

Malaysian government confronts mounting and intractable issues

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One year after Prime Minister Anwar Ibrahim and his Pakatan Harapan coalition formed government, the Malaysian ruling class confronts mounting and increasingly intractable issues spanning the economy, declining social conditions, and international relations.

On December 5, Fitch Ratings re-affirmed its BBB+ credit rating on the Malaysian government's long-term debt. This is not far removed from junk bond status. The credit rating agency explained that there was "an increase in the government debt ratio over the medium term, for instance, due to insufficient fiscal consolidation."

In plain English, this amounts to a demand for the government to reduce debt, which will invariably mean by cutting social programs and forcing workers and the poor to foot the bill. Fitch stated, "We expect fiscal adjustments such as a broad and immediate removal of subsidies and the introduction of broad-based consumption taxes."

The Malaysian government debt currently stands at about RM1.51 trillion or about \$US320 billion. This is approximately equal to 81.6 percent of Malaysia's gross domestic product (GDP). In 2022, the debt-to-GDP ratio was 80.7 percent.

The high level of debt and the increasing probability that it will not be repaid is of deep concern to local and international creditors and investors. According to the budget tabled on October 13, debt service repayments in 2024 are forecast to be RM46.1 billion or about 15.2 percent of 2024 government revenue.

The increased attacks on social conditions are already compounding the social crisis facing Malaysian workers, youth, and rural poor. The Malaysian government intends to slash its price subsidies, which cover fuel, electricity, and basic food products such as rice and cooking oil. This has already caused food

prices to rapidly escalate. The subsidy program is expected to cost to RM81 billion (\$US17.4 billion) in 2023.

The Anwar government on November 1 removed the chicken subsidy that previously capped the price of chicken at RM9.40 per kilogram. It is estimated that this cost-cutting measure saves the government RM100 million per month. Chicken is a primary protein in Malaysia.

Hasni Muhammad Nasir, a poultry seller in Johor Bahru, noted that at the expiration of the subsidy the price of 1 kg of chicken started at about RM8 then climbed to RM8.50 one week later. As of November 17, the former ceiling price had been reached and reports now abound of prices well in excess of this.

Also in Johor Bahru, Tan Lee Peng stated: "I am currently paying RM11 for a kilo of chicken at the wet market." She noted that if the price climbs above RM12, her family would have to halve their chicken consumption. "Other meat and seafood are quite expensive these days," she said. Other market goers also stated that they could not afford the new price increases.

Chicken prices as well as the price of eggs and other food items are affected by higher input prices such as the price of fertiliser, wheat and corn stemming from the ongoing war in the Ukraine. Both Russia and the Ukraine are significant suppliers of these commodities.

Another significant global factor fuelling inflation in Malaysia is the weakening Malaysian ringgit which in October reached a 25-year low value of RM4.67 to the US dollar. In part, the weakening ringgit is due to the decision of Bank Negara, Malaysia's central bank, to pause overnight cash rate increases since July.

Malaysia imports about 60 percent of its food. In 2022, food imports totalled about RM76 billion

(\$US16.3 billion). These imports coupled with a depreciating currency are another conduit for inflation.

Vishnu Varathan, head of economics and strategy at Mizuho Bank in Singapore, noted that the government “subsidy roll-back” is likely to lead to further increase inflation. Pressure is therefore building to increase central bank lending rates in order to precipitate higher unemployment, thereby stifle any wage push by Malaysian workers. Such a move, though, would invariably lead to further pain within poor households from higher home loan repayments.

Economist Yeah Kim Leng of Sunway University in Kuala Lumpur noted that while overall inflation has fallen to 1.9 percent for the 12 months to September, food and non-alcoholic beverage inflation was still running at 3.9 percent. “Of concern is food inflation that continues to be persistently high, which is close to double of overall inflation.”

Conscious of the potential for social unrest under these conditions, the Anwar government is sensitive to any expressions of discontent including over the Israeli government’s genocidal war on the Palestinians in Gaza. The prime minister has postured as a defender of the Palestinians in an attempt to deflect growing anger towards his government.

While Malaysia is Muslim dominated, opposition to the brutal assault, principally on Gazan children and women, is widespread regardless of religion. The extent of this opposition is also significantly underreported in the mainstream media and only emerges intermittently. Tens of thousands have participated in protests since October, opposing not only Israel but the role of US imperialism in supporting the slaughter taking place.

Increasingly, Anwar’s statements supposedly defending Palestinians come across as grandstanding. At the Asia-Pacific Economic Cooperation (APEC) meeting held in San Francisco last month, Anwar condemned the actions of the Israeli government.

At APEC, however, the Malaysian government and business delegation secured approximately RM63 billion (\$US13.5 billion) in proposed investments by US companies, including Google, Microsoft, Ford Motor Company, Boeing, and Amazon Web Services. Anwar also courted the fascist multi-billionaire Elon Musk, owner of Tesla, the electric vehicle manufacturer, and Twitter/X.

Boeing in particular is in the business of

manufacturing weapons. In early October, it was reported that Boeing delivered one thousand 250-pound small diameter bombs to the Israeli government. Boeing has also extensively supplied the Israeli military with missile guidance systems, with Israel recently taking delivery of as many as 1,800 such units. Analysts believe that Israel used Boeing-made missile guidance systems in strikes on the Jabalia refugee camp in Gaza that left an estimated 195 dead. It is almost certain that Boeing weaponry has been regularly raining down on Gaza since early October.

In addition, Microsoft provides cloud services (internet-based computer infrastructure) to the US Department of Defense which supports the actions of the Israeli government and its military. On November 17, Musk posted a Twitter/X tweet, pledging to censor pro-Palestinian posts on his Twitter/X platform.

The Anwar government will do nothing alienate US imperialism and to jeopardize these deals.



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