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## Malaysia in 2007: Abdullah Administration under Siege

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# **MALAYSIA IN 2007**

## **Abdullah Administration under Siege**

Lee Hock Guan

In the March 2004 general elections, Prime Minister Abdullah Badawi won an overwhelming mandate from Malaysian voters and his soaring popularity was confirmed in an opinion poll conducted among peninsular voters in November 2004 when 91 per cent of those polled approved his performance. Since then, however, his popularity has steadily declined and by November 2007 it had plummeted to a new low of 61 per cent.

Ethnic relations have worsened because the Abdullah administration has reverted to protecting and promoting the Malay Agenda<sup>1</sup> and the Islamization of society. Public confidence in the Prime Minister's promise to battle crime and corruption and reform the police and judiciary has plunged as his administration has done and accomplished little.

In anticipation of an early general election, the opposition has started to mobilize and the return of former Deputy Prime Minister Anwar Ibrahim has clearly reinvigorated the opposition forces, as evident in the forming of alliances between political parties and between political parties and civil society groups.

Economic growth remains credible but there is concern over the rising cost of living and how the mega-projects would impact Abdullah's promise to lower the budget deficits. Malaysia's relations with its Southeast Asian neighbours had more ups than downs over the year; but relations with Indonesia were more strained.

### **Ethnic Relations and the Hindraf Demonstration**

In his maiden National Day speech in 2004, Prime Minister Abdullah astutely promoted himself as a "leader of all Malaysians" and boldly proclaimed, "Let all

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citizens of Malaysia, without feeling inferior, without feeling sidelined, irrespective of race or religion, rise to become statesmen in our own land. We are equal, we are all Malaysians. No individual in this country is more Malaysian than another”.<sup>2</sup> Abdullah’s inclusive message, which seemed to reaffirm the Bangsa Malaysia ideal, and Islam Hadhari, which includes among its ten principles the protection of the rights of minority groups, were thus welcomed by the non-Malays. Since then, however, non-Malay expectations have been eroded by key United Malays National Organization (UMNO) leaders harping on protecting the Malay Agenda and the official status of Islam.

At the July 2005 party annual meeting, led by its youth leaders Hishamuddin Hussein and Khairy Jamaluddin, UMNO insisted on embedding the Malay Agenda in the Ninth Malaysian Plan. A New National Agenda that would extend the New Economic Policy (NEP) for another fifteen years till 2020 — but to be extended until the 30 per cent Malay equity ownership is met — was implemented. In 2006, when a Centre for Public Policy Studies report claimed that Malay equity ownership was closer to 45 per cent than the official figure of 18.9 per cent, an ethnically divisive dispute ensued.<sup>3</sup> On 6 November 2006, Abdul Ghani Othman, Menteri Besar of Johor, called for the Bangsa Malaysia concept to be banned because it was “a threat to the Malays and the special position provided for them in the Constitution”. Ethnic relations indeed ended on a very edgy note in 2006 when live telecasts of UMNO’s annual meeting vividly showed several leaders bellowing racially inflammatory speeches; perhaps the most incendiary incident was Hishamuddin Hussein’s *keris* brandishing threat.

In 2007, although UMNO was more circumspect in calling for the protection of the Malay Agenda and Islam in view of a possible snap general election, a number of disagreeable events all the same continued to alienate and frustrate the Chinese and Indians. Towards the end of the year, ethnic tension went up a few notches when a local authority demolished two Hindu temples which then sparked a massive demonstration by Malaysian Indians and the subsequent official demonization of the demonstration and its organizer, Hindu Rights Action Force (Hindraf).

Frustration among the non-Malays over the NEP and state ethnic discrimination policies and practices in general continued to simmer in 2007. March 2007 saw Khairy Jamaluddin, in a speech provocatively entitled “Jihad Ekonomi Melayu” (Malay Economic Struggle), called for the expansion of Malay ownership in a number of economic sectors in which Malays are underrepresented;<sup>4</sup> the supply chain and small and medium businesses were singled out as sectors still being monopolized by non-Malays. In May 2007, it was revealed that two Malay-

controlled banks had sent out letters demanding that legal firms wishing to do business with them must have at least 50 per cent Malay equity ownership. A heated debate resulted in which several senior UMNO leaders and Malay business associations staunchly backed the banks' demand while non-Malays and foreign investors condemned it. The two banks eventually rescinded their demand. In June 2007, the European Union (EU) Ambassador Thierry Rommel's uncharacteristically frank criticism of the NEP kick-started another round of controversies.

The sensitive issue of pig farms in Malaysia grabbed the headlines when in September the Malacca state government deployed 2,000 enforcement officers to carry out its order to close down Chinese-owned pig farms in two districts in the state; the implementation of the order was, however, postponed because of vigorous objections from the Chinese community. After the public relations fiasco in 2006, the November 2007 UMNO annual meeting was more subdued; nevertheless there still were calls for the protection and promotion of the Malay Agenda and official status of Islam — and Hishamuddin wielded a *keris*, again.

