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The MEF-European Ambassadors Roundtable 2010

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THE MALAYSIA-EUROPE FORUM

The Malaysia-Europe Forum (MEF) aims to promote Malaysia in Europe and vice-versa through the exchange of views, furthering of mutual interests and enhancement of links between and among European and Malaysian business leaders, professionals, scientists, academics and humanitarians at a non-governmental level.

One of the main aims of this non-profit civil society organisation which is headquartered in Kuala Lumpur, with branch secretariats in Brussels, Berlin and London, is to advance the international reputation of Malaysia and to facilitate business and professional networking opportunities between Malaysia and Europe.

Institutionalised high-level conferences, dialogues and networking events will be instrumental to achieve these goals.

The MEF will allow for frank and open dialogue, thereby generating ideas and forging genuine understanding within a civil society forum, facilitated by lively and creative people from Malaysia and Europe, covering topics such as sustainable business, transparency, good governance, environmental, educational and cultural affairs and all matters affecting global citizens of today.

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CHALLENGES FOR MALAYSIA: TO BUILD A SOCIETY AT EASE WITH ITSELF

MALAYSIA is at risk of losing out as a regional economic powerhouse if remedial measures are not taken to arrest the decline in its economic, political and social structures. That was the blunt verdict of most European Ambassadors invited to a dialogue, held under the auspices of the Malaysia-Europe Forum¹. The country, they said, had slipped off the radar of Europe, as China, India, Singapore and Indonesia flexed their innate economic strengths. The issues of ethnic preference policies, domestic capital flight, a deleterious economy, Islamic resurgence and the 'Allah' controversy, moral policing, corruption, a muzzled media

and overbearing governmental control had combined to tarnish the image of the country once lauded for its tolerant religious harmony, pluralistic society and economic panache. While these stakeholders were unanimous in their praise for Dato' Sri Najib Abdul Razak, the Prime Minister, and his visions for 1Malaysia² and the New Economic Model³ to spur the nation to renewed solidarity and greater economic growth, opposition to these measures were seen to be rooted within his own ruling United Malays National Organisation⁴ party. The fear is if the Government does not deal with the underlying

problems, Malaysia would be stranded in a middle-income rut. The objective of the European Ambassadors Roundtable⁵ was to inject a sense of transparency in Malaysia-Europe relations – a first by any measure in bilateral or multilateral relations. Their Excellencies were asked for their frank and undiluted views about the country, its politics and policies and the potential and pitfalls of Malaysia as a desirable investment destination.

Opening the dialogue, the MEF spelt out its founding principle to build a bridge to greater understanding between Malaysia and Europe. To its credit, the Government has acknowledged the useful role the MEF could play in enhancing ties, a view which was publicly declared by the Prime Minister at last November's official launch in Kuala Lumpur of the civil society organisation. The European Ambassadors Roundtable, held on 12th April 2010, came on the heels of the MEF's Spring

Dialogue in Munich in March 2010⁶ focusing on green issues and investments. The Munich event provided the Malaysian Government, big business and small and medium enterprises with a platform to address issues of climate change, greenhouse gas emissions and sustainability in the face of environmental protests against the processes behind the manufacture of products. In particular, the country's palm oil export industry, which has come under sustained criticism by environmental groups, was able to highlight its efforts to clean up its act and bury any discreditable image of the "ugly Malaysian" denuding tropical virgin rainforests for quick gain. The Munich dialogue also enabled German companies to set out their stall on technology in renewable energy, among other cutting-edge developments, and their potential for investment and collaboration. In an increasingly interdependent world, success or failure rests with global consumers and markets for they can easily punish recalcitrant countries

- 1 The Malaysia-Europe Forum (MEF) aims to promote Malaysia in Europe and vice versa through the exchange of views, furthering mutual interests and enhancing links between and among European and Malaysian business leaders, professionals, scientists, academics and humanitarians at a non-government level.
- 2 The goal of 1M is to enhance unity in a unique country with a diverse population which has been the country's strength and remains its best hope for the future.
- 3 Launched on 30th March 2010 by the Prime Minister Dato' Seri Najib Tun Razak, the New Economic Model (NEM) is a framework for inclusiveness to enable all communities to contribute to and share in the wealth of the country.
- 4 The United Malays National Organisation, or Umno, is the mainstay of the ruling Barisan Nasional or National Front coalition of race-based as well as other parties.
- 5 The MEF-European Ambassadors Roundtable 2010 was held on 12th April 2010 at the Impiana Hotel, Kuala Lumpur.
- 6 The MEF-Munich Spring Dialogue 2010 was held on 2nd March at the Hotel Vier Jahreszeiten Kempinski München. See the MEF report on The Global Green Agenda: Securing a Sustainable Future.

failing to comply with global notions of right and wrong. Against this backdrop of events and issues, it was a timely exercise to ascertain European views of Malaysia's strengths and weaknesses as a leading trading nation. The MEF emphasised to the Ambassadors that it would act as a conduit and channel the views expressed at the Roundtable, held under the Chatham House Rule⁷, to the highest echelons of Government.

