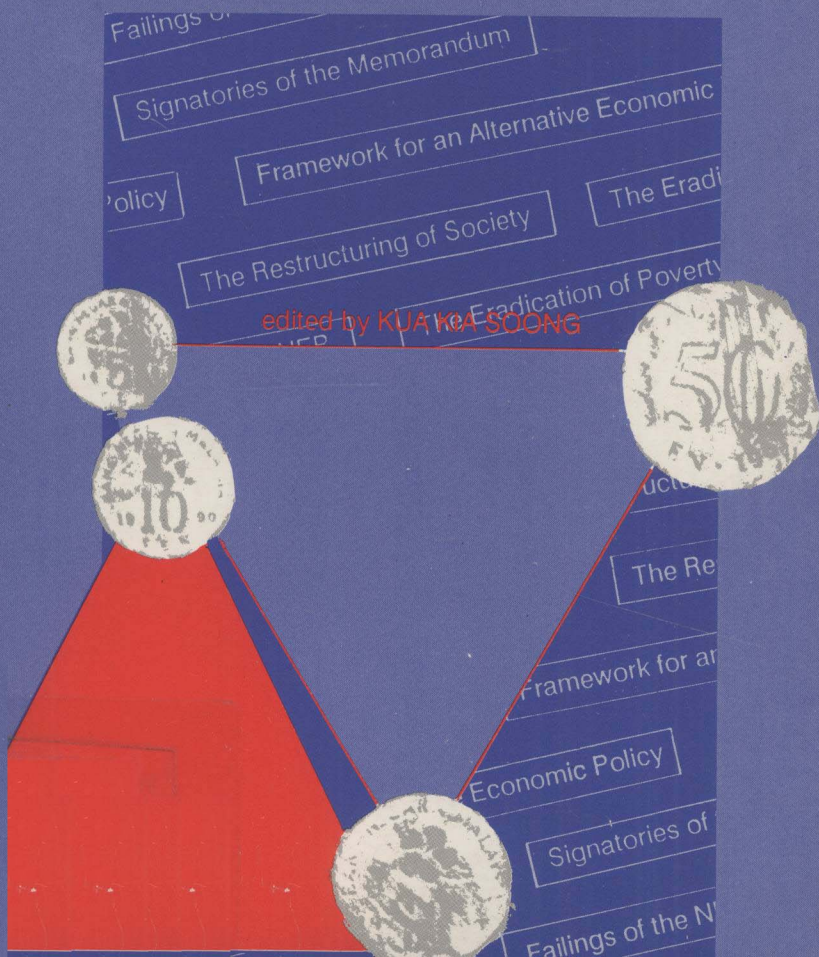


Framework for AN ALTERNATIVE MALAYSIAN ECONOMIC POLICY

edited by KUA KOA SOONG



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INTRODUCTION

It cannot be denied that the New Economic Policy has effected great changes to Malaysian society these last two decades. While the dominant party in the ruling coalition, Umno Baru, claims that it has achieved its objectives of eradication of poverty and the restructuring of society, others including component parties of the Barisan Nasional are not so sanguine. The MCA, for example, have complaints about many deviations in its implementation.

At the present moment - with the NEP in its final year of implementation and the general elections pending - the post-1990 economic policy has expectedly become a hot political issue.

The National Economic Consultative Council (NECC), set up by the Government in 1988, has now floundered with the withdrawal by representatives of the Malaysian Consultative Council of Buddhism, Christianity, Hinduism and Sikhism, Chinese Associations, the DAP, PAS as well as some other academicians.

All of these representatives who have withdrawn have pointed out the lack of sincerity on the part of the Government in setting up the NECC, such as the denial of vital economic data and the lack of representation by the top Government leaders.

The last group of academicians who pulled out of the NECC on 28 August 1990 did so because the Prime Minister Dr. Mahathir said on 22 August that "the Government was not bound to accept all the proposals of the NECC" (*The Star*, 29-8-90). They said:

"The speech is an embarrassing insult to all NECC members and also shows that the Government has not been sincere to the NECC." (ibid)

They added that in late 1988, soon after the formation of the NECC was announced, the Prime Minister said in a speech in Singapore that the NECC would fail and the Government itself would prepare the national economic policy after 1990:

"Although several NECC members had withdrawn by the end of 1989, the Prime minister has only chosen to use this as an excuse for rejecting NECC proposals almost a year later," they said.

Although neither the representatives from the Chinese Associations nor the DAP were the first to pull out of the NECC, the Government has tried to politicise the issue by constantly condemning their actions only.

Among the complaints about the proceedings of

the NECC was the fact that proper discussions about the post-1990 policy were prohibited by the Official Secrets Act; the plenary sessions were often forums for racist breast-beating rather than serious economic discussions. There were many other sources of unhappiness among the participants.

