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*Quo Vadis, Malaysia?*

**Where to, Malaysia?**

Can we achieve Vision 2020 on time?

Ramon V. Navaratnam

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IV



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**Where to, Malaysia?**

Can we achieve Vision 2020 on time?



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Can we achieve Vision 2020 on time?

Ramon V. Navaratnam



PUSTAKA PERDANA



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## **ABOUT THE AUTHOR**

### **Ramon V. Navaratnam**

Tan Sri Ramon V. Navaratnam was educated at the Victoria Institution, Kuala Lumpur and at the University of Malaya in Singapore where he obtained B.A. (Hons) in Econs in 1959. He obtained his Diploma in Public Administration from the Royal Institute of Public Administration in London in 1963 and then his M.P.A. (Econs) from Harvard (USA) in 1969. He was awarded an Honorary Doctorate of Laws from Oxford Brookes University (UK) in 2000.

In 1959, Tan Sri Navaratnam joined the Malaysian Civil Service and held several posts in his long career of 27 years in the Malaysian Treasury where he became Deputy Secretary-General of the Treasury. He was promoted to Secretary-General of the Ministry of Transport in 1986. Furthermore, he served as Alternate Executive Director of the World Bank in Washington between 1970 and 1972. After retirement from Government service in 1989, he was appointed Chief Executive Officer of Bank Buruh from 1989-1994.

Currently, Tan Sri Navaratnam is the Corporate Adviser of the Sunway Group, Deputy Chairman of Sunway University College, Director of Monash University, Director of the Asian Strategy and Leadership Institute (ASLI), Chairman of Its Center of Public Policy Studies and Non-Independent Executive Director of Sunway Construction Bhd.

In addition to his illustrious professional track record, Tan Sri Navaratnam has been Vice Chairman of the Malaysian Business Council, a member of the Board of the Malaysian External Trade Development Corporation (MATRADE), Director of the Malaysian Industry-Government Group for High Technology (MIGHT) and a member of the National Economic Consultative Council (MAPEN II).

He was Vice President of the Malaysian Association of Private Colleges and University (MAPCU), Vice President of the Malaysian Economic Association and the Vice President of the Harvard Club Alumni.

A former member of the National Economic Action Council (NEAC) Education Brains Trust, Tan Sri Navaratnam is now a member of the NEAC Globalisation Committee and Member of the NEAC's Public-Private Sector Consultative Committee. He also sits on the National Unity Advisory Panel of the Ministry of National Unity.

Presently, Tan Sri Navaratnam is a member of the Court and Council of the Malaysian Institute of Management (MIM). He was appointed as a member of the Human Rights Commission (SUHAKAM) in April 2002 and again in April 2004. Tan Sri Navaratnam was elected as the President of Transparency International Malaysia in March 2006. His charity work extends to serving on the Board of the National Kidney Foundation, the National Liver Foundation and the Malaysian Community Education Foundation.

A prolific writer, Tan Sri Navaratnam has also authored the following books:

1. *Managing the Malaysian Economy* (Pelanduk Publications, 1997)
2. *Strengthening the Malaysian Economy* (Pelanduk Publications, 1998)
3. *Healing the Wounded Tiger: How the Turmoil is Reshaping Malaysia* (Pelanduk Publications, 1999)
4. *Malaysia's Economic Recovery* (Pelanduk Publications, 2001)
5. *Malaysia's Economic Sustainability* (Pelanduk Publications, 2002)
6. *Malaysia's Socioeconomic Challenges* (Pelanduk Publications, 2003)
7. *Winds of Change* (Pelanduk Publications, 2005)
8. *A Memoir: My Life & Times* (Pelanduk Publications, 2005)

## FOREWORD

I am glad to write the Foreword to this book entitled *Quo Vadis, Malaysia?* for several reasons.

Firstly, it is an analytical commentary on the public policies which we have all experienced during the period this book covers, 2003-2006. This is the crucial period from the last year of former Prime Minister, Tun Dr Mahathir Mohamad's memorable leadership of 22 years, to the first two years of Dato' Seri Abdullah Ahmad Badawi's premiership.

Secondly, I believe that Malaysia has reached a higher level of maturity nearly 50 years after *Merdeka* where we have now become more critical of ourselves in wanting to ensure that we achieve our goals to be an industrialised nation by 2020.

Thirdly, I am happy to support my former university mate, Ramon Navaratnam, in his enthusiasm to speak up publicly and to write professionally, freely and frankly on what he considers to be the strengths and weaknesses of our economy. He has good credentials in this regard as he was a senior civil servant in the Treasury for practically his whole career in public service, and has also been a banker and continues to be a lively corporate personality.

Therefore his forte is public policy and he should know what he is talking about. However, this does not mean that I agree with all that he is saying in this book. But I know him as a longstanding friend whom I appreciate for his intellectual honesty, sincerity of purpose and sense of Malaysian nationalism, which we all share. It is for us to ponder on his vision and to profit our country with our studied reaction to them.

Fourthly, *Quo Vadis Malaysia?* is a very important question which all true Malaysians must constantly ask ourselves; not only that, we must also review our country's development and trends and the direction and speed at which Malaysia is going towards achieving our social, economic, cultural goals of Vision 2020, particularly with the challenges of globalisation. We have to ensure through our observations, analysis and recommendations to the Government as to how effectively our policies and implementation are contributing toward the overriding goals of strengthening national unity and *Bangsa Malaysia*.

Finally, it is in this spirit that I commend my good friend Ramon Navaratnam.

As President of the Malaysian Institute of Management, I am particularly glad that the Institute is sponsoring the publication of this valuable book as part of our policy to enrich the quality and standards of good governance and management in Malaysia.

The profits from the sale of this book have been pledged by Ramon Navaratnam to the MIM Management Research Fund.



**Tun Mohammed Hanif Omar**

*President*

Malaysian Institute of Management

## PREFACE

At the launch of my 7th book on the Malaysian economy, titled *Winds of Change*, by our distinguished Deputy Prime Minister, Dato' Sri Najib Tun Razak in February 2005, I announced publicly that it would probably be my last book to comment on the Malaysian economy and public policy. However, after finally publishing my personal Memoirs just after the release of my 7th book last year, I felt a lacuna in my life. I experienced a new urge to continue writing. This intrinsic feeling was hard to suppress.

So I decided to calm my restlessness and write not only on current issues but more importantly, on what I and other like-minded people have been constantly thinking about. This is the question: *Quo vadis, Malaysia?* or "Where is Malaysia going?" What is the likely future direction and development of Malaysia's socio-economic and political future?

Hence, I chose the title of my 8th book on the Malaysian economy as *Quo Vadis, Malaysia?*" In this book, I have reviewed what most Malaysians regard as their major concerns. It deals with what has been going on and what is being done to overcome our national challenges. I have also examined what more needs to be done to improve our hopes and prospects of achieving Malaysia's Vision 2020 goals, as well as how to achieve a better future for all Malaysians - regardless of race and religion.

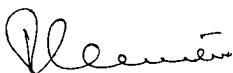
I regard myself as a Malaysian patriot writing with deep feelings for my country which I faithfully served for about 30 years from 1959 in the civil service and in many other ways, even after my retirement from Government Service in 1989. The Government appointed me as

the CEO of Bank Buruh for five years up to 1994. Since then, I have been the Corporate Advisor of the Sunway Group, but I still serve with much satisfaction on several Government committees and bodies.

I am, therefore, still a public servant at heart, even though I have been in the private sector for about 17 years. It is thus my hope that my book will stimulate more debate and discussion on the national public policy issues. In a lively democracy such as ours, we must always question the validity of not only our policies but also the effectiveness of their implementation. We will then want to review and revise our policies to ensure that we are constantly on the right track towards achieving true national unity, national stability and socio-economic progress for ALL Malaysians.

However I have expressed some serious reservations in my book as to whether we can attain our Vision 2020 targets on time. I believe that we will have to adopt more liberal and Malaysian-based socio-economic policies rather than parochial policies, to become a fully developed country by 2020. Even after we achieve our Vision 2020 goals (hopefully by 2020), we must strive to improve upon them on a sustained basis in the future after we ourselves would have passed on! But we would know having by then whether we made a significant contributed to our families, friends, caring society and most importantly, to our beloved country, Malaysia by steadfastly contributing to its dynamic development.

God willing, I hope and pray that we will leave behind a legacy that will be worthy of the trust (*amanah*) that has been bestowed upon us by the Almighty to fulfill our purpose in life.



**Tan Sri Dato' (Dr) Ramon V. Navaratnam**

## DEDICATION

My 8th book on the Malaysian economy, *Quo Vadis, Malaysia?* is dedicated to my dearest wife Samala and my loving family, and especially to our devoted grandchildren Suhanya Julia, Sunetra Ruth, Michael Anil and Sarah Anisha as well as to my dear readers who have, or will read, any one of my nine books, including my personal Memoirs titled *My Life and Times*.

As I have publicly promised, all proceeds of my royalties for all my books have happily been given to various charities, as can be vouched for by my supportive publisher, Dato' Ng Tieh Chuan. My appreciation goes to him for his encouragement and to Dr Barbara Skadiang-Tey for her fine editing.

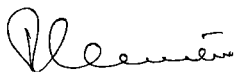
I wish to also warmly thank my former university mate Tun Hanif Omar, the President of the Malaysian Institute of Management (MIM) for his warm message, and Ir George Lee, the Chairman of MIM Council and Dr Wilson Tay, the Chief Executive Officer of MIM for the privilege of MIM's sponsorship of this book.

My royalties for this book will be given to the MIM Court of Fellows Management Research Fund to undertake research and to promote best practices in Malaysian management.

I hope in some small way that I have helped to increase debate and discussion on Malaysian economic and public policy issues as well as helped to influence the formulation of national policies. I continue to believe that all Malaysians must participate actively in expressing our views on public policy as it is our democratic right and responsibility; otherwise the views of opportunists and extremists will dominate and hold us all to ransom in the future.

Thus I hope that as a concerned and patriotic Malaysian, I have made some small contributions to nation building and national unity, and that my purpose in writing all my nine books for posterity over the last 10 years would be fulfilled.

I also hope this second edition will be as well received as my original *Quo Vadis, Malaysia?* published on 15 May 2006.

A handwritten signature in black ink, appearing to read 'Ramon V. Navaratnam', with a stylized flourish at the end.

**Tan Sri Dato' (Dr) Ramon V. Navaratnam**

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# 1

## TSUNAMI OF GLOBALISATION

### Are we ready?

Malaysians have tended to look ahead in terms of five- or twenty-year environment and perspective plans, but within the context of the current prospects. Hence, there is not much public appreciation of the new wave or what I would call the “tsunami of globalisation” and its tremendous impact on our economy in the much longer term.

There will be huge social changes that will result from Malaysia's forced role to open up the economy at a faster pace and to compel us to compete globally even if we are not fully prepared. This push for greater globalisation in trade, investment, science and technology and in every field is closing in on us steadily and even stealthily on a strong and sustained basis.

However, there is little wide-scale deep realisation among our people that this pressure is indeed building up slowly but surely. Both the Government and private sectors have not adopted the necessary radical policy changes to face the new challenges of globalisation in a sufficiently comprehensive and consolidated manner.

The Western governments and businessmen have, of course, had a head start as former colonisers to take advantage of their early dominance in trade and investment, and in the knowledge and governance of Third World countries like Malaysia.

On the other hand, Malaysia like other Third World countries have not been colonisers and have not “enjoyed” the advantage of dominance of the Western economies. Hence, once again there is an uneven playing field for developing countries in their competition with industrialised countries.

It is only recently that Malaysia and a few other developing countries have begun going overseas to invest and conduct business abroad. The previous pattern had been to just export our agriculture and manufactured goods. Only in relatively recent times have the export of services related to airways, shipping and tourism been gaining strength.

Thus Malaysia and Malaysians have to grasp the fact that we are going to find it difficult to adjust to the forces of globalisation. We have to prepare ourselves to meet the severe challenges of globalisation head on, or else be swamped by globalisation and become dominated by external economic forces once again.

Unfortunately, we are caught in between fighting the forces of globalisation and international competition on the front line and are also facing restraints imposed by the protectionist forces of the New Economic Policy (NEP), from the rear, in our battle to become an Industrial Economy by 2020.

#### **Mid-year economic review in 2004**

In order to properly examine the prospects of Malaysia and to answer the question *Quo vadis, Malaysia?* or “Where to, Malaysia?”, we have to review current developments and trends in our socio-economic and political milieu.

Hence, my focus will be on current developments based on the past achievements and weaknesses as they evolve into future prospects. Thus I will start with analysing the present economic position, as the

past 10 years have already been covered in my previous seven books on the economy.

So how did the Malaysian economy fare at the mid-term in 2004? It was comfortable with a growth rate of 7.6% for the first quarter of 2004. However, many major policies have still not yet fully materialised on the ground where it matters. Nevertheless, there have been some discernable changes which reflect the Government's intention to increase performance and efficiency in the economy.

### **Slow changes**

But there does not appear to be obvious and significant changes although many sound policies have been loudly proclaimed. The three possible reasons for this perception of the slow process of change are as follows:

1. We are impatient for more change;
2. The government machinery and delivery system is still not performing up to expectations; and
3. The political will is not strong enough. Prime Minister Dato' Seri Abdullah Ahmad Badawi believes in gradual and incremental change rather than more drastic and dramatic change.

In fact, it is a combination of all these reasons that is causing some stalemate in our march forward .

His Majesty the King and the Prime Minister made two inspiring speeches on the occasion of the King's official birthday on 5 June 2004. The King assured the people that "the Government will continue its anti-corruption efforts strictly and transparently", irrespective of rank or position. Hence, we hopefully look forward to greater confidence to some really "big fish" being caught instead of more *ikan bilis*.

The King also stated in his speech, “We have proved that although we come from diverse backgrounds, races, religions and cultures, we are able to live peacefully with mutual respect. I want Malaysians to maintain this unity as it is our source of strength”. We all therefore hope that our leaders and the public service will follow this sound advice of His Majesty and fully implement all the Government's policies, in the spirit of achieving national unity for all our races and religions.

The Prime Minister also stated that “There should be no discrimination or oppression in the name of religion or race, whether within the Government or the Private sector”. He added that “Malaysia belongs to all citizens”.

Obviously, the Prime Minister thinks that there is some discrimination and that is why he has strongly urged that there should be no discrimination wherever extremists choose to practise discrimination. The Prime Minister's assurance is encouraging. Indeed, national unity can be fully achieved only when Malaysians genuinely believe that Malaysia belongs to all Malaysians.

Dato' Seri Abdullah's call for “no distinction” to be made between rural and urban poverty is most welcome. Similarly, his assertion that urban poverty is among the causes of social ills, crimes, broken families, poor quality of life and ill health is most gratifying.

But the public must be able to see concrete evidence that the Government is moving more purposefully to fulfil these poverty eradication goals. It is not difficult to convince the public since most of these problems are not new and knowledge on how to implement these policies is mostly available already.

Furthermore, what our Prime Minister has said of Malaysia is highly relevant on the global front with regard to the deadly war against international terrorism, too. What we do in Malaysia can provide lessons for the West to learn in combating global terrorism.

Malaysia can provide lessons for the West to learn in combating global terrorism through the reduction and elimination of poverty which the rich West has caused through their thoughtless discriminatory international trade policies. Thus I hope that our socio-economic planning will soon dramatically change. Our development strategies should now give far greater priority to developing our economy from bottom-up rather than from top to bottom. There has to be much more "humanity" given to economic development to ensure that we can answer the perpetual question: "*Quo vadis, Malaysia?*"

We also have to accelerate the pace of change - to move faster and more forcefully even now in the early stages of our new Prime Minister's leadership - if we are to sustain enough momentum to reach Vision 2020 goals on target. At the same time, we have to carefully watch the economic fundamentals of our country especially the integrity of the Budget and the current deficit financing.

### **Budget deficit and RM49.4 billion expenditure**

The Prime Minister's announcement at the Malay Chamber of Commerce Entrepreneurs Award Night 2004 that the Government plans to spend a sum of RM49.4 billion in the next 18 months was a pleasant surprise. The Federal Budget has been in deficit for the last six years and the policy has been to reduce this high deficit of last year's 5.3% of the GDP.

However, the Government is right in ensuring that economic growth will not be adversely affected by severe cutbacks. It is a very difficult balance to strike between financial prudence and economic growth.

Nevertheless, it is essential to be very selective and cost effective in approving and also implementing new projects. That is why as the

Prime Minister has stated, "The best tender will secure the job", and not those tenderers who cannot perform or those who sell off their contracts down the line to sub-subcontractors.

It will be very risky to spend more on big projects that have minimal benefits for the poor and marginalised groups in our country. Contractors, of course, may not care as long as they have the big contracts to make big profits. But the Government has the public trust and the responsibility to ensure that the budget deficits are allowed for a good cause and that is to directly help the low income groups.

In fact, it would now be more beneficial to the *rakyat* for the Government to spend more on improving soft projects. These would include public institutions such as the civil service, the judiciary and the public services including health, education and security. The hard infrastructure projects for which so much has been spent in the past can wait a while longer.

In the corporate sector, there should be a more human face to the relentless search for only profits. In addition, the Government-linked companies (GLCs) should show more evidence of meritocracy and efficiency through transparent key performance indicators (KPIs). Here again the GLCs should be able to come out with the productivity indicators sooner rather than later, as this is common practice in the private sector. The longer the Government takes to implement these basic issues, the greater the risk of doubts and uncertainty about business confidence and national economic progress to achieve Vision 2020.

It is my hope that the Government will adopt the principal of better ethnic balance in all government-linked institutions. For instance, the public universities do not have a single non-Bumiputra or until very recently, a lady Vice Chancellor. Hopefully, this issue will also be addressed as it is proposed for the GLCs.

But in the case of the private sector, the Second Minister of

Finance, Tan Sri Nor Mohamed Yakcop, has rightly raised the question of employing more Bumiputras at the higher levels. He said that a common reply from the non-Bumiputra and multinational companies was that the small number of Bumiputras in senior management was due to the difficulty in getting suitably qualified Bumiputras to join their firms. He added that this was “a lame excuse” and that many firms resort to “tokenism” to meet Bumiputra management quotas.

This issue is therefore important enough to examine carefully as it has serious implications on business confidence and national unity. Perhaps the Government could have a closed door dialogue on this sensitive matter with the different Chambers of Commerce to put this matter right. We could then find out the whole truth about whether the mainly Chinese and multinational companies do not want to employ senior Bumiputras or whether senior Bumiputra managers prefer to work in GLCs and other Bumiputra companies.

It is in the interests of the private sector to employ the best and brightest to maximise profits, regardless of ethnicity. So what is really going on in the private sector? Where is the private sector heading to - towards helping or hindering national prosperity and national unity? Tun Hanif Omar, the President of the MIM Court of Fellows has raised these pointers as well. But can we expect Chinese companies dealing with Chinese clients to employ non-Chinese speaking persons?

Similarly, why are we still allowing monopolies like the GLCs and Government departments to undermine our economic competitiveness? They should become much more competitive; otherwise we will be heading in the wrong direction with the rising tide of globalisation. Let us see if Bank Negara can throw more light on where the economy is heading at this time.

### **Bank Negara's Annual Report 2004**

Bank Negara's Annual Report of March 2005, released on 23 March 2005 categorically stated that "the Malaysian economy will be sustained at 5-6% in 2005 as compared to a much higher rate of 7.1% last year, despite uncertainties". Last year's higher growth rate will obviously not be sustained in 2005.

The basis for this optimistic assumption is that the private sector will be the principal driving force of domestic expansion. But how is the private sector to provide this force when the construction sector which is an important component of domestic demand, is still slack? The construction industry is sluggish because the Government has cut back on its investment on major projects due to the continuing Budget deficits over about seven years now. There are also too many constraints.

Even the previously strong production and exports of the electronic industry peaked in mid 2004 and is expected to moderate and slow down. Of course it can pick up again. But can it be sustained for long? Consumer spending has been growing, but can it be sustained if exports and incomes decline?

The foreign exchange rate of US1.00 dollar to approximately RM3.80 is under continuing pressure to re-peg and it is only a matter of time before the pressure pushes the ringgit up, especially after China is forced to appreciate its yuan. In the meantime, the inflation rate is rising in Malaysia. Bank Negara has conservatively forecasted the inflation rate to rise from 1.5% last year to 2.5% for 2005. This forecast can turn out to be higher if the exchange rate is not re-valued earlier.

Then the favourable balance of payment surpluses on the current account will be reduced, and the high external reserves of about US\$73.32 billion that are sufficient to finance about 8.7 months of retained imports will also decline.

Thus while the Budget is weak, there is limited scope for the Government to pump-prime the slowing economy in the face of weak external demand for Malaysia's exports and slow foreign direct investment.

What is then the solution to the problem of impending slow growth and rising unemployment and possible inflationary build-up? It is the need to do more to increase incentives for the private sector to expand and to raise our competitiveness.

But there are contradictions. The more we encourage the private sector, the more likely it is necessary for the Government to liberalise and to reduce constraints to growth imposed by Malaysia's Affirmative Action policies and the principles of the NEP. But how far can or will the Government liberalise?

In fact, these are the rising new challenges posed by the rapidly growing forces of globalisation to contend with. But these are not the only challenges that we have been facing, particularly in the last few years. Indeed, this will be the standard that we have to overcome, a pattern that we will continue to be up against unless we become far more productive and competitive.

We have to resolve these contradictions of domestic protection and globalisation soon or lose out in the longer run and be prepared to become only second best. One major area of economic contradiction is found in the way we manage our policies on foreign labour, which is discussed in the next chapter. Our economic growth rates must average about 7% per annum if we are to reach the Vision 2020 goals on target. Can Malaysia achieve that high average growth rate? It is not easy! We have to liberalise more and be less protective, to be realistic!



## 2

### GROWING UP PAINS

#### Bearing up?

In his speech to the Harvard Club on 5 May 2005, the Prime Minister took the opportunity to answer his critics regarding the slow changes in the country after one-and-a-half years as Head of Government. Dato' Seri Abdullah Ahmad Badawi's speech was remarkably frank and open. He admitted that, "All great changes take time". This is because he explained, "We are not yet ready to develop a sound value system, nor are we willing to let go of a few bad habits".

He referred to the "bad habits" as follows:

1. Cheap foreign labour;
2. Subsidies; and
3. Rent seeking

He asked, "Can the Government sustain the costs of maintaining these props to our competitiveness?" The answer is definitely a NO, but most Malaysians will look at this problem as that of the Government's to solve. However, the problems are ours to solve and we have to understand and support the Government in overcoming these "bad habits" even if it means suffering some losses ourselves. The alternative is to carry on our merry ways and then face major economic and social difficulties in the future.

He concluded his speech by saying that "the journey ahead will not be easy and that we have reached a critical cross-road". He

therefore appealed to Malaysians to “work with me - so that we can achieve our ambitions and fulfil our potential together”. That indeed is the state of the Malaysian outlook at this critical stage in our evolution. If we do not adequately address all these issues squarely and urgently, Malaysia will decline and we will not be able to achieve the Vision 2020 goals on time.

Unfortunately, many of these problems could have been avoided had they been arrested earlier. But we did live beyond our means in the public sector with the accumulation of Budget deficits for about eight years up to 2006. How long more it will take to get down to more manageable deficits is still a mute question. To continue with large Budget deficits is imprudent!

In the meantime, the Government budget is under considerable strain. The public finance policy is to curb expenditure. The economy will therefore not receive the necessary impetus from the Government to expand at a much faster pace.

The private sector, however, can play a compensating role to counter the slack in the Government sector of the economy. But the private sector investment has also been slowing down largely because of the slower foreign direct investment going to more attractive destinations like China and India with their huge markets, better fiscal incentives and cheap labour. Our economic growth is also inhibited by the constraints that have been imposed on our domestic private investment due to limitations placed by the uncompetitive Bumiputra ownership requirements.

Hence, unemployment could slowly grow. But the irony is that the local workers, despite losing job opportunities, do not want to do certain kinds of work in the service sector of the economy. Is this because of poor wages and conditions of work that are offered to our Malaysian workers? Or is it because our workers have become soft, lethargic and live off the incomes of their parents

and extended families? But there is a social and economic price to pay that can undermine the economy.

### **Foreign labour is essential**

The President of the Malaysian Trade Union Congress, Syed Shahir Syed Mohamud made an important point when he said on 2 April 2005 that the “lack of job security is the main reason why Malaysians choose not to work at construction sites and restaurants”. Yes - where have all the Malaysian workers in these and other service industries gone? How secure can they feel without self-sustaining employment?

Thousands have gone to work in Singapore and the Middle East where the wages are much more attractive. But even larger numbers remain at home and prefer to remain unemployed or under-employed. Unfortunately, there are also some who would rather go for the “lucrative”, dangerous criminal activities. That might be one reason why our crime rates have been rising. But this would weaken our social fabric.

Other major causes for the low employment rates among the locals are, as the President of MTUC rightly points out, the low salaries and poor conditions of work at home. Why should they work for RM300 a month when they can work elsewhere or just stay idly at home?

However, this unfavourable labour situation cannot last for long. The nearly two million legal and illegal foreign workers in our country are straining our social services like health, education, housing and water services. They are also spoiling our environment, undermining our safety and security and eroding other vital aspects of our quality of life. Then why is the Government not doing more to overcome these problems?

It is largely due to the convenience of hiring foreign labour, the undue pressure from both local and foreign employers in many of our

labour intensive industries. Many local employers wish to cut costs by using lower cost foreign labour instead of paying our own workers more decent wages.

Indeed, the Government should review its policy on imported labour for the 9th Malaysia Plan (2006 - 2010). New policies must be soon put into place to raise our wage levels, increase the technology and the productivity of our labour force and to substantially ease out the employment of foreign labour in a pragmatic and well-phased out manner.

We have to study the implications of the huge repatriation of foreign exchange back to the countries of origin of our imported labour. We need to examine whether the resulting gains in employing foreign labour are worth our losses on so many socio-economic fronts. On balance Malaysia may lose out in employing so much foreign labour.

If we are to lose our competitive export position by raising our domestic costs in having to pay higher wages to our own people, so be it. It is more important to raise the welfare of our own workers rather than use cheap foreign labour and undermine the welfare of our own nationals.

Thus we have to give even higher priority to provide for much more technical training and scientific education to our youth at our schools and our public and private tertiary institutions. We need more blue-collared workers whose skills can replace sheer cheap sweat labour from abroad.

We would then also help to reduce the large output of unemployable graduates who could pose serious social problems in the future. In any case, the present easy policy of importing foreign labour, while expedient in the short term, cannot be sustained by the economy in the longer term.

There should therefore be constant consultations among the Government, labour, business and civil society to resolve these severe long standing structural labour problems, so as to enable Malaysia to achieve its aim to become a developed country by 2020. For this we have to give greater priority to meritocracy and higher productivity if we are not to lose out in our international competitiveness.

### **Meritocracy - more needed**

The Economic Intelligence Unit (EIU) 2005-2009 Global Survey of the best place to do business in 60 countries and cities, ranked Malaysia number 31 in March 2005. The previous survey for the period 2000-2004 had ranked Malaysia at number 22.

This represents a fall in competitiveness for the best place to do business globally by nine places - a significant fall in just five years. The benchmarks used were political and institutional environment, macro-economic stability, policy to private enterprises, foreign investment policy and financing and infrastructure.

In comparison, Denmark headed the list followed by Canada and the United States. The highest performers in Asia, namely Singapore and Hong Kong, were fourth and fifth respectively on a global basis. Surprisingly, Australia emerged number 15 while Japan took 28th place!

But what is wrong with Malaysia - to be ranked among the bottom half of the survey rankings? Worse still, at this rate, we might slide further over the next five years in terms of business confidence.

Is it because the other countries have improved their performance? Or is it because the expectations in the next five years are that Malaysia is not likely to become more meritocracy-based, efficient, stable and liberal? We have to accept that we have glaring examples of gross inefficiency even in areas where we must obviously be more

internationally competitive. But somehow the Government does not seem to highlight our weaknesses but mainly our strengths - with the slogan "*Malaysia Boleh!*" (literally translated as "Malaysia Can!"). One major reason for our decline in business confidence is our weakening delivery system.

### **Enhancing public service management - the Royal Police Commission**

The delivery system of the public sector can be improved only if the management of the public sector is constantly reviewed and revised. The enhancement of the size of the police force is necessary but not sufficient to raise the efficiency of the police service. No doubt, the Royal Commission to enhance the operation and management of the Royal Police has done a fine job. The general public has enthusiastically welcomed the substantive 600-page report, which was released in 2005, for its 125 concrete proposals.

The report was well presented by an able team of professionals under the distinguished leadership of eminent former Chief Justice Tun Mohd Dzaidin Abdullah and the tough, former Inspector-General of Police Tun Mohd Hanif Omar as the Deputy Chairman. The forthright report is a good example of a management study which has highlighted many management lessons for the whole police force, as follows:

Firstly, it was a very democratic and consultative report which included a wide spectrum of public views and experiences in dealing with the police. It was based on a wide range of interviews, just like practising good management by walking about.

Secondly, it also showed that we do not need highly paid professional consultants to study our own systems and to tell us what we already know. Obviously, the report proved once again that

properly qualified Malaysians have the capacity and capability to study management problems and to make wholesome and pragmatic recommendations, without recourse to expensive foreign consultants or advisors.

Thirdly, it is clear that some of the 125 specific recommendations could well apply to the whole public service which has not had a study to improve its quality for a long time. The last study was the Montgomery-Esman Report on the administrative cadre of the civil service, which came out in the 1960s. The recommendations in the police report referred to the improvement of basic needs of the civil service such as the quality of recruitment, the ethnic balance in the force, the enhancement of remuneration and conditions of service and inter alia the eradication of cancerous corruption. All those issues are relevant for application to the whole public service as well.

Fourthly, the major management lesson that has emerged from this report is that successive Governments since *Merdeka* have not given enough priority to upgrading the efficiency of our public services although the demands of Government services have grown by leaps and bounds. Adequate resources have not been allocated to raise management standards in the police force and indeed in the other public services like health, education, environment, the judiciary and maybe even in the sensitive area of defence. We are now seeing the unfortunate results of this long neglect of the crying needs of the public service for greater improvement.

Fifthly, we have to change and make amends before it is too late and the whole Government machinery declines more rapidly. Hence, the Government should establish an independent Commission of Enquiry for the whole public service as soon as possible. There is little merit, from a management point of view, to try to enhance the Government's delivery system by offering little carrots here and there as attempts to enhance efficiency. For instance, Government-

employed doctors had not long ago received revised on-call allowances. Similarly, teachers were offered the loan of textbooks for their children. What we need is a thorough study like that undertaken for the police force to examine the whole civil service structure. Ad hoc measures will create other problems of inconsistencies and contradictions among the one million odd public service employees in several areas.

Sixthly, the Government has to monitor more closely the quality and performance of the public service. The Clients' Charter and key performance indices (KPIs) do not seem to be working now. That is why we will need to establish the proposed Independent Police Complaints and Misconduct Commission as a matter of priority to ensure that the sound recommendations made by the Royal Commission do not fizzle out after the big bang at the release of the report.

As in the case of the police force, we also need an ombudsman, or any other institution, for the whole public service. It is essential to ensure that the pragmatic recommendations of the Royal Commission are followed through at every stage of implementation, so that they are not distorted by poor management and bad implementation.

At present, the public make their complaints mainly to the police or the Ministry of Home Affairs on the misconduct of errant police personnel and often the perception is that, not much happens. The same situation is true in cases of the poor public services provided by the Government and its agencies. People get very frustrated when their genuine grouses are given scant attention or redress.

Unlike the private sector where customers have the choice to boycott businessmen who do not deliver, how can the public boycott the services of a Government department without harming themselves? The public can be abused by the present system since their calls for redress can go unanswered or are treated indifferently.

Often officials are not pulled up for inefficiency unless there is a public outcry or if you know a VIP who may intervene.

As Prime Minister Dato' Seri Abdullah said at the Harvard Club function on 5 May 2005, it should not be the case of "who you know but what you know". But that is not the case now as there are insufficient checks and balances in the system.

Seventhly, in the private sector, managers can more easily hire and fire without going through the kind of rigmarole and red tape of Public Service Commissions. The latter can take ages before a cad in the civil service is disciplined. How can Government managers then manage effectively?

It would have been helpful therefore if the Royal Police Commission had recommended that the whole process of imposing discipline should be revised to make it more effective. The disciplinary system has to be made more efficient and expeditious to be credible.

Eighthly, it is also clear now that there has been a great deal of in-breeding in the police force, as indeed there has been for many years in the whole public service. This is the result of a lack of adequate ethnic balance in job recruitment and promotion within public services. Thus there has been too much back-scratching in order not to rock the boat and to maintain a false sense of racial representation and harmony.

It is therefore in the public interest to institute a Royal Public Service Enquiry Commission (like the well proven Royal Police Commission) to enhance the efficiency and integrity of the whole civil service as a matter of urgency before it is too late. The successful Royal Police Commission Report should encourage the Government to hasten management reforms in the whole public service to raise Malaysia's international competitiveness with the rapid pace of globalisation.

### **KLIA touts: A case of protection**

The problem posed by the touts at the Kuala Lumpur International Airport (KLIA) is a case of over protection. It shows the conflict between competition and protection. The Minister of Entrepreneur and Cooperative Development, Dato' Khaled Nordin, had admitted that touts easily get off the hook because there are loopholes in the law.

Hence, the amendment of Commercial Vehicle Licensing Board Act 1987 will hopefully help to catch the touts and charge them in court. But what is the root cause of the flourishing tout business?

Is it not because of the Government's policy of allowing the Airport Limo company to operate as a monopoly? Why should not there be more limo operators at the airport to encourage healthy competition?

Touts, like middle men and business runners, are able to thrive, only when they can take advantage of the inefficiencies of monopolies. The laws can be amended, but the touts will still be a nuisance as long as we prevent more competition.

Indeed, this is the problem we face in most areas of business where monopolistic practices are encouraged by the Government. In wanting to promote the interests of the privileged few, the majority of the people will suffer from the lack of competition. In wanting to promote a Bumiputra commercial and business class, only a few will gain at the expense of other Bumiputras.

The Government will have to revise its policies of promoting monopolistic practices if Malaysia is to become more competitive. Inadequate competition or partial meritocracy appears to be at the heart of many of our socio-economic problems.

The younger generation is taken up by the Government's assertion that it is following a policy of meritocracy. But it is actually doing so only partially. That is why there is so much confusion as to why better

qualified students are not being selected for the critical university courses and scholarships.

The quality of our institutions and services have also declined, largely due to the lack of meritocracy and real competition, in the pursuit of optimum performance and best practices. The national social contract apparently does not presently allow full meritocracy and open competition. So let us at least admit it and not claim that we are observing meritocracy when it is clear that it is not being followed. When we are not realistic and transparent about meritocracy, the attainment of Vision 2020 appears very distant.

We could instead more accurately claim that Malaysia is pursuing a policy of “moving towards meritocracy” rather than already practising meritocracy per se. Then there would be more transparency, accountability, good governance and appreciation of public policies as we would be more truthful.

As it is, the older generation tries to understand the rationale for the present Affirmative Action policies, but the younger generation, especially the well educated non-Bumiputras and also many forward-looking Bumiputras, cannot fully understand or appreciate these “positively discriminatory policies”. The educated Bumiputras are against these Affirmative Action policies that often do not benefit the most deserving Bumiputras - the bright and less privileged Bumiputras.

Even Bumiputras who have made it on their own without government financial support and largesse have some grievances as well. They feel that they have been automatically assumed to have been beneficiaries of the NEP and have therefore been propped up to succeed. But many Bumiputras have done well under highly competitive circumstances on their own merit. Meritocracy for them has been real and they disdain the attitude towards them that they have come up the “easy way” when it is far from the real truth. They are

frustrated like the non-Bumiputras but for different reasons. That is the irony of the NEP!

Most of our weaknesses whether in education, health, housing, law and order and the judiciary appear to be due to the lack of adequate meritocracy. So let us move faster towards more meritocracy before it is too late as national unity and patriotism are gradually being eroded. This is bad for the economy and the race to become a developed country.

