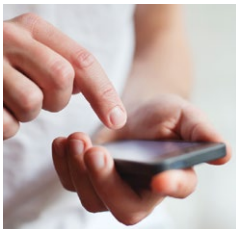
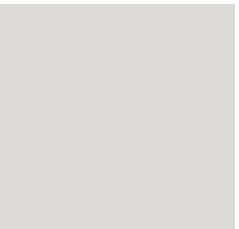


Advancing Independent Journalism While Building a Modern News Business: The Case of *Malaysiakini*

BY TIM CARRINGTON

February 2015





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The Center for International Media Assistance (CIMA), at the National Endowment for Democracy, works to strengthen the support, raise the visibility, and improve the effectiveness of independent media development throughout the world. The center provides information, builds networks, conducts research, and highlights the indispensable role independent media play in the creation and development of sustainable democracies. An important aspect of CIMA's work is to research ways to attract additional U.S. private sector interest in and support for international media development.

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Tim Carrington is a journalist and development specialist. From 1980 through 1995, he worked for the Wall Street Journal, covering finance, defense, and international economics from New York, London, and Washington. His reporting spanned a wide range of issues including insider trading, missile defense, and European monetary union.



From 1995 through 2007, he worked at the World Bank, delivering training programs in economics journalism for reporters and editors in Africa and the former Soviet Union and subsequently serving as senior communications officer for the Africa region. He currently works as a consultant and journalist, specializing in issues of development, environment, and recovery from conflict.

Carrington is the author of The Year They Sold Wall Street, published by Houghton Mifflin. He worked as a reporter and editor at McGraw Hill Publications from 1976 through 1980. His writing on development issues has appeared in The Globalist, World Paper, Enterprise Africa, and the book, The Right To Tell: The Role of Mass Media in Economic Development, published in 2003. He is a board member of the Alfred Friendly Press Partners, which manages a program of U.S. newsroom training for promising journalists from around the world.



National Endowment for Democracy Supporting freedom around the world

Executive Summary

Malaysiakini, an online news platform launched in 1999 in a country of continuous and pervasive media controls, has taken advantage of a precarious space allowing comparatively free journalism on the Internet. Its success in Malaysia is two-fold: First, it has increased demand for reliable and independent news, along with support for human rights, open government, and free expression; second, it has built a viable business model that enables it to employ about 40 reporters, publish in four languages, and expand into video products and business news.

These parallel successes, in a flawed media environment, are the upshot of courageous, pragmatic, and innovative founders, and well-conceived support from the international media development community, particularly the Media Development Investment Fund. Another contributor to *Malaysiakini's* success is, ironically, the government of Malaysia, which has arrested *Malaysiakini's* reporters, threatened its owners with lawsuits, needled the operation with cyberattacks and hacking schemes but has **not** reneged on its foundational promise (enshrined in law) to leave the Internet free of official censorship. After a decade and half in business, the question surrounding this digital news company is whether the operation can defend its position against new competition as well as the menace of continued government pressure to display friendlier, less controversial, and ultimately less reliable coverage.

Outside Malaysia, *Malaysiakini's* ability to establish a credible and sustainable independent news operation online suggests there are opportunities for online journalism in dozens of countries that restrict and control traditional media activities, but allow somewhat more liberal policies to govern the Internet.

