



Equitable Growth Remains the Answer

As we continue our war against poverty, not only does the disparity between the rich and the poor among the different races in this country have to be tackled, but also the difference within each racial segment. Otherwise, we risk the peace and tranquility which we have become known for.

EVEN if we are finally victorious in the war against poverty, which our successive five-year development plans have been promising, we will still have to grapple with equitable wealth distribution.

In a multi-racial country like ours, even relative poverty can be contentious when it is defined along racial and ethnic lines. The poor, be they Malays, Ibans, Kadazans, Indians or Chinese, are bound to feel left behind when a segment of the population lives in opulence.

Of course, poverty can be reduced or even eradicated by cleverly manipulating the statistics. Shifting the goal posts or lowering the bar may do the trick. But this is a risky proposition.

The income gap among races, ethnic groups and communities will continue to be an issue. As it now stands, the gap between the rich and the poor, as measured by the Gini Coefficient, is the widest in Southeast Asia. Some authorities say it is as bad as in South America.

Those opposing the policy of growth with equitable distribution have either not gone through the trials and tribulations of the May 13, 1969 race riots or are denying history.

We are today a richer and safer country because we adopted the right policy to address the root causes of that racial violence. We uplifted the standard of living of the poor, the majority of whom were Bumiputeras, but did not marginalise the better-off minorities.

In fact, while the New Economic Policy (NEP) improved the standard of living of the Bumiputeras, it enriched the business-minded Chinese and the professional-oriented Indians.

Despite failing to achieve its Bumiputera objectives, the NEP and its successors did help improve their economic status, thereby defusing the tension that led to the May 13, 1969 riots.

Making Malaysians more equal

IN the years following the 1997/98 regional financial crisis, thanks to the speedy recovery of the economy, the income gap between the Bumiputeras and non-Bumiputeras has narrowed.

But the imbalance among Bumiputeras remains large compared to the gap among the Chinese. The Indians tend to show a trend nearly identical to the Bumiputeras.

So, bridging the income gap and distributing the nation's wealth more equitably among the races and within the same ethnic groups are as big a challenge as eradicating poverty.

Since the government is confident of reducing poverty to 2.8% of total households and totally eradicating hardcore poverty by the end of the Ninth Malaysia Plan (9MP) period (2010), it should now give greater attention to wealth distribution.

The wisdom of maintaining the target of Bumiputera share ownership at 30% and pushing back the deadline for achieving it to 2020 needs rethinking. This is in line with the plan to create a new Bumiputera Commercial and Industrial Community.

Furthermore, the current demographic trend suggests that by the year 2010, the Bumiputeras will make up a higher percentage of the population – 67% as opposed to 65.9% in 2005 and 65% in 2000.

The Malay leadership, both on the side of the government and the opposition, should have the courage to explain to all Malaysians that the 30% target was never intended to be permanent. It was, at best, meant only as an indicator.

We cannot, on the one hand, demand transparency and fairness, while on the other, ignore the very policy that makes our society unfair and unjust. It does not take a great mind to comprehend the injustice of 67% of the population being promised only 30% of the nation's equity wealth.

There is a limit to blaming the lack of success in Bumiputera wealth creation to the colonial-era 'the lazy natives' propaganda or to corruption, cronyism and nepotism.

These evils are not exclusive to Bumiputeras. In Malaysia, we tend to copy each other's good and bad habits, and suffer alongside each other.

In reality, many non-Bumiputera businesses failed during the 1997/98 regional economic crisis and needed rescuing. A handful of them caused the collapse of Sime Bank when they failed to pay their debts.

But the Bumiputera businesses suffered more because they were newer and less experienced. Those who did business with the government or on its behalf suffered even more when the government opted to rescue state assets rather than nurse them back to health.

On the contrary, many troubled non-Bumiputera businesses enjoyed the protection of Danaharta. They were 'temporarily' taken over by Danaharta, thereby shielding them from creditors. In due course, they were returned to their original owners.

The notion that non-Bumiputera businesses are free from state assistance is also a fallacy. During the mid-1980's economic crisis, when the young and expanding Chinese-based Deposit Taking Cooperatives (DTCs) became insolvent, the government stepped in to protect hundreds of thousands of the mainly Chinese depositors.