In a briefing paper, distributed prior to the Roundtable, the MEF had asked the Ambassadors to focus their discussions on Malaysia's new administration, with particular reference to the launch of the New Economic Model; the recurring issues that stand in the way of improved relations; and how to tackle tensions, dilemmas and challenges that crop up in developing a better understanding. The objective, stated simply, was to provide a forum for key European Union and non-EU stakeholders and experts to exchange views and draw a roadmap to better rapprochement between Malaysia and Europe. Welcoming the participants, Tan Sri Rafidah Aziz⁸ encouraged the Ambassadors to "feel free to voice your concerns". She assured them that their views would be brought to the attention of the powers-that-be and appropriate action taken because one of her pet hates was the failure by respective government authorities to respond to issues and concerns raised. She expressed the hope that the Roundtable would become a "rolling dialogue" held on an annual basis so that Ambassadors could speak their minds in a non-attributable environment. Kicking off the discussions with a provocative question, their Excellencies were asked: a year into the Najib

leadership⁹ has there been any difference or have government policies remained the same? In the 'let's be open and chat atmosphere' the Ambassadors narrated their personal anecdotes of their association with the country; most said they had read a lot about Malaysia before taking up their posts and thought that after some months of arriving they "knew everything". But after two years of residence it dawns that their sum of knowledge was "worth little". While a few Ambassadors were making their debut in the country, others were nearing the end of their tour of duty, whose final reports would be read in the highest echelons of power in their home countries. For the doyens the biggest transformation has been the rise of the political opposition. The view from Europe's mature democracies was that "the Government should not fear or repress the opposition; admittedly, the Government will find it more challenging to rule but it can tackle whatever issues that arise." In their view the popular cry 'it's time for change', given fresh impetus by President Obama of the United States during his presidential campaign, should embrace real and structural transformation when applied to Malaysia.

The sea-change in the country following the general elections of March 2008 – which saw a fledgeling opposition alliance denying the ruling coalition its two-third majority in Parliament for the first time since Independence in 1957 – contributed to interesting observations. Before that convulsive result Malaysia was politically regarded as "a rather boring and orderly place" – there were no deep rifts in society – and economically enjoyed impressive growth. Foreign commercial and political entourages

that arrived for brief reconnaissances got only a snapshot of the country. Since March 2008 it has sunk in to the outside observer that Malaysian society is far more complex. The simplistic notion of 'Malaysia: Truly Asia' – for the lilted slogan symbolises a harmonious cosmopolitanism – has unravelled and diplomatic missions realise now they “do not understand all the undercurrents” in society. Key perceptual issues that came to the fore were the country was being Islamised, as manifested in the legal dispute that spilled over this year regarding Christian usage of the word 'Allah', and the “lost decade” of stagnation after the 1998 Asian financial crisis, as admitted by Dato' Seri Ahmad Husni Hanadziah¹⁰, the Second Minister of Finance. Since the bulk of Malaysia's relations with Europe revolve around economic and commercial matters, domestic politics was not of great significance: indeed from an investors' viewpoint “boring politics is good for business”. But the overt Islamisation of the country and the straitjacket of religion dominating public life in a secular state, long noted for its tradition of religious moderation, caused deep concern. A common thread in the discussions was that religion and politics, like

oil and water, do not mix. The idea of two sets of family laws – in the Sharia and civil courts – was frowned upon. Moral policing – whereby religious authorities mount raids on hotels, bars and discothèques – was disconcerting. Assurances that the Government and Cabinet disapproved of such overzealous policing and an explanation that religious issues came under the purview of state authorities did not alter the perception that Islamic forces were in the ascendancy. The religious raids were sending the “wrong signals to the outside world” and Government and Parliament should outlaw such zealotry. In defence of the Government it was pointed out that the authorities did step in when autonomous religious groups took the law into their own hands and set alight churches and temples; the message being that the 'Allah' controversy could be debated but criminal action would not be tolerated. The paradox was that clamping down on autonomous groups infringed on democratic rights. The alternative view was, if one could not convert one's religion that too infringed on freedom. The general perception that people could be punished for drinking beer remained. Much of the blame lay with

