:** Malaysia, elections, Islam, coalition government, reforms

THE SURPRISING DENOUEMENT OF 2022 in Malaysia, where general elections in November ushered in a previously inconceivable “unity government,” laid the ground for the year that followed. A quarter-century after his ouster from the United Malays National Organisation (UMNO), leading party of the then-dominant Barisan Nasional (BN, National Front), Anwar Ibrahim rang in 2023 as prime minister, now as leader of Pakatan Harapan (Alliance of Hope) but governing in coalition with the BN plus East Malaysian partners (Ostwald and Nadzri 2023). That settlement papered over unresolved issues, from ongoing corruption trials of leading UMNO members, to an economy still scrabbling for post-pandemic footing, to the incoherence of a coalition elevated more by the constitutional monarch's imprimatur than by common purpose. State elections in 2023 tested the contenders' relative strength, on both economic and sociocultural fronts. Still, Anwar and his administration

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ended 2023 on slightly surer footing than a year prior, notwithstanding still-evident fiscal and identarian challenges in particular, and a still-dubious path to significant institutional reforms.

#### A NEW ADMINISTRATION SETTLES IN

Anwar Ibrahim's unity government entered 2023 with its work cut out for it. In January, he branded his administration MADANI, hearkening back to the *masyarakat madani*, or society rooted in Islamic values, he touted in the 1990s, but now an awkward acronym for sustainability, prosperity, innovation, respect, trust, and compassion (Mohd Faizal 2023).<sup>1</sup> Rival coalition Perikatan Nasional (PN, National Alliance), comprised of Parti Islam Se-Malaysia (PAS, Pan-Malaysian Islamic Party) and Parti Pribumi Bersatu Malaysia (Bersatu, Malaysian United Indigenous Party), plus a moribund Chinese-based partner, remained poised to strike, touting its own Islamism and UMNO's corruption. Moreover, resources were thin, and PN was about to test Anwar's mandate at the state level. PN's extraordinary gains in 2022 reflected rising support for political Islam—especially among Malay youth—but also more diffuse concerns, including widespread economic anxiety, disillusionment with UMNO in the long wake of the 1MDB corruption scandal (for which former PM Najib Razak was by then imprisoned), deep-set communalism, and a marked decline in predictable party loyalties, including from an influx of first-time voters (Weiss and Suffian 2023, 289–94).

The system itself seemed to be unraveling. In January, for instance, a lack of decorum in Parliament led speaker Johari Abdul to propose new etiquette guidelines, with deterrent penalties. But more worrying for Anwar was his coalition's uneven support, with defections rumored to be afoot and concerns that a “green wave” still pulled voters toward PN. In late April, speculation swirled that BN MPs would resign to force by-elections, aiming for a PN majority. More generally, critics faulted Anwar's cabinet appointments for inexperience or inefficiency—a record an end-of-year reshuffle, including subdividing key ministries and adding a second finance minister, aimed to address. The reshuffle also slightly boosted the Democratic Action

1. In Malay: keMampanan, kesejAhteraan, Daya cipta, hormAt, keyakiNan, Ihsan. The original English (with terms reordered) made more sense: SCRIPT.

Party, while effectively sidelining UMNO's second-in-command, Mohamad Hasan.

Meanwhile, the “unity” coalition's commitment to reform wavered. A central piece is challenging corruption. In February, Anwar's daughter, former MP Nurul Izzah, resigned her appointment as (unpaid) senior advisor to her father amid charges of nepotism. The government reneged on its promise not to appoint politicians to the boards of government-linked corporations, drawing condemnation from the likes of economic-policy think tank IDEAS. Most damning, though, was September's discharge not amounting to acquittal (DNAA) in the case of 47 corruption charges against UMNO president and deputy prime minister Ahmad Zahid Hamidi, in proceedings already well underway. The attorney general (who is also public prosecutor) could still re-charge him, but is not independent of the government. Zahid's reprieve fomented speculation that a royal pardon was imminent for Najib, too—whose charisma, record as PM (including extensive patronage), and creative “Bossku” (my boss) campaign have resuscitated his clout within UMNO. (As of this writing, Najib remains in prison, with further trials ahead, but he applied to the king shortly after his 12-year term started in 2022, and again in early 2023.) On the other hand, after the Malaysian Anti-corruption Commission (MACC) arrested senior officers in the Ministry of Human Resources (in April) over allegations related to the recruitment of foreign workers, Anwar replaced minister V. Sivakumar in December's reshuffle.

