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Speaker: YAB Tun Daim Zainuddin

Good morning to our distinguished guests, and thank you to University Malaya and specifically to the Institute of Public Policy and Management, for inviting me to speak today. I am indeed honoured to be a part of today's conference, more so because it allows me to speak on an issue that is very close to my heart.

The New Economic Policy started out with the best intentions, but over the years it has become a polarising policy, associated with discrimination on one hand and entitlement as to rights on the other.

In actual fact, the NEP in its original concept and purpose, is neither of these two.

Ladies and gentlemen,

We all know the origins of the original "New Economic Policy" that was introduced by the late Tun Abdul Razak in 1971. The racial riots of May 13, 1969 were deemed to have been caused largely by socio-economic imbalances within the Malaysian society, and so the NEP was conceived with two aims in mind – namely to reduce ethnic inequalities and to eradicate poverty irrespective of race.

Between then and today, the NEP, in its various forms and conceptions, has spanned 11 Malaysia Plans, 48 national budgets, six PMs and now, two political coalitions. In other words, the NEP has been a constant feature in our national economic and development planning, irrespective of who or which political party has been in charge.

We have to admit that the NEP has had its successes. Over the past five decades, hard-core poverty has been largely eliminated; the middle-class has grown; the economy has been diversified; and Malaysia has attained the status of an upper middle-income country.

Malaysians are more urbanised, better educated, live longer, and ethnic imbalances have been reduced. These developments and changes are ones we can be proud of.

It cannot be denied that the NEP brought political stability and peace, resulting in economic growth.

But, and this is a big But, the NEP has also been rife with shortcomings and abuses. These began not long after the NEP was implemented and in fact prompted the late Tun Abdul Razak to say, "Some became rich overnight, while others became despicable Ali Babas and the country suffered economic setbacks".

Today, the NEP remains a source of much dissatisfaction while remaining probably the most defended policy of the government. So much so, any attempt to improve or better it is seen from a skewed perspective, even if these changes would bring the NEP nearer to its original purpose.

Yet, if we continue to resist the changes that need to be done, we will pay the price. There are still pockets of abject poverty – the orang asli is a stark reminder of the indecent wealth disparity in the country; the disparity in modern infrastructure and amenities between regions is like night and day; and the educational opportunities available to the haves and have nots ensures that such income and standard of living gaps will continue to widen, if something is not done to rectify them.

That dire introduction was just a prelude to what really needs to be done to bring this country to the level we want it to be.

STATE OF THE GOVERNMENT IN 2018

Ladies and Gentlemen,

On May 9th, 2018, Malaysia witnessed a historic change of government. It was a welcomed change, and one that we celebrated with nationwide euphoria with many in a state of disbelief that the masses had risen up and demanded change.

However, as the euphoria dissipated, the weight of the tasks ahead set in. The PH Government may have had a historic win, but with that win came the burden of rebuilding the wreckage of our nation that the previous administration had left behind.

The 1MDB scandal was not the only example of misuse of public funds. Unprecedented levels of debt and corruption had seeped into every level of Malaysian government and society, resulting in the shameless robbing of the very institutions that were established to help and uplift our rakyat. The pillage of trust bodies like FELDA, LTAT, Tabung Haji, and KWAP were astounding and heart breaking.

The new Government learnt with considerable dismay that the previous Government had been living well beyond its means. It had indulged in borrowing off-budget, and the total debt and liabilities of the Federal Government amounted to over a trillion ringgit.

This Government inherited an ailing economy with mixed prospects and a fiscal state in chaos. National project agreements were onesided and had to be renegotiated.

Rampant corruption and kleptomaniac behaviour, had deterred FDI flows and contributed to capital flight. Behind a brave façade, economic prospects were dim.

The first task of the government therefore was to clean up the fiscal mess that was left behind – a task which the Government is still working on up to this day.

In tandem with the economic mess, there were also political and institutional issues that needed addressing.

The PH Manifesto had laid the groundwork for urgent reforms of institutions, the reinstatement of the rule of law and the empowerment of the civil movement, but it faced many challenges as it went about gearing itself to start the humongous task of delivering upon its Manifesto.

