

PART I: INTRODUCTION

- The question of what direction to steer the Malaysian economy to lift it from its prolonged state of lethargy and decay is one that should command the immediate attention of our government. The decisions that are taken today will have serious ramifications for the livelihood of future generations.

- An all encompassing economic framework designed to dramatically shift the trajectory of our economy should have been given the utmost priority at all level of public and government discourses.

- It is therefore deeply troubling that the commendable report prepared by the National Economic Advisory Council (NEAC) was from its onset sullied with partisanship and politicking as the Dewan Rakyat was never consulted during its formulation nor was its content ever presented and deliberated upon even after its launch.

- In fact, Tan Sri Nor Mohamed Yakcob, Minister in the Prime Minister's Department went on record in Parliament on 1 April 2010¹ to clarify that the New Economic Model as presented in the NEAC Report is not a government document. According to him, it is a proposal by NEAC that shall be considered by the government and it is only a part and parcel of the so-called consultative process being undertaken by the government.

- Nevertheless Pakatan Rakyat has reviewed with great detail and vigour the New Economic Model for Malaysia (Part 1) prepared by NEAC; released in conjunction with the launching of New Economic Model (NEM) by Prime Minister on 30 March 2010.

¹ Hansard Dewan Rakyat 1 April 2010 – page 239

- Given the secretive manner in which the document was prepared without bipartisan input we express certain grave concerns.
- Firstly, in the absence of a consultative process there are serious doubts expressed by policy makers, economists and business leaders that the government has the political will to implement necessary and painful economic reforms recommended in the NEAC report.
- The Minister in charge of the NEM's formulation's open declaration that the NEM is not a government document and is only a "suggestion", implies that the government, despite its bold statements, has not truly committed itself to the bold measures espoused in the NEM.
- Given Barisan Nasional's track record in receiving memoranda and suggestions from various parties to gain short-term support only to turn back on earlier promises when it has achieved its short term political objectives (the most colourful episode was Suqiu's appeal prior to 10th General Election in 1999)³, it is imperative that the government clarify to the public its true commitment to economic reform such as those outlined in the NEAC's Report.
- Secondly; the doubts on the political willingness of Barisan Nasional to implement economic reforms will be amplified even further now that the government minister openly implied that the government has not even "owned up" to the content of the report⁴.
- Despite the aforementioned needed for a concerted and deliberate attempt to review and revise our national economic strategy, Pakatan Rakyat fears that the NEAC's report and the launching of the NEM will amount to nothing more than a public relations stunt.

³ Refer to various documents on Suqiu's Appeal dated 16th August 1999 on the internet, including Aliran's article at <http://www.aliran.com/oldsite/monthly/2000/10b.html>

⁴ Hansard Dewan Rakyat 1 April 2010 – page 239

- Pakatan Rakyat has consistently maintained our commitment to engage with all political parties on policy matters that are in the national interest. We will offer our feedback and guidance in debating the NEM, present our views to the public with the ultimate objective of ensuring the necessary economic reforms take place. This is crucial to the long term survival of our economy.

PART II: ASSESSMENT OF CURRENT ECONOMIC POSITION AND CLIMATE

Right Diagnosis Vindicated Pakatan Rakyat

- Pakatan Rakyat feels vindicated that the diagnosis on our economic position presented by NEAC in the report corroborates directly with Pakatan Rakyat's views.

- On 25th February 2010⁵, Leader of Opposition YB Dato' Seri Anwar Ibrahim had cautioned the Prime Minister in prematurely declaring that the "worst is over" for the economy and that Malaysia could put the impact of the global economic recession behind us.

- In reality Malaysia's performance is lagging relative to other economies in the region. YB Dato Seri Anwar Ibrahim highlighted the worrying decade long trend of stagnant private investment which was a direct result of an over reliance on pump priming measures. This analysis was elaborated at length in the NEAC Report published approximately a month later.

- Consequently, in his speech to Dewan Rakyat on 16th March 2010⁶, YB Dato' Seri Anwar Ibrahim again outlined five critical economic areas which require urgent remedy if the country were to escape from the middle-income trap. These are:
 1. Over reliance on petro-dollars and widening public-private investment gaps;
 2. Capital flight;
 3. Severe drop in new capital investments and value added growth of manufacturing sector;
 4. Lagging human development that is unable to support liberalised economy;
and
 5. Unmatched savings and investment rates symptomatic of problem of access to credit.

⁵ Press Release dated 25th February 2010: "The Worst Is Yet To Come" – YB Dato' Seri Anwar Ibrahim

⁶ Economic analysis released to media dated 16th March 2010: "State of Malaysian Economy: Five Contentious Points" – YB Dato' Seri Anwar Ibrahim, Dewan Rakyat

- Each of these problems were highlighted extensively in the NEAC report.

- It is encouraging that the NEAC, as an influential body that was created by the government, has explained in great detail the extent of the problems our economy faces. These are issues that Pakatan Rakyat has been highlighting since the March 2008 election and which the opposition identified even prior to 2008 and as early as 2005. Determining the correct diagnosis is vital in order to ensure that we develop the right prescription for our problems.

- Yet herein lies the fault. All these problems were known for many years and yet there was hardly any effort to mitigate and/or resolve them by the Federal Government. This leads many to believe that either the government does not take these issues seriously or there is a serious problem in the policy making and implementation process of the government.

Barisan Nasional's Poor Track Record

- Pakatan Rakyat is deeply concerned by Barisan Nasional's poor track record in achieving previous targets it has established in earlier economic policies. The non-correlation between economic planning and targets with actual implementation and results is alarming.

- Malaysia indulges with grand economic planning at fairly regular intervals. Currently, there are at least three grand economic plans being implemented, not including the newly launched NEM.

