

How MCA barons financed Umno in Malaya
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COMMENT The intricate nexus between the worlds of business and politics has been an age-old tradition in Malaysia.

Crony capitalism, a term to describe the intertwined relationship among business, politicians and the state, where individuals in the private sector benefit by obtaining licences, concessions, government subsidies, other forms of protection from governments and appointments to key state-owned enterprises through their close relationship with politicians and bureaucrats.

The main questions to ask in the event of a regime change are: Will it really ever be possible to extricate one from the other, given the context where this is an assumed norm? Second, how would a new government go about making these drastic changes?

NONEThere has been recognition of this problem by political players from both sides of the divide.

The Pakatan Rakyat shadow Budget admits, for example, that "Pakatan will face resistance from cronies that desire to perpetuate patronage and rent-seeking" when it begins to attempt open tenders and a more transparent procurement policy.

Prime Minister Najib Abdul Razak also announced that a new initiative under the Government Transformation Programme (GTP) would regulate financing for all political parties, where all funding must be channelled to an official party account.

He said that "a proper receipt record" would "prevent corruption and misappropriation on a grassroots' level..."

idris jala etp update 050711The CEO of Pemandu (the Performance Management & Delivery Unit under the Prime Minister's Department), Idris Jala (left), stated that a first tier of internal control would be developed with a checklist of recommended actions for political parties to undertake to avoid the abuse of funding.

A second tier of external control would require that "all federal and state government entities and statutory authorities cannot include any party member who is an office bearer on their tender board", amongst others.

The academic literature on the business-politics nexus (known as rent-seeking) has been examined closely from various angles by numerous academicians. These researches suggest mixed outcomes.

Nevertheless, the research recognises that the business circle exerts strong influence over the political players as do the political players over business, often times resulting in sub-optimal use of national resource such as diverting scarce resources away from productive use (to the awarding of white elephant projects, poor quality works, constant costs over-run and when the corporation selected fails to deliver, the government is expected to bail out these companies using public funds).

The lack of stringent laws and regulations - and the enforcement thereof - has led to the present predicament in which political parties are ultimately subjected to the demands of powerful corporate interests.

But it is nevertheless a symbiotic relationship. This has become a norm in Malaysian politics.

The solution seems clear - ensure there is only well-governed arms-length relationship between business and politics. But is this really possible as the historical roots runs deep originating from Malaya's post-colonial transition and BN's economic nationalism?

Post-colonial politics and business

As Malaya was in its final years of colonial rule under the British, political alliances were taking shape between the Malays and the Chinese. The Chinese towkay (community and business leaders) entered politics through their party MCA's alliance with Umno in the 1950s.

Both parties co-operated during the Kuala Lumpur elections of February 1952 because the "Selangor branch of Umno lacked sufficient funds to fight the election".

Consequently, the MCA bore the bulk of the election expenses for the MCA-Umno coalition up to the federal elections of 1955. MCA funds also helped to secure the Alliance's electoral victory in the first elections for a fully-elected assembly in August 1959.

Chinese tycoons of the day therefore financed Umno in its earliest beginnings, and a reciprocal relationship was hence born.

tan siew sinThe Chinese leaders would benefit from such a relationship by being appointed to key positions from where economic policy could be made: HS Lee as the first finance minister, and Tan Siew Sin (left) as the commerce and industry minister, in particular.

Quite apart from these governmental positions, members of the business elite would also receive commercial favours for their loyalty to the Alliance. Lee received a banking licence to establish the Development & Commercial Bank in 1966 and Tan became the chairman of plantation giant Sime Darby in 1977.

They were adept and capable businessmen, and earned their positions based on their performance - so it is difficult to say this was a direct result of their political relationships.

However, this blurring of boundaries between politics and business would set the stage for political parties to continue to receive funding from not just Chinese tycoons, but all tycoons regardless of race.

Hence, even private sector players who were not part of the political infrastructure would require close connections with government figures to develop their businesses. Robert Kuok and Nik Kamil - the latter of whose success inspired young Malay entrepreneurs to embrace the 'jadi ahli politik untuk buat duit' (become politician to make money) motto - are such examples.

The crony capitalism trend persisted also in Sabah and Sarawak, where similarly Chinese big businesses were more than willing to work with Malay-Muslim political power for economic and social gain.

Khoo Siak Chiew, a leading logging baron, who helmed the Sabah Chinese Association (SCA) and eventually became a minister following Sabah's incorporation into Malaysia, is an example.

Things have not quite changed since the 1960s. What has changed is that where in the past, contracts, tenders or appointments were made based on ability and expertise, with political connection being the added advantage, today it is mostly about political connection and ethnicity.

Government makes decisions not because they are the most competitive or capable but for other reasons. As such, political acumen has been an essential skill for individuals to possess, without necessarily having equal entrepreneurial or technical expertise.

It is unsurprising that the historical post-colonial Malaya, and the way in which political parties began, formed the very foundation of the current-day Umno's modus operandi, and that of its coalition partners.

By being members of political parties in government, one increases the chances of one's networking pool, especially to decision-makers within government.

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