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Malaysia's Shared Prosperity Vision 2030 Needs a Rethink to Make a Breakthrough

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EXECUTIVE SUMMARY

- Malaysia's recently launched draft of the Shared Prosperity Vision (SPV) 2030 presents a glimpse of the country's plans to grow the economy and promote equitable distribution – and more generally to project a new narrative of development and progress.
- The growth vision continues a decades-long emphasis on the need to elevate technology, skills, and value added, with new and bold attention to structural problems in the economy. However, Malaysia's conditions call for a more comprehensive articulation of sustainable growth, holistic development and institutional reforms.
- The SPV places utmost priority on reducing disparities in income and wealth across various dimensions, especially between ethnic groups. This conception of the distributive dimension of development is unduly narrow in focusing on income and wealth. It omits a host of important and inter-related goals, and lacks clarity on basic need provisions versus policies targeting Bumiputeras and other ethnic groups.
- This historical juncture offers an opportunity for Malaysia to cast a more original, systematic and impactful vision, to provide decent living for all while ensuring fairness in distribution on many fronts, and to anchor the Bumiputera agenda on building capabilities and broadening participation.

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POLITICAL IMPETUS AND POLICY PROCESS

The first rendition of Malaysia's Shared Prosperity Vision (SPV) 2030 was presented by Prime Minister Mahathir Mohamad on 5 October 2019. The past year witnessed propagation of shared prosperity as the nation's new development banner, featured in a few landmark Prime Ministerial speeches¹ and increasingly referenced by Cabinet members on an array of issues². Those brief mentions foreshadowed the fuller version – a 30-page summary and 190-page report – now in the public domain.³ This policy document signals priorities and goals for the coming decade. Its official launch next year, as part of the 12th Malaysia Plan, succeeds the iconic Vision 2020 promulgated by Mahathir in 1991. On the heels of this draft SPV launch, Malaysia's 2020 Budget speech by Finance Minister Lim Guan Eng projected the theme "Driving Growth and Equitable Outcomes Towards Shared Prosperity".

National policy expectedly reflects the interests and priorities of the parties in power, but there are exceptional political contexts and partisan dynamics to the SPV. The Mahathir administration seeks to seize on an unprecedented opportunity to capture the public imagination, given that it will be Malaysia's first long-term plan under a non-Barisan Nasional federal government. The SPV is also distinguished by the lead role that a political party-linked think tank has played in its drafting, even while the released document bears the Ministry of Economic Affairs' (MEA) seal and will eventually be fully owned by MEA.

The shared prosperity idea was floated to Parti Bersatu Pribumi Malaysia's (PPBM) highest echelons after PH took power in May 2018, and gained traction as its framework and contents were conceptualized by the newly formed PPBM-linked think tank MASA (*Institut Masa Depan*).⁴ The notion of shared prosperity was publicly aired for the first time at PPBM's December 2018 general assembly, where it was incorporated into Muhyiddin Yassin's presidential address.⁵ Mahathir's speech of 9 May 2019, in conjunction with the first anniversary of Pakatan Harapan's (PH) victory, more broadly disseminated the slogan and hinted at three core national objectives. On 31 August, the Prime Minister reinforced the SPV as part of Merdeka celebrations, and Cabinet endorsed it after a special Saturday meeting on 14 September.

PPBM is obviously heavily invested in the narrative of shared prosperity, particularly the prominence accorded to Bumiputera development, while its PH partners seem satisfied with its rhetorical appeal and presumed adequacy for addressing the myriad, complex and contentious policy issues that prevail nationally. The SPV takes a sobering look at Malaysia's development challenges and brings some bold ideas to the fore, notably in confronting structural issues such as monopoly power, low technological adoption, low wage share and sluggish income growth, and corruption and political patronage. It declares the ultimate goal of "decent living for all".

However, a closer examination reveals crucial omissions and narrow conceptualizations that attenuate the potential for this visionary statement to forge path-breaking change for Malaysia. Various shortcomings emerge, from both the standpoint of policy scope and coherence and of public messaging and balancing of wide-ranging and diverse interests. The following sections will unpack these issues.

Undoubtedly, the SPV draft publication is a laudable move. Its release as a work in progress prior to official launch marks a significant departure from previous practices of non-

disclosure – albeit with closed-door consultations – until publication. The potential thus remains for the SPV to be clarified, consolidated and enhanced, provided that ongoing deliberations proceed with candour, rigour and a self-examining spirit.

