

PRESS STATEMENT

DATUK DR PAMELA YONG,
CHAIRMAN, INSTITUTE OF STRATEGIC ANALYSIS AND POLICY RESEARCH (INSAP)

INSAP: Great Numbers, but what does it mean to the Rakyat?

Kuala Lumpur, 26 June 2024 – The Institute of Strategic Analysis and Policy Research (INSAP) extends congratulations to Prime Minister Anwar Ibrahim and the Malaysian government for successfully hosting Chinese Premier Li Qiang, officially marking the 50th anniversary of Malaysia-China relations. Kudos to the administration for facilitating the signing of 14 memorandums of understanding (MOUs) between the two nations. The MOUs could potentially bring in a total investment of RM13.2 billion, contingent upon realization.

This milestone underscores the importance of the multilateral trade system and mutual interdependence, particularly with the Red Dragon of Asia. INSAP continues to value the strong bilateral relationship established between our two nations over the past few decades. While this diplomatic landmark highlights the strategic importance of our China relations, we should acknowledge that many Malaysians are not as enthusiastic about the achievements we have made over Premier Li's three-day visit. This is not due to the insignificance of China but rather because Malaysian themselves are currently experiencing challenging times – at least domestically.

The essence is that despite these promising headlines from these agreements, many ordinary Malaysians continue to face significant domestic challenges and would argue that these rosy figures often translate poorly into everyday economic challenges. These challenges or “pinch” reflects primarily in the rising cost of living whereby costs of essentials from food to healthcare have soared at worrying rates. Evidence from the ground supports this reality: UCSI Poll Research Centre highlighting earlier this year that close to 90% of Malaysians are deeply troubled by the current uptrend in living costs.

Purchasing power of Malaysians has also further eroded due to the rationalization of fuel subsidies, expansion of tax structures, and surges in utility tariffs. While INSAP acknowledges the necessity to alleviate fiscal pressure and stimulate economic growth, current policies often seem to prioritize enhancing economic indicators over the *rakyat's* well-being. The administration approach to economic growth appears to be a one-size-fits-all rather than a phased and targeted implementation that would allow the rakyat some breathing space - for instance, a comprehensive tax system like GST - based on consumption, could have been reimplemented rather than introducing new taxes and increasing existing tax rates to plug SST shortcomings. Ultimately, the approach to stimulating the economy should focus not only on presenting favourable statistics but also on ensuring that the *rakyat*, the backbone of these numbers, truly benefit.

Is the administration taking all of this on board, or will optimistic projections and reassuring rhetoric continue to obscure the harsh reality of a nation lagging behind, especially for our younger generation? International benchmarks underscore INSAP's worries. Our PISA scores have seen a significant decline, the steepest in ASEAN, now placing us below the OECD average in three key domains: Mathematics, Science, and Reading Literacy while the Madani economic framework's ambition to enhance world competitiveness seems increasingly elusive, as reflected in a seven-spot drop in this year's IMD rankings, going behind Indonesia and Thailand for the first time.

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All in all, INSAP believes the administration must start to strengthen domestic economic resilience. This is essential before looking across borders as to provide a stable foundation for international partnerships and foreign investment, which should positively impact the rakyat's lives rather than just producing good statistics. A strong domestic economy begins by addressing immediate economic challenges Malaysians face, with targeted and well thought out policies. Without this focus, the full potential of international agreements and investments will not be realized. Ensuring that economic growth translates into tangible benefits for all Malaysians is key to fostering both domestic and international economic success.

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For enquiries, please contact:

Kat W. Wong

Director, INSAP

03-2161 6201 / 016-521 0550

Email: communications@insap.org.my