

## **Budget 2013 - tussle of the titans**

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**Oleh Kim Quek**

COMMENT Barisan Nasional's election-orientated Budget 2013 is disappointing because it concentrates on raining one-off cash on the electorate to ease their pain, while forgetting to address the ills that necessitate such profuse dosage of pain-relievers in the first place.

If the people are affluent and contented, do they need to be showered with such pacifiers; or alternatively, would the feeding of such sweeteners sway their decision on whom they are going to vote for?

Obviously there are vast masses of disgruntled electorate who are not happy with the current living conditions.

They are unhappy because they find it increasingly difficult to make ends meet; and they are also worried about the worsening safety of their environment.

The common people are simply overwhelmed by a cost of living that forever is speeding far ahead of their slow-moving income increment.

Needless to say, our economy is in trouble. What's wrong with our economy?

Economic disease

Malaysia is plagued by economic malaise, which in turn is caused by a draught of private investments – Malaysia's peculiar economic disease that first surfaced in the Asian financial crisis in the late nineties.

Since that watershed event, its private investments as a percentage of gross domestic product (GDP), as repeatedly reminded by the World Bank, has been staying at the doldrums, hovering around 10 percent, which is among the lowest in the region.

Investors, both foreign and domestic, have fled the country, as exemplified by Malaysia having a net foreign direct investment (FDI) outflow for many years, a unique dubious distinction among developing countries.

Such apparent loss of economic competitiveness is described by economists as the middle income trap, from which Malaysia does not seem to be able to extricate itself.

A main culprit of this predicament is of course the notorious and obsolete New Economic Policy (NEP) – an affirmative action policy that has been morphed into a monstrosity of racism and corruption, which has been conveniently used by the ruling elite to corruptly amass personal fortunes at the expense of the people and the country.

Spinning from that central policy is the phenomenon of government-linked corporation (GLC), an ever sprawling network of state-controlled enterprises that has grown to dominate the nation's economy.

GLC, with its overbearing and negative influence over the economy, is of course also a retarder to the spontaneous flowering of entrepreneurship in the country, as it practices the philosophy of the NEP.

Compounding the economic misery of Malaysia is the hegemony of Umno – the ruling power that has wielded almost unlimited political power, perpetuated through its racial-divide-and-rule policy. As the famous saying goes "absolute power corrupts absolutely", Umno has become openly corrupted with impunity.

Umno hegemony wreaks economic havoc

And the toxic cocktail of Umno's corrupt hegemony, NEP and GLC has played havoc to the Malaysian economy.

Skeptics of my view may ask: if Umno's economic management of the country has been so bad, why is it that Malaysia's economy is still standing strong? My simple answer is: if it has not been for Petronas and the associated petroleum income, which contributes almost half of the government's operating expenses, this country would have gone bust ages ago.

In fact, the country's economy has been so badly run by Prime Minister Najib Abdul Razak, who seems to be perpetually operating in an electioneering mode and squandering public funds to curry favours from the electorate incessantly without commensurate economic returns that public debts have escalated exponentially, climbing a whopping 71 percent from RM266 billion in 2007 to RM456 billion in 2011.

This debt figure, which is close to the statutory limit of 55 percent of GDP, does not include hidden liability of RM117 billion (12 percent of GDP) in the form of guarantees issued against commercial loans to government agencies and GLCs.

While all this frightening debt-incurring is going on, there is no sign that the economy has started to stir from its slumber.

Against this darkening economic backdrop, what tiding has the prime minister brought with his Budget 2013 proposal to deal with the underlying causes of our economic ills? Nothing.

To be frank, he looks more like Santa Claus bringing a bagful of Christmas gifts, which will of course bring momentary joy. But the awful truth is that we are sick and what we need is medical treatment that will restore health, not gifts that will cheers us just for a while.

'Pakatan tackles root causes'

In this connection, the Pakatan Rakyat shadow budget is immensely superior, in that it

boldly introduces measures to tackle the root causes, in addition to bringing welfare relief for the needy.

It proposes to replace the NEP with an affirmative policy that is need based.

Corollary to that, Pakatan will dismantle the unwieldy economic creatures that have blossomed under BN's crony-capitalism, namely the current monopolies, oligopolies and cartels that have enjoyed the regime's favours and protection; and Pakatan will free the economy to open and fair competition.

To enforce that policy, Pakatan will set up an Anti-Trust Commission to punish offenders and break up recalcitrant outfits.

It will also review numerous lopsided concessions improperly awarded to cronies by the current regime at the expense of public interests. This will be done through the establishment of a Public Contracts Commission under the proposed enactment of Unfair Public Contracts Act.

At the moment, Malaysia's economy is heavily distorted by GLCs, monopolies, oligopolies, cartels and concessionaires, whose tentacles have stretched far and wide to affect almost every aspect of a citizen's livelihood.

As these bodies normally enjoy undue advantages and special privileges from the ruling power, they don't operate on optimum efficiency while enjoying undeserved profits; and naturally consumers and national economy have become their victims.

The removal of these parasitic elements and privileged groups in our economy will at once lower the price of goods and services, while it will also open up a competitive field where pent-up entrepreneur energy inherent in our people will be released.

Pakatan also proposes to reinstate open and competitive tenders for public procurement in replacement of BN's long-established murky award of contracts, which has been the mother of all corruption.

Billions after billions of ringgit have been leaked through such corrupt practices that have prevailed not only among the ruling political elite, but also in every strata and segment of Malaysia's public services and GLCs.

By plugging such leakages through open tenders, tens of billions of ringgit of public funds so saved would be sufficient to finance most of the welfare services proposed by Pakatan to help the needy.

Good leadership will transform economic landscape

Indeed, these simultaneous measures will see the transformation of Malaysia's economic landscape.

The elimination of corruption and cronyism, with the corollary induction of accountability and transparency, coupled with the opening up of the economy for fair competition, will surely restore investors' confidence and re-hoist the Malaysian flag in the radar screens of international investors.

Many Malaysians may still remember the boom days of the nineties up to the Asian financial crisis. Those good days were brought about by robust influx of FDI and local investment.

During those days, private investment to GDP ratios were fluctuating close to 30 percent, reaching a peak of 37 percent, which was the highest in the region then, according to the inaugural issue of 'Malaysian Economic Monitor' released by the World Bank.

The same scenario can return if we have a competent political leadership to make sweeping changes in tune with current time to replace defunct policies.

Prosperity is certainly not beyond our reach because Malaysia has the good fortune of having abundance of natural endowment and human resources, the latter of course still have to be upgraded through a more enlightened educational policy.

We must realise that it is only through sustained economic prosperity – brought about by genuine entrepreneurship and high productivity – that our people will find true relief to their current economic hardship.

As such heightened economic activities will boost citizens' income, in addition to topping the public coffers.

And for that to happen, the people must first install a good political leadership to whelm the country.

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