

Taking away race-based quotas could prove divisive
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The retention of 30 percent bumiputera equity in the concluding part of the New Economic Model, unveiled Friday, may have been a let-down, after its unequivocal call for the cancellation of race-based quotas in its first part, announced in March.

dr yeah kim leng

But according to Ratings Agency Malaysia chief economist Yeah Kim Leng (right), the National Economic Advisory Council was doing the right thing as taking such quotas away can be potentially divisive.

"As a pragmatic economist, I am hoping that (race-based quotas) are done away organically and not through policy because the issue is politically sensitive and racially divisive.

"It is best to let time and changing environments make it irrelevant," he said when contacted yesterday.

Echoing the NEM document, he added that taking the quotas away will only spark "unproductive discussion" and this in turn would raise political temperatures and scare investors.

At the same time, he noted that the key issue remains the implementation of the quota system whereby the challenge would be to introduce market-based elements to preferential treatment.

A quick way to start, he said, would be implementing open tenders for government and government-linked company procurements which are reserved for bumiputera small-medium enterprises.

He added that such policies would also foster greater inter-racial unity, as it would encourage more meaningful partnerships between non-bumiputera entrepreneurs to and their bumiputera counterparts.

Only this time it will be meaningful partnerships because in a competitive environment, only capable bumiputera entrepreneurs will win contracts.

We can't support 'rentier' behaviour

While political economist Khoo Kay Peng supports the move to extend assistance to the bumiputera entrepreneur community, he does not believe that race-based affirmative action should be phased out organically.

dap set pak lah free forum 121006 khoo kay peng "I believe there should be a gradual timeline, because otherwise it would be like the New Economic Policy, which should have ended in 1990 but its spirit still lives on," he said.

Instead of leaving it to its 'natural progression', Khoo (left) said that targets should be set on a timeline with proper action points to ensure that the objective of affirmative action is met.

More importantly, he said, immediate targets need to be set because the government can no longer afford to support 'rentier' behavior which has developed over years of bad implementation of race-based affirmative action.

"There are many bumiputera companies which exist solely on government contracts, and they provide sub-par service which the government accepts and pays for.

"The government's expenditure is now RM180 billion a year. If we don't do it now, there is no guarantee that we can feed this patronage system for much longer," he said.

Implementation points missing

Despite the hue and cry by Malay rights groups like Perkasa over the retraction of race quotas, Khoo believes that such a move by the government will not be entirely be badly received by population as long as social safety nets are intact.

Further, there would be considerably less backlash if efforts are put into assisting bumiputera SMEs build their capacity while the quotas are being phased out.

"Look at it this way. The bumiputera community will wake up to the fact that after 40 years, they still make up 70 percent of the bottom 40 percent of the population.

"There are hardly any Malays in the electronics industry, for example...but one of the objectives of the NEP is to break the identification of race with profession," he said.

To encourage participation in certain industries, said Khoo, the government could look at providing micro-finance to bumiputera entrepreneurs.

"But make it compulsory for applicants to go for a series of training, for example, and then test their capabilities after that and award the loans to those who pass," he suggested.

azlanThese sorts of workable ideas were however largely absent in the 10-page chapter on narrowing the rural-urban, income and intra-ethnic disparity.

Both analysts find the fact that the NEM report was short on details not surprising, but for Yeah, this could give some leeway to the many government agencies to figure out how to implement the policy recommendations.

"The policy is there, but now to work out the right institutions and the right leaders to lead this," he said.