

Report queries targeting of NEP

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PETALING JAYA: The continued promotion of the New Economic Policy (NEP) would only serve to raise antagonisms among the bumiputras that some are more favoured than others, a problem that is now quite evident, a report by the Asian Strategy and Leadership Institute's (Asli) Centre for Public Policy Studies said.

The "Corporate Equity Distribution: Past Trends and Future Policy" report said it would appear that the government's wealth distribution measures are targeted at middle and upper class bumiputras.

"This type of targeting, even if it was not the intention of the government, has meant that the government has failed to use this delivery mechanism to address and alleviate the plight of the most disadvantaged bumiputras, a factor that has now also contributed to serious intra-bumiputra wealth disparities," the report said.

It noted that incentives and privileges have been provided to bumiputras, regardless of their level of income or volume of assets owned.

"This flaw in the system has historically been prone to abuse, with the educated and informed middle and upper class bumiputra being the primary recipients of IPOs (initial public offerings)," it said.

The report argued that race-based economic policies do not provide incentives to disadvantaged groups, such as middle to lower classes of non-bumiputras and bumiputras, to take part in the economy.

"Equitable wealth distribution can only be achieved if the recipients are subjected to income and assets tests, regardless of race, a mechanism employed in countries that have adopted affirmative action," it said.

The report said the government would get a more objective picture of wealth distribution among ethnic groups by looking at volume of assets owned or income, rather than the distribution of publicly traded share capital.

The study, undertaken by a

multi-racial group of scholars as part of work in connection with the Ninth Malaysia Plan (9MP), was submitted to the government and distributed to other bodies early this year.

Its findings have recently been publicly debated because it argues that the prominent role of government-linked companies (GLCs) in the corporate sector proves that the NEP's objective of 30% bumiputra equity ownership has been achieved (see chart).

Citing the Bursa Malaysia Corporate Equity's 2005 statistics, the report said the estimated volume of bumiputra equity ownership was 45% of the RM715.4 billion of total stocks on the stock exchange, or RM323.08 billion.

However, the government's estimate in the 9MP of bumiputra equity ownership is only 18.9%.

The "Corporate Equity Distribution" report said a policy like the NEP undermined genuine entrepreneurship among bumiputras.

It pointed out that selective patronage through the NEP and privatisation to promote the rise of big bumiputra business has not been successful.

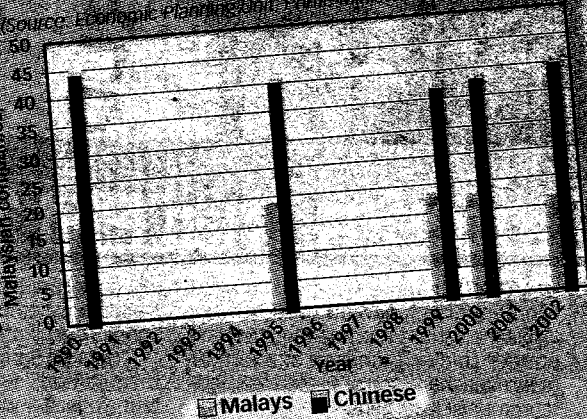
"The decline of a number of large enterprises suggests that selective intervention to promote bumiputra capital has failed, though not because these firms did not get enough support from the government," it said.

The report said these companies' growth strategies are questionable, "particularly extensive diversification through acquisitions, because of relatively easy access to bank loans instead of long-term growth plans based on product development and market penetration".

It said the government's focus should be on initiatives to promote Malaysia's domestic entrepreneurial capacity, including through the promotion of merit-based policies.

It also questioned the need for the NEP when there was growing evidence of inter-ethnic business ties among listed companies without government intervention.

Equity ownership patterns among ethnic communities



Top 10 listed companies, 2000

Rank	Company	Majority Share Owner	Rank	Company	Majority Share Owner
1	Telekom Malaysia	Govt	6	MISC	Govt
2	Malayan Banking	Govt	7	Sime Darby	Govt
3	Tenaga Nasional	Govt	8	Commerce Asset Holdings	Govt
4	Petronas Gas	Govt	9	Genting	Chinese
5	Resorts World	Chinese	10	YTL Corp	Chinese