Many of the reform efforts are in place and ongoing. We've had our blips, and our no-longer new Ministers and Deputy Ministers have to buck up and step up. The eyes of the Rakyat are on them.

CURRENT INITIATIVES

Ladies and Gentlemen,

Chief among the initiatives that have been taken are moves to ensure the independence of the three arms of government – legislative, executive and the judiciary. For too long, the lines have become blurred and there was neither impartiality nor accountability in the government.

Today, things are far from perfect, but progress has been made, without a doubt. Unpopular changes have been enforced. But these changes sit uncomfortably with those who would lose the most, and thus in order to protect their own selfish interests, these parties resorted to playing the race and religious cards.

Sad to say, to a certain extent, their campaign has succeeded. We have seen ICERD and the Rome Statute shelved, the Government has had to justify every step of the way, the appointment of non-Malays and women to important administrative posts, and it has had to battle fire after fire that has been lit with the insidious flame of religious and racial uprising.

We need to question why certain quarters are afraid of these changes and more importantly, we need to question how is it that they managed to rally support for their rhetoric and hate campaigns?

I have mentioned in previous speeches that in the case of the Malays, many seem to see ghosts around every corner. It seems that these ghosts are getting more numerous and more easily visible with each passing generation. Surely, we have to look at how our children are being educated – formally, religiously and morally – as an indication of where our community is heading.

NEP IN THE NEW MALAYSIA: EDUCATION REFORM

Ladies and Gentlemen,

I have said it before and I will say it again, no Economic Policy can be effective if we do not first attack the issues at the educational level. While educational reform is part of the PH agenda, the snail' pace at which these reforms are taking place gives credence to the grumbles and complaints that perhaps the political will to push through real changes is severely lacking.

We are still arguing over whether we should teach Maths and Science in English when the rest of the world has embarked on advanced curriculums that focus on Industrial Revolution 4.0 (IR4) so as to make their youth more competitive and relevant in a world that is going to be dominated by artificial intelligence and robotics.

To participate in IR4, we must go through a knowledge-based economy and here Malaysia has failed because the Government, through the Ministry of Education, has not got its priorities right. The Education Ministry must not fail our nation.

While we are still mired in the political rhetoric of languages, others around us have moved beyond English or Mandarin or Bahasa Malaysia into the language of programming and coding. When will we realise just how far behind we are and lacking?

We have many things to consider when preparing our youth for the future – what are the uniquely human skills that we can develop for the future of the workplace? How can we work with technology to improve human life? How can we protect our country, and indeed our planet, against the effects of exploiting natural resources?

By asking the right questions and taking them into consideration in policy formation, we can create an environment where people are allowed to maximise their potential and pursue creative pursuits that are complemented by technology, not replaced by it.

While some are busy blaming “others” and foreigners of taking away our jobs, the reality is that technology will impact the most on future employment as robots replace humans in menial tasks. But where one window closes, another opens.

Fields such as Artificial Intelligence, Big Data, Robotics, Supply Chain Logistics, and Smart Manufacturing need skilled workers and indeed, the World Economic Forum has estimated that 133 million jobs will emerge as technology advances.

So the question is: “Are we in Malaysia ready for this leap?” Let’s be brutally honest here – we are not. In fact we are far from ready. We are still playing catch up with IR4 training when others are already gearing for the 5th Industrial Revolution.

But while we focus on skills, we must also not forget the education of the soul. How we teach religion to our young, and what sort of values we instil in them at home and at the school level, will impact greatly on the type of adults they evolve into.

We must empower them with the ability to think critically, logically, wisely and to make their own informed decisions no matter the situation. We must raise a new generation of leaders and great thinkers, not of sheep and cowards.

Positive moral values must be inculcated amongst our youth, and emphasised in the Malaysian workforce. We must take pride in our work and in ourselves. It is not too late for those of us who are adults to start living with integrity.

Do we gain anything by teaching the young that they have the right of entitlement over all others simply because of their race? Is it right to be instilling in students the thinking that all other religions are inferior to yours?