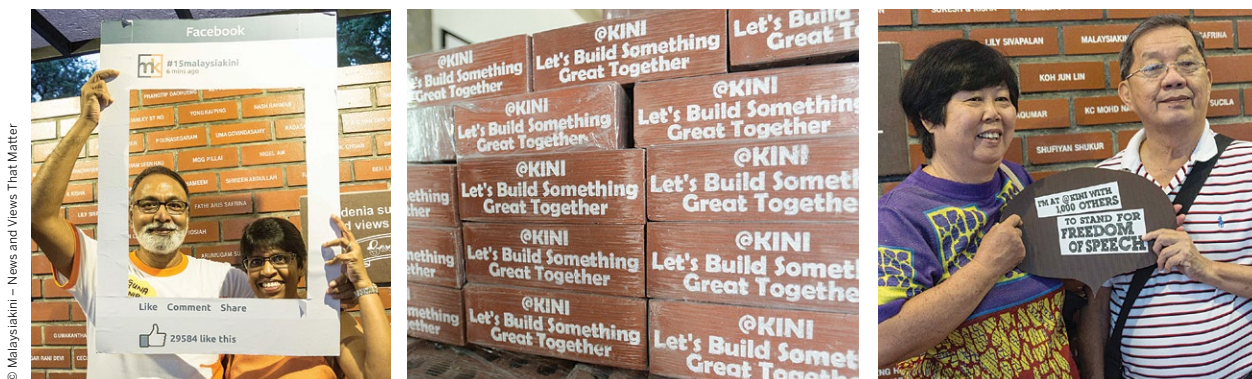
malaysiakini
news and views that matter



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Malaysiakini's Model

On November 22, 2014, *Malaysiakini*, Malaysia's largest online news platform, inaugurated its headquarters in Petaling Jaya and celebrated its 15th anniversary under the banner "News and Views That Matter." Hundreds of supporters, many having put up funds through a "Buy-a-Brick" campaign, joined the staff in toasting the company's two-tiered success: *Malaysiakini* has created a community of support for independent journalism and open government, and has built an economically successful business around digital delivery of objective and reliable news and information.



Malaysians celebrate, and contribute to, the country's leading online paper.

Sentiments expressed at the celebration reflected the parallel success stories. "I think *Malaysiakini* stands for something great in Malaysia," enthused one supporter, "something like the freedom of speech and human rights." Meanwhile, founding editor Steven Gan highlighted the business success, without which the value-based organization would have foundered. "The one thing I'm most proud of is that *Malaysiakini* has survived financially—independent from self-serving politicians and tainted tycoons," he said.

Ultimately, *Malaysiakini* benefited from both its idealistic appeal and its evolving business strategy. International media development organizations supported *Malaysiakini*'s founders in both dimensions, and while Gan applauded the business model, he also pushed the public mission the organization embodies. "People support *Malaysiakini* for the idea," he said. "They've been with us for 15 years and they really want to be part of it." In the end, the sale of bricks for the new headquarters raised about U.S. \$500,000—a tangible sign of *Malaysiakini*'s strong public support.

Origins

Malaysia, a middle-income country of 30 million with near-universal literacy¹ and 67 percent Internet penetration, has long constrained its media sector through state censorship and diverse controls. Reporters are regularly challenged under the elastic terms of the Internal Security Act, the Sedition Act, and the Official Secrets Act. The Printing Presses and Publications Act requires publishers and printing firms to obtain a yearly operations permit, with the prime minister empowered to revoke licenses without judicial review. The government has shut down or limited the operations of media outlets that published material deemed pro-opposition, against the national interest, or merely “sensitive.”

There are daily opportunities in the practice of normal journalistic inquiry to run afoul of this web of statutes, such as by interviewing an opposition figure or printing a blog or reader comment deemed offensive. The threat of losing a publishing license, or, as a reporter, incurring fines, jail terms, or at minimum, heavy legal fees, means that self-censorship becomes habitual, as newsrooms steer clear of controversies that might prove costly to pursue.

The birth of the Internet—a vehicle for commerce as well as for the mass transmission of information—presents an inescapable dilemma for countries eager both to prosper in the globally connected economy and to shield the state from criticism, muffle dissent, and keep political challengers invisible and unheard. In effect, the Internet forces states to choose whether to sacrifice a degree of control in hopes of greater investment and participation in the information economy, or, alternatively, to accept a marginal place in the knowledge economy, in order to continue suffocating, or at least curbing, forms of expression that might prove objectionable.

In 1997, Malaysia, surprisingly, threw in its lot with relative freedom on the Internet. Trawling for investors in Malaysia’s information economy, Prime Minister Mahathir Mohamad promised in a speech in California that the licensing requirements imposed on traditional media organizations would not apply to Internet purveyors of information. The 1998 Communication and Multimedia Act enshrined that promise, stating that “nothing shall be construed as permitting the censorship of the Internet.” The “Multimedia Super Corridor,”



Malaysia, with 30 million people and near-universal literacy, has 67 percent Internet penetration.

a grandly labeled government project, included a 10-point Bill of Guarantees that underscored the government's hands-off approach.