When the representatives from the Chinese Associations decided to withdraw on 22 August 1989, they cited among the reasons:

- Their disagreement with the procedure of submitting sub-committee reports to the plenary council before they had reached a consensus.
- That although Rev. Paul Tan had protested against a report on 17 August 1989, the controversial report in question was still brought up before the plenary session on 22 August 1989.
- Contents of some sub-committee reports were contrary to their stated terms of reference.
- Within some sub-committees, dissenting opinions were often not minuted and omitted in the reports.
- There was no opportunity for serious discussion about the various reports of the sub-committees.

The two documents in this booklet have been drafted by researchers of the Resource & Research Centre and endorsed by the 15 Major Chinese Associa-

tions of Malaysia.

The first document, "Divisive Effects of the New Economic Policy" is part of the thesis on *Polarisation in Malaysia: The Root causes*, published by the Centre in 1987.

The second and main document is the 15 Major Chinese Associations' *Memorandum on the Post-1990 Malaysian Economic Policy*, submitted to the NECC on 14 July 1989.

It is our sincere belief that this Memorandum is a framework for an alternative Malaysian economic policy which will not only serve to pull the Malaysian Nation together but is also the proper basis for facing the challenges of the 21st century.

As the general elections approach, the 15 Major Chinese Associations have also called on the Barisan Nasional Government to make clear its stand on the post-1990 economic policy BEFORE the elections. This is embodied in their latest demands to the Government, "The Main Demands of the Chinese Associations, 1990".

We hope all sections of the Malaysian public will give serious attention to the points raised in these two documents and that good sense will prevail.

Part I:

**DIVISIVE EFFECTS OF
THE
NEW ECONOMIC POLICY
1971-1990**

Chapter One

THE ERADICATION OF POVERTY

Of all the official policies and public institutions which magnify the 'bumiputra/non-bumiputra' dichotomy, the most dramatic is the New Economic Policy (NEP). Besides the consequences of the implementation of the NEP on the living standards of the Malaysian masses in general, it exacerbates the problem of communal polarisation of Malaysian society.

The NEP, which was presented as a fait accompli after the May 13 riots of 1969, had a two-pronged objective:

- the restructuring of society to correct the economic imbalance of wealth-holding which led to the iden-

tification of race with economic function; and

- the eradication of poverty.

With the benefit of hindsight and the evidence after its 16 years of implementation, we can conclusively say that while the second prong is salutary in theory, the government has tended to equate poverty with "Malay poverty". Even then, the premises and methods adopted to solve the question of rural poverty is open to question. On the other hand, from the first instance, the basic premise of the first prong is incorrect and could only have divisive and communalist effects, and indeed **has** had that effect.

If the government were sincerely concerned about promoting national unity through its economic policy, it would not have communalised the issue of poverty and wealth-holding. National economic reconstruction and wealth redistribution could have been effected through the identification of specific sectors and classes through an integrated approach steering well away from communalism.

In such a preferable approach, even if the vast majority in a poor sector were mainly from the Malay community, the policy would at least be justifiable and acceptable to all communities. Equally deserving poor sectors in the non-Malay communities would also not be bypassed or neglected. Most importantly, such a preferable non-racialist economic policy would be a positive and nationally integrative factor.

The reality of the NEP these 16 years is typified by the statements made by UMNO leaders as recently as the UMNO general assembly in 1986. For example, on 29 August 1986 UMNO Youth President Encik Anwar Ibrahim said:

"We would like to remind [critics of the NEP] that efforts to eradicate poverty among rural Malays should be continued because they are relatively far poorer than the urban population." (*The Star*, 30-8-86)

Such an attitude toward the question of poverty is obfuscatory. Consequently, the problems of poverty and abject conditions in the New Villages and estates are not treated with the equal attention they deserve, but are put aside because of the misleading average figures for the respective communities.

At the same UMNO general assembly, Encik Anwar Ibrahim also remarked:

"We do not deny the need to develop New Villages but what we would like to correct is the misconception that these villages are backward and neglected."

Such a statement is as misleading as it is misinformed for among New Villages, there is a wide gulf between urban and rural New Villages. In a survey conducted by Universiti Teknologi Malaysia (UTM) in 1984, it was found that more than two-thirds of the households in Hilir Perak New Village earned less than M\$500 month-

ly. This is less than the M\$550 rural mean income for Peninsula Malaysia. These poverty incidences in New Villages are confirmed by several surveys by research bodies in the government.

Is it therefore fair that the attention such sectors deserve should be forfeited simply because their plight is hidden by statistical averages that are considered for their whole community? Are such communalist statistics not open to question in the first place? It is precisely such statistics which form the basis and the modus operandi of the NEP.

