

An Alternative Paradigm of Development for Malaysia

Why, an alternative paradigm?

Why not keep with the current paradigm, perhaps tidying it up a little? After all, Malaysia has done relatively well for a developing country. This is reflected in the fact that there are 3 million migrant workers currently working in Malaysia – constituting about 25% of the work force in Malaysia. The fact that they come here in such huge numbers testifies that one, the Malaysian economy generates a lot of jobs, and that two, wages in Malaysia are higher than in their countries of origin.

Table One below lists some sentinel socio-economic indices comparing Malaysia with a range of other countries. (WHO website – figures pertain to 2007)

	Per capita (PPP - US \$)	Life Expectancy (M/F)	<5 mortality (per 1000 livebirths)
Malaysia	12,160	69/74	12
Indonesia	3,310	66/69	34
Nepal	1010	62/63	59
Vietnam	2,310	69/75	17
Uganda	880	49/51	134
Democratic Rep of Congo	270	46/49	205
South Korea	22,990	75/82	5
Thailand	7,440	69/75	8
India	2,460	62/64	76

Malaysia has benefitted through integration into the Global Capitalist Economy

Malaya was in a much better economic situation at Independence than countries such as Indonesia, Bangladesh and Nepal – and the main reason for that was because Malaysia was far better integrated into the world capitalist economy than these other countries. Being relatively under-populated, and relatively accessible by sea, Malaysia was an ideal place for the major capitalist power of that time – Britain – to embark on large scale production of primary commodities such as tin and rubber. This led to the development of infrastructure such as roads, railways, power supply and a civil service – factors that allowed Malaysia to diversify into production for export and corner the electronic components production industry in the late 1960s and the 1970s.

This strategy of diversification was in line with the earlier phase of primary commodity production in that it also was predicated on aligning the country to meet a specific need of the global capitalist economy – predicated on low labour costs and playing a dependent role, but still doing better than those countries that did not align themselves similarly.

So, if this strategy of aligning one's country to benefit from the capital, technology and markets that are in the capitalist core countries has worked fairly well for Malaysia, why is there a need for drastic change?

The Consensus of Malaysian Political Parties

In fact, all the major political parties in Malaysia take the position that Malaysia's economic future would be best served by further integration with the capitalist core countries. The ruling coalition, the Barisan Nasional (BN), has just published the Tenth Malaysia Plan that relies very heavily on private investment to grow the economy. The BN government intends to liberalise regulations and allow investments in public services that have thus far not been fully opened to foreign capital as well as to lower corporate taxes, and reduce the legislation that protects labour.

The parties that make up opposition Pakatan Rakyat cite falling FDI inflows as evidence of mismanagement of the Malaysian economy. They also quote various indices drawn up by business analysts that rate countries according to the ease of doing business, faulting the BN government for the poorer ratings for Malaysia. Their economic plan for Malaysia is much the same as the BN – let the private sector come in and grow the economy. The opposition argues that Malaysia could grow faster if wastage in the form of crony projects given without open tender, and racial discriminative policies that drive away skilled and talented nonMalays were curtailed. In other words they agree with the main policy thrust of “competing” within the Global Capitalist Economy”, but criticize defective implementation on the part of the BN!

The policy thrust of both the BN and the PR are neoliberal – to further open up the Malaysian economy and allow foreign and local capital the opportunities to invest and realize profits; Remove barriers to this process; Aid the private investors by preparing the infrastructure and training our workers.

And even Vietnam lobbied to join the WTO!

Vietnam is the Third World country that fought heroically for 2 decades to free itself from the capitalist core countries. Yet within a decade of its hard-won victory, Vietnam petitioned and lobbied to join the WTO so that it could trade with and obtain investment and technology from the West.

Given the above three facts – the fact that Malaysia has done quite well through its integration to the world capitalist centres, that parties on both sides of the political divide in Malaysia agree that this neoliberal orientation should be continued, and the experience of Vietnam, why is the Parti Sosialis Malaysia advocating an alternative growth plan?

