

Daim: NEP Created Several Millionaires in the Country
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KUALA LUMPUR -- Even though the New Economic Policy (NEP) has been subjected to intense scrutiny in the past, there is little doubt that the affirmative policy has contributed tremendously to poverty eradication, as well created several millionaires in the country.

Most importantly, the NEP has contributed to the political stability of the nation.

However, the policy also turned into a punching bag for critics whenever the nation's economy underwent rough patches, noted former Finance Minister Daim Zainuddin.

The truth, he said, is that the NEP actually promoted economic growth, while ensuring equitable distribution of wealth and incomes. "Several nations that gained independence about the same time as we did experienced declining living standards, despite similar or even better resource endowments," he pointed out.

For instance, Myanmar, Ghana, the Philippines and Sri Lanka were once relatively ahead, but now lag Malaysia.

On the other hand, South Korea's per capita income, which was 40 per cent lower than Malaysia's in 1970, is now three times more than Malaysia's.

"We used to beat them in soccer in the 1970s, but now their football team participates in the Olympics. Where did we go wrong?" asked Daim during the 6th Lecture of the Tun Abdul Razak Lecture series.

There are several compelling reasons that make it necessary for Malaysia to view its economic and social development from the perspective of the political economy.

This includes its political structure as a federation, its population composition along ethnic lines, regional and urban disparities, as well as the position of Malays and Bumiputras.

The Chinese community, which dominates urban areas and commercial activities, will only be content if their economic position is guaranteed, despite the current global economic scenario, Daim said. "Similarly, the Indian community is also asking for a bigger share in the economy," he added.

Ethnic aspirations, expectations and the economic sharing along ethnic lines are seen as critical elements of Malaysia's public policy formulation and will continue to remain so for many years to come.

Political parties that are insensitive to the situation and do not take the effort to address or incorporate these issues in their approach cannot hope to rule Malaysia, he noted.

However, the NEP has now been replaced by the New Economic Model (NEM) with the objective of achieving a high-income nation status by 2020, especially since Malaysia has been straddling the low middle-income group for too long.

The NEM does not absolve itself of the objective of equitable distribution, said Daim, adding that the goal of assisting Malay entrepreneurship continues.

"Given my business background, my main concern is the need to conceptualise and develop a new model for Malay entrepreneurship. In the past, we used different instruments, such as licensing, price margin preferences, government procurements and AP (approved permits), in addition to financial assistance.

"Has this model brought about sustainable entrepreneurship? I think the answer is no," Daim added.

A new approach has to be developed towards the development of Bumiputra entrepreneurship, which has increased its relevance during these challenging times.

"There is an important need to ensure sustainable Bumiputra entrepreneurship class that is less dependent on government support. This model must include Islamic values that encourage strong commercial interests among its adherents," Daim pointed out.

Going ahead, Daim said that the society's concerns about accountability, transparency and good governance would be important as the country becomes politically mature and the urbanisation ratio reaches developed-country proportions.

New voters, especially in urban areas, are demanding greater transparency, better governance and zero corruption.

The most recent issues of concern involve good governance, transparency and greater accountability in order to curb mismanagement and corrupt practices. The lack of concern over these issues has often led to accusations of corruption, cronyism and nepotism in other developing countries.

The increasing demands for an open tender or open bidding system, competition policies and fair trade laws also illustrate the emphasis on adequate economic regulation.

However, Daim pointed out that since social imbalances exist in our society even today, total meritocracy, in the classic sense, could not be practiced here.

"There is still no level playing field yet. So, there is no harm in assisting sections of industry that have traditionally been associated with low technology, low skills and low productivity, as well as poor infrastructure," he added.

Nonetheless, these efforts must be undertaken with transparency and accountability, and should withstand rigorous public scrutiny, even by the Public Accounts Committee.

A more modern approach to this is implementing a vibrant economic regulatory regime that supports competition and fair trade practices, as well as understands the role of monopolies and the government sector.

Recently, Malaysia passed the competition law and launched an agency to handle issues that impinge on the rights and obligations of players in the market place.

The new law is expected to nurture a fair trade culture, which is a feature of every developed country. Indeed, in most developed countries, the regulatory environment aims to prevent companies from indulging in unfair trade, while consumer movements monitor such practices as well.

This also calls for a legal system capable of understanding economics, competition and the role of the market, so that it can adjudicate cases of unfair trading practices, such as cartels and price-fixing collusions.

Daim said that Malaysia ultimately would have to move towards a 'developed country' culture, in which the rule of law is supreme and democracy benefits all.

(Bernama)

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