Even if we have not recruited most of the best into the public service, it is vital that the Government introduces the KPIs as soon as possible. Where work is quantifiable, especially at the counter services, the implementation needs to be done quickly. Each head of department can be given the challenge to devise and implement the KPI urgently. There is no need to wait too long for yet another “study” by the Government. Too many studies lead to stalemates.

Taxpayers need to be assured by results that the Government is giving high priority to improving its meritocracy through greater productivity and competitiveness.

The Deputy Prime Minister Dato’ Seri Najib was reassuring when he stated recently that the use of the KPI would help the public sector to be “more focused and outcome oriented”. The public awaits the outcome of the KPI, but little has been achieved. How long more must the public wait to see the real results and not just rhetoric?

The more emphasis we give to increasing competitiveness, the more confident we can become over our future capacity to beat the odds and to progress further. The change in policy in administering the Foreign Investment Committee (FIC) rules is a step in the right direction.

## **FIC changes**

Fortunately, the Government has finally improved the burdensome Foreign Investment Committee (FIC) approval procedures for the acquisition of properties, interests, mergers and takeovers. As the Prime Minister had stated, "The onus will be on those making the declarations to fulfil their obligations" (*The Star*, July 2004).

This is therefore a major shift in Government administration, whereby the FIC will give approvals on the basis of trust and then pull up the applicant if he has misled the authorities with false information. The new innovative approval process will be far less bureaucratic, much more efficient and definitely less prone to abuses by some officials.

It is also gratifying that a similar decision is being considered to enable architects and engineers to give Certificates of Fitness for new houses and buildings instead of having to get them from the many inefficient local authorities which can often be corrupt.

Hence, it is recommended that this new approval process could be applied on a wider scale in the Government administration. Overall therefore, the economy needs to see more substantive positive policy changes to sustain growth, equity and long term business confidence, making the economy more attractive to investors and more internationally competitive. The question "*Quo vadis, Malaysia?*" can be better answered if we effectively tackle the major scourge of corruption which is the root cause of much inefficiency in our national "delivery system".



### 3

## CORRUPTION

### Worsening

Prime Minister Dato' Seri Abdullah Ahmad Badawi reiterated his tough stand against corruption at the Integrity Institute of Malaysia on 29 April 2005 when he delivered the keynote address at the World Ethics and Integrity Forum in Kuala Lumpur.

However, he also emphasised that he will not pursue the anti-corruption campaign for the sake of popularity but only for a clean administration. The Prime Minister was countering criticism that he might only go for his political opponents. But he stressed that he would leave the investigation and prosecution to the Anti-Corruption Agency (ACA) and the Attorney-General's Department and would not interfere. In addition, he reminded the authorities concerned to be sure to follow the doctrine that a man is innocent until he is proven guilty and that all cases must be solid before taking an accused to court.

I believe that he made these important statements because of the growing feeling that the momentum in the fight against corruption is seen to be slowing down. But if the prosecutions are few and far between, then there would be more doubts on the effectiveness of the anti-corruption campaign.

Corruption could not be declining. On the contrary, there are strong perceptions that corruption is becoming more blatant. Could it,

however, be that the ACA staff are inadequate to the task of stepping up their pressure against corruption? Why is it not possible to arrest and charge more corrupt persons? Is it because the quality and quantity of the ACA staff are wanting? Is it therefore due to the lack of resources provided by the Government?

The Government has to examine these basic issues so as to speed up the process of combating corruption more assertively. If the ACA cannot deliver fast enough, the people will assume that the Government is not as serious as it claims to be in fighting corruption with vigour and determination. If so, this would be unfortunate and could undermine public confidence.

Hence, the Government has to give greater priority to catching the “big fish” before anti-corruption drives are viewed with cynicism and indifference. If the Government does not move faster, corruption will really take a stronger hold on our society and bleed the national morality and economy.

At one of the Integrity Institute Malaysia (IIM) Forum’s panel sessions with Minister Mentor Lee Kuan Yew of Singapore and former Deputy Prime Minister Tan Sri Musa Hitam (Malaysia), I asked: “Is it possible to suppress money politics without suppressing the opposition?” - thinking of the Singapore situation.

Both former leaders responded that money politics is difficult to fight unless the political leaders are strong and tough enough. However, Mr Lee did not touch on the question of “suppressing the opposition”. But Tan Sri Musa Hitam suggested that those guilty of money politics should be taken to court rather than merely disciplined within the political party. Indeed I believe that money should not be used to fight the opposition as this will breed corruption, as in the Malaysian and many other cases worldwide.

My own view would be that unless political parties can take the bull by the horns and ruthlessly attack money politics, it is well

nigh impossible to combat corruption effectively. It will be like employing double standards - one for the politicians and another for the public. This model cannot work.

How can any government anywhere in the world really crack the whip on the corrupt if they do not exercise the same standards of integrity on their own party members? No one will take the anti-corruption measures seriously. There will always be some doubt over the Government's sincerity of purpose. This will then adversely undermine the Government's efforts to combat corruption, no matter how serious the Government intends to fight corruption. And the Malaysian Government can least afford to take it easy on corruption since neglect of corruption can lead to racial discord and social unrest.

The have-nots are mostly Bumiputras and they will suffer most from continuing and worsening corruption as the rich will pay their way through the corrupt bureaucracy. The NEP, which comprises the Affirmative Action intended to specifically help the majority of the less well-off and poor who are mainly Bumiputras, can be easily subverted by the rich and the mostly Malaysian Chinese. They will gladly pay off the mostly Malay officials to achieve their goals to maximise their business profits - regardless of the adverse effects on the NEP and the Bumiputra community, including the poor of all races.

If this corrupt trend continues unabated and becomes even worse, social tensions and ethnic resentment can increase and social stability can be seriously undermined. Corruption therefore must be arrested and good governance increased at all costs. Otherwise Malaysia will have a high price to pay for the continuation of peace and stability, national unity and progress. Vision 2020 can then become clouded and badly impaired!

### **More talk, little action**

What strikes most people is that there is more talk against corruption now but much less concrete action against the corrupt. President of the Institute Integrity of Malaysia (IIM), Dato' Dr Sulaiman Mahbob, highlighted on 8 October 2005 the ridiculous need for a farmer from Belaga to fly to Kuching to pay RM1 for a licence to sell a chicken. Minister Kayveas asserted that the local authorities are run like "secret societies" and lack transparency and accountability. Former Police Chief Tun Hanif Omar regularly writes authoritatively on the lack of enforcement and its link to corruption. But what happens?

There are signs that the disenchantment against slow or inadequate action against the corrupt is widespread and mounting. No wonder there are growing doubts about the Government's real will to act more effectively and urgently against corruption. Can anyone blame the public for their low confidence in the Government's competency and capacity to effectively combat corruption?

The general perception that "only the Prime Minister is serious about fighting corruption" is unhealthy. Hence, Government ministers should declare their assets and liabilities, if not publicly, then to an independent commission. Then we can identify the big corrupt villains more easily and deal with them convincingly.

To be more serious, can those ministers as well as public and private officials who live beyond their means be made more accountable? Can we have protection for the well meaning "whistle blowers" like we have for the evasion of tax and customs duties? Will the Government sack or demote more of the especially senior corrupt officials instead of going for "small fish" like police constables?

Can we make the Anti-Corruption Agency a truly independent body, so that the public is able to respect it as such? Can more "big fish" be caught? The Government as a whole should be seen to be more serious about stamping the scourge of corruption which, if

unchecked, can undermine the socio-economic resilience and national unity in our country. We have to all unite to fight corruption, not only with words but with deeds, before it is too late. Corruption will negate the NEP and undermine the prospects of achieving Vision 2020 on time.

### **Remove opportunities for the takers**

In his interview with the *Sunday Times* which appeared on 16 October 2005, Dr Sulaiman Mahbob, President of the Integrity Institute of Malaysia (IIM) stated, "As long as there are givers, there surely will be takers."

I suppose we can also put it the other way round and state that "as long as there are takers, there will be givers". The reality is that as long as there is inefficiency and undue delays in obtaining Government replies and timely approvals, there will be corruption.

Indeed, no businessman or investor will want to give costly bribes unless he has no other alternative in his quest to ensure that he is given fair and reasonable consideration in his dealings with Government officials. Corruption takes place mainly when those in authority are not transparent in their dealings with businessmen, when there are inordinate delays and when there are subtle suggestions by Government officials as to "What's there for me?"

So I hope the IIM will carry on its good work and make stronger efforts to persuade Government regulators to reduce the many unnecessary and outdated rules and regulations. Over-regulation provides plenty of opportunities for civil servants to practise corruption with, of course, the connivance of irresponsible businessmen. We need two hands to clap, but the greater onus is on Government officials to be more transparent and accountable as

they are obliged to be civil and to serve the public and the nation with greater dedication and integrity. Sometimes excessive regulations are introduced to “frustrate” businessmen and not to “facilitate” them because they do not meet ethnic quotas. Hence policy reviews are essential.

### **Auditor General’s interview**

The Auditor General’s transparent interview featured in the *New Straits Times* dated 9 October 2005 gives deep insights into the AG’s Report 2004 and clearly shows inefficiencies in the Government and opportunities for more corruption.

1. Firstly, the AG stated that the Prime Minister is the prime mover of transparency and accountability. Thus Dato’ Seri Abdullah innovatively placed the Audit Department under the Prime Minister’s Department instead of a Cabinet minister.

This move could be more significant if there is strict follow-up action on the AG’s recommendations. However, if errant officers are not promptly penalised for wrongdoing, then the credibility of the AG and his good report will be eroded. The AG claims that his report is being taken more seriously now. However, the public has not seen enough evidence to back his claim. Hopefully, more serious follow-up action will be taken against irresponsible officials and politicians as well to enhance good governance.

2. The AG has said that when the Government is dealing with billions of ringgit, “we can’t expect a perfect situation”.

That is true. But can we develop an “Audit Index” that will be able to measure the progress made in overcoming the weaknesses

in Government management? Can we award prizes to departments that get high assessment ratings from the AG? There is no point in rewarding high “performance” if financial management is poor.

3. The AG has suggested that we need a “culture of responsibility” to ensure that agencies take his report seriously.

However, the AG must know that this culture of responsibility can only grow if officials realise that they will be punished or even dismissed for mismanagement. Why should officials follow up effectively on the AG’s report if they can get away lightly by doing nothing about it? For instance, officials who overspend without the proper authority should be charged or be made to pay the price for their negligence. But how many officials are penalised every year? Too many officials get away with bad management records, so why would they want to be efficient? In the private sector, they would be phased out and sacked.

4. The non-submission and late submission of accounts have been the “hallmark” of many agencies. But how many of these agencies and the unpopular local authorities and their councillors have been made accountable and pulled up? No wonder there is little priority or urgency in addressing audit queries.
5. According to the AG, the main problem of failed projects has been due to poor planning, poor monitoring and poorly selected contractors.

Is this because officials are incompetent in planning, indifferent in monitoring the projects and partial or corrupt in awarding contracts? Surely this bad situation can soon be put right if the AG could also strongly recommend disciplinary action against such undutiful officials. We have to admit that part of the problem is because we often award contracts to Bumiputra contractors who are not properly qualified or competitive! All competencies should be equal and political preference could perhaps come in only when there is a level playing field.

6. The AG outlined three types of audit viz. attestation, compliance and performance audit.

But it is hoped that the AG will give more priority to “performance auditing” so that the public will be able to assess the returns and cost benefits from the Government’s massive spending over all these years. Thus any wastage in Government spending will be more transparent. There is no point in just expanding the Budget and its deficits if the projects and programmes bring minimum benefits to the rakyat but maximum benefits to the rich and powerful contractors.

7. On the need to use the carrot and the stick to improve management, the AG agreed that this must be the case in good governance.

But why is the Government slow in adopting this policy? To the extent that errant officials are not given the stick, it may imply that the Government is condoning mismanagement. Hence, it is hoped that the Government will take the responsibility to thoroughly discipline political leaders and officials who are

identified by the AG for their malpractices and mismanagement which are often due to indifference or corruption.

8. As to why there are poor selections of contractors, the AG suggested that they may be “unqualified”.

But then why are they chosen in the first place? Ministers and political leaders should not get involved in the selection of contracts and contractors. Instead, this should be the responsibility of professional officials. It is useful to practise the “two envelope system” whereby the financial and the technical bids are submitted separately. Only when the technical specifications are met should the financial bid then be considered. This way, only “qualified” contractors are selected, not because of political connections but on pure technical and financial merit that can be quantified in a transparent manner.

9. It was a surprise to many when the AG stated in his report that there is no provision for the AG’s report to be debated in Parliament. However, there is the Public Accounts Committee (PAC) to examine the AG’s report.

But surely the PAC should then present the AG’s Report and its own commentary on the AG’s Report for debate in Parliament? That way, the Government will be made more accountable for the poor performance of Government officials. The Government should ensure that the AG’s Report is debated in Parliament in the interests of good governance.

10. Finally, the AG admitted that if a Head of Department has “lazy or untrained staff”, it will be difficult “to rectify problems”.

But all this begs the question as to why there should be “lazy and untrained staff” in the first place? Should not these incompetent staff be penalised, disciplined or even dismissed? How can we expect good governance in Government or anywhere if we condone laziness and inefficiencies? This surely must be the major cause of poor performance in the public service and elsewhere where laziness, incompetence and corruption are tolerated and often accepted as a way of life. Then the culture of indifference and the *tidak apa* attitude will persist and permeate the whole administrative system, and finally stifling the economy and our national sovereignty.

We have therefore to be alert, vigilant and decisive in combating inefficiency and corruption as a matter of urgency or risk not achieving industrialised status by 2020. Let us all start now before it's too late! The “Little Napoleons” as defined by the Prime Minister must be identified, counselled and replaced. It is courageous of the Prime Minister to publicly decry the Little Napoleons who could be officials and politicians themselves. But this courage would be wasted and can become counterproductive, if the Government does not take prompt and tough action to send these Little Napoleons to Grik or into exile! How else can we show we are serious about achieving "world standards"?

## 4

### TOWARDS WORLD-CLASS STANDARDS

#### Too slowly

In July 2004 - nine months after Dato' Seri Abdullah Ahmad Badawi took over the reins of the Government - the high expectations had translated into fewer outcomes than anticipated earlier.

Having received a massive mandate at the general elections in March 2004, it was also important to get strong backing to become the President of UMNO. This solid mandate had been obtained from the overwhelming 177 nominations compared to the minimum 134 nominations that were required for Dato' Seri Abdullah to be elected President of UMNO. Pak Lah was therefore expected to move even more deliberately to implement all the sound policies he announced in his Barisan Election Manifesto, which might have had some constraints until he got this new strength from UMNO.

The Prime Minister was on an even stronger wicket as his visits to the USA, France and the UK had turned out to be very successful. Even President Bush had remarked, "It was a very constructive meeting". American businessmen should thus feel more comfortable and confident to expand their investments in Malaysia. It is likely that more FDI from the major Western countries will finance infrastructure in Malaysia, with the closer relationship that Pak Lah has established with them after some earlier difficulties.

However, it has now become increasingly clear that it is easier to invest in infrastructure projects but much more difficult to develop positive mindsets, strong values and best practices. It is easier to build “hardware” but much more difficult to change bad practices and to strengthen the “software” in economic development.

With so much spending previously on hardware, the Government budget continues to be weak. There are, therefore, fewer big Government projects to finance than before. Hence, businessmen are unable to depend on Government contracts. They have to get them from the private sector or, better still, seek business contracts and infrastructure projects abroad.

Indeed, this is what the businessmen, professionals and investors from the industrialised countries have been doing from colonial times. It is also what FDI's are all about. Now we have to encourage “reverse FDI's” to ensure that our businessmen compete for overseas investment projects.

The only difference between our businessmen now and the foreign investors in the past, is that the latter had the backing of their imperialistic armies as well as the skewed international trading system and superior technology to help them maintain their comparative economic advantage over Third World countries such as Malaysia. This scenario is present even to this day!

But to compete abroad, we must have much more quality than mere quantity in whatever we do. Fundamentally, we have a long way to go, to reach high standards of quality in most areas of government and business. We notice a kind of *tidak apa* attitude or what Prime Minister Dato' Seri Abdullah Ahmad Badawi has called the “Malaysian malaise”. Except for some noteworthy exceptions, there is not much attention given to pride in work and the exhilaration obtained from excellence in performance.

## **Petronas - a Centre of Excellence and Tan Sri Azizan**

Petronas is an outstanding example of a world-class Malaysian company which has won our national pride. It should be held as a benchmark for Government departments and the corporates to follow.

Indeed, former Petronas Chairman, the late Tan Sri Azizan Zainul Abidin was a paragon of management virtue and excellence in the civil service and later as head of Petronas. His untimely demise was a great loss to our country. The best tribute we can pay him is to hold his example high as an outstanding civil servant whose dedication and devotion to duty, to God, king and country should be followed by all Government officials and corporate leaders.

How many local businesses and even foreign petroleum companies can beat Petronas' record of 38.4% return on revenue and a return on assets of 18.4 % at the time of Tan Sri Azizan's demise? How is it that Petronas can do so well when the same quality is lacking in so many GLCs (Government-linked companies) with the same kind of local staff? Why can't we adopt similar management practices of high quality performance, integrity, diligence and commitment to Government departments and many private companies as well?

Petronas delivers on *Malaysia Boleh* while most other agencies and companies only talk about it. Why can't we examine Petronas as a case study whose lessons can be learnt by GLCs and private companies? There are other outstanding examples like the Institut Jantung Nasional (IJN) Malaysia. It is a world-class medical centre of excellence. Why can't other medical centres in the Government and private sectors follow its outstanding standards?

Indeed, the Government would need to introduce a rating scheme using the KPIs to grade the output of Government Ministries and departments according to various categories of quality performance. Departments that are graded well below the average performance will have to be given special attention for improvement. Their Ministers

and senior officials could be given more responsibility to hire and fire and reward their staff on a new decentralised system of government that is practised in some other countries.

The civil service unions could be closely consulted, in the spirit of Smart Partnership, to introduce these quality control policies which could be implemented with the full cooperation of Government employees. Of course, with the increase in the quality of Government services, higher salaries could be given to those who contribute to greater productivity and efficiency.

Then we will see a better “Delivery System” in the Government. This upward trend in quality will reduce this “Malaysian Malaise” while increasing Malaysia’s international competitiveness and integrity.

But for now, we see this “malaise” in most areas of the economy. At the grassroots, many local authorities are inefficient. Garbage is not properly collected, floods occur frequently, roads are badly maintained, licensing of small businesses and food stalls are haphazard. Health conditions are poor and corruption is glaring.

At the local councils, if some of the elected officials and nominated officials are more closely monitored for better performance, their quality of service could rise.

At the federal level, hospitals are overcrowded, schools and universities suffer from falling standards, the environment has steadily deteriorated. Public safety has declined while pockets of poverty and marginalisation persist.

These are some of the many signs of malaise and the poor quality of administration. But where is the drive to change this *tidak apa* attitude or the widespread malaise? If we do not address these weaknesses soon enough, we could be developing the signs of declining or even joining the ranks of “failed states”!

The allocation of the additional RM8.5 billion (over the RM4 billion approved up to June 2004) for high priority projects and their speedy implementation is meant to benefit the lower income groups. But contractors will be the immediate beneficiaries. Given the weakened state of our institutions and public services, it would be preferable if greater priority is provided to the enhancement of social services rather than infrastructure projects. We should not repeat past mistakes which we have criticised! We should also be far more transparent in the award of tenders and contracts.

The business environment is polluted with too much protection. This leads to inefficiencies and a definite drop in international competitiveness. This is what the Prime Minister has described as “intense competition” brought about by the ASEAN Free Trade Agreement (AFTA) and the World Trade Organisation (WTO). Hence, it is encouraging that the automotive industry has been told to depend less on Government protection. This message should apply to all industries that have enjoyed Government protection for too long.

The challenge is to maximise quality in all our policies and practices in Government and in business. Economic development strategies should be devised not just to accelerate economic growth, but to raise the standards of living and the quality of life of the majority of our people who are at the lowest income levels. This means we have to step up our efforts to optimise the quality of performance of each and every Malaysian for Malaysia to progress on a sustained basis in the longer term, regardless of race or creed.

### **Growing impatience with the Government**

Prime Minister Dato' Seri Abdullah's interview with Bernama on 9 July 2004 was one of his most comprehensive since he took over the reins of the Government on 1 November 2003. He showed he had his finger on the public pulse when he stated that the huge mandate he

received at the General Elections in March 2004 meant “higher expectations and probably giving rise to impatience” for greater and faster change and improvements.

He was right on this score. But he might have gone slightly off the mark when he said, “At this time (July 2004), I can say there is still the good feeling...”. Indeed, the gradual growth in impatience could well be slowly reducing this so-called good feeling.

In addition, he declared that he had already started on “fighting corruption, enhancing efficiency or reducing bureaucracy”, but pointed out that these measures might not have shown obvious results yet. However, the people expect results to be seen and experienced. Hence, how can solutions be found to address this growing gap between high expectations and actual results on the ground?

As the Prime Minister admitted, people were asking, “Pak Lah, what’s happening?” One way to answer this vital question is to ensure that the many general election pledges are implemented soon. Barisan Nasional elected representatives should be asked to submit quarterly reports of their performance to the public without further delay.

According to the Prime Minister, some elected representatives had sent these quarterly reports, but many had not done so as yet. Nevertheless, the public expects that this minimum expectation can be met soon, and that the Prime Minister will insist that these quarterly reports are submitted regularly and on time for public information and feedback.

We hope that the Barisan elected representatives, and others as well, will not let down the people’s reasonable expectations for elected officials to fulfil the public trust in them.

## **The New Malay Dilemma**

Pak Lah also raised many serious issues at the interview, which have to be addressed, as follows:

1. When asked whether Pak Lah is satisfied with the achievements of the Malays after the New Economic Policy, he replied, “It is important that they compete without crutches forever”.

That is good, but he did not spell out when the crutches should be thrown away. On the contrary, he elaborated, “Still they can be used but besides that, we want these capable groups to strive, the able ones to succeed further...try to be on your own”. There is therefore some contradiction and certainly some doubt and confusion, which can send the wrong signals to the Malays and the non-Malays as well.

Many Malays could think that they can have the best of both worlds i.e. to continue to be given crutches and, at the same time, be encouraged to be on their own. But in reality, no one should be allowed to think that they can have the cake and eat it, too!

Otherwise that will be the surest way to create a stronger “dependency syndrome” which would weaken the Malay and Bumiputra societies in the longer term. Instead, the Government should have a definite policy of helping the genuinely handicapped Bumiputras, but that once they have been given the education, training and the opportunities, they should be encouraged to progress on their own steam without having to look back for help all the time. Only then will we have a truly self-reliant, confident and progressive Bumiputra community, as expected under Vision 2020.

The motto should be - "Help the underprivileged to be more competent, but after that they must compete without crutches".

2. Pak Lah was then asked by Bernama whether the Malay Agenda needs to be continued. Here, too, Pak Lah was not specific. He explained that the Government must still strive to restructure the economy, as the NEP had not been achieved due to changing circumstances.

He was obviously referring to the 1997 global financial crisis and its adverse effects on attaining the 30% Equity Ownership for the Bumiputra community. But then he went on to explain that we have to strive harder to achieve the restructuring goals.

The reality again is that unless we have a larger number of responsible and highly committed Bumiputra businessmen, it is unlikely that we can develop resilient Bumiputra businessmen who can weather the storms in international business, especially in the era of globalisation.

But a strong Bumiputra business and industrialised community can emerge only if they are properly educated and prepared for the competitive business world and when their protective crutches are removed for good. This will be the new Malay dilemma - of how and when to remove the crutches that will help but also hinder the Malay Agenda if not removed in time.

If bright Malays continue to get crutches, more bright non-Malays will migrate to seek more even playing fields abroad. There will be a greater "brain drain" which can seriously hurt economic growth and development.

### **Brain drain and gain**

Prime Minister Dato' Seri Abdullah, in his visits to Washington, Paris and London, repeatedly invited the 30,000 best and brightest graduates working in the UK, US and Singapore to return home to serve the country. He stated that the Government was drawing up brain gain proposals to attract Malaysian talent back to Malaysia.

But more importantly, we should also draw up plans to discourage the brain drain in the first place. We have to carefully examine why there is the continuing brain drain before we can make the brain gain succeed. The key to this problem is the inadequate "quality opportunities", as the Prime Minister has rightly identified. So we must first establish an equitable environment for quality opportunities; otherwise we will continue to have the brain drain or worse still, a faster brain drain, with a slower brain gain. More quality work opportunities lead to greater quality of life. We have to optimise our human resources from all races to forge ahead towards achieving our Vision 2020 goals, or fail in the process.

### **Inaugural *Merdeka* speech**

The 47th *Merdeka* Day was proudly celebrated on 31 August 2004, followed soon after by the presentation of Budget 2005 on 10 September 2004. Both events marked the first of their kind for Dato' Seri Abdullah Ahmad Badawi since he became Prime Minister just nine months before that.

In his first *Merdeka* speech to the nation, the Prime Minister rightly urged all Malaysians to unleash our rich potential and to shape our country the way we want it to be. He courageously proclaimed, "Let all citizens of Malaysia, without feeling inferior, without feeling sidelined, irrespective of race or religion, rise to become statesmen in our own land. We're equal, we're all Malaysians. No

individual in this country is more Malaysian than another. Unleash your potential and shape this country of yours the way you want it to be.”

This would have been a wonderful response to our question “*Quo vadis, Malaysia?*” But intentions alone are not good enough. We have to perform better. We have to treat all Malaysians more “equally” if we are to truly harness their potential.

This is a powerful message, but we have to ask ourselves whether the Government machinery itself actually enables us to unleash our positive potential in a smooth flow without negative attitudes and blockages. We have to remove these constraints before we can realise our full Malaysian potential for real greatness.

Hence, national unity and a better deal for all Malaysians should be the two top priorities of the Prime Minister. He has to set new directions for socio-economic policies. Then only will we more confidently answer the vital question “*Quo vadis, Malaysia?*” As it is, it is difficult to answer this question with confidence in view of the great uncertainty.

For now, the impressive second quarter of 2004 with an economic growth rate of 8% per annum is the best performance in about four years. This must reflect on the high confidence in the country’s leadership and economic management.

But we should not be lulled into overconfidence because of these attractive growth rates. We should be wary of the high oil prices, petroleum subsidies and the continuing Budget deficits. The threat of imported inflation should also not be overlooked.

Furthermore, high growth rates alone should not be regarded as the benchmark of success as the problems of poverty, low productivity and weak competitiveness still persist and must be overcome in order to sustain these high growth rates.

If the private sector is to continue to take the lead in sustaining the high rate of economic development, more attractive measures will need to be introduced to remove the constraints which have been already represented to the Government in earlier Budget dialogues.

Thus Budget 2005 that was introduced on 10 September 2004 was expected to introduce more policy changes to increase economic competitiveness and meritocracy. At the same time, more funds would have to be provided to raise the quality of our human resources and to enable the poor and low income groups greater access to basic human needs, such as better education, health, housing and a higher quality of life.

Prime Minister Abdullah's style of leadership is known to be polite, pleasant, and harmonious as well as firm. His recent views on at least three major international events indicate that there are some winds of change blowing through the economy.

### **Winds of change gathering momentum**

The new winds of change since Dato' Seri Abdullah Ahmad Badawi became Prime Minister have been gathering momentum in at least three policy areas, as follows:

#### **i. Global "Smart Partnership"**

Firstly, at the Langkawi Dialogue on 29-31 July 2004, the Prime Minister warmly embraced the principles of "Smart Partnership" and indicated that he was prepared to improve the benefits of the Dialogue. The Malaysian participants learnt from the then new Prime Minister a few lessons as indicated below:

1. We can talk a great deal about expanding business abroad, but it does not happen unless we put our money where our mouth is. We should thus bite the bullet - and invest abroad.
2. No amount of Government encouragement and international fraternity and goodwill through Smart Partnership dialogues per se can help to increase trade and investment on the ground.
3. It is particularly difficult to sustain business interest in African nations and less developed countries where the potential is good, but where the business climate may be still backward and purchasing power is low. Thus we still have to focus on the richer countries for our exports and technology.

The best way forward is to develop the valuable network of business friends and government contacts that are established at these Langkawi and Southern African dialogues held every year to build stronger footholds in trade and small investments. This approach will take us up the learning curve and enable us to build businesses without undue risk when the African countries are more able to receive our investment on mutually beneficial terms.

The decision to strengthen the Commonwealth Partnership for Technology Management's (CPTM) business website in London will be highly beneficial. We could all then have access to the relevant information and data pertaining to business opportunities in CPTM countries, especially African countries. But there has to be follow-up on real investments.

Some African countries expect foreign businessmen to provide the finance, the business expertise and then to give a large part of the profits to them, if any, without doing much themselves. We should find out which companies and countries have these negative attitudes and avoid them, while our business relations with the more

positive and practical “smart partners” should be strongly pursued and developed. We should be better equipped to deal with these African governments and businessmen based on our rich experience at home.

## **ii. Poverty reduction by WTO**

Secondly, the Prime Minister’s emphasis on moderation and their fair trade policies came out clearly at the World Trade Organisation (WTO) meeting in Geneva. The WTO’s welcome accord among its 147 members had brought the failed Doha Round in 2004 back on track because the rich countries moderated their narrow short-term and self-centred, if not selfish, interests.

WTO chief Supachai described the breakthrough as “a historic moment” for the WTO, but critics called the accord a disappointment with some even describing it as a disaster for developing countries. The truth however is somewhere in between. At least now, the WTO talks can go on.

Actually, the main players - the US, Europe, Japan and Brazil (on behalf of the Group of 20 key developing countries) - only agreed to reduce their farm subsidies and to gain better access to markets in the developing countries. But the extent of these proposed subsidy cuts will be the subject of tough negotiations in the future.

As US trade representative Robert Zoellick stated, “There is a lot of work yet to be done. But today’s framework is a milestone” Fortunately, the developing countries stood their ground; otherwise the rich countries would have bulldozed their way to benefit themselves at the expense of the poor developing countries all over again.

Hence, we have to hope that the developing countries will continue to be united and steadfast in their efforts for a fair deal from the rich countries. They should not allow the more powerful rich countries to play one developing country against the other in the old colonial mode of "divide and rule", to minimise their agricultural subsidy cuts while maximising their access to the markets of the developing countries.

It is a shame that the US has only now offered African countries some concessions on cotton, rice, corn, wheat and soya beans. The imposition of punitive barriers against these essential exports from poor African countries has made the African countries and people poorer and has denied them the opportunity to break out of their poverty cycle. No wonder there is so much resentment against the US and many exploitative rich industrialised countries. It is not surprising that these punishing powerful Western trade policies provide a fertile field for economic deprivation which fosters and nurtures international terrorism!

These are therefore some of the root causes of terrorism. The rich members of the WTO will do well to remember that they will be undermining their efforts to combat terrorism if they create conditions of poverty that nurture terrorism. In the WTO negotiations that follow, this chilling thought must dominate their strategies if the WTO is to discharge its onerous responsibility to expand world trade and increase international security at the same time.

Malaysia as an important trading nation will gain from carefully managed trade liberalisation. However, Malaysia should take the lead in the WTO negotiations to persuade the rich and powerful countries that the WTO should discharge its arduous responsibilities to expand world trade in a fair and equitable manner that will also help to combat international terrorism.

### **iii. Council of Churches can combat Terrorism**

Thirdly, the Prime Minister's call for moderation in interfaith dialogue also struck a most responsive chord amongst the Christian leaders of the World Council of Churches in Kuala Lumpur in August 2004.

Given the backdrop of the uneasy and often confrontational relationship between the two major religions - Islam and Christianity - the Faith and Order Plenary Commission meeting was a resounding success. The impressive impact made by our Prime Minister Dato' Seri Abdullah Ahmad Badawi on all the important Christian leaders at the conference will go a long way to removing any doubts and reservations that some of them had on the extent of religious understanding and even tolerance in Malaysia.

Prime Minister Abdullah's appeal for moderation in the practice of all religions whether Islam, Christianity or other religions, struck a harmonious note with all the Christian leaders at the conference as well as Malaysians of all faiths. He sent a powerful message around the world that Malaysia's message of religious moderation or *Hadhari* should be adopted all over the world to promote and sustain world peace.

It is only in an environment of religious understanding that peace and stability can flourish. It is only under conditions of stability that business can thrive. It is hoped that our Prime Minister, as Chairman of the Organisation of the Islamic Conference (OIC), will be able to strengthen the bridge that will promote more dialogue between the leaders of the two great religions of Islam and Christianity.

Indeed, the same logic can apply to winning global peace and prosperity through the removal of the major root causes of international terrorism. They are the Palestinian problem and the unjust economic and financial systems, both of which nurture international terrorism. The Prime Minister told the

World Council of Churches, “We cannot de-link Palestine from the war against terrorism.” Similarly, we cannot de-link poverty from terrorism.

Could our Prime Minister, as Chairman of the OIC, be one of the world leaders who, together with the World Council of Churches, initiate this Interfaith Dialogue in the interests of world peace, prosperity and progress? The World Council of Churches could start the ball rolling in good faith to combat international terrorism.

In addition, the Prime Minister also stated in his celebrated speech to the World Council of Churches, “It is my duty to spread the message of tolerance among all, especially to the Muslim majority”.

It would therefore be a great blessing to our country if a Malaysian Interfaith Council can be established to strengthen religious understanding and respect among all religious faiths in our country. Such a body will contribute significantly to greater national unity and sustained peace and stability, which are pre-requisites for a strong economy and progress towards achieving Vision 2020.

The Western world must understand this valid logic and boldly address the fundamental issues of Palestine and global poverty in all their international negotiations and agreements. Otherwise international terrorism will continue to undermine world peace and prosperity. The World Council of Churches could also take the lead from our Prime Minister and push forward with international Interfaith Dialogues to promote greater understanding and tolerance among religions globally.

All these significant developments indicate that our Prime Minister is surely and steadily strengthening the winds of change in the management of the Malaysian economy.

Hopefully, Budget 2005 will strengthen national unity through its economic policies to improve socio-economic justice. The new Budget policies could also unleash our national potential to achieve greater national progress. But at the same time, the Prime Minister rightly points out to the priority that must be given to broad national interests rather than narrow commercial interests in pursuing national aspirations towards achieving Vision 2020.

### **National rules of the game for national education**

The Prime Minister also stressed in his address to the Malaysian Indian Congress Annual General meeting on 21 August 2004 that “the rules of the game are that we should ensure that national interest, our common interest, supersede commercial interests when we make requests of the Government”.

Many took this statement to mean that while he supported the vernacular education system in the country, he could not do much to strengthen these streams with Government funds. His main responsibility is to build national unity which can get stronger with a single effective education stream, that is, the National School system. However, it is hopeless to assume that National Schools will get the support of the majority of Chinese or Indians - until and unless the Government makes these schools more Malaysian in character and content and more meritocratic.

At present, these national schools generally do not teach Chinese or Tamil at the primary levels and definitely not at the secondary levels. That is the main reason for Chinese and Tamil parents to send their children to the vernacular schools.

There are other reasons for the poor attendance of non-Malays at National Schools, as follows:

1. Non-Malay parents are enabled by Government policy to have

their children learn their mother tongues if there are at least 15 children who are willing to learn their mother tongues in national schools. But this policy of Pupils' Own Language (POL) is badly implemented because there does not appear to be enough commitment on the part of the vast majority of Malay principals to faithfully implement this policy.

The Ministry of Education officials at the Federal and State government levels also do not do enough to properly implement this Pupils' Own Language (POL) policy because they are indifferent to this policy as almost all of them are Malays. Unfortunately, the Government itself has shown little political will to ensure that its own policies are fully and effectively implemented. All kinds of excuses are found such as inadequate vernacular language teachers, lack of interest among parents in wanting their children to learn their mother tongues and so on. There are many Little Napoleons or deviationists in the Education Ministry who defy Government policies. They should be penalised but they are not, and so the Government does not show enough political will. Thus the POL keeps failing.

