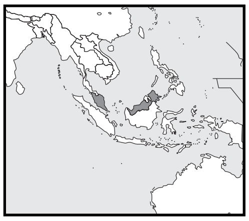
Still much to learn

Meena Raman
Mageswari Sangralingam



In the mid 1990's, the Malaysian economy was expected to continue growing at the rate of 8% per annum for many years. The country was hurtling along at breakneck speed toward achieving industrialised nation status by 2020 or even earlier. Malaysia was part of the 'Asian Miracle', its economy a model for other countries. Then came the financial and economic crisis, which hit the region in 1997.

Whilst Malaysia did relatively better at meeting peoples' basic needs and improving incomes than other countries in the region (with the exception of Singapore), it also suffered from rising inequality, deteriorating quality of life and environment, increasing social problems, and unease with regard to the exercise of civil and political rights and participation of civil society in decision-making.

Privatisation and the new rich

The mushrooming of new townships, resorts, super highways and mega malls in the decade before the crisis created the illusion of unending economic growth and prosperity. The stock market was bullish and a broad section of the community was drawn into the casino economy, affected by the culture of greed. The economic boom produced several millionaires as a result of the privatisation of public enterprises. Many also made millions of ringgit through manipulation on the stock exchange.

The choice of concessionaires and enterprises for privatisation has been a subject of public criticism, especially the privatisation of enterprises that were highly profitable under public ownership. The entire privatisation process lacked accountability and transparency from the outset. Public companies were awarded on a "first come first serve" basis to private individuals or companies often without tender. The privatisation process has mainly benefited individuals with close ties to the government. This has led to allegations of corruption, nepotism and cronyism, but with so little transparency, such allegations are difficult to prove.

The acquisition of wealth, not through innovation, thrift and industry but by means of influence peddling, speculation and manipulation, affected a dramatic change in values, attitudes and lifestyles among the new rich. They indulged in conspicuous consumption, building mansions and acquiring private jets, yachts and expensive cars. These values permeated down even to the working class. Workers spent their wages purchasing brand-name goods and super-bikes on hire-purchase, thereby mortgaging their working lives to pay the modern moneylenders, the banks and finance companies.

The cost of industrialisation

The commercial economy imposed on the community continues at an accelerated pace. Industrialisation and international trade have been adopted as the means to achieving economic prosperity and human welfare. The continuation and perpetuation of this style of development has made Malaysians dependent on food imports, seen whole communities displaced from their land by mega-infrastructure projects, depleted resources and destroyed the environment, and led to corruption and abuse of power in the allocation and use of land and other natural resources.

Large areas of fertile agricultural land used for growing food have been converted into industrial estates. At the same time, as a result of the migration of our young people from the rural agricultural sector to the urban areas in search of jobs in the factories and the service industry, a substantial portion of fertile agricultural land lies idle. These two developments have reduced substantially the area of land under crop cultivation, thereby posing a threat to food security in an emergency.

The rapid migration of our rural youths to the cities and towns to work in factories has also given rise to serious social problems. Housing for factory workers is inadequate or substandard. Many workers forced to live in squatter colonies and crowded low-cost flats under unsanitary conditions and without facilities for social, cultural and recreational activities.

Limitations of economic growth and market forces

The government's development plan, the Seventh Malaysia Plan (1996-2000), acknowledged some weaknesses in Malaysia's development paradigm. It recognised that economic growth and market forces deal only with material wealth and do not provide for social equity and environmental sustainability.

Farmers, fishermen, and native communities who depend on natural resources and land are losing control of and access to resources to big business and capital, hence they are losing their ability to sustain traditional livelihoods. For rural communities in the plantations, land schemes and smallholdings who depend on export-oriented commodities such as rubber and oil palm, the drastic fall in world commodity prices means growing poverty and indebtedness.

The price of oil palm began to decline in 1999 (averaging RM 1,459/USD 384), and this trend continued in 2000. In early 2001, prices were at a 15-year low. The average crude palm oil price for January 2001 was RM 699/USD 183, a drop of 71% compared with the average price in 1998. This has meant a sharp reduction in incomes for hundreds of thousands of settler families and independent oil palm smallholders.