The prime minister's Internet promise, which he later said in an interview he regretted, presents a singular story of partial liberalization in a media-restricted country. However, there are dozens of countries whose Internet policies are more permissive than those applied to the traditional media.² This suggests there may be space in many media-constricted countries to practice significantly more independent journalism on the Internet than is normally allowed among traditional publications and broadcasters. And while *Malaysiakini's* experience underscores the fact that online journalism is far from unfettered, it shows that it's possible to build audiences and generate profits amid threatened lawsuits, occasional arrests, and cyberattacks.



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The Launch

Malaysia's Internet loophole provided a sufficient opening for two pioneering journalists, Steven Gan and Premesh Chandran, colleagues from the Kuala Lumpur newspaper, *The Sun*. By going 100 percent online, *Malaysiakini* would be free of worries about acquiring, or losing, a government-issued license to publish. Post-publication, it would face the same threats as traditional media, namely, accusations that reporters or bloggers had run afoul of the Internal Security Act, the Sedition Act, or the Official Secrets Act.

Gan acknowledged from the start that sedition and defamation charges would inevitably come, so it was necessary to hold every reporter to the highest threshold of accuracy. Legal fees would mount, and some of *Malaysiakini*'s friends and supporters have helped defray these inevitable costs of practicing journalism in Malaysia.

Gan and Chandran put up about \$10,000 of their own money, but financial backing from the outside was a necessity to get *Malaysiakini* off the ground. Early investments and grants from global investor George Soros's Open Society Foundations, the National Endowment for Democracy and the Media Development Investment Fund (MDIF) were critical, though links to a controversial investor such as Soros spawned accusations that the paper was controlled by foreign interests. Gan and Chandran stipulated a non-negotiable, and quickly accepted, condition: "Content and editorial has to be independent." Gan and Chandran put equal emphasis on a second foundational concept: A viable business model would be needed to lock in that independence. By 2014, Gan and Chandran each held a 29 percent stake in the company, with employees accounting for another 13 percent. The remaining 29 percent represents MDIF's investment.

Given ethnic sensitivities throughout Malaysian society, *Malaysiakini* would maintain a mixed staff of Malays, Chinese, and Indians. Gan is of Chinese descent, while Chandran comes from a Bengali mother and Sri Lankan Tamil father. Multiple language publication is a challenge, but it is central to *Malaysiakini*'s core value of inclusivity. By 2015, the paper appeared in four languages—English, Bahasa Malaysia, Chinese, and Tamil.

Launched less than a year after the arrests of opposition figures and the sacking of Deputy Prime Minister Anwar Ibrahim, with sodomy charges to follow, *Malaysiakini* was immediately part of a divisive, sharply



Steven Gan

Premesh Chandran

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The founders saw Malaysiakini being an independent rather than an opposition newspaper. However, Malaysian society had virtually no experience with, nor understanding of, a news operation that wasn't biased in some way.



politicized national conversation. “For *Malaysiakini* to have a political impact was the easy part,” Gan recalls. Early on, *Malaysiakini* exposed a Chinese newspaper for airbrushing an image of Anwar Ibrahim out of a group photo of political leaders. Harlan Mandel, the MDIF’s chief executive officer, recalled that the story “went viral,” helping *Malaysiakini* make its mark as a gutsy news operation oriented to what was accurate rather than what was demanded by the government. Later, in a 2007 interview, Anwar Ibrahim described *Malaysiakini* as “the only avenue we have; the other media have an instruction to block us out.”³

The founders saw *Malaysiakini* being an independent rather than an opposition newspaper. However, Malaysian society had virtually no experience with, nor understanding of, a news operation that wasn’t biased in some way. News items were invariably seen as good for some, bad for others, either pro-government or pro-opposition. “It would take a long time to show your independence,” Gan said, adding that he understood that Barisan Nasional, Malaysia’s ruling coalition, “if they can, will lump us into the opposition side, a mouthpiece of the opposition.” Pushing standards of evidence-based journalism, Gan fought the “opposition mouthpiece” label, running stories that were critical of opposition leadership in state governments that the opposition controlled. Journalists in the region say that *Malaysiakini* is widely linked to independent journalism—indeed that the online paper helped create the category—but that it is associated with oppositional discourse, if only because it so often challenges the government line.

