Malaysia’s latest 5-year plan fails to impress

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by Kevin Brown

Malaysian prime minister Najib Razak spoke for nearly two hours as he delivered the latest instalment of his proposals to transform the country’s economy, but failed to convince doubters of his determination to force through change.

Observers said there were too few specifics in Mr Najib’s address, in which he introduced Malaysia’s 10th five-year plan, part of the mechanism through which his own New Economic Model is supposed to be achieved.

In particular, there were no firm commitments on tax reform or cuts in expensive subsidies, and not much advance in rolling back the system of race-based affirmative action, which benefits the majority Malays and other so-called bumiputera communities but is seen as divisive by many in the Chinese and Indian minorities.

Mr Najib said that price controls and subsidies, which the government says amount to M$74bn a year, “must be reduced in stages to eliminate market distortions and abuses”.

However, he said nothing about the scope or timing of subsidy cuts, widely seen as a credibility test for the government’s willingness to confront popular opposition to reforms.

On bumiputera preferences, Mr Najib said race-based quotas for university entrance would be dropped, in line with a proposed shift towards targeting government assistance on the poorest 40 per cent of the population, with racial bias.

However, the prime minister said Malaysia would retain a requirement for 30 per cent of equity in the country’s businesses to be owned by bumiputeras, and added proposals to extend bumi rights into other sectors such as property.

Some saw this as clever politics, seeking to achieve steady reform without provoking an open breach between the United Malay National Organisation, which dominates the government, and Malay rights activists who have sprung to oppose any dilution of privileges since Mr Najib floated the idea in March.

“Malaysia needs big institutional changes,” said Bridget Welsh, a Malaysia specialist at Singapore Management University. “Najib is trying to do it at the margins, and the question becomes whether or not the problem is just getting bigger”.

The Oscars ceremony in Los Angeles has been described as “20 minutes of entertainment crammed into two hours of television”. Mr Najib’s 20 minutes of reform has so far failed to convince.