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## **Will the Malaysian Government Make Use of its Good Fortune?**

*By Shahril Hamdan*

### **SYNOPSIS**

*The recent by-election victories of the Pakatan Harapan-led ruling coalition underscore the fact that even when controversies abound, the government can count on a support base that appears to want to give it every chance to succeed. Now that it has momentarily arrested the opposition's momentum, will it use these coming months to make bold reforms that matter?*

### **COMMENTARY**

There is a saying in sports, "it is better to be lucky than to be good". One wonders if it applies in democracies too. No government wants to admit being the recipient of good fortune, but in their private assessments, they surely realise it is a most precious commodity. In some respects, the current Malaysian government – or at least, the bedrock of it, Pakatan Harapan – is a living example.

For starters, it has an emasculated partner in UMNO, which is grateful to play second fiddle. It can count on a sizeable core vote bank – including but not limited to, ethnic Chinese voters – who will back it to the hilt. Its opponents in Perikatan Nasional are not winning enough swing voters and are presently unable to harness sufficient popular discontent much less offer a positively compelling story for change. Most importantly, the coalition government has the good fortune of a middle ground so jaded by recent political instability as to be either patient or disengaged.

Admittedly, the government continues to struggle with Malay votes, but at the same time, there is not yet any real clamour for change or active discontent from the same community. Case in point: the relatively underwhelming [turnout](#) at the Malaysia Day street rally protesting the controversial decision to drop graft charges against Deputy Prime Minister Ahmad Zahid Hamidi – something that remains shocking even as it

might have been expected. In previous years, an “event” of that magnitude would have inflicted a body blow. For this administration, however, the storm seems to have passed with only moderate and manageable damage, at least for now.

## **Taking Advantage**

The question is, what will Prime Minister Anwar Ibrahim and his government do with this unusually forgiving terrain they find themselves in? They will know that relying on fair weather is risky business.

As another saying goes, “make hay while the sun shines”. One way to build more durable support is to drive institutional and policy reforms which deliver economic outcomes, as this author implied in an earlier [commentary](#). Happily, the government has taken tentative steps to outline what its [reform](#) priorities are – some of which are suitably ambitious. Unhappily, it is not yet obvious that it has the focus nor internal cohesion required to follow through on all of these reforms.

For example, the much-awaited Madani Economic Narrative sets out what societal and economic outcomes the government aims to achieve in the next decade. It is, in effect, the anchor document for the state’s agenda. In the top-down Malaysian system that lives off plans and launches, something like this needed to be drilled into the public consciousness almost incessantly – not for its own sake, but because the system moves better when it buys into the message. But since its [launch](#) in July when its contents were lauded for a few days, the ensuing response has been tepid at best. The vast majority of the public will not recall that there exists seven benchmarks to be achieved in the next ten years under the Narrative, much less what they are.

A system that has bought into the Narrative would not only be advertising the benchmarks as a sign of clear-eyed vision and burning ambition, but also why they matter to the average Malaysian. Some of the seven, such as increasing the percentage of the country’s GDP attributable to employee compensation, are ripe for popular support – if only it commanded enough of the public’s attention. One might be tempted to ask, does it currently even command enough of the *government’s* attention?

## **Fortune Favours the Bold**

Beyond the challenge of messaging, the government will need to take bold steps towards achieving those benchmarks. One such measure is to broaden the tax base and create the necessary fiscal space to catalyse critical changes to meet stated aims, particularly as the government has also tied itself to deficit reduction promises.

Economic Minister Rafizi Ramli – who is also Anwar’s deputy in his party – made clear a few weeks ago that the government would institute a capital gains [tax](#) next year and was also considering a return of the Goods and Services Tax. One hoped this would have been followed by details and clarity – for example, if it will remain applicable only to capital gains in unlisted shares – especially given that the tax had been mooted as early as [February’s](#) budget tabling in Parliament.

But speaking in Singapore a few days after Rafizi’s announcement, Anwar was

decidedly more [equivocal](#), electing instead to say that subsidy rationalisation and savings from leakages would come before any new taxes.

Taxes – especially broad-based taxes – are never an easy sell, especially compared to the language of reducing subsidies for the rich first. But it will have to be dealt with. The test then, is whether the government can be internally consistent and demonstrate the political will necessary to make tough calls.

After all, it has proven willing to risk public wrath by compromising on its own political reform platform, ostensibly for power. The many political appointees on statutory bodies and government-linked companies, alongside the absence of equitable allocations for all MPs, are just two examples of Pakatan not practising in government what it had preached in opposition – to say nothing of the elephant in the room regarding the dropping of Zahid's charges. One awaits the same courage to face up to backlash on matters beyond its own short term political expedience – matters that it has itself identified as important.

### **Betting on Energy Transition**

Where there has been some courage on display, policy-wise, is in the field of renewable energy (RE) and energy transition (ET) more broadly. The decision to allow energy exports, for example, would have ruffled some feathers inside the energy establishment. The safe option would have been to retain the ban based on a misplaced calculation that Malaysia's interests are better served by keeping all its green energy to itself rather than help Singapore meet its needs. But to its credit, the government overturned the ban and identified ET's potential to not only generate economic returns, but to position the country as a regional leader in a generationally transformative set of activities. Malaysia has not really led in anything for a while. The psychological effect of changing that would alone be worth the trouble.

As always, the government will need to back up ambitious talk with real action. But with plans afoot like an energy exchange to make real the promise of being an RE trading hub, there is reason to be optimistic that at least here, there is policy consistency and vision.

Some other efforts at economic reforms, such as the recent masterplan to reindustrialise Malaysia, are also showing positive signs that they, too, may match ET on those crucial fronts of specificity and credibility.

### **Salvaging “Reformasi”**

Are the preceding examples green shoots of structural transformation? Or are they merely the better side of an incoherent coalition just happy to be in power? That depends on what the government actually wants to be – a consequential one or merely one that says to its base, “at least we're not like the other guys”.

It has been 25 years since the “[Reformasi](#)” movement; instigated by Anwar's downfall in 1998 but substantively about an ordinary people's struggle for justice, fairness and speaking truth to power. Recent events and compromises as intimated above, mean that for many, the term is now used only tongue-in-cheek. A bold set of economic

restructuring efforts might just present the last remaining reform dimension that this government – and its head – can still credibly speak on and deliver, to salvage Reformasi’s substantive promise that inspired so many a generation ago.

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