

# Malaysia 2014



**Total: 56.66**

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## Quick facts

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|--------------------|----------------|
| Population:        | 30.07 million  |
| Population growth: | 1.47 %         |
| Unemployment rate: | 3.1 %          |
| GDP:               | 525 billion \$ |
| GDP growth rate:   | 4.7 %          |
| GDP per capita:    | 17500 \$       |

## Political Freedom

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### Free and Fair Elections : 4.64

The modern state of Malaysia was founded in 1969 after independence from Britain. The political system is designed 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 Sultan is the official head of state and is nominated from among nine state rulers, who take turns every five years.

In the 2013 election the National Front (Barisan Nasional; BN), a coalition of 13 mainly ethnicity-based parties, only gained 133 of the 222 lower house seats (down from 140 seats in 2008) with a share of 47.38% of the popular vote. Within the BN-coalition, the United Malays United Association (UMNO) is the dominant party. Since Malaysia gained independence, UMNO and precursor parties dominate politics with their so-called “Bumiputera” policy that favours Malay Muslims over other ethnic groups.

The three-party opposition coalition Pakatan Rakyat (PR) campaigned on issues of religious, social and ethnic equality and demanded reforms and increased transparency in the electoral process. PR supporters and a large number of civil society organisations criticised the unfairness of voter district demarcation in favour of the ruling coalition. The National Election Commission was accused of being biased and was widely criticised for not accommodating demands to verify the correctness of the electoral roll and investigate reports of foreign citizens holding false IDs that allowed them to cast their votes.

The 2013 election result can be seen as a great victory for opposition parties, 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 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.

## **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 favour ethnic Malays.

## **Freedom of Press : 3.6**

According to Article 10 of Malaysia's constitution, freedom of opinion and expression are guaranteed. However, a set of other laws restrict these rights. According to the Printing Press and Publications Act, the government has to approve all applications for print media publishing licenses which have to be renewed on an annual basis. As of today, basically all print media, radio and TV stations are in the hands of government-friendly companies. Applications for printing licenses are regularly refused based on grounds of wanting to uphold "national harmony and avoid social tensions". Opponents criticise the act of being a tool of the ruling elites to suppress opinions critical towards the government. The leading independent online magazine Malaysiakini has applied for a publishing license several times. It was repeatedly rejected.

Mid 2014, Prime Minister Najib Razak himself filed a case against the Malaysiakini chief-editors, accusing them of publishing defamatory articles. In the comments section of the magazine's website, anonymous users had criticised Najib and his leadership style. In his lawsuit, Najib referred to the 1948 Sedition Act that has been used in numerous cases to silence government critics. A repeal of the act has been announced several times. However, little has been done to fulfil this promise.

## **Rule of Law**

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## **Independence of the Judiciary : 5.91**

The Malaysian judiciary is erratic. Court decisions are not entirely free from being influenced by politicians. The acquittal in 2012 of Anwar Ibrahim of sodomy charges was initially celebrated as a sign of strengthened judicial independence. But the verdict was overturned in March 2014 and Anwar sentenced to five years in jail. (He remains free on bail until his appeal will be decided in court. At the time of writing the court had not reached a verdict yet.) Critics have accused the government of behind-the-scenes intervention in the trial, claiming that the sodomy charges and Anwar's conviction were aimed at undermining his political career.

## **Corruption : 5**

In an opinion poll conducted in 2013 by the Merdeka Centre, a think tank, 46% of respondents said that corruption was the single most important issue the government should deal with. Unsurprisingly, corruption has officially been one of the key policy components of the current administration. But a number of corruption cases involving high-level government officials have raised questions about the political will to take on the issue – despite the fact that prudent rules and legislation (e.g. the Whistleblower Protection Act and the Corporate Integrity Pledge) have been passed during the past few years.

The agency in charge of investigating cases of private and public sector corruption is the Malaysian Anti-Corruption Commission. But its track record is average as the agency lacks capacity and technical skills in some areas. Furthermore, structural problems in Malaysia's political system hamper anti-corruption efforts. For example, 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. Individuals regularly move in-between the public and private sectors which raises questions when it comes to public procurement procedures. Minimal openness has created an elusive link between business and government, with the latter participating actively in the economy.

## **Protection of Human Rights : 4**

Malaysia retains the death penalty for a number of crimes, with currently over 900 people on death row. The human rights situation in the country seems to have deteriorated since the May 2013 elections. The government has passed new laws (and revised some old ones) that allow for administrative detention without trial. A number of opposition activists have been charged for criticising the government (which has also attempted to shut down some human rights NGOs). The weapon of choice against perceived political troublemakers is the Sedition Act which punishes an array of rather vaguely defined crimes, such as "uttering seditious words". In August 2014 N. Surendran, the Vice President of the oppositional People's Justice Party, found himself on the wrong end of such a sedition lawsuit. (He had alleged that the renewed sodomy charges against Anwar Ibrahim were politically motivated.)

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

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### **Security of Property Rights : 6.79**

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 influenced by 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 : 5.96**

Government spending (which includes consumption and transfer payments) has fallen slightly to about 29% 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 15.3% of GDP.

### **Regulation of Credit, Labour, and Business : 8.16**

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 centre of Islamic finance, an industry with total global assets of about \$2 trillion. Over 20% of the country's banking system complies with Sharia rules and it dominates the world market for *sukuk* (Islamic bonds).

Starting, running and closing a business are fairly easy. No minimal capital is required in order to launch a business and company registration fees have been slashed. Company, tax, social security and employment fund registrations have been merged and same-day registration services have been set up. It takes merely three procedures and six days to start a business. Obtaining a license can be done in 15 procedures (down from 37 in 2013) and 130 days. Special courts handle foreclosure proceedings. In its 2014 Doing Business report the World Bank ranked Malaysia 6th out of 189 countries (up from 12th in 2013 and 18th in 2012).

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 : 7.6**

Foreign trade is, in principle, liberalised, but protectionism regarding key enterprises proves to be a barrier for foreign investors. Non-tariff barriers obstruct the import of agricultural products and cars. 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. As of 2014 an agreement has yet to be reached.

With the ASEAN Economic Community (AEC) a single regional market of more than 600 million people will be created by the end of 2015. The AEC will provide for a free flow of goods, services, investment capital and skilled labour.