

**Government defends exemptions to race policies**  
**Malaysiakini.com**  
**March 23, 2007**

The Malaysian government today defended politically-sensitive exemptions from economic policies favouring the majority ethnic Malays after making exceptions to attract foreign investment.

Deputy Prime Minister Najib Abdul Razak said the government needed a new approach to bring in foreign investment to a massive new growth area in southern Johor, the Iskandar Development Region (IDR).

"This area needs an approach that can draw foreign investors because our intention is to develop the area on a large scale," Najib was quoted as saying by the official Bernama news agency.

"This cannot be achieved if we don't adopt a new policy and approach to open the area and give as much flexibility as possible to foreign investors," he said.

The changes announced Thursday by Prime Minister Abdullah Ahmad Badawi were in the form of exemptions for companies from Foreign Investment Committee (FIC) rules, which include policies favouring "bumiputeras" or Malays and indigenous groups.

"For example, if there are six five-star hotels to be built, surely there are bumiputera interests that are capable of participating," said Najib.

"But at the same time, there are also foreign investors interested in investing there, so they will get more opportunities to invest," he said.

FIC rules include enforced bumiputera participation in Malaysia's economy so companies applying for a listing, for example, must show that 30 percent of the shares are owned or allocated for bumiputeras, among other conditions.

### **Political fallout**

Malaysia since the 1970s has maintained positive discrimination measures for bumiputera to narrow a wealth gap with the minority but economically-dominant, Chinese community.

The policies are fiercely defended by the government and the ruling Umno, despite growing criticism they deterr investors.

However, Najib said the capabilities of bumiputeras in trade and industry had improved.

"If there are certain opportunities available in this area, the bumiputera interest to participate will be given consideration," he said.

In a bid to avoid political fallout from the changes, Johor's chief minister, Abdul Ghani Othman, flagged his support for the changes in reports Friday.

"IDR is a very defined area and there is enough bumiputera strength to participate in the development despite the FIC rules being relaxed," he was quoted as saying in the Star daily.

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Source : <http://www.malaysiakini.com/news/64973>