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Reduce cost of doing business, be more competitive

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AS they say in cricket, it has been a good wicket for Prime Minister Datuk Seri Dr Mahathir Mohamad who steps down later this month, leaving a great legacy of strong socio-economic progress and political stability.

However, the rapid globalisation requires his named successor Pak Lah, as Datuk Seri Abdullah Ahmad Badawi is known, to develop his own agenda for socio-economic development.

Dr Mahathir has already made several policy changes in his generous Budget 2004 Speech, in consultation with Pak Lah, as follows:

* The thrust of Budget 2004 will be to continue to stimulate and accelerate domestic economic activities with greater participation of Malaysians.

However, unless there is an even playing field for all Malaysians to participate more equitably in domestic business and investment, this policy thrust could be thwarted.

What then will happen to our economy if the foreign companies that produce 90 per cent of our exported goods decide to pack up and leave, for example, to China?

* Budget 2004 aims to attract more FDIs to the service sector like banking, insurance, education, health, tourism, etc.

It's even more creditable that the decision has finally been made to set up a one-stop agency for the service industry to expedite project implementation, like how Mida has done so successfully.

Here again it is important to staff the new agency with the best qualified and experienced Malaysians for it to succeed from the very start.

* The move to enable the domestic market to provide the base for local industries to venture into the global market has to be approached with much caution.

Malaysian consumers should not be required to pay unduly higher prices for lower quality goods and services. Too much protection can result in unacceptable inefficiencies with consumers not getting fair value for their money.

Even when excise duties are levied on foreign cars from Jan 1, the sale of locally produced passenger cars will continue to decline so long as the quality and prices of these cars are not competitive.

* Malaysia's success in leading the Third World countries to reject the Western proposal in the WTO to open our markets for government procurement is welcome.

Nevertheless we have to ensure that government-negotiated contracts for our businessmen are competitively priced. The new policy to insist on more local content can also add to cost, which could erode our international competitiveness.

* The key to competitiveness will be our ability to raise our low levels of Research and Development (R&D) to produce our own patents and brands.

But this effort has to be backed up with further improvement to our education system. We have to stress meritocracy right from primary school to college and university.

* The Fund for Food has already received RM2.3 billion earlier and now the Budget has provision for another RM1 billion for the new village micro-credit scheme. Similarly the agricultural sector has received a huge allocation of RM3.3 billion.

This attention to the agricultural sector is fine but what are the outputs and benefits from these vast expenditures?

* The proposed public listing of Felda is a new strategy. It will considerably increase Bumiputera equity share which has not risen significantly since many have sold out for quick gains.

But unless we have effective safeguards, the 30 per cent Bumiputera target set by the National Economic Policy will continue to be evasive and a contentious problem that will inhibit our socio economic growth.

* The establishment of 50 community service centres under the new National Social Policy is laudable. The aim is to curb social ills, particularly among the youths.

However, the root causes of these severe social ills have to be carefully researched into and addressed.

Do the youths believe that they have equitable access to basic needs and opportunities? Do they feel alienated, oppressed and despised?

* Low- and medium-cost housing will be taken over by the Government's Syarikat Perumahan Negara Berhad (SPNB). This is good news for both the low-cost house buyers and developers who have been lobbying for this for a long time.

However, the developers will have to pay a "compensation" if they choose not to build the low-cost houses under their project.

However, the amount has to be reasonable. Then most developers will opt to pay the compensation rather than tediously build low-cost houses.

Similarly, the Government should also consider purchasing the minimum 30 per cent share of houses that are required to be reserved for Bumiputera buyers so that developers will not be penalised when this allocation is not taken up.

Cleaning the environment has been given greater priority with large allocations of RM1.5 billion for a modern incinerator which should be built soon.

Another RM1.9 billion is provided to several agencies to improve the environment.

Of this amount, RM680 million has been provided for flood mitigation schemes, particularly to reduce the frequent and embarrassing flash floods in Kuala Lumpur.

But what is also needed is better enforcement of the many environmental regulations. It's a waste to spend so much on alleviating the damage to the environment which could have been largely prevented in the first place.

* The promotion of arts and culture has been boosted by an allocation of RM80 million.

This is encouraging and should be sustained. But it is also necessary to take a more liberal view in this promotion which should open up new horizons for true artistic expression rather than stifle this promotion of cultural development through an illinformed indefensible bureaucratic constraints.

* National service will build nationalism. However, it will imbue a high sense of real patriotism only if those who are called up believe that they will all enjoy the same opportunities to develop their talent to the fullest without feeling any sense of deprivation or alienation.

The economy is estimated to expand by 5.5 to six per cent in 2004. This strong recovery is based on the assumption that private investment will increase rapidly by 9.9 per cent and private consumption by 7.7 per cent.

These are optimistic forecasts particularly when public sector spending is scaled down significantly to beneficially reduce the continuing Budget deficits.

Indeed, the Malaysian economy can perform much better if Pak Lah, when

he takes over as Prime Minister, further reduces the cost of doing business and increases national competition even more purposefully.