- First, we have the 3rd Outline Perspective Plan (OPP3) or *Rangka Rancangan Jangka Panjang Ketiga (RRJP3)* which covers the period of 2000 to 2010. Within RRJP3, we also have National Vision Policy or *Dasar Wawasan Negara*.

- In addition the government has also announced the 8th Malaysian Plan and 9th Malaysian Plan as the first and second phase of the RRJP3 respectively. Within this key economic

planning framework, we have at least a dozen national policies on automotive, biotechnology and other sectors.

- Pakatan Rakyat is not against economic planning. We firmly believe that sound economic planning leads to sustainable growth, higher incomes and more jobs for Malaysians. These are keys to positioning our economy in niche areas ahead of regional competitors.
- However, economic planning must not be done solely for the sake of planning. In any organisation; let alone a nation – the leadership must be held accountable for the achievement of key targets and direction set out in the planning process.
- Therefore, the first thing that anyone should do to analyse the NEM is to revisit Barisan Nasional's track record in meeting the economic targets it has set for itself in the past.
- A good example is the targets set in the 8th Malaysian Plan (8MP) and 9th Malaysian Plan (9MP) covering the period of 2000 to 2005 and 2006 to 2010 respectively (as the data are readily available by now).
- The 8MP set nine strategic goals⁷ as follows:
 1. Pursuing sound macroeconomic management, and ensuring prudent fiscal and monetary policies as well as enhancing efforts to develop a knowledge-based economy;
 2. Strengthening and streamlining distributional strategies and programmes to ensure balanced participation among and within ethnic and income groups as well as regions;
 3. Enhancing productivity growth through improvement in workers' knowledge, skills and expertise as well as upgrading of R&D and science and technology (S&T);
 4. Increasing competitiveness and economic resilience through accelerating the shift of the key economic sectors towards more efficient production processes and high value-added activities;

⁷ 8th Malaysian Plan, Chapter 1 page 5 and 6

5. Expanding the usage of ICT within and across sectors to accelerate the growth process;
 6. Strengthening the human resource base to ensure the availability of manpower with higher levels of knowledge, technical and thinking skills;
 7. Adopting an integrated and holistic approach in addressing environmental and resource issues to attain sustainable development;
 8. Enhancing further the quality of life through improving accessibility to social services as well as developing the aesthetic aspects of life; and
 9. Intensifying efforts to nurture and inculcate positive values and attributes among Malaysians through the education system, social and religious organizations and the media.
- There are also specific targets in 8MP with regards to economic growth and poverty eradication.
 - Page 7 of 8MP⁸ states that *“during the Eighth Plan period, growth will be targeted at 7.5 percent per annum”*.
 - For poverty reduction, Barisan Nasional boldly claimed that *“during the Plan period, the thrust of poverty eradication will be directed towards reducing the incidence of absolute poverty to 0.5 per cent by 2005”*⁹.
 - Did we achieve the targets?
 - Malaysian economic growth measured in terms of gross domestic product (based on 1987 constant prices) for the period of 2001 to 2005 is as follows¹⁰:

⁸ 8th Malaysian Plan, Chapter 1 page 7

⁹ 8th Malaysian Plan, Chapter 1 page 9

¹⁰ Source: The Malaysian Economy in Figures 2005 (EPU publication) and statistics on national account published by Department of Statistics Malaysia at its website

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	2001	2002	2002	2003	2004 (e)	2005 (p)	Simple Average 2001 - 2005
<i>GDP (RM b)</i>	210.6	211.2	220.4	232.5	249.3	262.3	235.1
<i>Growth (%)</i>	-	0.3	4.3	5.5	7.2	5.2	4.5

- The statistics should be alarming to all Malaysians. In spite of the massive pump priming between the period of 2003 to 2007 (of which significant portion of the amount was spent in 2003 to 2005)¹¹, Barisan Nasional failed to achieve its most important target of the 8MP.
- Not only did the average growth for the period fall remarkably short of the 7.5% target (simple average of 4.5%), Barisan Nasional also failed to achieve the 7.5% target in any single year of the entire period.
- For 9MP, since the overall GDP growth target of 6.0% on average was only achieved (or exceeded) in 2007, Malaysia is bound to fail to meet that target set throughout the 2006 – 2010 period.
- In the case of NEM, Barisan Nasional sets a growth target of 6.5% for the period of 2011 to 2020 to achieve the aim of doubling private investment and achieving a national income per capita of USD17,700 by 2020.
- At the same time, NEAC has issued a projection of growth of 6.2% for the period of 2011 to 2015. As this is the more likely growth the country will experience, this means Malaysian economy needs to grow by an average of 6.9% for the period of 2016 to 2020.

¹¹ Economic analysis released to media dated 16th March 2010: "State of Malaysian Economy: Five Contentious Points" – YB Dato' Seri Anwar Ibrahim, Dewan Rakyat

- This is a rather ambitious undertaking considering the trend of growth rates for the last 10 years as well as the continued possibility of global economic and financial shocks that may affect our economy; especially given BN's poor track record of achieving the growth target in 8MP.
- It is not so much the unrealistic economic growth target that worries Pakatan Rakyat. It is the haphazard manner in which economic planning is done; as if the public can be misled continuously by tossing around attractive growth targets that are never achieved.
- For poverty eradication, Barisan Nasional unashamedly claimed its success for lowering the overall poverty rate to 3.6% in 2007¹²; totally oblivious to its own target in 8MP to reduce absolute poverty rate to 0.5% by 2005.
- This also means that if overall poverty rate still stands at 3.6% in 2007, it remains unclear whether Malaysia can lower the overall poverty rate further to meet the 9MP target of 2.8% by 2010.
- In fact, the overall poverty rate had actually climbed by 0.6 percentage point in between 2002 (5.1%) and 2004 (5.7%) – right in the middle of 8MP implementation that had set an absolute poverty target of 0.5%.
- The fact that not only the absolute poverty eradication target was missed but overall poverty was increasing throughout the period of the 8MP speaks volume of the failure of Barisan Nasional's economic planning. Neither were its targets realistic nor did it even come close to achieving some scant progress towards them.
- To put things into another perspective, the benchmark income levels used to determine absolute and hardcore poverty are absurdly low. Yet in spite of this, Barisan Nasional has failed to reduce poverty rate.

