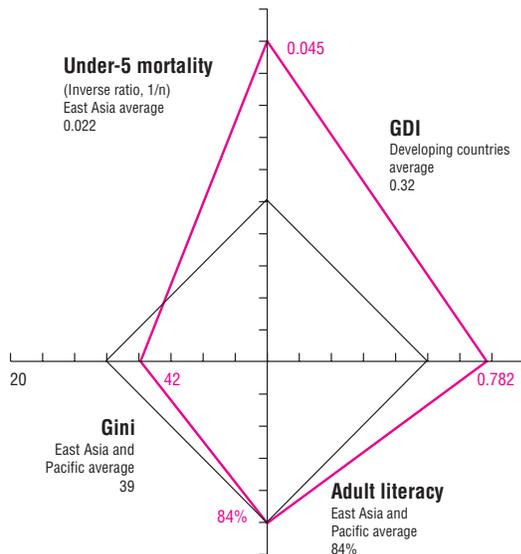


•ANIL NOEL NETTO



The Equity Diamond: National values in terracotta compared to regional ones in blue.

In the last decade, Malaysia has coasted along on an economic boom, raising per capita income and creating a new crop of richer citizens in this newly affluent economy. That boom has now been undercut by Southeast Asia's economic turmoil, which threatens the record growth rates that the country and its leaders are now used to. The much hoped for «trickle down» effect –the idea that wealth generated from industrialisation will seep down to the working class– has not happened fast enough.

MOMENTUM AND STUMBLING BLOCKS

Malaysia's GDP growth averaged 5.2% from 1981 to 1990 and expanded to 8% or more since 1990, though growth is expected to slow to 4% to 5% in 1998.

Like other governments at the 1995 Social Summit, Malaysia pledged to give as much importance to social development as to economic growth. However, without the resources created by rapid growth, the government will have less to invest in reducing poverty and improving the quality of life of groups marginalised by the country's economic boom.

Not that enough was done during Malaysia's decade-long boom. Though the government promoted a «caring» and «civil» society, activists say it did not do enough to alleviate the plight of socially depressed groups during the good times.

Yet Malaysia's statistics in creating jobs and cutting poverty are impressive. Helped by full employment in the 1990s, the poverty rate has fallen steadily over the years. In 1990, the rate was 16.5%; by 1995, it had dropped to 8.9%. The number of poor households plunged from 574,500 to 374,200 in the same period. In short, in less than three decades, the poverty rate in a country of 21 million people fell dramatically from 52% in 1970 to 8.9% by 1995. The rate of «hard-core» poverty was 3.9% (137,100 households) in 1990, falling to 2.1% (88,400 households) in 1995. «We have done all right in reducing absolute poverty», says Dr Toh Kin Woon, a Penang state government politician from the ruling Barisan Nasional (National Front) coalition.

Poverty incidence has continued to fall since 1995, but the trend may be slowed by current economic problems. In early December 1997, Finance Minister Anwar Ibrahim announced an 18% cut in government spending as part of a package of austerity measures, led by pay cuts for Cabinet members. «Now that there is an economic slowdown, things will worsen», says Dr Mohd Nasir Hashim, who heads a group working among marginal communities such as indigenous people and plantation labourers. «Any time there is a (spending) cut, social projects are going to get slashed».

Mahathir's Vision 2020 blueprint stresses social development, but there has been an over-emphasis on the economy

and industrialisation, Nasir points out. «*It's as if the social problems will take care of themselves*».

This thrust is perhaps best seen in Malaysia's emphasis on megaprojects – big-ticket infrastructure projects integral to its rapid-growth strategy since the early eighties. Such projects tend to drain away resources that could otherwise have been used for social development. **This spending contributed to a large current account deficit, expected to reach RM13 billion (\$3.6 billion) in 1997. Critics say this helped weaken the country and exposed it to the region's economic slowdown.** Activists have long sought the shelving of some of these ambitious projects. However, only when the economic bubble burst did the government put some of them on hold earlier this year.

Some critics find too low the thresholds used to define poverty (a monthly income of 425 Malaysian ringgit or \$118 in the peninsula) and hard-core poverty (RM205 or \$57). **Because the cost of living has risen dramatically, a family of five living on a monthly income of even RM800 or \$222 would find it hard to afford balanced meals and a low-cost house.**

Likewise, it is not always easy to lobby for higher wages. There is no minimum wage in Malaysia, nor are national unions allowed in the export-oriented electronics industry. «*And there are no monthly wages for plantation workers*», who continue to be paid daily-rated wages, adds Nasir. Certain groups have higher poverty rates. These include indigenous communities, who lag behind the rest of the population in almost all areas.

