

Private spending targets increasingly elusive
Malaysiakini.com
July 27, 2010

Malaysia is less likely to reach the target of 12.8 percent annual growth in private investment needed to put in on the path to developed nation status, unless we can convince local companies to invest domestically, said UM economist Rajah Rasiah.

"Not only is... this rate a real tall order, but if we are to give ourselves a reasonable chance to achieve it, we will surely have to convince domestic capital to invest more in Malaysia than abroad.

rajah rasiah interview 270906 ponder"Economists may have different perspectives. But I won't consider a situation where significant amount of investments go out in the face of a massive contraction in FDI inflows as really being productive for a country strategising on attracting investments," said Rajah (right) when contacted today.

Commenting on a statement made by CIMB chief Nazir Razak justifying Malaysian investments abroad, Rajah said the country still loses out by outflow of investment even though it brings in high returns.

This is because when Malaysian companies invest abroad there will be not the same level of spillovers - like employment and skills-development - as investing here, he said.

"Capital typically goes abroad when the returns (in relation to risks) are higher abroad - but such movements are often influenced by sectoral flows where scale, networks and knowledge make such movements profitable in the long run.

"However, if large amounts of investment flies out of a country it does not only show that the home site environment (is less favourable) relative to host site environment, but it will also consequently generate more spillovers in the latter," he said.

Short-term pain

International Trade and Industry Minister Mustapa Mohamed today, however, said that losing Malaysian private investment to overseas markets is "short-term pain for long-term gain".

He added that outflow of investment is useful to Malaysia in terms of "export of expertise, goods and services and long-term dividends".

"We had a rather sizeable outflow of about US\$8 billion last year (but) Malaysia is a small country with a small market.

"In some sectors, the local market is saturated so we are encouraging them to go abroad," he told reporters after a industry dialogue session today.

Likewise, Mustapa also rubbished claims that local investors are taking their money abroad due to lack of confidence in domestic conditions.

Asked if this runs counter to the target of 12.8 percent private investment annual growth, he simply said: "We can (achieve it)".

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Source : <http://www.malaysiakini.com/news/138434>