

Malaysia 2012



Total: 56.66

Quick facts

Population:	29.18 million
Population growth:	1.54 %
Unemployment rate:	3.1 %
GDP:	453 billion \$
GDP growth rate:	5.1 %
GDP per capita:	15800 \$

Political Freedom

Free and Fair Elections : 5

In Malaysia, universal suffrage has been established and legislative elections are held every five years. The last general election took place in March 2008, during which opposition parties have succeeded in breaking the two-thirds majority of the ruling coalition for the first time since 1969. The National Front (*Barisan Nasional*; BN), which had won 198 of 219 seats of the lower house in the 2004 election, only managed to secure 140 seats in 2008. However, the election cannot be regarded as entirely free and fair, as the BN has repeatedly been accused of tampering with voter registration lists. Also, there are repressive laws that restrict the media and the opposition parties and limit the chances of contesting parties to reach and mobilise more voters. That the opposition parties managed to win a considerable number of votes despite all the limitations they face suggests that the BN's dominance is diminishing.

In terms of political pluralism and participation, the government tolerates civic groups as long as they refrain from criticising or questioning government policies. However, a large number of civic activities are constrained by laws. For example, the rights to freely associate and assemble are severely limited, with any assembly of more than three people requiring a public permit. The police can also arrest participants even without a warrant. The role of NGOs is therefore rather restricted through the lens of liberal democratic standards.

Absence of Unconstitutional Veto Players : 5

The government of Malaysia holds the effective power to govern without being threatened by any extra-legal veto powers. The military as well as powerful business groups comply with the rules set up by the government. However, some Malay nationalist organisations have increasingly gained influence and put pressure on the government to uphold policies which favour the Malay ethnic majority at the expense of other ethnic groups.

Freedom of Press : 3.7

Freedom of the press is restricted in Malaysia. Despite constitutional guarantees, a number of laws impose heavy restrictions on free speech. Television and radio stations as well as virtually all print media are closely tied to the ruling party. The 1984 Printing Press and Publications Act requires publishers to get an official license which needs to be renewed annually. However, licenses can be revoked without an explanation or a judicial process if the respective media source publishes content deemed "likely to be prejudicial" to public order, morality, security or national interest. As a consequence, self-censorship is practiced by all types of media. Online-media are much freer as they are hardly subject to government supervision. Thus, the Internet has become the major forum for political discussions and functions as a counterweight to the government-controlled media. However, the government has pressed charges for defamation against online journalists and political bloggers.

Rule of Law

Independence of the Judiciary : 6.13

The independence of the Malaysian courts is largely compromised by executive influence. There are, however, signs of slight improvement. In January 2012, the opposition leader Anwar Ibrahim was acquitted of sodomy charges after a two-year trial. Some welcome the verdict as a sign of greater judicial independence and the positive impact of the current government's reform initiatives. However, others view it as merely part of the administration's public relations in order to garner voter support for the general elections scheduled in 2013.

Corruption : 4.3

Corruption, both in the public and private sectors, remains a major challenge in Malaysia. Despite the implementation of several anti-corruption initiatives " amongst them the 2010 Whistleblower Protection Act, which grants civil servants and informants more competencies and protection " the problem persists. Malaysia slipped to number 60 out of 183 territories listed in Transparency International's 2011 Corruption Perceptions Index, down four places compared to the 2010 ranking.

Protection of Human Rights : 4.26

Despite the government's promises to address human rights issues, the human rights situation remains problematic. The death penalty has not been abolished. A number of extrajudicial killings carried out by military and paramilitary forces have been reported. Freedoms of assembly, association and expression are restricted. Ethnic Malays and other indigenous people, known collectively as the *Bumiputera*, continue to receive preferential treatment over other ethnic groups in areas such as higher education, civil service jobs and business affairs. Exploitation and abuse of foreign workers by employers are not uncommon. Gender equality is not yet achieved: women, especially within the Muslim community, do not enjoy the same rights as their male counterparts and are often subject to discrimination, harassment and violence.

Economic Freedom

Security of Property Rights : 6.86

Acquisition, use and sale of private property are largely protected by respective Malaysian laws. However, there are certain exceptions: Borneo's indigenous population is subject to forced relocations to pave the way for big infrastructure projects, often leading to civil unrest. Corporate lawsuits often drag on for more than a year and in the end may be decided according to political motivations. Intellectual property rights are another problematic matter. Despite plans to ratify the World Intellectual Property Organisation Copyright Treaty, enforcement remains weak.

Size of Government: Expenditures, Taxes, and Enterprises : 6.13

Government spending (which includes consumption and transfer payments) amounts to about 30% of the GDP.

Taxes in Malaysia stand at average levels. The highest individual income tax rate is 26%, whereas the maximum corporate tax rate is 25%. Overall tax revenue accounts for about 15.7% of the GDP.

Regulation of Credit, Labour, and Business : 8.03

Malaysia's banking sector continues to grow, with 27 commercial banks operating under the Central Bank's oversight. Efficient supervision and mergers have made banks more competitive and helped them to remain stable despite the effects of the global financial crisis. The Islamic banking sector continues to expand, with its institutions now account for 21% of the country's total banking assets, reinforcing Malaysia's status as a global hub for Islamic finance.

Steps to ease regulations regarding starting, running and closing a business have been implemented. No minimal capital is required in order to launch a business. Merging company, tax, social security and employment fund registrations, and providing same-day registration services have made starting a business considerably easier. It now takes merely four procedures and six days to start a business. Obtaining a license can be done in 22 procedures and 260 days. Special courts that handle foreclosure proceedings have been established. The World Bank ranked

Malaysia at the 18th spot out of 183 countries in its 2012 Doing Business report (up from 23rd in 2011).

Labour regulations are flexible. Although dismissing an employee may be complicated and costly, his non-salary cost is low. A minimum wage is unknown and working hours are regulated flexibly.

Freedom to Trade Internationally : 7.25

Foreign trade is, in principle, liberalised, but protectionism regarding key enterprises proves to be a barrier for foreign investors. The government's New Economic Policy makes Malaysia a somewhat difficult place for foreign direct investment. Talks with the United States regarding a free trade agreement were unsuccessful. (The United States prefer a possible involvement of Malaysia in the framework of the Trans-Pacific Partnership rather than a bilateral FTA). However, Malaysia profits greatly from the ASEAN-Australia-New Zealand FTA, which was implemented in 2008.