A number of conflicts over religious matters in 2007 yet again strained ethnic relations. In March, officers from the Malacca Islamic Religious Department seized Revathi Masoosai's 15-month-old daughter from her Hindu husband and handed her over to Revathi's Muslim mother.<sup>5</sup> Also, the Malacca Syariah Court extended Revathi's 100-day detention for Islamic rehabilitation for another 80 days, and it was revealed that coercion was used on her during the rehabilitation. In May 2007, a 3 to 1 judgement by the Federal Court rejected Lina Joy's appeal to have her case heard in the civil court and ruled that the issue of Muslim conversion comes under the purview of the Syariah Court.<sup>6</sup> In December, the Federal Court ruled that R. Subashini could seek divorce from her husband, who had converted to Islam, in the civil court, but also ruled that her husband could convert her sons to Islam without informing her.<sup>7</sup>

Non-Muslims were also concerned over the banning of a number of books on religion in 2007, especially several Christian children's books written in Bahasa Indonesia, banned because Christian publications were, the government insisted, prohibited from using words like "Allah", "Baitullah", "Solat", and "Kaabah". An international interfaith conference which was supposed to be held in Kuala Lumpur in 2007 was cancelled at the last minute due to vociferous objections from a handful of intolerant Muslim civil society groups. Non-Muslims were again unsettled by the declaration of Malaysia as an Islamic state; in July, Deputy Prime Minister (DPM) Najib Razak asserted that "Islam is the official religion and we are an Islamic state", and that Malaysia has "never been secular because being secular by Western definition means separation of the Islamic principles from the

way we govern a country”<sup>8</sup> and in August, Abdullah confirmed that Malaysia is an Islamic state but based on his Islam Hadhari.<sup>9</sup>

Decades of state-sanctioned ethnic and religious discrimination policies and practices against the non-Malays appear to have afflicted the Indian community the most. Growing dissatisfaction with Malaysian Indian Congress’s (MIC) failure to address the community’s mounting social, religious, and economic marginalization opened up spaces for the emergence of alternative Indian civil society groups, such as Hindraf.

Unlike the other Indian civil society groups, Hindraf has not hesitated to organize peaceful public demonstrations to express the community’s grievances.

In June 2007, when the Sri Kaliaman Hindu temple in Midland Estate, Shah Alam was demolished, Hindraf organized a small gathering in front of the Attorney General (AG) Chambers to protest the government’s failure to act on numerous letters, memorandums, and police reports they had filed over the “illegal, unlawful and unconstitutional” demolition of Hindu temples.<sup>10</sup> Subsequently, when the Selangor State Government and Majlis Bandaraya Shah Alam proceeded to demolish two “illegal” Hindu temples, the Sri Maha Mariamman Temple in Kampung Rimba Jaya on 30 October and the Mariaman Hindu Temple in Padang Jawa on 15 November, it greatly infuriated the Indian community. That the temples were demolished about a week before and after Deepavali (8 November) exacerbated the situation. Even the intervention of Samy Vellu, President of MIC, failed to extend the limited time given for the temples to move, much less to prevent their demolition.<sup>11</sup>

The demolition of the two Hindu temples spurred Hindraf to act. On 15 November, it issued an appeal letter to Gordon Brown, British Prime Minister, to condemn the “ethnic cleansing of Indians” and to refer the plight of Malaysian Indians to the World Court and the International Criminal Court. Hindraf also issued a nationwide call to their fellow Indians to join a rally on 25 November to protest the continual economic, educational, social, and cultural marginalization of their community. Sweeping actions taken by the police and government to deter people from joining the Hindraf demonstration could not stop tens of thousands of Indians, with estimates ranging from 20,000 to 50,000. The massive protest was peaceful except in selected locations where scuffles occurred when armed riot police used tear gas and water cannons to violently disperse the protesters. In the scuffles over 190 people were arrested and dozens injured. Importantly, on 13 December Abdullah, who is also the Home Minister, used the draconian Internal Security Act (ISA) to arrest the five top Hindraf leaders under the accusation that they posed a threat to national security.

While the Hindraf leaders were pleasantly surprised by the tens of thousands of Indians who turned up, the protest generated ambivalent feelings among opposition parties and critics — and fears among the political establishment, especially MIC and UMNO.

While all the three main political parties rejected Hindraf's "ethnic cleansing of Indians" charge, only the Democratic Action Party (DAP) fully concurred with Hindraf's claim that the Indian community have been systematically marginalized. DAP viewed the protest as a "cry of desperation" by a community that have suffered greatly from successive UMNO-Malay dominated governments' ethnic discrimination policies and practices.<sup>12</sup> Parti Islam Se-Malaysia (PAS), in contrast, supported Hindraf's right to protest but strongly criticized them for their "extreme demands and accusations" and wanted "the government to take action".<sup>13</sup> Anwar Ibrahim, while agreeing with selected aspects of the petition, advised Hindraf to take the matter up with the UMNO-Malay dominated government but not to challenge Article 153. Importantly, the majority of Malay critics disparaged Hindraf's claims that Indians are widely discriminated and have suffered under the NEP, and indeed accused Hindraf of challenging Article 153; some conservative Muslim critics and civil society groups and PAS even accused Hindraf of being anti-Islam.

Threatened politically by Hindraf and its widening support among the Indian community, both MIC and UMNO vigorously proceeded to demonize the group. Ethnic tensions increased when the mainstream media, especially the Malay newspapers, gave distorted accounts of the protest and portrayed Hindraf and the Indian demonstrators as dangerous and violent. Several UMNO ministers and top government officials vilified the Hindraf leaders as "terrorists", "traitors", "racists", "kurang ajar", and in other emotionally-laden terms. The concerted racialized demonizing of Hindraf by the Barisan Nasional (BN) and the compliant mainstream media successfully retched up the tension between the Malay and Indian communities. Nonetheless, although the Abdullah administration has managed to defuse Hindraf by detaining its five key leaders, it has failed to contain the community's anger the demonstration has unleashed.

