

Malaysia 2013



Total: 57.42

Quick facts

Population:	29.63 million
Population growth:	1.51 %
Unemployment rate:	3 %
GDP:	506.7 billion \$
GDP growth rate:	5.6 %
GDP per capita:	17200 \$

Political Freedom

Free and Fair Elections : 5

The modern state of Malaysia was founded in 1969 after Malaysia gained independence from Britain and merged with two other former colonies. The political system is closely modeled after the Westminster system, though it puts significantly more emphasis on the executive than the legislative branch. Elections for the lower house, the legislative body, are held every five years. The paramount ruler, who serves as head of state, is elected by fellow hereditary regional rulers.

In the 2013 election the National Front (Barisan Nasional; BN), a coalition of 13 mainly ethnicity-based parties, only managed to gain 133 of the 222 lower house seats (down from 140 seats in 2008). This can be seen as a great victory for opposition parties, especially given the fact that civil liberties are significantly constrained through various laws which limit the chances of contesting opposition parties to reach and mobilise potential voters.

The government strongly curbs the right to assembly, regularly using excessive police force against mass demonstrations under the pretext of maintaining national security and public order. Assemblies of more than three people require a public permit and police may arrest participants without warrant. Due to this restrictive environment the role of civil society organizations and NGOs is limited.

Absence of Unconstitutional Veto Players : 5

The Malaysian government holds strong executive powers and no unconstitutional veto players interfere with political processes. The army as well as powerful business groups adhere to the rules set by the government. However, Malay nationalist groups are a growing concern. They put increasing pressure on the government to uphold policies which favor ethnic Malays.

Freedom of Press : 3.6

The freedom of the press is severely limited in Malaysia. Although opposition-ruled states have passed freedom of information laws, Malaysia has no national law guaranteeing it. The Sedition Act and draconian criminal defamation laws are often used to put pressure on journalists and broadcasters. In July 2012 the government also passed a law which made hosts of blogs and other online platforms liable for content posted through their services. This law led to widespread protest and an "Internet Blackout Day". Although the BN government kept promises and replaced the Internal Security Act and reviewed the Printing Presses and Publications Act, only marginal changes were made, keeping the general repressive nature of the laws in place.

Although most of the country's media outlets are privately owned, many have close links to the ruling BN. Media Prima, the largest media conglomerate, which owns half of the Malay and English newspapers as well as numerous TV stations, is known to be closely connected to the United Malays National Organization, the leading party within the BN coalition. The internet is the only generally free source of information due to the government's formal commitment to not directly censor content.

Journalists in Malaysia usual do not face physical intimidation as much as arbitrary detention and legal threats. However, a number of cases of physical harassment have been reported in 2012 in connection with coverage of mass demonstrations and mining operations in Penang state.

Rule of Law

Independence of the Judiciary : 6.04

The Malaysian judiciary is by and large independent and has the ability to interpret and review existing laws and policies. Channels of appeal are in place. But court decisions are not entirely free from being influenced by politicians. However, the acquittal in 2012 of Anwar Ibrahim of sodomy charges was widely interpreted as a sign of strengthened judicial independence.

Corruption : 4.9

Structural problems remain in Malaysia's political system that encourages high levels of corruption. Firstly, Malaysia is not a signatory to the Organization of Economic Co-operation and Development's Anti-Bribery Convention. Secondly, there is no limit in undisclosed political donations to political parties, or a legal requirement to give reports on the money parties spend in election campaigns. Lastly, individuals regularly move in-between the public and private sectors. A

lack of fiscal accountability and a regularly used “revolving door”™ policy for bureaucrats continue to undermine legitimacy and exacerbate corruption. Minimal openness has created an elusive link between business and government, with the latter participating actively in the economy.

Protection of Human Rights : 4.1

Malaysia still has the death penalty for some crimes and there are currently over 900 people on death row. Overall human rights abuses in Malaysia have risen annually since 2010, during which time the score on the Freedom Barometer has dropped from 4.02 to 3.53. Arbitrary arrests will surely be higher in 2013, as thousands protesting during the national elections were detained under a range of stifling laws. The Peaceful Assembly Act empowers police to control content and conduct of meetings; the Societies Act was used to legitimize the breaking up of a rally and arresting 1700 people and; the Sedition Act was used to arrest satirical cartoonists and encourage self-censorship.

Human trafficking and forced labour issues continue to draw attention as Malaysia refuses to ratify the 1951 Refugee Convention or provide recognition and protection through domestic law. Malaysia does not permit refugees to work or to allow for education of refugee children. Human trafficking also remains an issue, as many unregistered and unprotected victims are forced into domestic labour.

Economic Freedom

Security of Property Rights : 6.94

Acquisition, use and sale of private property are largely protected by respective Malaysian laws. Registering property transfers has been made easier and less time consuming. But some areas of concern remain: Corporate lawsuits, for instance, are sometimes decided according to political motivations. Intellectual property rights are another problematic matter. Despite an amendment of the Copyright Act to strengthen intellectual property rights protection enforcement remains weak.

Size of Government: Expenditures, Taxes, and Enterprises : 6.01

Government spending (which includes consumption and transfer payments) amounts to about 30% of 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 13.8% of GDP.

Regulation of Credit, Labour, and Business : 8.21

Malaysia's banking sector continues to grow. Efficient supervision and mergers have made banks more competitive. Over the years Malaysia has emerged as the world's most important Islamic-finance centre. Over 20% of the country's banking system complies with Sharia rules and it dominates the world market for Islamic bonds.

Starting, running and closing a business are fairly easy. No minimal capital is required in order to launch a business. Company, tax, social security and employment fund registrations have been merged and same-day registration services have been set up. It takes merely four procedures and six days to start a business. Obtaining a license can be done in 37 procedures and 140 days. Special courts handle foreclosure proceedings. In its 2013 Doing Business report the World Bank ranked Malaysia 12th out of 185 countries (up from 18th in 2012 and 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 : 7.62

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. However, Malaysia profits greatly from the ASEAN-Australia-New Zealand FTA, which was implemented in 2008. In September 2010 the EU member states approved the start of FTA negotiations with Malaysia.