2. Furthermore, there are long-standing perceptions that teachers in the national schools are of poor quality, have weak commitment and are often unproductive. That is why there is so much recourse to private tuition. Many are perceived as indifferent or even lazy.
3. Parents have also been exposed to many glaring examples and perceptions of favouritism shown by teachers to Malay students and discrimination against other students. There is also some fear that national schools emphasise Islam and its practices too

much at the primary schools where little children are at a more impressionable age.

Thus the majority of Chinese and many Indian pupils go to primary vernacular schools. They send their children to Government secondary schools only because no new licences are allowed to establish new vernacular secondary schools.

### **Need for new education policies**

Hence, in the interests of closer integration in the national school system and for the sake of national unity, the Government should devise new formulae that will gain the support of all Malaysians - regardless of race - to make national schools the "schools of choice" by parents in the future. This is also causing the brain drain as parents want better quality education.

Will the Prime Minister be able to persuade political leaders that some new policy initiatives must be taken soon to fight polarisation and to strengthen national unity? Only time will tell. However, I hope that he has stronger political will to introduce new policies to advance the noble cause of national unity.

This is why it is vital that Malaysia should take more proactive measures to reduce the brain drain and to increase the brain gain. Many bright Malaysians have left the country because they believed they did not have a "fair deal" in Malaysia due to feelings of perceived alienation, polarisation and a low level of national unity.

Thus we have to improve the environment in Malaysia and try to attract them back to their motherland, to live and to serve their country of birth. We have to reach out to bring back able Malaysians and prevent the growing brain drain.

### **Reaching out to brains overseas**

Associate Professor M. K. Chin of the National Technological University in Singapore wrote a letter to the *Star* which was published on 29 August 2004. Chin stated that, as a Malaysian expert working in Singapore, he has not felt a bond or trust between the Malaysian Government and himself since he has not received any personal communication from the Malaysian Government requesting him to return to serve his motherland Malaysia.

His keenness to serve Malaysia is heart-warming especially as he says that Malaysia “had in various ways forced” people like him to seek greener pastures in the first place. But I would ask whether, in the first place, he has kept in touch with Malaysian embassies abroad since he claims that the Malaysian Government “has no idea who and where I am”. Nevertheless, his proposal for the Government to establish a Malaysian International Foundation to provide a networking mechanism to tap Malaysian talent is worth serious consideration.

An independent government-sponsored body is more likely to succeed in realising the Government’s goals of bringing back thousands of Malaysian experts who are part of the serious problem of our brain drain. According to Chin, they would like to return to serve Malaysia if they find the “conditions are right”.

We need to carefully examine all ideas to enable Malaysia’s new brain gain policy to realise our Prime Minister’s laudable goal to unleash the potential of all Malaysians for the full benefit of our country. But our education system has to be more attractive and balanced so that non-Malays have more faith and confidence for their children’s future.

In the meantime, we should strive to improve our overall socio-economic environment through adopting more relevant Budget policies that will give greater priority to the poor.

## 5

### **BUDGET 2005 STRATEGIES**

#### **How relevant?**

The Budget Speech for 2005 was presented in Parliament on 10 September 2004. How relevant was it to the man in the street as well as to the businessmen and the economy as a whole?

Prime Minister Dato' Seri Abdullah Ahmad Badawi presented his first Budget speech for about 1 hour and 45 minutes, which is long by previous standards. However, it was well articulated and was substantive enough to sustain interest right through.

I would describe the Budget Speech for 2005 with 3Ps - Prudent, Pragmatic and Performance-orientated. The four Budget strategies were pertinent to the position and prospects on the Malaysian economy and are as follows:

1. Enhancing the effectiveness of Government financial management and efficiency of the delivery system, and competitiveness;
2. Accelerating the shift towards a higher value added economy;
3. Developing human capital as a catalyst of growth; and
4. Ensuring the well-being of the *rakyat* through improving their quality of life.

The Budget appropriated RM117.4 billion for 2005. Revenue was estimated at RM99.03 billion and operating expenditure at RM89.14 billion, thus giving a current account surplus of RM9.89 billion as compared to RM5.39 billion in 2004.

The overall Budget deficit was estimated at RM17.7 billion and constituted (3.8%) of the GDP as compared to (4.5%) in 2004 and (5.3%) in 2003. The Budget deficits have therefore been decreasing as a proportion to the GDP and this is a healthy development. The Budget deficits were the only major weak spot in the Malaysian economy, and this ailment is now being adequately addressed. This prudent fiscal policy measure should raise domestic and foreign confidence in Malaysia's capacity to manage its economy effectively.

### **The first strategy: Improving the Delivery System**

The proposal to set up a Taxation Review Panel is most welcome. Over the years there have been many taxes that have been introduced that have now become outdated and sometimes even contradictory to the changing socio-economic and international environment. With growing globalisation, it has become even more pertinent to overhaul the complicated tax system to make it more efficient and friendly to taxpayers as well as the tax administrators and investors.

The introduction of the new Goods and Services Tax (GST) on 1 January 2007 is a bold move that is consistent with the worldwide trend to collect tax on consumption goods and services. The advantage of such a tax is that, unlike income tax, we can avoid paying the GST by avoiding the purchase of goods and services that attract the GST. The long time lag between the GST announcement and the implementation date allows better preparation by the tax authorities and the taxpayers to consult and to adapt to the new GST system.

The Government is also going to broadly consult all sections of the public on the best ways and means of introducing the GST, so that it can be smoothly implemented. This extensive public consultation is again an innovative move.

The Prime Minister's assurance that all Government departments and agencies will give due attention to the Auditor General's Reports will go a long way to improving financial management and reducing Government wastage of public funds.

A disclosure-based regulation (DBR) system will be introduced to require the authorities to clearly state the criteria for approvals. Government approvals will then be automatically given on the confirmation by companies that they have complied with the requirements.

This is a major step towards improving efficiency, the speed in approval and the reduction of corruption. Of course, the "confirmation of compliance" will be checked by the authorities later. They will naturally come down hard on the defaulters, perhaps even to withdraw their licences - and why not?

Another important Budget measure to enhance efficiency in the public sector is the launching of KPIs and performance-linked compensation (PLC) for the GLCs by 2005. This measure has been long overdue.

Senior managers at the GLCs will also be appointed on a contract basis that will be renewable subject to meeting performance targets. Thus business management techniques will be applied to Government agencies that have long been protected and even molycoddled in some cases. The staff have been spoiled by a lackadaisical attitude. It might thus be very difficult for them to adjust to the new standards and expectations for more efficient performance. It's time the stick was used instead of too much carrot and molycoddling!

Six Government agencies including the notoriously inefficient Immigration and National Registration Departments have, since August 2004, been put on a pilot scheme to adopt the KPI programme.

I hope the public will be able to see improvements; otherwise all these proposals will appear to be effective only on paper and quite rhetorical. Then cynicism and disillusionment will increase. This may be the last chance for a long time to come, for the Government to adopt such major changes in the public service to improve its services to the *rakyat*. I sincerely hope these civil service reforms will succeed, as the attainment of Vision 2020 can otherwise be adversely affected.

In fact there could well be some reaction of the mainly Bumiputra employees in these GLCs but this cannot be helped. They have to pull up their socks and deliver efficiently or the country as a whole will suffer from the loss in our national capacity to compete internationally. Gradually of course, the GLCs should have more multiracial staff to earn national support and credibility, and to become more competitive.

### **The second strategy: Towards a higher value-added economy**

The high food import bill of RM13.9 billion per annum had persuaded the Government to allocate RM1.5 billion for the agriculture sector and, particularly, for projects that benefit the smallholders. Earlier, tax incentives were also introduced to encourage food production and cattle rearing. Since then about 140 projects have been approved with a total investment of RM940 million. Hence, we hope that all this money will be productive and not irresponsibly spent. Spending money is easy but enhancing output is the real challenge.

The question in the public's mind is: How successful have these incentives been in raising agricultural production and productivity?

After all, these tax incentives have resulted in much tax loss to the budget. The taxpayers will want to see what economic gain has ensued. Have the farmers and investors utilised these considerable tax incentives to advantage or have they been frittered away and if so, to what extent? The public has to be told - in the interests of transparency and efficiency. But will the public be told the real truth or will the inefficiencies be swept under the carpet?

The capital market is expected to become more internationally competitive by allowing five major foreign stockbrokers and five top global fund managers to operate in Malaysia. Futures broking and venture capital companies will be allowed 100% foreign ownership. This is necessary to break the protectionist mindset of our local finance managers.

These measures are consistent with the recommendations of the Capital Market Master Plan and will raise the sophistication of the capital market and thus improve the quality of our financial services to local and foreign investors in the Malaysian capital market.

Malaysian capital market players will therefore have to buck up or face the consequences of losing their market shares and even their businesses. Those who cannot deliver as competitively as the foreign players will have to shape up or ship out of the business. We cannot afford rent seekers and light weights.

This is a warning to all Malaysian participants in the Service sector. The writing is on the wall. Soon other professional groups like the lawyers, doctors, engineers, etc. will also have to face more foreign competition at home. They better step up their preparations to take on these foreign competitors or be sidelined for good.

The arts and culture were also given incentives to develop Malaysia as an international arts centre. Local artistes in Kuala Lumpur, Labuan and Putrajaya will be given full exemption from Entertainment Duty. This measure will be music to the ears of

artists and culture enthusiasts. However, this tax incentive should not be undermined by narrow-minded officials and bigots who would want to censor cultural activities and curtail genuine creativity by imposing their ultra-conservative views.

This has happened before when half-baked decisions and silly rulings have been made by the KL City Hall and other local authorities. The political leaders have to ensure that their officials do not become overzealous in implementing policies on cultural promotion and development in our country.

Malaysia's bid to become a centre of educational excellence will take a major step forward as the Budget has planned to expedite approvals and accreditation of courses by private institutions of higher learning (IPTs). Both the private and Government higher education institutions are also going to be "ranked" for their performance, based on international standards. The quality of our education will definitely rise when these policy measures are fully and effectively implemented. Mediocrity will have to give way more speedily to meritocracy. This will boost the standards of education and the competence of our Malaysian graduates.

At present, the former high academic and leadership qualities of Malaysian graduates have declined considerably. Our graduates could generally hold their own with the best foreign graduates in the past. Alas the situation is very different today. As a result, about 100,000 local graduates have remained unemployed, mainly due to their incompetence in specialised knowledge and the inability to express themselves in the English language.

Health tourism has attracted 103,000 foreigners and RM58 million to Malaysia in 2004. To increase our share of the international health tourism industry, health tourism packages and international accreditations as well as strategic alliances among international health institutions will be encouraged.

The Government will have to devise new tax incentives soon to back up this encouraging expansion in health tourism. Private hospitals, like most businesses, will act faster if there are immediate tax benefits to gain.

It is a big boost to the information and communications technology (ICT) and the Multimedia Super Corridor (MSC) that the "second phase" of its development has been introduced for the period 2004-2010. Hence, the MSC will now be expanded to Bayan Lepas, Pulau Penang and the Kulim High-Technology Park in Kedah.

The new shared services and Outsourcing Industries, where Malaysia has been ranked as the third best location in the world, will be given higher priority for development. No doubt more incentives will be given to meet business demands as the new centres of growth develop. These initiatives are expected to raise the present employment of 20,000 in the MSC to 100,000. In the next few years, this will be a major achievement if the targets are achieved. But we need to remove all the bottlenecks and smoothen the implementation process.

### **Small and medium industries (SMIs)**

The Small and Medium Industry Fund 2 received a big boost with an allocation of RM4.5 billion for 2005, compared to the 2004 allocation of RM1.5 billion. The New Entrepreneurs 2 fund also had its allocation increased to RM2.0 billion from only RM550 million previously. These are major shifts in policy to help the SMIs develop and compete more effectively under rapid globalisation.

The question, however, can be raised as to how and whether these massive financial allocations are going to be applied to benefit the SMIs. In other words, taxpayers will ask how the authorities assure taxpayers that these hard earned taxes will be properly and

prudentially spent? How much will the productivity and the production of the SMIs actually be enhanced by these huge injection of funds? There has to be close monitoring and assessment of the success of these aid schemes to ensure that these subsidies will be used optimally.

### **The third strategy - Developing human capital**

An additional 30,000 places will be provided in 2005 for the polytechnics, industrial training institutes, community colleges and MARA skills institutes at a cost of RM190 million to improve the development of human resources. Hopefully again, the 30,000 new entrants will get the right training to enable them to get jobs when they graduate. More importantly, the entrants must be properly selected on merit to avoid dropouts and high attrition.

Then again we learnt that 4,000 top students are sent each year to study overseas at the best universities, from the Public Services Department (PSD), MARA, Petronas and Bank Negara. The MARA students account for 700 each year, and this number will be increased by Budget 2005 by another 300 students to 1000 MARA students each year. Furthermore, Khazanah Malaysia sponsors another 100 high achievers per annum at renowned universities abroad.

Hence, about 5,100 bright students are sent every year to the best universities in the world on public scholarships at the taxpayers' expense. The question that the public will ask is: How many of these top students are Bumiputra and how many are non-Bumiputra? Should not these statistics be more transparent? Shouldn't taxpayers be informed about whom their taxes are being spent on? Are these scholarships fairly and justly distributed?

When questions like these are posed and answers are not easily forthcoming, frustration and resentment can grow. Then the brain

drain will increase, especially among those very bright and poor students who are denied access to a good university education or deprived of even any tertiary education at home because of their race or religion.

Many Government programmes have been introduced to encourage Bumiputra Entrepreneurs. The *Projek Usahawan Bumiputra Dalam Bidang Peruncitan* (PROSPER) has created 550 retail entrepreneurs since its inception, and funds have been allocated to turn out 250 more in 2005. There is also the Perhebat scheme to help ex-servicemen prepare business plans. This scheme will now be extended to ex-policemen. Most of the beneficiaries will be obviously Bumiputras.

Then there is the Graduate Franchise Programme under *Bank Pembangunan dan Infrastruktur*, which will produce 150 franchise trainees annually. The Supplier Panel System will again help to produce competitive Bumiputra Suppliers. The present arrangement to provide five-year contracts to Bumiputra entrepreneurs in the defence industry will now be extended to other industries for Bumiputras only. This will help them in the transfer of technology.

Hence, it will be appreciated that large sums of money are indeed being allocated to advance the capacity and progress of Bumiputras in commerce and industry. But the question posed by the public is whether the Bumiputras concerned are appreciative of the Government's aid, that is, to what extent they have made full use of the Government's aid and the wide opportunities given to them. In the meantime, non-Bumiputras who do not get any of these preferences become more frustrated and even alienated, and this can erode national unity.

## **The fourth strategy: Ensuring the well-being of the rakyat through the improvement of the quality of life**

### **Poverty**

Hard core poverty affects only 1.0% of total households and this amount to 52,900 households. But the question is: What is the income level for these hard core poverty households? It is about RM265 per month for a household of about five persons. This is a dire income to live on. That is, each person lives on an income of about RM53 per month or about RM1.60 per day! This amount is almost impossible to live on in any decent way, as it is supposed to cover food, housing, transport, health and all other basic needs.

Hence, RM94.2 million is allocated for a wide range of programmes including the Housing Supplement Programme, Income Generating and the Mindset Change programmes. But there does not seem to be a concerted, comprehensive and focused programme to effectively combat hard core poverty. The *Orang Asli* (aborigines) get an even smaller per capita allocation. About RM77 million is provided for 145,500 *Orang Asli* as compared to RM94.2 million for 52,900 hard core poor. Why do the *Orang Asli* get lower priority when they are the original Bumiputras?

Commendable priority however is given to enhance the quality of life for the poor in the rural areas. The aim is to enable all rural areas in the country to have access to portable water, electricity, telephones and roads by 2005. Nearly RM500 million will be allocated for the provision of these and other basic needs in the rural areas. The rural areas are mainly inhabited by Bumiputras who will therefore mostly benefit from these budget allocations. Do the urban poor get similar priority? They would need to, in the interests of national unity.

The usage of the Industrial Building System (IBS) components will be increased from the present 30% to 50% for all Government

building projects. Those who utilise more than 50% will be allowed exemption on the building levy imposed by the Construction Industry Development Board (CIDB). But the Government needs to provide more leadership and guidance in developing designs and advising on new IBS technologies.

About RM1.0 billion will be allocated for low cost houses and this will help to alleviate the severe shortage of housing for the poor; hence, there should be insistence on the use of IBS for the whole housing industry.

### **Tax on cigarettes and liquor**

One of the few changes in Budget 2005 to the tax system was to raise the taxes on liquor and cigarettes. Excise duty on cigarettes went up from RM58 to RM81 for 1,000 sticks. Similarly, the excise duty on liquor was raised from between 5 sen and RM23.40 to between 10 sen and RM28 per litre. This was bad news for smokers and drinkers but good news to health authorities. Some of the causes of ill health will be removed and thus reduce the cost of health care that is financed by all taxpayers - regardless of whether they drink or smoke or indulge in both these unhealthy habits.

Environment programmes were provided RM194 million in both the operating and development budgets for 2005. There is a great need to step up awareness and to encourage the public to do more to protect the environment. It is therefore doubtful whether this amount is sufficient to undertake meaningful measures to counter the degradation of the environment. Here is where the Government could provide some basic financial assistance to NGOs that have been faithfully working so hard for so long to contribute more towards improving the quality of our environment.

The civil service was given a bonus of one to one-and-a-half

months, where the lower income groups earning less than RM1,000 per month will receive one-and-a-half months' bonus. This principle of equity is good, but overall it is hoped that the quality of service of the civil servants will also increase. There is no point in giving bonuses unless productivity has increased during the period for which bonuses are paid. These are additional carrots but where is the stick to ensure that only the productive civil servants will benefit?

Budget 2005 was broad based and covered almost all sectors of the population. The taxes were minimal and the expenditure allocations were huge and comprehensive. At the same time, the Budget deficits were reduced and this is creditable.

Hence, Budget 2005 had something for everyone and caused pain to those who should pay their "sin" taxes. Thus Budget 2005 was generally well received particularly because it did not touch the huge petroleum subsidies which were expected to be reduced. The Government gave emphasis to improving the extension of its allocations and the distribution of economic benefits to the poor. This is important for social stability as poverty is one of the main causes of terrorism worldwide. Fighting terrorism with guns alone is not enough. We have to win the hearts and minds of the poor and the best way is to reduce poverty in Malaysia and indeed, all over the world. But the Budget's integrity can only be assured if its expenditures are efficient. Hence the Auditor General's reports are very useful to the public.

### **Greater priority to Auditor General's Report**

The Auditor General's Report 2004 has provided the public with fair and critical comments on Government spending. These comments would cause real public concern and must be followed up diligently in the interests of good governance.

The AG has reported on wastage in Government spending, much to the dismay of not only all Malaysian taxpayers but also all Malaysian citizens who believe in optimising our limited national resources. If these abuses by Government officials are not rectified and the perpetrators are not made accountable or penalised as soon as possible, then public confidence in Government management will diminish. Taxpayers' keenness to pay their due taxes might also decline. They will wonder why they should dutifully pay their taxes when many Government officials do not observe the fundamental rules and values of good governance. Tax evasion and avoidance will then increase.

All this can have adverse effects on the collection of taxes and the raising of Government revenues to reduce the Budget deficit. Indeed, this expenditure wastage can erode business confidence, turn off foreign investors and undermine our socio-economic growth. Hence, the Government will have to give greater priority to Auditor General Tan Sri Dr Hadenan Jalil's sound Annual Report and show the public that the Government really means what it says about desiring good governance.

It is discouraging to read, for instance, what happened *inter alia* to the RM285 million spent on the Air Force Simulator to train pilots, the RM105 million for 32 landscape projects countrywide and the RM89 million spent to build 17 Seri Malaysia hotels.

The Budget has allocated a total of RM136.8 billion (for operating expenditure RM101.3 billion and development expenditure RM35.5 billion) in 2006. But what assurance can the public have that definite measures will be taken to give the public real value for the taxes that we pay to the Government in good faith?

Indeed, the public will legitimately ask: Why raise more taxes when some of it is lost due to bad governance? They will ask: What proportions of our revenue and expenditure budgets are being wasted?

The public will also question how much the poor and the underprivileged groups really benefit from our taxes and government expenditures. How much of these benefits will get lost through inefficiencies, indifferent management or, worse still, through plain corruption?

I wish the Auditor General will in future also report fully on what specific actions are taken by the Government to rectify its weaknesses, to punish the wasters of public funds and to seriously implement the Auditor General's recommendations. Then expenditure wastages will decline, public and business confidence will rise and investment in the economy will grow to give more sustained growth and better income distribution to all Malaysians.

In short, the Auditor General's Reports must be taken much more seriously. The Government must show that it means what it says - that good governance will and must be given greater priority.

### **A Bumiputra budget?**

Budget 2006 was presented in the Parliament by Dato' Seri Abdullah on 30 September 2005. It was his second Budget since becoming Prime Minister and he appeared to be much more at home with it.

His speech was shorter, more readable and well received. But it had no dramatic new proposals like major tax cuts or concessions or huge capital expenditures. It was a Budget of consolidation.

As was the consensus, it was also heavily biased towards human resource development and less capital project orientated. In short, it was more "software" rather than "hardware" inclined. However, one major criticism was that it cared more for civil servants than private sector employees, emphasised the need to help the rural poor rather than the urban poor, and appeared to be more focused on the

improvement of the welfare of Bumiputras. It was seen by most non-Malays as a Bumi budget.

This perception, may not be entirely fair. After all, most of the poor are still Bumiputras and if we want to allocate more funds to alleviate poverty, then it follows that most of the beneficiaries would be Malays, Sabahans and Sarawakians.

Unfortunately, the Budget planners did not give adequate balance in providing allocations for the many Chinese and Indians who also fall below the poverty line. This serious omission strengthened the perspective that the Government is concerned with the Bumiputras or Malays first and others of similar circumstances as an afterthought.

### **Why a Bumi Budget?**

Let us examine the seeds of this suspicion that the Government is increasingly concerned only with the welfare and progress of the Malays and, to a lesser extent, the other Bumiputras in Sabah and Sarawak, as follows:

1. Firstly, in accelerating rural development, RM5.7 billion was provided for infrastructure in rural areas and another RM2.7 billion for the implementation of agriculture projects for farmers. This total of RM8.4 billion can almost exclusively be regarded as serving the Malay interests.

2. The Ministry of Education was allocated RM29 billion or one-fifth of the 2006 Budget to benefit 5.7 million students. The bulk of primary school students would be Malays. But this sum would hopefully be more equitably shared among the various secondary school students who would come from all the racial groups.

3. The fund for food has been allocated another RM300 million for the commercialisation of food production activities. Similarly, the

GLCs in the plantation sector were allocated RM400 million and Khazanah Nasional will establish the new National Agriculture and Food Corporation with a capital of RM500 million. All this money will again mainly benefit the Malays.

4. Bank Industri & Teknologi, the Development & Infrastructure Bank as well as the New Small & Medium Enterprise Bank will altogether get a boost of a large allocation of RM9.0 billion. Most of these funds again are expected to be diverted to Bumiputras who are mainly Malays. Then again RM2.0 billion has been provided for the new Bumiputra Property Trust Foundation (*Yayasan Amanah Hartanah Bumiputra*) for purchasing commercial properties in major towns to increase Malay ownership of property in the towns.

5. Under the Third Strategy of the Budget speech of developing human capital, another large sum of RM5.0 billion is allocated for education and training, including RM1.3 billion for pre-school, primary and secondary schools. We all know that pre-schools are mostly those under KEMAS and other schemes that are for Bumiputra children. Primary schools would generally refer to the national primary schools which predominantly comprise Bumiputras, since about 95% of Malaysian Chinese school children attend Chinese vernacular schools and about 50% of Tamil children go to Tamil primary schools.

6. In addition, the eradication of poverty programmes were allocated RM700 million for training entrepreneurs, housing and pre-school KEMAS programmes - all in the rural areas where the Malays predominate. Besides, the balanced meal programme will benefit 20,000 rural hard core poor who again will be mainly Malays in the rural areas. Furthermore, rural libraries will be provided RM85 million for the construction of an additional 400 libraries and books in 2006, but no mention is made of the school libraries in the poor urban areas.

So the question is repeatedly asked: Why not provide funds for the poor in the urban areas as well? The urban poor should have the same preferential treatment as all of the poor should be helped, regardless of race. If they are all not treated equally, the non-Bumiputra poor will feel a strong sense of discrimination and alienation. This is bad for national unity.

7. Moreover, RM1.0 billion was allocated to build 21,000 units of low cost houses for the *rakyat* housing schemes. Most of this will benefit the Malays as they are meant for the rural areas.

Then again RM1.1 billion will be given to build 26,000 quarters for the police, customs and firemen, most of whom are Malays. Another RM2.5 billion was allocated on a “build-lease-transfer basis” and these funds will be made available to local Bumiputra contractors only.

This move is sound - but why can't some of these funds be made available to the poor non-Bumiputra homeless and also for many small non-Bumiputra contractors. Surely joint enterprises between the Bumiputra and Chinese and Indian small and medium contractors would be welcome by all Malaysians. This kind of cooperation would promote national unity and a stronger sense of belonging, instead of creating reaction and resentment.

8. Sabah and Sarawak have been allocated RM2.3 billion and RM2.0 billion respectively for regional development. This Budget allocation will help dispense the growing perceptions among the peoples of Sabah and Sarawak that they are often left out of the main stream of development because they are not necessarily all Malay or Muslim.

9. Civil servants got the best deal with the provision of “living allowances” of RM150 a month in the Klang Valley, Johor Bahru and Georgetown, and RM100 a month for 26 other “expensive” towns. Those in other towns will qualify to get RM50 per month. Now most

of these civil servants will be Malays, so again the perception builds up that the Budget was meant for mainly the Malays because the low income non-Malays were not adequately included.

This perception problem could have been overcome if some of the Budget allocations were made specifically for the non-Bumiputras in the poorer urban areas. Any oversight of this problem can show insensitivity and even indifference to the plight of significant numbers of similarly deserving and equally poor non-Bumiputras.

10. Finally, civil servants were allocated good bonuses of RM1,500 per month for those earning up to RM1,000 per month and a month's bonus for those earning more than RM1,000 per month, subject to a minimum of RM1,500 per month. An overwhelming proportion of about 1.0 million civil servants are Bumiputras, and here again the perception prevails that the Budget favoured mainly the Malays.

The Government will therefore have to give more priority to identifying areas where funds can be allocated to poor deprived non-Bumiputras in the future. Already there is a growing sense that most of the taxes are paid by non-Bumiputras but spent by the Malay dominated Government for the benefit of mainly the Malays. However, these huge funds are not necessarily for the poor Malays alone but for promoting Bumiputra ownership that could benefit rich Malays as well!

This notion of a Malay Budget has to be countered, otherwise national unity and socio economic progress, could be seriously undermined.

## 6

### THE MALAY AGENDA

#### Strengthening

The Prime Minister's exclusive interview with the Malay newspaper *Mingguan* Malaysia on 19 September 2004 highlighted what he called the "Malay Agenda". It was one of his most heartfelt and frank statements on the situation of the Malays and Bumiputras and their future prospects.

He said that the time had come to assess the Malay Agenda in Malaysia's multiracial society and to decide what it should be and to measure the Malay accomplishments with other races. He asked, "Why do we still fail? Why can't we be as successful as others?"

He pointed out that "the Malay Agenda is in the minds of the Malays after seeing all the assistance given by the Government to ensure the success of the policy". He called upon the people, particularly the Malays, to adopt stronger work ethics to include the goal of achieving excellence and glory so that we will achieve distinction. He questioned whether Malays are still in their own world, doing things so that they would look good. But he also answered his many questions when he said that the Malays must change their mindsets and become more competitive.

Indeed, that is a fair assessment of the relative progress of the Malays. Despite the massive aid and assistance they have received in all forms under the New Economic Policy of Affirmative Action, they

have generally not done well enough. The unfortunate irony is indeed that they themselves may well be the very cause of their slower progress. Many potentially able Malays have been “spoilt” by too much pampering that has made some Malays too comfortable, then complacent and finally uncompetitive and laidback.

But the Prime Minister knows that this mindset of “easy come, easy go” does not and cannot work or survive under the comparatively new phenomenon of globalisation. The Prime Minister's greatest challenge, therefore, is to succeed where his predecessor Tun Dr Mahathir failed (as the latter himself had honestly admitted) - to change the mindset of the Malays. They have to become less dependent on Government largesse and be more self-reliant and competitive.

And the change in mindset can be achieved, as so many Malays have actually done very well despite gaining much Government assistance. They changed their mindsets by learning to become competitive after getting a head start from Government assistance. Thus they discarded their “crutches” when they felt confident enough to do so. They did not exploit or take advantage of Government assistance.

Unfortunately, many more Malays developed the wrong mindset and expected the Government to hold their hands, to walk them to success and keep them there as a matter of right! They will ultimately fail. Or they will achieve success only for a limited period and then fall - only because they have not learnt to compete especially under the pressures of globalisation. But not only these Malay individuals, but the Malay community and the national economy as well, will suffer from their folly, selfishness and self-indulgence.

To his great credit, the Prime Minister accepted his responsibility to lead the Malays and to look after the interests of the other races

in Malaysia. This pledge is vital to both the Malays and the non-Malays. The Malays can survive and sustain their progress in the longer term only through the change in their mindsets to go for greater competitiveness. On the other hand, the non-Malays, i.e. the Chinese, Indians and others have to be allowed enough space to move forward, too. Otherwise, Vision 2020 may not be achieved on time and under stable circumstances.

Thank God that Malaysia is a blessed country in terms of good leadership, stability and relatively rich natural resources. Hence, there are ample opportunities for all Malaysians to have a place under the Malaysian sun, provided the Government continues to be liberal, fair, just and strong.

### **Prime Minister Dato' Seri Abdullah's first anniversary**

Dato' Seri Abdullah completed one year in office on 1 November 2004 and how did he fare? I believe that overall, he did well.

The earlier perceptions, concerns and doubts, as to whether he could have a firm hand steering of the ship of the state, have proved to be unfounded. Indeed during his first year of office, he has shown that he can be firm and forthright and yet friendly. As he himself has stated many times, he is not Tun Dr Mahathir but is his own man with his own style of leadership and management.

His biggest contribution in his first year was to cool things down. The earlier feelings of stress and tension as well as the strong rhetoric against the West and even against the majority of Bumiputras for not having a modern mindset, have eased off considerably.

### **“Feel good” factor**

Indeed there has been a stronger “feel good” factor all round while

some of the major concerns are being carefully and quietly addressed. The following developments seem to bear this assessment out:

1. One big issue that has been taken up more purposefully is the growing problem of corruption. Here the Prime Minister has stated categorically that he will encourage the Anti-Corruption Agency to do its job professionally without any political interference. The corruption trials of Tan Sri Eric Chia and other personalities seem to indicate that the Prime Minister means what he says.
2. Then there is the problem of a decline in law and order. The Police force had lost much public confidence with the many complaints of poor service to the public and the rising crime rates. For this, the Prime Minister set up a Royal Police Commission to improve the quality of the police in order to increase public confidence and faith in the safety and security of the country.
3. The Prime Minister has made the major assertion that all Malaysians are "assets" - regardless of race and religion. This is a new recognition as the emphasis in the past has been on protecting the (Malay race and religion), and often enough sentiments were implied that the non-Malays were "liabilities". Multiculturalism and the celebration of "unity in diversity" has been a breath of fresh air which has given stronger assurance to all genuine Malaysians, regardless of race and religion.
4. He has stressed the need for greater efficiency in the delivery system of public service. More attention has been given to strengthening the Electronic Government. This way

the human weaknesses of carelessness, indifference, laziness and procrastination and ensuing undue delays can be reduced.

It will be recalled that one of Pak Lah's first duties as Prime Minister was to visit the Immigration Department which had gained a dubious reputation for corruption and long queues. His visit was meant to send a strong signal to the whole public service that he would not tolerate inefficient service to the public.

But it takes a long time to change the mindsets, attitudes and work ethics of the public service. The rot had set in when the Government went all out to fill the civil service with mostly Malay recruits (*Isi Penuh* programme), without much regard for quality and qualifications, especially for positions at the lower levels of administration. Now the country is paying the price of rising corruption and poor public services as compared to the situation during the first three decades after *Merdeka*.

5. The Prime Minister has also led the shift in policy priority to the development of the softer side of socio-economic development. Previously, there was an inordinate emphasis on developing more and more infrastructure. Some even accused the Government of over-concentration on mega projects such as the Twin Towers, Bakun Dam, Putrajaya, Kuala Lumpur International Airport, Sepang Formula One racing circuit and Double Tracking Railway amongst other major projects. But in fairness, these were not wasteful projects although their timing and execution could raise some questions.

Hence, the present Prime Minister postponed the Double Track Railway project and stopped the construction of the Bakun Dam to

protect the integrity of the Federal Budget which had been in deficit for several years. Later the Bakun Dam project was allowed to carry on, as it has been explained that the project has gone too far. I hope other huge projects will not be allowed to proceed too soon. If that happens, the financial system of the country will come under greater strain. This is why the Federal Government's Budget which has been in deficit must be strengthened as a matter of high priority. But of course, Bumiputra and other contractors will be unhappy. But what is more important is to protect the national economy against continuing Budget deficits.

6. The Prime Minister has repeatedly given the wonderful assurance that Malaysia is for all Malaysians. He has said that Malaysia belongs to all Malaysians regardless of race, and that he is the Prime Minister of all Malaysians and has been given the trust by God to govern honestly and fairly. Thus Malaysians will continue to look forward to his Government's performance in putting his inspirational words of wisdom into action for all to see and appreciate.
7. Hence, his new philosophy of *Islam Hadhari* has been viewed with great expectations as it reflects his theme of justice and equity for all Malaysians. But all Malaysians, and particularly non-Malays and non-Muslims will carefully watch the implementation of *Hadhari*. We have to practise what we preach. In the trend analysis, it is not what we say but what we do to show to the world that Malaysia is indeed a fair, just and stable society. Will we be true to the ideas of *Hadhari*?

## 7

### ISLAM HADHARI

#### An assessment

One of the most innovative policy changes so far, however, has been the Prime Minister's introduction of *Islamic Hadhari* in his famous speech to the Oxford Centre for Islamic Studies at Magdalene College, Oxford on 1 October 2004.

But it has also raised some misgivings especially amidst non-Muslims. They ask if this is their edge of the wedge for more Islamisation. Only time will tell!

*Islam Hadhari*, according to the Prime Minister, literally means "Civilisational Islam or an approach towards a progressive Islamic civilisation". He explains that it is an approach which "seeks to make Muslims understand that progress is enjoined by Islam, that it is compatible with modernity and yet firmly rooted in the noble values and injunctions of Islam". This philosophy appears to be his guiding principles for his leadership and management of Malaysia. Indeed, he has recommended these important Islamic principles to all Muslim nations.

The Prime Minister outlined 10 fundamental principles which constitute *Islamic Hadhari* and which he felt Muslim countries should observe, as follows:

1. Faith and piety in Allah;
2. A just and trustworthy government;

3. A free and independent people;
4. A vigorous pursuit and mastery of knowledge;
5. Balanced and comprehensive economic development;
6. A good quality of life for the people;
7. Protection of the rights of minority groups and women;
8. Cultural and moral integrity;
9. Safeguarding natural resources and the environment; and
10. Strong defence capabilities.

Many of these principles are consistent with universal human rights which all countries should observe, regardless of whether they are Muslim or otherwise. Indeed, these *Hadhari* principles are in consonance with the tenets of good governance which are basic to the welfare of all nations and peoples.

But it is useful to assemble these principles together as a *Hadhari* Charter for Muslim countries so that they can all set goals that are supported by all Muslim nations whose performance in good governance can be measured against these *Islam Hadhari* principles. Malaysia's own governance can be assessed against these *Hadhari* principles - but will we be found wanting in many of them? I believe we can do much more to realise many of these principles, particularly Principle 7: the Protection of the Rights of the minority groups and women.