- 7 When a meeting is held under the Chatham House Rule, participants are free to use the information received but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed in the interest of encouraging openness and the sharing of information.
- 8 YB Tan Sri Dato' Seri Rafidah Aziz, Adviser and Patron, Malaysia Europe Forum, was Malaysia's former Minister of International Trade and Industry and is currently a Member of Parliament.
- 9 Dato' Sri Najib Abdul Razak became the sixth Prime Minister of Malaysia on 3rd April 2009.
- 10 On 1st December 2009 in a speech to the National Economic Outlook Conference 2010-2011, YB Dato' Seri Ahmad Husni Hanadziah, Minister of Finance II, said: “Our economy has been stagnating in the last decade.” It was reputedly the first admission by a top Government leader of a lost decade of stagnation.

the international media which has a penchant for sensationalising stories, when those who lived here realised that these were just isolated issues. The overall effect, nevertheless, is negative stories distort perceptions. Besides religion, the issue of racial inequality was raised and it was observed that Malays enjoyed better privileges than Indians or Chinese. The predominant view was that all citizens should be equal although the Constitution guarantees the special position of Malays and other indigenous people. One view was that Malay champions misused the constitutional proviso and were increasingly chauvinistic in their outlook to the extent of painting other races as outsiders rather than accepting them as part of the national fabric. Race-based political parties are an anachronism, and Malaysia, which is part of the fastest-growing region in the world, should review the outdated structure.

On Singapore it was noted that although it had an impotent opposition this handicap did not appear to matter in the diplomats' estimation of the city state. The MEF sought to allay some of these concerns by providing a broad-brush historical picture. Unbridled opposition and an emotionally contested general election in 1969 led to the infamous racial riots of 13th May 1969. The complex racial structure of the country meant that radical measures had to be implemented: hence the New Economic Policy¹¹ was introduced to reduce poverty and raise the Malay share of the economy from the then 1.9 per cent (to almost 30 per cent in 2010). Now, however, as countries such as China and India surpass Malaysia in economic competitiveness and FDI attractiveness, the Government realises it has to make radical

changes to inculcate in the Malay mind that the crutch of NEP has to be dismantled and that the majority race cannot continue to be molly-coddled. Admittedly, this is no easy task: for example, if social security in Europe was withdrawn the backlash could potentially topple governments. A pampered and vocal group of Malays who have set up an organisation called Perkasa¹² do not want change; the organisation has been dismissed as "not credible" and its leadership wants to hang on to patronage politics because they apparently fear they would be marginalised if the NEP is rescinded. It was stated that many bumiputras¹³ do not support Perkasa and the majority within Umno want to move forward. The Government realises that it is going to be difficult to change a cultural mindset ingrained for many years. But with the economy stagnating, worrying capital flight and the country losing out to China, India, Vietnam, Indonesia, Philippines, Singapore and Thailand, root and branch reform can no longer wait. If Umno does not grasp the nettle Malaysia will continue to be trapped in a low value-added, low wage and low productivity structure while neighbouring states steam ahead. Sadly, it is the strident Perkasa group that is winning the headlines; as with the 'Allah' controversy it is a small vocal lot that is dominating the news. On the visual image of Islam – with reference to more women donning the head-scarf – it was a question of style and personal preference rather than a religious imposition. Regarding the watershed March 2008 general election, it was evident to senior Umno politicians when the candidate list was announced that Barisan would lose its two-thirds majority. At least 70 heads of divisions had been removed and in

one Penang constituency a chauffeur was appointed as candidate; in another instance a respected State Assemblyman who is an engineer by profession was replaced by an upstart Umno Youth leader. These decisions disenchanted party workers and the biggest casualty of these sweeping changes was Perak, which along with four other states fell to the opposition. Umno's analysis was that the people did not reject the party; it was the then party leadership that was ineffective.

