Opposition's reform plan will squander nation's wealth
Malaysiakini.com
January 11, 2011

Economists are against the Opposition's 100-day proposed reform plan and populist measures, saying they will have serious repercussions on Malaysia's economy, squander its valuable financial resources and inevitably plunge the country into financial chaos akin to debt-ridden Greece if implemented.

RAM Holdings Bhd's Group chief economist, Yeah Kim Leng (right), said although the plan seemed to focus strongly on improving governance and institutional reforms, the suggested economic measures were piecemeal.

"It does not have the clarity, comprehensiveness and soundness of the New Economic Model, Economic Transformation Programme and the Government Transformation Programme," he said today.

According to Pakatan Rakyat, among the proposals and amount that could be saved were fuel subsidies for lower-income earners costing RM4 billion annually, liquefied petroleum gas subsidies at a yearly cost of RM4 billion and restructuring the toll system under PLUS Expressways Bhd, which was expected to cost RM23 billion.

It was also reported that RM19 billion was needed to succeed the plan would be derived from subsidies given to independent power producers by Petroliam Nasional Bhd.

The reform plan was announced at the Pakatan national convention in Penang last December.

Prudent management

Yeah said the challenge was not in tackling selective issues but to exercise overall prudent macroeconomic and financial management.

He said an effective government would have to make the necessary trade-offs between short-term pain and long-term gain while in some case as against reaping short-term gain but bearing long-term pain.

"If the country's subsidy system is not rationalised but increased further coupled with the takeover of more privatised assets without worrying about the government's finances, then a blow-out of government spending would ultimately lead to a Greek tragedy," he said.

Prime Minister Najib Abdul Razak lambasted the proposed plan yesterday as empty promises and warned Malaysia would become like Greece in two years, if the plan was taken up.

Explaining further, Yeah said proposals like abolishing the toll system basically transferred the huge financial burden to Khazanah National Bhd and Employees Provident Fund which would likely jeopardise the latter's ability to generate adequate dividends to its contributors' retirement savings.

"Ultimately, the problem will end up in the government's hands and thereon passed to tax payers in the form of higher taxes," he said.

As for the proposal to increase oil royalty payments, he said, it would require a corresponding reduction in federal spending or raising revenue from other sources, without which the government would have to resort to higher borrowings.

"One-off cash payment to civil servants can boost morale temporarily but at a higher opportunity cost if it reduces allocation for other more productive activities such as healthcare, rural amenities and poverty alleviation programmes," he said, when commenting on the proposal of a monthly RM500 teaching allowance for teachers.

Salleh Majid, the former president of the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia), said anyone could make promises but to carry them out was not easy as prices of goods such as crude oil and commodity prices were invariably beyond government control and its coffers were limited.

He said the opposition should put its house in order first before outlining plans that would accelerate the country's growth and benefit the people.

"One must understand that running a government can't be done without putting all necessary corporate governance in order," he said.

- Bernama