Low-cost houses at less than RM25,000 (\$6,944) each are still scarce. During the last five-year development plan, only 76% of the target for new low-cost houses was reached. The private sector met 99% of its target, but the public sector reached only 37%. Thus, tens of thousands of Malaysians remain on waiting lists for low-cost houses. The effects of this shortage can be seen in Kuala Lumpur, where **half a million squatters live in illegal housing, mostly plank houses with corrugated aluminium roofing – glaring proof of urban marginalisation despite rapid growth.**

«*They can be evicted anytime with two weeks' notice*», says Nasir, who has worked among them. He says, though, that they are more likely to receive compensation now, compared with ten years ago. «*We have not done so well in housing*», Toh concedes, but he says the government has intervened by requiring private developers to meet quotas for building low-cost houses. The government also announced the setting up of new housing funds.

Yet this is unlikely to be enough, and with the economic slowdown taking root, the property market is bound to be dampened and worsen housing woes for the poor. «*The market for high-cost properties is going to be very soft*», warns Toh, who is the Penang state executive councilor for education, economic planning and information. «*And if developers don't build high-cost properties (with higher profit margins), they won't have enough money to cross-subsidise low-cost houses*».

Health care provision and spending may also be affected by the economic slowdown, activists fear. From 1990 to 1996, the government built six hospitals to reach a total of 118. However, the number of beds increased only marginally from 33,400 to 33,818 as beds were redeployed from overcrowded hospitals.

The continued addition of government clinics has led to improved health care statistics that are almost at par with more developed nations. Better infant health facilities have improved the infant mortality rate, which stood at 9.8 per 1,000 live births in 1996 (compared with 13.1 in 1990).

Social activists, however, argue that the government should increase spending on health care. Low spending has led to low salaries among government medical personnel and triggered an exodus to private hospitals where wages – and fees – are much higher. The government's response has been to consider «corporatising» public hospitals – a move that many fear would lead to higher fees for patients, mostly from the lower- and lower-middle-class.

However, government assistance in the area of basic services for Malaysia's poorer citizens is crucial amid what many analysts see as inequities in wealth distribution. Pointing to Malaysia's embrace of free market forces, they say the gap between the rich and the poor is widening.

Toh agrees that income distribution has become worse. Income increases for the bottom 40% have not been as fast as for the top 20%, he points out. The much hoped for 'trickle down' effect – the idea that wealth generated from industrialisation will seep down to the working class – has not happened fast enough.

«*One cause of imbalance in wealth distribution is inequality of asset ownership. Land and capital is concentrated in the hands of a few, while the working class only get to sell their labour*».

Multi-ethnic Malaysia prides itself on maintaining harmony among its different groups. This it does through affirmative action policies designed to help «bumiputras» (Malays and other indigenous groups) – who make up 60% of the population – in education, business and equity ownership.

The Constitution recognises the special position of the Malays – a provision designed to placate the economically disadvantaged Malays who feared that the ethnic Chinese would dominate the economy. Over the four decades since independence, such policies have created a new Malay middle class and propelled large numbers of its members into the economic mainstream. They have also diffused resentment toward non-Malays.

However, they have also created an ethnic divide, as poor ethnic Chinese and Indians feel neglected. Higher university academic entry requirements for the ethnic Chinese in certain courses, for instance, fuel a sense of inequality among non-Malays. Also, the provisions to help poor Malays have often not reached those who most deserve them.

Rapid industrialisation has also depleted the nation's social and environmental capital. **Reported cases of child abuse hit 1,009 in 1996, a 49% jump since 1990. Reported rape shot up 77% in the same period. In 1994–1996, the number of abandoned babies rose 90% compared with 1991–1993.**

As for the environment, Department of Environment figures reveal that 56% of rivers it monitored were either slightly or very polluted. No figures are needed to say that air quality has deteriorated in many cities.

Malaysia's record in social development is thus mixed. It is a rapidly growing economy that has not yet fully brought up its

most marginalised groups, and it may now face yet new constraints in reaching out the poor.

Beyond growth charts, the crisis promises to derail Malaysia's badly needed social development projects, and it will cut deeply into government spending on social services.

- [IPS Special report for Social Watch](#)