The Ibrahim trials sparked a lively “*reformasi*” digital protest movement, but “*Malaysiakini*’s agenda was not ‘*reformasi*’ in the narrow sense,” said Janet Steele, associate professor of journalism at the School of Media and Public Affairs at George Washington University. “It was much more than that.” In the *International Journal of Press/Politics* (January 2009), she wrote that it is “the norms and values of independent journalism rather than the technology of the Internet per se that make *Malaysiakini* so threatening to government authorities.” These norms would include such fundamental practices as building stories on evidence, reporting both, or multiple, sides of an issue, and providing space for marginalized voices. Professional journalism—more than opposition politics or Internet delivery—was perhaps the most radical element *Malaysiakini* embraced.

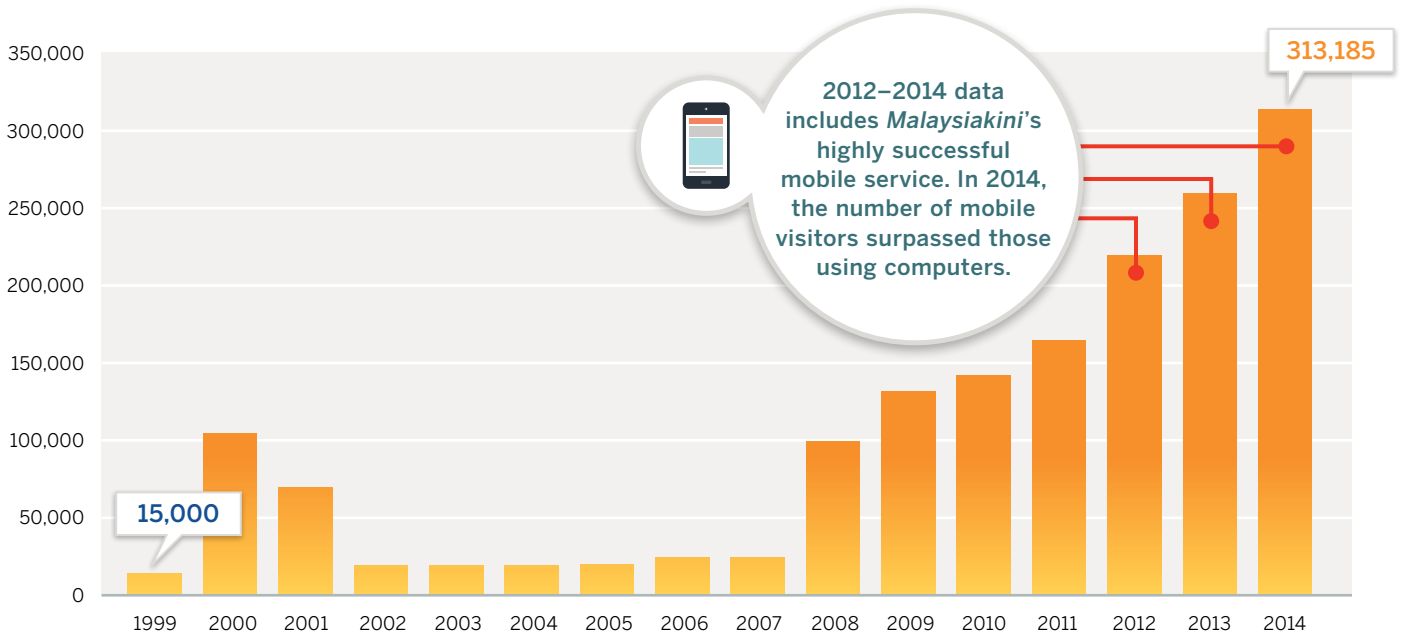
The Bust and the Business Plan

For *Malaysiakini*'s inaugural years, the dot-com world was gulping up investment that poured in long before companies generated any earnings. In turn, advertising dollars from the Dot-Com sector flowed toward online businesses like *Malaysiakini*. “We were doing fine then,” Gan recalls. “A lot of advertisers were Internet companies that were sprouting up everywhere,” leading to the expectation that ads alone would fund the news operation.

But in 2001, the bubble burst. Internet stock shares plunged, venture capital pools dried up, and many of *Malaysiakini*'s advertisers simply disappeared. For the fledgling news operation, it was a crisis. The MDIF concluded that the old formula—a free platform, attracting a growing audience, followed by a wave of advertisers—wouldn't work even in the near term, let alone establish *Malaysiakini* well enough to ride the ups and downs of global economic swings. The recommended solution was a pay wall, a daring move that most news organizations weren't then ready to embrace. Gan and Chandran worried that readers would resist the subscription fee and that they would face new costs and complications in managing the pay wall.