¹² Bernama News 30th March 2010: "Malaysia's Absolute Poverty Reduced From 50% In 1970 To 3.6% In 2007"(sic)

- It is not surprising that the main themes in NEM are recycled and rehashed from previous economic plans stretching from as far back as pre-2000.
- The key initiatives of leveraging on research and technology (R&D) to move up the value chain, moving from assembling to innovation for key sectors like electrical and electronics, bringing in knowledge-based economy – have all been mentioned before.
- Barisan Nasional has also failed over the last decade to make much head way with these initiatives as well. The fact that they can be re-introduced every few years as if they are new and innovative ideas is a clear indication of how little progress has actually been made in the last decade.
- Thus Pakatan Rakyat's scepticism over these repackaged themes adopted by the NEM with a new set of lofty targets is not without basis. Our concerns are largely shared by the public and business and investor community.

PART III: SHORTCOMINGS AND CONTRADICTIONS

Originality Is Suspect

- The three main thrusts of *sustainability, inclusiveness* and *high income* bear striking resemblance to basic tenets enumerated in Pakatan Rakyat's Malaysian Economic Agenda (MEA)¹³.
- In fact, the concept of needs-based "*affirmative action*" (rather than the race-based approach as espoused in the New Economic Policy) that is being touted as a major breakthrough for Barisan Nasional is clearly borrowed from MEA which first proposed the idea in 2006.
- The extent of copycat does not stop there. NEM talks extensively about the need to abolish rent seeking culture in order to reinvigorate the economy.
- In a speech to a dinner function hosted by Harvard Club of Malaysia on 5 May 2005¹⁴, former Prime Minister Dato' Seri Abdullah Ahmad Badawi lamented the widespread culture of rent seeking in practice.
- He urged the public to "*be willing to develop ourselves and let go of the addictions we have become accustomed to. It is a question of willingness more than a question of ability. It is a question of mentality.*"
- Unsurprisingly, despite a public declaration of war against rent seeking culture, scandal after scandal tarred the image of Barisan Nasional. In public the BN talks about doing the right thing, in private it continues to condone rent seeking so much so that the issue of "money politics" (the euphemism for rent seeking) becomes a permanent agenda item at Umno's General Assembly. In the years since the former Prime Minister's declaration the situation seems to have gone from bad to worse.

¹³ "A Malaysian Economic Agenda" by YB Dato' Seri Anwar Ibrahim

¹⁴ Speech by YAB Dato' Seri Abdullah Ahmad Badawi to Harvard Club of Malaysia dinner, 5th May 2005 at Sunway Lagoon Resort Hotel

- Pakatan Rakyat is not at all surprised to see that the same battle-cry of “*war against rent seeking*” that was once featured prominently in the previous administration; is now recycled and repackaged into NEM.
- Pakatan Rakyat is not against the idea of reform – be it in the form of reduced subsidies, more equitable social welfare programs and a fight against corruption.
- The fact that these themes and targets are brought forward from one economic plan to another is a proof that the government is not serious in carrying out the necessary reforms.
- When three consecutive Prime Ministers from the same party talk about achieving the target that his predecessors failed to deliver, it demonstrates a complete and systemic failure on the part of the government to deliver its promises.
- In that perspective, one cannot blame the public if NEM was received with lukewarm response because time and again, Barisan Nasional has the habit of employing public relations tactics to delude the people with grandiose development and growth targets; only to quietly shift the unrealised targets and objectives into the next major economic plan.
- Investors’ immediate reaction to NEM was muted. Bursa Malaysia’s Composite Index¹⁵ hardly moved. The market’s response was a big disappointment considering how heavily the NEM had been marketed as the saviour of Malaysia’s economy. :

	30 March 2010 (the day NEM was launched)	31 March 2010 (immediate response)
Composite Index	1,319.35	1,320.57
% change	-	0.09%
Volume traded	65,188,200	113,073,296

¹⁵ Bursa Malaysia

- This sentiment is echoed by a majority of market analysts. Instead of overwhelming endorsement, the market was greeted with reviews with headings such as “*New Economic Model: No Big Surprises, Awaiting Further Details*”¹⁶ that corroborate with Pakatan Rakyat’s own sceptical view of the NEM.
- Barisan Nasional must take heed that the public is impatient with the failure to deliver results and the constant repackaging of these failures into new economic planning.
- This habit of delayed progress is precisely the reason we are in an untenable economic position today. In spite of the public pronouncements claiming that that NEM is a major departure from the past; in fact the NEM is nothing more than a set of repackaged failures of the earlier policies.

Lack of Political Will

- The root cause of the failures to achieve the goals of consecutive economic plans lies in the utter lack of political will and seriousness on the part of Barisan Nasional leadership.
- Each year, the Auditor General’s Report highlights various examples of mismanagement and misappropriation of public funds at all levels of the government.
- While Pakatan Rakyat does not condone corruption or criminal breach of trust in any form or amount, one should understand the psyche of Barisan Nasional-led administration in which the topmost leadership indulges with the worst kind of alleged mismanagement.
- When a minister or ADUN or Ahli Parlimen is implicated in scandals to the tune of billions of ringgit (for example the PKFZ scandal which implicates a good many politicians from Barisan Nasional), no punitive action is taken, and every effort is made

¹⁶ Citigroup Global Markets, 30th March 2010. See also “Najib Stalls on his New Economic Policy”, *Asia Sentinel* 1 April 2010, accessed at http://www.asiasentinel.com/index.php?option=com_content&task=view&id=2378&Itemid=229,

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to cover up the scandal. It is not surprising that a lackadaisical attitude towards corruption permeates all the way downwards in the organisation.

