

Gov't unveils new growth plan, avoids key reforms
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The government today unveiled a 10-year plan to strengthen its capital markets and win investment, but avoided key reforms analysts say are critical to help the country regain its lost shine.

The plan promised to speed up approval for businesses, improve fund-raising rules and allocate more funds to venture capital and private equity firms through incentives and other support.

But it was otherwise vague on how the government would achieve its goal to almost triple the size of its capital market to US\$1.9 trillion by 2020.

Prime Minister Najib Abdul Razak also announced plans to list the federal land authority's sugar business on the stock market, boost Malaysia's ability to structure cross-border Islamic financial deals and gave a target to sovereign wealth fund Khazanah Nasional to sell non-core assets by year end.

"We are paving the way not only for a more equitable society but for a Malaysia that is more stable, more transparent and more market-friendly," Najib told an annual gathering of Malaysian corporate leaders.

The stock market's benchmark index was down half a percent to 1,535.0 points after the announcement.

It has gained about 1.7 percent so far this year, but has traditionally been seen as a laggard in the region because the state still holds large positions in many of the country's top companies, limiting opportunities for foreign investors.

Analysts said the asset divestment plans would help government finances as high crude oil prices increasingly strain its ability to subsidise staples such as fuel, sugar and flour.

Avoiding painful structural changes

But the government was expected to tread lightly on major reforms and avoid politically painful structural changes ahead of a general election which could take place as early as this year.

"The divestment of non-core assets of government-linked-companies is a market friendly move, but from an economic perspective I'm not sure whether it is the biggest thing that the government needs to deal with now," said Kit Wei Zheng, an economist with Citigroup in Singapore.

"In terms of reforms, divestments ahead of a general election is not so politically painful compared to fiscal reforms such as tackling subsidies and implementing a goods and services tax."

Financial markets have been pressing Najib to roll back subsidies and alter a decades-old, race-based policy they say hinders Malaysia's ability to compete for investment.

In a March report by Bank of America Merrill Lynch, Malaysia ranked as the second least popular market after Colombia among global emerging market fund managers and tied with India for least favourite among Asia-Pacific asset managers.

In recent years, Malaysia has tried to open up its financial markets to more competition, including offering banking licences to foreign lenders such as BNP Paribas, Mizuho Corporate Bank and National Bank of Abu Dhabi and lifting foreign ownership caps for insurers and investment banks to 70 percent.

But the authorities have kept the foreign shareholding of commercial banks at 30 percent, retained a tight grip on the shareholding of top listed firms and twice-delayed the introduction of a goods and services tax, reforms analysts say are crucial to the country's competitiveness.

- Reuters

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