But anticorruption seemed also to be used as a cudgel. In March, the MACC charged ex-PM Muhyiddin Yassin of Bersatu with corruption, following related charges against two other party leaders the preceding month. In November, wrapping up a longer-running investigation, Syed Saddiq Syed Abdul Rahman, leader of the small Malaysian United Democratic Alliance, incurred a sharply deterrent sentence after being convicted of misappropriating party funds when he was a Bersatu Youth leader. Syed Saddiq had recently withdrawn from the ruling coalition in protest of Zahid's DNAA. And in late December, tax authorities raided the offices of ex-PM Mahathir Mohamad's three sons.

The administration's progress on other promised reforms was similarly uneven. Civil society coalition Bersih's (2023) year-end recap identified four reforms both PH and BN had promised in their campaign manifestos but on which progress has been slow or incomplete: separating the roles of public prosecutor and attorney general, reforming procedures for public

appointments, introducing a political funding act, and devolving power from the federal to the state level (though Sabah and Sarawak, at least, secured greater funds and authority, pushing back also on issues of language and education). Bersih also tallied unfulfilled promises, such as introducing term limits for the PM and state-level counterparts, legislating a fixed parliamentary term, and having a parliamentary select committee review key appointments (MACC chief, election commissioners, etc.).

The unity government broke promises, as well, some with earlier roots. After complaining for years, as the opposition, about the lack of equal constituency-development funds for opposition MPs, they sustained the practice. Without leaving PN, five Bersatu MPs endorsed Anwar late in the year to secure funding. Meanwhile, Anwar remains both prime minister and finance minister, despite having objected to that practice under BN.

Reneging, too, on commitments to repeal laws such as the Sedition Act and the Security Offenses (Special Measures) Act, the government has deployed them—for instance, detaining Kedah’s PAS *menteri besar* (chief minister), Muhammad Sanusi Md Noor, under the Sedition Act for comments prejudicial to the sultans, in a wee-hours raid in July. That track record captures the administration’s fraught relationship with reform-seeking civil society, including erstwhile backers of PH. Far from enhancing civil liberties, the regime has cracked down, from investigating the editor of a 2020 book (ironically, a book about Malaysia’s “rebirth” under the PH administration elected in 2018) for sedition; to heavily censoring films for domestic release (including a Malaysian Cannes best-feature winner) and investigating filmmakers and actors; to banning books with LGBT-related content under the Printing Presses and Publications Act; to probing social-media users under the expansive Communication and Multimedia Act or the Sedition Act for posts related to religion or royalty; to investigating participants in a mid-March International Women’s Day march under the Peaceful Assembly Act.

But the year did see accomplishments, especially in parliamentary functioning. Bersih (2023) cites the addition of Prime Minister’s Question Time, the strengthening of the oversight role and autonomy of parliamentary special select committees, and passage of legislation for freedom of information and government procurement, though implementation lags. Procurement legislation, which may foster transparency and competitiveness, is particularly noteworthy given the stickiness of race-based patronage, which government contracts have heretofore supported (Yeoh 2023).

Elections on August 12 in the six states that had not already held them (normally all peninsular states, at least, hold them simultaneously with federal) served as something of a referendum on these efforts. All states—PN-held Kedah, Kelantan, and Terengganu, and PH-held Negeri Sembilan, Penang, and Selangor—remained with their incumbent coalitions. However, amid ethnoreligious signaling, still-persistent inflation and corruption concerns, and challenging messaging for an UMNO reduced to junior partner to its longtime foes, support for PN grew in more urbanized, PH-held states (Pooi 2023). For instance, PAS made headway among concentrations of Malay voters in mainland Penang and swathes of Selangor, ending PH's two-thirds majority in the latter.

