

Credibility & The Search For A New Developmental Model

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In comparative politics the word "regime" refers to the formal and informal institutions by which political power is acquired and exercised. In political economy, a regime refers to an enduring combination of "socio-economic alliances, political-economic institutions, and a public-policy profile" (Pempel 1998: 20). In the case of Malaysia, the Barisan Nasional (BN) regime's durability in the former, political sense has been closely associated with a particular sort political economy, or regime in the second sense. Despite significant changes over the years, Malaysia's hegemonic-party political system, centered on United Malays National Organisation's (UMNO) dominance, has since the early 1970s practiced a form of developmentalism that has shaped Malaysian society in profound ways. As the Pakatan Rakyat (PR) understands, its challenge to the BN's national political monopoly is inescapably a contest about Malaysia's economic development model, as well. To what extent, and in what ways, does the prospect of change in Malaysia's political regime imply a change in the country's pattern of development?

Contemporary debates make clear the close connection between political contestation and economic policy choices. Indeed, one of the UMNO-led government's vulnerabilities is a sense, growing in recent years, that the Malaysian development miracle has wavered and, for large segments of the population, inadequately fulfilled its promise of a steadily improving quality of life. The notion of the "middle-income trap", first popularised in a global context by Geoffrey Garret in 2004, quickly became a frame for discussions of possible policy reform within Malaysia and among foreign observers. Two themes have been prominent in these discussions. One is the issue of the quality of governance as this affects broader economic efficiency and productivity. Second is the mooted necessity of a broad liberalisation of restrictions and regulations to enable greater flexibility and entrepreneurial dynamism. In both areas, the opposition and pro-reform civil society organisations have made telling critiques of the incumbent leadership.

For its part, Najib Razak's administration has launched a series of reform initiatives under the New Economic Model (NEM) that speak to the same concerns about governance and the structural challenges to Malaysia's continued economic development. This dimension of the new competitiveness in Malaysia's politics adds programmatic substance to a political tableau in which mass protest, scandal, and cultural controversies have comprised much of the drama. PR has sought to highlight evidence of deterioration in the quality of Malaysian governance. Within that broad rubric, PR officials have pointed to figures on budgetary 'leakage', capital outflows, and investor perception surveys as evidence of substantial corruption. For its part, the Najib administration has pledged to implement a Government Transformation Program (GTP) to foster a more responsive, decentralised, and efficient system. A major focus of the liberalisation debate concerns the impact of preferential policies (still widely referred to as the New Economic Policy/NEP) for Malaysia's Bumiputera majority. A range of academic and policy studies have argued that the NEP has hindered a shift towards knowledge- or innovation-based development by restricting the development and availability of relevant, highly-skilled workforce talent (Henderson & Philips 1997; Woo 2009; World Bank 2011). The PR's agenda, as laid out in its 2010 *Buku Jingga* (Orange Book), pledges to replace NEP-style preferences with a set of income-focused welfare policies, noting that their disproportionate representation among the poor means that Malays would be the primary beneficiaries. The government's Economic Transformation Programme (ETP) makes more qualified pledges to reform the administration of preferential policies, including a parallel emphasis on assisting lower-income Malaysians through a revamped safety net.

Given that both the opposition and government have recognised these issues and advanced proposals for change, the credibility of reformist pledges becomes politically important. The government's influence over the mainstream media enables it to tout its progress, as when it has highlighted declines in certain

crime statistics, or as when the World Bank's 2012 Ease of Doing Business Report ranked Malaysia's regulatory environment as significantly improved. The degree to which these claims of change are felt at the grass roots level, or credited by key segments of the electorate, is another matter. Such assurances have been a recurrent theme at the advent of each new UMNO administration (think of Mahathir Mohamed's pledge upon assuming the Premiership to make government bersih/clean, cekap/efficient, amanah/trustworthy). The PR's record of economic management in the states that it governs is a potentially significant source of credibility, though state governments' control over key factors in the cost of living is limited (the Buku Jingga pledges that a PR Federal government would renationalise or heavily regulate privatised utilities.)

One arena in which credibility plays a particularly crucial role concerns Malaysia's large diaspora, which consists of anywhere from half a million to a million persons, many of whom are educated or highly-skilled. According to the World Bank (2011), the stream of Malaysians going abroad quasi-permanently constitutes a serious "brain drain" for an economy whose chief constraint is the supply of skilled human capital. At the same time, the diaspora is a potential resource for development if it could be tapped by inducing Malaysians to return from abroad, or simply to invest some of their accumulated capital, knowledge, or business connections in their homeland.

The ETP acknowledged the problem's seriousness, and the government established a TalentCorps to cultivate interest among the diaspora in contributing to Malaysia's development. Senior government ministers have been highly visible in this thrust, making frank comments and pledging basic change. As for the opposition, during a recent visit to Australia, DAP chief Lim Guan Eng argued that the PR government he leads in Penang represents the prospect of a genuine shift in terms of the freedom for upward mobility that reverse migrants might enjoy in within Malaysia. These efforts' high public profile underscores the political premium that attaches to the credibility of vows to make a break with the established pattern of extensive government influence over professional opportunities in Malaysia's state-led development model.

