

# Malaysia' s Changing Federal-State Relations – Kelantan & the PH Government

Najwa Abdullah

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*Malaysia's Changing Federal-State Relations*

## **Kelantan & the PH Government**

*By Najwa Abdullah*

### **SYNOPSIS**

*The Parti Islam se-Malaysia (PAS) state government in Kelantan had had difficult relationships with Barisan Nasional (BN) governments in Kuala Lumpur for as long as BN was in power. Will this change under the new Pakatan Harapan (PH) government?*

### **COMMENTARY**

THROUGHOUT THE modern history of Malaysian politics, the state of Kelantan has been unique in many ways, particularly for its distinctive political choice and religious character. Since 1990 when PAS gained control there, Kelantan was continuously portrayed as the 'disobedient' state by the federal government during the UMNO-led Barisan Nasional (BN) period. As a result, Kelantan's relationship with the centre had been fraught with disagreements, particularly over economic development and oil royalty.

There had been numerous studies and reports on how the BN government had blocked the allocation of mandatory and discretionary grants and refused to pay the oil royalty to the state government. The BN tactics did not convince the Kelantanese to stop their support for PAS, as reflected by PAS' victories in Kelantan in the general elections over the years (except in 2004 where Kelantan almost fell to BN). As a matter of fact, PAS used BN's discriminatory treatment to demonise the BN and UMNO leaders in particular as un-Islamic in the eyes of the electorate.

### **Contest for Oil Royalty**

The experience of the PAS-led Kelantan shows what could happen if a state is not politically aligned with the centre; major infrastructural lag, sluggish economy, and high

unemployment. Since the discovery of oil offshore of Kelantan in the 1990s, the state government has been hoping to secure the oil royalty that can help develop the state without relying too much on federal funds.

The BN government, however, refused to pay the 5% oil royalty, leading to the Kelantan state government filing a lawsuit against the federal government and Petronas for a constitutional violation in 2010.

The fall of BN and the rise of new Pakatan Harapan (PH) government has seen a significant change. The PH government's promise to pay the oil royalty to Kelantan (and Trengganu) is seen as a major break from the past. Receiving the oil royalty, which is estimated at RM1.5 billion per year, will help to boost Kelantan's annual budget that stands at only RM714 million in 2019 and RM 696 million in 2018.

The PH government has followed through with its promise. Throughout the second half of 2018, the federal government transferred a total sum of RM450 million as oil royalty payment to the Trengganu state government, with the remaining balance of RM250 million due in 2019.

Minister of Economic Affairs Azmin Ali, who is also the chairperson of State Action Council for Kelantan, reportedly said that the oil royalty payment for Kelantan will be paid after the legal dispute is settled this year.

### **Oil Royalty as Panacea?**

The oil royalty has been framed by Kelantan PAS leaders as a panacea that will resolve all economic and social problems that have long afflicted the state, from funding operational expenditure to rampant commercial loggings in lands which indigenous communities believe are theirs.

Nevertheless, there are those within PH who question the rationale behind paying the oil royalty as it will only help to strengthen the position of PAS without a corresponding benefit for PH. After all, they argue, why would the Kelantanese support PH if PAS can secure the oil royalty money?

However, the payment of the oil royalty may not immediately translate into developmental progress. For instance, the Kelantan state government has not come up with a financial blueprint for the oil royalty money.

There are some concerns that the influx of money will create a shock and confusion within a system that is not used to handling such large amount of money and thus, potentially causing administrative problems in Kelantan.

### **Kuala Lumpur-Kelantan Relations under PH**

For now, the federal government under PH appears serious in wanting to develop the economically backward states. Several Members of Parliament (MP) and Legislative Assembly (MLA) from PAS in Kelantan have noted that in contrast to his caustic attitude during his time in BN, Prime Minister Mahathir Mohammad appears to be more accommodative to the Kelantan state government this time around.

In November 2018, Mahathir paid a visit to Kelantan and met Chief Minister Ahmad Yakob, in which he reportedly said that as Kelantan was a state with a significant number of Malays, he would put a serious effort to deliver development to the state and enhance the well-being of the people.

However, it is too early to conclude that relations between Kelantan and Kuala Lumpur will significantly improve because of the oil royalty payment. PH's decision to pay cannot be seen as purely altruistic but one that is driven by political imperative, primarily to gain the support of the Kelantanese, and a demonstration of its commitment to reforms.

Moreover, there remains deep suspicion between PAS on the one side and Amanah and DAP – two of four components of the PH coalition government – on the other. PAS continues to portray DAP and Amanah as a threat to Malay Muslims' interests. This perception has been reinforced by remarks made by several cabinet ministers.

For instance, Minister of Finance Lim Guan Eng from DAP was criticised for calling Kelantan a 'failed state' and the 'largest debtor' among Malaysian states. Likewise, there have been reservations over PH's Islamic leadership, especially with the appointment of Amanah's vice president Mujahid Yusof Rawa as the Minister of Religious Affairs.

The concept of Islam as *Rahmatan lil Alamin* or Blessings for All that Mujahid offers has been disputed since his old days in PAS, in which it was portrayed as a compromise of Muslims' interests.

### **Future Relations: Still Blurry**

Kelantan is an important case study on federalism in Malaysia, considering its long history of disputes with the federal government. It will thus be interesting to observe how PAS and PH will manage their relationship. The efforts by PAS leaders and Prime Minister Mahathir to meet face to face reveal that the two sides see potential in cooperation.

For PAS, good relations will help bring about development and prosperity. PH hopes to garner support of the Kelantanese. Having put up with economic backwardness for almost three decades, PH should, however, understand that the whole political debate in Kelantan has stronger religious flavour compared to other states in Malaysia to the extent that religion (Islam) is sometimes more important than economic matters.

To establish better political relations with the Kelantanese people, PH will need to figure out ways to enhance its Islamic credentials without affecting its inclusive outlook. However, the big question is whether this is enough to strike a chord with the Kelantanese due to their long-held loyalty to PAS. Nevertheless, the outcome of these policies may ultimately depend on the overall political situation in Malaysia.

The formal PAS-UMNO cooperation is a new unknown. Will this lead to disillusionment amongst the Kelantanese people given that they have been taught for years to distrust UMNO? Will PH then become a viable option for them? Or will PAS be able to

persuade the Kelantanese people to accept the cooperation with UMNO? Given such developments, the situation in Kelantan bears close watching.

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*Najwa Abdullah is a Research Analyst with the Malaysia Programme at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological University (NTU), Singapore. This is part of an RSIS series on Malaysia's Changing Federal-State Relations.*

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**Nanyang Technological University**

Block S4, Level B3, 50 Nanyang Avenue, Singapore 639798  
Tel: +65 6790 6982 | Fax: +65 6794 0617 | [www.rsis.edu.sg](http://www.rsis.edu.sg)