#### ECONOMIC EFFORTS AND CHALLENGES

Relevant to those elections, but also to the unity government's first-year record broadly, is its economic agenda. Such promises as canceling student loans and reducing gas prices proved (again) too costly to fulfill. Despite faster-than-expected GDP growth in 2022 (8.7%, the strongest rate since 2000), the cost of living remained high. Economists forecast more modest 4–5% growth for 2023, given global slowdowns and reduced manufacturing exports to, and investment from, China, even as Malaysia benefits from the recalibration of supply chains amid US–China tensions.

Especially toxic politically were inflation and the persistently weak ringgit, which hovered around its lowest level since the Asian financial crisis of 1997–98; it was Asia's worst-performing currency, after the yen. (The government rejected, however, former-PM Mahathir's call to return to a crisis-era ringgit peg.) Making matters worse were depleted (and already low) retirement savings, following a relaxation of rules on withdrawals from Employees Provident Fund accounts during the pandemic. Increasing debt and debt-servicing charges, amid a decade-long downward trend in government revenues, sustained fiscal pressures.

However necessary they might be to making economic targets more than aspirational, revenue-boosting measures are unpopular; Anwar averred in late January that he would instead focus on increasing household incomes and reducing debt. Still, proposals circulated for new taxes, from reintroducing the goods and services tax Pakatan eliminated in 2018 (and which Anwar forswore) or widening the sales and services tax, to expand the federal revenue

base and reduce dependence on oil revenues. Other options included a 10% sales tax on low-value goods (worth up to MYR 500, or USD 110) sold online, set for implementation in 2023, then postponed to 2024 (and likely to amount to only a 1% increase in sales and services tax income, regardless).

An important part of the government's strategy was cutting costs and plugging leaks. In February Anwar proposed a budget that cut government-backbencher MPs' annual allocation by about two-thirds, from MYR 3.8 million to 1.3 million (USD 820,000 to 280,000). That allowance sustained funds for service centers and welfare and social-service expenditures, but eliminated discretionary infrastructure spending. Notoriously murky military procurements in particular were another target. The government canceled five Defense Ministry contracts in January and promised to commit to open tender, but still failed to resolve earlier scandals, especially over undelivered littoral combat ships contracted in Najib's time. Also scrapped, midyear, were plans for an environmentally damaging new airport on Tioman Island, as well as for the Petaling Jaya Dispersal Link, a disruptive elevated-highway project in PH-governed Selangor State.

Other adjustments were harder. Cutting subsidies, which came to MYR 80 billion (USD 17.3 billion) by 2022, half of that for fuel and cooking oil, would recover fiscal space. However, the 2024 budget proposed in October saw only the diesel subsidy (believed to benefit smugglers the most) removed, alongside some rationalization (such as removing electricity subsidies for heavy users). Discussion continued, though, of, for instance, replacing subsidized cooking oil with cash transfers to targeted lower- and middle-class households (5.8 million of them), to circumvent leakages along the distribution chain. In this vein, too, were measures to limit monopolies, starting with those for commercial-vehicle inspections and tolled highways, as well as efforts—their outcome uncertain—by the opposition-chaired parliamentary Public Accounts Committee, in particular to probe audit reports (e.g., of pandemic-related expenditures) and Defense Ministry scandals, including dubious BN-era land-swap deals.

The federal government still dangled pricey carrots ahead of state elections, though. These included, for instance, bonuses for current and retired public-sector employees and an e-cash credit for over 10 million adult Malaysians with annual incomes below MYR 100,000 (USD 22,000). (Processed per Inland Revenue Board records, the latter missed some of the poorest, who had not filed income taxes or already received cash assistance.)