The PSM Rationale for Proposing an Alternative Paradigm

There are 3 main aspects to this –

1) The Race to the bottom

The world has changed quite a bit since the 1960's when Dr Lim Chong Eu, the Chief Minister of Penang pioneered the setting up of Free Trade Zones to attract the electronic industry into Malaysia. At that time, the iron curtain was still up, and China was still "communist". Vietnam was waging war with the US, and Thailand was thought to be the probable next domino. India was a closed economy then. At that time, corporations interested in setting up low-cost production outside their countries did not have that much choice. This gave us in Malaysia, some policy space – we could dictate some minimal terms.

The situation has changed dramatically now. There is no shortage of destinations for FDI seeking lower production costs – China, Vietnam, Thailand, East European countries, etc. In fact now there is an all-out war to attract FDI (Foreign Direct Investment) by all these countries. Tax regimes are being lightened, environmental standards are being watered down, the meager laws protecting labour are being rendered ineffective – all these in the quest to attract in the all important FDI!

If Malaysia intends to compete for FDI, then it must partake in this "race to the bottom", and the interests of the poorer 50% of our population will be compromised!

2) The Problem of Under-consumption

The world capitalist system is enmeshed within the problem of underconsumption – of not having enough effective demand to absorb all the goods and services being produced by the global economy. This weakness in aggregate demand is the main cause that

- Results in a shortage of investment opportunities in the manufacturing sector for corporations;
- Leads to speculative activity in the finance sectors;
- Increases the probability of a recession.

This problem of under-consumption is due largely to the fact that each firm tries to cut cost and increase its profits by reducing labour costs. The amount of national income actually accruing to labour is steadily going down over time. However, what might make sense at the level of the firm, leads to the undermining of the entire capitalist system. And governments are relatively powerless in addressing this issue. Lets say Malaysia, or even Britain tries to address this problem by legislating that the workers should be paid more – there would be capital flight from the country as the country is perceived as not "business friendly"! Capital flight means less tax income and rise in unemployment. Corporations can hold governments to ransom because they can just as easily take their capital to other countries given the globalised world economy.

It is therefore highly likely that the global capitalist economy will be unable to overcome the problem of underconsumption, and is going to limp along with a higher propensity of dipping into recession every few years.

3) Environment – The Physical Limits of Growth

We are reaching the physical limits of sustained growth. Oil reserves are finite. Already there are indications that we have passed “Peak Oil”. From now on there will be slowly decreasing supply despite an increase in prices.

The other environmental issue is CO2 emissions and global warming. There is already a significant reduction in glacier thickness and in the extent of the Arctic ice cap. Global warming may trigger severe climatic disturbances that have the potential of seriously affecting food production. There is also the danger of a rise in the sea level.

Given these 3 issues/problems, mankind has no choice but to look for a viable alternative paradigm of economic development.

An alternative paradigm for the Malaysian economy

The main features of the alternative paradigm should include

- Production centred on meeting the needs of the population - food, housing, health education, transport - and not one primarily directed by the profit motives of firms;
- Fulfillment of the basic needs of all the people would be the first priority of the alternative economy.
- 100% employment. If necessary by reducing the working week to 5 days a week;
- Expansion of time for recreational, cultural activities. More time for family and community.
- Energy efficiency – especially in transport.
- Adoption of Green Technologies for energy generation.

For this to occur – for production to be directed by the needs of the population and not on the profit motives of capitalists, the productive resources have to be transferred from the hands of the capitalists to the community! This will require the growth of a strong Peoples’ Movement that can contest and take over political power.

But what about the experience of Vietnam? Can a country like Malaysia reject the logic and demands of the global capitalist system? In terms of economic resources, Malaysia now has many of the resources available to build this people-centred, green economy that wasn’t available to Vietnam in 1989. At that time Vietnam had just emerged from a devastating war that had destroyed much of the infrastructure and its economy was in shambles. To develop infrastructure – the roads, schools, hospitals - as well as to industrialize, required investment. Investment translates into deferred consumption – but when the level of production is already so low, to what extent can you restrict consumption so as to be able to

invest in infrastructure and industry? In 1975, there was the Eastern Bloc which was prepared to help Vietnam out. By 1989, with the collapse of the USSR, there was no longer any economic assistance that Vietnam could depend on – hence its push to obtain access to the global “free” economy for investments, technology and also markets. In fact this will be the same dilemma that will face the Maoists if they manage to take full political control of Nepal in the near future. The level of development of productive forces, the infrastructure and industry is at low levels in Nepal for the reasons we have alluded to earlier.