POLICY CONTENT

The SPV lays out three overarching objectives – Development for All; Addressing Wealth and Income Disparities; and United, Prosperous and Dignified Nation – which are buttressed by fifteen guiding principles, and advanced with seven strategic thrusts and eight enablers.⁶ This Perspective covers the first and second objectives, with particular emphasis on the latter.

Growth, distribution and unity have continuously featured in Malaysia's policy formula. These themes are traceable through the nation's series of grand plans, from the New Economic Policy (official spanning 1971-1990) to Vision 2020 (1991-2020). The New Economic Model (2010-2020), while contentious and effectively withdrawn, set a template over the past decade, of a three-legged focus on high income status, sustainability and equity (Appendix Table 1). Internal discourses following the May 2018 elections, particularly initiatives by civil society in engagement with PPBM, placed overriding emphasis on inequality and redistribution. However, economic growth was subsequently restored to prominence in the overarching framework in recognition of the interdependency of generating and distributing prosperity, significantly due to inputs from the MEA, drawing on development-planning experience and cognizant of the need for continuity.⁷

Undeniably, inequality is the weightiest of the three SPV objectives. The third objective also encompasses an extensive and complex range of concerns – social cohesion, national identity and Malaysia's international position – but the distribution of opportunity, income and wealth remain the most acutely contested issues. This is partly a response to economic marginalization and neglect of the common person as resonant local and global issues, partly a reflection of post-GE14 Malaysia and PH's quest to assure the Malay populace, in particular, that it safeguards their interests, while allaying other groups' concerns that the system also looks out for them.⁸ The MEA, amid preparations for crafting the 12th Malaysia Plan, was mindful of the discussion and resolutions passed at the Bumiputera national congress that it had organized in September 2018, notably the need for a "mindset" shift toward embracing self-reliance and competitiveness.⁹

However, inequality remains fraught with complications and conflicts, and prone to feel-good platitudes rather than systematic planning. A national development document such as a ten-year plan is well poised to set out a vision for tackling complex issues and balancing contending interests. It can do so by broadening Malaysia's vision of growth and development, and articulating a basic commitment to providing decent living for all alongside a commitment to fairness in managing distribution and inequality on a complex range of issues.

BROADENING GROWTH AND DEVELOPMENT

Under the banner of “Development for All”, the SPV aspires to restructure the economy to be more progressive, knowledge-based, and higher value added, with full community participation at all levels. When elaborating on these points, however, the discussion becomes rather diffuse and imprecise.

There is much scope to enhance clarity and coherence, by focusing on economic growth and structural issues, institutional reforms that make policies more effective and the government more responsive, and a broader vision of development beyond material gains, and by exercising restraint on issues of inequality. Three modifications stand to enhance the SPV.

First, it should more resolutely commit to sustainable development, particularly the environmental aspects. This priority is underscored by the urgency of mitigating climate change, continuity of Malaysia’s participation in the UN’s Sustainable Development Goals, and salience of socioeconomic inequality that receives extensive attention in other sections of the SPV. Concomitantly, the SPV should also articulate the principles and targets consonant with Malaysia’s professed support for multidimensional development objectives, going beyond GDP/GNI per capita and holistically reflecting quality of life.

Second, the SPV will benefit from a more consistent and methodical treatment of structural problems in the Malaysian economy. The draft report highlights various issues which can be rearticulated to greater effect. The challenge of raising productivity, value added and wages, and the wage share of national income, should serve as guiding themes, which subsequently anchor policy responses to regional income inequality, monopoly power and supply chain impediments to SME development, as identified in the report. Disparities between states and regions are also more pertinent to policies that address structural inequalities in the economy. Inequality between households and persons should be reserved for the second section. Importantly, economic insecurity and pockets of stagnation in rural areas, and divides between Peninsular and East Malaysia, remain crucial policy challenges – and political constituencies in which PH struggles to make inroads.

Third, the SPV’s handling of corruption and institutional reforms will be strengthened by outlining a comprehensive strategy for combatting graft and leakages from a systemic standpoint. The SPV recognizes corruption as a systemic problem, but for combatting the menace places heavy emphasis on the ways it impedes the Bumiputera agenda.¹⁰ The breadth and depth of the problem call for comprehensive solutions. Furthermore, institutional reforms are vital for safeguarding democracy and peoples’ voice, and ensuring that government and national policy are more responsive.