While the lack of an effective opposition in Singapore drew the response that the political representation in the city state was "adequate to its size", the Malaysian Government was praised for its achievements. Over the past three decades the Government had created good jobs enabling people to be upwardly mobile, able to afford good housing and education so there had been little call for a powerful opposition, so any disgruntled groups were marginalised to focusing on issues of religion. It was generally agreed that the Government had to tackle the overt sensitivities about religion before sentiments spread out of control, especially as in the current economic, political and religious climate business people

in Europe no longer regarded Malaysia as a serious player. The critical observation was that Malaysia had lost its economic competitiveness; the brain drain being one manifestation of this setback. (It has been estimated that more than 300,000 Malaysians had emigrated in a 17-month period in 2008-2009.) From a EU perspective, Malaysia "does not have the same appeal as before" and Indonesia, beside India and China, looked increasingly attractive. The problem with building a new economic model of growth, most agreed, was not the opposition, but Umno itself. Like the farmers of Europe, thriving on EU subsidies, it is a wrench for any privileged group to voluntarily give up benefits they had become accustomed to. An Ambassador from a wealthy European state said when he told businessmen in his home country that he worked in Asia the immediate query was whether he was serving in China, India, Indonesia or Singapore. There are more European trade and political delegations visiting Indonesia than Malaysia. Indonesia was adopting a more progressive approach in political and international affairs, and its cheaper labour force made it an attractive investment location. But Malaysia has the advantage of better infrastructure, subscribes

- 11 The New Economic Policy, instituted after the May 13th 1969 race riots, gave Malays preferences in economic, financial, educational, social and other aspects of national life. The objective was to stake a 30 per cent claim on the economy; as the years rolled by and the initial 20-year life of the NEP was extended resentment has grown among the other races.
- 12 A Malay right-wing group Pertubuhan Pribumi Perkasa has been formed to defend Malay supremacy. There are fears that another round of Malay preference policies would destroy the promises contained in the Prime Minister's 1 Malaysia vision which emphasises national unity, ethnic tolerance, and government efficiency.
- 13 Bumiputra is a Sanskrit word literally translated as 'son of earth'. In Malaysia the term largely refers to the indigenous Malay-Muslim population who have been the main beneficiaries of affirmative action under the NEP.

to rule of law and English is widely spoken in the country. From an investment perspective it is easier for multinational corporations to establish offices in Singapore – where one could open a company online – rather than in Malaysia. The city state was more “business friendly” whereas in Malaysia foreigners faced the hurdle of finding a bumiputra to engage in partnership. It also took months to import a car. Singapore’s drawback was that it is more expensive. Given the current political stand-off in Thailand between opposition forces and the Thai Government, it was felt that Malaysia could profit from the unrest there.

Another unanimous view was that the Malaysian media subscribed to a “severe degree of self-censorship”. One anecdote went: when Ambassadors invited editors of Malaysian newspapers to lunch they were astonished that the journalists would not articulate any views; this scenario would not happen in their countries, they said. For Malaysia to progress and play an important role in international affairs, press freedom was essential. It was felt that the legal system was unnecessarily wielded as a stick to punish journalists and journalism, when the nature of a mature media was to invariably run corrections when it had got it wrong. Building an independent media was seen as a strategic task for the Government. The irony was that while the old media was repressed the newer online news portals were freer, although some websites and blogs were ludicrously irresponsible in lampooning leaders. Nevertheless, commentators who had voiced opinions critical of the Government on the Net had been hounded too. It was also regarded as absurd that in the borderless world wide web

one could not buy Singaporean newspapers here but could purchase an online subscription for a few dollars.

A year into the Premiership of Dato’ Sri Najib the view is of a promising leader who has made some serious announcements – such as his 1M vision and the New Economic Model – but so far they remained just declarations of intent. There had to be a “reality check” to gauge how these initiatives are perceived by citizens and European stakeholders and how each group would benefit. The 1M initiative was applauded but there was “a long way to go to turn the vision into reality”; the ambition was there but support for the concept within Dato’ Sri Najib’s own ranks was lacking. The Prime Minister will be judged on whether he delivers on both these stated objectives. He was on the right track but the “proof is in eating the pudding”. He was the “right guy at the wrong time” and his room for political manoeuvre to achieve what he wants for the country appeared to be limited. One criticism was that the 1M policy appeared to be a top-down concept, when it should adopt a grassroots approach to succeed; it has to start in schools with education instilling belief in the axiom of unity in diversity and equal opportunities for all. One diplomat commented that many non-bumiputras appeared to be disenchanted with his or her lot, but was unsure whether in expressing such a view these Malaysians were posturing for a foreigner. Recalling a meeting of the Bankers’ Club addressed by the Prime Minister, another Ambassador said he was impressed with Dato’ Sri Najib who was frank and open in his speech. In his view much of the resistance towards the New Economic

Model came from within the Prime Minister's own Umno party. It was, understandably, not easy to change tack when the majority Malay population had become accustomed to the New Economic Policy that had perpetuated affirmative action for the past 50 or so years. The situation was akin to taking up golf: it would take time for a beginner to learn a new set of rules and improve one's handicap so as to play at a higher level. Those who had listened to Dato' Sri Najib's public addresses or read interviews published in the media were impressed by "his good grasp of events" and observed that he had competent advisers. His arguments for the introduction of the New Economic Model were substantive and demonstrated that the Government "really understands what the country needs". The critical question however remained: "Does the Government have the will to impose the changes needed?" Since opposition to the NEM was primarily entrenched within the ranks of Umno, the pillar of the governing National Front Government, the question uppermost was: "How far is Umno prepared to change?"

