

Booming FDI - far from true
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Critics have rightly questioned the veracity of the government's claim of record foreign direct investment (FDI).

The government claims that Malaysia's FDI in approved manufacturing projects reached RM 20.2 billion, surpassing the RM17.9 billion mark in 2005.

Based on these figures, International Trade and Industry Minister Rafidah Aziz said: "Despite increasing global competition, Malaysia continues to attract foreign outflow, reflecting the country's cost competitiveness as a manufacturing and export base."

These FDI figures are, however, grossly contradicted by those published by the United Nations Conference on Trade and Development (UNCTAD), which reported much lower FDI inflows to Malaysia, at US\$3.9 billion (RM13.7 billion) for 2006 and US\$4.0 billion (RM15.2 billion) for 2005, as shown in UNCTAD 2007 Investment Brief No.1 and World Investment Report 2006 respectively. (US\$3.9 billion is an annualised estimate based on data available up to Oct 12, 2006)

Compared to the UNCTAD figures, the Malaysian figures carry little weight, as quite apart from the question of credibility, the latter merely represent the costs of projects (part of it may not be foreign), the applications of which have been approved but not necessarily implemented, as opposed to the former which is a tally of actual inflow of foreign equity.

An application is only an expression of intention, not the actual movement of capital. Hence, investment statistics computed from project applications are usually an exaggeration of the true investment quantum, and should not be given more significance than it deserves when reporting the state of the country's economy.

Highly irresponsible

It is therefore highly irresponsible of political leaders to play up these figures, masquerading them as true FDI, and worse, misrepresenting them as proof that foreign investors have rushed back to this long forsaken investment destination.

You don't believe foreign investors have long deserted Malaysia as an investment destination? Just take a look at the following table, which compares the current FDI picture in relation to that in the nineties.

The above UNCTAD statistics speak in unmistakable terms that as a global investment destination, Malaysia has been left far, far behind, not only by its neighbours, but also by the entire developing economies as well as the whole world.

Instead of leapfrogging like others, which is obviously a manifestation of the benevolent aspects of globalisation, Malaysia suffers the humiliating defeat of an FDI level that is even far below those which existed in the last decade.

Far from the FDI surging to record levels as proclaimed by a local newspaper, Malaysia continues to mire in mediocrity as reflected in the flat and depressed FDI in recent years as reported by UNCTAD, with no upturn in sight yet.

With FDI inflows being a leading benchmark of investor confidence in the economy of a country, Malaysia's prolonged and continued failure to regain such favour is a clear indication of a continuous and uninterrupted trend of falling competitiveness. It is also an indictment on the grave mismanagement by former premier Dr Mahathir Mohamad as well as on the failure of his successor Abdullah Ahmad Badawi to institute reforms and lift this nation from its present quagmire.

Facts speak louder than words. Quality of life has prevalently plunged in recent days, precipitated no doubt by surging costs and falling business opportunities. Against such a backdrop, the government, in collaboration with the local media, chose to paint a booming economy and this is hard to swallow.

Competent leadership

In the face of growing skepticism, it is regretted that Deputy Prime Minister Najib Abdul Razak opted to further the art of misrepresentation by vowing that the government figures accurately reflect the real scenario, instead of honestly confronting the hard facts.

How much is Najib's credibility worth in this respect? Very little, judging from his and the premier's recent broken promise to reveal the details of how the controversial Malay corporate share of 18.9% was computed.

This figure was heavily criticised and held with high skepticism as it was not only contradicted by the 45% worked out by local think tank Asian Strategic Leadership Institute (Asli), but also by Deputy Minister in the Prime Minister's Department Abdul Rahman Suliman, who declared in Parliament on Nov 7, 2006 that bumiputeras owned 36.6% of shares listed in the Stock Exchange as of Dec 31, 2005. He also disclosed the details of the methodology employed. Against such serious challenge to the government's earlier figure of 18.9%, the premier and his deputy then promised to disclose the full details.

However, like many other similar promises of transparency and accountability, it fizzled out and was forgotten.

There is no short cut to sustainable prosperity, such as playing with figures to make people feel good. In due course, this short-sighted tactic will only bring greater pain to the people, for they would sooner or later discover the truth and by then the nation would have slipped further down.

When a nation's core institutions have seriously degenerated through prolonged political misrule as in the case of Malaysia, the only way to survive in this globalising age is to institute effective and sustained reforms, and that calls for competent political leadership.