But Malaysia does not face the same problem. 100 years of development as a dependent component of the global capitalist system has brought its benefits – a well developed infrastructure, a huge plantation sector, a well developed petroleum producing sector, a reasonably well educated work force. Malaysia does not face the difficult choice of having to ask the population to tighten their belts and defer consumption to an extent for another 10 years so that crucial investments can be made in infrastructure and the industrial sector. In addition, the Malaysian State actually owns significant portions of the modern economy either directly or more commonly through State owned companies – at least 600,000 acres of plantation land are owned by Sime Darby; several major banks such as May Bank, CIMB, etc have significant State ownership; the airlines, the train services, etc. All this wealth can be mobilized for the necessary investments in alternative energy and in alternative transport.

The Way Ahead

The main limiting factor in Malaysia is not the economic feasibility of the alternative paradigm, The main limitation is that the majority of the people do not realize that such an alternative - a more humane and wholesome development path is possible for us. The economic and political elites in Malaysia whose position and privileges would be threatened by this people-centred alternative would also be dead against this alternative vision, and they will do all that they can to ensure that Malaysia does not move in this direction. It will require the commitment of the vast majority of ordinary Malaysians to enable this vision to be realized. It cannot be done for them. They have to participate in the breaking down of the obstacles that now bar the way to this new paradigm of development.

So this then is our political task – to bring the message to our people that a better society is possible in Malaysia, and that we can make it happen if we work together. This vision of hope for a humane society coupled with a people who are empowered to demand these changes – these are the crucial requirements for embarking on this alternative paradigm.

I think that it is important that we recognize the following issues

1/ The necessity of transferring **State Power** to a political leadership that is committed to the principles of the Alternative Model. It is insufficient to just talk about democratizing society and increasing the power of Civil Society actors. Without effective control of the State it will be difficult to re-structure the economy of the country in the ways outlined above.

2/ The need **for a dedicated group** that is prepared to work with the ordinary people in order to build a political force that will bring the leadership mentioned in (1) to power. For this political change will not come “naturally” without prior planning. There are elite groups in society which will work hard and even “play dirty” so as to prevent such a change from taking place. It is important that **the most disadvantaged layers of society** are adequately represented in this new political force – for they are the ones who will help keep this revolution on course!

3/ **Parliamentary democracy** is one of the most significant victories of the common man in the past 100 years. The fact that each person has an equal vote gives meaning to the concept that all men have an equal right to choose their government. This is a revolutionary concept, and though the way elections are set up is often flawed, the peoples of the world value this new right, and will not be happy if any group attempts to foist a one-party state upon them. Political movements espousing “dictatorships” of a particular social class may find difficulty in persuading their people to align with them. The world has witnessed the degeneration of the Workers’ State in the USSR, as well as the excesses that have been committed in the name of the “people” in several countries that proclaimed that they were socialist or communist. Political movements intending to mobilize people on a mass scale must be mindful of these realities.

4/ **Free markets** may still have a utility in modern society – and in this we should be clear what we mean by this term. In a situation where there a) the income distribution within society isn’t skewed and 2) where none of the sellers have a monopoly situation, the market may be the most efficient way of distributing consumer goods, and disciplining the producers of these goods. I think we should be prepared to examine this proposition – bearing in mind that the term “Free Market System” is often used to designate the entire Capitalist System, while the term “free market” in the context of this paragraph has a much narrower meaning and refers to a system of distribution of goods based on prices determined by supply and demand of those goods.

The window of opportunity is rapidly closing on us. We have less than a generation to avert profound climatic change. Our failure to do so will unleash hardships for the poorer 60% of the population of this planet on a scale never seen before. There is far too much to lose if we do not act now!

Jeyakumar Devaraj
Parti Sosialist Malaysia
5th July 2010