### **Report card on *Hadhari***

Let us compose a Report Card on Malaysia's performance against the *Islam Hadhari* principles, as follows:

1. With regard to the first principle which is "faith and piety in Allah", it is difficult for me as a non-Muslim to comment with any conviction or even credibility. However, I would mention

that compared to my observations earlier in my life, and going back to my time in school and university and even the initial part of my career, I find that Islam and other religions are taken more seriously today than before.

Unfortunately, there has been more evidence of narrow and literal interpretations of all religions and some extremist views shared by many religions, not only in Malaysia but all over the world. Hence, there is a clash of cultures and religions internationally and especially in the Middle East. Our duty, I believe, is to prevent religious zealots and extremists of all faiths from subverting society and national unity.

2. In regard to “a just and trustworthy government”, there are definite shortfalls. No one can deny that corruption has increased at many levels of Government and its administration over the years. The question is whether the Government is doing enough to improve the sense of justice and trust in the Government.

Much more is being done now by the Government to face the threat of corruption and to fight it. In that sense, the trust in the Government has increased. But the question remains as to whether this new drive and enthusiasm to combat corruption will be sustained, and for how long. I hope the struggle against corruption will be relentless for all times. It should be the struggle or “Jihad” for all Malaysians.

3. With reference to the third principle of “a free and independent people” - yes, we have won independence. But how free are we from the threat to our freedom? Malaysia’s record has been credible since we are not under military or economic dominance by some rich and powerful countries. There are countries which are badly dependent on rich and powerful countries for military

protection and economic aid. There are those that are also seriously in debt to some industrialised countries and international institutions like the World Bank and the International Monetary Fund. Fortunately, Malaysia is not obligated to the rich and powerful countries for protection or aid or because of critical indebtedness. But mismanagement and corruption can cause erosion to our independence in the future.

4. An examination of the fourth principle "a vigorous pursuit of and mastery of knowledge" will show that we have been relatively weak in this aspect. The greatest drawback has been the decline in the national capacity to use the English language as proficiently as we did before the introduction of Malay as the medium of instruction in the early 1970s.

After the 1970s, the access to literature and science gradually slowed down as more and more Malaysians, particularly students at schools, colleges and universities, learnt less and less of the English language. This was the beginning of the trend away from the National Primary Schools as many Chinese and also Indian parents realised the lower economic value of the national language in business and in the access to education abroad.

As more and more Malay teachers took over senior administrative positions in National schools, there appeared to be a lowering of competition and academic standards and discipline. Thus parents tended to look to the Chinese and Tamil primary schools to properly educate their children. At the same time, the quality of tertiary education also declined. The ratings of Malaysian universities also dropped, vis a vis among the Universities in the Asia-Pacific region and, particularly, worldwide.

Hence, the mastery of knowledge has suffered. However, steps are being taken recently to restore the use of English and to raise the general standards of education in the country; the mastery of knowledge will hopefully improve. But there has also to be more ethnic balance among the teachers who are now predominantly Malay and who tend to be protective of each other, even if standards suffer.

5. "The balanced and comprehensive economic development in Malaysia" has been relatively impressive. Malaysia must be one of the most advanced developing countries in the world. This is because of its "balanced and comprehensive development" since all sectors of the economy have progressed considerably after *Merdeka*.

However, the balances may have been upset in recent times because of the higher priority given to investment in the harder aspects of socio-economic development such as infrastructure. The Prime Minister is now actively trying to bring more equilibrium to economic development by emphasising on the "social aspects" of economic development. Thus more attention is now given to the development of education, health, housing and, particularly, rural and urban poverty, as evident in the 9th Malaysia Plan.

6. "A good quality of life" is the heart of the United Nations Declaration on Human Rights. Income per capita and the economic growth rates, however high they may be, are no assurance that the poorer segments of society are benefiting satisfactorily from rapid economic development. The economic progress could be distorted and could even skew income distribution and cause the quality of life of the poor to decline in relative terms. This is why the UN Millennium Development

Goals can be used as powerful instruments to measure the progress made in the welfare and quality of life of the *rakyat*.

But this in itself may not be sufficient. High incomes without adequate access to good quality food, health, education, shelter, clean drinking water, electricity, transport, safety and security as well as a clean and sustainable environment, can adversely affect the quality of life, especially of the poor.

7. "The protection of the rights of minority groups" is an arguable issue. There is an intrinsic contradiction between the promotion of human rights and the protection of the rights of minority groups in Malaysia. The original intention of the New Economic Policy was to alleviate poverty of the poor, "regardless of race". However, in the implementation of this sound policy, the Malay politicians and civil servants who are the vast majority in Government service, have tended to give more preference to the Malays and Bumiputras in the administration of this policy on poverty.

Non-Malays in schools, universities and in Government service have felt a sense of alienation in the award of scholarships, admission to universities, recruitment into and promotions within the public service. Indeed, at this time there is not one non-Malay Vice Chancellor in the Government universities and very few top non-Malay officials in the Public Service and even the GLCs.

The argument is offered that the same problem exists in the private sector - that there are very few Malays in top management positions in the non-Malay (mainly Chinese) private corporations and conglomerates. But the response is that the private sector is profit-oriented, unlike the public sector. It is therefore keen to recruit and promote the best and the brightest who can perform

and deliver profits. The private sector cannot afford to recruit and keep weak performers. But there are many Malays who are doing well in the private sector, but do not like to join non-Malay companies.

The private sector is relatively blind to the race of employees. There is also a strong perception in the private sector that many Malays are not prepared to work as hard and competitively as Chinese employees. In any case, for cultural reasons, even able Malay professionals prefer to work in Malay-owned and operated companies and under Malay bosses as well as in the GLCs where the competition is not acute.

But it is also felt that the comparisons are not equitable since the Government is under a stronger obligation and duty bound to make its employment more multiracial as it is the Government for all Malaysians - regardless of race or religion. In any case, the Government collects taxes from ALL its citizens and the bulk of it comes from Malaysian Chinese corporations and individuals. Also non-Malay companies use their own funds and not public taxpayers' funds. Thus the private companies have the greater right to employ their funds in the best way possible to maximise their profits for their shareholders.

Nevertheless, new formulae have to be found to enable more Bumiputras to work in non-Malay companies and vice versa, to bring about more balance in the employment patterns in the public and private sectors. Some incentives can be provided to non-Malay businesses to recruit and train Bumiputras. This will reduce the large number of unemployed Bumiputra graduates, among nearly 100,000! Greater use of English will also help the private sector to employ more Bumiputra graduates who have suffered from the previous policy of teaching only in the

national language. This is in retrospect a bad political decision which prevented the Bumiputras from progressing at a faster pace.

The Government, of course, can almost change the position overnight and improve the lopsided balance in the public service by urgently introducing an ethnic quota system for recruitment into the public service. At the higher levels, the Government could recruit laterally on a contract basis to start the ball rolling. The Government has to take the lead in rectifying the unbalanced situation, otherwise the cleavage will grow and alienate the civil service and even the Government from the non-Malays.

At the *Islam Hadhari* seminar organised by the Institute of Islamic Understanding Malaysia (IKIM) on 30 March 2005 and chaired by Tan Sri Ahmad Sarji, the minority rights of the non-Muslims were discussed at length.

It was very commendable because this was during this time that the proposal to form an Interfaith Commission was rejected by the Government. For the time being I had, therefore, suggested to my former civil service colleague Tan Sri Ahmad Sarji, the Chairman of IKIM, to consider introducing more interfaith dialogues between Muslims and non-Muslims to increase interfaith understanding. I said this would help iron out some of the long-standing areas of conflict and misunderstanding between Muslims and non-Muslims in the interests of promoting greater national unity.

Tan Sri Ahmad Sarji agreed good-heartedly to seriously consider my proposal and I hope IKIM follows up actively. I also raised the question as to why the minority rights of the non-Muslims were not highlighted in the 10 principles of *Hadhari*. The

seventh principle referred to Protecting the Rights of Minority Groups and Women. This is only a half point of the total of 10 principles of *Hadhari*. In any case, the rights of women need more than just a half point as women constitute more than half of Malaysia's population, and Muslim women feel that they could get a better deal from the Syariah courts. Both issues therefore could have been separately highlighted in the *Hadhari* principles. I hope this will be done more energetically in the administration of *Hadhari*.

I emphasised that non-Muslims, although they would generally support *Hadhari*, would also be uncomfortable with the non-mention of the equal treatment for the rights of their religions. I suggested that *Hadhari* would gain much more support from non-Muslims if it included a specific principle that urged greater respect and understanding of other religious faiths and actively promoted interfaith understanding.

Furthermore, I asked why we could not solve the grievous problems of apostasy in a more objective compassionate and liberal manner like we find in many other countries such as Indonesia. Professor Dr Mohd Kamal Hassan, the Rector of the International Islamic University Malaysia (IIUM), explained that the basis of apostasy goes back to the days of warfare during Prophet Mohammad's time and that there were many interpretations of this important issue. I hope we in Malaysia follow the more equitable and fairer interpretations.

8. The eighth principle pertaining to "cultural and moral integrity" has now taken on a new meaning. With the rise in crime, rape, incest, murder and drug addiction, one wonders whether the basic values of cultural and moral integrity has been allowed to erode. Have working parents, in particular, those in the urban

areas, neglected their children's religious upbringing and moral values? Have schools been teaching the right lessons at religious and moral classes?

Has Western culture through Hollywood films featuring relaxed morals and excessive violence undermined our values and promoted imitation among peer groups? These questions have to be addressed. We need to find the causes for the deterioration of our cultural and moral values.

Perhaps the Government should encourage all our racial and religious groups to promote a deeper understanding and practice of our rich religious and cultural values. Instead there is some religious intolerance and often enough, the non-Muslims find it difficult to get approvals from the authorities for land to build and expand churches and temples. But this should not happen as it smacks of bigotry and religious extremism, which can be detrimental to our multi-religious society. The teaching of cultural values in schools could help, but the syllabus must be finalised after consultation with ALL racial and religious groups for the programme to be productive.

9. Reflecting on the ninth principle of "safeguarding natural resources and the environment", we find that our natural resources and the environment have been seriously depleted through our rapid economic development. Rivers have become polluted. Flooding in the urban areas have become commonplace, especially in the capital city of Kuala Lumpur. Huge mudslides have become much more frequent and have caused major disruptions on the highways, while clean natural drinking water has become a scarce commodity.

We need to have stricter environmental laws and definitely

stronger enforcement and less political and business interference in the management of our resources and the environment. Too often, however, corrupt officials collaborate with unscrupulous businessmen in unholy alliances to wastefully exploit the natural resources and spoil the environment permanently for our posterity!

The only recourse is for the Government to exercise greater political will to resist greedy politicians, businessmen and officials and to fight harder to protect the natural resources and the environment with the help of the people. The NGOs should also put more pressure on their elected representatives to save the environment for future generations. Elected officials who do not perform should be removed by the Government and the people at election time.

10. The principle of "strong defence capabilities" is a must for any nation. But it has to be managed within reason and with a proper sense of proportion. Malaysia has had a reasonable defence capability which has not been seen to be disproportionately large for our size, challenges and foreseeable threats.

There are many countries that develop their defence capabilities far too much than is necessary. As a result, the socio-economic demand and requirements of the nation are often neglected. Security development expenditure constitutes less than 10% of the Federal Government budget and this allocation is not unreasonable, considering the need to be vigilant against possible "rogue action" by some rogue governments that might emerge at some time in the future. Overall therefore, Malaysia's record under the criteria of *Islam Hadhari* is much better than most developing countries, especially the many volatile Muslim countries in the Middle East.

But we have to realise that we are an advanced developing country. We have to therefore compare ourselves increasingly with especially the developed countries that have recently graduated to developed nation status. These countries would include Korea, Taiwan, and even the island states of Singapore, which spend higher proportions of their budgets on defence.

*Islamic Hadhari* is therefore a new and acceptable benchmark for future advancement and progress for Malaysia, Muslim countries and indeed for all developing countries. Professor Syed Ali Tawfik al-Attas, who co-authored with Dato' Ng Tieh Chuan the book *Abdullah Ahmad Badawi: Revivalist of an Intellectual Tradition*, wrote on page 140, "Therefore, if we were to construct a true definition of what is meant by the phrase '*Islam hadhari*', it would read, *faham al-hadir fi itar al Islam*" or translated from Arabic means "understanding the present age in the framework of Islam".

Finally, since our Prime Minister Dato' Seri Abdullah Ahmad Badawi has initiated *Hadhari* - he has to set the example to lead in its implementation. And Malaysia should show the world that we can take the lead not only in thought and word but in real action. We have to practise what we preach at home before *Hadhari* can gain more credibility both at home and abroad.

Indeed we have to show and live up to the ideals of greater religious tolerance and understanding in our multi-religious society and treat all Malaysians fairly.

## 8

### GREATER EXPECTATIONS ON THE PREMIERSHIP

#### **All eyes on Dato' Seri Abdullah Ahmad Badawi**

As Dato' Seri Abdullah Ahmad Badawi completed his first year as Prime Minister on 1 November 2004, questions arose as to what were the expectations for the future?

The general consensus was that Pak Lah has done well in his first year. However, I believe that the people are looking forward to a better performance and even stronger leadership from Pak Lah. He had himself said of his first year of premiership, that his "honeymoon" was over and that all Malaysians were waiting to see what he could deliver to them and the country in his second year and beyond. They are still waiting for more action, as their expectations are high.

At a briefing by the Malaysian Industry Government Group for Higher Technology (MIGHT) in November 2004, he clearly showed that he was disappointed and almost dismayed by the slow pace of implementation of several technology programmes. He was particularly disconcerted that the proposed Industrial Building System (IBS) for housing had taken so many years to implement on a wider scale. He indicated that MIGHT tended to propose and plan well but badly delayed proper implementation, (as appears to be the case with the whole Government machinery!) Hopefully the CEO of MIGHT Dr Tasir, together with Dato' Hamzah of CIDB under Dato' Seri Samy Vellu's leadership will be able to get the IBS going forward faster.

He urged the public and private sectors to be more competitive. Otherwise, he said Malaysia would lose even whatever leadership we had enjoyed in the past. He quoted, as an example, our previous eminence in badminton and reminded participants that they must increasingly pursue excellence. But all this begs the question as to what extent his concerns and urgings will be taken seriously. Here again we find the perennial problem of reconciling the need to help the poor and the underprivileged without having to perpetuate the subsidy mentality.

How and where do we phase out of one stage and move onto the higher plain of competition? This is indeed the real challenge that Malaysia has faced and that which will continue to confront Dato' Seri Abdullah. The Prime Minister's concern over the need for Malaysians to become more competitive is based on the growing pressures from globalisation.

This rising international competition will be made worse with the re-election of President Bush to the White House. Bush has built a reputation for being a Big Bully in the first few years of his presidency. He was backed by the neo-Conservatives that include the "fundamentalist" Christians, "redneck Americans and the Jews" who harbour imperialistic designs for world domination and Zionism.

This is a highly combustionable combination which can be extremely inflammable and volatile. It poses a grave danger to the world, and to the United States in particular, as it is soul destroying. They would want to put more pressure to open up Third World markets and force their trade and economic dominance on successful Third World countries like Malaysia. President Bush of the business-friendly US Republican Party will undoubtedly be under great pressure from the Republican Big Business groups to globalise rapidly and to force developing countries to liberalise, regardless of the social disruption it may cause to the less developed countries

of the world. He even claims that he was inspired by God to attack Iraq. Hence he will go to no limit.

**PM: Think outside the box**

Prime Minister Dato' Seri Abdullah has constantly called upon about 3000 top civil servants from all over the country to "think outside the box" and "to be a fountain of ideas". He also urged that "there should be no protocol when it comes to providing ideas, there should be greater empowerment in the civil service and that they should not be afraid to try the unconventional". On the need to improve the delivery system, he advised civil servants to help members of the public who need help instead of passing the buck.

He also said that he wanted to see the emergence of "towering personalities" among the civil servants, i.e. "people who are respected because of their influence, good ideas and impeccable character". The Prime Minister's heart-to-heart and eyeball-to-eyeball talks have raised many serious questions and issues.

The Prime Minister must obviously be very concerned with the overall quality of the civil service if he has to summon 3000 of his top officers from all over the country to tell them to buck up. The issues of inefficiency in the civil service becomes even more worrisome when it is realised that the Prime Minister has been harping on the need to be more effective, innovative and committed.

Even the previous Prime Minister Tun Dr Mahathir had been singing the same tune for a very long time. But the civil service appears to have become some kind of a dinosaur that is outdated and slow to change to the more dynamic era of globalisation. As a result, the whole delivery system which the Government is trying to improve, is actually weakening. Thus Government policies, however

pertinent, are becoming ineffective on the ground. Public confidence in the Government's capacity to deliver efficient services is therefore declining to the detriment of the Government's image at home and abroad.

All this raises other questions as to whether the political leaders really want to strengthen the civil service? Or are the political leaders losing the political will or, worse still, are they losing their ability to stop the rot in the civil service? If these questions are valid, then they beg further questions as to whether Vision 2020 can be achieved on time.

There has to be some drastic action taken soon to reverse the downward trend in the civil service. Otherwise the Malaysian economy will suffer as foreign investors will turn away to more attractive and efficient economies like China, India, Thailand and even the high cost Singapore island state.

But there is no point in blaming just the civil servants. The political masters must take greater responsibility for not holding the civil service leadership sufficiently accountable. If the big bosses do not insist on high standards of performance and do not insist on penalising civil servants for inefficiencies and indifference, why would civil servants want to pull their socks up? Why would civil servants want to become 'towering personalities' when they neither see much reward for excellence nor significant penalties for poor performance? In short, civil servants see few carrots and even less stick being used on them, so why should they want to improve the delivery system?

Hence the civil service attitude is - why bother? Let the political leaders shout their loudest, we will continue to do our own things and stick to our own ways. But what can be done to address this serious matter? I believe that the Government must begin to use the carrot and stick more effectively.

The worst of the laggards in the civil service must be pulled up, counselled, disciplined or dismissed. On the other hand, the best civil servants have to be recognised and adequately rewarded. And this process must be done judiciously and equitably and on a sustained basis. Then the Government would have done well for the *rakyat* and for itself and the civil service, too.

### **Pessimism among corporate leaders**

Despite all the Government's measures to improve the "feel good factor", there is a growing feeling of disappointment that not enough tough action is being taken to strengthen this feel good mindset. At the ASLI's Strategic Issues Forum which I chaired on 5 April 2005, Dato' Mustapa Mohamad, the then executive secretary of the National Economic Action Council (NEAC), briefed the 50 top corporate leaders on the preparations for the 9th Malaysia Plan.

It became clear that the Government is going through a quandary as to how to pursue both the growth and equity goals and especially the spirit of the New Economic Policy with the rising tide of globalisation. Because of its budget deficits over several years, the Government will not be able to provide the "engine of growth". On the other hand, the private sector which is expected to take the lead in economic growth has not been performing well enough.

The question of why private investment is slow was discussed at length and it became clear that the private sector is losing out to more labour competitive economies like China and India. In addition, the Bumiputra protection policies or the Affirmative Action policies are also constraining private sector initiatives to expand. Hence, the private sector is investing abroad or just not moving fast enough at home.

Thus at the present time, the feel good factor is waning and there is the danger that even pessimism may be settling in. This negative mood can dampen private investment and slow down growth even further in the future.

The solution is to liberalise. But how far and how fast can we step up the pace of liberalisation without adversely affecting social and political pressures. That was the main challenge that the Malaysian economic planners are facing as they prepared the 9th Malaysian Plan. But the right balance has to be formed in the 9th Malaysian Plan or Malaysia will fall short of its Vision 2020 goals.

### **Fading feel good factor**

The NEAC Working Group on Economic Planning met on 12 April 2005 and had a frank discussion on the perceived decline in the so-called feel good factor. It was made up of a select group of about 20 corporate leaders.

I was at this important economic/business forum which met as a consultative group under the able chairmanship of Dato' Mustapa Mohamad who reported directly to the NEAC under the leadership of the Prime Minister himself.

The consensus on the reasons for pessimism was as follows:

1. There is a growing perception that the causes of the declining feel good factor are well known but that the Government appears to be slow in taking the necessary decisive action. It is generally felt that there did not seem to be a sense of urgency in facing national issues and problems seriously.
2. There seems to be the feeling of *deja vu*, like we have been through this experience before, but it still persists because of weak responses to the many socio-economic challenges.

3. There is continuing business uncertainty due to some unclear and inconsistent policies. The Stock Exchange is slowing down as foreign funds move out after being disappointed at the slow action to adjust the exchange rate of the Malaysian ringgit. Similarly, there has been a lot of confusion over the "flip flop" policies and the implementation pertaining to imported labour, especially from Indonesia.
4. The delivery system is still slow despite the Prime Minister's many assurances that there will be more speedy implementation of Government policies.
5. Because of too many regulations, many businessmen tend to want to circumvent these Government regulations by going "underground" or "under the counter". Hence, the growing "underground economy". When the Banking system is governed by too many regulations - some of which are self-imposed difficult lending criteria - smaller borrowers tend to go to loan sharks.

When small businessmen are denied licences and permits due to political reasons or corruption, illegal food stalls, repair shops, trading houses and small manufacturing plants will mushroom. This trend is denying the Government of much tax revenue and defies enforcement and law and order.

6. The Affirmative Action policies are driving bright and talented students and professionals of especially non-Malay origin to greener pastures in industrialised countries. They feel that they do not have equal chances here in the country of their birth. This causes a severe brain drain which blunts Malaysia's competitive edge.

7. Some argue that the feel good factor is falling because the liberalisation process, especially in the Services sector, is moving too fast and that Malaysian professionals are not able to cope with such rapid changes. But this is unfair as the professionals like lawyers, engineers and doctors have seen the forces of globalisation build up over time. Nevertheless they have been quite complacent.
8. Foreign investors have mentioned that although the tax incentives are as attractive as in other competing countries, there is a lack of a sense of urgency in approving these incentives. Delays also lead to corruption. Often these delays are deliberate so as to attract corruption.
9. Many investors have argued that there is a dire shortage of employable graduates as there is a serious mismatch between the demand and supply of suitably qualified graduates. The employment market would prefer to have more mathematics and science-based graduates who have a good command of English and other international languages.
10. Foreign investors have complained of the difficulties in hiring well qualified expatriates. They point out that they would prefer to hire experienced and qualified Malaysians as they are less expensive than the expatriates, but could not find enough Malaysians to take over critical positions in their companies from the expatriates. Hence the foreign investors are caught in a bind and they feel unwelcomed here.

Some officials argue, however, that the private sector should recruit local graduates and train them like the KLSE and the Securities Commission do very successfully. But of course, the businessmen will counter argue that basic training would add

to already rising costs and that it should be the Government's responsibility to use the taxpayers' money more productively to better train the undergraduates while they are studying at the local universities.

11. There is also a growing feeling that the major economic policy of "corporate equity ownership" should be scaled down as it discourages more private investment, both domestic and foreign. It has been pointed out that with rising globalisation and greater international competition, private investment will go to the most competitive environments with the most attractive tax and other incentives, with less equity constraints.
12. It has to be realised that Malaysia is a small country and that it cannot be as attractive a global market as China or India or even Indonesia and Vietnam. Hence, we have to focus on developing niches based on our comparative advantages rather than try to do too many things at the same time. But what will happen if we do not move fast enough? We will slow down and decline. But hopefully, we will realise our weaknesses and pick up and move forward in time to achieve our Vision 2020 goals. But will our leaders change gear fast enough for Malaysia to move forward at a stronger pace?

### **Downbeat *Merdeka* 2005 speech**

Dato' Seri Abdullah Ahmad Badawi sounded sombre in his *Merdeka* Day speech to the nation on 31 August 2005. His speech reflected his disappointment and frustration at the state of affairs in the country. It sounded neither optimistic nor exciting and it was not as inspirational as the people would have wanted it to be as a *Merdeka* Day speech.

The Prime Minister called for better balance between human

development and spiritual strength. He also emphasised that it would be useless to take pride in world-class infrastructure if Malaysians refused to think outside the box.

After 48 years of independence, it is unfortunate that the Prime Minister has to point out that Malaysians are weak in moral values and diligence, and lack the independence of spirit to be more innovative and less dependent on the Government for aid and subsidies. He also lamented over reckless motorcyclists, the growing interest in pornography amongst the young, irresponsible traders who raise prices unduly and those who lacked civic consciousness.

But why was the *Merdeka* Speech not upbeat? Was it because the Prime Minister was fed up with the lack of support for his sound policies? Was it because he found it difficult to implement his policies due to political and vested groups who would rather maintain the status quo?

### **The NEP and mediocrity**

The Government has to take some responsibility for this poor attitude and weak value system. Since the New Economic Policy was introduced in 1970, the slide has taken place as the whole value system of patronage and permissiveness has been allowed, officially and unofficially, to gain ground. Corruption was allowed to grow without much checks and balances. Discipline and hard work lost their premium as meritocracy was neglected. Those who were politically privileged and well connected got the best contracts and faster promotions. Mediocrity won over meritocracy as the Government made populous decisions to benefit Bumiputras in order to fish for and gain electoral votes.

So it is going to be tough to change the direction towards greater competition and self-reliance in a society that has been

mollycoddled for long and become somewhat spoiled. It is like the children in the same family who are treated differently. If some children are pampered, they will become soft, dependent and problematic. On the other hand, the children who are less cared for will develop their own instinct for survival, self respect (*maruah*) and self improvement. In the longer term, those children who are relatively neglected will become more resilient, resolute and hardworking, excelling and progressing well ahead of the soft and dependent children who will find it increasingly difficult to face the challenges of the world outside their homes. They will not be able to think outside the box.

That will become the plight of the protected and pampered youth who are mainly the Malays. They will receive short-term gains but reap long-term losses. Then no amount of Government aid will be able to help them as their internal resilience and capacity to compete under globalisation and severe competition would have been weakened.

That is why I believe Pak Lah was disappointed and distressed as evidenced from the content and presentation of his *Merdeka* speech on 31 August 2005.

Tun Dr Mahathir realised too late during his 22 years of premiership that he had to be tough in his approach to make the Malays less dependent on the Government to progress faster. But he had allowed the rot to set in for too long and too deeply. He sincerely regretted on many occasions that he was not able to change and improve the Malay mindset. But he had waited too long to change it for the better.

What then can Prime Minister Dato' Seri Abdullah Ahmad Badawi do to reverse the declining trend in competitiveness among the Malays in particular and the country in general?

He has to be more decisive to reduce the subsidy mentality at

a faster pace. However, if the Prime Minister waits much longer and listens too closely to some UMNO Youth leaders, then he, too, may move less purposefully and more slowly than is really necessary or attendable under rapid globalisation.

Then the realisation of the Vision 2020 goals may be further delayed. This is also possible if we cannot agree with what the Social Contract is and how it should be interpreted for the 9th Malaysia Plan and beyond. In the meantime, we have to face up to the new security threats brought about by international terrorism which can impede our stability and socio economic growth.

## 9

### TERRORISM- ROOT CAUSES AND SOLUTIONS

#### Get it right!

President Bush's unconvincing victory over the more moderate and acceptable Democratic leader John Kerry on 2 November 2004 had caused considerable uncertainty in the whole world. This unease had been expressed by most people around the world who regard Bush as a liar (due his deceptive handling of the weapons of mass destruction [WMD] issues in Iraq) and as a unilateralist who threw close consultation and cooperation with the United Nations to the winds.

As a result, the US-led coalition attacked Iraq and Iraq's leader Saddam Hussein was captured, but Iraq continues to be a more unstable, dangerous and bloody country for the Iraqis. The Americans and the British fail or do not want to understand that this is a national uprising against the foreign military occupation of the coalition force led by the United States. Hence, the Iraqis and not only the so-called extremists or even terrorists will want to give up their *jihād* or struggle to be free from foreign military oppression and occupation.

It has been very difficult to think that there will be the necessary peaceful conditions for the Iraqis to take part in the free and fair elections that were planned for January 2005. The question has been repeatedly asked as to why the Bush Administration has not left Iraq to Iraqis, now that the US had got rid of Saddam Hussein? Why

must they continue to fight the Iraqi resistance and in the process kill innocent women and children by the thousands?

Already it is estimated by the international medical fraternity that about 100,000 Iraqis have been killed. They have been mostly civilians. In contrast, only a few thousand Americans have been killed in the Iraq War because of the massive and overwhelming use of fire power against relatively light Iraqi armaments and defenceless civilians, mainly woman and children.

The reason why the US is prepared to fight in Iraq is not to give the Iraqis democracy (although that is the official and public presentation). The real reason is that the Americans want to have permanent control over the Middle East via Iraq, with the support of their staunch Israeli and British allies in order to control the petroleum industry and supplies. After all as Bush has explained, the Americans are addicted to petrol consumption and he himself has extensive connections with the petroleum industry.

The bottom line is that the Americans want to have an Iraqi Government of America's own choice. They want an Iraqi Government that will serve the US interests in the Middle East - a government that many would call a puppet government.

But I do not believe that the Americans will succeed in the longer term as no pliable puppet government lasts for long. Turmoil will return and the Iraqi people, like the nationalists in Vietnam, will gradually drive the Americans and their dubious allies out of Iraq and even the Middle East.

The demise of President Arafat in Paris in November 2004 posed the same question. Does the American Administration really want peace in the Middle East? Will the US apply a balanced and equitable hand in dealing with the conflict between Israeli Occupied Palestine and Israel itself?

The resignation of the former US Secretary of State, Colin Powell, and his succession by Condoleezza Rice does not augur well for the future solution of the Middle East conflict unless there is a surprising change of heart on the part of President Bush and subsequent US Administrations.

Terrorism will remain the main concern of the United States in this second term for President Bush. However, the new cabinet without Colin Powell will probably be deprived of moderation and wiser council. Condoleezza Rice will rubber stamp the Bush doctrine of "pre-emptive strike action". The White House could become even more war like and keep an "aggressive mood" to win "patriotic" public support in good cowboy style politics. American allies like Britain will continue to support the US against the bullish people, while Australia will play a weaker "deputy sheriff" role.

### **Fighting terrorism**

Thus the article by Mr Robert Pollard of the US Embassy in the New Straits Times dated 11 September 2004 titled "Malaysia is now an excellent role model in the war on terror" is relevant. American recognition of Malaysia's constructive role has been long overdue. It is also a fitting tribute to the pragmatic strategy that Malaysia has adopted in winning the war against militant communist terrorism during the terrible Malaysian Emergency period in 1948-60, during which militant Communism was defeated.

However the lesson that the Americans and their allies can learn is that we did not defeat terrorism through military force alone, but mainly by wisely winning the hearts and minds of the terrorists and their supporters. This was achieved by addressing what writer Pollard rightly describes as the "underlying problems that provide fertile soil for terrorism to thrive, including economic deprivation,

social injustice or religious differences". He also said that "terrorist organisations exploit the idea of the root causes without offering any reasonable means of resolving them".

But all fair-minded people know that it is necessary to realise that the major root causes of terrorism are the frustration and anger over the despicable displacement of Palestinians from their own homeland and the severe oppression that they suffer from Israel. The Western domination of the world's economic and financial system for their narrow self-interests is another critical cause that encourages resentment and international terrorism against the rich and powerful countries and their allies.

So the best way to fight terrorism is for the United States to lead the rich and the powerful nations to solve these burning issues in Palestine and to give a more equitable deal to 2 billion or two-fifths of the world's hungry population who barely survive on less than US 1.00 per day! Then the US and some of its Western allies can also become role models to build a better and safer world for all. They should not be responsible for economic and security policies that breed extremism and international terrorism that destroy peace and stability all over the globe.

The *Sunday Star* of 12 September 2004 and Wong Chun Wai also made sound comments on how to fight terrorism seriously and effectively. I sincerely hope that their forthright message will clearly show that it is erroneous to fight force with force and to fail to address the root causes of terrorism.

The United States and other rich and powerful countries must listen to the pleas of the rest of the world for freedom from oppression and economic justice, especially on the 3rd Anniversary of the tragic terrorist attacks on the United States. As their editorials boldly point out, "We can expect more terrorist atrocities, unless the root causes of terrorism are removed for good!"

Even the Archbishop of Canterbury, Dr Rowan Williams, said recently at the Muslim Centre in Cairo, "If we act in the same way as our enemies, we imprison ourselves in their anger, their evil". I hope the leaders of the US and its close allies will have the wisdom and courage to follow the Archbishop's solid advice soon enough before it is too late.

It is worth emphasising that social stability is the key to achieving sustainability and national unity. That is why all Malaysian races must feel a sense of identity with the pursuits of progress and prosperity that are associated with Malaysia. Hence, the Prime Minister's continuing quest of the Malay Agenda is relevant. But how it is conceived and implemented is as crucial for its success, as it is not only the Malay Agenda that matters but a holistic and "Malaysian Agenda"!

### **The real threat of nuclear terrorism**

The Australian Foreign Minister, Alexander Downer, wrote deliberately about the "Real threat of Nuclear Terrorism" in the *New Straits Times* on 16 November 2004. He started by stating, "Nuclear terrorism is a dreadful prospect, but a threat that is real". He concluded that "if all countries diligently implement the non-proliferation regime, it will ensure we never have to confront that most horrible of terrorist attacks".

Indeed, he is right in that nuclear terrorism is a threat that is real. However, I believe he is quite wrong in thinking that this nuclear threat can be removed by mere adherence to implementing a non-proliferation regime.

Firstly, how can we prevent proliferation of nuclear weapons and "dirty bombs" when we condone the possession of nuclear weapons of mass destruction by the few powerful nuclear powers, including

Israel? Why not instead push for total nuclear disarmament?

Secondly, why does Downer not address the basic right of self-defence for the threatened nations and patriots against state terrorism and illegal foreign occupation by Israel in Palestine?

Thirdly, why cannot the rich and powerful countries recognise that another root cause for terrorism is the debilitating poverty amongst nearly half the world's population of about 6 billion human beings?

I hope Downer and his like-minded partners will gallantly and honestly first address the root causes of terrorism instead of trying to prevent nuclear proliferation. He could also be trying to beat the production of dirty bombs with the wrong end of the stick.

Justice and equity must be for all human kind and particularly for the majority poor and the weak, not just for the minority rich and powerful - that is real democracy. And that is what we hope Downer and all of us are fighting hard for to overcome international terrorism, nuclear or otherwise.

Australia can play a moderating role in promoting globalisation with a human face. It can soften the hard and ruthless approach of the free market that, due to its "market failures", can undermine the viability and sustainability of the socio-economic welfare of Third World countries in Asia. Australia can play this useful role in persuading particularly its big brother America, since the Australians claim that they are "in" the Asian continent and should understand and empathise with Asia. But it rarely does. Actually, Australia with its former "white Australian" policy is regarded as a proxy of US and Europe in Asia.

Indeed, Australia under John Howard's pro-American leadership is generally perceived as a white country in Asia and regarded by many as an alien in Asia. Australia has therefore to re-examine its role in Asia and ask itself whether it wants to act as an "Asian"

country in Asia or a Caucasian country outside Asia and linked to America?

However, it will take some more time before we will get to know whether Australia will move toward or continue to move away from Asia. And then Asia will have to review its relations with Australia - as an associate or as an alien country situated outside Asia? Then terrorists will also make their own calculations as to whether Australia is really an American "deputy sheriff" in Asia and if so then, whether it is fair game!

At the recent Asia-Europe Meeting (ASEM) held in Kuala Lumpur, I gave the welcome remarks on behalf of the Asian Strategy Leadership Institute (ASLI), emphasising the close connection between poverty and terrorism. Of course, the European delegates at the Meeting found this difficult to swallow and so avoided taking the medicine that they should take to reduce the threat of terrorism and insecurity.

With Europe's high subsidies for their farm products, coupled with the US and Europe's slow progress at the WTO and the IMF to remove injustices in international economic and financial systems, global terrorism which we all condemn will most probably continue to thrive. But the world's leaders are unfortunately generally myopic and short-term in their thinking and policy formulation. Their perspectives are directly related to their immediate goals and priorities, i.e. to win the next election. They are generally motivated to obtain and remain in power. So why should they want to rock the boat and embark upon international economic reforms that could lose their popularity with their domestic electorates?