Is it moral to drill into students that other students are not entitled to certain privileges simply because they are not of a certain race, even if they are economically disadvantaged? Is it right to think that if you are of a certain race that is economically successful, then you look down on others from a race that isn’t?

Is it right that you are taught to feel superior because the language you are taught in is also the language of an economically powerful nation?

There needs to be understanding and empathy across the racial divide.

And that leads to the next aspect of a new NEP – moving from a race-based to a needs-based approach.

NEP IN THE NEW MALAYSIA: NEEDS-BASED AS OPPOSED TO RACE-BASED

Ladies and Gentlemen,

The PM has announced that the concept of “Shared Prosperity” would underpin the nation’s future development philosophy. Of course, this impacts on the most sensitive of issues – the Bumiputera Agenda.

Without a doubt, Bumiputera-based policies stemmed from the fact that Bumiputeras remain amongst the poorest and most neglected groups. But if this is the case, then surely what we have been doing all these years vis-à-vis the Bumiputera agenda has not quite achieved its intended target.

It is time for a new approach, to start afresh and truly change the lives of those amongst us who are not reaping the rewards of national development. The difference is that we must now target those amongst the rakyat who need assistance the most.

We can no longer allow Bumiputera interventions to continue to enrich those among us who have benefited from these policies, yet continue to take advantage of loopholes in the policies, to continue enriching themselves at the expense of those who need help.

We must also acknowledge that although Bumiputeras are indeed disproportionately represented amongst the poor, other races too are deeply affected by poverty and low standards of living.

We must acknowledge those among us who have been neglected and left to their own devices. Those among us who have not had their fair share, or even a fair chance to participate in national growth and development.

I am referring to our Orang Asli community, our urban poor, our rural folks, and all those who have not really benefited in the national agenda. I am referring to the people who should have been recipients of MARA scholarships and attendees of MRSM colleges, and yet were pushed aside in favour of those who could have well afforded the education on their own.

We have been robbing the poor to further uplift those that don't deserve the support, and this widening of the education and income gap must come to an end. The fear mongering is only to encourage and continue this abuse. Its time to stop the "them versus us" rhetoric.

Policy wise, the B40, irrespective of race, must be given priority. We must ensure that they can sustain their livelihood and continue to contribute to the national economy. As the majority among the B40 group, Bumiputeras will still stand to benefit the most. Those who don't deserve assistance, will not get it. And this should be the case.

The new NEP must take this into consideration and approach the Bumiputera dilemma with a fresh perspective, to ensure that all Malaysians can have their fair share of our national prosperity. Any policy must result in justice for all.

We have to admit that trying to keep the Malays in their own cocoons will only ensure that they will be the ones left far behind. While the other races are competing with each other and with the rest of the world, the Malays are faced with political rhetoric that insists that they remain spoon-fed and pampered. This will only soften the Malays and in an increasingly globalised economic scenario, this will not do them any good.

And this brings me to the third aspect of what any NEP should address – Globalisation.

NEP IN THE NEW MALAYSIA: GLOBAL TRADE AND COLLABORATION

Ladies and Gentlemen,

Any new NEP cannot be devised by considering only the local economy. It has to take into consideration what is happening around us. The world is increasingly globalised – we need to embrace it. In order to survive and thrive, we have to synchronise with other global partners. We cannot have a silo mentality.

We need to look at opportunities which capitalise on Malaysia's strengths and comparative advantages such as the halal industry, agriculture, tourism, palm oil and even arts and culture. In order to capitalise on these advantages, we need to enhance global collaboration and global linkages.

Malaysia is a small trading economy and has no influence in the policy decisions made by the US or China. Instead, we are affected in the medium to long term by the trade conflict that is hurting the global economy. Essentially, we would like both the US and China to work towards an amicable solution sooner.

We believe that ultimately, good sense would prevail among the leaders in finding solutions to end the conflict. But in the meantime, we must know how to position ourselves and how to reap any benefits that could come from a final outcome. As I said earlier – when one window closes, another opens.

Malaysia stands to gain over time from the trade diversion as the US-China trade war wages on, but this effect will not outweigh the drag from weaker global growth until late next year. Will we be ready to reap these benefits when the time comes? The preparatory work must surely begin now.

