

PM needs all the good political karma he has
Malaysiakini.com
Jun 11, 2008
Wan Mohd Aimran

The facts are as such:

The price of a barrel of oil is hovering between US\$120 to US\$140. The total cost of our government's subsidies is approximately between RM50 to RM60 billion a year.
MCPX

This value is nearly 5% of Malaysia's Gross Domestic Product (based on the 2008 GDP of RM130 billion. The May 31 edition of The Economist wrote that, 'Malaysia has one of the biggest fuel-subsidy bills in the world, estimated at as much as 7% of GDP this year.'

To put this number in perspective, the country's spends 3.8% and 8% of its GDP on healthcare and education respectively. I think one can reasonably conclude that it is not economically feasible and financially prudent for us to continue to maintain oil subsidies at current levels for the country, especially with the steadily rising global oil prices.

The statement that the era of cheap everything is over - cheap oil, cheap food - is coming to bear and I think it is at best, ignorant and at worst, deluded for us as consumers to expect a return to previous prices. Since the sky-rocketing, high global oil prices have little, if at all, to do with whether the government in power at the moment is Barisan Nasional or Pakatan Rakyat, it is foolish for the rakyat to expect that an overnight change in government would immediately result in lower petrol and diesel prices.

But although the prices of petrol could not be made cheaper, I think it could be made more affordable to the rakyat. This could be achieved by ensuring that segments of society that stand to lose the most from this removal of subsidies be compensated fairly and sufficiently via means of directed and sustained incentives, reliable public transport alternatives and a firm commitment by the government to reduce wastage and corruption as has been announced.

Indeed, one of the most humane ways for the government to empathise with the rakyat on the issue of the removal of subsidies - apart from offering incentives and financial support to the most adversely affected by the price increase - is for they themselves to, in their own words, 'change their lifestyle.'

Of course, the manner in which the removal of the oil subsidies was announced and carried out would also go some way to alleviate the discontentment of the rakyat; a gradual, step-by-step easing of the oil subsidies would have been more preferable than a sudden, overnight removal.

Having said that, the government promised recently that the petrol prices would not be increased until August. Thus, it is not surprising that the timing and the magnitude of the increase in the prices of petrol comes as a huge, unimaginable shock to the rakyat.

But then again, it would be worthwhile to note that it has been the trademark of the current administration - especially the premier - to promise one thing today, only to renege on it tomorrow, as seen in the case of the date of the general election and the speculation regarding the prime minister's marriage proposal.

The flip-flop attitude of the current administration painfully demonstrates the paralysing indecisiveness of the government and most importantly, of the prime minister. It is worth noting that petrol and diesel prices have increased almost 97% and 200% respectively under the Pak Lah-led administration.

Furthermore, given the overarching importance of fuel in our modern society, the government should not have underestimated the impact that the removal of the oil subsidies would have on the rakyat's wallet. The removal of the oil subsidies would have strikingly different impact on a fisherman in Terengganu, on a rubber tapper in Kedah, on an executive in Kuala Lumpur and a on a retiree in Damansara.

What is pertinent therefore is not whether the government should or should not retain the subsidies at current levels but what measures should the government take to ensure that those in the lower income bracket would not be seriously affected by this increase compared to those in the higher income bracket. In short, it is about making sure that the people's purchasing power is not adversely diminished by the removal of oil subsidies.

It is about making sure that RM5 in the rakyat's wallet could still buy them a decent meal to fill their stomachs. Nonetheless, it is wrong for the rakyat to think that they themselves have no role whatsoever to play in minimising the impact of higher oil prices in their daily lives. The government could try to cushion the effects of high oil prices till the country is on the verge of bankruptcy, but the rakyat - as the other major stakeholder in this issue - should strive to reduce their dependence and expenditure on fuel by planning their routes and trips, exploring the idea of car-pooling, or mustering enough courage and confidence to use public transportation.

Of course, some would argue that the issue would then become a chicken-and-egg question - should the government guarantee efficient, safe and reliable public transportation first before enjoining the rakyat to use it or should the rakyat change their mindset on public transportation and learn to gradually wean themselves away from their private vehicles before any future plans for public transport are drawn up by the government?

Therefore, some of the questions that should be asked includes; what does the government intend to do with the extra cash available by the removal of oil subsidies? How much of it will be channeled to improve public transportation throughout the country and what mechanisms are in place to guarantee a successful implementation of such policies? What are the alternatives being explored by the government to gradually remove the nation's addiction to oil in terms of research into alternative energy sources, energy saving measures and grants and incentives for energy- friendly businesses?

I firmly believe the economic necessity and reasoning behind the move to remove oil subsidies are sound, but the political and social repercussions have to be given equal, if not more, consideration as well by the government. Dealing with the issue with utmost transparency, engaging and establishing a continual dialogue with the rakyat and walking the talk could go some way to defusing the anger over this issue and to allow cooler heads to prevail. If not, the economic goodwill that the government wishes to be born out of this move could be overwhelmed and subsequently derailed by the socio-political backlash that this move would definitely incur.

The current government - most of all the prime minister - requires all the good political karma that he can muster at the moment and it will be a shame if this particular move, which is economically necessary, be ultimately hijacked by myopic and populist sentiments.

If that were to happen, it would be a complete disaster on all fronts - economical, social and political and for the government, the rakyat and the country.

Copyright © 1999-2007 Mkini Dotcom Sdn. Bhd.
Source : <http://www.malysiakini.com/news/84315>