

THE ECONOMY: Structural reforms vital
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THE World Bank report unveiled recently has lowered its growth forecast for Malaysia's 2012 gross domestic product to 4.6 per cent from the previously forecasted 4.9 per cent, citing the global economic situation as the main cause. As external demand slows, it will directly impact our economy via trade channels.

Highlighted in its report entitled "Malaysia economic monitor: modern jobs", is the need for the Malaysian economy to accelerate structural reforms to transform the economy to a high-income one by 2020, which requires a five to six per cent growth annually.

With just eight years to go, the report draws attention to some key areas of structural reforms, such as the education system, subsidy rationalisation and the tax system. Allow me to elaborate and give my thoughts on these areas.

IN TERMS of our education system, there is a need to depolarise our society -- to have a system where everyone studies under one roof.

With regard to higher education, there is no doubt that our universities need to be empowered. A university is for people to develop their minds. It is neither a vocational school to produce workers nor an instrument for politicians to achieve their vested interests.

Therefore, an archaic law that prevents professors and students from thinking and exchanging their thoughts freely should be repealed once and for all. In this regard, the amendment of Section 15 of the Universities and University Colleges Act is a step in the right direction.

On graduate employability, the focus should not only be on language proficiency, but rather the inability of students to articulate their thoughts verbally and in written form. In fact, most of them can't even articulate their views in their mother tongue.

To overcome this, I propose the introduction of subjects, such as philosophy, in universities that can mould them to think critically and place greater importance on other crucial subjects such as history, literature, and sociology.

THE OTHER key reform stressed in the report is the rationalisation of subsidies. It is neither prudent nor sustainable to control prices through subsidy.

Instead, the government should find other better ways of controlling prices, such as promoting competition, increasing efficiency, stimulating production, and enhancing competitiveness. Bank Negara can also control prices through monetary tools.

It is important to note that subsidies amount to only around 13 per cent of the government's operating expenditure. While reducing subsidies is necessary, other operating expenses can also be rationalised, such as grants to states and local authorities.

For long- and medium-term objectives, new sources of revenue should be explored. Currently, about 40 per cent of our revenue comes from oil and gas. We can no longer rely on oil as it is a depletable resource.

Therefore, the economy needs to be diversified. New potential markets have to be identified, capacity building initiatives for certain strategic industries have to be intensified, and the exploration for alternative energy needs to begin sooner rather than later.

FINALLY is the issue of tax reform, specifically the goods and services tax (GST). GST is a broad-based system that can enhance government revenue in the near future. It is crucial for the GST to be implemented as soon as possible.

But for whatever reason, the government chooses not to implement it sooner, it should at least give a clear time frame on when it is going to be put in place to substitute the current sales and services tax system.

This is crucial to show the political will of the government and to give space for the market to adjust to this new tax system.

We cannot lose sight of the long-term goal of transforming the nation to become a high-income and developed country by 2020.

What the economy really needs right now are structural reforms, which, as the report puts it, "lie at the core of transforming the economy into a high-income one".

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