Building Audience: *Malaysiakini* 1999–2014

AVERAGE NUMBER OF VISITORS PER DAY

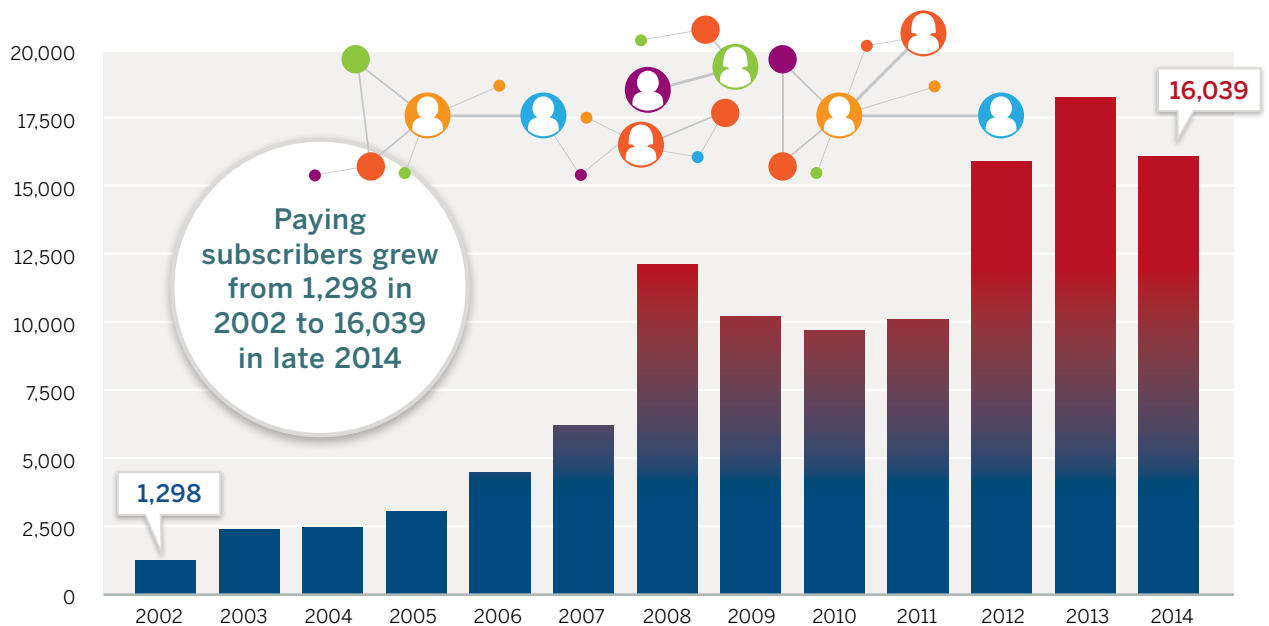


SOURCE: *Malaysiakini*

A compromise emerged: since *Malaysiakini* then published in three languages, it could establish the pay wall for its English service, at the equivalent of about \$40 a subscriber, while leaving the Chinese and Malay portals open. In addition, headlines in all languages can be accessed without fees. Paying subscribers grew from 1,298 in 2002 to 16,039 in late 2014, and the concept of bringing in revenues in approximately equal proportions from subscriptions and ads turned out to be ahead of its time. By 2004, *Malaysiakini* was operating in the black and has been every year since, with the exception of a small loss in 2010.

The shift to subscriber fees and dual revenue streams from advertisers and readers highlights the importance of MDIF's role and, more broadly, the centrality of supporting fledgling news companies with strategic business advice as well as training and temporary financial support. MDIF's Mandel said: "The companies we end up working on are run by people completely devoted to this mission of independent journalism, and they also need to be entrepreneurial and want to build a business. It's hard to find those things together." At *Malaysiakini*, Chandran manages the business side along with technology innovations, while Gan focuses each day on the editorial product. The mix is seen as successful, but MDIF's business advice, particularly on the pay wall question, was critical.

Malaysiakini Paying Subscribers 2002–2014



SOURCE: *Malaysiakini*

Breakthrough in 2008

Malaysiakini's readership normally surges during election cycles, when people are hungry for credibly independent content. The 2008 elections emerged as a turning point. Paying subscribers had been running above 6,000, but given the importance of the election, *Malaysiakini* opted to provide free, and uniquely reliable, information about all the candidates.

