

Malaysian government targets workers and the poor

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Malaysia's ruling Pakatan Harapan coalition announced a cabinet reshuffle last month after more than a year in power. The changes are bound up with the government's agenda to tackle mounting government debt by pushing through major attacks on the social and economic conditions of workers and the poor.

One of the key appointments on December 12 was that of Amir Hamzah Azizan to the position of second finance minister, overseeing government spending and the federal budget. At a press briefing announcing the cabinet changes, Prime Minister Anwar Ibrahim, who also serves as first finance minister, noted "the focus is on the economy and not to be sidetracked by political pressures." In other words, Amir Hamzah, who is described as a technocrat, is to carry out the dictates of big business without even the pretense of accountability to the public.

Amir Hamzah is a relative political newcomer with extensive senior corporate experience. Between March 2021 until his newest appointment, he served as the CEO of the largest Malaysian pension fund, the Employees Provident Fund (EPF). Previously he served at senior levels at the state-owned oil company, Petronas, as well as ten years at Royal Dutch Shell.

What concerns Anwar and the Malaysian ruling elite is rapidly increasing government debt, currently RM1.5 trillion (\$US322 billion), which is approximately 80 percent of GDP. They fear this will inevitably lead to credit rating downgrades, unsustainable levels of interest repayments, an inability to refinance, and ultimately default, ushering in political turmoil and the threat of a social upheavals as happened in Sri Lanka in 2022.

The danger was underscored when Fitch Ratings reaffirmed its BBB+ credit rating on the Malaysian

government's long-term debt on December 5, only a few notches above junk bond status. Fitch noted that one of the key risks that could lead to a credit rating downgrade was "an increase in the government debt ratio over the medium term, for instance, due to insufficient fiscal consolidation [i.e. budget cuts]."

This situation is made increasingly untenable due to debt being compounded by historically high budget deficits, thus necessitating more borrowing. The budget deficits for the three years 2021 to 2023 each exceeded RM90 billion (\$US19 billion). The 2024 budget deficit is forecast to be RM85.4 billion (\$US18.3 billion), which is still much higher than the pre-pandemic peak deficit of RM53.4 billion (\$US11.5 billion) in 2018.

For Malaysia's ruling class, a major demand is to reduce government price subsidies, on which workers and the rural poor rely to partly offset cost-of-living increases related to food, utilities, and fuel. While subsidies for 2023 were expected to tally RM64 billion (\$US13.7 billion), the revised estimate is approximately RM81 billion (\$US17.4 billion), resulting in a further increase in the 2023 budget deficit.

The insistence that workers and the poor must foot the bill was spelled out by former United Malays National Organisation (UMNO) health minister, Khairy Jamaluddin. UMNO is a component part of Anwar's coalition government. Khairy, who is the son-in-law of former Malaysian Prime Minister Abdullah Ahmad Badawi, was a former UMNO youth leader and a contender for party leadership until his expulsion by UMNO President Ahmad Zahid Hamidi in January 2023.

In a November 27 open letter, Khairy demanded that Anwar "quickly arrest the drift and course correct by dropping deadwood in Cabinet" and "appoint a

technically competent second minister of finance to drive tough reforms.”

These “tough reforms” consist of cuts to government subsidies, cuts to public sector pensions and salaries, which currently absorb almost half of government revenue, and the reintroduction of the goods and services tax (GST). These measures would have a devastating impact on working people.

The Anwar coalition government is already moving in this direction. The 2024 budget tabled in mid-October included an increase in the services tax from 6 percent to 8 percent. However, in line with Khairy’s demands, other sections of the business elite have called for introducing the GST.

The GST was initially introduced by the UMNO government of former Prime Minister Najib Razak. To a large extent, this was to offset significant falls in oil dividend revenue from Petronas due to a crash in the global price of oil from July 2014.

Set at a rate of 6 percent on goods and services sold in Malaysia, the application of the GST was much broader than the current sales and service tax (SST), was widely despised and one of the reasons for the shock defeat of the UMNO government in the 2018 general election. In 2017, the GST contributed 18 percent of the government’s revenue. One of the first acts of the first Pakatan Harapan government was to repeal the GST in mid-2018, replacing it with the SST on September 1, 2018.

The Pakatan Harapan government also floated the price of chicken on November 1, previously subsidised and capped at RM9.40 (\$US2) per kilogram. It is estimated that this cost-cutting measure saves the government RM100 million (\$US21.5 million) per month. The cost of chicken has already exceeded the former ceiling price, eroding the consumption of this primary protein by Malaysian workers.

Further cuts are in the pipeline. On November 27, Economy Minister Rafizi Ramli said the government would introduce a targeted subsidy mechanism for petrol (referred to as RON95) in the second half of 2024. At present, RON95 is subsidised and sold at RM2.05 (\$US0.44) per litre. It is estimated that without subsidies, RON95 would cost RM3.22 (\$US0.69) per litre, a 29 percent increase that would disproportionately be felt by the working class who have to travel further for work.

Some of the other key cabinet changes that occurred on December 12 include a round-robin between three senior UMNO ministers. Specifically, UMNO deputy president Mohamad Hasan was moved from defence to foreign affairs, UMNO vice-president Khaled Nordin was moved from higher education to defence, while UMNO Supreme Council member Zambry Abdul Kadir was moved from foreign affairs to higher education.

At least one of these ministers, Khaled Nordin, expressed surprise at his reassignment. Behind the scenes, there is undoubtedly bitter infighting. Pakatan Harapan is an unstable alliance between Anwar’s People’s Justice Party, the ethnic-Chinese Democratic Action Party, the Borneo-based Gabungan Parti Sarawak, the Islamist AMANAH party, and UMNO.

UMNO ruled Malaysia from 1956 until 2018 through a combination of electoral gerrymander and police-state repression, including against Anwar himself. It is now little more than an unstable parliamentary front, having fractured amid deep divisions and rivalry in the ruling class.

The current coalition was only cobbled together in the facing of declining economic conditions and growing popular discontent after the November 19, 2022 election failed to produce a parliamentary majority for any party.



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