## **Crime, Corruption, and the Lingam Video**

When Abdullah assumed office, he pledged to tackle the rising crime rates, reform the police and judiciary, and fight against corruption. The Malaysian public was hopeful when the Abdullah administration proceeded to charge Eric Chia<sup>14</sup> and former Minister Kasitah Gaddam for corruption and established the Royal Police

Commission (RCP) on police reform, and the Supreme Court overturned Anwar Ibrahim's conviction and released him from prison in 2004.<sup>15</sup>

But reforms have since slowed and in 2007 public confidence in Abdullah's pledge plunged as the crime situation worsened and his administration had still done little to realize the RCP recommendations and, above all, failed to thoroughly investigate several alleged corruption cases especially those involving senior ministers, the Director-General of the Anti-Corruption Agency (ACA), and the Inspector General of Police (IGP). That the IGP and Director-General of the ACA were alleged to have been corrupt and the Chief Justice of the Judiciary was implicated in brokering judicial appointments all in the same year was indeed unprecedented in the history of the country. Unsurprisingly, Abdullah's promise to improve Malaysia's Transparency International Corruption Index ranking from 37 in 2003 to 30 in 2008 failed miserably; the country's corruption rank dropped to 44 in 2006 and 43 in 2007.

Because of strident objections from the Police, the administration dragged its feet in establishing the Independent Police Complaints and Misconduct Commission (IPCMC) and it was not until December 2007 that it surreptitiously attempted to pass a much-diluted version of the IPCMC called the Special Complaints Commission (SCC) Bill in Parliament. The SCC Bill was quickly withdrawn when it was severely censured by a broad spectrum of society, including from key members of the RCP; the RCP Chairman Mohamed Dzaiddin Abdullah expressed his disappointment with the proposed SCC Bill and described it as "something entirely different from what we recommended".<sup>16</sup>

The RCP advice in 2005 to launch without delay a sustained nationwide drive against crime "until crime levels have reached a point considered no longer alarming" was never actually implemented. Consequently, the number of crime cases increased by 9.7 per cent from 156,455 in 2004 to 171,604 in 2005, by another 15.7 per cent to 198,622 in 2006, and by 2007 it exceeded the 200,000 mark to reach 224,298 cases. Urban areas like Penang, Klang Valley, and Johor Bahru were especially affected by rising crime. Growing dissatisfaction nudged hundreds of Johor residents to protest in front of their Menteri Besar's residence to demand that action be taken to combat rising crime in the city.<sup>17</sup> The deteriorating crime situation in Johor Bahru also has, it was argued, discouraged more Singaporeans from visiting the city as well as from investing in the Iskandar Development Region (IDR).

The government's anti-corruption drive received a severe blow when the 2006 Auditor-General's Report, completed on 28 June 2007, again highlighted numerous cases of discrepancies and misuse/mismanagement of public funds

committed by various ministries and state departments. An outstanding case was the government purchase of six Offshore Patrol Vessels from PSC-Naval Dockyard Sdn Bhd<sup>18</sup> where costs incurred increased from RM4.9 billion to RM6.75 billion and RM214 million in penalties imposed on the contractor for late delivery were waived.

The year 2007 saw a bumper crop of scandals involving ministers. The Minister for Youth and Sports was put in the spotlight over the spending of millions of ringgit of public monies to set up a sports training centre at the Tun Abdul Razak Research Centre in Brickendonbury, Britain. Another scandal involved the Minister for Transport Chan Kong Choy over the Port Klang Free Zone (PKFZ) development project where allegations of collusion of political interests and corporate deals resulted in cost overruns of up to RM3.3 billion, with the government issuing a soft loan of RM4.6 billion for the project.<sup>19</sup> The Deputy Minister for Internal Security Johari Baharum was alleged to have received RM5 million to assist in freeing several criminals who had been recommended to be detained under the Emergency Ordinance. In March 2007, the ACA was ordered to investigate the deputy minister, but by July the AG Abdul Gani Patail had asked the ACA to close its case against him because the criminals when interviewed denied giving him money as bribes and documents found no evidence to link Johari Baharum to corruption.

In early 2007, the ACA's credibility also came under a cloud of suspicion when its former Sabah director Mohamad Ramli Manan informed the media that he had earlier filed a complaint about corruption in the ACA, in particular its Director-General Zulkipli Mat Noor.<sup>20</sup> Mounting public pressure forced the government to establish a high-level police task force, the ACA was excluded from the task force, to investigate the allegations against Zulkipli. Although Zulkipli was cleared of all charges against him in July, his application to extend his term as Director-General was rejected.

In June, a popular website posted a two-part piece alleging the corrupt practices of the IGP Musa Hassan and several top police officers and their association with a number of underworld figures.<sup>21</sup> The ACA was ordered to investigate the allegations against the IGP. Subsequently, the IGP was cleared of all allegations and his application to extend his term for another year after September 2007 was approved. However, in his regular *Sunday Star* column, the country's longest-serving former IGP Hanif Omar claims that "40% of the senior [police] officers could be arrested without further investigations — strictly on the basis of their lifestyles".<sup>22</sup> In late October and early November charges were brought against a senior police officer, Commercial Crimes Investigation Department (CCID)

Director Ramli Yusoff, for two counts of failing to declare assets worth RM1 million and a third count for being involved in business.<sup>23</sup>

In 2007, the Malaysian judiciary system faced arguably its biggest crisis since then Prime Minister Mahathir sacked Lord President Salleh Abbas and two Supreme Court judges in 1988.

Twists and turns in the Altantuya Shaariibuu<sup>24</sup> trial led to fears of outside interference in the case. Of the murder suspects, Abdul Razak Baginda was a close associate of the DPM Najib Razak, and Azilah Hadri and Sirul Azhar Umar were both from the police special action squad that protects top political leaders, and specifically they were assigned to Najib Razak. Judge K.N. Segara, who was initially assigned to the case, was removed and replaced by Judge Mohd Zaki Md Yasin who then in March 2007 brought forward the trial from March 2008 to 4 June 2007, giving the various parties only twenty-five more days to prepare their case. Twenty-four hours before the trial, the lead prosecutor Salehuddin Saidin and his team were removed and replaced by Majid Tun Hamzah and an entirely new prosecution team.<sup>25</sup> When the trial began on 18 June, Zulkifli Noordin, Azilah's lawyer, withdrew from the case because he felt that there were "serious attempts by third parties to interfere with the defense that" he proposed. Since the trial started the prosecution case has been marred by a series of setbacks that smacked of either sheer incompetence or, more worrying, outside influence in the case.

