

KERATAN AKHBAR

TARIKH : 12 JULAI 2023
AKHBAR : NEW STRAITS TIMES
MUKA SURAT : 3

'Important to highlight losses due to rent-seeking'

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KUALA LUMPUR: The government needs to eliminate rents, such as approved permits (AP) or licences, to curb "Ali Baba", or rent-seeking, culture in the country.

Economists said doing away with them will allow for genuine market participation and transparency in project implementations.

Economist Dr Nungsari Ahmad Radhi said APs contained rents as they have intrinsic value.

If they were not given out competitively, such as through competition based on the ability to use the licence, then the awarded party could sell them and the buying party will include that cost in delivering their services.

Economists call this deadweight loss, Nungsari said.

Yesterday, Prime Minister Datuk Seri Anwar Ibrahim said the government was serious in combating rent-seeking culture, also known as "Ali Baba" culture, due to its negative impact on the economy.

The government was looking into drafting policies and laws to minimise the impact of rent-seeking.

He said the estimated losses related to the activity amounted to almost one per cent of the gross domestic product (GDP) and involved procurement, licensing and permit and quota issuance, as well as subsidy and grant allocations.

Therefore, the Attorney-General's Chambers, government agencies and ministries, will study and draft policies and legal strategies to curb rent-seeking, he said. This will be presented to the cabinet, he added.

Center for Market Education chief executive officer Dr Carmelo Ferlito said it was important that the prime minister highlighted activities linked to losses due to rent-seeking.

He said it created distortions in the market process by altering

the supply and demand sides, as well as prices.

He said the goods and services will reach the market against market logic with wrong prices.

Singapore Institute of International Affairs senior fellow Dr Oh Ei Sun said the problem with rent-seeking in the country stemmed from its implementation process instead of the lack of laws.

Transparency was crucial in project bidding and senior officials' discretionary power should be curbed, he said.

He said rent-seekers typically worked hand in hand with senior officials — both politicians and civil servants — to monopolise projects, then rent them out to others, exacting "rents" in between.

It added to the cost of doing business and, hence, dampened business sentiment, lowering the quality of products and services, as earnings would have to be diverted to pay off the rent-seekers, he said.

Putra Business School economic analyst Associate Professor Dr Ahmed Razman Abdul Latiff said one per cent of the GDP could amount to more than double the amount of annual cash assistance from the government to the B40 households.

This meant that if the activity was not curbed, it will hamper the nation's ability to improve people's quality of life, he said.

He said the government needed to redefine rent-seeking as part of corruption to ensure a more concentrated and dedicated effort could be carried out to eradicate it.

Nusantara Academy for Strategic Research senior fellow Dr Azmi Hassan seconded the government's move to draft laws on rent-seeking.

He said there needed to be such laws as rent-seeking was usually conducted in an implicit manner.



Dr Nungsari Ahmad Radhi



Dr Carmelo Ferlito



Dr Oh Ei Sun



Dr Azmi Hassan