

Economist: M'sia on way to 'degenerative corruption'

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With corruption scandals such as the 1MDB and the National Feedlot Centre (NFC) project, the prominent economist Terence Gomez warns that Malaysia is shifting gears from what he dubs "developmental corruption" to "degenerative corruption".

He said Malaysia had been able to generate high economic growth despite high levels of corruption that would have devastated the economies of other countries, because of this difference in the type of corruption.

Citing the North-South Expressway, Bakun Dam, and Port Klang Free Zone as examples, he said that despite the rent-seeking that allegedly took place in the project, it was eventually completed.

"More recently, we are seeing a different kind of corruption. We are seeing the kind of corruption like that NFC scandal, where the project was given to a prominent Umno leader and her family, and we didn't see much production coming out of that.

"Even more recently, is 1MDB. So what we are seeing here in Malaysia is a shift from developmental corruption to what we term as degenerative corruption; if we are to believe the allegations that are being made against the government," he told a forum in Petaling Jaya today.

Gomez explained - while stressing that he is not justifying corruption - that in developmental corruption, state resources are given to businesspersons in a manner that is non-transparent and non-accountable, but these resources are then developed and spur reinvestment.

In degenerative corruption, state resources are simply given away to cronies and are not used in a productive manner, and in many cases simply amounts to an embezzlement from the state.

NFCorp executive chairman Mohamad Salleh Ismail, who is the husband of former Women's Minister Shahrizat Abdul Jalil, denies wrongdoing in the NFC scandal and has claimed trial to two charges of criminal breach of trust.

The Ministry of Finance-owned 1MDB has also consistently denied wrongdoing.

PMO has too much power

Meanwhile, Gomez said that the 1998 Asian Financial Crisis showed that developmental corruption is unsustainable, and even Malaysia had made reforms to corporate governance.

However, same problems emerged when another financial crisis struck in 2008.

Gomez said the crisis hit due to the lack of institutional changes in the reforms.

The issue that needs dealing with now, he said, is devolution of power from the office of the executive to the relevant authorities.

“Even (Former Prime Minister Dr Mahathir Mohamad) has been moved to say, ‘There is too much power in the office of the prime minister’.

"However, I must ask, who is to blame for this?" he asked.

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