- Year after year, Auditor's General Report highlights various mismanagement and recommendations from the lowest to the highest level of government. Among some of the highlights are as follows¹⁷:

AG Report Year	Media Report	News Heading	Amount (RM)
2008	Utusan Malaysia	<i>"Kerajaan Rugi Hampir 1 Billion" – 19 October 2009</i>	1 billion
2008	The Star	<i>"Extra RM10 million and Three Years To Finish Hospital" – 20 October 2009</i>	10 million
2008	NST	<i>"Paying RM28,500 More Than What It's Worth" - 21 October 2009</i>	28,500
2006	Daily Express	<i>"Defence Ministry Bought RM6.75 Billion of Defective, Non-delivered Petrol Boats" – 14 September 2007</i>	6.75 billion
2006	The Star	<i>"Chief Secretary to the Government Promises Action Against Those Implicated in AG's Report" – 12 October 2007 on National Youth Skills Institute (under the Youth and Sports Ministry) project where a car jack that cost RM50 was bought for RM5,700, a digital camera that cost RM2,990 was bought for RM8,254 and RM1,146 was paid for a set of technical pens with a market price of RM160.</i>	8.39 million
2006	The Star	<i>"Chief Secretary to the Government</i>	133.15

¹⁷ Excerpts from "Liputan Media Berkaitan Laporan Ketua Audit Negara" published at www.audit.gov.my; the latest report available is for 2008 and various other news reports as indicated.

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AG Report Year	Media Report	News Heading	Amount (RM)
		<i>Promises Action Against Those Implicated in AG's Report" – 12 October 2007 on the purchase of two helicopters worth RM117.75 million by the police air wing, which could not be used, as they did not meet specifications. Another RM15.4mil was spent to train pilots to fly these helicopters.</i>	million

- The findings are not a discovery for the majority of Malaysians as this culture has been accepted as being very prevalent. What surprised the nation was the extent of the losses suffered by the country due to such mismanagement and misappropriation – *The Star* estimated that the country lost up to RM28 billion due to the practice of direct negotiations; estimated from Auditor General's Report 2008.
- These are proofs of the sheer lack of political will on the part of Barisan Nasional leadership as each year the Auditor General's Report continues to highlight misappropriation of epic proportion. Yet the good work of the National Audit Department as if had fallen on deaf ears and had become an annual ritual for Barisan Nasional to rubbish its findings year after year.
- It is from this perspective that Pakatan Rakyat believes that NEM will not progress beyond the initial media galore. The kind of economic reforms required to ensure the success of NEM will be all encompassing and touch the backbone of the rent seeking culture prevalent especially in Barisan Nasional – so much so that Prime Minister himself admitted publicly that "*his head is on a chopping block*"¹⁸ as he proposes these reforms.

¹⁸ Reuters report, Singapore 6 April 2010: "Najib Says His Head On Chopping Block"

- However, YAB Dato' Seri Najib Tun Razak must come clean with the nation on his detailed plan to demonstrate his political will in pushing for reforms. The act of demonstrating moderation and openness to reforms only when he is abroad and facing foreign journalists whilst allowing quarters related to Umno to contradict every reform that his government has pledged to do; will not win him much confidence from the public and international observers.
- On that basis, NEM started on a wrong footing. Prior to its unveiling, Barisan Nasional's political goodwill to push for reforms came under serious doubt when it entertained pressures from known right wing groups such as Perkasa.
- Now that Minister in the Prime Minister's Department himself openly declared that the NEM document is a mere suggestion to the government, the public should not put too much hope that the major reforms will see the light of the day as the jostling for the status quo to remain is taking place behind the closed doors even as the country digests NEM page by page.
- In the end, NEM will meet with the similar fate of its predecessors. Malaysia is never short of economic plans and grand planning – what was lacking was the political will to implement it.
- Without such political will, even plans of lesser ambitions such as the 8MP had been a failure – let alone such an ambitious design to remake our economic landscape.
- Pakatan Rakyat's verdict is simple – Barisan Nasional's leadership must convince the public of its seriousness and political will first before NEM can be accepted as the right direction for the country to take economically.

Contradictions

- Having reviewed the NEM in details, what is most damaging to NEM does not even form any part of NEM or the documents published by NEAC.

- In the end, the public shall judge Barisan Nasional by its actions – past and present; to determine the level of seriousness and political will. In this department, Barisan Nasional's contradictory decisions and actions prior to and in the immediate instance of unveiling of NEM shall prove to be the most fatal blow to NEM.

Rent Seeking

- YAB Dato' Seri Najib Tun Razak has openly admitted that out of RM54 billion of equity allocated to Bumiputra, only RM2 billion remains due to immediate and large sell down of Bumiputra shares in the capital market¹⁹.

- Embarrassingly, he went on to admit that *"those who received bumiputra shares were not ordinary folk but mainly influential people 'who sat in the front rows at functions such as Tan Sris and Datuk Sris"*.²⁰

- It is an open secret that the majority of these shares were allocated to individuals connected to the ruling elite who went on to amass massive wealth.

- In spite of the open admission, it has been almost a year since the disclosure yet there has not been any serious steps taken to get to the bottom of the problem. Barisan Nasional government has not even attempted to announce to the public the individuals or parties involved with such a massive amount.

