

POVERTY UNDER THE NINTH MALAYSIA PLAN

The strong export-led growth rates that the country has enjoyed have helped tremendously in poverty eradication. In the 1970s the average growth rate was 7.5 per cent; in the 1980s it was 5.8 per cent; and in the 1990s the growth rate averaged an invigorating 7.1 per cent.

The vibrant growth rates have been matched with poverty rates that have readily slipped, notch after notch, year after year. In 1970, almost 49 per cent of all households were poor. In 1999, the incidence of poverty was only 7.5 per cent, further tumbling to 5.1 per cent in 2002.

Little wonder, then, that poverty eradication has made huge strides of success all these years. And the Ninth Malaysia Plan (9MP) can proudly build on this success to proclaim that it hopes to see hardcore poverty eradicated by 2010 and overall poverty brought down to 2.8 per cent by the same year.

The 9MP repeats the promise to eradicate poverty like a well-trained parrot. The need to eradicate poverty and achieve distributional goals are worthwhile objectives. But colourless and confused policy prescriptions do have a way of attracting unnecessary attention to themselves.

As I mentioned earlier, poverty was eradicated to a very large extent because the government very cleverly understood the workings of globalisation. It realised that global markets and global production processes require attractive locations for production. And it did what was necessary to attract foreign direct investment (FDI).

Rather than being autarkic and inward-looking, the government used the functioning of the global economy to its own advantage. The 9MP does not voice that kind of

imagination in its policies on poverty eradication; definitely not in any explicit manner in Chapter 16.

While the 9MP does acknowledge that growth has links with development; and maintains a commitment for "growth with distribution", it seems riddled with the fear that pro-poor growth is not embedded in its economic plans and strategies. And rather than stressing competition and developing the impulse to seize opportunities, it turns the other way, heading for a more parochial and insular approach.

For instance, one wonders on the need to create a Bumiputera Commercial and Industrial Community and a Bumiputera Science and Technology Community in the effort to erase inter-ethnic income disparities. Shouldn't all Bumiputera have access to education and training in science and technology? Shouldn't the entrepreneurial spirit be inculcated in all Bumiputera? Why the emphasis on a sub-set within a sub-set?

To take another example, the 9MP states: "Besides poverty eradication efforts, the focus of distributional strategies and programmes will be on the creation of a bigger and more prosperous Bumiputera middle-income group through human capital development". One wonders: Is the focus really to erase inter and intra-ethnic income disparities? Or is the emphasis on the creation of a more comfortable middle-income group of Bumiputera? Is the focus on the most-disadvantaged or the non-disadvantaged?

In fact, Chapter 16, entitled "Achieving Growth with Distribution", appears to swing hither and thither in the objectives that it wants achieved. It is at one time dedicated to the cause of eradicating poverty, at another committed to removing inter-ethnic income disparities, and fairly often resigned to the objective of increasing intra-ethnic income disparities.

It is hard to tease out the central thrust of the chapter. To take yet another example, the intention to increase the use of information and communications technology (ICT) among rural households is commendable; but to a population that needs support through the provision of textbooks and supplementary food (as the same chapter explicitly states), the curious entanglement with ICT is certainly misguided and lacking in a sense of priority.

Again, it is uncertain if the targeted group is the disadvantaged Bumiputera or the middle-income (or upper-income?) Bumiputera. The 9MP claims that it will seek to assist in the greater participation of Bumiputera in new growth areas such as ICT, photonics, biotechnology and nanotechnology. Surely, this has little to do with the rural Bumiputera, much less with those whose incomes are hovering above the poverty line and whose educational backgrounds have little science and technology content.

There are several issues that are conflated in presenting the plans for "Achieving Growth with Distribution." These issues are poverty reduction, reducing inter-ethnic economic disparities, and the integration of the Bumiputera within global economic trends.

In discussing the need to encourage greater Bumiputera involvement in high technology areas (ICT, nanotechnology, biotechnology, and the like), the challenge is to see more participation from the Bumiputera in cutting-edge markets. This, in effect, is a planned approach to achieve integration with global markets; a challenge quite removed from poverty eradication since those that are educationally and economically disadvantaged are unlikely to benefit from these markets.

The problem resulting from an unclear distinction between poverty reduction, inter-ethnic distributional objectives and the plan for an ethnically-biased global integration scheme, is a fuzzy objective function.

Given a list of disparate groups that need support, which is the most deserving target? Will the least-advantaged, moderately-advantaged and fully-advantaged enjoy equal attention from the government in the allocation of limited resources?

Neither is there any hint in the chapter that individuals will be encouraged to depend on their own sense of responsibility and obligation in confronting markets. On one hand, there is mention of the intention to encourage entrepreneurship and, on the other, the government seems committed to its interventionist programme.

The beauty of the Malaysian experience in poverty reduction has been in the effective use of international trade and foreign direct investment to generate employment and incomes. For an economy that has done well by using markets, it seems that the attempt to achieve growth with distribution will depend heavily on government largesse, subsidies and other instruments that distort markets and stifle competition.

The 9MP is caught between the urge to be globally competitive and the comfort of returning to the womb of government intervention. From this tension, contradiction, confusion, and inconsistency emerge.

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