RESETTING THE SOCIOECONOMIC AGENDA: DECENT LIVING AND FAIR DISTRIBUTION

The SPV frames the second objective as “Addressing Disparities in Income and Wealth”, and expands this to mean “disparities across income groups, ethnicities, regions and supply chains” which are to be redressed “to protect and empower the rakyat”. The centrality accorded to wealth comes across as novel, but lays an unduly narrow premise. In particular,

the SPV omits a clear distinction between two elements: first, equality, basic needs and poverty alleviation as an enduring objective; second, the crucial dimensions of inequality – in capability and participation – which get closer to the roots of inter-ethnic disparity. In 1971, the New Economic Policy judiciously laid the two-pronged foundations of poverty alleviation regardless of race, and social restructuring to promote Bumiputera participation in higher education, high-level occupations, enterprise and business, and wealth ownership.

The PH government inherits this policy regime, and it is incumbent on the SPV to recognize that the dual imperatives of fostering welfare for all and of redressing specific aspects of inter-ethnic disparity endure, and that the institutions for these policy pursuits remain deeply embedded. The SPV should strive to maintain coherence and continuity, which in turn augment the capacity of the Mahathir administration to redefine and distinguish its agenda. This historical juncture presents a window to inject new principles and drive the dual pursuit of basic needs provision and fair distribution across myriad dimensions.

The SPV articulates various guiding principles, but needs substantial clarity and a systematic framework to demarcate the boundaries and intersections. The terms announced and overviews offered thus far, especially on a set of guiding principles pertinent to well-being and distribution – namely, equitable outcome, equitable growth, distributed economy, inclusivity, and need-based approach – remain vague on their own and unresolved in terms of their overlaps and apparent redundancies.

It is imperative to revise the second objective in a manner that integrates decent living and fair distribution as policy imperatives, with specific application to need-based policies predominantly concerning basic needs and welfare and group-based policies primarily targeted at increasing capability and participation.

This entails three elements.

First, the SPV will make an important contribution by specifying the ways that policies safeguard equality and basic needs. The precise interventions include basic schooling (primary and secondary levels), public health services, food and nutritional intake, social protection such as cash transfers, subsidies and welfare assistance, shelter, basic income and legal protections in employment. Pro-poor, need-based assistance is imperative, to ensure that all Malaysians regardless of identity enjoy a decent living, and that income and socioeconomic status must not be an obstacle.

Following up, the SPV can highlight that specific disadvantaged, vulnerable and marginalized groups warrant assistance where they are unable to attain these basic needs. Among these are the urban poor, poor Indian communities, Orang Asli, Sabah and Sarawak natives, female-headed households, and seniors. In this way, the SPV will more clearly incorporate these groups into the policy mainstream, instead of the current draft's vague notion of "polarity management" for the B40, Indigenous communities, Sabah and Sarawak Bumiputeras, Youth, Women, Children, and Senior Citizens, which appends these categories rather like footnotes and neglects to specify which policies are benefiting them.

Second, the next fundamental set of interventions, which serve to cultivate capability and broaden participation of certain beneficiary groups, especially the Bumiputeras, but also the Indian and Orang Asli populations, should be identified. These programmes, striving to reduce inter-group inequalities, operate by targeting beneficiaries primarily based on identity rather than poverty or socioeconomic status, and apply specifically to tertiary and

higher education, representation in professional and managerial positions, participation in operating and owning business, especially SMEs, and ownership of wealth and property.

Third, the SPV is poised to present a constructive and persuasive narrative on Bumiputera development and group-targeted policies, anchored on capability and participation as the driving objectives and built upward from these grounds. Reform plans should also spell out the ways that particular programmes benefit rural and/or low-income households. This is eminently applicable in education sponsorship and admissions, and in microfinance and small loans. Again, emphasis must be placed on building capability and competitiveness, especially in MARA education and entrepreneurship, Tekun and PUNB microfinance, SME loans and support administered by SME Corp and other entities.

Higher education access is a touchstone issue for all communities, but with multiple entry ways to university and various existing preferential schemes, change is exceedingly complex. Basic education is universal, compulsory and more generic in content. In contrast, colleges and universities have limited spaces and run more specialized programmes, and most importantly for consideration here, impose entry requirements.

It is high time for Malaysia to infuse this thinking into the policy framework, so that policy design and expectations are coherent and aligned, and to educate the general public about the differences between policy options and commitments in basic education versus higher education. Providing opportunity to higher education should not be wedded to principles of equality and provision for all, but should abide by a commitment to fair treatment in a policy sphere that must balance a range of principles and interests that are sometimes in tension: academic ability/merit, access for the disadvantaged, group representation and diversity.

