

Malaysian parties signal pro-market measures after election

By John Roberts
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The campaign for Malaysia's May 5 election is now in its final week. In what is likely to be the closest result in the country's history, the ruling Barisan Nasional (BN) and the opposition Peoples Alliance (PR) are pledging to lift the living standards of voters, while signalling to big business their willingness to impose austerity.

Prime Minister Najib Razak's United Malays National Organisation (UMNO)—the main BN partner—has controlled the government since independence in 1957, but could lose office. It has promised to increase annual cash payments to poor households, construct one million cheap homes and subsidise car prices. In the run-up to the election, it has already handed out bonuses for public servants and employees of state-owned enterprises, as well as pay increases for the military and police.

In an effort to refurbish the BN's image, particularly among the three million young first-time voters, 40 percent of the BN's 726 candidates are new faces. In a sign that the UMNO leadership has recognised that its race-based politics is increasingly unpopular, it has adopted the 1Malaysia slogan to tone down its rhetoric against the ethnic Chinese and Indian minorities.

Najib is also making a pitch to the corporate elite, promoting his government as good for the economy and warning of uncertainty if it lost office. Government funds have kick-started his infrastructure Economic Transformation Program. He is also vowing to further modify the New Economic Policy (NEP), which favours ethnic Malays. The NEP is regarded as a barrier to foreign investment.

As cited on the US business web site *Bloomberg*, Najib declared: "I am aware that more needs to be done. I believe with a strong mandate, I can continue to do reforms to make Malaysia a fully matured

democratic and economically competitive nation." He was referring in particular to criticism that the government had failed to introduce a goods and services tax and cut back on state subsidies in order to rein in the budget deficit.

The PR, led by Anwar Ibrahim, is also promising to improve living standards, by cutting fuel, water and electricity costs, providing higher wages through government subsidies and abolishing the NEP system, which discriminates against ethnic Chinese and Indians. Anwar is pledging to reform the anti-democratic, police-state measures that UMNO has used to stay in office for more than half a century.

The PR, however, represents the interests of sections of the corporate elite that have been increasingly critical of the government for failing to open up the economy through pro-market restructuring. The small print of the PR campaign contains assurances to investors that it will deliver "reforms" beyond those of the BN.

All the PR parties—Anwar's Peoples Justice Party (Keadilan), the Chinese-based Democratic Action Party (DAP) and the Islamist Parti Islam se-Malaysia (PAS)—are targeting "corruption" and calling for an end to UMNO's system of patronising business cronies.

DAP secretary-general Lim Guan Eng told the media on April 7 that the BN had ignored macro-economic issues, such as the budget deficit, government debt and corruption. He pointed to the corruption scandals that had engulfed BN leaders at the national and state level, as the nation's debt and budget deficit continued to grow.

PAS Kuala Selangor MP Dzulkefly Ahmad attacked the BN's cash handouts under the Bantuan Rakyat 1Malaysia initiative (BR1M), saying the PR offered

greater economic benefits by stopping corruption and rent-seeking practices. “BN—it’s about giving more money. PR’s offer is giving the nation a ‘new deal’ that the rakyat (people) deserve.”

By focussing on “corruption”, the opposition is seeking to cover up its own agenda of pro-market reform and austerity. In the midst of the 1997-98 Asian financial crisis, Anwar was dismissed as finance minister in the UMNO-led government after he advocated implementing the International Monetary Fund’s (IMF) open market agenda. He was subsequently arrested and jailed on trumped-up charges.

The fact that Anwar now heads the opposition is an indication that powerful sections of business regard him as more capable of driving through a program of economic restructuring and austerity amid growing nervousness about the worsening world economic crisis.

The latest IMF report predicted that Malaysia would continue to grow by 5.1 percent in 2013 and 5.2 percent in 2014, but warned that the economy was vulnerable. The IMF noted that “in the event of a severe global downturn,” external demand would fall, investment would decrease and employment would drop in export-orientated industries.

Malaysia is the second most export-dependent economy, after Singapore, in the Association of South East Asian Nations. In 2009, exports contributed 82 percent of gross domestic product (GDP) and a 2012 World Bank report put the figure at more than 90 percent for 2010.

The latest World Bank report stated that “unconventional policy responses by advanced economies” had created “subsidiary risks” for emerging economies. It noted that capital inflows into countries such as Malaysia were the result of “protracted rounds of quantitative easing” by central banks in the US, European Union and Japan. A financial crisis would bring a halt to such investment.

The World Bank said a 7.7 percent increase in domestic consumption, which contributed to Malaysia’s GDP result, was the result of government spending on wage increases and bonuses, and cash transfers to poor households.

The Malaysian Institute of Economic Research on April 17 pointed to growing economic risks and called

for “urgent structural reforms” to cut the budget deficit, which currently stands at 53 percent of GDP. Its proposals included cutbacks in public spending, a broadening of the tax base to increase revenue, lower business costs and “labour market reforms” to drive up productivity.

Whoever forms the government after the May 5 poll, big business has already set the agenda: to impose the burden of the deepening global economic breakdown onto working people.

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