

Money politics in the event of regime change

MalaysiaKini.com

March 31, 2012

By Tricia Yeoh

COMMENT The New Economic Policy (NEP) was used by the government in the 80s and 90s to benefit bumiputera companies and business people, in the name of assisting the Malay community.

Ironically enough, these companies would not be restricted to bumiputera ones alone; even non-Malay entrepreneurs who were successfully able to "buy-in" to the system would also be rewarded.

NONESimultaneously, then-prime minister Dr Mahathir Mohamad was on a roll to internationalise the Malaysian economy. This he carried out by embarking on mega-projects.

Large government-linked companies (GLCs) would then engage in joint-ventures with the government and international firms in these mega projects (e.g. North-South Highway, Hicom, Perwaja Steel, Malaysian Shipping Corporation, Putrajaya, the Kuala Lumpur International Airport, Kuala Lumpur City Centre, Cyberjaya, etc).

In order for these large projects to be funded, the government relied on a significant amount of contributions from the national oil company, Petronas, as well as funding from corporate entities.

Political party financing

Given this backdrop of the post-colonial political formation and economic nationalism, the persistence of government to recognise wealth expansion of the Malay community, and desire to place Malaysia on a global growth map, it was only natural that the government and the private sector enjoyed a close relationship.

Mahathir said that "the presence of (influential) Malays on various boards' means... they are able to impart ... know-how to new ventures launched by Malays".

However, the dominance of Umno within the BN federal government, combined with the nexus of business and politics, has been corrosive.

Umno traditionally relied on membership fees and donations from private individuals, as documented in Transparency International-Malaysia's (TI-M) new book 'Reforming political financing in Malaysia', launched in May 2010.

Umno grew to rely more upon its investments and business interests through ownership of corporations and shares. Early Umno members consisted of teachers and the civil service, but the majority is now made up of entrepreneurs and corporate figures.

Former Umno treasurer Tengku Razaleigh Hamzah recounted how he was tasked with finding investments for Umno and acknowledged a covert political fund existed.

Barry Wain in his book claimed this fund was worth RM88.6 million in 1984. Mahathir told TI-M that he handed his successor RM1.4 billion worth of property, shares and cash.

Meanwhile, The Star newspaper contributes RM50 to RM60 million to MCA annually, and TI-M estimated MCA's current assets to be RM2 billion.

TI-M's research concluded that Pakatan Rakyat's coalition parties still depend on grassroots support, raising funds through a combination of membership fees, fundraising dinners, donations, publications and

forums. In addition, DAP's elected representatives contribute a portion of their salaries and allowance to the party fund.

TI-M's report stated clearly that business people or wealthy individuals with vested interests are eager to give money to politicians in return for securing business favours, strengthening the argument that there exists a powerful nexus between politics and corrupt money.

Clearly, there is a need to break from this culture and norm of relying upon large business conglomerates to support political parties.

It is well-known that companies are obliged to sponsor events such as party elections, and state and national election campaigns. The danger of not addressing this very real problem is that no matter which political coalition comes into power, it is inevitable that the political leaders have to succumb to the demands of corporate interests.

Unless a better system exists in which political financing takes place through a more transparent and well-regulated process, this culture is bound to continue.

Can a new government change this?

The existing system (or lack thereof) of political financing has brought to fruition a culture of dependency upon the large business players. If there were to be a possible regime change, would the new government be able to circumvent such a system?

Political financing reform is key to ensuring that any government in place is not held ransom by private sector interests.

The Pakatan Rakyat shadow Budget has outlined its clear position that it would break up monopolies and oligopolies in Malaysia should it come into power. Its goal is also to "free all government-linked companies (GLCs) from political interference" and that they would operate based on commercial priorities.

Pakatan's list of monopolies to be either restructured or completely dismantled includes the business of Malaysia's most powerful tycoons. Would the move to dismantle them succeed, first on the count of the resistance from the tycoons, and second on the count of their very convenient use as financial sponsors?

In the case of regime change, Malaysians must be cognisant that this deeply-embedded web between business and politics will not be easy to disentangle.

Even within the first 100 days, should the Pakatan government make initial efforts at change, it may not result in immediate improved outcomes.

For instance, a task force would have to spend copious amounts of time examining the hundreds of lucrative contracts between government and private companies, separating the legitimate from the dubious ones.

Next, by virtue of the fact they have a contractual agreement; it will be extremely difficult to break these contracts immediately.

Doing so would either mean penalties have to be paid, or multiple court cases would ensue between the corporations and government. This is the experience that the Pakatan state governments of Penang and Selangor faced when they came into power.

Second, selected existing civil servants who have already built their careers on these relationships would very much operate according to the existing mindset. Whether or not the same cronies are involved, the method of dealing with contracts and public procurement will be dealt with in much the same manner by

them.

For there to be a distinctive change in the way politics is run, and to push for a more transparent and corrupt-free democracy, steps must be taken to deal with the current political government-business nexus.

For the business world to be kept at arms length and independent from the political players, new laws and regulations that emphasise transparency and good governance must be considered.

Although close relationships between the two will always exist, these regulations will help mitigate the negative effects resulting from this. The inclusion of the public's intense scrutiny through transparency measures will allow the public to participate in the process of examining the political parties that claim to represent them.

Malaysians must be aware of the current systemic flaws. In doing so, they would recognise that change takes time to set in.

It is absolutely crucial that a new government must seek to strictly regulate and enforce political financing, even if it is to its own political detriment. This would be necessary for the long-term strengthening of democratic institutions. The voting public must push for these changes to take place.

In the final analysis, dependency of politics on the private sector must be removed if we are to encourage a new way of being and doing government.

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