

**NEM promises 'improved' affirmative action**  
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The second part of the New Economic Model released today promises to maintain affirmative action for the Malays and the bumiputera, and pledges to implement this in a "market-friendly" and transparent manner.

But just how the government intends to achieve this is not spelt out in detail.

NONE"The market-friendly affirmative action in the NEM advocates the use of transparent procedures and criteria to promote capacity-building and the elimination of approaches that contribute to rent-seeking behaviour.

"The NEM also seeks to encourage reward based on performance and to foster greater competition by removing excessive protection and promoting sectoral liberalisation.

"Raising competitiveness and productivity is critically dependent on reward, based on merit and effort, and not on other unwarranted criteria," the document claims.

The document does not mention of any implementation of policies that will ensure meritocracy, guarantees of open tenders for government projects or changes to bumiputra business quotas.

There is also no mention of any timeframe when such affirmative actions will end, or whether they will be gradually lifted at all.

**Past problems admitted**

However, the document goes into great detail on how affirmative action policies currently practised by the government have led to market distortions and inefficiency.

This portion of the document is likely to be well received by foreign and non-bumiputra investors who have long complained about how affirmative action policies by the government are being abused, hampering competition and ultimately, stifling the economy.

dap proton memo 170206 banner"The implementation of affirmative action has propagated and embedded a distributive and entitlement culture and rentier behaviour.

"An insufficient number of qualified bumiputera firms with the requisite capital resources have encouraged the establishment of spurious fronts.

"Excessive use of ethnic quotas has descended into acceptance of less qualified recipients and bred inefficiency," the document says.

It adds that rent-seeking activities has not create wealth or added to economic growth, but has instead led to unproductive activities, such as bribery or corruption, and has added to the sizeable cost of doing business.

The NEM argues that despite these flaws, affirmative action must continue because of the economic inequalities of the different ethnic groups. However, it says it must be "revised and reformed" by addressing the flaws from past practices.

Thus, the government intends to adopt a market-friendly affirmative action policy that will ensure minimal market distortion in the pursuit of "perfect competition".

Strangely, the document provides a warning that markets are subject to "malfunctions", regardless of whether affirmative action policies are in place, because of possible monopolies, collusions and excessive risk-taking.

"In such cases, government intervention is necessary to regulate and correct the failures. However, the government intervention can also exacerbate market failure.

"Excessive protection for reasons other than affirmative action can contribute to market distortions," the document states.

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In assuring Malaysians and the world that the NEM will address the shortcomings under current methods of affirmative action, the document goes into great length to ensure that these actions will not be conducted against the interests of the Malays and the bumiputera.

NONE It says the NEM's view on affirmative action policies are consistent with and subject to Article 153 of the federal constitution, that spells out the special position of the Malays and the bumiputera.

"The NEM does not advocate the removal of the special position of the Malays and the natives of Sabah and Sarawak, or the legitimate interest of the other communities

"However, the NEM does strongly seek to modify the manner in which the interests of all Malaysians are promoted through pro-poor, inclusive growth by means of market friendly and transparent affirmative action," it says.

To address the income inequality among the various ethnic groups, the NEM outlines several policy measures to specifically address the bottom 40 percent of households.

It argues that since 73 percent of this group is from the bumiputera community, it should stand to benefit the most from the policy measures.

#### Bumi businesses still aided

Other than the bottom 40 percent of households, the NEM will seek to further promote bumiputera businesses

NONE "It was never the intention in the NEM that the existing special programmes benefiting these targeted groups would be immediately terminated," it says.

Among others, the NEM's policy measures include "special programmes" for bumiputera small and medium enterprises, based on needs and merit.

"Based on such core principles, these programmes will allow beneficiaries to graduate to become self-sufficient and compete in a liberalised environment, without prolonged dependence on such special programmes.

"Successful bumiputera firms need to be highlighted as champions, whose partnerships with the business community at large, including the GLCs, will raise the performance of the entire bumiputera commercial and industrial community," it said.

The 10-member National Economic Advisory Council panel, led by Amirsham Abdul Aziz, the former minister in the Prime Minister's Department who was put in charge of the Economic Planning Unit, prepared the document.

The NEM is part of the Najib Abdul Razak administration's ambitious Economic Transformation Programme (ETP), that boasts to turn Malaysia into a high-income economy by 2020.

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