

Idris Jala: Country will be bankrupt in 9 years
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Malaysia risks becoming the next Greece unless voters swallow subsidy cuts that will see the price of petrol, food, electricity and other staples rise, a government minister warned today.

idris jala pemandu subsidies powerpointA government think-tank charged with producing plans to cut the country's subsidy bill presented its plans to the public in a bid to win acceptance for painful cuts, which have yet to be voted on by the government.

Idris Jala, a minister in the prime minister's department who heads the body advising the government, said that Malaysia's debt would soar to 100 percent of gross domestic product by 2019 from 54 percent of GDP at present without the cuts.

"We don't want to end up as another Greece," he told a roadshow, referring to the European Union member whose debt woes have unsettled global markets.

pemandu subsidies subsidy presentationMalaysia spent 15.3 percent of total federal government operating expenditure on subsidies in its 2009 budget when its deficit surged to a 20-year high of 7 percent of the GDP.

The cabinet discussed the subsidy proposals on Wednesday, but any decision on cuts could be months away, a government source told Reuters.

Political analysts and economists say the failure of the government to push through previous subsidy cuts casts doubt on whether it can do it this time, especially with state elections looming in Sarawak, a government stronghold that is under threat from the opposition.

The proposals presented would see petrol prices for the benchmark RON95 blend rise by an initial 15 sen per litre from their current price at some stage this year.

RM2.60 per litre by 2015

The benchmark RON95 grade currently costs RM1.80 ringgit per litre.

idris jala pemandu subsidies crowdReuters reports the proposals presented by the advisory body, the price of petrol would be pushed up some time this year followed by two more totalling 20 sen per litre in 2011 and another two totalling 20 sen per litre in 2012.

In the 2013-2015 period, the price hikes would slow down and by the end of 2015, RON95 would cost RM2.60 per litre, according to the plans that have yet to be approved by the government.

The forecasts were based on a crude oil price forecast of \$73.06 per barrel for 2011 and \$79.41-\$94.52 for 2013-2015.

'Plug leakages first'

Meanwhile, a panelist at the roadshow from opposition DAP hit out at the government for only proposing to remove subsidies for consumer staples and not corporate subsidies.

"Some big companies such as independent power producers enjoy gas subsidies every year. It can be as high as RM13 billion.

"NONEBut for the people, the food subsidy merely amounts to RM3.4 billion," said Tony Pua, who is also Petaling Jaya MP.

Pua argued that the government's priorities appear to be misguided.

"The government is burdened by all kind of subsidies, but one fo the biggest problems is corruption and leakages," he said.

He said that should these two problems not be resolved, even the austerity drive would not resolve the budget deficit.

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