In the enterprise development policy sector, the need is as great as ever to introduce more competitive and merit-based selection among Bumiputeras, with performance incentives and support mechanisms, and more stringent monitoring and effective oversight, particularly in public procurement, loans and grants for SME growth, technological development and new ventures. Importantly, the system must incorporate purposeful and judicious graduation and sunset clauses to enable fairer distribution among Bumiputera beneficiaries and avoid concentration within a narrow upper crust, and to apply adequate incentives and pressure for learning, upscaling and acquiring resilience, competitiveness and confidence. These ideas and goals permeate political discourses, including Mahathir's occasional invectives against beneficiaries of Bumiputera policies, but rhetoric alone will not deliver real change. Malaysia needs to introduce practical and effective policies.

With proper emphases and guiding principles, and policies aligned methodically, Malaysia can better sustain productivity and value-added gains in its Bumiputera programme, which can subsequently translate into higher income and wealth accumulation in a manner that puts the concerns over corruption, profiteering and rent-seeking into proper context. This logical sequencing of priorities further clarifies that such problems must be mitigated and pre-empted because they cause deviations from the agenda of capability development. Importantly, this approach drives the agenda from the front foot, instead of working backwards by setting income and wealth as the objectives – similar to former policies of the Barisan Nasional government – and then only giving assurances that rent-seeking habits of the past will not be repeated.

POLICY MESSAGING

The prospect for the Shared Prosperity Vision, as a defining long-term policy document, to capture the public imagination is as important as its role in informing public consciousness of the country's next developmental steps. Pakatan Harapan faces steep challenges in addressing the demands of varying constituencies, while finding common ground.

The socio-political milieu widely resonates with yearning for assurance of equality and fairness. The SPV has an opportunity to show the specific ways that society does guarantee equal access – specifically on a range of basic needs and welfare provisions. In focusing on fairness in more complex matters of distribution, and on capability development in Bumiputera, the SPV can potentially demonstrate prescience toward the potential perils of a wealth redistribution agenda and the risks of derailment by patronage and rent-seeking. The current message is essentially to do the same thing as predecessors, of pursuing wealth ownership, but by avoiding rent-seeking and corruption in implementation.

It is arguably more effective to firmly commit to building capability and broadening participation as the driving force, which builds in mechanisms against rent-seeking and abuse, and builds up toward gains in productivity, income and wealth.

Dilemmas deepen in the wake of the 16 November 2019 Tanjung Piai parliamentary by-election, which issued PH a stunning rebuke.¹¹ Full-fledged policy responses have yet to emerge, but based on prevailing discourses and the SPV's articulations, the ruling coalition runs the risk of playing to separate galleries and floundering in populism and inconsistency, especially if it continually stresses inter-ethnic wealth and income disparities and omits clarification on the scope of existing Bumiputera programmes. Such pronouncements augment minorities' apprehensions and grievances, to which the current modes of thinking respond by invoking "need-based" programmes or promises of "equitable outcomes" as cover for non-Bumiputera concerns.

These assurances may carry popular resonance, but eventually their lack of substance will surface. As a compromise in PH's policy discourses, an initial emphasis of the SPV on pursuing "equal outcomes" was replaced with "equitable outcomes". This approach evades a direct and measured engagement with equality and fairness, electing instead to cloak shared prosperity in a nebulous garb of equitability.

The government will do better by clarifying the areas in which equality and basic needs are safeguarded, and the areas in which fairness serves as the guiding principle. Differences between basic and higher education are worth reinforcing. The SPV presents an opportunity to unequivocally support vernacular schools and provide universal primary and secondary education, while markedly signalling that university admissions, which is complicated by numerous entry routes and limited enrolment spaces, must strive for a fair balance of various criteria and interests.

In sum, the SPV requires thorough rethinking for it to make a real breakthrough.

Appendix Table 1. Malaysia's Grand Policies and Key Features

Grand policy	Ultimate goal	Mainstays
New Economic Policy (1971-1990)	National unity	Two prongs: 1. Poverty eradication irrespective of race 2. Social restructuring to reduce and eventually eliminate the identification of race with economic function
Vision 2020 (1991-2020)	Fully developed country	Nine challenges: 1. United Malaysian nation made up of one <i>Bangsa</i> Malaysia 2. Psychologically liberated, secure and developed Malaysian society 3. Mature democratic society 4. Moral and ethical society 5. Matured, liberal and tolerant society 6. Scientific and progressive society 7. Fully caring society 8. Economically just society 9. Prosperous society
New Economic Model (2010-2020)	Quality of life for the <i>rakyat</i>	Three main goals: 1. High income status 2. Inclusiveness 3. Sustainability
Shared Prosperity Vision (draft) (2021-2030)	Decent standard of living for all	Three objectives: 1. Development for all 2. Addressing wealth and income disparities 3. United, prosperous and dignified nation