¹⁹ The Sun, 30 June 2009: "PM Frees Up Economy"

²⁰ Straits Times 3 August 2009: "New Bumi Strategy Needed"

- The least that the government could have done is to publish the major recipients so as to send a signal of its seriousness to purge the rent seeking culture prevalent in its ranks.
- The other example of pure rhetoric on the part of Barisan Nasional when it comes to purging the rent seeking culture is its handling of the much delayed National Cancer Institute.
- On 9th January 2007, the then Prime Minister YAB Dato' Seri Abdullah Ahmad Badawi completed the ground breaking ceremony for National Cancer Institute in Putrajaya.
- Various news reports²¹ indicated that the centre would cost RM340 million and should be completed within 30 months from the ground breaking ceremony (expected June 2009).
- The institute was also included as a project under the 9th Malaysian Plan²² and was reported extensively as a key government initiative to combat cancer.
- In an answer to a question in Dewan Rakyat on 10th March 2009²³, the then Deputy Minister of Health, YB Datuk Dr Abdul Latiff Ahmad informed the Parliament that the government is *"in the final stage to build the National Cancer Institute at a cost of RM700 million"*.
- 24 months after the project was announced and included in 9MP, the cost has escalated by 100%.
- The cost escalation can be explained by the nature of the parties involved in the project.

²¹ The Star, 9 January 2007: "One Stop Cancer Centre" and Xinhua, 9 January 2007: "Malaysia To Build National Cancer Institute"

²² Project no. 44: "Institut Kanser Negara Fasa 1" under Ministry of Health

²³ Refer to Hansard

- Pakatan Rakyat can disclose that the project was allegedly awarded by direct negotiation to a company called Kiara Teratai Sdn Bhd whose directors and shareholders are one Ahmad Zaed bin Saleh Hamdi dan Hashim Hasan.
- A search on the two individuals show various filings at Bursa on transactions related to MMC and Tradewinds, two companies associated with Tan Sri Syed Mokhtar al-Bukhary²⁴. Both individuals are considered individuals connected to Tan Sri Syed Mokhtar al-Bukhary.
- Kiara Teratai Sdn Bhd's financial statements ended 30 June 2009²⁵ confirmed that the company has received a letter of intent dated 5 January 2008 from the Government to design and build an institution for cancer.
- A similar check on IJM's market report²⁶ indicated that IJM was expected to be awarded a contract to build a local, specialised hospital job for a price of RM700 million.
- Connecting the dots, we can summarise the following:
 1. The project was initially estimated at RM340 million and included at that price in 9MP;
 2. The government then awarded the tender to a connected company named Kiara Teratai Sdn Bhd, fronted by individuals connected to Tan Sri Syed Mokhtar al-Bukhary (via a letter of intent dated 5 January 2008);
 3. Kiara Teratai is expected to appoint IJM as a subcontractor to build the hospital at RM700 million; twice the cost estimate in 2007;

²⁴ See Tradewinds Annual Report 2005, MMC Annual Report 2008

²⁵ See filing for financial statements for Kiara Teratai Sdn Bhd for financial year ended 30 June 2009, Note 10

²⁶ HwangDBS Vickers market report dated 5 May 2009 on IJM, page 2: "Project likely to be awarded by FY2010 – Local hospital job of RM700 m (we understand it is a specialised hospital under 9MP)"

4. The price tag of RM700 million has been announced in Parliament by the Deputy Minister, in complete ignorance of the initial estimate of RM340 million; and
 5. The project is delayed as completion was expected by June 2009. So far, in March 2009 – the government is only talking of “finalising” the construction.
- These are only two examples taking place in our midst, despite government’s avowed mission to combat rent seeking culture.
 - Just as the Prime Minister and his economic advisors drafted the NEM, connected parties continue to benefit from rent seeking at the expense of the public.

Removing Subsidy

- The double standard on the issue of subsidy removal is glaring.
- Pakatan Rakyat has maintained that the issue of subsidy removal must be approached holistically. It is morally wrong to take back assistance to the people (in the form of lower petrol prices) in the name of subsidy removal – yet the huge financial incentives and soft loans to big corporations such as Independent Power Producers (IPPs), water concessionaires and toll operators are maintained in the name of “sanctity of legal agreements”.
- While the Federal Government continues to dilly dally with water restructuring in Selangor to return the utility back to the public and to ensure minimal tariff in the future; it also provided Syabas with a RM320.8 million 20-year back-loaded and interest free loan²⁷.

²⁷ The Edge, 10 December 2009: “Selangor MPs Object To Federal Loan To Syabas”

- The issue of exorbitant profits made by IPPs is well known and has become a national topic. PETRONAS has suffered a bill of RM97 billion²⁸ cumulatively up to 31 March 2009 in gas subsidies; mostly to IPPs. Despite continuous public pressure, Barisan Nasional has not had the courage nor willingness to restructure IPPs given the burden to the national coffers in terms of gas subsidy that could have been used elsewhere.
- In between 2003 and 2008, the public has paid RM2.84 billion in gross compensation to PLUS²⁹ even when the existing toll rates were generally accepted as burdensome to the public. At the same time, for the financial year ended 31 December 2009, PLUS recorded an even higher net profit of RM1.19 billion compared to a previous year's profit of RM1.08 billion³⁰.
- The refusal of the government to restructure the toll concessions – either by way of renegotiation or complete take over to allow for more equitable review of the profit percentage to the new toll operator – outlines the double standard and different treatment by Barisan Nasional when it comes to the public.
- To the public, it forges ahead with the agenda of subsidy removal in the name of new economic model. To the big corporations, it allows inefficiencies and massive profit hoarding in complete opposite to the need to promote competition and transparency.
- Pakatan Rakyat's view on subsidy removal has been consistent and well received by the public.
- The review and restructuring of one-sided agreements and concessions of public utilities (such as water, electricity and highways) is a major thrust of the review

²⁸ PETRONAS Annual Report 2009

²⁹ The Edge, 13 April 2009: "Should PLUS Be Nationalised?"