Visitors to the website surged, reaching 4.3 million individual users on election day. When the results showed the Barisan Nasional ruling coalition losing its two-thirds parliamentary majority for the first time since 1969, *Malaysiakini* reported the facts faster and more completely than its mainstream rivals, scoring huge reputational gains.

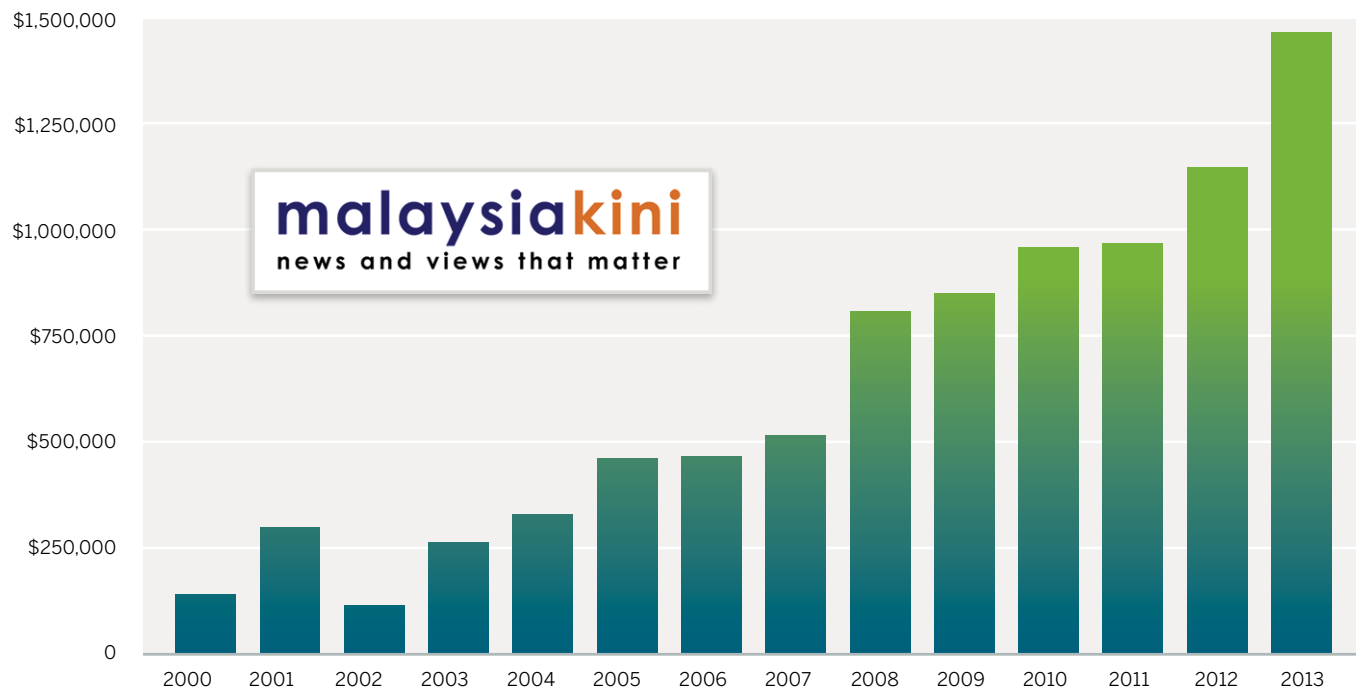
During the election season and its aftermath, *Malaysiakini* also offered readers coverage of a number of other controversial issues, which mainstream publications largely eschewed because they were overly sensitive, polarizing, or deeply unwelcome by the ruling party. The subjects may have challenged squeamish readers, but the events themselves reflected the realities of modern Malaysia about which citizens wanted reliable information: a group of Muslim demonstrators paraded a cow's head through the streets to protest a decision to locate a Hindu temple in a mostly Muslim residential area; a political aide for the opposition movement was questioned by the Malaysian Anti-Corruption Commission and plunged to his death from a 14th floor office during the interrogation; the Port Klang Free Zone was plagued by pricing irregularities and overruns requiring a government bailout. In all these situations, the online news offered updates and details that weren't available elsewhere.

