

**Government's grand plan derailed**  
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Two years after its launching by Prime Minister Abdullah Ahmad Badawi, the Ninth Malaysia Plan (9MP) was tabled again in Parliament for a mid-term review. Debate on it should be concluded by this week.

MCPX

Despite the impressive numbers highlighted in the report, one couldn't help but note the 'bearish' mood by many a parliamentarian, including, strangely enough, MPs on the government bench.

Parliamentarians from Sabah and Sarawak seemed especially gloomy, having had patiently and religiously waited for five decades for basic infrastructure like decent roads, electricity and clean water to their remote homes and good schools for their children.

However, their relentless pleas sounded absolutely pathetic when almost every one of them ended or were perhaps forced to end their submissions with the grossly contradictory apologia: "Saya mohon menyokong". Support what? After all the counter-arguments?

Little wonder why their folks have been marginalised all these years, save the super-rich political masters and the 'warlords' among them. Undoubtedly, the MPs on the other divide had a field day. This writer was admittedly and remorselessly one.

You are mistaken lest you think we took pleasure in doing so. As hard as it is to sympathise with them for their denial, they deserve sympathy. It truly bled our hearts having to debate for the obvious and the most mundane of life necessities in the August House.

No sane Malaysian, regardless of political affiliation and socio-economic background would like to see the 9MP fail.

**Reasons understandable, but..**

Yes, we understand that the mid-term review was tabled on the back of rising global crude oil prices aggravated by the sub-prime crisis in the US and by hedge fund managers investing and 'manipulating' commodities prices in the futures and derivative markets. Yes, we can put the blame on many others, including the increased demands in food and energy from the emerging economies known as BRIC - Brazil, Russia, India and China.

These excuses are all understandable. All the more their (read: BN) actions shouldn't exacerbate the impact on our national economy. But what seems most intriguing and least understood are their total failure to realise that they blissfully shot their own feet, nay all our feet and the 9MP.

The 41 percent and 63 percent hike in petrol and diesel prices respectively and now the hike in electricity tariffs have in fact derailed the 9MP.

The BN government has not only opened the floodgates of inflation but more irresponsibly, the floodgates of stagflation. Inflation is expected to skyrocket to eight percent this year.

Bank Negara Malaysia is even predicting an inflation rate of six percent in June. But stagflation, being an outcome of drastic reduction in growth on the back of massive inflation, with its subsequent impact on unemployment, would be even more catastrophic for the nation.

This is my assertion and I will stand my ground until proven wrong. To commit to saying that there's barely any reason to debate the mid-term review may be too arrogant or presumptuous.

But the findings and assessment of the review, now that circumstances have drastically changed, may arguably require another review. This is very deplorable but regrettably true. The impact of this reckless policy is pervasive much as it is abhorred. For the constraint of space, I will be as usual selective.

There are five main thrusts of the 9MP, also dubbed the National Mission. Let's focus at thrust number three that addresses the persistent socio-economic inequalities, with six key strategies. I would only like to focus on one, namely poverty eradication and aspects like improving income distribution and redressing regional imbalances.

According to the report, the overall incidence of poverty among Malaysians has been reduced to 3.6 percent in 2007 from 5.7 percent in 2004. The number of poor households has also declined by 33 percent from 311,300 to 209,000 over the same period. The decline has been attributed to steady economic growth.

Poverty has declined in both rural and urban areas. The incidence of urban poverty has been reduced from 2.5 percent in 2004 to two percent in 2007. In rural areas, the incidence of poverty has been significantly reduced from 11.9 percent to 7.1 percent. Impressive? Perhaps.

### **Bitter pill to swallow**

But what has the recent fuel price hike, after having triggered inflation and the pending stagflation, do to the entire effort of poverty eradication? It derails it!

The report on poverty eradication now requires another review. Let us now face the painful truth. The above report hinges on the assumption that the Poverty Income Level (PIL) or Poverty Line Index (PLI) of RM691 per month translates itself to a 3.7 percent poverty rate, which is a drop from 5.7 percent in 2004.

But everyone understands that this assumption is no longer tenable, especially after the reckless withdrawal of the RM13.7 billion oil subsidy and the fuel and tariff hikes. I would be generous enough to not quote any other numbers on the actual PIL or PLI, including a recent World Bank report.

Even by agreeing to the deputy finance minister's proposal that the PIL be raised to RM1500, a more likely number for a household of five the country's overall poverty incidence will be increased to 24.3 percent. So there goes our poverty eradication target!

Imagine the fate and suffering of the 1.8 millions senior citizens who would be hard hit by the recent fuel hike. More than 300,000 receive pensions, while others live on their EPF and savings. Pensioners from the clerical and support staff, to cite but one example, who are receiving RM300 to 600 a month, will find their values reduced to RM150 to RM300. With

inflation, the real value of their income and savings have significantly diminished.

I can safely say that the review of the 9MP requires another review to ensure that the target of poverty eradication is met by 2010.

### **Grueling times ahead**

A latest snapshot of business conditions amply provides for the deepening economic scenarios to come. The Sunday Star last week carried the headline "Desperate times force contractors to turn down government jobs". Imagine that. Rising prices of building materials have started a 'tsunami' in the construction industry. At least 200 contractors have returned their government jobs as they are unable to bear the escalating costs. House buyers are worried that the rising costs would be passed on to them or their projects would be abandoned. Worse still, will non-performing loans rock our financial sector again?

A house that cost RM100,000 will now cost RM130,000, with the prices of building materials like steel bars, cement, mixed concrete and copper up by 15-30 percent.

SMEs from sectors like manufacturing, construction and the food industry will be adversely affected by the rising cost of literally everything. Being the drivers of growth and employing millions, their remaining in business is vital to the country's economy.

But their fates are hanging on the balance while their businesses are subjected to very challenging times. Will they last? For how much longer? How many will go down? Surely they will downsize and place cost-cutting measures to maintain profit margins but at whose expense? The answer is obvious.

A thorough deliberation of the review is in order. Are we really moving up the value chain? Our exports still rest on exporting crude palm oil rather than oleo-chemical products. So much for rhetoric that has actually turned MTDC and MIMOS into white elephants. While the Silicon Valley in San Francisco and Boston in the US are essentially driven by universities like Berkeley, Stanford or MIT, our Cyberjaya is intellectually barren.

A local professor labeled the Total Factor Productivity (TFP) in the review 'Totally False Proposition'. A better index would be the Knowledge Development Index (KDI). It's not about new industries and infrastructure. It's about intensifying knowledge-intensity of the enterprises. It's also not about what you can do but how fast you do it!

But very unfortunately, the BN leadership has a penchant of solving economic problems politically, as if we can buy our way out of all our economic woes and as though our funds and resources are limitless. Hence their fondness for announcing billions of ringgit in buying their way out of crises. One example is the RM4 billion spent in the recent food crisis or the RM1.13 trillion to develop the five development corridors and now the additional RM30 billion for the 9MP.

Only one thing is certain: the BN government has indeed derailed the 9MP.

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