³⁰ The Star, 24 February 2010: "Higher Toll Revenue Lifts PLUS Profit"

of subsidy system in itself – only by ensuring an equitable profit to operators and reasonable cost to the public; can the government continue with the next step of subsidy removal.

- In this manner, while the public will bear the higher petrol price, they will also benefit from lower costs of living arising from the restructuring of the utilities sector in the country.
- But such is the contradiction of NEM – it preaches economic liberalisation and competition to the poor; but is silent on removing protection and monopoly of the rich.

Government's withdrawal from business

- Prime Minister YAB Dato' Seri Najib Tun Razak announced that Khazanah and EPF will lower its equity holdings of government-linked companies listed at Bursa. This was followed by an announcement of Khazanah's divestment of its 32% holding in Pos Malaysia.
- On the other hand, EPF is expected to take direct interest in business and increase its overseas investment which currently stands at 6% of overall portfolios.
- If anything, the decisions on EPF and Khazanah are proofs of inconsistency and flip-flopping nature of decision making in Putrajaya.
- The move to encourage EPF to take direct interest in business is not much different from Khazanah making investments in unlisted/listed companies. On top of this, in March last year the government had also announced the setting up of Ekuinas (which until today is not much heard of).

- As it is, there are three government backed agencies or corporations involved actively in taking stakes/interest in companies – Khazanah, Ekuinas and now joined by EPF; even if we were to exclude the involvement of PNB.
- The message sent by the government is mixed – there seems to be a lack of coherence in coordinating the roles played by these agencies.
- A policy that encourages a divestment by one agency only to allow the other agency to increase its participation brings no real change to the status quo.

The inherent lack of transparency

- The market greeted government's move to dispose its assets and develops some parcels of lands to spur economic activities with some excitement. One of the first projects announced was the development of government lands in Sungai Buloh for a gross development value of RM5 billion to be jointly developed by government and EPF.
- Unfortunately, the positive response was short-lived as news soon circulated that MRCB was expected to be appointed as the contractor for the project; prompting allegations of insider trading³¹.
- Whatever optimism there was with regards to the planned disposal of government assets died instantaneously and marred the unveiling of NEM.
- The basic issue of transparency did not receive adequate attention and priority in NEM when it is one of the biggest ills of our economy.
- While NEM claims to promote openness to spur competition, it was rather muted on issues that are considered sensitive to the ruling elite – that of corruption, transparency and accountability.

³¹ The Star, 9 April 2010: "EPF Rejects Allegations On Insider Trading On MRCB Shares"

- This major contradiction will become a major impediment in the implementation of NEM; as the public and market will remain sceptical of the seriousness of economic reforms to be carried out by Barisan Nasional – when one of the prerequisites of such reforms i.e. transparency is glaringly ignored.

Discrimination by race and political affiliation

- NEM dwells considerably on efforts to provide assistance to the bottom 40% of our society in what it calls a “need-based” affirmative action.
- While the shift from race-based assistance to an approach based on needs is welcomed, Barisan Nasional is also notorious with another kind of discrimination that has been practised over the past decades i.e. affiliation-based discrimination.
- The discrimination against non-Barisan Nasional supporters is so rampant over the years that such discrimination; especially in relation to disbursement of government financial assistance to the needy groups has been accepted as a norm.
- A good example of such a flagrant abuse of public fund to discriminate non-Barisan Nasional supporters is the administration of Tekun Nasional, a RM700 million³² fund intended to provide soft loans to needy groups to start an enterprise.
- Applicants are required to fill up a form which contains a special section for endorsement of *wakil rakyat* (Section G³³). It has been documented that Tekun Nasional only accepts forms endorsed by Barisan Nasional’s *wakil rakyat* which automatically excludes non-Barisan Nasional supporters.

³² Berita Harian, 10th August 2009: “Tekun Mula Agih Dana Tambahan RM150 Juta”

³³ Refer to Tekun application form

- Since 2000, the RM700 million that Barisan Nasional claimed to have disbursed goes mostly to Barisan Nasional supporters and this act of discrimination has become an ill that most Malaysians simply live with.
- Unless there is a complete overhaul of the distribution and administration system to disburse the assistance to the needy 40% of our society, an additional financial allocation over and above the existing funds allocated to Tekun Nasional will create more Umno local warlords who do not think twice to discriminate non-Barisan Nasional supporters.
- In this environment and administrative set up, instead of alleviating the standard of living of the society's poor, the allocation will breed more corruption and skew the financial resources to only certain sections of the society.
- It is thus not surprising that in spite of massive financial allocations over the years, we have missed our poverty eradication target year after year.
- What is needed urgently goes beyond numerical allocation of financial resources. Malaysia urgently needs to eliminate discrimination in whatever forms – including discrimination based on political affiliation.
- Until this is achieved, Barisan Nasional's promise in NEM to focus on the bottom 40% of the society will ring hollow as the effort will be sabotaged by its own local warlords.

