Funding an opposition’s manifesto is all about politics

So how should we rate Pakatan Harapan’s massive manifesto for the 2018 general election?

Their institutional reform agenda is impressive but it’s difficult to approve many of its economic proposals. There’s good reason for that.

Pakatan’s economic plans may suffer from a credibility crisis because they will put a strain on government finances. The opposition coalition has multiple big policy pushes that will affect government revenue negatively while committing to big expenditure plans.

Government revenue will be affected adversely by the GST's abolition, income tax reduction, and the sharing of income tax with the states. Meanwhile, Pakatan will be spending big, making tertiary education free, reintroducing the fuel subsidy (albeit a more targeted one), and taking over various highway concessions.

These are big changes that will take time to carry out. They can work, but only with very careful planning. A very gradual sequencing will be very important. Pakatan should be prepared to put out costings on these measures while explaining how the policies will be financed.

However, at this stage of Malaysia's development, institutional reforms may be more important than the government cutting its fiscal deficit further, or the country seeking a certain percentage point boost in its economic growth.

Consistent growth and good financial standing are important. But long-run prosperity will depend on Malaysia's institutions and its social capital—both of which currently suffer from severe trust deficits, and without which Malaysia's economic achievement might be short lived.

Sometimes there is a need to slow down and reassess the foundation which Malaysia has built its successes on.

Pakatan needs to win the elections first and that is the ultimate objective, as obvious as it sounds. In an ideal world, institutional reforms should come together with sound economic plans. But in Malaysia's flawed democracy, where the system has been gerrymandered to heavily favour the incumbents, economic populism has to be engaged first before political (and social) reforms can take place. In an ideal world Pakatan could do better, but the game is rigged. The opposition has no choice in this regard.

The same standard should also be applied to the Barisan Nasional's manifesto, scheduled to be released on 7 April. And that document will likely suffer the same problem as Pakatan's promises, except in reverse. The ruling side's economic points will likely be better than the opposition's. But BN's recommendations for institutional reforms, if any, may be barely credible.

The Pakatan manifesto itself has five pillars. The following are selected important measures under each initiative (for a full assessment, please see here).

1. Reducing living costs: This is the most controversial segment where Pakatan Harapan promises to abolish the GST, reintroduce fuel subsidies, and takeover highway concessions. Proposals for anti-monopoly policy, more affordable homes, and improvement in public transport and health services are among the better manifesto items made by the opposition.

2. Reforming national institutions: This is where the manifesto's strength lies. Among others, Pakatan offers to impose term limits on the prime minister and other high officials. Power to be decentralised away from the prime minister and the executive, by giving parliament the new ability to check for various important government appointments. The manifesto promises a credible investigation into the various scandals affecting public funds and companies, including the controversial 1MDB fund. This may start after the attorney-general's office has its functions separated into two bodies: the public prosecutor's office and the government's legal advisor. Finally, Pakatan promises to abolish multiple laws that restrict civil liberties.

3. Encouraging economic growth: Pakatan vows to revamp the tax system—but it does not mention what exactly this means. There are proposals to cut income tax for the middle class, raise the minimum wage nationwide (partially financed by the government), and reduce the size of foreign labour in Malaysia drastically. The foreign labour measure—cutting it by from 6 million to 4 million—will be difficult to achieve in the short term without sacrificing economic growth. The manifesto calls for the participation in ASEAN-led trade deals, which include China's RCEP trade grouping while pushing for a bilateral trade agreement with the European Union. A Pakatan government would also review all large infrastructure contracts granted to foreign contractors (here they mean China-based SOEs). One measure may have the power to redefine Malaysian federalism, by having the federal government directly sharing income tax revenues with all the states. Currently, the federal government does not do so.

4. Returning power to Sabah and Sarawak: Pakatan promises to review and implement the 1963 Malaysia Agreement that Sabah and Sarawak nationalists claim has been violated by the federal government. Pakatan promises greater royalty sharing with both states, raising the share to 20% from 5%. The increase in royalty share will likely affect the national oil company Petronas more than the federal government.

5. Building a moderate and inclusive Malaysia: Among the many points here are: establish an anti-discrimination commission, address the Rohingya crisis, and raise Malaysia's participation in Asean. On education, Pakatan promises greater funding for government-funded schools while creating more technical and vocational institutions as alternatives to universities.