

COVID-19 and the Economy of Malaysia

News:

On the 16th of March 2020, the Prime Minister of Malaysia, Dato Seri Muhyidin Yassin, announced that the Movement Control Order (MCO) is to be implemented throughout Malaysia beginning from the 18th of March to 31st of March 2020. On the 25th of March, another announcement was made by Muhyidin that the MCO is to be extended until 14th of April 2020. All activities are practically halted except for several essential services such as medical, food and security services. A one-month lockdown implies that a large portion of economic activities of the nation will also be halted. This have obviously affected the livelihood of a huge chunk of the society. As a respond to this, on the 27th of February 2020, the then interim PM, Dr Mahathir announced a RM20 billion economic stimulus. Today, Muhyidin announced a new economic stimulus package worth RM250 billion to counter the economic impact of COVID-19.

Comment:

The COVID-19 pandemic has not only affected the Malaysian economy but also the economy of the whole world. And in tandem with the rest of the Capitalistic economies of the world, whenever a crisis like this occurs, the economic solution would be a stimulus package. A stimulus package is generally seen as a 'saviour' by those who are directly facing economic crises. These include those who live on a day-to-day basis – those who rely on small daily businesses. The PM of Malaysia, in his announcement of the RM250b package, actually gave an example by calculating how much a fictitious character called 'Makcik Kiah' would gain from the stimulus package. All is good then. Well, not really. One obvious question is from where does the government of Malaysia secure such sum of money? RM250 billion is not a small amount. Some voiced that Malaysia has a reserve of about RM400 billion. This would probably be a good time to spend the reserves, they would say. Well not really. The Malaysian government cannot spend the reserves because they do not really belong to it. The reserves are really a backup needed by the central bank (Bank Negara Malaysia - BNM) to facilitate imports and as a buffer to support and stabilize the value of the Ringgit. Without the reserves, any reduction of the value of Ringgit cannot be buffered by BNM. Amongst the possible sources of such an amount of money are forms of loans via sale of government issued bonds. And these bonds will most probably be bought by national financial institutions such as the national providence fund (KWSP) which is really money belonging to the people of Malaysia. With Malaysia already under the debt pressure of RM1 trillion, further loans, albeit to help the people in crisis will result in increasing economic pressures. With the COVID-19 situation showing no end, the economic situation even in the very near future seems bleak. And in the current system, the economy is like a complicated web; hence, it is

not difficult to imagine a total economic meltdown if the current COVID-19 crisis continues indefinitely.

Within the current economic framework, it is difficult to break the barrier of capitalist thinking in solving economic crises. The notion of wealth is still being gripped jealously by those who will never give up their status quo of being the top 1% owning half of the world's riches. And being a capitalist country, Malaysia will never look into the imbalance of wealth in solving economic problems. The nation will never even imagine of loosening the grip of the few who own the critical resources of the country. It can be agreed that under the situation we are in now, ensuring 'wealth distribution' to make sure that the unfortunate will be freed from the shackles of economic dire straits may be rather difficult to achieve – that it is not as simple as redistributing the wealth of the rich to the poor. Yes, it would certainly be difficult under the current system. But this is not just a matter of wealth distribution. It is a matter of implementing an ideology – the Islamic ideology - that puts the affairs of the people as a priority. It is a matter of putting the distribution of wealth as the basis of the economy. It is a matter of having a system which is free from *riba*, the basis of all evils in the current society. It is a matter of ensuring that the people are given their economic rights, especially in matters of health. It is a matter of never putting economy above the rights of the masses. It is a matter of having a system and the people living under it pushing brotherhood and caring for each other as the basis of the nation. If only we are living in a system that guarantees these rights, we would be seeing more enlightened responses to crises - when COVID-19 may still be the invisible enemy, but 'Makcik Kiah' would never imagine that this system – the true Islamic economic system under the Khilafah - would need to invoke a stimulus of this magnitude.

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