¹ Mahathir's 19 October 2018 speech in parliament, at the launch of the Mid-term Review of the 11th Malaysia Plan, briefly mentioned shared prosperity (<https://www.pmo.gov.my/ms/2018/10/kajian-separuh-penggal-rancangan-malaysia-kesebelas-2016-2020-keutamaan-dan-penekanan-baharu-2/>). Slightly more details were outlined in his keynote address on the first anniversary of the Pakatan Harapan government on 9 May 2019, and his Merdeka celebration speech of 31 August 2019 (<https://www.pmo.gov.my/wp-content/uploads/2019/05/Keynote-Address-by-YAB-Prime-Minister-First-year-Anniversary-of-the-Pakatan-Harapan-Government-on-9-May-2019-at-PICC.pdf>; <https://www.pmo.gov.my/2019/08/teks-perutusan-hari-kebangsaan-2019/>).

² Deputy Defense Minister Liew Chin Tong described shared prosperity as a process of learning to build empathy and to be guided by reason and moderation instead of giving in to primordial sentiments (“Job opportunities crucial for economy to move forward, says deputy minister”, *The Malay Mail*, 19 August 2019). Works Minister Baru Bian grounded a greater focus on Sabah and Sarawak – bringing their development on par with Peninsular Malaysia – on “shared prosperity” (“Baru: Works to repair dilapidated schools in S’wak have begun, expected to be completed next year”, *Borneo Post*, 22 September 2019). Minister of Economic Affairs Azmin Ali, while committing to review Malaysia’s poverty line and consolidate a multidimensional approach to socioeconomic development, attached this initiative to shared prosperity (“Azmin: Agriculture sector vital to bring economy to next level”, *New Straits Times*, 28 September 2019).

³ The documents are downloadable at: <https://www.makmurbersama.my/en/>.

⁴ Institute for Malaysia’s Future.

⁵ The author thanks Nizam Mahshar and Dr. Marzuki Mohamad, CEO and Board of Trustee member of MASA, respectively, for their insights on the progress of the shared prosperity concept within MASA, PPBM, and Pakatan Harapan.

⁶ It is difficult for this article to evaluate the SPV’s guiding principles, strategic thrusts and enablers, given the lack of a clear exposition of how they are defined, structured, and inter-related. Nonetheless, it is useful to list down these components, as follows:

- Fifteen guiding principles: Continuous prosperity; equitable outcome; equitable growth; distributed economy; inclusivity; learning society; future economy; needs-based approach economy; institutional political-economy; integrated social model; economic centre of Asia; democracy and stability; integrity and good governance; unity in diversity; sovereignty and sustainability.
- Seven strategic thrusts: restructuring business and industry ecosystem; key economic growth activities; transforming human capital; strengthening the labour market and increasing compensation of employees; social; regional inclusion; social capital.
- Eight enablers: fiscal sustainability; financial capital; effective institutional delivery; governance and integrity; education and technical and vocational education and training; big data; sustainability; enlightened society.

⁷ Author’s interview with senior official, Ministry of Economic Affairs, 29 October 2019.

⁸ At the May 2018 general elections, Pakatan Harapan received an estimated 25-30% of Malay votes.

⁹ Author’s interview with senior official, Ministry of Economic Affairs, 29 October 2019.

¹⁰ Among the influential inputs to the SPV were complaints from non-political Malay businessmen who claimed to have been marginalized due to their detachment from the political-business nexus, in which deal-making is also more prone to corruption (Author’s interview with Ahmad Yazid Othman, CEO, Malays Economic Action Council, 29 October 2019).

¹¹ The Tanjung Piai, Johor parliamentary by-election of 16 November 2019 was held following the death of PPBM’s Farid Rafik, who won the seat at the May 2018 general elections by a razor thin margin of 524 over MCA’s Wee Jeck Seng, securing 47.3 percent of votes. As an ethnically mixed constituency with a Malay majority and sizable Chinese – 57 percent Malays, 42 percent Chinese, one percent Indian – the by-election was regarded as a referendum on the PH government and Mahathir administration, especially from the perspective of the two largest communities. MCA fielded Wee again, and won by 15,086 votes (65.6 percent of the total), with PPBM’s candidate Karmaine Sardini getting a mere 26.7 percent. The landslide victory demonstrates massive erosion of Chinese support for PH, and continued Malay unease.

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