But what Western leaders should realise is that they may win an election but lose the war for the hearts and minds of the poor and desperate 3 billion in the developing countries. They will therefore be contributing to the perpetuation of internalised terrorism unless they

have a long-term strategy for individual fair trade for a more equitable world.

### **Condoleezza Rice - The Aunty Tom**

The new US Secretary of State, Condoleezza Rice, was compared by Zimbabwe's state-run *Herald* newspaper to her predecessor, the former Secretary of State, Colin Powell. The *Herald* had previously described Colin Powell as an "Uncle Tom - a put-down of a black who is overeager to win the approval of whites".

This rough reaction came after Rice called Belarus, Cuba, Iran, Myanmar, North Korea and Zimbabwe the "Outposts of Tyranny" on 22 January 2005. Zimbabwe's Anti-Corruption Minister Didymus Mutasa added, "When you look at the way that Iraq is and the way the Palestinians have been ignored, and the way that we and others are being treated, you cannot doubt that these people are Fascists". Although the Zimbabwean Government has been harsh in its comments, they are not entirely wrong. Indeed, they have been brave in being brutally frank and brazen in their criticism of the double standards of the US and many of its Western allies!

It is well documented and widely known that the Americans have actually been very partial towards Israel and mostly against the Palestinians. This bias has been evident in the first instance, from the artificial creation of Israel in historical Palestinian land by the British in 1948, and during the wars between the Arab States and Israel and up to present times. This is the main basis for the anger and contempt that most Arabs and most Muslims show towards the US Government and Americans in general. By describing several Muslim countries as "outposts of terrorism", Rice has alienated rather than won the friendship of these countries. They regard themselves as independent of and resistant to US efforts to subject them to the American determination to dominate the world.

Malaysia and the majority of Third World countries could well qualify for the term "outposts of tyranny" if they were much more critical and defiant against the American quest for world hegemony. The advantage that Rice has is that she has dark skin, and so the white Americans think that they can use her to do their bidding and not give the impression that it is the whites against the coloureds of the world. But the Third World is no longer under the colonial oppression of the past and have become more sophisticated to see through political machinations of this kind.

Nevertheless, there is the new colonialism or economic imperialism that has quietly taken the place of the old colonialism. And this sinister movement is represented by the rising new force called "globalisation". The Americans refer to tyranny as the tyranny of political oppression in non-democratic and poor countries. But the "money politics" and the domination of the rich over the poor by America and many Western countries is itself a testimony to political oppression in their own and especially in Third World countries.

The more devious form of exploitation today is economic exploitation and tyranny that the US and many of its close Western allies practise through important international institutions like the WTO, IMF, World Bank, etc. It is this "economic tyranny" that keeps the developing countries depressed and downtrodden by the few rich and powerful large Western countries.

This economic tyranny has also created a grave situation where more than half the world's population of 3 billion human beings live on less than US\$1.00 to US\$2.00 a day! You cannot buy even one hamburger in Western countries with that starving income of US\$2.00 per day per person which has to cover his food and all his other basic needs. This economic tyranny provides fertile soil to spawn, nurture and perpetuate international terrorism. That

indeed is what is happening and terrorism will continue, unless the rich Western countries reduce the oppression and exploitation of poor countries.

So US Secretary of State, Condoleezza Rice, had better try to persuade her white colleagues in the US Cabinet to see the reality on the ground from the perspective of the poor and impoverished. Then she will be able to remove the label of "Aunty Tom" and make a real contribution to promoting international peace and stability, which should be her mission as well as that of the Western world. Malaysia's Deputy Prime Minister has similar views!

#### **DPM on Terrorism, at Davos**

Deputy Prime Minister Dato' Seri Najib Razak hit the nail on the head at the World Economic Forum on 28 January 2005 at Davos when he said that "the world must find the root causes of terrorism". He added that terrorist organisations grew resilient because they rode on causes that resonated strongly among the people like poverty or oppression. The trouble is that most Western leaders like the United States, United Kingdom and several other Western powers refuse to accept that poverty and oppression are the major causes of terrorism.

Consequently, they try to fight international terrorism with military might rather than political and economic rationale and diplomacy. This approach is somewhat crude and even primitive or uncivilised as you cannot overcome terrorism successfully with brute force alone. We have to win their hearts and minds, as Malaysia successfully did in our war against the Communist insurgency. That was when the Malaysian security forces, together with the British, Australian, New Zealand, Fijian and some African and Gurkha troops,

helped Malaysia in that battle for survival against communist terrorists.

It is thus a mystery why these Western countries still cannot learn from our dangerous experience. Instead, Britain and Australia are mainly following the American naïve belief that international terrorism can be defeated with military might. This strategy is highly dubious and has failed in Iraq.

Hence, Deputy Prime Minister Najib Tun Razak stated at Davos that “the struggle against al-Qaeda style terrorism is essentially a political struggle and not a military or religious one”. The Western world cannot and will not admit that the rich and powerful countries are actually largely responsible for the continuation and even global expansion of international terrorism. That is why Deputy Prime Minister Najib said that terrorist organisations grew resilient because they rode on causes that resonated strongly among the people, like poverty and oppression.

### **How to combat terrorism?**

So what can be done to get the rich and powerful Western nations to give more priority and attention to removing the root causes of international terrorism?

Some people believe that there should be more terrorism to teach the rest how to deal with terrorism and its root cause. Others think that there should be another September 11 tragedy to drive home the point that the West cannot ignore the root causes of terrorism. I definitely do not subscribe to those radical ideas.

However, I agree that the leading powerful Western countries should be strongly urged by their own people and by the United Nations to change their basic thinking on how to more effectively reduce international terrorism. But if the Western countries ignore

these warnings, they will do so at their own peril. The West will also then expose the whole world to greater threats of terrorism and worldwide volatility and instability. That could, unfortunately, be the direction the Western world may take us all if some powerful Western leaders do not see or understand the need and value of understanding and acting upon the root causes of terrorism through peaceful rather than military means and might.

When the Prime Minister of Pakistan, Shaukat Aziz, visited Malaysia on 6 May 2005, he gave a public lecture on Pakistan's national challenges and the lessons that could be learnt from the Pakistani experience. He described Pakistan as a front line state in the fight against global terrorism.

I asked him a question from the floor as to whether the West could combat international terrorism more effectively on the economic rather than the military front. The Pakistani Prime Minister, whom I had known well when he was chief of CitiBank in Kuala Lumpur in the late 1980s, welcomed my question very warmly and agreed with my view.

While he believed that some terrorists were driven by religious ideology, he agreed that the root cause of terrorism was poverty. I had suggested, that there were wide perceptions of Western persecution and profiling against Islam, and socio-economic depression that was caused by poverty due to unfair Western international trade policies.

### **London's terrorist attacks and the G8**

The root causes for international terrorism were again manifested in a deadly way in London on 7 July 2005. The terrorists were suspected to be linked to al-Qaeda or inspired by it or similar militant groups. They strategically executed three bomb attacks on

three popular London tube stations and on the well-known Red double-decker bus, killing about 52 innocent civilians and seriously injuring over 700 other commuters.

The timing had maximum publicity impact as it coincided with the G8 meeting in Gleneagles in Scotland. Prime Minister Tony Blair had to break off the talks and rush back to London, and then hasten back to resume chairing the G8 meeting. Practically the whole world condemned the “barbaric” killings. Malaysia added its condemnation but again raised the need to examine the root causes of these vicious terrorist attacks.

Indeed, hardly anyone in the Western world cares to find out the truth as to what is causing young angry Muslims to train as suicide bombers and to risk their own lives to become what they regard as “martyrs”. It cannot be for fun or that they are all plain stupid! These terrorists are also dedicated to what they believe to be just causes. Until we find out what causes their deep resentment, hatred and determination to sacrifice their own lives, we will never learn how to deal with them.

Talking to some local and foreign Muslim thinkers, it appears quite clear that the terrorists are following a policy of “an eye for an eye and a tooth for a tooth”. In fact, Osama bin Laden in a recent tape recording has plainly stated, “You bomb our cities and we will bomb yours”.

This is what the terrorists are doing. Over 100,000 innocent civilians were killed in Iraq alone in just two years since the Americans and their Coalition of the Willing invaded and occupied Iraq, even against the will of the United Nations. Many thousands of women and children have also been killed in Afghanistan. In Palestine, innocent women and children and unarmed men have been mercilessly exterminated by Israelis who have invaded their lands with American and British help. Hence, the

anger and the hatred of the Palestinians and the other oppressed Muslims in the Middle East emanate from this persecution of the Muslims. Therefore Palestinians have retaliated and unfortunately killed many Israelis.

But why is this aggression against the Muslims happening in the Middle East? It is mainly because of the Anglo-Saxon greed for oil and wealth. Besides the political oppression of the Muslims in the Middle East, we have the equally serious threat of poverty and non-massive employment in Palestine, which the West wants to cover up and ignore at its own peril.

Poverty provides excellent breeding grounds for terrorism and any extremism. If the Western world suffered from abject poverty and was blocked on the economic front in all areas, won't they also provide fertile grounds for terrorists to win recruits easily and to flourish?

Western food subsidies and high tariff walls against the agricultural products of poor African and other oppressed farmers around the world cause poverty and starvation, disease and death. Will they not be filled with anger for the deprivation of food? Will they not become terrorists and want to kill all those who have plenty, but who don't care a damn for the starving dying children of the poor people, especially in the Third World?

### **G8 meeting**

The G8 meeting at Gleneagles in July 2005 pledged to forgive debt in the poorest countries in Africa and to double the aid offers. But will the G8 countries be honest and true to their pledges or are they bluffing the world again, as they did decades earlier when they promised to give at least 0.7% of their GNP to aid the poor countries?

Despite all the broken promises on the part of major Western nations to provide an even playing field to Third World countries, they continue to speak with “forked tongues” as the Red Indians repeatedly accused the “White Man” in the days when American colonisers systematically wiped out the intelligent native Americans from the face of the north American continent. Thus the G8 countries’ pledge of aid is viewed with great doubt that it will not be delivered. There is now a new phenomenon called “phantom aid”. This term refers to aid that is promised but disappears into thin air with the passage of time.

Then again, as if to rub salt into raw wounds, Prime Minister Tony Blair described these terrorist attacks in London as a threat to “our way of life in the civilised world”. This sentiment implies that only the British and their allies are “civilised”. The more culturally advanced countries from much older and greater civilisations are thought by Blair and his civilised compatriots to be barbaric. How can there be a meeting of minds in that kind of mindset and environment?

The British police claimed that the London Bombers were all British born and bred with Pakistani origins. They also claimed that they have video evidence that all four bombers met at the King’s Cross tube station with rucksacks on their backs, presumably carrying explosives. That appears to be the only evidence the British police had to draw the conclusion that these four Brits were the suicide bombers.

Some would say that this is hardly hard evidence and that all this smacks of racial profiling. It is argued that this could be an attempt to find scapegoats and to close the case as dead men neither tell lies nor can they give any evidence. If this is true, it is indeed a very sad indictment against the British.

The British authorities have also said that there must be some

foreign agents who came into Britain and manipulated the minds of the young Britons. The four Brit Bombers were Mohammed Sadique (30), Shazad Tanweer (22), Hasib Hussain (19) and another called the Mystery Man because his body could not be identified as it was found charred from the bomb explosion.

These young Brits are called terrorists by the West but there are those who would call them martyrs! In the Colonial days of pre-Independence, those who sacrificed their lives for freedom were called Freedom Fighters by patriots and terrorists by the colonisers. I suppose these suicide bombers would also be called freedom fighters by those on the other side of the fence?

Many Western diplomats including an East Asian Caucasian High Commissioner told me that the terrorists are misguided and are inspired by religious teachings that they can go straight to Heaven and be rewarded with 70 virgin brides if they sacrifice their lives as martyrs in the name of their faith. I think this is a spurious argument and a great excuse for not understanding or wanting to know the real root causes of the international terrorist threats.

But I hope that when all the dust of the deadly London explosions settles down, the British and the other Western nations will be able to do some solid soul searching to find out the real root causes of terrorism. Then the US, UK, Australia and other coalition countries will be able to adopt more relevant and effective strategies to reduce if not remove the dangerous threat of international terrorism.

### **PM's visit to Australia**

Our Prime Minister, Dato' Seri Abdullah Ahmad Badawi, appeared happy with the outcome and the prospects for better relations from his visit to Australia that began on 9 April 2005. He believed that

cooperation in education, trade and investment could expand considerably, judging by the positive response he received and the enthusiasm shown by both sides. He explained that Australian Prime Minister John Howard and he had agreed to play down their differences and highlight their strengths in their bilateral discussions to increase cooperation and collaboration between the two countries.

The sore point that remained unresolved was the question on whether Malaysia would support Australia's attendance of the East Asian Summit that was held in Kuala Lumpur in December 2005. Malaysia under the previous premiership of Tun Dr Mahathir Mohamad had opposed Australia getting into the proposed East Asian regional grouping, since many consider Australia as the "US Deputy Sheriff" in Asia. Australia also has the history and tradition of being more attuned to Europe and America together with the political baggage of its former White Australian Policy that badly discriminated against Asians.

### **The East Asia Summit and Australia's applications**

The Summit of East Asian countries comprising the 10 ASEAN members plus China, Japan and South Korea was held on 12-15 December 2005 in Kuala Lumpur, Malaysia.

Earlier Dato' Seri Abdullah had diplomatically given John Howard a face saving chance by suggesting that the decision to allow Australia to attend the East Asia Summit in Kuala Lumpur would depend on all ASEAN countries. The Prime Minister had also indicated that Australia should seriously consider signing the Treaty of Amity and Cooperation (TAC), which East Asian countries have signed.

The US and Australia had resisted signing this important

Agreement. Australia thus gave the unfortunate impression that like the US, it was not really committed to the principles of amity and cooperation in East Asia. This stubborn stance alone could have damaged its prospects of being accepted as a friendly neighbour in Asia by the genuine Asian countries.

However, Australian Foreign Minister Alexander Downer had indicated some change of heart on the part of his Prime Minister, John Howard, who had earlier refused to sign this Treaty of Amity. This was because Howard had promoted the idea of “pre-emptive strike action” against any country that he suspected would have terrorists who were even planning to attack Australia or Australian interests.

But on 12 April 2005, Downer said that although he did “not like the treaty as it stands”, he was nevertheless “pretty optimistic that we will be able to work this through and we very much look forward to participating in the summit”. The Australians desperately wanted to be invited, to feel that they are part of Asia and not the US or Europe, as they are an unusually Caucasian or a “white” country in Asia.

However, true to its character and colours, Australian Foreign Minister Downer stated on 29 April 2005 to the *Sydney Post*, “We want to put Australia into the strongest position possible”. Downer added. “If we were just to concede the point and say that we would sign the TAC, regardless, they could pocket that and still not let us into the Summit”!

Fancy the quality of diplomacy and the sensitivity, the respect and even the arrogance of his crude remarks! No decent, fair-minded and responsible leader would make a ludicrous statement like that - unless he is uncouth. How can Australian authorities endear themselves to Asian governments and people when they talk like a deputy sheriff or even pretend to be sheriff in Asia, which

only the very rich and powerful countries can and will assume for themselves.

This attitude brings Australia into derision and contempt of Asians, which as a white nation in Asia, she can ill afford. Fortunately, the mass of the ordinary Australians do not show this kind of condescending attitude and insolence as they are generally decent and understanding people.

Malaysia's Foreign Minister Dato' Seri Syed Hamid Albar had smartly responded, "It is very simple and straight forward. The requirements (from ASEAN countries) is whoever wants to be part of the Summit, must be part of the fundamental (TAC) agreement." The Australians had to eat humble pie and then agreed to sign the TAC, despite their vehement opposition earlier, on the flimsy grounds that they needed to safeguard their right to self-defence. Their interpretation was, of course, that they had the right to pre-emptive attack of any neighbouring and nearby country, from where they think an imminent attack would be expected.

But the Australians were also caught in a bind due to their loyalty to an old and even outdated 54-year old Defence Pact with their sheriff, the United States. So Australia had to make a choice, either to be part of the Asian commitment to peace and security in the region, or to tag along with the US and its design for world dominance. Australia in the end saw the geo-politic reality and chose well to acquiesce to the ASEAN conditions for entry into the East Asian fold. Australia finally signed the TAC and became a member of East Asia Summit.

### **UN reforms and the US rejection**

On 8 April 2005, the new UN Package of Reforms was proposed by UN Secretary, Kofi Annan, for adoption at the General Assembly

in September 2005. But the United States, predictably, immediately rejected the acceptance of these important proposals as a package, but instead wanted to adopt them piecemeal and thus excluded the proposals that would benefit particularly the Third World countries.

The US, for instance, rejected a quick reform of the Security Council (to expand its limited membership of only five members), debt forgiveness and a time-table for anti-poverty goals for the poorest countries. Instead, the US is only interested in promoting its own interests and views on security, human rights (although its own records are bad) and terrorism and unconventional weapons. This clearly shows the deep-seated self-interest of the US and its indifference to the interests of the majority of the 191 members of the UN, most of whose membership is made up of the world's poorer developing countries.

On the other hand, many developing countries also oppose Kofi Annan's package of proposals as they appear to be too lopsided in favour of the US and Western interests. This is not surprising as these developing countries would naturally want to reject the wanton dominance and domination of the rich and powerful countries over the poor and weak countries of the world.

The US has adopted as the cornerstone of its foreign policy, the spread of democracy. But it is the US that is leading the opposition against an open democratic vote in the General Assembly on UN Reforms. Instead, the US is insisting on developing a so-called consensus vote which is not even an open majority vote!

So much for US democracy á la America. It will be dangerous for the development of democracy worldwide if we have to follow American style democracy which America imposes on other countries to suit its own agenda. If we in Malaysia followed the American dream in democracy, Malaysia will certainly go down the tube since big business dominates American politics with its money politics and undermines the Quality of Life.

## 10

### QUALITY OF LIFE IN MALAYSIA

#### In jeopardy?

Malaysia's quality of life has to be further enhanced. We are blessed with a warm climate, plenty of rainfall, sunshine all the year round and with rich flora and fauna, beautiful hills, valleys and rivers with the sea almost all round us, unlike landlocked countries. And yet we are not doing as well as we should in the conservation of our natural resources. Moreover, our land to population ratio is favourable. There is much scope to create new townships and expand our cities so as to avoid severe overcrowding that we have in so many cities in most other countries.

The Economic Intelligence Unit's quality index ranked Malaysia in 36th place in its respected survey amongst 111 countries worldwide, as reported in the World Press on 22 April 2005. Thankfully, Malaysia has progressed by 15 positions in the ranking order from 51st to 36th in just one year. But what has changed so much so soon is not clear. Unless, of course, other countries have deteriorated so much so fast. But then again, this is an index that can hide considerable errors and prejudice.

The quality of life index is determined by the following nine factors:

1. Material well-being;
2. Health - life expectancy;

3. Political stability and security;
4. Family life - including divorce rate;
5. Community life;
6. Climate and geography;
7. Job security;
8. Political freedom; and
9. Gender equality.

While these factors are acceptable, they appear to be lopsided in that they do not give sufficient weightage to the basic needs that are denied to more than half the world's population. Vital issues such as hunger, shelter, education, water and transport are surely worthy of much more priority as human rights and basic needs for determining the quality of life.

Furthermore, freedom could include the right to have same-sex marriages which we in Asia or the whole South do not accept. These are criteria that are more applicable to Western standards of living and quality of life of highly developed countries where all the basic needs have been practically met in full. Naturally, therefore the poorest countries will have the lowest quality of life indices as it is almost axiomatic with low levels of economic development.

The United Nations' Millennium Development Goals (MDGs), for example, are relevant only to Third World countries where poverty is mostly deep and widespread. How can these countries be compared to the rich and powerful industrialised developed countries on the same basis and scale of ranking for their quality of life? Instead, the quality of life index and especially its ranking, must have two separate sets of indices - one for the developed and the other for the undeveloped countries. Then the ranking within the two groups will be more comparable, fairer and more meaningful.

### **Integrity index by the IIM**

The Chief Secretary Tan Sri Samsuddin Osman and the Integrity Institute Malaysia (IIM) must be congratulated for planning to produce its own National Integrity Index, as was reported in the *Star*, 12 April 2005. This new index will complement the well established Transparency International Index and help it to highlight any differences in relevance, quality and objectivity.

But I hope that the IIM will fully consult with the cross-section of Malaysian society on the criteria to be adopted in compiling Malaysia's corruption and performance perception index. This will promote national credibility and wide public acceptance of the National Integrity Index.

The IIM, which is also seriously concerned with improving the public delivery system, has reported that complaints against the delivery system have declined from over 4,200 in 2002 to 2,800 in 2004. This is very commendable.

However, the IIM will need to carefully explain to the long suffering *rakyat* what has been done to enhance the weak delivery and implementation systems and in which areas achievements have been actually made. Then the public and investor confidence in the delivery system will be considerably increased and the Malaysian economy will grow more strongly and steadily.

### **PM at the UN General Assembly Sept 2005**

Our Prime Minister, like all other heads of state and governments, was given only five minutes to address the UN General Assembly in September 2005. The Prime Minister was at that time both the Chairman of the Non-Aligned Movement and also the Organisation of the Islamic Conference. His words therefore should have been taken very seriously by the US, the UK and other rich and powerful

Western countries. But did they do so? It is a mute question. We do wish that our Prime Minister's advice was taken seriously enough, especially on solving the problems of terrorism and poverty.

Nevertheless given this limited time constraint, most leaders covered the vital issues of the day viz.

1. Fighting terrorism;
2. Poverty reduction;
3. Nuclear proliferation; and
4. UN reform.

Prime Minister Dato' Seri Abdullah very rightly emphasised the need to establish the "root causes" of terrorism, to render their motivations irrelevant. He added that the motives of terrorists could be "political injustice, the denial of human rights, a brutish life entrenched in pervasive poverty or something else yet to be uncovered".

Surprisingly, British Prime Minister Tony Blair said, "There are real injustices in our world, poverty, that is our duty to eradicate". It is encouraging that more leaders especially now appreciate the link between poverty and terrorism as one of the most important root causes of terrorism. After all, you don't get "rich terrorists" as suicide bombers! Terrorists are by far poverty stricken and desperate people who have gone through the pangs of poverty, hunger and political oppression.

As the British terrorist bombers admitted in their diaries, they had felt frustrated and marginalised by a deep sense of alienation even in a rich industrialised country like the UK where they had been born and bred. Hence, they were driven by their sense of political and economic alienation and oppression to become the British terrorist bombers! Will there be more terrorists bombers in the UK and elsewhere to follow? I would think this is highly probable unless

there is more equity and justice for the poor and the oppressed.

I believe that until and unless the Anglo-Americans find out truthfully why even their own citizens can become suicide bombers and seriously address the root causes of terrorism, international terrorism will endanger the world's security and progress for a long time to come! The creation of greater awareness of the root causes of terrorism and international socio-economic exploitation that causes poverty, could be brought about by giving more priority to education.



# 11

## EDUCATION

### Reforms needed soon

#### Unemployed Bumiputra graduates

With about 18,000 to 80,000 graduates unemployed in the country, the UMNO Youth has introduced the Pemuda (Youth) Internship Programme. Bumiputra graduates form the bulk of these unemployed graduates where about 30,000 are degree holders with the balance of 50,000 being diploma and certificate holders.

Deputy UMNO Youth leader, Khairy Jamaluddin, announced on 16 April 2005 that 100 top Bumiputra graduates with a minimum cumulative grade point average of 3.5 will spend two months working in 28 multinational and public-listed companies.

The purposes of the Internship Programme are to

1. Build confidence among the multinationals and public-listed companies that “our local graduates are good”;
2. Help top achievers to get the jobs they want; and to
3. Reduce the unemployment rate among Bumiputra graduates from local universities.

This is a fine initiative by UMNO Youth. But it sounds like a short-term solution for a long-term problem. The programme begs the important question: What can and should be done to solve this graduate unemployment problem as a structural issue in the long term?

Obviously, UMNO Youth have to go out to build confidence among the major employers because these big employers have apparently lost confidence in our local graduates. There seems to be no problem recruiting foreign qualified Malaysian graduates, hence something must be found seriously wanting in our top scoring local graduates that they cannot get jobs easily. UMNO Youth will find that it is mainly the poor standards of the English language and the lack of analytical and thinking skills and low confidence that characterise our local unemployed graduates.

What UMNO Youth could do is to go to the root causes of this lack of employer confidence in our local graduates and the low self-confidence of most of our local graduates, and then try to attack the basic problems at their source. This should not be difficult to accomplish as the President of UMNO Youth is indeed the Minister of Education, Dato' Hishamuddin Tun Hussein Onn, who can work closely with another young and bright Minister of Higher Education, Dato' Mustapa Mohamad.

The top achievers need not have to depend on assistance to find jobs if they were top scorers who were worth their salt. Why should top scorers need two-months' training if the universities that churn them out, do a professional job of giving them relevant education for about four years, so that these top scorers can be grabbed by the private sector that wants the best graduates to maximise their performance and profits?

The UMNO Youth could also ensure that public universities are staffed by the best academics who are chosen and promoted on real merit and not on other less meritocratic criteria. To ignore meritocracy would be to add to the 'subsidy mentality' which is already quite pervasive in Malaysia. This subsidy dependency syndrome can, in fact, be counter productive as multinationals and large local business corporations will be unable to support

the subsidy mentality of some local graduates, while continuing to be competitive themselves.

Another way of reducing the unemployment rate especially among local Bumiputra graduates is to ensure that Bumiputra and other undergraduates are well counselled on the courses that they take at the universities. There is no point in too many students going for soft subjects like Malay and religious studies, geography, history and the performing arts if the employment market cannot absorb too many of them.

We have to revamp our whole education system from primary to university levels to make the education system more relevant and more meritocratic if we want to produce quality graduates, not only among the top scorers but all graduates, regardless of whether they are Bumiputras or non-Bumiputras. It will be a pity if we try to solve the serious problem of unemployed or unemployable Bumiputra and non-Bumiputra graduates in a piecemeal and ad hoc manner when what is called for are bold and innovative reforms for our whole education system.

Otherwise, we will be merely tinkering with the system while the underlying causes and problems of unemployed graduates will continue along with the growing social problems that we must expect. Then we will ask ourselves: Where are we going in our education system in the years ahead?

Hence, it may be wise to institute a full and proper enquiry into the weaknesses of our education system to ensure that we can produce many more “towering Malaysians” and “glocals” who could lead Malaysia toward developed country status by 2020 and beyond. Unless we do much more to improve our education system soon enough, our national prospects to achieve Vision 2020 will indeed be dim.

### **Study loans not enough and not paid**

As of 16 April 2005, the Ministry of Higher Education finally decided to charge 82 borrowers from the National Higher Education Fund Corporation (NHEFC) for default in their repayments. Because of this inconsiderate conduct of so many borrowers, the NHEFC ran dry in 2003 and had to borrow RM2.0 billion from the Employee's Provident Fund to continue to fulfil its role of providing study loans to needy and bright students.

It is a shame that students earnestly appeal for education loans to be approved and then happily ignore their responsibilities to settle their study loans, even after they gain employment. They thus deny other needy students from borrowing from the Fund which is not adequately replenished by the inflow of loan repayments. Every year, the Fund provides loans to about 100,000 students from a current annual Budget allocation of about RM3.0 billion.

Finally, after much soul searching, the Ministry of Higher Education has decided on the following measures, to manage this unfortunate problem of non-payment of loans:

1. Deduct loan repayments from the salaries of the borrowers;
2. Provide loans only to deserving students and not those who can afford it (This should have done in the first place!); and
3. Take legal action against those who irresponsibly refuse to meet their moral and legal obligations to repay their loans.

I would have thought that the Government should inform the employers of these recalcitrant graduate employees of their misconduct, so that they can be appropriately advised and penalised.

But why did the Ministry take so long to take tough action against these defaulting students, that is, only until the Fund went

dry? Why is the Ministry only now taking legal action to recover repayments which constitute taxpayers' money?

This is the kind of "soft management" of public funds that upsets the tax-paying public who must in the end bear the costs of irresponsibility of all concerned. What kind of leadership by example are we setting for our youth to follow? Indeed, we are setting an environment of strengthening the subsidy mentality if we take this kind of soft approach in managing our economy. Where will we end up if we follow this soft and *tidak apa* route in other areas of leadership and national management?

As a member of the National Advisory Panel on Higher Education, I am concerned and have to fulfil my duty. I would therefore strongly support the Ministry of Higher Education, to continue to sustain the new tough strategy towards education loan defaulters. This is necessary to ensure that many more of our country's bright but poorer students, regardless of race, will benefit from the Government's sound policy of providing study loans.

### **Scholarship meritocracy and national unity**

As a result of the timely intervention by Prime Minister Dato' Seri Abdullah Ahmad Badawi himself; the Minister of Education, Dato' Seri Hishammuddin; and the MCA President, Dato' Seri Ong Ka Ting, five students who scored 13As but were earlier denied scholarships finally got their just rewards.

But all this drama raises several basic policy questions. For instance, why were these five future potential leaders left out of the scholarship list in the first place? Were lesser qualified and richer and or well connected students given the scholarships at the expense of more deserving students?

A very good example was the case of Abdul Azim Abdul Raham who scored 12 As and whose application for a scholarship was roundly rejected by the Public Services Department (PSD). Abdul Azim was even one of the exclusive 25 top performers who had previously received special certificates from the Minister of Education himself for academic excellence. The Minister's aide reported in the *New Straits Times* dated 14 June 2005 that "The Minister said that since their academic excellence had been recognised by the Government, it was only right that they be awarded scholarships". So what went wrong? There could be many more frustrated non-Malay students. Has the Prime Minister himself got to step in every time a deserving student is deprived of a legitimate scholarship? It's a serious indictment against our management capacity.

From the above statement, it is apparent that there are many contradictions that PSD officials face in awarding scholarships to non-Malay scholars. The PSD officials who are mainly Malay officers are strongly influenced by the New Economic Policy which dictates a definite preference that should be given to Bumiputra students. But the excellence criteria would indicate that preference should be given for excellent performance and full meritocracy - regardless of race. Or is this one way of reducing the income gap among the racial groups?

But if they follow the policy of pure merit, then more of the diligent Malaysian Chinese students will get the scholarships. This would contradict the NEP and their personal preferences of the Malay officials as well! So therein lies the conflict of conscience and indeed the contradiction between policy and implementation. So do not blame the so-called Napoleons in the civil service. Blame the policies, too!

I believe that this contradiction is not only prevalent amongst

Malay officials in just the PSD but in the whole public service. Therein lies the real problem of the widening gap between Government policies and their implementation as well as what is said by the top leaders and what really happens on the ground.

To alleviate this major problem of misunderstanding and misinterpretation of Government policies, there should be much more transparency and accountability. For instance, why are the criteria for rejection of applications for PSD scholarships not made transparent? Why are the PSD officials not held publicly accountable for their decisions? In short, has there been abuse and a miscarriage of justice? Are public officials fulfilling the public trust or *amanah*? Or are they unaware of the duo effect on national unity.

These questions are being asked by the general public and has led to disenchantment with the present PSD policies and practices. They have also caused anger and resentment which could, unfortunately, erode patriotism and national unity especially among our youth.

It is generally well understood that no country can meet the demands for scholarships from all its bright and relatively poor students due to budgetary constraints. Nevertheless, there is understandably great uncertainty and doubt when our top leaders have to intervene on individual cases of obviously unfair rejection of scholarships

Even the study leave applied for by our University staff to advance their academic careers and experience in international organisations have been rejected! So what hope have we got to develop a first world mentality to compete with the real world of globalisation? There are many other cases that need to be looked into for unfair treatment. Is this part of the problem of the brain drain in our country?

To overcome these serious concerns, I would respectfully

suggest having much more transparency on the total budget allocations for these PSD scholarships, the criteria for the selection of candidates and information on the reasons for the rejection of well deserving scholarship applicants. There could also be some minimum ethnic quotas to ensure the best and poorest students from each ethnic group get these Government scholarships to maintain equity and justice. Furthermore, I would suggest that the award of these Government scholarships should in future be vested in the more expert officials of the Ministry of Education or the Prime Minister's Department, which would have a better perspective on this sensitive issue. The PSD officials are not experienced enough in education and sometimes tend to be "politicised".

As a member of the National Unity Advisory Panel, I sincerely hope that our government will revise the present unsatisfactory system of awarding PSD scholarships to our future leaders. The present unacceptable practices are undermining all the strenuous efforts being made to strengthen and sustain national unity which is fundamental to our continuing stability and progress.

All these issues beg the question again as to whether the current education policy is relevant to our changing times of global competition. Or is it outmoded, irrelevant and creaking? The former Director-General of the Ministry of Education, Tan Sri Muhamad Noor, has publicly remarked at the same time that the educational system in national schools was like "patching an old shirt; at the end of the day you still have an old shirt with new patches". He is so right and I hope his good advice is acted upon and not filed away.

The Minister of Education, Hishammuddin, gamely replied that making each change was "not as simple as changing shirts". He clearly explained that it was not easy to make drastic changes when the size of the Ministry was huge. For instance, there are about 10,000 schools, 320,000 school teachers and more than 5 million

school children.

This is indeed a huge problem, but it is also vital that solutions be found soon before it is too late. So why not have the Government establish a National Education Enquiry Council to review the whole education system with a mind to introducing reforms to meet current and future educational needs of the nation in the context of the challenges that are implicit in achieving our Vision 2020 goals?

### **IAP recommendations**

The Multimedia Super Corridor (MSC) 9th International Advisory Panel (IAP) Meeting in Kuala Lumpur on 9 September 2005 clearly advised that unless Malaysia reforms its education system, there is little chance of us becoming a global information communications and technology (ICT) hub. In one of its 12 recommendations, the IAP counselled that Malaysia must revolutionise its teaching and learning methods. These methods should aim to promote creative thinking, take risks and adopt a discovery orientated outlook.

I feel that it is essential for the Ministry of Higher Education to urgently study the IAP Report and to introduce new policies, where appropriate and practical, at tertiary levels for both public and also private universities and colleges.

The National Higher Education Advisory Panel could then discuss the IAP Report and the Ministry's response to the Report, and give feedback to the Minister of Higher Education with a view to implementing some of these recommendations on a priority basis. In addition, I share the dismay expressed by Dato' Seri Dr Jamaluddin Jarjis, Minister Science and Technology and Innovation, that only 42 out of 2,543 applicants managed to find jobs with companies that took part in the four-day ICT job fair in conjunction

with the recent MSC-IAP meeting. Are the applicants inadequate here too or is the demand for the ICT graduates so poor?

The recommendations should be made public and discussed widely, and then the valid comments and proposals should be incorporated in the 9th Malaysia Plan 2006-10 or adopted soon after the Plan is introduced.

One proposal was that Malaysia should take advantage of the opportunities for outsourcing. However, for this proposal to be advanced we must show that we have the quality, competence and competitiveness over and above other countries that are already doing well in outsourcing, such as India and China. Can we compete with them?

But what is our competitive advantage in this field? We have some advantage but not that much as we are neither that widely proficient in English nor are we ahead of others in our competitive spirit. As long as we are not meritocratic enough, we will lose out to other competitors in outsourcing and in a wide range of other activities.

Minister Dr Jamaluddin Jarjis has recommended “finishing schools” for our graduates so that they can polish up on the language skills in English and other subjects. But then they should have learnt all these skills while pursuing their university careers and even before, at their primary and secondary schools. Unless of course they did not acquire much knowledge in their earlier university studies? Hence, the urgent need to reform our whole education system including our universities and colleges, especially in the public sector.

Private universities and colleges seem to be posing a smaller problem. Most of their graduates find jobs faster since they are more proficient in the English language and are better equipped to meet the demands of the employment market. But of course

public universities will claim that they cannot do much to raise academic standards when they get poor material from the national secondary school system! So it is the old chicken-and-egg argument.

Thus the reform of our education system has to start and be implemented right through the whole education system and not only at the higher levels. Hence, the education reform has to be structural and start at the bottom. But it can also be simultaneously undertaken at all levels. However, the key consideration should be to give high priority to meritocracy and competitiveness; otherwise, the whole reform exercise will falter and fail and then Vision 2020 will appear more distant and difficult to achieve.

