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New Economic Agenda needed to strengthen resilience

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WHAT could be the economic agenda for the next Prime Minister, Datuk Seri Abdullah Ahmad Badawi, when he takes over the reins of the economy next month?

Prime Minister Datuk Seri Dr Mahathir Mohamad retires next month, after an unprecedented 22 years of dynamic leadership and steadfast service to the nation.

It is therefore appropriate for his successor to review the state of the economy and to revise strategies to face the growing global competition.

Bank Negara announced on Aug 27 that the economy grew by 4.4 per cent in the second quarter of this year and that the outlook for the whole year is for a growth of 4.5 per cent. This is indeed encouraging.

But how long can we sustain this good feeling and the strong economic fundamentals in the longer term?

It all depends on the world economic prospects and the performance of our own domestic economy.

The US economy is recovering but is expected to expand by only about 2.6 per cent this year.

It has rising unemployment and widening deficits, both in its budget and balance of payments, that could drag it down. The terrorist paranoia could strain the US economy further.

Europe and Japan are also still struggling to strengthen their economies.

The better Malaysian economic performance so far this year, is largely due to the higher demand for our electronic manufactures, the bonus given to civil servants and the increase in our petroleum output.

For the second quarter, investments expanded by only 0.4 per cent. The wider trade surplus was achieved by a rise of only 0.2 per cent in exports, but a decline of 2.9 per cent in imports.

All these short term contributory factors will not sustain stronger economic growth in the longer term.

Hence in order to strengthen the longer term resilience of the Malaysian economy, a New Economic Agenda must be adopted by the new Prime Minister Abdullah.

The New Agenda could include inter alia, the following fundamental changes:

\* Pak Lah's first priority should be to step up the implementation of the sound policy of meritocracy that has been boldly initiated by Dr Mahathir recently. The emphasis should be on quality and not just quantity - both in the public and private sectors. Genuine meritocracy should be stepped up in the whole education system and particularly at our universities and colleges, and the whole public service, to enhance our national competitiveness where standards could be improved considerably.

As a former civil servant himself, Pak Lah knows how civil servants can just say "Yes, Minister" and then do what they really like to do, rather than what they should do.

Therefore, unless Pak Lah revitalises the public service, as a matter of high priority, he will find that his policies and responsibilities will be extremely difficult to implement in the national interest.

\* Starting with the Federal Budget 2004 that is to be unveiled this Friday there has to be more privatisation of government projects and programmes. This is necessary to counter the declining effectiveness of

the public sector and the mounting Budget deficits over the last five years.

However privatisation policies and procedures have to be radically revised to ensure that the public gets a better deal, in terms of price and quality of the privatised services.

Hopefully Budget 2004 will also initiate changes in the priorities of government spending. The development expenditures, especially for huge projects could be reduced. More funds could instead be provided to the operating budget, to better serve the basic needs of the majority of our people and especially the marginalised groups in our society. To neglect them will only undermine stability.

Basic access to clean drinking water, better health, education, transport, and housing, could be considerably improved and partially subsidised to help the poor, but not those who can afford to pay.

\* The Budget and future economic planning should aim to give the public much higher value for money.

The public will react adversely to more financial mismanagement, corruption and poor performance by dubious contractors, like the ones who wastefully built shoddy school computer laboratories.

\* Despite so much public complaining, we still have ineffective enforcement of many government policies, rules and regulations. There is also considerable indifference in the provision of quality services to the public under the Clients Charter. Government agencies and local authorities must listen to our public pleas for improvement, before the rakyat gives up on them.

\* Security and public safety have also sadly deteriorated and has to be urgently addressed. Government officials have often explained that these deficiencies in good governance are due to the lack of funds and staff.

\* Thus more quality multiracial staff will have to be recruited to increase national unity and even more efficiency. With the high graduate unemployment now, it is surprising to hear that it is difficult to attract more multiracial staff into the civil service.

\* Foreign direct investment would also need to be attracted back to Malaysia after much has gone to China. The more liberal foreign investment guidelines, including 100 per cent foreign ownership, and the removal of the policy to top up 30 per cent Bumiputera equity quota, will improve the investment climate considerably.

But what foreign investors also want is more internal efficiency and transparency. This will attract more foreign investors and not just more fiscal incentives.

\* Moreover, we would need to reduce our public rhetoric and soften our criticism of some foreign countries, however justified we may be. Unfortunately these foreign governments and investors can be oversensitive, as they are not used to criticism from Third World countries.

\* Greater priority should also be given in the Budget and beyond, to combat pollution and to enhance the quality of our environment and living conditions. What is the use of higher economic growth if our quality of life suffers? Pak Lah will need to introduce a New Agenda, to lead the Malaysian economy onto a higher level of quality driven and more balanced and cleaner socio economic development, to better sustain higher economic growth and to benefit the whole Malaysian society.