

Wealth equity - Malaysia's challenge
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With Malaysia's opposition pact in the ascendancy after stunning gains in a general election last month, some are wondering how different their economic policies are likely to be if they do wrest

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power, as many expect them to do, eventually.

The Pakatan Rakyat (People's Alliance or PR), made up of the multi-ethnic PKR, PAS and DAP now has 82 seats in the 222-seat Parliament. It is now promoting a new needs-based Malaysian Economic Agenda to replace race-based affirmative action principles inherited from the New Economic Policy.

The alliance has control of five states in the peninsula which account for about 56 percent of the country's Gross Domestic Product. They include three of the most industrialised states in the country - Selangor, Penang and Perak - and two among the poorest, Kelantan and Kedah.

The ruling coalition, meanwhile, is mired in factionalism and internal rivalry with the most attention focused on its dominant party, Umno.

In the months before the general election, Prime Minister Abdullah Ahmad Badawi had announced a string of regional economic growth corridors to be spurred by multi-billion dollar infrastructure and other projects. Critics say it is a top-down model designed with little public consultation, its prime beneficiaries likely to be major well-connected corporations.

The government has traditionally worked on the premise of affirmative action principles outlined in the NEP, which favours the ethnic Malays and other indigenous groups. The NEP initially lifted broad segments of the majority ethnic Malays into the middle-class after it was first introduced in 1971. But critics say its race-based policies were later abused by ruling coalition politicians to award contracts and licences and allocate corporate equity to cronies and well-connected firms.

This, along with neo-liberal policies that cut taxes for the rich and slashed subsidies for essential services, contributed to a widening of income inequalities - one of the highest disparities in Asia.

There's now a broad recognition that the NEP has run its course. "The NEP is good but its benefits are only enjoyed by some, as many Malays in the country, including those in Penang, are still poor," said Lim Guan Eng, the chief minister of the DAP-led Penang state government. "The implementation of NEP has only made the rich richer and the poor poorer due to malpractice."

The MEA, advocated by opposition icon Anwar Ibrahim, is aimed at replacing the NEP with a policy that provides assistance to poor and marginalised Malaysians of any ethnic group who are in need. "We always stress that under our leadership, the interests of the Malays will be maintained, and we are always committed to building a new system that is fairer, more just and we will ensure that no one will be left behind without regard to their race or religion."

said Anwar in his blog.

Public-public partnerships

But to assure Malays, he added that there are plans to introduce new mechanisms to channel economic aid to large groups of small traders within the Malay community and to ensure that educational opportunities, micro-credit schemes, social and welfare services and other forms of economic aid are available to the community.

Civil society activist and economist Charles Santiago, just elected to Parliament on a DAP ticket, says Anwar's PKR - and the DAP to a lesser extent - is committed to reducing the cost of living especially for the poor in the five states. PAS, for its part, is downplaying its Islamist agenda and is instead promoting the concept of a welfare state.

In PKR-led Selangor, for instance, the state government announced it would provide free water for the first 20 cubic metres to all residents in the state. The state's chief minister also said he would be looking to raise the job skills among the youth.

"Transparency in contracts and open tenders are a big change (compared to previously)," Santiago said. Another key goal is a fairer distribution of wealth. Others are hoping for a constructive dialogue on how to bring together progressive forms of 'secular' and Islamic community economics. They would like to see the political and intellectual resources of the opposition alliance harnessed and shared rather than used in an adversarial manner.

Santiago said he would like to see more public-public partnerships among the five PR-controlled states. There has been a start in this direction with the Selangor government hoping to learn from the experience of the publicly owned Penang Water Authority, regarded as one of the most efficient in the region in terms of low tariffs and low non-revenue water or leakages.

Both states are also exploring how they can get their state agencies to cooperate and complement each other in human resources, education, physical development, and manufacturing.

Santiago will also propose that the five states under PR rule raise their food production. State governments, he said, could play a big role in investing in food production to mitigate the rising cost of living. The state governments could work on increasing yields, providing more subsidies to farmers, and strengthening farms managed by smallholders, including family-run farms, he said.

So will the end of the NEP lead to radical changes towards a people-led economy? Not necessarily, warns political scientist John Hilley, author of the book *Mahathirism, Hegemony and the New Opposition*.

Poverty-focused spending

For one thing, the international private sector would view the removal of the racially-divisive NEP as another 'necessary step' on the road to a more open free-market, deregulated economy, he said. "And this begs the bigger question, and problem, for the opposition (PR) of how to advance policy ideas that don't just abandon 'outdated' social instruments for more market 'solutions'."

This he said was a serious dilemma for any socially ambitious 'government-in-waiting', fearful of anxious marketeers and capital flight. "The blackmail threats and constraints of the global neoliberal (dis)order cannot be easily dismissed," he said in e-mailed comments.

"Yet, until there are imaginative efforts to craft and pursue people-led economics, the same social divisions, inequalities and business-first agenda will prevail."

Support for a new social economics was clearly evident in the run-up to the general election in polls. Many Malaysians especially from the working class appeared drawn to election campaign pledges to increase subsidies for fuel and education, to do something about the rising cost of living and to reduce income inequalities between the privileged elite and the toiling masses.

There has also been widespread public disenchantment over disastrous privatisation policies that have only enhanced corporate profits and elite salaries while undermining once cared-for public services.

Policies that would promote social investment and poverty-focused spending would thus probably be welcomed by the public. What is lacking though is the political will and radical creativity to realise such policies, pointed out Hilley, adding that the post-election phase ought to be used to explore and build credible alternatives to those proclaimed by corporate interests and the 'market evangelists'.

He stressed that the key impetus for meaningful economic change would have to come from civil society itself - active NGOs, reformist lobbies, community groups, academic activists and others - rather than "a hopeful reliance on politicians whose idea of 'economic delivery' becomes mediated by political office and tamed by the 'realistic' demands of big business".

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