On 19 September 2007, Anwar Ibrahim released an explosive short video clip recorded in 2002 of a politically well-connected lawyer V.K. Lingam in an alleged phone conversation over the fixing of appointment and promotion of judges. The Malaysian public was generally dismayed over the government's decision on 23 September to only form a three-member committee to ascertain the authenticity of the video. Three days later, an estimated 2,000 lawyers and their supporters organized a "Walk of Justice" in Putrajaya calling for the setting up of a Royal Commission to make inquiries about the video clip.

In October, after much delay the Abdullah administration rejected the then Chief Justice Ahmad Fairuz's application to extend his tenure by six months beyond 1 November 2007 when he reached the compulsory retirement age of 66. It turns out an additional video clip released by Anwar on 11 November implicated Ahmad Fairuz who was in 2002 the Chief Judge of Malaya and the acting President of the Court of Appeal and was promoted to the Chief Justice on September 2003. Five days after Anwar released the second video clip, the Prime Minister announced that the government will establish a Royal Commission to hold a public inquiry of the Lingam video.<sup>26</sup> Opposition parties and critics,

however, found the commission's terms of reference too limiting and would constrain the inquiry.<sup>27</sup>

## **Opposition Mobilizes for Election and the BERSIH Demonstration**

From mid-2007 onwards, signals grew stronger that Abdullah might call an early general election. On 21 May 2007, the Prime Minister announced that the more than one million civil servants would get a pay rise of between 7.5 per cent and 35 per cent, and a 100 per cent increase in their cost of living allowance, effective 1 July 2007. Two more multibillion ringgit regional development projects were officially launched: in July 2007 the Northern Corridor Economic Region (NCER) and in September 2007 the Eastern Corridor Economic Region (ECER). The feel good news and what looked like the rolling out of pre-election goodies were, however, spoiled by several setbacks in the latter half of year 2007, including two huge public protests in November 2007 and the release of the Lingam video suggesting that judiciary appointments might have been fixed. The end result was that early general elections could not be held in 2007 and had to be postponed.

One of the factors that contributed to the dismal performance of PAS in the March 2004 general election was the non-Malay voters' fear of the party's Islamic state agenda. In 2007, PAS deliberately tried to tone down its Islamic state agenda so much so that at the June party congress Hadi Awang avoided mentioning it in his presidential address. Thus, while the Islamic state agenda remains a key party objective, for strategic reasons PAS has chosen not to publicize it.<sup>28</sup> Other strategies the party has initiated to reach out to the non-Muslims include the setting up of a PAS Supporters Club comprising ethnic Chinese and Indians, holding community dialogues with the non-Muslims, and implementing more non-Muslim friendly policies in Kelantan, such as land for churches and temples and spaces for public celebrations of non-Muslim festivities. However, the party's efforts to win over the non-Muslims were often wrecked by PAS pressuring the government to act to uphold the official status of Islam in the Lina Joy, Revathi Masoosai, and R. Subashini cases.

In 2007, DAP, like a number of civil society groups, government critics and PAS and Parti Keadilan Rakyat (PKR), turned to the alternative media, especially the Internet, to publicize the party's views, comment on and criticize government policies, and expose corruption and other wrongdoings. Several DAP parliamentarians run their own blogs; in particular, Lim Kit Siang, the party chairman, runs three very popular blogs, one in each language — Malay, English

and Chinese — as well as having a Facebook account.<sup>29</sup> In terms of rejuvenating the DAP, the party has successfully recruited a number of high-profile individuals such as Jeff Ooi, one of Malaysia's best-known bloggers, P. Ramasamy, an activist and former academic, and Tony Pua, a former Chief Executive Officer of a Singapore-listed technology company. However, while DAP has been reasonably successful in attracting a handful of new Indian and Chinese leaders, the party has failed to recruit any new noteworthy Malay leaders.

The year 2007 saw Anwar Ibrahim spending most of his time working to reinsert himself back into Malaysian politics, even though he was not eligible to hold a post in a political party or run for election until April 2008. Although the mainstream media were allegedly ordered to downplay their coverage of Anwar, he still managed to grab the public and media attention through various interventions. He held numerous *ceramahs* throughout the peninsula that were very popular with both Malays and non-Malays; he regularly contributed to debates over the hot issues of the day such as the NEP; his court cases including one against Mahathir grabbed much publicity; he created various newsworthy stunts like the revelation of the Lingam video; and he was one of the leaders fronting the massive BERSIH (Coalition for Clean and Fair Elections) demonstration. Moreover, Anwar also made full use of the international and alternative media; the popular Internet daily *Malaysiakini* frequently features him and he runs a couple of blogs and maintains Myspace and Facebook accounts.<sup>30</sup> Nevertheless, Anwar's capacity to reach out to the rural Malay constituency faces several limitations. They include low Internet penetration in the rural areas, the fact that the Malay mainstream media remains the most important source of information and news for rural Malay, and difficulties in getting permit to hold *ceramahs*.

Because of the ideological gulf that separates PAS and DAP, Anwar and PKR intervened to act as a bridge between the two parties. Throughout 2007 Anwar conducted negotiations with PAS and DAP leaders separately on several issues, including how to form a united front to contest in the twelfth general election. As the PKR de facto leader, Anwar played a key role in PKR's negotiations with PAS and DAP over the allocation of seats for the general election in 2008. The 2004 general election witnessed three-cornered contests in several parliament and state seats involving DAP and PKR candidates to the detriment of both parties. With Anwar as the PKR de facto leader it appears that chances are very good that the three opposition parties would be able to minimize the number of three-way fights in the next general election.