But the linchpin of Anwar's economic record for 2023 was his launch in late July of the Ekonomi MADANI: Memperkasa Rakyat (MADANI Economy: Empowering the People) framework. That framework served as foundation for the subsequent National Energy Transition Roadmap, launched at the end of August, and then the Midterm Review of the 12th Malaysia Plan (for 2021–25) and the New Industrial Masterplan 2030, presented the following month. Identifying key problems of premature deindustrialization, downward wage pressure from overreliance on foreign workers, high consumer and government debt, and with Malaysia's education system, the framework offers aspirational 10-year targets of having Malaysia rank among the world's top 30 economies and in the top 12 for global competitiveness, with calibrated short- and medium-term steps along the way.<sup>2</sup>

First-year objectives focus on the cost of living and hardcore poverty; medium-term goals target strengthening the national economy, improving distribution of wealth and resources, and enhancing Malaysians' quality of life. Strategies include fiscal and governance reforms, a regional agenda of ASEAN-wide economic integration, attracting investment, promoting and internationalizing small-and-medium enterprises, taking a leading role in the Islamic economy, pursuing green growth for climate resilience, and improving land use and food security. Also on tap are extending access to well-paying jobs and opportunities regardless of gender, race, or background (for instance, by prioritizing scholarships for low-income students and introducing child-care facilities for working mothers); improving the social protection network (e.g., extending social insurance to all Malaysians and fostering sustainable retirement savings); reforming healthcare; reforming education and human resource development (as with upskilling or retraining programs); and expanding affordable housing.

The midterm review of the 12th Malaysia Plan, a regular exercise made more momentous in 2023, operationalizes these targets. Strategies address reallocation and better targeting of subsidies, housing development, steps toward energy transition, support for high-growth/high-value industries, and fiscal sustainability. In line with these goals, the administration announced a revenue-generating capital gains tax to be implemented in 2024 and in October passed the Public Finance and Fiscal Responsibility Act. The latter sets caps for fiscal deficits, debt levels, and financial guarantees, mandates

2. For a useful tabulation of challenges, targets, and policy actions, see Lee (2022).



development spending, and codifies the finance minister's responsibility to Parliament.

The New Industrial Master Plan 2030 further elaborated on ways to increase manufacturing-sector salaries and expand the GDP, to pull Malaysia out of an apparent rut and keep it competitive with regional neighbors. It sketches strategies for sustainable, inclusive, technologically advanced development across 21 sectors, from aerospace to *halal* production and from medical devices to textiles. Yet Malaysia's past record with implementing such plans suggests that we withhold judgment, however promising they look.

### SOCIOCULTURAL CONTESTS

However salient economic pressures and proposals were in 2023, sociocultural issues also loomed large. Amplifying their resonance is how severely Malay-Muslim ethnoreligious messaging damaged the credibility and popularity of the PH administration that was elected in 2018 and ousted less than two years later. Even with the addition of UMNO, the unity government draws only limited support from the growing and entitled Malay-Muslim majority. Hence, for instance, PH's earlier discarding of a promise to reinstate local elections, which were eliminated in the 1960s: regardless of actual current demographics, the trope of Chinese-dominated cities, which Chinese parties would command were those elections restored, remains potent. As discussion sparked up late in 2023 of trialing elections at least in Kuala Lumpur, that perennial bogey re-emerged. And yet the administration vied to attract Malay-Muslim voters, even at cost of alienating other constituencies.

The Islamist challenge has encouraged Anwar, whose ethnoreligious-activist credentials predate his current noncommunal "progressive" profile, to tack to the right (Yeoh 2023). He has personally presided over conversions to Islam, for instance, and his government has increased funding for the federal agency overseeing Islamic affairs (JAKIM) and Islamic schools, and promised to bring forward a long-controversial amendment to the Syariah Courts (Criminal Jurisdiction) Act further to empower *syariah* courts. Still, PN gained ground in August's state-level elections. Seemingly in a bid also to position himself among Muslim leaders globally, Anwar reiterated support for Hamas and its October offensive, beyond castigating Israel's response. Malaysian policy, and Anwar's own stance, has been consistently

pro-Palestine, but Anwar leaned into the issue, rejecting what he described as Western pressure to censure Hamas.