On foreign policy, it was felt Malaysia's position was "fuzzy" and it was hard to determine from Wisma Putra where Kuala Lumpur stood on global issues or even bilateral relations with EU States. The only clear policy was on Asean. Unlike his predecessor, Dato' Seri Najib was perceived to be making fresh strides – the Roundtable coincided with the PM's visit in April to Washington. From an European perspective it was hoped that Malaysia would discard its ambivalence and join the majority Western initiative to curb Iran's nuclear-power ambitions. The Government

was applauded for its diplomatic efforts in trying to bring about democratic progress in Myanmar and was encouraged to do more to resolve the conflict in the Muslim-majority Mindanao province of the Philippines. It was acknowledged that EU-Malaysia relations were "good", providing a strong base for building better ties. Presently, dialogue might be restrained but Malaysia and the EU can accrue benefits from enlarging relations. Although economic relations remain strong, with the EU being Malaysia's second largest trade partner, the view was that more needs to be done to nurture and enhance relations. To achieve this goal, it was felt that a EU-Malaysia Free Trade Agreement (FTA) was essential. Malaysia, apparently, is the only country in Asean that has yet to take up an EU offer of a Partnership and Co-operation Agreement (PCA), the precursor to an FTA. Although feelers being put out indicate that Kuala Lumpur will move on negotiations on a PCA, the view was that there was a certain reticence and nervousness to discuss issues such as democracy, human rights and rule of law as part of the framework of an agreement. One policy concern for Malaysia has been over public procurement; but the European view was that though the country purchased a lot of expensive equipment it was not getting value for money. The general view was that Malaysia and the EU can do more and a PCA/FTA could put a new zing in relations. With Malaysia falling off the European radar, it was also felt that Kuala Lumpur could not reach its potential without Asean. All acknowledged that Asean was extremely important from a political, economic and security standpoint. Economic integration between the ten member

states of the regional grouping was seen as integral to growth and prosperity of the region. Malaysia's 27-million population is not small but a customs union of half a million is of a different scale. But an FTA between Asean and the EU was still a long way off.

Asked for their wish-lists for Malaysia, top of the ambassadors' list was that the country would provide equal opportunities for all, more so than had been the case up to now. The New Economic Model and the 1M concepts were steps in the right direction to build a unified country. There should be freedom of expression and religion, and issues of Islam and the superiority of the Malay race played down. It was felt that there was too much power in the hands of the Government which discouraged free and frank discourse in the media. The Government should "do something real" about tackling corruption and there must be more transparency in public and private commercial affairs. The country should also cherish its rich biodiversity and protect its virgin rainforests and subscribe to the highest standards of building a sustainable environment for future generations. It was acknowledged that Malaysia had shown its commitment to the green agenda but more needed to be done. At least one Ambassador felt that the West should not preach since Europe had a long history of democracy while Malaysia's is only 50+ years old. Overall, the view was that Malaysia is endowed with a wealth of riches – oil, infrastructure, a hardworking labour force and natural resources – all important ingredients that appeal to foreign investors. The country, while not at odds with its neighbours seemed

uneasy with itself and more soul-searching was required.

The gauntlet thrown by the MEF proved to be a unique opportunity to express European views. The initial perceptions of Malaysia as a unified, law-abiding society had given way to a realisation "how controlled this society is" particularly the media. The almost unanimous view was that the challenge for the future was to introduce a degree of liberalisation, encourage free flow of opinion and discussion in public life and to draw on the country's best resources and talent to realise the Prime Minister's new vision.

FOOTNOTE: All the Ambassadors who participated welcomed the opportunity to discuss "a good range of issues" and were thankful to the MEF for organising the Roundtable and starting a conversation. They were assured that their frank and stimulating views on the key issues of the day would be raised with the Government. Although they agreed that Europeans, admittedly, had a tendency to tell people "how things should be, it was time to listen to enable a fruitful two-way discussion so that we can explain how things are here back home."

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