Importantly, while PAS and DAP have largely been free of fractious intra-party conflicts in 2007, that cannot, however, be said of PKR. Anwar's return

to active politics has helped to bridge the gulf between PAS and DAP and united the opposition to contest the next general election; but his influence and intervention in PKR has both invigorated and precipitated conflicts in the party. Organizationally, Anwar has brought new supporters, members and leaders into the party; Khalid Ibrahim, former CEO of Kumpulan Guthrie Bhd and Permodalan Nasional Bhd, Jeffrey Kittingan, a prominent Kadazan leader, and a number of young well-educated professionals including Kings College educated lawyer Nik Nazmi Nik Ahmad and Harvard graduate Nathaniel Tan, activist and blogger. On the other hand, his high-handed intervention in the nomination and election of officials in the PKR annual meeting, and the Ijok by-election, led to fractious outbursts that eventually led to the resignation of Ezam Mohd Noor Azam, former party youth wing chief, Abdul Rahman Othman Suleiman, former PKR deputy president, and businessman and former close associate K.S. Nallakarupan and his Indian supporters, and as well as a number of mid-level PKR office-holders.<sup>31</sup>

Elections in Malaysia are hotly contested even though opposition political parties are handicapped by a highly uneven playing field that successive UMNO-led governments have fashioned to the ruling coalition's advantage.<sup>32</sup> Successive manipulations of the way elections are managed and conducted, the laws governing the conduct of elections, and the role and functions of the Malaysian Election Commission (EC) have resulted in an electoral system widely regarded as far from clean or fair. In the March 2004 general election, frustration over the extensive irregularities and controversies led to the setting up of the Joint Action Committee for Electoral Reform in July 2005. The Joint Action Committee was then officially launched on 23 November 2006 as BERSIH by a broad coalition of five opposition parties and twenty-five civil society groups with the stated objective of campaigning for clean and fair elections.

Shortly after the founding of BERSIH, the state seat of Batu Talam, Pahang fell vacant in December 2006 and a by-election was held on 28 January 2007. Opposition parties boycotted the election when the EC failed to act on their complaints. Two months later a second by-election was held on 3 April 2007 for the Machap state seat in Malacca. The Machap by-election, won by BN, was again marred by electoral irregularities and controversies and a violent incident on nomination day in which two DAP supporters were injured. A day after the Machap by-election, the BN found itself facing another by-election for the Ijok state seat in Selangor when the MIC incumbent passed away on 4 April 2007. PKR decided to nominate a strong candidate in party treasurer Khalid Ibrahim to challenge a relatively unknown MIC candidate K. Parthiban, a former teacher.

The by-election, which was held on 28 April 2007, was hotly contested and again there was a violent clash this time between BN and PKR supporters on nomination day. The MIC candidate Parthiban won the by-election by a small margin, which the opposition, especially PKR, claimed BN stole through various illegal means including bussing in phantom voters, buying votes, and so on.

In response to the growing complaints and pressure from opposition parties and civil society groups after the Ijok by-election, the EC announced the use of indelible ink in future elections. But, for BERSIH, this move fell far short of the reforms needed to reform the electoral system into a fair and clean system and subsequently organized a rally in Batu Buruk, Terengganu on 8 September to campaign for electoral reforms. Although BERSIH was denied permit to hold a rally by the police, a large number of supporters, primarily from PAS, congregated on the day of protest. Tragically, the rally turned violent when the riot police forcefully tried to break it up; the police fired several shots and injured a number of BERSIH supporters.

Because of the growing rumour that the general election would be held towards the end of November 2007, BERSIH applied for a police permit to hold a demonstration on 10 November in Kuala Lumpur to pass a memorandum calling for electoral reforms to the Agong. When the police refused to issue a permit, BERSIH declared it would go ahead with the demonstration. The government and police strongly advised the Malaysian public against participating in the “illegal gathering” and threatened to arrest those who participate. Moreover, the police put up road blocks on all major highways and roads leading to Kuala Lumpur two days before and on all roads leading into downtown Kuala Lumpur on 10 November. In spite of the measures taken by the police and government, an estimated 40,000 to 60,000 people participated in the demonstration. The BERSIH demonstration was peaceful except in a couple of locations where riot police shot tear gas and used water cannons to hose chemical-laced water at the demonstrators; twenty-nine demonstrators were arrested and seventeen later charged for a variety of violations.

### **Economic Growth, Mega-projects, and Rising Cost of Living**

Malaysia's gross domestic product (GDP) growth increased from 5.5 per cent in the first quarter to 5.7 per cent in the second quarter and to 6.7 per cent in the third quarter of 2007. Based on the surprising strong growth in the third quarter, Bank Negara predicted a 6 per cent growth for 2007 despite the weakening external economic environment, especially the American economy. The manufacturing

sector grew by 3.4 per cent in the third quarter with export-oriented industries expanding by only 1.4 per cent, and was expected to weaken further in the fourth quarter. With higher domestic construction activities and an upturn in the sales of new motor vehicles, the domestic-oriented industries expanded by 4.6 per cent.

Bank Negara was nevertheless optimistic that GDP growth would hit 6 per cent in 2007 because of high oil and commodity prices and because of the sustained strong growth of 10.5 per cent in the services sector and 4.7 per cent in the construction sector. Since export-oriented services remained small, the strong growth in the service sector was largely due to growth in the financial services, education services, real estate, transportation, and wholesale and retail trade, all of which were largely driven by domestic demand. Private consumption increased by 11.9 per cent in the first nine months of 2007 as a result of steady job market conditions, wage increases (particularly the civil servants' pay hike on 1 July), and high commodity prices and tourism activities. It was also supported by "easy financing" for consumer spending on the back of ample liquidity and low interest rates.

