

**Malaysia and economic gloom (Pt 1)**  
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**Koon Yew Yin**

A recent headline in one of the national papers 'Gloom till end of next year', together with a photo of the Second Finance Minister crying, has encouraged me to write this commentary.

It touches on various sensitive issues that may seem to be disconnected but in fact are clearly part of a larger national problem.

Few can deny that we live in unprecedented turbulent times. The recent controversies over a range of issues covering so many areas of life - economic, education, administration of law and justice, religious, socio-cultural - all point to heightened public frustration and widely held perceptions of a nation that is losing, if it has not already lost, its sense of direction.

There is a grave danger that should we fail to act quickly and decisively, we will not only endanger what we cherish - our unique way of life - but could also see the country topple over the brink and descend into disharmony and disaster.

The Perak constitutional crisis is a classic example of our political situation. In the quest for political (and economic) power, the public has been totally ignored and sidelined.

More ominously, the instruments of the state - civil service, police, judiciary, official media - are being used in arbitrary fashion so as to make a mockery of democracy and the doctrine of the separation of power.

Various international and national socio-economic indicators have shown over the last few years that Malaysia's economic future is getting more difficult. These include global competitiveness, inward FDI performance, stock market capitalisation, government inefficiency, business inefficiency, government intervention in the economy, corruption, environmental pollution, wages, prices and income inequality.

Other subjective indicators such as the sense of material well-being and security, socio-political stability and civic freedom are closely correlated to the economic indicators and also reveal a worrying downward trend. The government itself has admitted to many of these concerns, though in oblique fashion.

What is holding the economy back is the poor quality of leadership, structural inefficiencies, political patronage, wastage and blunting of the economic edge due to policies such as privatisation, Industrial Master Plan and National Automotive Policy, which contain serious design and implementation flaws. There is the massive cost of bailouts which will increase further with the recently announced economic stimulus packages.

There is also the failure to reform state-owned companies, and imposition of restrictions and controls over vital sectors such as the distributive trade and other services. These were formulated on the basis of narrow racially-based objectives, and now threaten to become major constraints to growth and competitiveness.

If the leadership does not rise above parochial interests and revoke policies that have only enriched groups with a vested interest, then the economic future of young Malaysians is

likely to worsen.

Many Malaysians not engaged in politics - including the deputy premier's brother Nazir Abdul Razak (right) - have called on the government to show true economic leadership and immediately reform its policies but there has been no response. Clearly, vested economic and political interests are still setting the agenda.

### **Corrosive impact of NEP**

The New Economic Policy (NEP) - now known as the National Development Policy - is a very sensitive issue. However, it has clearly benefitted the well-connected in Malaysia, as the following examples show.

### **Euro commission**

Deputy Defence Minister Zainal Abidin Zin had acknowledged in Parliament in October 2007 that Armaris, the vendor in the government's submarine purchase, had paid 114 million Euros in commission to Perimeker, a company controlled by political analyst Abdul Razak Baginda (left).

He is known to be a close ally of deputy premier Najib Abdul Razak, who was defence minister at the time of the purchase.

### **Tenders not required**

Just a few days ago, Deputy Prime Minister Najib Abdul Razak announced that contracts valued at less than RM500,000 (RM200,000 previously) do not have to be put through the tender process.

He had earlier announced that the government has allocated RM900 million (RM600,000 last year) for small bumiputera contractors. If this allocation is not enough, he said, the government is prepared to increase the amount.

### **Toll rate hike**

The practice of awarding large projects without calling for tenders has cost taxpayers and the average citizen much financial pain. Everyone is aware that, as a result of giving out water, highway and other concessions without calling for tenders, all the project costs have been inflated to cover 'commissions' and other dubious costs.

The argument has been made that since the concession agreements are bankable instruments and banks have already given out large loans to finance the projects, the concessionaires can insist that the government must stick to the letter of the agreements.

This justification is used to explain why the government has had to 'compensate' highway concessionaires to the tune of hundreds of millions of ringgit of public money, just to delay hikes in toll rates.

## **Water tariff hike**

The tussle between the Selangor government and privatised water companies in the state is another example of the financial pain generated by the NEP.

The state government is negotiating with water concessionaires to delay their intended tariff hike of 37 percent with effect from March 31.

If the state government is not successful, the next tariff hike of 25 percent will be in 2012. In 2015, consumers will have to pay more than RM2 per cubic metre of water. At that point, all Selangor residents will realise how much corruption and badly conceived national economic policies can directly harm them.

## **Obstacle to competitiveness**

Do we have the political will to plug the leakages?

An ethnic approach to wealth accumulation and distribution in Malaysia has underpinned national policy making and implementation for over 38 years now. In no other country is there a similar preoccupation with the longevity of NEP policies.

Many experts and laymen are of the opinion that the NEP - which currently affects virtually all aspects of the economy and human resource development - represents Malaysia's biggest obstacle to competitiveness, social cohesion and meeting the goal of becoming a developed country.

But if the NEP is such an impediment to progress, why has it not been dismantled? The most commonly cited reason is that it is in the interests of the dominant elite to continue the policy in perpetuity.

The ruling coalition has enormous resources and tremendous capacity to co-opt or coerce dissenting elements that question the NEP. Critics are offered the carrot or the stick to stay passive or compliant.

Furthermore, the public is prohibited from questioning the implementation of the NEP or they could find themselves charged under the Sedition Act or detained under the Internal Security Act for challenging 'Malay rights'.

The NEP is shrouded in statistical spin and mystification of official data. In the mass media, especially the Malay media, the official view has been widely propagated and reinforced by supporters of the status quo and those who have benefitted from NEP privileges.

Some of the views may have been prompted by good intentions, but these have since taken on the colouration of sound-bites with little substance. Other views have consisted of comments that smack of political grandstanding.