Our object here is certainly not to inflate the problem of New Villages out of all proportion, merely to point out the stark incongruities of government expenditure:

Between 1970 and 1985, the development plan allocations for New Villages totalled only M\$61 million for a total population of 1.6 million (1.3 of which are Chinese). This is seen against federal government development expenditure on agriculture and rural development of M\$198 million in 1970 alone and M\$7,991 million for 1981-85.

For the same period 1981-85, the Fourth Malaysia Plan (4MP) allocation for New Villages was M\$20.5 million, which worked out to only M\$2.60 per person per year.

Poverty of any kind in any sector cannot be justified and should not be communalised.

It is also clear that NEP statistics on the incidence of poverty are highly misleading. They only tend to obscure the true picture.

First of all, we cannot measure wealth simply by considering cash income alone. Other factors which are part of livelihood must be considered, e.g. land ownership, government scholarships, services, utilities and subsidies. Moreover, measurement of household income which does not take into account household size and comparisons of proportion of economically active household members, would also tend to give a lop-sided view.

For example, the heavily over-crowded New Villages have a bigger household size than the national average. Also, a smaller percentage of Chinese children remain in secondary schools compared with Malay children. A 1983 study on Chinese New Villages has shown that the average household density was twice that of the national average in Peninsula Malaysia, according to the Deputy Minister for National and Rural Development. (*The Star*, 25-11-86)

This has moved the Far Eastern Economic Review (FEER) to comment:

"... it does point to the danger of basing a major government policy on questionable economic data,"

and also that:....

"the Malay poor...have seen precious little change in their lifestyles despite the fact that their race owns 17.8% of the total equity." (FEER, 29-9-86)

Thus, unless all poverty sectors irrespective of race are identified and positive measures employed to uplift their livelihood, the unemployed squatters, estate workers, factory workers, hawkers, artisans and others will be condemned to an unfortunate fate by the argument that "the rural Malay poor are in a worse plight". This should not be a pretext for ignoring the non-Malay poor.

The plight of the Indian plantation workers is particularly distressing. In this sector, one in five Indian students drops out before completing primary education. (*Malaysian Business*, 6-8-85) They are caught in a vicious poverty trap compounded by their poor mobility. While plantation owners have reaped handsome profits, the wages and benefits of the estate labourers have remained meagre and pathetic. Unionists have pointed out that this situation is not confined only to foreign-owned plantation:

"Things have not changed for the better either after Permodalan Nasional Berhad and allied local owners took control of the estates... over the years, the overall picture has been one of marked decline in the Malaysian Indian working population's share of higher category jobs and a significant increase in the lower category jobs. In fact, in utilities and commerce, there has been an absolute decline, and

hence a relative displacement of Indian workers which goes against the declared aim of the NEP." (ibid)

Regarding the eradication of rural poverty in the Malay community itself, the NEP's methods are also questionable. Agronomists and economists have time and again stressed that the main cause of poverty and backwardness lies in the unequal access of peasants to farm inputs, especially land, credit and other factors of production. Corrective actions, one would have expected, should tackle this problem at the root of the institutional and structural inequalities.

In Japan, Taiwan and South Korea, land reforms were effected as a necessary condition before their rapid industrial development. Such land reform was suggested as long ago as colonial times in our country but has never been followed because of the connections between the political leaders with the landed interests. So, the convenient scapegoat for the economic stagnation in the rural sector has always been the "imbalance in wealth-holding by the races".

Instead of simple land reform, the government has resorted to hugely expensive Felda and other land development schemes which have been a drain on the nation's financial resources. Like the other expensive heavy industrial projects, our current debt problems can be traced to these. The development and resettlement cost per settler family based on an average 10-acre plot increased from M\$37,000 in 1980 to M\$51,500 in

1983. (*Malaysian Business*, 16-9-84)

Accessible prime agricultural land is also becoming scarce and unit cost of land development schemes is getting more expensive by the year, not to mention the incalculable cost to the natural rain forest environment as a result of this sort of land development.

Under the Fourth Malaysia Plan, 15 Integrated Agricultural Development Projects (IADPs), covering almost half a million families, cost more than M\$590 million. During the first decade, the total contribution of **in situ** development (including IADP's, replanting aid, etc.) could only bring 56,700 families above the poverty line, or about 5,670 families a year out of some 500,000:

"Measured against the amount spent and the large number of poor households in agriculture, the contribution of the total in situ package to poverty reduction has obviously left much to be desired..."
(ibid)

According to an Ozay Mehmet, an academician who has studied this problem,

"...the effective remedy for the poverty problem of rubber smallholders requires - not as a sufficient but as a necessary condition - land reform to increase the average size of uneconomic holdings....The NEP strategy of attempting to alleviate poverty through subsidies and extensions services perpetuates smallholder poverty by encouraging entrapment of