Meanwhile, PAS is taking the reverse approach to Anwar's Islamist drift: seeing its opportunity to expand nationally, in 2023 the party signaled ever more loudly a shift away from *ulama* (clerical) leadership. Touted as the likely next party leader and PM-designee is current party vice president Ahmad Samsuri Mokhtar, a British-trained aerospace engineer. As incumbent *menteri besar*, Samsuri led PN to a clean sweep in Terengganu's state elections, and secured a landslide win in a parliamentary by-election weeks later. His elevation, and that of other professionals, businesspeople, and technocrats, presents Malaysia-wide audiences with a calibrated development-friendly, less theocratic PAS—though *ulama* still hold the line in the party's Kelantan heartland (Azmil 2023).

Yet culture wars persist. Skirmishes have disproportionately targeted the lesbian, gay, bisexual, and transgender (LGBT) communities. These efforts toe an Islamist line, with minimal political cost and potential appeal also among socially conservative Christian and other groups. Amid, for instance, attacks on transgender Muslims, two incidents drew especial media attention. One was government agents' seizure in May of Pride-themed Swatch watches under the Printing Presses and Publications Act. The watches had not been banned, which calls the raids' legality into question. Businesses joined others in pushing back, alarmed by this seeming signal to investors of regulations subject to opportunistic tweaking. Subsequent legislation banned the watches and even their packaging, with stiff penalties. Another incident was the abrupt cancellation of a multi-day music festival in Selangor shortly before state elections there. A performer from British band The 1975 paraded boorishly on stage, waving a bottle, kissing a fellow male bandmate, and declaiming the need for Malaysians to support LGBT rights. In response, communications minister Fahmi Fadzil, usually friendly to the arts, called off the whole festival. By then, the episode was all over YouTube; the political damage was done. But now young PH supporters, in particular, took umbrage at the federal government's PAS-channeling response.

Other episodes have likewise signaled overt efforts, state-government or society-led, at deepening Islamization, including for non-Muslims. Music factors in here, too. PAS pushed for the cancellation of a November Coldplay concert, for instance, saying it would encourage "hedonism," however outspokenly pro-Palestinian the LGBT-friendly band also is. The government

disagreed, citing, for example, the economic opportunity such events offer. Dress codes have been another flashpoint. In June, local officials fined a non-Muslim Chinese woman in Kota Bharu, Kelantan, for wearing shorts in her own shop. After federal-government pushback, municipal officials dropped the charges. But as late as December, cases of men in (near knee-length) shorts denied access to a public hospital in Penang and a local-council office in Selangor went viral. Such episodes have become increasingly common in recent years, sparking frustration among non-Muslims discomfited by “creeping conservatism.” And moves toward Islamization and Malay-Muslim dominance generally continued to stir the already simmering states’-rights pot in East Malaysia, especially Christian-majority, autonomy-inclined Sarawak (Ngu 2023).

## CONCLUSION

All told, Malaysia ends 2023 on more certain political ground than a year earlier, but challenges loom still. Anwar and his government will not have the option of spending their way to popularity, assuming current trends largely continue. And the contrast between his own coalition’s multiracial, multireligious core supporters and an ethnonationalist Malay-Muslim opposition complicates pursuit of the reform agenda PH has heretofore championed. The naming in October of the outspoken Johor sultan as the new king (Malaysia’s nine hereditary sultans choose one of their number at five-year intervals) could shake things up further; he has expressed an intention to extend the monarchy’s already growing political role. A fraught geopolitical landscape—especially Gaza and China—and the imperative of new approaches to internationally integrated industrial development and climate-change adaptation compound the purely domestic challenges. All told, the ups and downs of 2023 foretell potentially tense years ahead.

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