Having pioneered online journalism in Malaysia, *Malaysiakini* faces increased competition, and is fighting some of the same battles that news organizations everywhere face, such as how to secure the revenue stream when news quickly becomes a commodity. Chandran sees "formidable competitors," such as the *Malaysian Insider* and *MalayMailOnline*, plus multiple online bloggers and some deep corporate pockets with an interest in Internet news and commentary. "They started the dance and now everyone's dancing," says Sasa Vucinic, manager of Serbia's B92 Radio in the early 1990s, and later the head of the MDIF team that managed the initial investment in *Malaysiakini*.

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Malaysiakini Revenue

IN U.S. DOLLARS*, 2003–2013



*Converted from Malaysian ringgits at exchange rates as of January 13, 2015

SOURCE: Malaysiakini

“Now, like any incumbent, they have to make sure that every year, they stay relevant.” But he added that as of 2014, “if you want to be informed, you have to read them.”

One journalist who writes for *Malaysiakini* says the paper now needs more in-depth reporting, rather than “trying to stoke the fires” with provocative quotes from opposition critics and opinion-makers. Of course, in-depth reporting projects can be costly.

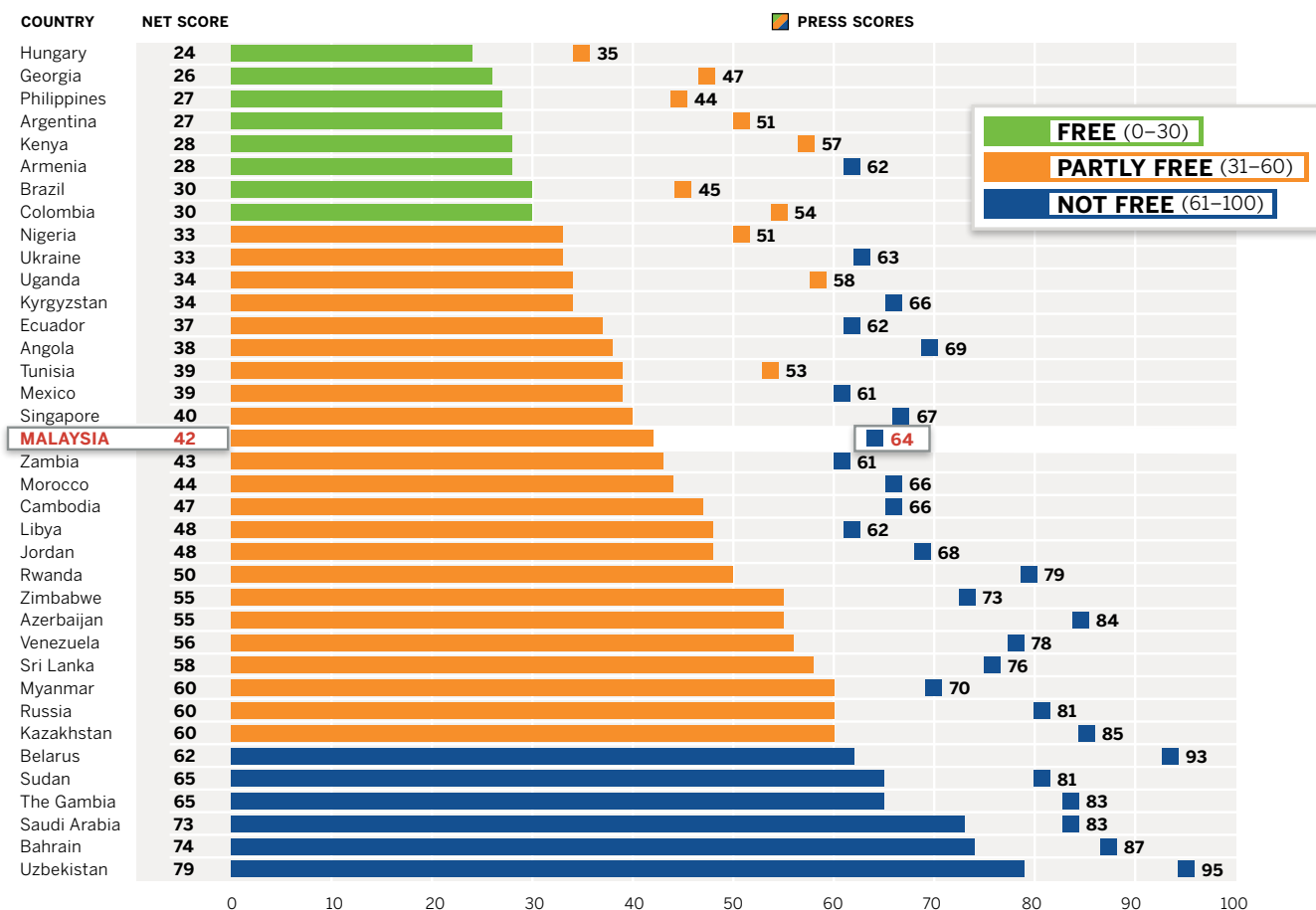
Meanwhile, the chronic threats of government harassment don't stop. In 2014, a *Malaysiakini* reporter was arrested for interviewing an opposition leader who had been detained, and Prime Minister Najib Razak threatened to sue *Malaysiakini* for publishing a reader's boldly expressed comments. *Malaysiakini's* application to publish a print news product was rejected because of its tendency to run “sensational and controversial news.” Warns Janet Steele: “The whole situation on *Malaysiakini* could turn on a dime.”