As part of education reforms, there has to be more focus in the improvement of our environment which posterity will inherit.



## 12

### ENVIRONMENT

#### **Improve or perish!**

The deterioration rate of the Malaysian environment is causing growing public concern particularly among the general public and the NGOs that monitor the environment. The pollution of the air and rivers, indiscriminate cutting down of the hills, blatant illegal logging, brazen violation of zoning laws and serious soil erosion are some of the many other forms of environmental abuse that occur everyday.

The enforcement must be weak and quite ineffective if these abuses sometimes take place under the very noses of the authorities. Worse still, there could well be collusion of environmental criminals and some officials, including political leaders, as these abuses have often been taking place unchecked. There has been rising criticism and suspicion of the Department of Environment (DoE) after some leakage of information from whistle blowers within the DoE has shown irregularities.

Consequently, the Director-General of the DoE, Datuk Rosnani Ibrahim, reportedly on 4 May 2005 ordered all State Directors, senior officers and enforcement staff of the DoE to sign non-disclosure forms under the Official Secrets Act 1972. These Declarations are normally signed by the officials soon after being recruited into the civil service. Hence, it is strange that they were required to do so once again. This could be because the earlier

forms that were signed had been lost, and this is bad enough. Or it could be that this routine procedure was not followed in the past, as it might have been assumed that there could be nothing to hide or anything secret about the environment which is there for all to see. But this requirement to sign the non-disclosure forms could also be interpreted as an effective way to muzzle whistle blowers.

The Government should actually encourage the disclosure of wrongdoing instead of being seen, rightly or wrongly, to be wanting to prevent disclosure of wrongdoing by officials, including political leaders. Matters of national security and safety could be considered as reasonable subjects for protection under the OSA - if this punitive law has to be maintained. But surely it will be indefensible to hide environmental violations and abuse which can be easily noticed by anyone. In any case, the environmental violations need close surveillance and scrutiny in the public interest. Unless we give much more priority to protecting our national environment, the future of the flora and fauna of our country and human welfare can be severely undermined and we might be heading for environmental disaster in the not too distant future.

### **Fight the haze more resolutely**

Dato' Wong Su Long wrote a forthright article titled "Time to get serious about the haze" in the Star dated 10 August 2005. The haze is not only an environmental disaster and a bad health hazard but also a threat to the economy.

National production, productivity and our overall competitive position can be seriously undermined by this suffocating haze. It appears to be an annual event. Our export earnings can decline, and profits and tax collection reduced while foreign direct investment and tourism could also fall. Our economic growth has been adversely affected and can get worse if this disastrous haze recurs annually.

Unfortunately, Indonesia from which most of the haze originates, has merely apologised but done little else to prevent the damage to our economy and the incomes and welfare of, inter alia, our farmers, fishermen and hawkers. ASEAN has done even less to persuade Indonesia to implement its tough laws diligently. But Indonesia has poor enforcement and much corruption.

On our part, we have our own internally generated haze as well. Why have we taken so long to respond to this crisis effectively? Are there not adequate administrative mechanisms that can be put into operation immediately when we are attacked by the perennial haze? Is our enforcement and corruption as bad as in Indonesia?

Why then do we not hunt down those responsible for our own hot spots in Cyberjaya and penalise them hastily and harshly? A total ban on open burning should have been adopted much earlier. Our mass media could have highlighted the haze hazards at the very beginning to express the public disenchantment with the haze and with the Government's slow response. Public confidence will suffer from the Government's incapacity to prevent and control the unhealthy haze that originates in Malaysia.

Our passive approach to this national disaster every year could give the impression that we do not take the haze seriously or that we lack the political will to act fast or that Malaysia lacks the capacity to deal with this kind of economic and environmental hazard. We cannot afford to send the wrong signals worldwide of our inability to properly manage our environment. I believe the Government should spell out its detailed plans and act more resolutely as a matter of urgency to combat the scourge of this destructive annual haze much more efficiently, both at home and abroad in Indonesia as well.

After so many years, we in ASEAN have not shown enough

political will. Its poor 'mindset' which only education and social engineering can resolve.

## 13

### SOCIAL RE-ENGINEERING

#### Problematic

The Yayasan Perdana, or Perdana Leadership Foundation, organised its second round of discussions in the Perdana Discourse Series to debate the personalities, character and policies of all Malaysian Prime Ministers. Thus on 25 May 2005, Tun Dr Mahathir Mohammad spoke on social re-engineering in the Malaysian context. Following his lecture was a panel discussion by Tan Sri Arshad Ayub, Dato' David Chua, student leader Inche Iqbal Hafiez of UiTM and myself.

Tun Dr Mahathir had mentioned that National Unity has been the main aim of the Government since *Merdeka* and especially after the racial riots of 1969. He added that Malaysia is a very complicated and complex society to govern because of its deep diversities in race, religion and language. He said that despite these structural divisions, Malaysia has enjoyed relative unity, stability and prosperity all these years. Nevertheless, there are still strong signs of polarisation which could have grown because of the different ethnic and language primary school streams in the country.

#### The Three Fears

Tun Dr Mahathir felt that the continuing polarisation was due to the "Three Fears" of the major ethnic groups - the Malays, the Chinese

and the Indians. He opined that the Malays feared Chinese dominance in business, the Chinese feared Malay political dominance while the Indians he said, feared both the Malays and the Chinese!

He explained that the Malays who are overwhelmingly Muslims are sometimes misled by the wrong interpretations of Islam. Some religious leaders or ulamas misinterpret the first word in the Quran which is “read” to refer to reading only about religion or only about Islam, whereas it is intended that Muslims should “read” about all knowledge. Further, he observed that many Muslims are wrongly taught to believe that if a person studies only Islam then he is assured of a place in Paradise!

Thus these kinds of wrong interpretations of a great religion like Islam have led some misguided followers to attain and promote the wrong values in the name of Islam. This prevents them from progressing in the modern world of globalisation, international competition and rapid change where the mastery of knowledge is vital in order to succeed and prosper. I believe that Tun Dr Mahathir’s thesis can apply to all races to a greater or lesser extent.

On the other hand, he added that the Chinese have imbued in themselves good values like thrift, learning, discipline and hard work in order to acquire wealth and to succeed in life. The Indians, too, have a strong sense of wanting to acquire and accumulate knowledge. They attach importance to learning so as to aspire to have their children go to universities and to develop cultural talent in dancing and music.

(But this value system among the Indian community is mainly found within the middle and professional classes of Indians. It is not typical of the large majority of those Indians in the lower income groups in plantation estates and among those who have migrated from rubber estates to urban areas where they form the ghettos of the urban poor. They have a low inclination to study

and acquire knowledge; that is why we have a large “underclass” among these Indians who have been displaced by the unkind “Fragmentation of Rubber Plantations” by the big estate owners and corporates.)

Tun Dr Mahathir believes that the Three Fears will fade away and national unity will strengthen only when there is more equality among the races in Malaysia. This thesis is not necessarily entirely correct or realistic to my mind. How can we have equality between people worldwide, who have different levels of diligence and different values and aspiration to excel?

### **Response to Tun Dr Mahathir’s speech**

However, I agree generally with Tun Dr Mahathir’s analysis of national unity and the current state of growing polarisation in Malaysia, and have the following observations:

1. Firstly, we have to go beyond identifying the fears of Malaysian ethnic groups and seek to identify the obstacles to national unity and causes of the ugly polarisation that we, unfortunately, find in Malaysia today.

The positive approach to increasing national unity would be to concentrate on the bottom 30% of the Malaysian population covering all ethnic groups, where polarisation is more distinct. Poorer Malaysians have less opportunities to interact and understand each other. Their concerns are mostly common to all ethnic groups as they pertain to basic socio-economic basic needs and a relatively poor quality of life, arising from their common poverty and underprivileged status. Hence, Government policies should be focused on all these poor rakyat, regardless of race, as was originally proposed in the New Economic Policy. This important

aspect seems to have been forgotten or even ignored over the years since the 1980s.

2. The erosion of equity and fairness and the perceptions of unfair treatment especially of non-Malays can militate against all efforts to strengthen national unity.

For instance, there are many Malaysians, especially the younger ones, who feel a strong sense of alienation in Malaysia. Some of the Bumiputras feel that only those Bumiputras who are well connected seem to get the scholarships and plum jobs and promotions in the public sector. This is felt not only among the Bumiputras but also amongst the native Bumiputras like the *Orang Asli* and the indigenous ethnic groups in Sabah and Sarawak

The Chinese and Indians, especially the younger generation in their 30s do not know what it was like to live through the 1969 racial riots. They do not fully appreciate the "social contract" that most Malays hold so dear. The social contract gave the non-Malays citizenship and the Malays were given the special privileges for a limited time frame of about 15 years. But this limited period has been constantly extended! And non-Malays feel let down by this interpretation of the social contract.

But after about 50 years of independence, the Chinese and Indians and even many more confident Malays do not see the need to continue with Malay privileges in scholarships, dominance in the civil service, preferred entry into the institutions of higher learning, licences, Government contracts and, of course, at least (often more) 30% allocation of equity shares in all public listings on the Stock Exchange.

But already, the Malays wield disproportionate political power. In

the local councils, the State Governments and especially in the Federal Government, Malay ministers form the overwhelming majority in the Federal Cabinet. It is often very difficult to argue against the united UMNO (Malay) ministers particularly when the Chinese Ministers belong to two different Chinese political parties, the MCA and Gerakan, while the Indians are represented by only one Indian minister.

It is Malay dominant political power that can undermine the declining non-Malay (mainly Chinese) economic power. On the other hand, economic power can also erode political power if there is widespread corruption and capital outflows of private investment. And this is what the Malays and all men and women of integrity and businessmen primarily fear in Malaysia.

The Malays could now take a more relaxed and less rigid stance on corporate equity ownership as the Malays own the “commanding sites” of the Malaysian economy. The nation’s essential services are owned by the predominantly Malay Government. That is to say that Tenaga Nasional (electricity and power), water, telecommunications, the ports, airports, the Malaysian railways and all the Government-linked companies, including the Tabung Haji (Pilgrims’ Fund) and the PNB (Investment Fund). They are all under Malay control and dominance. So where is the real economic power?

Some recent ASLI studies indicate that the Malays own about 50% of the equity in the corporate sector if we include, as we should, the GLCs that operate as pure businesses entities, and the Nominee companies as well.

### **Challenges facing the nation and how to face them on Malaysians prospects**

How do we overcome our challenges? It is best to have a SWAP

analysis. My SWAP stands for Strengths - Weaknesses - Action - Policies, as follows:

### **Strengths**

1. Malaysia is the most successful Third World country.
2. Strong economic growth, poverty reduction and income equity distribution achievements.
3. Political stability and security.
4. High potential for socio-economic progress and developed industrialised status by 2020.
5. A blessed country with rich resources, multiracial and multi-religious people, tropical climate; free from natural disasters.

But we must not take these blessings for granted!

### **Weaknesses**

1. National unity goals planned at top leadership level but polarisation growing below.
2. New Economic Policy and the New Development Policy have fallen short at implementation levels.
3. These policies are now not adequate to meet the new challenges of globalisation.
4. Political will has been lacking so far to move more purposefully on the soft side of socio-economic and political development, except in the case of the 9th Malaysia Plan which, however, is new and has to be tested.
5. Uncertainty and lack of confidence and sustainability could weaken realisation of Vision 2020 goals.
6. Extremism in religion and race relations, although small now, has caused growing concern.

### **Action**

1. The old slogan of leadership by example must be revived and re-dedicated with greater meaning and vigour.
2. Discipline, effective implementation of policies and better enforcement have to be reinforced more strongly in the whole system.
3. Meritocracy has to be pursued more seriously within and between ethnic groups as much as possible.
4. Corruption, especially at the higher levels of Government and the corporate sector, has to be wiped out or significantly reduced. Otherwise the NEP will be eroded.
5. Money politics must be cleaned up as it can corrupt the whole Government and its machinery. Those who collect money before an election have to pay back - and how is this done?
6. Benchmarking or the KPIs must be continuously monitored and those persons and situations found wanting should be strictly penalised and those who excel should be well rewarded.
7. Narrowing the income gaps between the racial groups can seriously undermine national unity and stability and progress, if implemented badly.

### **Policy**

1. All laws, rules and regulations need to be urgently reviewed and revised to remove archaic and unnecessary red tape that hinder socio-economic development and modernisation.
2. Legislation that encroaches on basic socio-economic needs and human rights should be withdrawn, modified and improved. Each Head of Ministry and Department can easily provide a quick list of rules and regulations that contradict Human Rights.
3. The New Economic Policy has to be modified or revised to overcome the challenges of globalisation and the rapidly rising international competition to remain relevant and beneficial, for Malaysia to attain industrialised status by 2020.

4. The education system should be speedily improved to ensure that national schools and universities become truly centres of education excellence, to achieve greater national unity and to ensure high quality and market-relevant graduates.
5. The delivery system, that is the Public Service, has to become more reflective of the ethnic composition population of the country, even if it means re-introducing the former quota system, according to each ethnic group.

Finally, we have to unify more and improve policies and implementation on all fronts to meet the challenges of globalisation and greater international competition - or lose out in our progress to industrialised status by 2020. These goals are neither too complicated nor difficult to achieve, given our many strengths and blessings.

Unfortunately too much attention is given by our leaders to our differences and weaknesses rather than our unifying factors and our strengths.

We need to concentrate on raising the incomes and quality of life of the lower 30% of our Malaysian population - regardless of race.

We have to move away from the notion that it is important to create a wealthy Malay elite, so that the whole issue of corporate equity ownership is de-emphasised, particularly since Malays own and control the commanding gates of the Malaysian economy.

Then we will have greater national unity, stability and progress.

**NATIONAL UNITY****Struggling along****Interfaith Council for National Unity**

As a member of the National Unity Panel since 2002 including a second term since 2004, I have been deeply concerned at the lack of interfaith cooperation between the Muslims and the non-Muslims in our country. The non-Muslims have an Interfaith Council made up of Malaysian Buddhists, Christians, Hindus and Sikhs, whose formation the Muslim religious leaders have, unfortunately, not wanted to support. Some leading Muslim leaders feel that since Islam is the official religion of the country, there is no need for Muslims to sit on the same council with the non-Muslims as this may compromise the status of Islam in the country. Most non-Muslims do not believe this stand to be reasonable.

SUHAKAM (Human Rights Commission) of which I am a member had tried to bring both parties together, but it was clear that the Muslim leaders were not keen to be on the same council. Then the interested NGOs tried to establish some kind of consultative council for the purpose of enhancing religious interaction, goodwill and national unity, but their success was limited. So the Bar Council took over the leadership in good faith and proposed the formation of an Interfaith Commission under a proposed new Act of Parliament.

However, perhaps because the proposal came from the Bar Council and because the proposed Interfaith Commission would be established under a legal framework, there was also some official resistance. Hence, Prime Minister Abdullah Ahmad Badawi advised that the time was not ripe to establish a Commission but that some consultative machinery could be adopted for the time being to promote religious understanding and national unity. Thus the National Unity Advisory Panel set up an Interfaith Working Group.

I had raised my concerns on several occasions at meetings of the National Unity Panel and with the Chairman of the Panel, Dato' Dr Maximus Ongkili, who is also the Minister of National Unity. The minister, sensing our worries, asked me to invite a few members of the panel for a lunch discussion that he would host. Therefore on 20 June 2005, the minister had lunch with some National Unity panellists i.e. Dato' Dr Michael Yeoh, myself, Mr Hacharan Singh (Sikhism), Mr Vythalingam (Hindu Sangam) and Mr Leonard Teoh (representing Panel member Bishop Paul Tan of the Catholic Church). The meeting was frank and informal and more exploratory in nature. The Minister explained why the proposed Interfaith Commission could not be established and encouraged us to pursue more informal interfaith consultations in the short term.

### **A critique on Dr Ongkili's views on the 3rd stage of national unity**

Subsequently, Dato' Dr Ongkili told the *Sunday Times* in an interview on 7 August 2005 that Malaysia's national unity has gone through three stages and that our country has now reached the 3rd stage, that is, appreciating each other and that it is the crux of national unity.

He described the earlier two stages, as follows:

1. Accepting each other as human beings and citizens; and
2. Tolerating the differences, faults and deficiencies of each other.

He had based his analysis on the work of the Parliamentary Select Committee on Unity and National Service where he served as its Chairman. As a member of Dato' Dr Ongkili's National Unity Advisory panel, I generally support his enquiry, but I also have some significant reservations on his findings. If the able and committed Minister of National Unity can see some way to revise some of his thoughts in his important statement, we could have a very good basis for reviewing the state of our national unity and better consider how to move forward to further strengthen our national unity.

1. For instance, why should we Malaysians have "to accept each other as human beings". Can we do so otherwise? To accept each other as citizens is important, but we should also accept each other as "equal" citizens who recognise that the Malays and other Bumiputras have special privileges that have been spelt out in the constitutional documents. Otherwise, we will breed dissent and create disunity in the country.
2. The second stage of "tolerating our differences" also needs to be qualified. Why do we have to just tolerate instead of actually understanding our differences? And why should anyone look into the "faults and deficiencies" of one another, for therein is the source of our disunity and disrespect for each other. Instead we should be more positive, constructive and generous to each other and appreciate each other's good qualities and assets.

We need to look upon our national motto on our national emblem as our inspiration. We need to respect our **UNITY IN DIVERSITY**. We also need to observe the theme that **UNITY IS STRENGTH!** Together with these two goals, and the principles of *Rukun Negara*, much of our mindset to pursue national unity will improve.

## **Ketuanan**

The greatest impediment in strengthening our national unity, however, is the dangerous concept of *ketuanan* or overlordship and dominance. We have to reject this disuniting concept and work actively toward creating the unifying concept of *Bangsa Malaysia*.

National unity can strengthen overnight if we all have the good sense, goodwill and national patriotism to be fair and just toward all groups, and especially to the majority of Malaysians who are poor, who have low incomes and who are marginalised from the mainstream of our Malaysian society.

The concept *ketuanan* must be eradicated. It is like the rich and powerful countries wanting to dominate the poor, weak developing countries.

## **MCA General Assembly - watershed for justice, fairness and unity?**

The MCA General Assembly held on 20 August 2005 was notable for the impressive victory of Dato' Seri Ong Ka Ting as President and Dato' Seri Chan Kong Choy as his Deputy. But just as important were the policy speeches of Prime Minister Dato' Seri Abdullah Ahmad Badawi and Dato' Seri Ong Ka Ting. These speeches could be the watershed for justice and fairness in the 9th Malaysia Plan that could further unite all Malaysians.

The main theme was the New Economic Agenda (NEA) and the different perceptions of it. Dato' Seri Ong asked that the non-Bumiputras should not be excluded from the important economic sectors like petroleum and the automobile industries, while the Prime Minister indicated that there should be a "fine balance" in the NEA which will be reflected in the 9th Malaysia Plan (2006-2010).

According to the Prime Minister, "No one loses everything and no one takes all and wins everything. The balance takes into account the wishes of all groups and races." He added that the "balance will be that of justice and moderation and one that reflects the spirit of tolerance". But has the "balance" been reflected in the 9th Plan?

### **What is the right balance?**

The MCA Assembly applauded both leaders warmly. But what is the "right balance"? What will be "fair and just"? The following issues could help to give some answers:

Firstly, the basic formula for balance revolves around the NEP. It should be implemented according to the letter and especially the spirit of the NEP, i.e. fairness and justice for all Malaysians. The problem is that the implementation of the NEP has concentrated mainly on eradicating Malay poverty and almost neglected non-Bumiputras in similar circumstances.

Secondly, with regard to Restructuring the Economy, there has been large-scale abuse such that a small minority of privileged Malays have gained at the expense of the large majority, including the majority of Bumiputras. Hence, the distorted implementation of the basically sound NEP has brought dissatisfaction to all except the small minority of the rich and powerful of all races, including non-Bumiputras, who have gained unduly from the NEP through abuses in the implementation of the NEP.

Therefore it is vital that the New Economic Agenda (NEA) and the 9th Malaysia Plan should achieve the following:

1. Raise the present low poverty income levels and ensure that all the poor benefit from anti-poverty programmes, regardless of race. The main beneficiaries would be the Bumiputras who constitute the majority of the poor and privileged.

2. Strengthen meritocracy and liberalisation so that Malaysia will be able to effectively face international competition under greater globalisation.
3. Place emphasis on enabling the underprivileged of all races to have fair access to education, and then encourage them to compete rather than continue to protect them, and thus inadvertently marginalise them and “leave them behind”.

I hope that the high principles enunciated by the Prime Minister in his speech to the MCA would be included in the 9th Malaysia Plan and that the NEA be closely and carefully monitored to ensure justice and fairness to ALL Malaysians, especially the poor and the underprivileged.

**NEW ECONOMIC POLICY****Challenges Ahead and Recommendations****The NEP and The Social Contract**

During a luncheon meeting on 20 June 2005, Dato' Dr Maximus Ongkili clarified that the so-called "social contract", as understood in 1957 between the Malay and the non-Malay leaders, had to be better explained. This social contract had enabled all ethnic groups to be united to fight for Independence from the British in 1957 and had helped to also defeat militant communism (1948-1960).

Under the social circumstances, about one million Chinese were given citizenship. In return the Malays asked for and were given their special position in the country. Thus protection was given to Islam, Malay was accepted as the national language and "special privileges" were proposed for the Malays for 15 years by the Reid Commission. The special privileges for the Malays referred generally to preferential treatment in education, recruitment into the public service and business opportunities.

Although these special privileges were intended for only 15 years, they were nevertheless extended further until they still underline national policies even today - with greater force than before! These continuous special privileges have now become the main source of contention and dissatisfaction among most non-Malays and even a significant number of Malays who feel they

have not benefited much from them. There are also the many successful Malays who feel they don't need them.

There are also many Malays who have struggled hard to achieve distinction in many fields and therefore feel embarrassed over being thought of having benefited from these special privileges that they may not have received in the first place.

The New Economic Policy that resulted from the unfortunate 13 May racial riots in 1969 further entrenched the special privileges for another 20 years until 1990. But they still continue and raise questions of fairness, equality and national unity.

The NEP aimed to achieve the following:

1. To alleviate if not eradicate poverty - regardless of race; and
2. To remove the identification of race with occupation or function.

This is a fine policy which I helped to draft as part of the team of the Economic Planning Unit (EPU) and Treasury officials who examined all kinds of proposals together with the Harvard Advisory Group in the EPU soon after the 1969 racial riots. I therefore fully supported the policy and continue to believe in it. However, it is not the policy that is at fault but the implementation of the NEP that has gone a awry!

### **Where has the NEP gone wrong?**

Much progress has been achieved in reducing poverty, but less success has been attained in restructuring the economy. Thus the well deserving poor Indians and Chinese feel that they have been largely neglected in the Government's anti-poverty programmes. With regard

to the second goal, i.e. the removal of the identity of race with function, the Government's implementation programme has gone adrift on the equity ownership. However, there have been great gains made in the large number of Bumiputra professionals and technical staff members.

Till today there is deep-seated resentment felt by poor bright Chinese, Indian and other non-Malay students like the Kadazans and Dayaks, etc. who have been unfairly denied admission to local universities and scholarships to study at home and, in particular, abroad. Many Malay students who have performed less well academically and who possess much higher family incomes have been given preferential Government scholarships from public taxes.

The 30% equity reserved for Bumiputras in the public listing of private companies have often been given to well-connected Bumiputras who have sold them off almost the next day for easy profits. It is no wonder therefore that the 30% target for the equity in the corporate sector is said to have fallen short after 35 years of the NEP. It is still estimated by the Government at only about 19% although other studies indicate otherwise.

Hence, new ways and means must be found to ensure that the 30% corporate restructuring target is achieved in a manner that will reduce, if not eradicate, the abuses in the system. One way would be to stop the present practice of allocating large number of shares to selected political appointees who go for the quick buck in the name of protecting Bumiputra interests. The 30% equity reserved for Bumiputras could be placed entirely in trust with well-established Bumiputra institutions like PNB and Tabung Haji, etc. Then more small-time Bumiputras and the rakyat will also benefit from the restructuring of the corporate sector instead of primarily enriching the rich and the powerful Bumiputras.

These difficult questions remain with us: What can be done to right the wrongs in the implementation of the NEP? How difficult will it be to get back to the basics for the proper implementation of the NEP so as to benefit all Malaysian ethnic groups, as indeed was the original intention to strengthen national unity?

### **Approved Permits**

One of the biggest and most embarrassing abuses of the NEP has been the way that Approved Permits (APs) for importing motor vehicles were issued to Bumiputras and, mostly, to a few UMNO members. Tun Dr Mahathir opened the can of worms when he raised the issue of the rising number of APs which he believed had seriously eroded the sales and progress and future of the national car, the Proton.

Apparently 66,277 "franchise" and 15,079 "open" APs had been given out. Worse still, the bulk of them were reportedly released to the so-called "AP Kings", namely Tan Sri Nasimuddin SM Amin (9220) as well as Datuk Syed Azman Syed Ibrahim and Dato' Mohd Haniff Abdul Aziz (15,759) in 2005. The former Prime Minister then asked for the public release of the full list of APs.

At first, Dato' Seri Rafidah Aziz, the Minister responsible, had replied that the issue of APs was a confidential matter and that the lists were never released before, referring to the period of 22 years of Tun Dr Mahathir's tenure as Prime Minister. Then she announced that one of Mahathir's sons had received APs, too. All this must have upset Mahathir, and calls were made by the Deputy Minister of Information, Datuk Zainuddin Maidin, among others, for Rafidah to withdraw her critical remarks and even to apologise. But she defied these calls.

However, at the UMNO General Assembly she had to give a report on the APs. Amid all this pressure, she had broken down and cried publicly. The delegates were not moved or impressed and some even shouted her down. But true to her form, she gave a stout defence of her policies and actions. The Tun's response when he returned from abroad after the UMNO General Meeting was that Rafidah had misled the UMNO Assembly and the former Prime Minister asked for the complete and up-to-date list of APs.

Prime Minister Dato' Seri Abdullah, then on an official visit to Johannesburg, South Africa, ordered Rafidah to make public the full AP list. He was reported to have said, "In keeping the list from the public, we create a negative perception. That is not right." Thus the second list came out on 28 July 2005. But it was about the same as the earlier list with some inconsequential changes which included updating. However, as Tun Dr Mahathir later pointed out, the quarrel was not between him and Rafidah, but that not enough had been done by Rafidah to protect the national car Proton by allowing 9.6% of the total number of passenger and commercial vehicles produced in the country as the basis for importing the number foreign cars.

### **Concern, reassurance and hope over the NEP**

The recent UMNO General Assembly (2005) was a watershed for the 9th Malaysia Plan and Vision 2020. The Wanita UMNO and UMNO Youth leaders, Dato' Seri Rafidah Aziz and Dato' Hishammuddin bin Tun Hussein Onn respectively had earlier called for a review of subsidies and the re-introduction of the NEP.

These calls appeared to contradict the Government's policies to reduce subsidies and to lower protection for Bumiputras, which have been so prevalent under the NEP and the NDP since 1970. These urgings also appeared to be in conflict with the Government's policies

to promote greater domestic and international competition and globalisation. As our Deputy Prime Minister had well pointed out, the goals were to also go “glocal” and to become “Towering Malays and Malaysians”. Fortunately, Puteri UMNO leader Noraini Ahmad boldly stated that, “Malays cannot be complacent, be they Ali Babas or sleeping partners or shareholders only in name. They must be dominant, relevant and regain their past glory”.

These diverse views have raised serious concerns and doubts on the future direction of the Malaysian economy, especially to most non-Malays. Are there some deep disagreements and contradictions between the policy of gradually introducing more meritocracy and that of perpetual protection in striving to attain industrialised status by 2020? What signals are we giving to non-Malay domestic investors and especially to the foreign investors?

Thank goodness Prime Minister Dato’ Seri Abdullah had put the record straight in his reassuring and strategic speeches at the UMNO General Assembly.

The Prime Minister also categorically stated in his UMNO speech, “I will not lose faith. As long as there is life in my body, I will seek strength from the Almighty to continue my battle against corruption”. He added that the opportunities given (to the Malays) were abused instead of being used to expand business or enhance capacity that would have ensured continued and lasting success.

After all, the NEP was never withdrawn. Most non-Malays support the NEP but do not support the abuses and wastage which, as our Prime Minister has stressed, undermine the very spirit of the NEP.

I have felt disappointed and depressed at the distorted implementation of the NEP for a long time. Now I am elated that our Prime Minister wants to bring back the NEP to its right path towards the achievement of Vision 2020.

We all need to strongly support the Prime Minister and all other enlightened leaders to implement the NEP in a fair and equitable manner for the benefit of all Malaysians especially the poor and the underprivileged, regardless of race, as envisaged in the original tenets of the NEP. In his closing remarks, the Prime Minister made a statesman's statement that "We will be fair to all Malaysians. We will not take away the rights of any race. We have never done it and never will."

I believe that the Prime Minister means that Chinese and Indian Malaysians will not be denied their legitimate privileges and opportunities as loyal Malaysians, to develop a united, stable and prosperous Malaysia. All true Malaysians would want to sincerely wish Prime Minister Dato' Seri Abdullah every success and hope that all the pledges to remove the abuses in the implementation of the NEP will be fully effected in the formulation and execution of the 9th Malaysia Plan.

### **Impact of the NEP on national unity**

In my presentation of my paper to the National Unity Advisory Panel, of which I am a full member, I gave my analysis of the "Impact of the New Economic Policy on National Unity since 1970". I had also taken into account some of the views of Professor Rahman Embong and Professor Lim Teik Ghee in finalising my essay for which I took full responsibility.

What we need to do is to examine the analysis and recommendations herein to improve my assessments and to draw some consensus as to specifically what recommendations should be made to the Government to enhance national unity and integration in our country. We cannot allow the underlying currents of polarisation to continue to flow and even grow in the future.

### **A. Background to the NEP**

The New Economic Policy (NEP) was introduced in 1970 in the aftermath of the tragic and traumatic 1969 racial riots. The riots shocked and shook the very foundations of the new Malaysian nation that was only 12 years old then.

The basic assumption made at that time was that the Malays had expressed their deep-seated fear that they were being marginalised in their country. They were mainly settled in the rural and agricultural areas where they were essentially farmers and fishermen. This situation contrasted with the Chinese who were primarily in the business sector and mainly resided in the urban areas of Malaysia. The Indians were largely in the rubber estates, working as lower level employees in the British Administration.

The outcome was that the Malays were the poorest racial group with only about 2.4% of corporate equity ownership in 1970. However, the Malays had the political power and dominated the civil service, the armed forces and the police.

### **Review of NEP achievements**

The NEP by all accounts had brought a strong degree of peace, stability and prosperity to Malaysia. The healing process after the 1969 riots was accelerated with the speedy implementation of the NEP - and the economy recovered and progressed.

Stability and confidence returned while the economy became more industrialised. It was export led with the fresh inflow of foreign capital together with the increase in domestic, private and public investment.

This brought about a gradual shift away from agriculture and

brought about faster rural-to-urban migration. Thus poverty was reduced as incomes rose and the pressure on the rural land gradually declined. All these developments gave rise to a new psychology of Malay confidence and some assurance of stability for the non-Bumiputras. Indeed, Malaysia has been the envy of many multiracial societies elsewhere and the 'Malaysian Model' is often studied and emulated by the World Bank, other international organisations and many developing countries.

However, despite all these efforts and huge public investments, the NEP targets have not been fully attained. Hence, the NEP which was supposed to end in 1990, has been extended with the introduction of the National Development Policy in 1991, the New Vision Policy and now the proposed New National Agenda.

### **Rationale of NEP extension**

The NEP was extended for two main reasons, as follows:

#### **Poverty**

Firstly, poverty was not completely eradicated although the objective was largely achieved. Poverty today is estimated to be around 5% as compared to about 50% in 1970!

The poverty income line was RM529 per month for a family of 5.2 before the 9th Plan. It was only slightly higher in Sabah and Sarawak where the cost of living is higher. Nevertheless this low income is adequate, especially in urban areas, to provide a decent standard of living and quality of life.

The question often arose as to whether the poverty line should be raised to perhaps around RM750 per month per family.

Absolute poverty is expected to be eradicated by 2008 where

the poverty income line was about RM265 per month per family before the 9th Plan. This target could well be achieved by 2008, but the absolute poverty income line was recognised to be grossly inadequate to meet even the basic needs by human rights' standards.

The bulk of the poor are still the Bumiputras, especially in Sabah, Sarawak, Kelantan and Trengganu, while there are many "pockets of poverty" throughout the country encompassing all racial groups. The new phenomenon, however, is urban poverty - and this is found in all towns and new villages. They constitute the so-called "flash points" or "hot spots" for future potential "flare-ups", like the incidents we experienced in 2004 at Kampong Medan in Jalan Klang, Kuala Lumpur. (The comparisons are ominously similar to what happened in Kampung Kerinchi, Kuala Lumpur in 1969!)

### **Restructuring and rent seekers**

The second reason for the extension of the NEP was the restructuring of human resources and equity ownership for Bumiputras. The restructuring goals succeeded enormously where removing the identity of race with occupation—or function was concerned, but apparently fell far short of the target of 30% Bumiputra corporate equity ownership. (But if the Government-linked companies are included, then the target would be exceeded.)

For restructuring of human resources, massive budget allocations for education have helped to produce large numbers of Bumiputra graduates at diploma and degree levels all over the country. The MARA residential schools for Bumiputras students have produced thousands of good graduates, many of whom have gained admission to both local and foreign universities and colleges. The Government has also awarded thousands of scholarships mainly to bright Bumiputra students to complete their education at some of the top universities in the UK, US and Australia.

Recent research organised by the ASLI Centre for Public Policy Studies has indicated that the 30% equity ownership target could have already been achieved some time back, but for some of the following reasons:

1. The financial crisis in 1997 had caused severe losses to most Bumiputra investors and businessmen.
2. Large allocations of shares were made to some Bumiputra businessmen who did not keep the shares for long, but instead sold them off for quick profits.

Thus most of these liberal Government measures to help Bumiputras to realise the 30% equity target failed. Most of the selected Bumiputras thus denied themselves the opportunity to expand their business and share of the corporate equity to achieve the target of 30%. Prime Minister Dato' Seri Abdullah has called these people "rent seekers" who have failed the Bumiputra community and the country because of their greed.

The Prime Minister has promised in his momentous speech at the UMNO General Assembly in July 2005 that the 9th Malaysia Plan will address these serious weaknesses and will ensure that only qualified and capable Bumiputras will be allocated preferential shares in future.

### **E. Failure to properly implement the NEP: Implications on national unity**

The NEP was primarily introduced to promote national unity. However, it has unfortunately also caused some disunity and polarisation. Some of the reasons for this polarisation from the point of view of the major ethnic groups are discussed below.

### **The Bumiputra view**

The failure to wipe out poverty, especially among Bumiputras, and the perceived shortfall in the 30% equity ownership target, have brought about the rising dissatisfaction and disillusionment to many Bumiputras, particularly the non-Malay Bumiputras in Sabah and Sarawak. The old resentment against the Chinese and even the Indians is emerging, as many Bumiputras blame the perception of non-achievement of the 30% equity target on the non-Bumiputras.

In addition, the non-Muslim Bumiputras who are mainly from Sabah and Sarawak feel that they have been relatively neglected and have felt some sense of marginalisation. Similarly, the *Orang Asli* or the aborigines in Peninsula Malaysia have also felt that they have not received their fair share of the benefits of Malaysia's rapid economic growth as well as from the many poverty eradication and restructuring programmes.

However, as the former Prime Minister Tun Dr Mahathir Mohamad has repeatedly pointed out - the fault is mainly with the Malays for not seizing the vast opportunities that have been provided to them to break out of the shackles of poverty. The Bumiputras have also not taken full advantage of the business opportunities presented to them through preferential treatment in the award of licences, permits, Government contracts, preferential bank lending and all the other Bumiputra privileges in housing, education and transport.