The Abdullah administration increased public sector spending in 2007 which would have helped to boost the local economy and counter the impact of declining exports. Specifically, the government allocated more funds for the upgrading and construction of infrastructure to improve the transportation system and education services. The higher public spending, however, would jeopardize Abdullah's aim to further reduce the public deficit from 3.3 per cent of GDP to 3.2 per cent in 2007 and 3.1 per cent in 2008.<sup>33</sup> Moreover, the expected higher budget deficit indicates that while Abdullah initially instituted spending cuts by terminating or downsizing a number of mega-projects started by Mahathir, in 2007 he backtracked from that policy in part because of pressure from the business sector and political pressure from within UMNO.

Indeed, several mega-projects were launched and implemented in 2007 and the government announced more mega-project for the next few years. Some of the projects are: the Ipoh-Padang Besar double-track railway (RM10 billion), Trans-Peninsular Oil Pipeline (RM25 billion), extension of the Light Rail Transit system in the Klang valley (RM10 billion), West Coast Highway (RM4 billion), Penang Monorail (RM3 billion), Bakun Undersea Cable (RM10 billion), and Pahang-Selangor Inter-state Water Transfer (RM5 billion). Besides the mega-projects, the government is expected to spend billions more in the next ten to twenty years on the IDR, NCER, and ECER and two more economic zones to be launched in Sabah and Sarawak.

Besides rising concern over how the mega-projects would impact the public budget deficit into the future, there was also growing dissatisfaction over the ways government projects and services are contracted out. The use of pro-Malay preferential policies to award lucrative government projects and procurement has increasingly been criticized. For many years the non-Malays have complained about how they were largely denied direct access to government contracts because of the pro-Malay preferential policies. In recent years, foreign investors and governments have also begun to make known their misgivings over the pro-Malay policies. One of the criticisms of the NEP that the EU Ambassador Thierry Rommel frankly made in June 2007 was that because of the pro-Malay policies, there is no level playing field for foreign companies with regard to acquiring government contracts. Also, one of the factors that led to the failed Free Trade Agreement (FTA) negotiations with United States was because the Malaysian side refused to give up the pro-Malay preferential policies especially in the lucrative government procurement sector.<sup>34</sup>

In part, because the ethnic preferential policies are implemented in a tender process system that is not transparent and lacks accountability, frequent abuse and corrupt practices have resulted. For example, in the Port Klang Free Zone scandal, a little-known, but politically well-connected, company Kuala Dimensi managed to buy a piece of land from a fisherman cooperative for RM100 million and then sold it to Port Klang Authority for RM1 billion.<sup>35</sup> Indeed, conflicts of interest, corruption and mismanagement involving politicians, business interests and public officials appear to have contributed to the huge costs overrun amounting to RM3.5 billion.

Increasingly, critics are arguing that the NEP would discourage the flow of foreign direct investment (FDI) into Malaysia and indeed the country's global competitiveness and FDI confidence rankings have plummeted. In the Global Competitiveness Report 2007–2008, Malaysia is now ranked the 21st most competitive among 131 economies, the second most competitive economy after Singapore in Southeast Asia and 6th among Asian countries. Out of twenty-five countries identified as the top destinations for FDIs, based on A.T. Kearney's latest Foreign Direct Investment Confidence Index 2007, China and India emerged in the top two positions and Malaysia came 16th or 3rd in Southeast Asia, after Singapore (7) and Vietnam (12). In terms of absolute amount, China received US\$67.3 billion (and Hong Kong US\$54.4 billion) with India a distant third with US\$15.3 billion. In Southeast Asia, Singapore received US\$36.9 billion, Vietnam about US\$12 billion, Thailand US\$10 billion, and Malaysia US\$9.4 billion.

Inflationary pressure rose steadily in 2007 as a result of rising food and commodity prices, the public service salary revision, the removal of fuel and gas subsidies, and regular hike in toll rates in 2006. Inflation, measured by the annual change in consumer price index, averaged about 1.8 per cent and Bank Negara projects the rate to remain below 2.5 per cent for the whole of 2007. In spite of the government estimate of a low 2.5 per cent inflation rate, there have been mounting complaints over the rising cost of living especially in urban areas. The issue has become the number one concern among Malaysians polled in a December 2007 survey conducted by Merdeka Centre. Moreover, since the government has repeatedly reminded the public that fuel subsidies cost almost RM40 billion a year, most economists expect the government to further cut the fuel subsidies and thus costs of living will most likely worsen; inflation rate is projected to be around 3.5 per cent in 2008.

### **Internal Security, ISA, and Foreign Relations**

As a further sign of the government's confidence in containing the security threat posed by Muslim extremists, four more alleged Jemaah Islamiyah (JI) members were released from detention in June 2007. They were, however, sent to remote districts where they are required to report regularly to local police under the Restricted Residence Act. In contrast, the UMNO-dominated government has become unnerved by growing criticisms on issues like ethnic and religious discriminations and corruption, dealt with earlier in this essay. Non-Malay criticisms of the NEP have become more intense precisely because UMNO has reverted to harping on protecting and promoting the Malay Agenda and the official status of Islam.

As past experiences have shown, the government would frequently resort to using coercive instruments to silence civil society actors and opposition forces when it feels threatened. And usually when non-Malays criticisms of how the implementation of the NEP and Islamization policies have resulted in the marginalization of their communities gain intensity, the government would threaten to use, and on many occasion used, the ISA in order, it claims, to preserve ethnic harmony and national security. Thus, between August and September 2007, five men were arrested under the ISA in Johor for allegedly sending SMSes to spread rumours about racial clashes in Pasir Gudang, Johor. In the aftermath of the massive Hindraf demonstration, on 13 December 2007 the top five leaders of Hindraf, P. Uthayakumar, M. Manoharan, R. Kenghadharan, V. Ganabati Rao, and T. Vasanthakumar were detained under the ISA for allegedly posing a threat to national security.

