

Malaysians still await PM's reforms
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David Chance

When he was about to take office a year ago Prime Minister Najib Abdul Razak appealed to reporters to "judge me by my actions", but a year on his benchmark reforms are still at the consultative stage.

By setting up a series of non-government bodies - the latest one is the 'Economic Delivery Unit' - to oversee the reform process, Najib has divorced acceptance of reform from the political process, critics say, leading to a series of policy flip-flops that have unnerved investors.

That has allowed anti-reform pressure groups to spring up and the main party in the ruling coalition that Najib leads appears to have washed its hands of responsibility for policies announced on Tuesday which aim to more than double Malaysia's income by 2020.

"Najib is not willing to stand up, when you have political pressure he buckles," said Bridget Welsh, a Malaysia expert at Singapore Management University.

The urbane 56-year-old British-trained economist appeared to be a breath of fresh air when he took office last April after the Barisan Nasional coalition scored its worst ever results in elections in 2008 under the grey Abdullah Ahmad Badawi.

Najib pledged economic and social change to reinvigorate a country once one of Asia's favoured investment destinations, but which in 2008 and 2009 saw net portfolio and direct investment outflows of \$61 billion as the global economic crisis unfolded and political risk mounted after the polls.

"Last year he sold the investment community on the right talk and doing things in a progressive fashion but a year on, the substance is not there and he is still talking," said Welsh.

In a sometimes passionate speech yesterday, Najib hinted he would roll back an affirmative action programme that favours the majority Malay population and which was introduced by his father, Abdul Razak Hussein, who took the helm of the country in the wake of race riots in 1969.

But there was little meat on the policy bones and the country's ringgit currency and the bond markets have barely budged in reaction to what was a "bold transformation".

Najib's government appears ill-at-ease actually implementing reforms such as planned electricity and petrol price hikes and the introduction of a goods and services tax so as to cut a bloated budget deficit that hit a 22-year high of 7.4 percent of gross domestic product.

While tough and politically unpopular actions languish, there is however a stream of announcements, ranging from the concept of 1Malaysia brand that is supposed to bring together Malays and the minority ethnic Indian and Chinese populations to the grandly named "government transformation programme".

"The government has too many visions and so far there have been too many announcements but very little success, so people

doubt these programmes will be implemented," said independent political analyst Khoo Kay Peng.

Government tenders to end graft

Key to making Malaysia more competitive so that its economy will grow at the 6.5 percent annual rate to get the country to "developed" nation status will be to shake up a system of government tenders that favours mainly Malay contractors.

The majority of the tens of thousands of 'Class F Contractors', which are the smallest businesses that can tender for government projects - in their case those worth up to RM200,000 (US\$61,220) - are the core support of Umno, the main party in the governing Barisan Nasional coalition.

These businesses often carry out building works in schools and for local councils and are the smallest cog in a web of government-linked graft that has seen Malaysia's ranking drop to a record low of 57th in anti-corruption body Transparency International's 2009 report.

Often government tenders get subcontracted to non-Malay businesses for a cut of the fee, wasting government money, and many of the 'Class F' contractors would go to the wall if they had to compete in an open market.

Najib said yesterday he would seek to end this "rent seeking" behaviour with "clear rules for the whole of the bumiputera community" (referring to Malays and other indigenous people), although he failed to spell it out.

"With respect to competitive tender process when it comes to government procurement the commitment seems to make it competitive within the Bumiputera community first," said Ibrahim Suffian of independent pollster the Merdeka Center.

"Beyond that it does not speak more clearly that procurement will be made competitive to include everyone," Ibrahim said.

There are warning signs flashing for Najib such as the formation of a group known as Perkasa (Strength) that has sprung up to "defend" Malay rights and Islam.

Although it attracted a few thousand people to its first meeting this weekend, including former prime minister Mahathir Mohamad, it is not clear how strong a force it could become.

Mahathir himself adopted a cagey position in an interview with Reuters today saying Najib needed to push ahead with reforms and at the same time engage Perkasa.

Signals like that will likely make investors sit on their money. A recent rally in the ringgit currency that has added 4.63 percent to its value this year against the dollar was due to the central bank's pre-emptive rate hike this month, economists say.

- Reuters