If credible claims to liberalise government influence in business and professional life were the sole point of contention, the opposition would seem to have a natural advantage. However, other important concerns shadow public discussion about the reforms needed to escape the middle-income trap and attain developed-economy status. The prospect of growing inequality is one such concern, and a crucial one. Indeed, much evidence from around the world suggests that the shift to a knowledge-based economy tends to exacerbate economic, social, and regional inequalities quite significantly. This reality creates tensions between distributional and growth goals in any growth-oriented economic reform agenda. Thus, the opposition's focus on corruption and mal-governance as a source of Malaysia's economic weakness, however much traction it might or might not gain in the face of the government's own bid to claim reformist credit, can only be a part of a viable platform. Cleaner and more responsive government, and more competitive conditions for big business, especially in infrastructure and public services, are important focal points of debate, and are generally unifying themes for a diverse opposition. Yet, alone they are unlikely to prove sufficient to persuade key elements of the electorate that the opposition has a compelling alternative growth model. Likewise with proposals to revamp the safety net in order to better protect the vulnerable segments of society. As the welfare components of both the government and opposition platforms testify, such promises are important to reassure key potential swing constituencies, those who are more rural and/or economically downscale, that reform will not come at their expense. Even many middle class Malaysians, however, evince mixed sentiments about the prospect of far-reaching liberalisation of the system of subsidies and preferential policies that have girded the Malaysian political economy under BN rule. It is notable that the PR government in Kedah, led by PAS, has stated that its agenda will not be bound by the Buku Jingga, presumably because its perceived liberalism might make it controversial amongst that government's supporters.

Themes of improved governance and liberalisation of heavy-handed regulation must ultimately be woven into a broader vision of an alternative development regime, one in which initiatives to regain the economy's upward growth momentum simultaneously generate widely distributed opportunity. Human capital, and the education and training system, are obviously central to such a program (Ritchie 2010). The Buku Jingga proposes liberalising and depoliticising higher education, and pledges to expand access

with lower cost. Even more important is the harder, more complex task of reforming primary and secondary education system. Here the Buku Jingga offers aspirational goals related to teacher pay and assessment, yet the complexities and costs of raising the quality of instruction will inevitably be high. In particular, such changes must be carefully related to curriculum reform, to shift from rote learning to encourage creative and independent thinking skills. Making deep reforms quickly will be difficult in a context where primary education has been integral to the socio-cultural identity and dignity of Malaysia's various communities. In this area, too, the government has also bid to claim a reformist mantle.

In the shorter term, fostering return-migration has been identified, by the government, opposition, and many academic observers, as a key means of addressing the human capital needs of a reinvigorated development push. This also will require careful management in both policy and political terms. At present, the focus is on the challenge of inducing the Malaysian diaspora to return or otherwise contribute to the nation's economic advance. Should such efforts succeed, however, new questions of fairness and equity among professional ranks are likely to emerge, as Singapore's experience with popular criticism of its program to recruit "global talent" illustrates. This potential was evident in the opposition's response to the government's offer to the skilled Malaysian diaspora of a reduced income tax rate as an incentive for repatriation; DAP chief Lim called for the lower rate to apply to all experts in relevant high-technology fields, including those who have pursued careers at home.

Finally, other types of policy intervention will continue to be important to a politically compelling development agenda. Prominent among these are programs to build workforce skills, enhance investment in pre-commercial but economically relevant research and development, diffuse information technology through infrastructure upgrading, training, and small and medium scale enterprises (SME) extension services, and the fostering of local entrepreneurship in high growth sectors. The government's efforts in these areas have often been criticised as bureaucratic and disconnected from private business priorities. Yet, rapid regulatory liberalisation, and a much-reduced government role, alone are unlikely to result in an accelerated transition to a knowledge-based economy. South Korea's rise as a leader in broadband infrastructure and IT-enabled business is a case in point. Notwithstanding the 1990s reforms that sought to limit collusion between government and the big-business chaebol, the new phase of IT-based development involved strong state policy leadership in building infrastructure, investing in human capital, and subsidising technology development and adoption (Lee 2007). In general, then, the rubric for reform in Malaysia will be as much about how to utilise the government's economic and technology agencies more effectively, and in ways seen as accessible and relevant to the public, as about how to lighten the heavy hand of state intervention.

The challenges facing Malaysia, and any parties seeking to govern it, thus go beyond needs for liberalisation and greater government transparency and efficiency, as crucial as those reform goals might be. Rather, they involve articulating an alternative form of a developmental agenda, one that integrates distributional concerns with the sort of productivity-enhancing measures advocated by those focused on the putative middle-income trap. The challenges involved in formulating and communicating this sort of agenda are not small. Without such a vision and credible claims to be able to implement it, though, laudable reform goals related to transparency and accountability may not be enough to mobilise and retain the support of important segments of the Malaysian electorate. Malaysia's modern history includes a powerful, ongoing legacy of developmentalism. For all the critiques of the pathologies of excessive government meddling, it's a mode of politics whose relevance is reinforced by contemporary exigencies of globalisation and technological change, and their impacts on key social constituencies. If the new space for political contestation is to yield regime transition of one kind or another, a key element will be the competition to "do development" better. - New Mandala

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