

'Ridiculous to say M'sia will go bankrupt'
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The conjecture that "Malaysia-will-go-bankrupt by 2019 like Greece if subsidies are not withdrawn", while terribly dramatic, overlooks the country's key pre-emptive strengths to prevent such financial catastrophe – Malaysia's economic outlook, prudent financial management and tight monetary policies, said an Umno supreme council member.

In assessing Malaysia's economic position, Norraesah Mohamad, a Sorbonne University-trained economist, said it was "ridiculous to subscribe to a formula" that Malaysia will be condemned to bankruptcy.

"It's even more absurd to speculate that Malaysia will be another Greece," she asserted.

"More appropriately, Greece is but a cautionary reminder of how Malaysia should manage its spending, control its budget deficits and keep down her total national debt to GDP."

Norraesah supported her contention that Malaysia can keep bankruptcy at bay with the following policies already in place:

- * Malaysia's most important saving grace is its economic outlook: Positive two-digit growth was registered for the first quarter of this year.

- * Malaysia's budget situation will substantially improve over the next couple of years because the economy is growing.

- * Malaysia's very prudent financial management and tight monetary policies do not allow for dubious cross-country swaps like what happened in Greece that further aggravated its debt situation.

- * Malaysia is not caught in the euro capsule like Greece.

"We have our own money and therefore can deal and manage our costs and prices," said Norraesah in analysing the declaration last week by Minister in the Prime Minister's Department Idris Jala that Malaysia will go bankrupt in 2019 if subsidies are not reduced across-the-board over five years, a move which Idris described as the "most unpopular decision that the government has to make since independence".

Idris, who is also chief executive officer of the Performance Management and Delivery Unit (Pemandu), said the cuts are aimed at saving up to RM103 billion to partially repay the nation's huge debt and address fiscal deficit.

The government now spends RM74 billion a year to subsidise various economic and social sectors. It currently owes various parties a total of RM362 billion while the fiscal deficit stands at RM47 billion.

In addition, Norraesah said that:

- * Malaysia enjoys a high saving rate, another saving grace (The Employees' Provident Fund has accumulated savings of RM360 billion as at Dec 31, 2009).

- * Malaysia's abundant resources and diversified economy are reinforcing factors that

guarantees the country will not plunge into bankruptcy.

Norraesah agreed that phasing out subsidies was a "pragmatic move and a sound economic decision" that must be made because it eats into Malaysia's fiscal position, misallocate resources and distort more effective use of available development funds.

"Besides, the one-size-fits-all subsidy policy is unsustainable and socially unacceptable," she said.

"The opportunity cost lost is monumental and therefore must be phased out. No one can argue with this."

Nevertheless, she described the prospect that Malaysia will be bankrupt in 2019 if subsidies are not withdrawn as a "terribly dramatic, albeit inappropriate way" to justify the burial of subsidies.

"Once we get beyond the crude look at budget deficits, a favourite attacking weapon of certain quarters, we immediately see that the parallel between Greece and Malaysia is not even close," she said.

Greece, she pointed out, has all sorts of problems that are not found in Malaysia.

Her reasoning was based on the fact that:

- * While Greece's budget deficit is an unacceptable 13.6 percent in 2009, Malaysia's budget deficit has been brought down from 7 percent to 5.6 percent in last year's budget;

- * Compared to Greece, Malaysia's deficit is respectable and is expected to shrink further in the 2011 budget; and

- * Greece's total national debt is 113 percent of its GDP, a level unimaginable in Malaysia.

"We have a strong current account surplus and big financial reserves," she pointed to the fundamental strengths of the Malaysian economy.

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