This challenge should not fall on the shoulders of the government alone. The GLCs and the GLICs – the giants that they have become – must also surely play their parts in preparing SMEs to step in and fill the gaps that the China-USA rupture will create.

NEP IN THE NEW MALAYSIA: THE ROLE OF SMEs AND THE BANKING SECTOR

One of the main concerns in encouraging SMEs to flourish is their access to banking and credit. GLCs in the banking industry could perhaps look at rejigging their financing models with more out-of-the-box loans for industry. One of the means for this could be the setting up of smaller subsidiaries catering purely to such financing needs. This can then be further expanded to think of new financing initiatives for housing and educational needs, especially for the B40 group.

We Malaysians need to review the definition of delinquent loans and take a developmental approach. Certain lenders, like SME Corp and Agro Bank, have a different mandate, and are able to take up these business loans. The SME loan segment is understandably riskier from a credit perspective, and needs a framework that can take these specific risks into consideration whilst still giving lenders the leeway to cater to the needs of this group.

We also need to have a concerted approach to industries that are under the national economic agenda. For example, if we are serious about developing Malaysia as a modern agricultural nation, there should be a framework on how financial institutions can support businesses in this industry.

We all know that newly set-up businesses have a gestation period, or some time required to start earning income and regularising cash flow.

The current financing terms require repayment of loans or interest servicing to commence immediately. This is not conducive to the agriculture and start-up industry, as the gestation period is normally around 12 months.

A possible solution to this would be to allow banks to structure these loans such that repayment takes place later, in line with the projected cashflow of these companies. The government can identify specific industries in line with the National Economic plan, whereby companies within these sectors have specific guidelines with regards to loans.

Could we see such changes leading to the bigger role that SMEs will play in the country's future economic development? Can we ready the SMEs to be the leading players in spurring growth? Can SMEs become the main players of a new NEP?

NEP IN THE NEW MALAYSIA: MOVING FORWARD

As it stands, I believe that investment and capital flow are the biggest concerns for our economy today. Then there is also the issue of political stability and the never ending question of the succession plan. All these issues have an impact on growth and economic activity.

Locally as well as globally, stock markets want certainty and stability. We need social and political stability in order to make calculated investments in the economy.

We have had a relatively smooth change in administration, and the transition in leadership has been peaceful, and this is sending the right signal to the world.

However, Malaysia must also show that we have clarity in the policies the Government intends to implement, and that the Government is also able to take a proactive role in addressing the national economy.

Our nation needs stimulus to get the economy moving again, but this must be carefully planned. There are already calls for a more expansionary fiscal policy – do we go down that path and if so, how far down that path do we travel?

Whilst many may overlook its importance, the inability of any Government to effectively communicate its long-term plans and strategies, often translates to a loss in confidence among investors - both local and foreign.

The Government should be clear in communicating that Malaysia is open for business, and there should be clear and concise guidelines on both local and foreign investments. Malaysia has always been a friendly country for investors, and we need to show them that it is safe to come back again. The narrative must be clear - we are serious about foreign investment, and about national development.

CONCLUSION

Ladies and Gentlemen,

It is not just Malaysia that is changing, but the entire world. And it is changing at a blinding pace, one that is difficult to keep up with both due to the pace of change but also because of the volume of information (and also misinformation) that is flooding our consciousness.

But while we look forward, it is also imperative that we look back. Are we getting our basics right? Are our fundamentals solid?

Let us not be under any illusions. We are still far from being out of the woods. We are far from being ready for the changes happening around us. We are far from being a united people. We are far from being able to compete at the global level. We are far from being able to embrace differences and changes. And underpinning all of this unpreparedness is education.

If we do not first get education right, all these other challenges will suddenly become insurmountable. To borrow a quote from Alvin Toffler: *"The illiterate of the 21st Century are not those who cannot read or write, but those who cannot learn, unlearn and relearn."*

I would like to add to this by saying, *"not only those who cannot learn, unlearn and relearn, but also those who refuse to learn."*

Underlying all these, there must be unity, and a sense of urgency.

Ladies and Gentlemen,

With this, I thank you for listening and wish all of you a successful conference.