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Had this not been done, they would have lost every penny of their life savings and the government might not have been able to stop their anger from boiling over.

If only Malaysians were less emotional, less selfish and willing to be tutored by history, they would not have a problem accepting any policy or programme that seeks to make Malaysians more equal.

A question of monitoring

LET us give the Prime Minister, Datuk Seri Abdullah Ahmad Badawi, and his team a chance. This is only fair because Abdullah had, on a number of occasions, acknowledged that he was aware that the people were angry with the government.

The people are still angry. They see a lack of direction in economic management. They see their income being eroded by inflation. They see their investments shrinking in value.

They see rising crime rates and they see general lawlessness.

And they see too many promises not being met when new ones are being made daily. The latest being the appointment of an ombudsman to investigate complaints against the authorities.

They are speaking up. The mainstream media may not be reflecting this, but one has only to read the alternative press, the websites and the blogs to sense the disenchantment.

And why shouldn't they speak up when a uniformed unit like the police has openly opposed the Prime Minister's decision to establish the Independent Police Complaint and Monitoring Commission (IPCMC)?

Even Abdullah's own Members of Parliament opposed the decision publicly.

But the 9MP is too big and too important to be turned into another feeding frenzy by the mainstream media and to be made light of by the skeptics and cynics.

The most important promise of the plan is not the money. It is not even its multitude of programmes. The most important thing is monitoring.

In revisiting the issue, I am sure Abdullah was inspired by the strong plea of his own party, Umno, at its annual assembly last year. Literally every speaker who took to the floor blamed the failure of the NEP and the subsequent policies on the lack of monitoring.

Abdullah has set up the National Implementation Task Force (NITF) with himself as chairman to oversee the implementation and monitoring of the plan.

He appointed the recently reinstated Minister in the Prime Minister's Department, Datuk Seri Mohd Effendi Norwawi, to head the Task Force's executive directorate.

That's fine. But while burying his head in this monumental task, Effendi should spare time to sort out his private affairs so that his former wife will not continue to threaten to commit him to prison for not keeping his promises.

There is no need to remind our leaders that in this day and age of information explosion, their private affairs and lifestyles are a favourite subject of cyber gossip.

Improving the delivery system

THEIR sons and daughters passing examinations is sought-after news, irrespective of the fact that children of lesser beings are doing better.

Their grown-up children dating and marrying celebrities are page-one stuff. The news of their wives shopping for gold and diamonds hits cyber space faster than they can try them on.

And the time will come when even the mainstream media will muster enough courage to report ministers' sons, daughters, sons-in-law and their associates winning plum government contracts and receiving lucrative franchises.

Already, they are reporting the opulence of our ministers and high officials, which becomes very visible when they hold grand wedding receptions for their children or when they get robbed or are sued by their ex-wives.

The Star on April 6 reported that two runaway maids of the Minister in the Prime Minister's Department, Datuk Seri Nazri Abdul Aziz, carted away RM350,000 worth of jewellery. This became public knowledge when they were arrested and the police exhibited their loot.

That's the lifestyle of Deputy Prime Minister Datuk Seri Mohd Najib Abdul Razak must know. These are the people who can change their lifestyle if they wanted to and not the ordinary people who live hand to mouth.

Abdullah and Najib are experienced administrators. They do not have to be reminded that effective monitoring starts at the bottom – with the extension officers and the village development and security committees.

Ministers, Menteri Besar, Chief Ministers and top civil servants should make unannounced visits to district offices, schools, hospitals, water treatment plants and farms to see how services to the *rakyat* are being delivered.

Making one highly publicised raid on a government department will not solve the problem. Instead, it will anger and demoralise those hard-working civil servants.

For the civil servants, it is wrong for them to work hard only out of fear that the Prime Minister may drop by for a surprise inspection. Like the Prime Minister, their responsibility is to the people.

Big mandate, high expectations

THAT the people will increasingly demand for transparency and accountability from their leaders is only to be expected. With growing wealth comes empowerment.

And that last bit about empowerment is not even mine. It was what Najib said when speaking at the 3rd Asean Leadership Forum in Kuala Lumpur recently (*The Star*, March 31).

Najib said with larger mandates and landslide victories came greater expectations of better governance, adding that young voters and a better-educated middle class were less tolerant of incompetence and corruption.

