MALAYSIA'S DILEMMA IN CUTTING SUBSIDIES

When Prime Minister Abdullah Ahmad Badawi declared that Malaysia would cut subsidies by 40% by 2010, the move was hailed as a brave step towards economic reform. However, the implementation of the policy has been met with resistance from various quarters, including the public and political leaders. The cutting of subsidies has led to rising prices for a range of goods and services, causing hardship for many Malaysians.

The government has defended its decision, arguing that it is necessary to reduce the country's dependency on subsidies and to promote more efficient use of resources. However, critics argue that the cuts have resulted in increased poverty and inequality.

The situation has also caused political tensions, with some opposition leaders accusing the government of using the cuts to divert attention from other issues. The government has assured the public that it is working to mitigate the effects of the subsidy cuts and to provide support to those who are most affected.

Despite the challenges, the government remains committed to its goal of reducing subsidies and promoting economic growth.

Translation:

Associate Professor Bridget Welsh commented that the prospect of Malaysia becoming bankrupt in 2019 like Greece, as warned by one of the country’s senior political leaders, was not effective in raising the confidence level in Prime Minister Najib’s government. This is because many people believed that the excesses of the government are the reason for the country’s deficit. She also felt that it is not likely that the government will implement Minister in the Prime Minister’s department, Datuk Seri Idris Jala’s proposal before the next general elections. Otherwise, there could be dire political consequences. She viewed the proposal by Idris as a broad policy direction and will not be implemented comprehensively. From previous observation, PM Najib did not attach overwhelming value to such proposals. She added that the Najib government currently faced pressures from many directions – from the people and the ruling party within. Without buy-in from the people, he was not likely to push the proposal through. Cutting subsidies before any general elections would be political suicide. If at all, she added, any cutting of subsidies would be carried out on very small and gradual scales. Overly aggressive cuts would only do the opposition advantage. She reminded that the government had already paid its price for the increase in oil prices in 2008 which is the loss of several seats.