The Malays in the Malay heartland of Kelantan and Terengganu have also felt a strong sense of marginalisation. The withdrawal of the petroleum royalty in Terengganu has been a particular source of misgiving among the people of that state.

### **The non-Malay view**

On the other hand, the non-Malays have felt a sense of alienation in all these areas of special privileges for the Bumiputras, although non-Malays have not been deprived of their rights to what they already own, in accordance with the safeguards in the constitution.

However, the difficulties they face such as in getting various approvals from Government officials in business activities, matters pertaining to land alienation and opportunities in the field of education, etc. have made them feel a sense of deprivation of their rights and marginalisation over time. These negative perceptions and feelings cause polarisation and do not contribute to national unity.

Hence, below the surface of tranquillity, peace, stability, national economic progress and prosperity, there is considerable racial polarisation, discomfort, disillusionment and even uncertainty over the prospects for real national unity and integration. This uncertainty could slow the advance to achieving the goals of Vision 2020.

### **Root causes of polarisation**

Firstly, the decline in national unity is partly due to the lack of appreciation of the so-called social contract by all ethnic groups - the Bumiputras and the non-Bumiputras.

Secondly, there is some indifference or lack of understanding of the social contract because it has not been clearly spelled out, and it thus means different things to different ethnic groups. Furthermore, it is felt that special privileges for the Bumiputras have been considerably abused since the NEP was introduced in 1970 and at the expense of non-Malay taxpayers. There has also been a great deal of wastage of public funds as highlighted by many reports of the Auditor General.

Thirdly, it is thought by most non-Malays and some Malays that the era of special privileges has been long past, since it was originally envisaged for only 15 years in the Reid Commission Report that formed the basis for the present Federal Constitution.

Fourthly, the social contract is seen by many to be outdated and somewhat irrelevant and inconsistent with the new era of international competition and globalisation.

Fifthly, as Gerakan Party President, Dato' Seri Lim Keng Yaik, commented on the Prime Minister's UMNO Assembly debate in 2005, "If they (some Bumiputras) keep failing to achieve the quota and then ask for more, it will go on and on. We must analyse why the Bumiputra target (30% equity) has not been achieved."

Sixthly, as Tuan Haji Kutubul Zaman Bukhari, former President of the Bar Council, clearly pointed out in his Paper to the National Unity Advisory Panel the following points:

"However, these Malay privileges are not absolute but balanced by legitimate interests of other communities as well. This is clear by the words used in Article 153 (1) which states that the Yang DiPertuan Agong shall safeguard the legitimate interests of other communities as well.

"Legitimate interests encompass legitimate stake, legitimate rights and legitimate expectations. As a citizen of a country, everyone is equal before the law and it is a legitimate expectation that every citizen must be equally treated.

"Hence, I am of the view that policies can be formulated to cover the legitimate interests of other communities as well, just as how the Government has formulated policies to provide for the special rights of the Malays and the natives of Sabah and Sarawak. In the circumstances, I am of the opinion that Article 153 per se is not discriminatory and hence does not affect national unity."

But non-Bumiputras, while accepting the need for Article 153, generally feel that this important article of the Constitution has not been fairly implemented. Non-Bumiputras generally believe that the "legitimate interests of the other communities" i.e. the non-Bumiputras and the natives and aborigines of Sabah, Sarawak and Peninsula Malaysia have not been fairly and properly addressed.

### **Recommendations for national unity**

What major measures can be adopted to move more purposefully towards building national unity and integration? I would submit the following recommendations for consideration, improvement, supplementation and adoption.

1. National integration between Peninsular Malaysia and Sabah and Sarawak can be improved by giving much higher priority to develop the two eastern states. Specific measures can be adopted to reduce the inordinately high incidence of poverty in those states and to provide more basic infrastructure for development.
2. The lowest 30% of ALL Malaysians should be given greater priority to reduce their poverty and to improve their quality of life. This could be achieved by enhancing their access to basic human needs such as health, education, water, electricity, transport, housing, etc. We could call this emphasis the Human Rights or Basic Needs Approach.
3. The special privileges given to Bumiputras in education as well as business licences, contracts, permits and etc. should be allocated to the most deserving and capable Bumiputras.
4. The Chinese and Tamil languages could be offered in all national schools on a compulsory basis. This would reduce the polarisation we now see amongst Malaysian school children of all races. If the mother tongue languages are offered as optional subjects, the

mainly Malays in the teaching profession tend to be indifferent to organising the teaching of Chinese and Tamil in national schools.

5. At the same time, more development funds could be provided to primary vernacular schools to reduce the sense of alienation and marginalisation that parents and students of such schools now feel.

On balance, the national school system and national unity will gradually strengthen, particularly at the secondary school level, where the dropout rates will also decline.

6. The present modified meritocracy system can be improved to give more priority to the disadvantaged students from the kampung, new villages and estates as well as the remote rural areas of Sabah and Sarawak, and the urban poor, to give them more weightage for admission into institutions of higher learning.

Thus admission to public universities and colleges could be generally related to the racial composition in the country. Similarly, private universities and colleges which are mainly attended by Chinese students can become more multiracial if the Government provides more scholarships to poor, bright Bumiputra students and even poor Chinese and Indians who would otherwise not be able to attend these more expensive private colleges and universities.

The underprivileged among the smaller minority communities, such as the Orang Asli, the indigenous people of Sabah and Sarawak, and even the Indians from the estates and the urban poor, need more focused attention to enhance their welfare and advancement in the interests of national unity.

7. The civil service staff could be made more multiracial to remove the present overwhelming dominance of Malays in public service. The assertion by some quarters that non-Malays do not want

to join the public service does not hold water as there are large numbers of non-Malays who are unemployed.

Independent public service commissions could ensure that some form of quota system is used to recruit more non-Malays into the public service, including the police and the armed forces, to look after the legitimate interests of non-Malays.

8. Restructuring should also give high priority to the public sector and GLCs for an ethnically representative public service which can play an important role in all aspects of competitiveness, good governance and promoting national unity.
9. Similar proactive measures can be taken to increase the recruitment and retention of Bumiputras in the private sector. Private companies can be provided tax incentives to recruit more Bumiputra candidates. The Government on its part has to discourage Bumiputra graduates from wanting to work mainly among Malay dominated organisations like the GLCs.

The award of contracts to non-Bumiputras can be made conditional to their recruitment of qualified Bumiputra candidates who are prepared to compete with others and to work hard. Government-selected Bumiputra candidates who are prepared to work in Chinese, Indian or multinational companies should be given short courses in business principles and business values to orientate them to work diligently with other races in business. The perception that Bumiputras are generally averse to going into personal business, as opposed to corporate business, has also to be changed rapidly.

It is also necessary to ascertain why most Bumiputra businessmen fail to expand from small and medium business to big business without continual Government assistance and aid. Is it because they are not well trained, are culturally

- unprepared and come from agricultural backgrounds which are not suited to business values? Or is it because there is a preference to avoid risk which is essential in doing business?
10. The Government has to introduce, full, and not modified meritocracy, once the Bumiputras are academically and technically qualified and do not therefore need protection or “crutches” against international competition in a globalised world.
  11. The 30% equity issue could be de-emphasised since the strategic heights of the economy like banking, insurance, the many large GLCs, ports, airports and huge privatised projects involving PLUS, Telekom, Tenaga, etc. are all under Malay ownership and control. So the question that is often asked now especially by many non-Malays is: What more is required by the Bumiputra or Malay community and for how long more do they want to be protected?
  12. The 30% equity issue should be applied to mainly strategic industries such as water, energy and telecommunications. Otherwise, local and foreign investors will have to look to other countries where there are no such ownership restrictions to invest and to conduct business.
  13. There is a growing problem of “credibility” and even a lack of “confidence” in official statistics. This is because of the inadequate public access to official data and poor transparency in the methodology and coverage of Government statistics. The Statistics Department should therefore be made a Statutory Body which will be more independent, transparent and dependable.
  14. It is vital to increase confidence in the country’s future; any loss of confidence by the private sector will cause the Malaysian economy to slow down and then there will be less to distribute

from slower economic growth! National unity and integration today by most accounts has not improved and may even have declined over the years since the New Economic Policy was introduced in 1970. Indeed, many would argue that polarisation among the major races has increased since 1970 although the NEP has brought with it peace and stability.

15. A National Unity Index is necessary. One way to find out the real state of national unity and integration, and to investigate this perception of growing polarisation, would be to introduce national ethnic surveys to develop a National Unity Index. This index could be reviewed on a periodic basis and included in future national five-year plans.

### **The continuation of the NEP?**

The most important statement to date on the continuation of the NEP was given by Prime Minister Dato' Seri Abdullah in a written reply to Member of Parliament Ahmad Shabery on 23 November 2005. The PM stated that the NEP will continue to be needed as long as there exists economic disparity among the races in the country.

His statement therefore means that there will be no time frame for the NEP, although a time frame was envisaged when the NEP was first introduced in 1970.

This was because, as the Prime Minister added, the economic gulf between the Bumiputras and the non-Bumiputras was still wide. He explained that "for every ringgit earned by a Bumiputra, a non-Bumiputra will get RM1.80. He also pointed out that if there exists discontent among some quarters, it does not mean they do not agree with the policy (NEP) but that they are just unhappy over the implementation".

But it is well known there are many who are not happy with the NEP itself - and especially with its deviant implementation. Furthermore, the economic gulf is greater between Bumiputras and the Chinese as compared to the Indians and even wider in the case of the Bumiputras in Sabah and Sarawak. Even more telling is the widening income differences between the rich and the poor, within all the racial groups!

However, the real extent of the dissatisfaction with the continuation of the NEP is difficult to ascertain, as serious questioning of the NEP itself is discouraged or even disallowed. But there is broad agreement that the NEP has been poorly implemented. Therefore the PM's proposal to strengthen the monitoring of the implementation of the NEP or the proposed New National Agenda is welcome and will be strongly supported by all fair-minded Malaysians.

It must, however, be remembered that the NEP aimed to "eradicate poverty - regardless of race". Hence, it is hoped that the letter and spirit of the NEP will continue to be monitored carefully. Although most of the poor are Bumiputras, especially the non-Malay Bumiputras in Sabah and Sarawak, it must be realised that there are also very poor Chinese and Indians whose basic human rights and needs have also to be cared for and meticulously monitored in the interests of fairness to all Malaysians.

It is significant that the PM did not touch on the restructuring of the corporate sector to attain the 30% Bumiputra equity target. Is it because the Bumiputra equity share is well over 30% and could be nearer 50% if the Government-linked companies and nominee companies are taken into account?

All these issues have to be professionally analysed and reflected in the 9th Malaysia Plan if Ahmad Shabery's question as to whether the NEP would adversely affect Malaysia's global

competitiveness is to be fully answered. Indeed, Malaysia's national unity and international competitiveness will depend on these answers which have to be clearly and comprehensively spelt out in the 9th Malaysian Plan in order to achieve our ambitious goals under Vision 2020.

### **Is the New National Agenda for all Malaysians?**

The Minister in the Prime Minister's Department, Datuk Mustapa Mohamed, announced in Parliament on 21 September 2005 that "the Government is considering adopting UMNO's New National Agenda (NNA) to improve the economic well-being of the Bumiputras", presumably for the forthcoming 9th Malaysia Plan. This was the first time that some details of the NNA had been made public. This statement was therefore useful since there has been considerable uncertainty as to what was meant by the NNA when it was first mentioned at the UMNO General Assembly of 2005.

Regrettably, no mention was made of the improvement for the low income non-Bumiputras. What about the underclass? They comprise Malaysians from all races who earn incomes just above the present inadequate poverty line of RM529 per month for a family of five! These are the vulnerable groups who are susceptible to drugs and crimes as they are often "misfits" in society. They constitute, for example, the displaced estate workers of all races who have been forced to leave the more settled living conditions of the rubber and oil palm estates because of "fragmentation policies".

In fact, Dato' Mustapa said that one of the main strategies of the NNA is "reducing the income gap among the ethnic groups". This issue has to be clearly spelt out as it can cause major problems especially in implementation. This goal could mean pressing down the higher average incomes of the non-Bumiputras and raising the present lower average incomes of the Bumiputras.

How is this to be done? Will it be done through giving the vast majority of Government contracts, licences and permits to the Bumiputras and denying them to non-Bumiputras? Will the anti-poverty policies and measures be concentrated on the Bumiputras while non-Bumiputras are left out? If so, this approach will not then look after the "legitimate interests" of non-Bumiputras!

These are vital questions which beg serious answers. If these issues are not explained in time, there will be growing doubts that could lead to a further decline in public confidence. This will then raise questions of credibility and subsequently undermine ownership and acceptance of the 9th Malaysia Plan by ALL Malaysians.

Moreover, another aspect of the NNA was highlighted as "ensuring Bumiputra entrepreneurs participate and control new growth sectors". This would refer to the new fields of biotechnology, nanotechnology and in the downstream petroleum and plastic industries. Does this mean that these new growth areas will only be exclusively reserved for the Bumiputras to "control"?

It may be speculation at this stage, but doubts and uncertainty will increase as long as these concerns are not made transparent and addressed soon enough. The question may well be asked: Is the NNA meant to look after the interests of all Malaysians or just the interests of Bumiputras in Malaysia or even just the Malays?

The Minister mentioned that the Bumiputra share ownership dipped recently "due to inefficiency in implementation and Bumiputra entrepreneurs who wanted to reap instant rewards". It is therefore hoped that the NNA would show how the past wasteful leakages will be stopped.

Some of these issues in the NNA could discourage foreign and, in particular, domestic investment. They would have negative implications on the economic growth and income equity for all races.

It is thus vital that the 9th Malaysia Plan (2006-2010) be seen by the non-Bumiputras as a Plan for all Malaysians and not mainly, or worse still only, for the Bumiputras! If that turns out to be the case in its policy content or even in the implementation of those policies, then the non-Bumiputras will feel a sense of “deprivation and alienation”. Then domestic private investment will decline due to the lack of confidence in the future.

In fact, this comment was expressed widely by the non-Bumiputra members of the National Unity Advisory Panel when briefed recently on the 9th Malaysia Plan. They felt strongly that the 9th Plan would cause disunity rather than build national unity if it did not have a balanced approach to serve the interests of both Bumiputras and non-Bumiputras in our country.

Hence, it is hoped that the Government will soon further refine and explain the NNA so that it will be strongly supported by all those who want to see Malaysia moving more steadily towards becoming a peaceful and prosperous developed country by 2020 for the benefit of for ALL Malaysians. Otherwise, the aspirations of Vision 2020 will be difficult to achieve and could well be undermined.

These overriding issues of National Unity will be reflected in the 9th Malaysia Plan (2006-2010).



**PREPARING FOR THE 9TH MALAYSIA PLAN  
2006-2010**

The open debates at the UMNO General Assembly in July 2005 were addressed mainly at the Malay community, but they had some adverse reactions from non-Malay Malaysians. The clamour by UMNO Youth and some other delegates for the revival of the NEP caused much anxiety to the non-Malays. They generally felt that UMNO as the leading party in the Government only cared for the welfare and progress of the Malays and not other Malaysians.

The MCA and Gerakan leaders as well as the Chinese press expressed considerable concern at the over-zealousness of particularly the UMNO Youth leaders and the general sentiment voiced by many UMNO speakers at the UMNO Assembly. Likewise, the MIC was concerned but held back its comments after being criticised for being “chauvinistic” over the Crimea University Medical students issue, where the MIC felt that Malaysian Indians were unnecessarily penalised.

Hence, as head of the 14-member Barisan Nasional coalition and as President of UMNO, the Prime Minister clarified that the 9th Malaysia Plan will be fair to all races, at the three-hour Barisan Nasional Supreme Council meeting on 1 August 2005. This reassurance of fair treatment by the Prime Minister himself reduced the tension and reduced a lot of doubt amongst the non-Malays.

However, many Malaysians raised the question as to whether and how much the Prime Minister's wise speech will be taken seriously by all politicians and Government officials to apply the principles of "fairness to all Malaysians", according to the letter and spirit of the original NEP. Once again, the proof of the pudding will be in the eating. Undoubtedly, the Prime Minister is sincere and dedicated to the concept of *Bangsa Malaysia*. But how many other leaders follow his example?

However, good intentions or *niat*, as the Malays call it, are necessary but not sufficient to achieve his high ideals of what I would call "Malaysianism". What is really required is a new, innovative and sound monitoring system on Malaysianism. This will keep track of all Government policies and the implementation mechanisms that would ensure fairness to ALL Malaysians.

The National Monitoring System can be housed at the Prime Minister's office or the Prime Minister's Department within the Economic Planning Unit or even in a new unit within the PM's Department like the Implementation and Coordinating Unit (ICU). There should be Annual Monitoring Reports that can be tabled in Parliament. This will enable the people to follow the developments in the implementation of the New National Agenda policy and to expand the ideas of transparency and accountability which the Government has adopted.

Over-zealous officials and even politicians of all racial and religious groups can thus be carefully monitored to ensure that they do not *seleweng* or distort and deviate from Government policies through ill will and bad intentions. Thus much greater priority could be given to help the poor of all races to break out of their shackles of poverty and underprivileged positions. Higher priority than hitherto must also be given to education, not only to improve the quantity but especially the quality of our education system which appears to have declined in standards.

Thus the diligent and talented of all races should be given equal opportunities to compete for excellence. Where there are uneven playing fields in terms of poorer facilities and weaker socio-economic backgrounds in poor rural and urban areas, the necessary compensatory development policies must be adopted as a matter of high priority. Then there will be fairness to all Malaysians and the concept of *Bangsa Malaysia*, national unity and patriotism will gain strength.

Hence, the preparation of the 9th Malaysia Plan must emphasise the upgrading of human resources to wipe out poverty and to reduce income disparities along both inter and intra racial lines. Then Malaysia will indeed become more united, stable and prosperous and will be on the right path to attain the aspirations of Vision 2020.

### **Some ideas for the 9th Malaysia Plan**

During a dialogue with Dato' Mohd Dahan, the senior official of a Malay think tank, we discussed the preparation of the 9th Malaysia Plan. Dato' Mohd Dahan suggested that I write some comments on what he thought to be the key questions that should be considered in preparing for the 9th Malaysia Plan.

These key questions and my comments are outlined as follows:

#### **1. What human resource development should be provided for all those who can't get into universities?**

Human resource development, as pointed out by Prime Minister Dato' Seri Abdullah, is the key to the drive for Malaysia to attain developed industrialised country status by 2020.

The way forward is to provide more technological and technical training for those who cannot make it to the universities. Blue-collared

graduates can often find employment more easily. They can get even better pay and could also be more easily self-employed as electricians, plumbers, small business owners and entrepreneurs in their own right. Why fight so hard to enter our universities when in the end, graduates find it difficult to get suitable employment or no employment because employers find the graduates not up to standard? There is an estimate of 100,000 unemployed graduates in 2006.

Thus universities must be revamped to make them stronger centres of educational excellence. This can be done by introducing greater quality and meritocracy - if not urgently, then quite rapidly - but in a carefully phased manner in order not to cause too much dissatisfaction and even disruption in the whole education system.

But the goals must be set and the process put in quickly to achieve the targets for meritocracy within, for instance, a five-year year plan. Promotions should be based on pure merit. If it cannot be done at universities, then it will be difficult to do so elsewhere. Moreover, there should be a start to appoint at least one non-Bumiputra Vice Chancellor.

The present modified version of meritocracy which uses the parallel Matriculation and the STPM streams can remain a little longer, but we have to eventually phase them into a single examination or criterion scheme as soon as possible to ensure that genuine meritocracy is practised. Those who cannot get admission into universities and colleges can then opt for technical training to meet the vast demand for blue-collar jobs. They could also open their own garages or offer technical services where they will often earn more than weak graduates with soft subjects from the many universities and colleges.

## **2. What could be the new sources of growth?**

The Government should not aim to pick winners or new sources of growth. Instead, that should be left to the private sector which should also bear the business risks that accompany their business decisions.

However, the Government can consult the private sector and the international experts, such as the International Advisory Panel (IAP), on Malaysia's changing comparative advantages to advise and facilitate the private sector, as the Government has done in the case of the MSC and the Bio Valley. More growth centres could then be identified and encouraged with private sector support.

But a precondition for selecting new growth centres should be a free, open business environment that encourages rather than inhibits business enterprise through undue bureaucracy and ownership rules. Let investment come in or grow from within first, and then the Government could go for the taxes once profit is made. The Government should not penalise private investment with undue equity and bureaucratic constraints.

## **3. What instruments are needed to help the bottom 50% of all Malaysians?**

In the short term, there has to be greater access to basic human needs. Housing, education, health, transport and even some food items as well as controlled items like petroleum, etc. have to be subsidised, but mainly for the poor and not the rich. The integrity of the national Budget and the economy itself will be compromised if the rich are subsidised and there are leakages.

But for the longer term, these subsidies have to be phased out or reduced considerably on a properly drawn out plan and after public consultation. In the longer term, however, the main thrust

should also continue to expand education and training to raise incomes and self-reliance.

At the same time, there should be greater priority given to Science and Technology education and skills development at our schools, universities and training institutes. More technical schools should be opened up to absorb the growing numbers of students who cannot get into universities due to academic or financial difficulties.

#### **4. How do we attract more FDI?**

Most foreign investors will say that they are quite satisfied with our tax incentives. In any case, that is not the main issue with them. What they want is good corporate governance, an efficient and responsive Government machinery and an effective fight against corruption. In addition, immigration policies and practices should be more business-friendly and efficient. Getting business visas appears to be troublesome and long drawn. Foreign investors cannot wait.

We could be more liberal and be strict in an ex-poste manner, i.e. to check abuse when it occurs rather than to anticipate abuse and slow down the whole approval process. Otherwise, FDI can easily go to China and India and other any more welcoming places such as Thailand and Singapore.

We have to communicate as equals with the foreign investors to sincerely find out their genuine needs and concerns of doing business in Malaysia. We should not be too fussy and inconsistent in our equity ownership guidelines which might not be adequately transparent. Also, we should not over-emphasise equity ownership which could be perceived as “Ali Baba” businesses. There needs to be more transparency and accountability at all levels of government.

## **5. What must the private sector do for the 9th Malaysia Plan?**

The private sector has a special responsibility to ensure greater Bumiputra participation just as the Government has an even greater responsibility to open its doors to non-Bumiputras. The Government represents all Malaysians whereas the private sector's main preoccupation is profits. The private sector feels that their national obligation is settled with the high taxes they pay to the Government and wish to be relieved of all other obligations.

But in a multiracial society like Malaysia, the private sector must do much more to employ mixed ethnic staff. The Government should set up a Human Resource Database of well qualified, diligent and committed Bumiputras, Chinese and Indians and other ethnic groups who would like to work in companies owned by different ethnic groups. Thus private corporations and GLCs could be provided some incentives to employ mixed ethnic staff. Companies should also provide more training to their staff and help them to integrate with the majority ethnic staff in different companies in order to "multiracialise" their staff.

## **6. How does Malaysia cooperate/compete with China and India?**

The Government must fully implement the policy of regarding our multiracialism as our assets and not liabilities. For instance, the Bumiputras will have advantages in doing business in Indonesia and the Middle East. Similarly, the Malaysian Chinese will do better in dealing with China, just as the Malaysian Indians can score over others in doing business in India and Sri Lanka.

So we should cooperate as Malaysians to do business in China, India and the Middle East. As such, the Government should encourage a Malaysian approach in doing business abroad. We can always find niches to do good business in China, India and

Muslim countries as we are already finding out since we, too, have comparative advantages in dealing with these major trading partners.

## **7. What actions should be taken to promote technology and innovation?**

Research and development is low in Malaysia at about 1.0% of our GNP. This situation is dismal and augurs badly for our aim to become industrialised and to sustain our economic development at high growth rates in the longer term.

Only well protected intellectual rights and the freedom to employ the best brains can help promote innovation, technology and research. But how can we seriously do so when we have so few universities in the top world's 100 or 200?

How can we slow down the brain drain to encourage more home-grown research? Can we pay more to our scientific personnel and let them get more of the plum jobs in the public service? Can we select the best men and women for the best jobs or do we use other kinds of criteria such as ethnic preferences that will go against the grain of achieving excellence?

Unless we seriously recognise the strong competitive forces of globalisation and change fast enough to meet these new challenges, we may not be able to achieve our Vision 2020 goals on time. We need to make these vital changes in the 9th Malaysia Plan or lose the initiative and opportunity that Dato' Seri Abdullah Ahmad Badawi's leadership and Government has given Malaysia. This leadership has been blessed with a solid electoral mandate. However we can do much more to justify this unprecedented strong people's mandate for the Government to push for faster socio-economic development.

## 17

### **THE 9TH MALAYSIA PLAN Expectations and Assessment**

#### **(I) Expectations for the 9th Malaysia Plan**

Before the 9th Malaysia Plan was unveiled on 31 March 2006, it was highly anticipated by many that it would be the most critical of all the plans yet, because of two reasons. Firstly, it is the plan that will set the groundwork for the next five years, setting in place the basic requirements for the country to propel itself forward towards Vision 2020. It is the first Plan for the next fifteen years towards achieving what the country envisages: for Malaysia to become a developed country. Secondly, the plan will lay down strategies to face increasing challenges in the external environment.

The first issue to be faced with regard to the 9th Plan is structural change. Any sort of new policy or agenda will not hold much credibility if there is no substantive change in its style and direction from previous plans.

Take the New Economic Policy (NEP), for example. As we all know, it had a two-pronged objective approach: the eradication of poverty regardless of race, and the restructuring of society so that the identification of race with economic function and geographical location is reduced and eventually eliminated.

In the case of eradication of poverty, there has been an over-concentration on rural areas while urban poverty has been

disregarded. The poor exists in all racial groups, while preference has been given to the elitist groups. The disparities take on many forms: growing urban disparities, marked regional disparities and increasing intra-ethnic disparities. The Gini coefficient (which measures income disparities) has increased from 0.4421 in 1990 to 0.4432 in 1999, indicating a worsening of income distribution.

On restructuring, the initial target set out by the NEP was to ensure a 30% Bumiputra ownership of the country's productive wealth. In 2004, the official figure released was that the Bumiputra owned 18.7% of business equity. However, the prominent role of Government-linked companies (GLCs) in the corporate sector, in terms of ownership and control of business equity, brings into question the argument that the wealth attributable to the Bumiputra is less than 20%.

Even if one were to use market capitalisation of equity as a means to determine ethnic ownership patterns, the government's figures have been subject to dispute. The current breakdown of share capital ownership by ethnic group is Bumiputra 18.7%, Chinese 40.9%, Indian 1.5%, others 0.8%, foreigners 28.8% and nominee companies 9.2%. For some odd reason, shareholder groups like foreigners and nominee companies are listed even though it can be safely assumed that foreigners and nominee companies are not ethnic groups. If foreigners and nominees were not included in the tabulation, the equity distribution figures would look more like this: Bumiputra 30.2%, Chinese 66.0%, Indian 2.5% and others 1.3%.

The government's figures are also in dispute because a tabulation of the market capitalisation of equity owned by the GLCs, which are recognised as Bumiputra private sector investments, would indicate a substantial increase in this community's ownership of share capital than the reported 18.7%. A study published in 1990 of corporate equity owned by politicians and political parties, revealed that they have resorted to using nominee companies to conceal their ownership of corporate equity from public scrutiny.

What is pressing is that all of this has benefited an elite Bumiputra group, instead of being equitably beneficial to all. The concentration of wealth among these elite is detrimental to the majority of the Bumiputras as well as to other ethnic minorities' participation in commerce and industry.

A consensus is that the private sector must provide the engine of growth for the country. Have the policies set out within the NEP been achieved? I strongly believe that the spirit of NEP should be maintained within the New National Agenda, but the key is to be honest with its implementation process. In order to fully capitalise on national unity, which is one of the main thrusts of the NEP, the masses and not the elitist should benefit.

The second issue the plan should effectively deal with is with regard to economic stability. The Government has to put into place structural changes that will enhance confidence in the Malaysian economy. There has to be not only new growth areas like biotechnology and the Multimedia Super Corridor, but systems must ensure that there are equivalent resources that can be drawn from. The investment in quality human capital development and the technical know-how are factors that must be dealt with in the Plan.

Other areas in which the Plan should focus on are cultural, education and health tourism, which have huge potential and that have yet to be fully realised. This is one way the local economy can grow.

Yet, the question many people ask is this: Where is the growth coming from? Malaysia had the luxury of high FDIs in the past. FDI inflows into the country dropped drastically after the financial crisis in 1997. Malaysia's ranking in terms of FDI performance and FDI potential fell from the top 22 in the world in year 2001 to top 43 in 2001 (2002?). In order to regain confidence in our economy, Malaysia has to be clear about the ways its business culture is value-added. What do we have to offer that is not found elsewhere? What are our

competitive advantages? Quality, transparency and governance are crucial.

Third and finally, there is one clarion call that cuts across all issues and across all races, that is, the importance of excellence, quality and meritocracy. Is the Government really taking the lead in this?

The 9th Plan has to address this, relating it to all sectors. This includes the business environment which would encourage a spirit of entrepreneurship and a drive for efficiency. Within the education system, meritocracy would allow for world-class students and institutions to be developed, even if it comes into fruition 10 years down the line.

A system that encourages its citizens to strive towards excellence is the only way forward in a knowledge economy. Quality, productivity and efficiency are important driving factors, but these are only workable when a mentality for excellence is set in place. A culture that tolerates mediocrity will never be able to propel Malaysia forward.

In conclusion, structural change, keeping the objective of national unity in mind, should be the first key to look out for in the 9th Malaysia Plan. This will span the key policies of poverty eradication and the restructuring of society. Secondly, economic stability that will be the catalyst to private sector growth, productivity and foreign direct investment, is crucial for the Plan to address. Finally, a mentality striving for excellence and meritocracy is the only way towards setting a framework feasible for the year 2020 ahead. Without these differences coming through in the Plan, I fail to see how it will be credible.

## **(II) Assessment of the 9th Malaysia Plan**

The 9th Malaysia Plan (2006-2010) was introduced by Dato' Seri Abdullah Ahmad Badawi in Parliament on 31 March 2006. The Prime Minister established his stamp on the 9th Plan and gave it a new dimension in his presentation .

It had his special "National Mission" and "5 Thrusts" that had never been similarly outlined in the previous "8 Economic Plans". The Mission itself aims to concentrate on priority areas that will lead to achieving Vision 2020 in 15 years. His call was for a greater sense of urgency to implement the Plan and to change the mindset of Malaysians within that short period of 15 years.

In summary, the 5 Thrusts are to

1. Move the economy up the value chain;
2. Raise the country's capacity for knowledge and to attain a "first class mentality";
3. Address persistent socio-economic inequalities, eradication of poverty and to ensure the benefits of growth are shared in a "fair and just manner";
4. Improve the standard and sustainability of the quality of life; and
5. Strengthen the institutional and implementation capacity of the country.

### **What is new in the Plan?**

Besides incorporating *Hadhari* in the Plan, it is more of the same except that the emphasis has changed.

### ***Hadhari***

The Plan has a new element that was never in any previous Plan - it had reference to the religious principles included in the religious concept of *Hadhari*. This is seen by many to be unnecessary as socio-economic development is not generally deemed to be associated with religion .

In fact, it can cause considerable confusion at home and abroad as to its purpose and interpretation. More importantly, the adoption of *Hadhari* principles in the 9th Malaysia Plan would pose immense problems on how to implement the Plan's projects and programmes with efficiency and clear-cut development goals.

The New Economic Policy continues to be the mainstay and underlying theme of the Plan. This is disappointing to many professional as opposed to political analysts and commentators.

The 9th Plan was expected to set the stage for a more competitive and meritocratic economy. But instead, we appear to have adopted the Malay Agenda in accordance with the clarion call by UMNO Youth at its annual General Assembly in early 2006. That was when its leader Dato' Hishamuddin Hussein Onn raised his *kris* (small Malay traditional sword), in urging the Malays forward with the so-called Malay Agenda. This has been widely interpreted to be an emotional call for the continuance of protection of the privileges of the Malays and the New Economic Policy in the shape and form of the New Malay or National Agenda. They are both regarded as one and the same agenda!

### **Old elements and weaknesses in the new Plan**

Hence, we have the following old elements of the NEP in a new presentation of the National Mission:

1. Poverty eradication is rightly given more emphasis, but the former important qualification of eradicating poverty “regardless of race”, as was envisaged in all previous Plans, has been eradicated. Instead, the emphasis is on rural poverty.

However, urban poverty has become just as significant especially for the Chinese and Indians and indeed for larger numbers of Malays who have migrated to the towns and cities in recent times.

2. The corporate equity for Bumiputras has again been highlighted at 18.9% when in fact there is ample technical and professional evidence to show that this sensitive percentage could be well over the official target of 30% and as high as even 45%.

The Asian Strategy and Leadership Institute (ASLI) studies indicated that the Bumiputras clearly own and manage the “commanding sites” of the economy. This can be seen in energy (Petronas), natural resources such as rubber and oil palm in the plantations, as well as telecommunications, ports and airways - the many strategic companies under Khazanah Malaysia in the form of GLCs. This high Bumi equity ownership is strengthened in the banking and insurance sectors.

Thus the claim that Bumiputras control only 18.9% of the equity of the corporate sector is seriously doubted by many international and domestic investors and businessmen. There is therefore considerable doubt which has to be addressed soon to raise the credibility and business confidence.

In the meantime, the Plan expects to achieve the 30% equity by 2020. Some analysts think this is a “concession” to the

non-Bumiputras in that this target is not to be attained earlier.

But it is often forgotten that this target could have already been achieved - if those Bumi recipients of these equity shares had not quickly sold them to make a fast buck.

3. Private investment itself registered an average negative growth of (0.1%) during the 8th Malaysia Plan 2001-2005. But the 9th Plan projects a big jump in the growth of private investment of 11.2% p.a.

This is made up of domestic and foreign investment but the breakdown is not given. The estimate is also not transparent as there is no indication as to how the high estimate was made and the basis and rationale for this strong expansion in private investment during the 9th Plan. Are there going to be major new incentives or are there going to be radical changes to remove the existing constraints such as the inhibiting equity constraints?

4. There are no definite plans to make the whole public service more multi-racial.

The present heavily weighted Malay civil service, as opposed to the Malaysian civil service, does not provide for enough empathy in the civil service for non-Bumiputras in the Malaysian society. Hence, inefficiency will continue to be tolerated or condoned, as it is very difficult for the Malays to discipline their own kind. In a more mixed civil service, more competition can be encouraged as civil servants of different races will tend to compete more rather than fear to outshine their peers of the same ethnicity.

There is a Harvard Team that has been commissioned to study and make recommendations to the Government on civil service reforms to improve the delivery system. But it is made up of so-called management experts who cannot know the Malaysian work culture and environment as much as the Malaysian civil servants and consultants.

So how credible, relevant and acceptable can their recommendations be? The former Chief Secretaries and Heads of the Civil Service, together with local consultants and real experts with proven practical management and business acumen could have provided a much better report at relatively minimum cost to the Malaysian taxpayer.

5. Corruption which has become the scourge of the civil service has not been given sufficient attention in the Plan for its reduction and ultimate elimination - if possible.

Indeed the NEP and all other Affirmative Action programmes can be negated and eroded by corruption of the mainly Malay civil service and political leaders by the foreigners and non-Bumiputra businessmen especially rich Chinese businessmen and women.

6. I am sure that most Malaysians would prefer a Malaysian Agenda to have underlined the 9th Plan. If there had been more consultation across the board, the non-Bumis and a lot of Bumis would have wanted to gradually phase out the NEP which has created a debilitating dependency syndrome.

This malady has ironically inhibited the genuine socio-economic development of the target groups under the NEP. The incentive to work hard and strive for excellence has

been reduced. Their progress has been restrained for quick, short-term gains.

In the meantime, others have progressed and their incomes have increased, and globalisation is taking its toll on the weak and the unmotivated peoples of the world. We are therefore not being fair to the underprivileged by spoiling them and blunting their natural competitiveness in an increasingly competitive world.

7. The racial theme continues to be paramount in the Plan purportedly to help the Bumiputras. But this approach perpetuates resentment and disunity. These negative implications of the Plan could be removed if the Plan insisted in policy, and particularly in its implementation, to help develop all Malaysians regardless of race.