So there you are! The Abdullah-led Barisan Nasional in 2004 received the highest mandate in the history of national elections. With it came the high expectations of the people.

If today it faces the wrath of the people, it is because more people voted for it and they have much higher expectations, thanks to the hugely successful spin by the mainstream media.

But the disgraced Thai Prime Minister, Thaksin

Shinawatra, too won massive mandates, not once but twice. He even primed himself to be the next Tun Dr Mahathir Mohamad and was hailed by *Newsweek* magazine as Asia's new iron-fisted reformer.

Thaksin was right for Thailand for a while. He brought positive changes to his country in the aftermath of the 1997/98 regional economic crisis.

But he also continued to build his private business empire through his son. Then he decided to unleash brute military force on Muslim protestors in the South.

In trying to shield his vast business empire from prying eyes of his increasingly empowered people, he made the biggest tactical mistake a democratically elected leader can make – he sold his family's lucrative and high-profile telecommunications company, Shin Corp, to Singapore's Temasek Holdings, and exempted the proceeds from taxation.

FLYING IN HARMONY

THE firm handshakes and the brave smiles might have contributed to the confidence-building exercise that Malaysia Airlines and AirAsia need.

But would the outcome of the March 16 announcement on domestic route sharing be as pleasing to the airlines, their shareholders and customers?

For the investors, punters and intermediaries who put their bet on AirAsia, money has already been made. AirAsia's 10-sen share had shot up from its 52-week low of RM1.44 to RM1.89 before closing at RM1.85 on April 7 while MAS' RM1 share rose from its low of RM2.75 to RM3.98 before closing at RM3.02. AirAsia shares were traded at around a historical price earnings multiple of 35 times while MAS' was at 11.6 times.

By any reckoning, AirAsia is the early winner. It had always wanted more domestic routes and frequencies. Now, it has gotten both with the help of the Government.

And it has no reason to feel guilty. As one top AirAsia executive put it, 'transferring the larger portion of MAS' domestic network to AirAsia was in line with the Government's proposal.'

I hope in crediting the Government for its windfall, AirAsia will not, in future, deny that its fortune is built based on Government assistance.

For MAS, while the route rationalisation would, in the long run, lighten its financial burden, in the immediate term, it has to grapple with a sagging public image, falling revenue and excess manpower and inventory.

MAS' Managing Director Idris Jala was quoted by the Press as saying that the number of aircraft serving domestic routes would be reduced from 40 to 21 and stations from 32 to 16. Its manpower will be reduced from the current 23,000 to about 16,500.

Domestic service has been a bane to MAS and getting rid of much of it would help in the long run. But in the immediate term, there is going to be a substantial revenue loss, which the cash-strapped MAS can ill afford.

It could even worsen the airline's finances, in particular, its short-term cash flow, which some industry sources say could happen at any time.

A question of connectivity

THE Government must have known that the domestic route sharing could plunge MAS into deeper financial woes until such a time when its turnaround exercise begins to show results.

By relinquishing the bulk of its domestic network, MAS could, in the short term, suffer more severe losses. So, who is to provide MAS with the much-needed working capital for its day-to-day running and to offer the voluntary separation scheme (VSS) to its 6,500 redundant staff?

For the passengers, there is the question of connectivity. MAS has registered its concern to the Government that AirAsia may not be able to offer interline connectivity to passengers flying MAS to and from international destinations.

To be able to provide interline and connecting services,

an airline has to be a full-service carrier and member of the International Air Transport Association (IATA). MAS claims that no low-cost carrier in the world has interline connectivity to full-service airlines.

AirAsia prefers to skirt the issue, saying that MAS will be retaining several daily flights to and from four major tourist destinations, namely, Kota Kinabalu, Kuching, Penang and Langkawi.

In an attempt to sweeten its offer to the Government, AirAsia has promised to enter into a code-sharing arrangement with MAS and link the latter to its global distribution system, which, it says, is one of the largest in the world.

What the outcome of the government-brokered marriage is – good, bad or indifferent – is likely to be known sooner than later, judging by the situation MAS is in today.

After the euphoria is over, AirAsia too will realise that this latest windfall has its price. It will soon feel the strains of rapid expansion. But being young and brash, AirAsia appears to be willing to take a knock or two. **mb**