PART IV: PAKATAN RAKYAT'S "ACID TEST" TO BARISAN NASIONAL

- Pakatan Rakyat takes a very strong view on the need to have a strong political will to carry out economic reforms promptly and extensively.
- The biggest challenge for Barisan Nasional is to prove that NEM (despite all the contradictions and gaffs already committed by Barisan Nasional leaders) is genuine and not a part of the continuous public relations gimmick, presumably developed by APCO Worldwide.
- Therefore, the government needs to immediately response to the lukewarm reception of the market and public by demonstrating early political will to implement certain key economic reforms; failure of which will only confirm the prevailing sentiment that NEM is nothing more than repackaged past failures presented as a public relations campaign.
- Pakatan Rakyat hereby outlines four key acid tests for Barisan Nasional that could and should be implemented immediately if it is serious in pushing economic reforms.
- If Pakatan Rakyat is the government of the day, these four key economic reforms shall become a top priority as they bring about an immediate relief to the public as well as having a big impact in spurring economic growth.

Restructuring of four public utilities

- There are four areas of public utilities that have been bogged down and tainted with criticisms for the burden they impose on the economy and the public.
- These are electricity generation involving IPPs, water concessions, toll concessions and provision of broadband services.
- Pakatan Rakyat views these four public utilities as key utilities that are vital to resuscitate the economy in two prongs.

- Firstly, the provision of cheap and reliable utilities is key to lessening the burden of the public who have to pay premium while the concessionaires continue to make obscene profits at the expense of the public.
- Only with the restructuring of these key utilities, the household expenditure can be reduced substantially thus allowing for other equally important reforms such as the removal of the petrol subsidy. One without the other is akin to the eyes without the ear.
- Secondly, the availability of cheap and reliable utilities is a catalyst for industry to become competitive. The cost structure of our manufacturing and services sectors is very dependent on these four key utilities.
- The status quo means an inherent high cost structure for the utility costs that the industry cannot control – hence why many enterprises resort to cheap foreign labours as a mean to lower down the cost structure.
- In the case of broadband services (in particular high speed broadband), the country is desperate for cheap and reliable high speed broadband in order to drastically increase the internet penetration rate. The latter is crucial to widen the net so that more people can benefit directly from the vast opportunities presented by the internet and is a key prerequisite in any knowledge- and innovation-based economy.
- Pakatan Rakyat has been consistent that the lopsided agreements with the toll and water concessionaires must be reviewed immediately to provide the relief to the people.
- We are even willing to go one step further to take over the toll and water concessions by restructuring and consolidating the concessions so that the assets are returned to the government. Thereafter, a new concession agreement can be entered to avoid unnecessary escalation of cost to the public by ensuring an equitable and reasonable operating profit to the new concessionaires.

- On gas subsidy to IPPs, Pakatan Rakyat feels that the allocation of gas subsidy to tune of billions of ringgit each year is wasteful and is counter-productive (if the intention is to provide subsidy to the public).
- Most importantly, it is an open secret that the number of IPPs currently exceeds the demand for electricity in Malaysia.
- Pakatan Rakyat is shocked with the revelation that *“following the full commencement of the 1,400MW Jimah coal-fired power plant in July last year, the country’s power reserve margin rose to 66% in FY09”*³⁴.
- A reserve margin of 66% can possibly amount to one of the highest reserve margin in the world, considering that even developed countries like Australia has a common reserve margin of 25% (which is normally accepted as a reasonable reserve margin globally)³⁵.
- Pakatan Rakyat most certainly will conduct a holistic review of the power industry in Malaysia to ensure the right balance between demands and supply. A review of the business model of IPPs is necessary to ensure the billions of ringgit in gas subsidy borne by PETRONAS each year are allocated wisely to the area with most significant economic impact.
- Finally on the broadband, while we acknowledge the huge investment commitment on the part of TM in providing the backbone infrastructure, we are of the opinion that the owner of the backbone infrastructure should not be in the business of providing the services to the end users.
- Pakatan Rakyat advocates liberalisation of the internet service providers (ISPs) industry to allow for competition while the owner of the backbone infrastructure concentrates on ensuring a reliable internet infrastructure for the country.

³⁴ The Star, 12 April 2010: “TNB Heading For Better Times”

³⁵ International Power Annual Report 2008: Australia – Regional Review

- Philosophically, this is in line with the current trend of managing public utilities where the aspect of assets maintenance and investment is separated from the distribution/services portion.
- The capital-intensive assets maintenance and investment should be entrusted to a government-backed body as the availability and reliability of such key public utilities is the responsibility of the government; while service providers lease the assets to compete in bringing the best and cheapest services to the end users.
- We feel this model will bring in more healthy competition and liberate Malaysia from the never ending debate on low internet service and penetration.
- These four areas of public utilities exemplify the approach that Pakatan Rakyat would have taken if it is in Putrajaya because it can be implemented immediately with sufficient political will.
- If Barisan Nasional is serious about economic reforms, the restructuring of key utilities as suggested here should be a test case for the public to gauge its openness to reform. Only then the public can take comfort that NEM will see the light of the day.

Introduction of minimum wage

- NEM sets a rather ambitious target to achieve income per capita of USD17,700 by 2020.
- 2020 is less than 10 years away and if going by the non-correlation of economic planning and results achievement of the past decade, it is necessary for any economists to take a more prudent view of the country's economy for the next 10 years.
- While NEM has been touted as the a game-changing economic document that will propel the country to the status of developed nation, surprisingly the measures suggested to improve personal income is not at all game-changing.