Most of the beneficiaries would still be the underprivileged Bumiputras and also compassionately include the minority Chinese and Indians and others who have a higher average income. Thus there would be no discrimination against all the depressed Malaysians, and this policy measure would have strengthened national unity.

8. Similarly, why could not the Plan have provided some form of proportional allocation of admissions into Government institutions to financially poor and academically bright students - again regardless of race? This policy would have been most welcome as it would have shown a high sense of Government accountability to all its citizens and also increased competitiveness especially among the Bumiputra students.

9. One major concern in the Plan is the aim of “reducing income disparity ratio between Bumiputras and Chinese to 1:1.64 in 2004 and between Bumiputras and Indians to 1:1.27 in 2004. Here again, the specific measures to attain these targets during the Plan period are not clear. Thus could cause uncertainty.

Does this mean that the growth rates of the Bumiputras are to be stepped up while those for the Chinese and Indians will be stepped down? This can be done by giving, for example, more business licences, large Government contracts and more university places to the Bumiputras and less to the non-Bumiputras. But this strategy would amount to a deprivation of opportunities, which would be, arguably, against the spirit of the Constitution.

10. Finally, in the interests of transparency, accountability and good governance, it would be advisable to further clarify the well meaning ambitious aims, statements and data in the Plan document. Just as importantly, it would be salutary to the pursuit of “best practices” if the Government’s Statistics Department can be made an Independent Statutory body. This will enable greater public confidence in its methodology and the data that it publishes for the public.

## **Conclusion**

The 9th Malaysia Plan is a well presented document which would be better received and would enjoy stronger ownership and support from ALL Malaysians, if the above recommendations and others are seriously considered in the actual implementation of the Plan.

*Quo Vadis, Malaysia? Where to, Malaysia?*

In the final analysis, the test of the pudding will be in the eating. I have every confidence that it can taste good for every Malaysian.

## 18

### **GOOD GOVERNANCE IN NATION BUILDING** **Mandatory!**

The basis for the human rights' approach to good governance is found in Article 25 of the UN Declaration of Human Rights, as follows:

“Everyone has the right to a standard of living adequate for the health and well-being of himself and his family, including food, clothing, housing and medical care and necessary social services and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control.”

We must constantly ask ourselves and the Government as to whether we are fulfilling our obligations under the UN Declaration and monitor and develop new strategies to raise the quality of life of all Malaysians.

#### **What is good governance?**

It is the process whereby public institutions conduct public affairs, manage public resources and guarantee the realisation of human rights. It ensures the rule of law, improves the efficiency and accountability of the public sector and tackles corruption effectively.

Good governance stands for best practices - both in the public and private sectors - for the achievement of all human rights in the form of

political and civil rights and especially economic, social and cultural rights especially in developing countries such as Malaysia.

For the developing countries, I believe that good governance is more relevant in terms of access to the basic needs and human rights - such as freedom from want, hunger, health, housing. In short, good governance struggles to attain a reasonable quality of life for all peoples. It's a "Jihad" for a good quality of life and a fair and equitable society for ALL Malaysians.

### **How do we achieve good governance?**

Happily, it is through civil society and service organisations and a whole range of NGOs. Indeed, good governance is all about how each and every one of us can use our talents and energies to bring about the higher standards of service to our countries and societies. Good governance is not confined to the Government alone but to the whole economy. It covers corporate governance as well as more people's participation in the Government. Thus for instance, Local Authorities should have more elected representatives who would be required to be more transparent and accountable.

### **What is Malaysia's record of good governance?**

It has been relatively good but is now declining. The World Bank reports have six indicators of good governance, as follows:

	2004	1998
	(0 -100 points)	
A. Voice and accountability	37	42
B. Political stability	58	64
C. Government effectiveness	81	80
D. Regulatory quality	64	70

E. Rule of law	64	76
F. Control of corruption	64	80

*(Source: Compiled by the World Bank from 6-15 surveys/polls)*

### **What do you think of our record of good governance?**

My readers will have different views. But I believe that the majority will agree that we are declining on many international competition surveys and this can reflect the state of our governance. There are many reasons for this deterioration. Amongst the most important is the weakening of the public service, including the predominance of one ethnic group which does not offer the advantage of competition among different races in the public service.

Thus there is a tendency for public officials to protect and cover each other without adequate attention to the usual checks and balances. The Chief Secretary, Secretary Generals and Heads of Department might be hard put to take any substantive disciplinary action against their "own kind" in the same ethnic group.

But the political leaders, too, seem to condone mediocrity and suffer from the same predicament of wanting to "please their own people". That is why we hear of so little tough penalisation of non-performers. Instead, there is more "carrot than stick" being used. This is evident by the constant provision of perquisites handed out to civil servants in recent years without matching them with productivity. So much so that the public has expressed much concern that in the 2006 Budget, the private sector staff have been left out of the goodies while the Government continues to give bonuses and other perquisites to civil servants.

## **What are the human rights' aspects of good governance?**

### **Human rights' freedom of voice and accountability**

Our freedom of speech has been uncertain for many years. The Government has legal powers to withdraw the licenses to print. The application to print newspapers has to be renewed annually and remains as a sword of Democoles to printers and publishers.

The right to free assembly cannot be taken for granted. Police permits have to be obtained every time organisations want to organise a public assembly or rally. Permits are usually given except when they are deemed to cause a disruption to public order and peace. But this is subjective judgement and can be abused. Sometimes opposition political parties have found it difficult to obtain police permits for public assemblies, rallies and demonstrations, especially near Election time.

Information is restricted mainly because of the Official Secrets Act (OSA). Hence, there has been rising demand for an Information Act that will stipulate what information should be released by the Government and what information can reasonably be withheld from the public, for example on grounds of security. Our score here has declined to 37 which is low (please see table).

### **Political stability**

Political stability has been one of Malaysia's major strengths, largely due to the Barisan Nasional (National Front) which comprises a coalition of the major political parties and ethnic groups in our country. But such an arrangement also has its limitations as public expressions of disagreement amongst component parties of Barisan Nasional are discouraged. Disagreement among the leaders behind closed doors may be stifled by the majority party, as is often the case. This leads the public to think that their leaders of the

minority groups are not fighting for their rights as much as they should be.

To vote in a democracy is a basic human right. But there have been numerous complaints on the efficiency of the Election Commission. Then there have been charges and counter charges of “money politics”, some of which have proven to be true.

But Government leaders in a democracy will do what they want to, unless the people react and respond to their policies and the way they are implemented. Hence, if there is a silent majority, there will be a quiet pursuit of policies that may benefit the minority of leaders representing small but powerful business interests and even extremist groups.

A recent striking example has been the way the Approved Permits (APs) for the import of foreign cars was handled inside and outside the Parliament. Despite all the public outcry against the abuses in the allocation of these APs to a privileged few who became multimillionaires, nothing significant has been done to right the wrongs. Hence, what is needed is a much more assertive public, non-Government organisation or the civil society. Nevertheless Malaysia has scored relatively highly for “Political Stability” with a score of 58.

### **Government will act only if the people react?**

Will the public or civil society react? Will they seek to rectify the wrongs done against society? This is the challenge for Malaysia and all Malaysians, including the leaders from all walks of life - they who must take heed of the views on the ground.

### **Will we all respond to the challenge of good governance?**

I believe this will happen in time but not in the near future. People are too submissive because of our feudalistic past - the Colonial domination by the British and the exaggerated fear to dissent because of the perceived threat of the use of the Internal Security Act (ISA) against dissidents.

Finally, good governance will determine our capacity to

- Attain industrialised status by 2020;
- Achieve national unity; and
- Progress as a modern, stable prosperous and united nation - or decline in our international rankings in almost all fronts.

That is why it is so important that those of us, who are privileged to lead in our different spheres, should seek for excellence and good governance to improve our human rights and our quality of life for all Malaysians.

### **Good Governance for the Aged**

We should all strive for higher performance in the World Bank's Scorecard for Good Governance. The theme of social pensions for the aged, "Ageing with Dignity" was discussed during a conference organised by the Malaysian Association of Pensioners on 12 March 2005 as a follow-up to SUHAKAM's forum on the same theme.

Social pensions refer to cash payments mainly to the elderly, both contributory and non-contributory, of various kinds. Malaysia does provide welfare grants or public assistance to the aged but the question is: How widespread and deep is it?

According to the UN Declaration of Human Rights Articles, 2, 22 and 25, "Everyone has the right to social security"; "Everyone has

the right to a standard of living adequate for health and well being, including food, clothing, housing and medical care and necessary social services.”

Hence we must increasingly provide priority and greater assistance to our aged as they are growing in numbers.

### **What can the Government to assist the elderly?**

- Raise the poverty income line for the elderly;
- Maintain a monitoring system and data bank of especially the elderly who are poor;
- Register volunteers to help older persons;
- Raise our retirement age to 60; and
- Increase assistance to homes for the aged.

### **What can civil society do for the elderly?**

Associations for the elderly should coordinate, cooperate and consolidate their activities to help the elderly grow with dignity. Civil society could

- Consolidate associations for the elderly to present one voice to the Government;
- Facilitate greater coordination and cooperation among associations for the elderly;
- Tap on the strong voting power of the elderly (by 2050, 25% of the world population will be above 60) and exert their political strength during election time; and
- Use community centres like the *Rukun Tetangga* to cater to the needs of the elderly.

### **Role of the corporate and business sectors**

Businessmen generally take the line that they pay their taxes and that it is sufficient, as it constitutes their contribution to charity including help for the elderly. Unfortunately, many professionals adopt the same line, too.

However, associations for the elderly could persuade businessmen to “adopt” the elderly in their own community or the elderly from specific homes for the aged. In addition, some form of preference or tax incentives could be awarded to sympathetic businessmen who provide aid and assistance to the elderly.

To highlight awareness, the elderly could even ask businesses to show how much they give to charity and raise these issues at the Annual General meetings of companies as shareholders. It would be most beneficial if companies could give 1% of their profits to charitable organisations. The human rights’ approach strongly supports the need to help the elderly poor, and supports the social pension scheme.

The 9th Malaysia Plan could have given a chapter on the welfare of the elderly to include the following suggestions:

- Revise the national policy for the elderly formulated in 1995;
- The Government to fully implement the 1999 Action Plan for the elderly;
- Educate citizens on the need to prepare for old age - their welfare, insurance and savings; and
- Make the requests and presence of the elderly felt on the UN Day for elderly persons.

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### THE WAY FORWARD: WHAT NEXT?

#### Can we succeed?

After raising both the positive prospects and negative developments in Malaysia so far, it is time to make the final assessment: Can Malaysia achieve the Vision 2020 goals and on time?

I believe that the authoritative answer to this question is revealed in the Prime Minister's significant speech to the Malaysian Institute of Directors on 1 December 2005 when he was awarded the Institute's coveted prize. Pointed out that "the second half of Malaysia's odyssey towards 2020, the second 20 years would, however, be more challenging".

That is the crux of the matter and leaves the answer as to the question of whether Malaysia can achieve the Vision 2020 targets on time in some doubt at this time. He gave three reasons as to why the challenges would be difficult, as follows:

1. "We are not starting from scratch, but rather we are building on a higher base now."

This would imply that the path up the hill would be much more treacherous as the competition from abroad exposes us to more risks of failure. In other words, we must redouble our efforts.

2. "We have become somewhat accustomed to success, so our expectations are higher."

The Prime Minister is right if he means that Malaysians have become soft and complacent as we have had it good so far. The economy has been registering high growth rates as our competitive position was relatively good. But we cannot afford to depend on low wages as our comparative advantage, as other countries under ASEAN and AFTA such as Indonesia, Vietnam and the rest are more industrious and productive in low value industries especially in agriculture and even some labour-intensive manufacturing industries.

3. "The world has changed dramatically over the past 15 years and the formula for our success up to this point must be updated and upheld."

Yes indeed, the world has changed dramatically and rapidly in the last 15 years or less. It is almost an entirely different world from 1970 when the NEP was introduced. The world is certainly even more different from the time of Independence when the special position of the Bumiputras was introduced in the Malaysian Constitution. However, in many ways Malaysians may not fully appreciate the vital changes that have quietly occurred in our environment physically, politically, economically and socially.

The greatest changes in Malaysia have been brought about by the winds of change created by the forces of globalisation. These powerful forces will continue to put heavier pressure on us to become more internationally competitive. But are we becoming more competitive? Instead, on many instances, we are losing out in our competitive position.

I believe that was the message of our Prime Minister, that we have to change our mindsets and our direction to become more internationally competitive. The Prime Minister also added, “Effective leadership is not an exact science. It does not matter if one is seen as hard or soft, harsh or humble. What really matters is substance, that one must be firm but fair.” To be “firm but fair”; that is the crux of the effective leadership that Malaysia must have for it to develop into an industrialised country by 2020.

Further, the Prime Minister urged, “Let us brand ourselves as an economy that is clean, honest, innovative and efficient.” But many would say that we have neither been sufficiently firm nor fair and that we have not yet branded ourselves adequately as clean, honest, innovative or efficient. Those would be the means to achieve the goals of Vision 2020, and it is necessary for us to review these criteria in the context of the actual goals envisaged in Vision 2020 in order to ascertain whether we are on the right track and momentum towards realising industrialised status by 2020.

## **Can we succeed?**

### **Can we achieve the Nine Strategic Challenges of Vision 2020?**

1. “The first of these challenges is that of establishing a united Malaysian nation with a sense of common and shared destiny.”

This must be a nation at peace with itself, territorially and ethnically integrated, living in harmony with full and fair partnership, made up of one *Bangsa Malaysia* with political loyalty and dedication to the nation.

However, we are still not really a united nation, and we do not as yet have a sense of common and shared destiny because Malaysians of different races, and even within the same race, have

different perceptions of what their future prospects, and therefore their destiny, would be.

The Bumiputras and mainly the Malays would have a greater sense of shared destiny as existing socio-economic policies give them stronger faith and confidence in their future. The better placed Bumiputras would have a sense of more promising prospects for progress, just like the privileged classes in any country gain much more benefits from economic advancement than the less privileged.

At present, most Malays, Chinese, Indians and the ethnic groups from Sabah and Sarawak - except the rich and the privileged among these groups - do not see their future socio-economic prospects rise in tandem with the nation's growth and modernisation.

2. "The second is the challenge of creating a psychologically liberated, secure and developed Malaysian society with faith and confidence in itself, justifiably proud of what it is, of what it has accomplished, robust enough to face all manner of adversity. This Malaysian society must be by the pursuit of excellence, fully aware of all its potentials, psychologically subservient to none and respected by peoples of all other nations."

Are we respected by people of all other nations? Yes, to some extent, especially if it is the people of Third World countries. After all, Malaysia is about the most advanced developing country in the world. The less developed countries and most Islamic countries look up to Malaysia as a good example of a rapidly developing country which is stable and peaceful despite our many problems. However, the industrialised countries that measure us by higher standards of excellence know that we have done very well, but that we are also falling back on several counts.

Our national unity has been eroded by greater polarisation, corruption and crime. Incompetence has been rising while our pride and confidence in the future are weakening in several areas. As such, our national psychology questions our capacity to face future adversities with courage and confidence.

3. "The third challenge we have always faced is that of fostering and developing a mature democratic society, practising a form of mature consensual, community-oriented Malaysian democracy that can be a model for many developing countries."

Are we actually fostering and nurturing a mature democratic society? Not really. There has been a rise in money politics amongst the major political parties in the country. It is primarily occurring in political parties with the largest support from big businesses. This is typical in countries where large corporations want to have their interests protected and promoted.

Meanwhile, the small and poor citizen's voice loses out and he becomes increasingly frustrated as he finds little opportunity to raise and articulate his dissatisfaction with adverse policies and practices. The practice of consensual community-oriented Malaysian democracy is undermined by the lack of democratic elections at the grass roots' level of the local authorities. Hence, it is arguable how serious we are in promoting more meaningful democracy. Under these circumstances, it appears difficult to aspire to be a model democracy for many developing countries, except for countries that practise little or no democracy or those with authoritarian governments.

4. "The fourth is the challenge of establishing a fully moral and ethical society whose citizens are strong in religious and spiritual values and imbued with the highest ethical standards."

Are we a fully moral and ethical society? Are we strong in our respective religions and faiths? There are serious doubts if we go by the considerable unhappiness expressed by the Interfaith Council. This Council or Majlis is made up of the leaders of the Buddhist, Christian, Hindu, Sikh and other faiths.

Most moderate Muslims too are uneasy with some of the more extreme and intolerant stances taken by their religious leaders. Because of this lack of understanding and frequent expressions of intolerance by all religions and faiths, it has been extremely difficult to form one Interfaith Council that includes the Muslims as well.

So how can we have a fully moral and ethical society when the Government cannot even persuade Muslims to join the Interfaith Council to help promote and strengthen religious understanding to enhance "strong and religious and spiritual values"? Indeed, many non-Muslim religions and faiths are hurt and very concerned with the application of Syariah laws to non-Muslims in cases of apostasy and other matters. They also perceive that they are discriminated in terms of obtaining suitable land for the building of temples and churches and in obtaining building plan approvals. If religious values of all our religions and faiths are followed faithfully, the level of national unity would be much higher.

5. "The fifth challenge that we have always faced is the establishing of a mature liberal and tolerant society in which all Malaysians of all colours and creeds are free to practise and

profess their customs, cultures and religious beliefs and yet feeling that they belong to one nation.”

It is believed by many Malaysians that “the feeling that they belong to one nation” has declined over the years because of polarisation and a sense of being alienated and marginalised from mainstream national policies. The perceptions of discrimination, from school to the higher levels of their human development and social advancement, give non-Malays the impression that they are not treated as equals.

They find these feelings of alienation and non-belonging in admission to universities, employment and promotion in Government service. They find undue discrimination in the application for licences, permits and Government contracts as well as in a whole range of their other dealings with Government agencies. This feeling of marginalisation is also felt by many poorer Malays and other Bumiputras in Sabah and Sarawak who feel that they are left out of the benefits of mainstream socio-economic development in terms of incomes and opportunities. They perceive that they are not treated as equals. That is how the concept of being treated as “second class citizens” has unfortunately gained ground. Second class citizenship need not be based along ethnic lines but along social and income criteria.

6. “The sixth is the challenge of establishing a scientific and progressive society, a society that is innovative and forward-looking, one that is not only a consumer of technology but also a contributor to the scientific and technological civilisation of the future.”

Are we a scientific and progressive society? Not really, when we consider that most of our manufactured exports do not have much technological value added. Where there is significant technology applied, as in the case of our electronic goods, it is due to the foreign multinationals that do not necessarily share their highest technology with us. Our research and development (R&D) efforts are still dismal at about less than 1.0% of our GDP. We have also not achieved our target ratio of 60% of our students pursuing science and technology in our schools and universities. So we are a long way from our aim to “contribute to the scientific and technological civilisation of the future”.

For us to go forward at a faster pace to upgrade our scientific knowledge, we have to provide more funding for research, more fiscal and other incentives and have more open competition amongst the academia. But to date, we do not have a single non-Bumiputra Vice Chancellor in our many Government universities. We have to encourage more meritocracy and academic excellence in our Government universities and colleges. Otherwise, we will continue to have mediocrity in our institutions of higher learning and we will further decline in our international academic ratings in the future.

7. “The seventh challenge is the challenge of establishing a fully caring society and a caring culture, a social system in which society will come before self, in which the welfare of the people will revolve not around the state or the individual but around a strong and resilient family system.”

Can we say with a clear conscience that we are “a fully caring society”? Many would doubt it. Why? Because we are also a polarised society. Very often in our subconscious, we tend to be

more empathetic and sympathetic with those underprivileged of our own race and religion. We tend to identify more readily with the trials and tribulations of our "own kind".

That is why the public service, largely made up of Malays, often tends to be more caring for the needs and wants of the Malays. You see this often in the ways the different races are treated at the service counters of Government departments and in granting licences and permits for business.

This is a major reason for the poor implementation of Government policies. Different groups tend to get different treatment, unless it is clear that the clients are deemed to be important by the Government official concerned. I suppose this is a general human failing that is experienced everywhere. However, it stands out prominently when it occurs in Malaysia because of the wide differences in race and religion among significant proportions of our population.

8. "The eighth is the challenge of ensuring an economically just society. This is a society in which there is a fair and equitable distribution of wealth of the nation, in which there is full partnership in economic progress. Such a society cannot be in place so long as there is identification of race with economic function, and the identification of economic backwardness with race."

We are still not an "economically just society". It will take much more time to become one. Unfortunately, the fair and equitable distribution of wealth is linked to race and religion. The largest and poorest sectors of the society are the Bumiputras. This is particularly so in Sabah and Sarawak as well as Kelantan and

Terengganu. But it is important to note facts that are often forgotten or ignored - that there are also very poor Chinese and Indians although proportionately less than the Bumiputras.

The identification of race with occupation and economic function has been considerably reduced by the NEP. But it is still pertinent in the private sector where the Chinese are mainly businessmen while Malays are predominantly employed in the public sector.

However, whereas the Malays have increased their presence in the business and especially corporate sectors of the economy, the Chinese and Indians have declined significantly in employment within the public sector. Indeed, the 30% target for Bumiputra corporate equity ownership has, in the assessment of many researchers, been already achieved. This percentage could have even gone up to above 50% if we include the strategic sites of the economy that are owned and controlled by the Bumiputras, including the Government-linked companies (GLCs) and proxy holdings of equity capital. This is a major success of the NEP and therefore need not be unnecessarily highlighted in our march toward attaining the goals of Vision 2020.

9. "The ninth challenge is the challenge of establishing a prosperous society, with an economy that is fully competitive, dynamic, robust and resilient."

Most Malaysians will accept that we are far from becoming "a fully competitive, dynamic, robust and resilient economy" by 2020 at the pace we are progressing in reducing "protectionism". Many prominent Chinese and other businessmen are moving their investments and entrepreneurial plans overseas. This is because

they see fewer prospects and more difficulties to invest in Malaysia where major contracts and opportunities are increasingly given to Bumiputras and even to foreigners.

Some regard this trend as part of the more strongly emerging “Malay agenda”. In addition, more and more bright young Malaysians are migrating to the more advanced developed countries, thereby aggravating the brain drain which could hurt the long-term competitiveness of the Malaysian economy.

The answer to the question *Quo vadis*, Malaysia? or “Where to, Malaysia?” lies in our ability to overcome our domestic and international challenges and to move forward with stronger national unity, political stability and economic and social progress. In many ways, it is a measure of our ability to achieve the ambitious goals of Vision 2020 on all fronts with distinction and confidence.

I believe we can attain those visionary goals across the board but only if we do not take their attainment for granted and if we do not minimise the problems that we now face about 14 years before 2020.

As it is, there seems to be a lack of a sense of urgency to strive for higher standards of meritocracy and competitiveness despite the rising tide of globalisation and greater international competition. Hence, our national ambition to excel and our national slogan of *Malaysia Boleh* or “Malaysia Can” or “Malaysia Will Succeed” has to be given more substantive meaning and strength in order to respond with confidence to the question “*Quo vadis*, Malaysia?”

We have therefore to rededicate ourselves as Malaysians and individuals, and collectively as a united nation of all races and religions, to sincerely commit ourselves more deliberately to greater meritocracy, efficiency and international competitiveness from now

on, or miss the boat and postpone the deadline for the achievement of Vision 2020 to a later date.

In order to succeed, all Malaysians, and especially our leaders, from all walks of life will have to exercise much greater political will - in the Government, business sectors as well as in our civil society - to forge ahead to achieve the nine laudable strategies for the achievement of Vision 2020, for Malaysia to become a fully developed, united, peaceful and prosperous nation.

All Malaysians and our Government have shown a remarkable resilience and genius, as a unique multiracial and multireligion country, for overcoming our many challenges in the last 50 blessed years since Merdeka.

I believe that God willing we shall continue to overcome our challenges and succeed well.

*Quo vadis, Malaysia? Where to, Malaysia?* Answer: To greater Unity, Stability and Prosperity. But we cannot be complacent. We all have to work hard together for our beloved country, Malaysia, to become a united and developed country by 2020!

# **EPILOGUE**

## **THE 9TH MALAYSIA PLAN: THE NEP AND NAVA'S TSUNAMI THEORY**

The purpose of this epilogue is twofold: firstly, to encourage the review and revision of the policy and implementation of Chapter 16 of the 9th Malaysia Plan, in order to avoid a decline of the Malaysian economy, and secondly, to recommend the monitoring of the 9th Malaysia Plan, to ensure that it achieves the goals of Vision 2020 on time.

### **Background**

The New Economic Policy (NEP) continues to underscore the 9th Malaysia Plan which indicates the aim in Chapter 16 that

The ethnic income disparities will need to be reduced.

On page 332 (paragraph 16:17), the Plan states that

The income disparity ratio between Bumiputras and Chinese narrowed from 1:1.74 in 1999 to 1:1.64 in 2004; while the ratio between Bumiputras and Indians also reduced from 1:1.36 to 1:1.27

While it is clear that the aim is to reduce this income disparity, the question is: How is this aim to be achieved?

As such, what are the likely scenarios to reduce this “ethnic income disparity”?

## **I. Scenario 1 - Reducing the “income gap” but not the “ethnic income gap”**

In Malaysia's capitalistic/mixed economy, the “income gap” could *theoretically* be reduced as follows:

- a) By lowering the top incomes, by imposing higher taxation. The tax rates could be raised from the present 28% to much higher levels. (Many industrialised countries have tax rates of around 50%.);\
- b) By raising the incomes of the lower 30% of household income groups. This could be done by reducing their tax rates; and
- c) By transferring more national income to the lower income groups, through massive expenditures (including subsidies), in order to increase their 'real incomes' and welfare and quality of life.

The Government could take action on one or all fronts, a) to c) above..

### **Implications of Scenario 1 on the economy**

The incentives to invest will then be lessened and foreign direct investment and domestic investment would then be discouraged due to higher taxes! Furthermore, the Government's revenue will decline and the higher expenditures and subsidies for the poor will reduce the Budget's capacity to finance projects and programmes for the poor and low income groups. Budget deficits will also grow!

Thus in a developing country like Malaysia, the “narrowing of the income gap” has serious limitations. This is in stark contrast to rich industrialised countries. The rich countries themselves could not have reduced the “income gap” when they were poor developing countries,

but now as developed rich countries they can afford to do so. They can afford to tax more and spend more for welfare programmes for their low income citizens.

## **II. Scenario 2 - Reducing the “ethnic income gap” and not just the “income gap”**

The challenge to reduce the “ethnic income gap” is much greater. It can be more negative and can be even more counterproductive to Malaysia's aim to achieve industrialised nation status via Vision 2020. The additional complication is that to reduce the “ethnic income disparities”, the higher income Bumiputras have to be helped more and even subsidised to generally get richer than the rich non-Bumiputras.

This can theoretically be done, inter alia, by giving Bumiputras more privileges like the best Government contracts, approved permits (APs), licences, equity shares at par values, property ownership, scholarships and more Government employment opportunities.

By the same logic, the non-Bumiputras, and mainly the higher income Chinese, would have their incomes and income opportunities reduced and potentially denied, even if it is against the “social contract” and current constitutional safeguards.

Similarly, the poorer or the lower 30% of the income groups of non-Bumiputras would have to be prevented from moving up to higher levels of income in order to reduce the “ethnic income gap”. Thus the land for agricultural cultivation, hawkers' licences, SME permits, educational opportunities, et cetera, will have to be seriously curtailed for the non-Bumiputras in order for this reduction of the ethnic income gap to work effectively.

## **Implications of Scenario 2 on the economy and national unity**

Then the rich non-Bumiputras will in time, suffer loss of income opportunities and will not be able to fully expand businesses and business opportunities in Malaysia. At the same time, the lower income non-Bumi groups may not be allowed to seize the opportunities of upward socio-economic mobility!

The result will be that the Bumiputras of both the higher and lower income groups will prosper and progress at a faster pace, while the non-Bumiputras will suffer declines in their incomes and prospects for progress over time. Thus, the Bumiputra/non-Bumiputra income gap would presumably be relatively narrowed.

## **Overall national implications of Scenarios 1 and 2**

The Malaysian economy will then slow down as foreign and especially domestic investors lose the incentive and confidence to invest in Malaysia. Non-Bumiputras will feel somewhat alienated. Hence, migration of the highly productive and the professional and business classes will increase.

Finally, the narrowing of both the “ethnic gap” as well as the “income gap” may not be realised, as the Tsunami Theory\* effect could damage the economy and social stability!

## **Conclusion and Recommendations**

The Malaysian economy will suffer from undue emphasis (as is already apparent) on narrowing the “income gaps” and worse still, the “ethnic income gaps”!

It is therefore recommended that we

1. Review and revise Chapter 16 of the 9th Malaysia Plan before its implementation by the politicians and civil

servants, many of whom would gain from such policies. They may even go all out to implement the Plan literally and with over-zealousness; and

2. Monitor carefully the implementation of the 9th Malaysia Plan to ensure that the economic growth and income distribution are properly managed and it achieves the goals of Vision 2020.

This potential “economic tsunami” can be prevented if we act now to properly secure our planning and implementation. We could have 'warning signs' through the adoption of a proper monitoring system that would warn us to move up to higher ground to 'economic safety and security' in time, before the economic tsunami hits us.

The ethnic income gap can be reduced by providing more and better education and training opportunities like those provided by the Malaysian Institute of Management (MIM) and other competent training institutes to all discerning Malaysians regardless of race and religion. Then the Bumiputras will benefit most as the majority race. They will then be better equipped for the new globalised world of greater competition.

Helping one sector of society to progress at the expense of other sectors can cause an economic tsunami effect. It's like the sea bed plates being forced up. I sincerely hope that the Tsunami Theory of Nature will not apply in the case of the Malaysian economy.

**\*Note**

The tsunami is caused by the uneven shift or irregular rise of the sea bed plates. This leads to a massive flow of destructive waves to the seashore and back again to the tilted sea bed plates, forcing huge waves to flow back with devastation to the socio-economic shore, again and again!

## **Obstacles to Vision 2020**

First, we should not be distracted from pushing harder towards attaining our Vision 2020 goals by unnecessary digressions...Second, we need a stronger hand to reduce polarisation, combat extremists in race and religion and also combat corruption. Third, we need to resist distortions to the implementation of the NEP and the Ninth Malaysia Plan to enhanced liberalisation and competitiveness and more meritocracy.

## **Bare truth about the Budget**

After Dato' Seri Abdullah Badawi took over, I feel more confident that the Budget is better managed...considerable deficits over a long period of time...have now been brought under control. But there are certain disadvantages in that. Reducing Government spending deprives some people of their business, especially the big contractors, but we have to look at the country as belonging to everybody and not just the contractors. If deficits persist, inflation will rise, confidence in economic measures will be reduced, foreign investments could be affected and our credibility and credit rating in the world financial markets will be adversely affected...the economy is actually doing pretty well. The only problem is people have got used to the idea that the Government is there to bail them out. If the world economy is sliding or experiencing a slowdown, we expect the Government to employ counter-cyclical economics all the time. That is not possible and the public has to be educated on the need to attach priority to financial discipline.

We must be concerned with our lower 40% of the income groups in the country, regardless of race and religion...we are all Malaysians and you must tell them what you have done to help them. Otherwise, he only sees buildings, roads and hospitals, and they seem

to be concentrated in the richer parts of the country.

We must translate expenditure in terms of projects and programmes that benefit the lower-income groups because the rich can always look after themselves. The Government sometimes forgets that the bulk of the workers are not rich... The taxes may not come from the poor but the work comes from the poor, and the taxes from the rich are meant for the poor, not for the rich again.

### **Curbing 'Napoleonism'**

There are Napoleons everywhere, but any boss who complains that he has a Napoleon must look at the mirror: How does he tolerate the Napoleon? The person is a Napoleon because the boss has been too tolerant, so don't blame the Napoleon. Find out why he became a Napoleon and why he was allowed to be developed into a Napoleon... It's a process of decay that sets in over a period of time. There must be something wrong with the system if you cannot identify individuals who are decaying and declining in their performance. So the system is wrong and the people running the system are responsible.

### **Public Delivery System**

There is currently more political intervention, less quality, too much lopsidedness in the Bumiputra domination and therefore inbreeding. Too much 'carrot' is being given and too little 'stick' being used. The result is complacency, indifference and a steady decline in the delivery system. The PM is trying to address the serious deterioration, but he is facing resistance and great difficulties because there is inadequate will on the part of leaders and managers to be tough on the inefficient and the corrupt.

## **Corruption and Money Politics**

Firstly, our temples, mosques, churches must be asked to preach that corruption is a sin. Second, our schools must teach that corruption can destroy the country. You know who suffers the most when there is corruption? The poor and, ironically, the majority of people who are poor in the country are...Malays...[they] have the lowest average income....They have the most representatives in government or cabinet and yet corruption is not being handled strongly enough...there seems to be an unholy alliance of leaders at the top who scratch each other's backs...there would soon be a realisation that many leaders, not all, are looking after themselves and their self-interests in terms of perpetuating their political power.

That's why you have money politics, that's why it is difficult for them to stamp corruption too strongly - when their source of funds dries up, they cannot become political leaders. We need to make the ACA independent... the Government must be serious and get some honest, bright, experienced individuals who have nothing to lose to tell the truth. And let them operate without fear or favour, then you would see a change. ...Another measure is to declare assets and liabilities to an independent panel of very eminent honest people.

## **Eliminating Extremism**

I'm afraid we are going through a stage where open discussion and debate is of a higher order, but yet the Government seems to be reacting more and responding more to the voices of extremism of the minority rather than the silent majority... if we send the wrong signals and more extremist and minority groups had their way and get away, there would be, number one, encouragement for them; number two, discouragement for the majority, and three, we would therefore be held to ransom. The Government should not tolerate that kind of situation because it can even undermine government and good governance. It would be like riding on a tiger.

*\*The above are excerpts from interviews that appeared in the Edge (July 2006) and the Sun (August 2006).*

## ABBREVIATIONS

ACA	Anti-Corruption Agency
AFTA	ASEAN Free Trade Area
AG	Auditor General
AP	Approved Permits
ASEAN	Association of South-East Asian Nations
ASLI	Asian Strategic Leadership Institute
CIDB	Construction Industry Development Board
CPTM	Commonwealth Partnership for Technology Management
DBR	Disclosure-based regulation
DoE	Department of Environment
EPU	Economic Planning Unit
FIC	Foreign Investment Committee
GDP	Gross domestic product
GLC	Government-linked company
GNP	Gross national product
GST	Goods and services tax
IAP	International Advisory Panel
IBS	Industrial Building System
ICT	Information and communications technology
IIM	Integrity Institute of Malaysia
IJN	Institut Jantung Nasional (National Heart Institute)
IKIM	Institut Kefahaman Islam Malaysia (Institute of Islamic Understanding Malaysia)
IPTS	Institut Pengajian Tinggi Swasta (Private Institutions of Higher Learning)
KEMAS	Kemajuan Masyarakat
KPI	Key performance indicator
MARA	Majlis Amanah Rakyat
MCA	Malaysian Chinese Association

MDG	Millennium Development Goals
MIC	Malaysian Indian Congress
MID	Malaysian Institute of Directors
MIGHT	Malaysian Industry-Government Group for Higher Technology
MIM	Malaysian Institute of Management
MSC	Multimedia Super Corridor
MTUC	Malaysian Trade Union Congress
NDP	National Development Policy
NEA	New Economic Agenda
NEAC	National Economic Action Council
NEP	National Economic Policy
NGO	Non-Government organisation
NHEFC	National Higher Education Fund Corporation
NNA	New National Agenda
OIC	Organisation of the Islamic Conference
PAC	Public Accounts Committee
PLC	Performance-linked compensation
PNB	Permodalan Nasional Berhad
POL	Pupils' own language
PSD	Public Services Department
SMI	Small medium industry
SUHAKAM	Human Rights Commission of Malaysia
TAC	Treaty of Amity and Cooperation
UMNO	United Malays National Organisation
UN	United Nations
WCC	World Council of Churches
WMD	Weapons of mass destruction
WTO	World Trade Organisation

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