

FDI plunge warning of dark clouds ahead
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Last year's drop in the country's foreign direct investment (FDI) could be a precursor to what could happen to the country's economy in the near future.

While analysts agree that the 81 percent dip from 2008 in just a year should serve as a wake up call, their forewarning of the repercussions to expect vary in different degrees.

dr yeah kim lengRAM Holdings group chief economist Yeah Kim Leng (left) said that should the FDI that has flowed to the neighbouring countries rather than Malaysia, be of high value and be more technology driven, then we could very well lose out on the opportunity to be the regional meeting point. Especially when Asean is mulling region-wide economic cooperation.

The lack of FDI could also mean that the country may not be able to upgrade its investments and could in the end, "hollow out"

"It could result in de-industrialisation. In the short term, Malaysia could lose skilled and unskilled workers. In the medium to long term, we will need to focus on higher value and technology driven investments to put us back ahead of our neighbouring countries.

"Malaysia could end up being caught in the middle-income trap," he said.

According to the World Investment Report 2010 unveiled yesterday, the FDI had taken a nosedive from RM23.47 billion in 2008 to just RM4.43 billion last year.

In the meantime, the Thai and Indonesian economies which have trailed Malaysia's for several decades continue to surpass us by leaps and bounds.

"Indonesia attracts investors because of their recent liberalisation policies. What is of concern is losing out to Thailand despite the political turmoil there," Yeah added.

Centre of Policy Initiatives director Lim Teck Ghee also waved off claims that the FDI has little to do with the Najib administration's aim of turning the country in a high-income nation.

"Of course the FDI has a lot to do with the income of a country's workers. More FDI means we would have higher capability to export instead of import. The jobs would then be of higher quality.

"Moving towards a high-income country means that professionals no longer earn RM3,000 or RM4,000 but at least RM15,000. Can our SME's (small and medium industry) provide for it?" he asked.

"What NEM?"

While many of the experts agreed that drastic measures need to be put into motion for Malaysia to regain the competitive edge, most of them doubt whether the highly-anticipated New Economic Model - which pushes for market liberalisation - would be of much help.

"I hope investors will see the NEM as a remedy. But the prime minister has said that the NEM was produced by a bunch of consultants and that the 10th Malaysia Plan is what we're focusing on.

y4c ethnic forum 280307 lim teck ghee 2"Certainly the NEM will help. But I think need to see proof from NEM. We are sending mixed signals with the NEM as much as the New Economic Policy," said Lim (right).

When the NEM's structure was first announced in March, the details were vague. Prime Minister Najib

Razak later said that it had "yet to be finalised" after it drew the ire of Malay rights groups.

Meanwhile, Petaling Jaya Utara MP and economics degree holder Tony Pua was a lot less optimistic.

"What NEM? It is not even taken seriously by the government. All we now know are just some tidbits aimed at attracting investors. The government has no political courage.

"Investors have lost confidence in the country. I spoke to some research analysts in Malaysia. I asked why are people flooding to Thailand despite the political instability. (They said) it is because there are no flip flops in Thailand. The government may change but the policies remain," said Pua.

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