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Bumiputeras must be more active

IN HIS opening address to some 1,000 participants of the Fourth Bumiputera Economic Congress in Kuala Lumpur yesterday, Datuk Seri Dr Mahathir Mohamad proposed a study of Bumiputera businesses, particularly the impact and problems they face in the light of the economic crisis. The Prime Minister had earlier raised a similar suggestion when he launched the Second National Economic Consultative Council (NECC II), set up to evaluate the performance of the National Development Policy (NDP) and to make recommendations for a new policy to steer national development beyond the year 2000. The NDP succeeded the New Economic Policy (NEP) in 1991 and provides the framework for national development up to 2000.

The NDP promotes many of the policies created under the NEP; the most important of which addresses the economic imbalance among the races. One of its broad objectives is to pursue the target of helping Bumiputeras attain at least a 30 per cent share of the nation's economic pie. This target was not reached during the NEP's 20-year period; in fact, when currency speculators attacked the ringgit in 1997, the gains that the Bumiputeras had made over the last 30 years were nearly wiped out. At the height of the crisis, the market value of equity held by Bumiputeras decreased by 54 per cent, compared with 50 per cent for non-Bumiputeras and 47 per cent for foreigners. Stock prices of Bumiputera-controlled companies fell by about 55 per cent. The share of Bumiputera equity at par value in the corporate sector is said to have reverted to the 1995 levels of about 20 per cent.

A study of Bumiputera businesses vis-a-vis the crisis can help establish many things, but one question that it should answer is what these companies must do to strengthen themselves so as to survive future crises. Did they suffer due to weaknesses in management, finances or a lack of focus? According to Dr Mahathir, some of these companies might have been weakened because they were embarking on other supposedly more lucrative ventures even before they had fully established themselves in their core business. Such diversification practices, normally driven by prospects of quick and huge profits, had led to these Bumiputera companies becoming flabby and inefficient; hence, when the economic downturn suddenly occurred, they were caught offguard and were slow in reacting.

This is just one example. The weaknesses of Bumiputera businesses must not only be quickly identified, but must be overcome through concrete recommendations and serious implementation. Time will be a luxury in this effort because while the special assistance and benefits accorded to Bumiputeras will continue to be granted, they may not be in the same form for ever. Dr Mahathir said that once the 30 per cent target for Bumiputeras has been achieved, the Government may withdraw some of the privileges. A situation where the Government would revise upwards the 30 per cent target once the Bumiputeras have achieved it does not arise. This does not mean, however, that Bumiputeras should stop there. Wholly on their merit and their own efforts, they should be able, from that point, to strive to get a larger piece of the economic cake.

Dr Mahathir's assurance that the Government will continue, into the new millennium, to help correct the imbalance in the distribution of wealth among the races may not go down well with the NEP's critics, especially outsiders who have accused the policy of anti-meritocracy or a gross discrimination against the non-Bumiputeras. The non-Bumiputeras

themselves, however, can be expected to welcome this. For as long as the policy has been pursued under the NEP and the NDP, the 1969 racial riots have never been repeated. Also, the gains made by the Bumiputeras these past three decades have not been at the expense of the non-Bumiputeras; rather, the growth in wealth ownership of the Bumiputeras has developed on the back of an economic pie that has grown that much more, even for the non-Bumiputeras. As long as a strong Government oversees this policy, the people stand to gain from a win-win situation. But that's not an excuse for the Bumiputeras to pursue the 30 per cent target with less urgency.

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