- The same vague and conceptual measures of upgrading the skills, bringing in technology through R&D and going for high value services have been suggested and included as targets since 2000 in 8MP.
- Clearly, the measures did not bring results as expected (more so because they were not implemented seriously as there was hardly any reform in important institutions in the country).
- Therefore, Pakatan Rakyat feels the country must move beyond the usual rhetoric of up-skilling and upgrading while the government continuously allow a huge number of cheap foreign labours to be brought into the economy.
- On this point, it is high time that Malaysia considers the introduction of minimum wage seriously.
- Pakatan Rakyat calls upon the government to take the necessary steps to bring the country closer to the introduction of minimum wage. This should begin with thorough public discourses on the pros and cons of minimum wage to the country in a non-partisan manner to ensure the public is aware of the concept of minimum wage.
- The introduction of minimum wage is expected to cause a one-off alignment in the pay structure across the board – all levels of employment and across the industry.
- For the industry, it provides the urgency to automate and reduce reliance on foreign workers. Pakatan Rakyat will also review the incentives currently in place for automation in the form of reinvestment allowance as this does not necessarily encourage small and medium enterprises (SMEs) to invest to automate.
- One suggestion is to divert the financial incentives from the current form of relief against future profits to a capital reinvestment fund to assist SMEs invest for automation. This way, the industry is provided with the carrot and stick measures to upgrade and automate.

- The imposition of minimum wage is also expected to cause a restructuring of the industry when low cost and labour intensive industry will have to re-look at the cost structure to remain competitive.
- Learning from other countries' experience, this can lead to a re-composition of the industry whereby the industry automatically moves to higher value chain while out-sourcing or relocating the low cost and labour intensive work elsewhere.
- Pakatan Rakyat acknowledges that these suggestions are anathemas to some quarters but the country requires a radical shift in order to upgrade our income level.
- The least that Barisan Nasional can do is to allow and encourage healthy public discourses in non-partisan manner on these topics, so that the public is enlightened and the country can together opt for the best policy route to achieve high income by 2020.

Support for young families

- One of the greatest omissions in NEM is on support for young families and young people.
- 72% (or 20.14 million people) out of the total of 27.73 million people in Malaysia are below 40 years old. 41% (or 11.47 million people) are in fact below 20 years old³⁶. If NEM were to have a direct impact on the country, it must sufficiently address the concerns and financial woes of the majority of the citizens i.e. the young people.
- Unfortunately, NEM is conspicuously silent on any radical measures to assist young people, especially those who are entering the workforce.
- A rough calculation will show that young people who enter workforce in today's Malaysia face continuous indebtedness (either by way of credit card or personal loans) to supplement insufficient income to cover high cost of living.

³⁶ Statistics Department 2008

- This issue has been deliberated at length – the fact that income does not rise in tandem with cost of living over the years imposes significant financial burdens for the young people.
- In this context, Pakatan Rakyat's insistence on the immediate 2-prong actions to lower down the key components of household expenditure by way of restructuring of key public utilities and the introduction of minimum wage is timely and necessary to relieve the financial burdens of the young people.
- Ultimately, the government must review skewed industry or sectors where profits are lopsidedly appropriated to one side by imposing significant costs to the public. One such sector is the automotive industry and the inter-relation with the lack of viable public transportation in the country.
- Car instalment forms a significant portion of household expenditure for young workers. A review of the make-up of automotive industry is also key if the government were to substantially reduce the household expenditure for young workers whilst waiting for the long delayed efforts to put together a viable public transportation comes to fruition.
- Pakatan Rakyat is also committed to reviewing the personal income tax structure to differentiate between extremely high earners with middle class and low income earners.
- In Budget Speech 2009, YB Dato' Seri Anwar Ibrahim mooted the idea that the highest income tax bracket should be reviewed as the current highest bracket does not differentiate between middle class and extremely high earners. The additional tax revenue from such review can be considered to be re-diverted to the young people by way of higher income tax reliefs.
- These are but a few measures that could have been implemented immediately to assist the young people; if only Barisan Nasional moves beyond political rhetoric and public relations campaign in managing the economy.

Reforms of key institutions

- If support for young family can be considered as one of the greatest omissions in NEM, the greatest omission is undoubtedly the muted response to the chorus for meaningful reforms in key institutions, voiced by various quarters among our citizenry over the years.
- Pakatan Rakyat has long established and accepted that corruption is the biggest ill of the economy. Fighting corruption requires the strengthening of key public institutions such as the judiciary, Attorney General's Chambers, Malaysian Anti Corruption Commission (MACC) and the police force.
- There is hardly any mention or concrete proposals to increase the credibility of these institutions. This will become the very undoing of NEM in the future – the failure to accept and provide remedy to the biggest ill of our economy.
- Without commitments for reform of these institutions, NEM will have limited effect to change the way business transactions are carried out or the government's approach in its procurement exercise.
- As these two changes are vital to re-landscape our economy, without them NEM will be rendered useless and ineffective.

PART V: CONCLUSION

- In the end, NEM is nothing more than a cocktail of reincarnation of Barisan Nasional's previously failed economic planning mixed with plagiarised concepts and ideas from Pakatan Rakyat.

- If anything, NEM strengthens the belief that Prime Minister YAB Dato' Seri Najib Tun Razak's administration is obsessed with public relations so much so that even the most important economic document for the country is littered with public relations stunts – high targets albeit unrealistic, big words, lacking in details and political will.

- But no doubt this will be spun by the public relations coordinators in Putrajaya to create some excitement and provide the feeling that the economy is heading in the right direction.

- Pakatan Rakyat believes that the proofs provided in this document are sufficient to expose this public relations stunt. If Barisan Nasional is serious about re-making our economy and bringing it to a new era, it must respond to the four acid tests outlined by Pakatan Rakyat in this document.

- Finally, Pakatan Rakyat reiterates that meaningful and holistic reforms must come first before any other fancy economic plans are brought into the picture as these reforms will strengthen the foundation of our economy. Only with strong foundation can we eliminate corruption and liberate the economy to adjust to whatever economic model we intend to introduce.

- Therefore, Pakatan Rakyat calls fellow Malaysians not to be distracted by the NEM public relations play and focus our efforts on forcing the government to implement immediate reforms (outlined as four acid tests in this document) presented herewith.