The plight of rubber smallholders and rubber estate workers is even worse. In 1999, the price of rubber in the international market dropped to 51% of the price peak of RM 4.55/USD 1.20 per kg in 1995, with serious negative effects for the nearly 500,000 smallholders and plantation workers who depend on this commodity for their livelihood.

The country's economic slowdown led to greater exploitation by profit driven suppliers, wholesalers and traders. The price food and other necessity products, especially those not covered by government regulations, increased gradually. Inflation became a concern in 1998 as a result of the sharp depreciation of the ringgit, which led to higher producer and consumer prices. The rate of increase in the Consumer Price Index (CPI) declined to 2.7% in 1997 compared with 3.5% in 1996, but increased to 5.3% in 1998. All categories of consumer items recorded price increases, the most significant being food, which accounted for 63% of the increase in the CPI.

Lessons learned from the financial crisis

The financial crisis that erupted in July 1997 had wide-ranging effects on Malaysia. The massive flight of short-term capital precipitated a drastic depreciation of the ringgit and weakened the stock and property markets. The resulting loss in public and investor confidence adversely affected the growth targets set out in the Seventh Malaysia Plan. The crisis also disrupted the achievement of socio-economic targets, with the incidence of poverty increasing in 1998 after a sustained period of decline. The unemployment level was also slightly higher in 1998 compared with the first two years of the Plan.

In response to the financial crisis, the government introduced a series of measures to deal with the crisis and stabilise the economy. In mid-1998, policy shifted toward preventing further contraction of the economy and reactivating economic growth. The government relaxed fiscal and monetary, introduced selective exchange control measures and fixed the exchange rate of the ringgit vis-a-vis the US dollar. Priority was given to implementation of projects intended to mitigate the impact of the crisis, including those targeted at the low income and poor households. These measures have had some positive results and contributed toward the restoration of public and investor confidence.

The recent economic crisis in the country and the region provided an opportunity to learn from past mistakes. Whilst lessons on the dangers of unbridled liberalisation have been learnt, there is still much to learn about a more equitable and ecological form of development. ■

References

"Communities cry for justice and land rights". *Utusan Konsumer*, Vol 28, No 4, March 1998, pp. 10-11.

Consumers Association of Penang, Editors. *Land Issues in Malaysia*. Penang: Consumers Association of Penang, 2000, pp. 5-9.

"Development of the people, by the people and for the people." *Utusan Konsumer*, Vol 27, No 20, November 1997, pp. 10-11.

Economic Planning Unit, Malaysia. *Malaysian Quality of Life 1999,* 1999.

Economic Planning Unit, Malaysia. *Mid-Term Review of the Seventh Malaysia Plan (1996-2000),* 1999.

Economic Planning Unit, Malaysia. *The Malaysian Economy in Figures 2000,* 2000, pp. 6-7.

Jomo K. Sundaram, "*Privatisation in Malaysia's Economy in the Nineties*", Kuala Lumpur: Pelanduk Publications, 1994, pp. 282-283.

Martin Khor, "Globalisation hits rural sectors". *The Star,* 8 January 2001, pp. 26-27.

Martin Khor, "Policy needed to deal with capital flows". *Utusan Konsumer*, Vol 29, No 5, May 1999, p. 19.

Ministry of Health, Malaysia. *Annual Report 1997*. pp. 68 & 103.

Syed Husin Ali, "Privatisation and Corporatisation in Malaysia: Meaning, Policy and Practice". *Utusan Konsumer*, Vol 27, No 9, Mid-May 1997.

Victor Wee, *"National Economic Recovery Plan: Malaysia's Response to the Regional Financial Crisis"* in *Economic Crisis … and our rice pots are empty.* Consumers International, 1998, pp. 366-367, 369-370.

Consumers Association of Penang
<meenaco@pd.jaring.my>