

'Najib's providing wrong economic prescriptions'

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COMMENT Kangkung, a vegetable that you can easily pick-up by the roadside, specifically along monsoon drains, was used as a comparison to explain the concept of supply and demand by Premier Najib Abdul Razak.

This clearly reflects the desperation as well as the limited depth of his knowledge about economics.

This begs the question whether Najib is capable to steer Malaysia from sinking further into the uncertain global economy. Obviously, he is not the man at the helm.

However, anyone who replaces him, be it Deputy Prime Minister Muhyiddin Yassin (left) or opposition leader Anwar Ibrahim, also may not be able to come up with viable magic tricks.

This is because the basic structure of the Malaysia economy has been already destroyed ever since former prime minister Dr Mahathir Mohamad introduced the New Development Policy (NDP) and the Vision 2020.

Malaysia desires to be a developed nation by 2020 but the basic structure of the economy has never changed.

Investment expert George Soros showed Mahathir the weaknesses in our economic structure in 1997 but instead of learning from this lesson, which according to Mahathir "wiped out" 40 years of nation building, Najib continues with his transformation programmes.

Instead of focusing on strengthening the basic economic structure by providing ample employment to the people and concentrating on productivity whilst suppressing the escalating cost of living, Najib's transformation picks the corporate sectors (both public and private) as his main vehicle of choice instead of concentrating on developing the construction sector.

All his efforts were doomed from the word go. His greatest mistake was he did not understand his father's legacy, which in the 90's was broken by Mahathir's over-zealous attempt to parrot the Western development models of developing

private capital.

The development model adopted by Malaysia in the 60's and 70's was simply that "Malaysians must have employment" - job creation was critical.

This was due to the rural-urban migration of mainly the Malay population, which at that time was reaching a critical level of 3.3 percent. In order to create more jobs, low wages was the policy adopted.

Vocational training was emphasised, Polytechnics were built and technical colleges such as Kolej Tengku Abdul Rahman, Kolej Tun Abdul Razak and Institute Technology Mara were introduced.

In order to offset the low wage earned by the people, subsidies were introduced. This was the main reason for the subsidies - it was economic rather than politics.

Building affordable public housing around Kuala Lumpur and Shah Alam, resolved the squatter areas and provide roofs over the heads of the people.

This attracted more and more foreign direct investments (FDI) into Malaysia and the economy grew in leaps and bounds and the country prospered

The government was even willing to forgo RM14 billion per year on "invisibles" as long as the people had jobs and had money to spend.

As the people spent their money, indirectly, the money still went back to the government.

As the result of these policies, Malaysia became one of the emerging tigers and Malaysia was set to become a developed nation at that pace it was running, in the 60's and 70's.

Developed nation status

Then our leader in the 1990s wanted to accelerate the process and 2020 was the year that Malaysia was targeted to achieve developed nation status.

Nothing was spared to establish the foundation to achieve this vision – the critical mass of innovative and creative human capital.

This was because, in 1975 the longest serving prime minister, in his nationalistic fervour, made changes to our education systems which had consequences in the

90's.

The education system was geared towards creating a population, which tended to conform instead of being innovative and creative.

And now the absence of skilled human capital in Malaysia is the one obstacle which has made the dream of a developed nation unreachable.

This mistake only came to the fore in the 90's when Putrajaya and Cyberjaya were created, Malaysia simply had insufficient innovative and creative workforce to take Malaysia to the next level.

Instead of pulling back, take stock and reflect on the next course of action. Malaysia jumped on the bandwagon to increase the role of private sector and reduce public sector's involvement in the development process.

Once this process started there was no turning back. In 1997, the government had to bail out numerous enterprises and public funds were used for these purpose which left very little funds to build up the country's intrinsic strength - its productive population.

The government needs fresh injection of funds and the amount coming in is trickling in because of declining consumer demand from Malaysia's traditional markets such as Europe and the United States.

The Malaysian economy cannot depend on its export industrialisation policy any more, shifting from industrialisation to the service sector requires a long transition period.

There are insufficient funds to manage the transition from export industrialisation industries to the service sector.

The hard reality is that commodities which were forgotten in the 90's, are now keeping the country afloat.

Commodities however can only contribute so much to the economy; it has low employment value and most employed in the plantation sectors are foreign labourers, which contribute further to the foreign outflow of funds from Malaysia through remittance and transfer pricing.

Malaysian malaise

Unrestrained leakages, overspending, and clueless prescriptions to the Malaysian malaise are causing the situation today becoming worse.

The country today has no choice, it has to exploit its other strength, which has never been discussed seriously at the centre.

Firstly, it has to unblock the tourism potential in Sabah and Sarawak. This entails that there must be an 'open skies' policy into these areas.

KL International Airport (KLIA) must stop hogging direct international flights into Malaysia. Direct international flights must be allowed into and out from Kuching and Kota Kinabalu.

KLIA has no chance to compete with Singapore, Jakarta and Bangkok. Instead of being selfish, KLIA must think in terms of Kota Kinabalu and Kuching as part of its strength and not as competition.

Managed properly, this will be part of its transition from industries to the service sector.

Secondly, in the absence of demand for its consumer goods, Kuala Lumpur must look for alternative market elsewhere.

Kuala Lumpur must start recognising Bimp-EAGA as an important part of its economic recovery programs.

The Bimp-EAGA has a market potential of about RM400 billion per year. The market size is substantial, but more important than this is that this market may well be the lifeline for Malaysia until such time the European and United States demand for consumer goods started to pick up.

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