

NEM 2 a big disappointment to the people
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NEM 2 unlikely to attract investors to help create a high income economy for Malaysia.

When NEM 1 was presented to the people, it showed promise, and there was hope that this time, there is a chance to have an high economy that is dynamic and booming. The report talked about liberalisation of the economy and that it would be inclusive, meaning that NEM would cater to the interest of all the the people whether Malays, Chinese, Indians and the natives of Sarawak and Sabah. So people waited expectantly for announcement of NEM 2.

Unfortunately, there were rumblings of dissatisfaction from a group of extremists – Perkasa. They vehemently opposed the proposal to dump the NEP (New Economic Policy) with its bumi equity quota. PM Najib attended a meeting with Perkasa, and because of their objections, Najib agreed to rescind the proposal to drop NEP.

Against this background, analysts and economists waited for the announcement of NEM 2, hoping for the best but fearing for the worst.

NEM 2 was bad news. Chapter 8 indicated that it accepted the 10th Malaysia Plan proposal to retain the 30% bumiputera corporate equity ownership as a target. This was very depressing and it was reflected by the mood of the people, when PM Najib presented NEM 2 on the 3rd December. There was no joy and no celebration. It is back to square one. No hope for high income economy. We are going to stay poor. Were some of the comments from the people.

As for analysts, noted economist Mr Navaratnam was disappointed with NEM 2, and feared that foreign investors would stay away.

MARKET DISTORTIONS. Other analysts indicate that the economy was beset by various market distortions like the NEP, corruption, corrupt judiciary, APs, subsidies and preferences.

FATAL ERROR. PM Najib decision to give in to Perkasa's demand to continue the bumi 30% equity quota was a big mistake – a very costly mistake. It is not going to help Malaysia to join the competitive high economy club like Singapore or Taiwan or S Korea, but more likely join banana republics like or Zimbabwe or Timor Leste. He has forgotten the 40 years of NEP which retarded the economy of Malaysia and cause its per capita income to be a lowly US\$8,000 compared to Singapore US\$34,000, Hong Kong \$32,000 or S Korea \$20,000.

It took Malaysia several decades to earn a US\$8,000 per capita. Hampered with the NEP in tow, the chances of reaching high income economy of US\$16,000 by year 2020 is quite slim.

In NEW 2 Chapter 6, there is this narrowing disparities policy. This is the way out for Najib. There is this alternative to NEP to include bumiputras into the mainstream of a high economy era. It proposes a market friendly affirmative action to transform the bumiputra community. The key is liberalisation which will improve the educational and competitive instincts to be independent and earn high position in society or the business world.

The 21st century is the Asian century. China and India are the locomotive engines to get

Asia moving. PM Najib must take steps to ensure that Malaysia has a just place in a rising Asia. PM Najib can be another Deng Xiao Peng. Just as Chairman Deng took the liberalisation trail to wealth and prosperity for China, so must Najib take the liberalisation road to wealth and riches for Malaysia.

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