

Backtracking in Iskandar bad for investors
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Less than five months after Prime Minister Abdullah Ahmad Badawi unveiled the blueprint to turn the 2,500 sq km South Johor Economic Region (now known as the Iskandar Development Region [IDR]) into a world a business hub to be on par with Hong Kong and Shenzhen, the first policy reversal has come.

To attract foreigners and particularly Singaporean, an area in the Iskandar region was to have been designated as the Free Access Zone (FAZ). In the FAZ, foreigners could enter, live and work with no passport, immigration or customs clearance.

However on April 5, Johor Menteri Besar Abdul Ghani Othman announced that the proposed FAZ has been scrapped. The reason given was that the FAZ was merely a proposal and that the government now saw no reason for that particular area. Granted that no policy should be cast in stone, what irks is the flippant manner in which the proposed FAZ was reversed.

Surely if the FAZ had earlier been thoroughly considered, then the reason for the sudden U-turn rightfully should have been properly explained. Not by shrugging it off, or worse still, to now claim that FAZ was merely a proposal, when during the launch of the IDR, the FAZ was said to be the centerpiece.

It is well-worth remembering that investors, when considering investments, do weigh the risk and returns on their investment. Understandably, investors are always wary of a business climate where policies and regulations can be easily changed simply to suit political demands. Wooing investors with a slew of incentives and then changing rules midstream does not make for good consideration nor would it instill confidence or even attract foreign direct investment.

Only recently, the government announced the waiver of the 30 percent bumiputera equity requirement in two areas of the IDR - Nusajaya and Danga - which account for 1,780 ha of land of the total land area of the IDR.

Judging from the first policy reversal, there is also the possibility other policies already implemented (such as the 30% bumiputera equity waiver) could also be reversed if some disgruntled or dissatisfied group decides to play to the gallery or exert pressure against the implementation of such a policy.

In such circumstances, political expediency could easily see policy reversals. That is not good for investors. Perhaps the government should first consider in-depth the consequences of any policy to be implemented in the IDR and only then implementing it, instead of initiating a policy and then reversing it midstream as is done now.

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