In September, when the Myanmar military junta brutally cracked down on the peaceful protest by monks, students and their supporters, Malaysia initially strongly reprimanded the junta. Malaysia, like a few other ASEAN countries, has become increasingly impatient with the military junta's recurrent renegeing on its promises to reconcile with opposition leader Aung San Suu Kyi and increasing repression of their people. Indeed, the Myanmar problem has become a major source of irritation in ASEAN's relations with United States and Europe. Thus, in response to the crackdown, Malaysia reacted initially by suggesting the release of Aung San Suu Kyi without preconditions and that Myanmar could be expelled from ASEAN. However, by 19 November 2007, Malaysian Foreign Minister Syed Hamid Albar had backed away from his early public denunciation of the brutal crackdown on the monks and students and was defending ASEAN's failure to take any steps to censure Myanmar.

In recent years, relations between Indonesia and Malaysia seem to have turned sour and in 2007 a number of adverse events have only made matters worse. The mistreatment of Indonesian maids and the government's heavy-handed treatment of legal and illegal Indonesians have frequently contributed to souring relations between the two countries. In August 2007, two cases of mistreatment of Indonesian maids infuriated Indonesians; a maid was rescued from a seventh floor ledge trying to escape her violent employer and in the second case employers of a maid were charged with murder when the maid was found dead and post-mortem revealed that she died from internal bleeding.

Because of the failure of the Immigration Department and Police to adequately deal with the migrant workers problem, the government gave RELA, People's Volunteer Corps, wide powers to assist the authorities in dealing with migrant workers. In 2007, RELA conducted thousands of operations and captured tens of thousands of undocumented workers, the vast majority of whom were Indonesians. Over the years, Indonesian and Malaysian civil society groups have documented numerous cases of abuse of workers by RELA including assault, robbery, humiliations, and illicit collection of money to gain release. In 2007, a number of cases of abuse of illegal and legal Indonesians by RELA again strained bilateral relations. In addition, there were cases of Indonesian visitors and students who were harassed by Malaysian authorities. In August 2007, Indonesians were incensed by the case of an Indonesian karate referee who was in Malaysia for the Asian Karate Championship and was confronted and assaulted by four plain-clothes Malaysian police officers on the mistaken assumption that he was an undocumented worker. In October, the wife of the cultural attaché at the Indonesian Embassy was detained by RELA, in

an operation to weed out illegal migrants, and treated like an undocumented migrant.

In an article published in the *Jakarta Post* on 3 September, Rizal Sukma, a prominent Indonesian analyst, observed that “many Indonesians feel there has been a growing tendency in Malaysia to look down on Indonesia ... [and] feel that Malaysia has become arrogant ... We are often hurt by the way our neighbour looks at us and perceives us”.

In contrast, bilateral relations with Thailand and Singapore were largely free of conflict in 2007. Malaysia's relations with Thailand have steadily improved after being strained by the three years of separatist violence in Thailand's Muslim-majority south, where a majority of the population is ethnic Malay. Relations were further mended after Abdullah visited Thailand in February where he offered closer cooperation and collaboration to bring peace and stability to the restive southern Thai provinces.

In May, the strong bilateral relations and growing confidence saw Prime Minister Lee Hsien Loong in an informal get-together on a cruise off Langkawi with PM Abdullah. There was no fixed agenda for the meeting and the two PMs engaged in a freewheeling discussion on a variety of issues. The warm bilateral relations were fortunately not affected by the territorial disputes between the two countries over Pedra Branca or Pulau Batu Puteh when the International Court of Justice commenced the case in October 2007. An issue that however might have negative impact on the bilateral relations was the IDR which has been manipulated by certain UMNO leaders for political gains and used by PAS to criticize UMNO.

Expanding economic relations between Malaysia and China have continued to strengthen the ties between the two countries. Prime Minister Abdullah called on the Chinese to expand trade between the two countries as the present investment figures do not reflect their strong relations. He pointed out that Malaysia has about RM1.1 billion worth of direct investments in China but has received less than RM103.5 million in return. Consequently, Abdullah invited the Chinese to invest more in Malaysia especially in the IDR. In September, Malaysia received a RM2.7 billion loan from China for the construction of the second Penang Bridge and a contract was also signed between UEM Group Bhd, JV Consortium of China Harbor Engineering Company (CHEC), and UEM Construction.

While relations with Europe and United States remain generally good, Malaysia was offended by two developments. After his frank criticism of the NEP, the European Union Ambassador Thierry Rommel was summoned to the Malaysian Foreign Ministry where he was pointedly told not to meddle in Malaysia's domestic

affairs. In the often tense FTA negotiations with the United States, Malaysians also felt the Americans were meddling in Malaysia's domestic affairs when they criticized the NEP, especially the pro-Malay preferential policy used by the Malaysian Government barring foreigners from the lucrative public procurement sector.