Publishing in the Semi-Free Zone

Notwithstanding the threats and constraints, *Malaysiakini*, and others, operate with a surprising degree of success. In a country with Internet penetration of 67 percent, this is significant.

During the period that *Malaysiakini* built average daily visits from 15,000 to 313,385, the country's press freedom scores, as tallied by Freedom House, have changed very little, improving from 71 in 2002 to 64 in 2014 (lower scores indicate fewer constraints), but Malaysia's slightly better score still leaves it in the "Not-free" zone, below Ecuador, Libya, and Turkey.⁴ For its part, Reporters Without Borders ranks the country 147th in its global ranking for 2014, one slot ahead of Russia, as a result of limited access to information and a steady barrage of legal threats and arrests.

2014 Freedom on the Net, and Freedom of the Press Scores



SOURCE: Freedom on the Net report. <https://freedomhouse.org/report/freedom-net-2014/freedom-net-2014-graphics#.VOe4WkKq6P9>

“Being independent of political interests is important, but being independent of financial interests is more complicated.”



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Editor-in-chief Steven Gan, CEO Premesh Chandran and staff launch Malaysiakini's new building.

The more significant yardstick may be Freedom House's *Freedom on the Net* report, where Malaysia joins some three dozen countries whose Internet policies and regulations are measurably more liberal than those covering traditional media. Nearly 30 operate with Internet freedom scores that effectively bounce them into a more liberal category, as with Malaysia emerging as “partly free” on Internet freedoms while remaining “not free” on traditional press freedoms. One international investor focusing on emerging media notes: “There’s a huge amount you can publish, even in a market that is semi-free.” He adds that Asian online markets appear particularly dynamic, despite persistent constraints.

It would be over-optimistic to assume, based on *Malaysiakini's* experience, that online news will be a panacea for all journalists facing state controls, harassment, and coercion. Threats ranging from cyberattacks to arrests of digital reporters have gathered force in some countries. Between May 2013 and May 2014, forty-one countries considered laws to penalize legitimate forms of online expression, or to increase the state’s content controls or surveillance powers.

Moreover, political censorship and control may not always be the greatest threat to independent journalism. Says one media investor active in Asia: “Being independent of political interests is important, but being independent of financial interests is more complicated.” When a financial-industrial conglomerate buys a media company, it usually isn’t to make money in the news business, but to promote and protect a variety of other economic interests. Moreover, distortions arising from these arrangements aren’t as transparent as direct government controls and can be much more difficult to counter.

Still, citizens' support for *Malaysiakini*, as readers and contributors, suggest that people value independent news—even if they haven't seen much of it historically—and that they're willing to pay for having it produced.

Endnotes

- ¹ World Bank Data
- ² Freedom House, *Freedom on the Net*, 2014
- ³ Interview with Anwar Ibrahim, March 27, 2007, quoted in *International Journal of Press/Politics*, January, 2009. Professionalism OnLine by Janet Steele (2007), Associate Professor of Journalism at the Schools of Media and Public Affairs, George Washington University
- ⁴ Freedom House web site, Press Freedom Rankings. <https://freedomhouse.org/report-types/freedom-press#.VMkIP2fwuM8>

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