

Political risks may bury 11MP, say economists

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The success of the 11th Malaysia Plan hinges on political stability, which could determine if Malaysia can get the investments required to reach Vision 2020 targets, economists say.

Prime Minister Najib Abdul Razak will table the plan in Parliament tomorrow, amid increasing calls for him to resign.

"The key risk for the 11MP is whether, from the political perspective, there is sufficient stability to sustain investor confidence," economist Yeah Kim Leng said.

Yeah (photo), who is the dean of the Malaysian University of Science of Technology School of Business, said Malaysia has sound fundamentals but this is not enough to offset the political risk.

Among them is a young population, high savings rates and a financial system to mobilise these savings, he said.

"We have all the economic factors conducive to move Malaysia to a high level of growth (but) we must be able to convince investors of our stability," he said.

Najib has described the 11th Malaysia Plan as the "final lap" for the country to transform into a high-income nation by year 2020.

To do so, the country must sustain 10 percent investment growth rate and five percent annual growth in gross domestic product, said Yeah.

'Fix social issues and they will come'

Economist and former treasury deputy secretary-general Ramon Navaratnam concurs, stating that Putrajaya must first fix underlying political and social problems if it wants to be an attractive investment destination.

He said growth has not been followed by fair distribution of wealth and this, coupled with depreciation of the ringgit and growing public debt, adds to a sense of restlessness amongst the population, he said.

Similarly, poor governance and social instability drives away talent, which dissuades investors from parking their money in Malaysia for the long term.

"The 11th Malaysia Plan must take all this into account and not just go on the same line as before where it was really the sum total of gross development values of investment projects," said Ramon (photo).

As it is, he said, investment into Malaysia is not sustainable with many ploughing money into resource-based industries like oil and gas, and not into skills-based industries such as manufacturing.

"What happens when the resources run out?" he asked.

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