## Notes

- <sup>1</sup> Malay Agenda primarily refers to the Malay special position and the pro-Malay preferential policies, especially the expansion of Malay equity ownership.
- <sup>2</sup> Abdullah Ahmad Badawi, "Unleash your Potential", *New Straits Times*, 31 August 2004.
- <sup>3</sup> Also, a 2002 study by an academic at University Malaya showed that Malay equity ownership had surpassed the 30 per cent figure.
- <sup>4</sup> *The Star*, 11 March 2007.
- <sup>5</sup> Revathi was born a Muslim but brought up as a Hindu and is married to an Indian-Hindu Malaysian. "Malaysia's Islamic officials seize baby from mother who sought a Hindu life", Associated Press, 6 April 2007.
- <sup>6</sup> Born a Muslim, Lina Joy had converted to Christianity, which she was fighting for the Government to approve.
- <sup>7</sup> "Civil or Syariah, still unclear", *The Sun*, 28 December 2007.
- <sup>8</sup> "Islamic state label sparks controversy in Malaysia", Reuters, 25 July 2007.
- <sup>9</sup> Yoges Palaniappan, "PM: Yes, we ARE an Islamic state", *Malaysiakini*, 27 August 2007.
- <sup>10</sup> <<http://www.bangkit.net/2007/06/26/hindu-rights-action-force-questions-attorney-general-on-hindu-temple-demolitions/>>. Hindraf recorded that 79 Hindu temples had been unlawfully demolished, issued notices to be demolished, burnt down, relocated next to sewerage tanks, had their deities removed and so on; the majority of the cases were in the Klang Valley. Andrew Ong, "Temple demolition sparks protest at AG's office", *Malaysiakini*, 30 June 2007.
- <sup>11</sup> Thus, in both cases violent clashes resulted when Hindu devotees tried to stop the Shah Alam City Council (MBSA) from demolishing the temples and in the case of the Kampong Rimba many devotees were injured in the confrontation and twelve devotees were detained and then released later. The intransigence of Khir Toyo, the Menteri Besar of Selangor, over the demolition of the temples incidents made Samy Vellu so indignant that the MIC initially announced that it was cancelling its Deepavali open houses as a mark of respect to all Hindus. But, the MIC made a complete flip-flop on this when it was berated by UMNO leaders.
- <sup>12</sup> Lim Kit Siang, Media Statement, 2 December 2007.
- <sup>13</sup> Syed Jaymal Zahiid, "PAS slams Hindraf, accusations 'extreme'", *Malaysiakini*, 3 December 2007.

- <sup>14</sup> Tan Sri Eric Chia Eng Hock was formerly CEO of Perwaja Steel and a close business associate of former Prime Minister Dr Mahathir.
- <sup>15</sup> On 26 June, the Sessions Court acquitted and discharged Eric Chia, without calling for his defence on charges of criminal breach of trust involving RM76.4 million. Judge Akhtar Tahir said the prosecution had failed to adduce sufficient evidence to establish a *prima facie* case against Chia. In early July, Judge Tengku Maimon Tuan Mat rejected a defamation case brought by the opposition politician Anwar Ibrahim against former leader Mahathir Mohamad. Anwar had sought RM100 million from Dr Mahathir for accusing him of homosexuality.
- <sup>16</sup> “Dzaiddin: It’s not what we had in mind”, *nstonline*, 14 December 2007.
- <sup>17</sup> Wong Chun Wai, “Crime: A state of desperation”, *Star*, 25 June 2007. Concern with crime has also led to rising popularity of gated communities for even middle-class housing estates and a major spike in the security-related services. Indeed, most recently the police have proposed making it mandatory for buildings in high crime-prone areas to install CCTVs.
- <sup>18</sup> A subsidiary of PSC Industries Bhd owned by Amin Shah Omar Shah, a once close business associate of the then Prime Minister Dr Mahathir.
- <sup>19</sup> “PKFZ Scandal — The Real BN Power-Sharing Concept Exposed”, <<http://www.keadilanrakyat.org/index.php/content/view/245/98/>>, 30 August 2007.
- <sup>20</sup> He had been investigated before in 2001 and 2005 and cleared of all allegations. The latest allegations were reported by senior ACA officer Mohamad Ramli Manan in July 2006 but the Abdullah administration did not take any action. It was only when Mohamad Ramli decided to make his case public that the Government felt pressured to start an investigation. *Malaysiakini*, 2 March 2007.
- <sup>21</sup> *Malaysia Today*, 3 and 9 June, 2007.
- <sup>22</sup> *Sunday Star*, 12 August 2007.
- <sup>23</sup> *Star*, 3 November 2007.
- <sup>24</sup> The Mongolian part-time model and interpreter who was murdered.
- <sup>25</sup> Salehuddin had been seen playing badminton with the trial judge.
- <sup>26</sup> The former Chief Judge of Malaya Tan Sri Haidar Mohd Noor was appointed to head the royal panel and retired Court of Appeal Judge Datuk Mahadev Shankar was also appointed. The other members of the commission are former Chief Judge of Sabah and Sarawak Tan Sri Steve Shim Lip Kiong, former Solicitor-General Puan Sri Zaitun Zawiyah Puteh and Suhakam commissioner and Professor Emeritus Datuk Dr Khoo Kay Kim.
- <sup>27</sup> The Royal Commission was confined to inquiring and ascertaining the authenticity of the video clip and inquiring and identifying the speaker, the person he was speaking to in the clip and the people mentioned in the conversation, and to determine whether any act of misconduct has been committed by person or persons identified or mentioned in the clip and to recommend appropriate action to be taken against the person or

persons identified or mentioned in the video clip should such person or persons be found to have committed any misconduct.

<sup>28</sup> See the two-part interview with PAS deputy president Nasharudin Mat Isa in *Malaysiakini*, 6–9 June 2007.

<sup>29</sup> <<http://blog.limkitsiang.com>>.

<sup>30</sup> <<http://www.anwaribrahim.com>>.

<sup>31</sup> Jocelin Tan, “Anwar takes over the helm”, *The Star*, 1 April 2007.

<sup>32</sup> The gerrymandering of the electoral system started with the first Prime Minister Tunku Abdul Rahman in the aftermath of the 1959 general election.

<sup>33</sup> The CIMB Economic Research estimates that the budget deficit would increase to 3.4 per cent of GDP in 2007 and 3.5 per cent in 2008.

<sup>34</sup> “Malaysia: Malaysia-US Free Trade Plans May Fail If There Is No Agreement By Summer”, <<http://www.mysinchew.com/node/5762>>.

<sup>35</sup> Terence Fernandez, “Why this cost RM4.6billion”, *The Sun*, 23 August 2007.