

IMF wants gov't to take 'decisive' action on NEM
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The International Monetary Fund (IMF) has asked Malaysia to take "decisive" action on reforms under a model programme aimed at revamping a controversial four-decade-old affirmative action policy.

Malaysian Prime Minister Najib Razak announced in March a 'New Economic Model' or NEM, aimed at reforming elements of the policy favouring the country's majority ethnic Malays in a bid to boost economic competitiveness.

Details of the reform programme, including its timing, have not been announced yet.

The Washington-based IMF said yesterday it was looking forward to the NEM's rollout.

imf malaysia In a report after annual consultations between the IMF executive board and the Malaysian government, the fund acknowledged the "ambitious vision" of Najib's administration for a far-reaching economic transformation over the longer term.

The board of directors "agreed that the comprehensive structural reform agenda, at the heart of the New Economic Model, holds out promise of faster and inclusive growth," the report said.

"Directors looked forward to a decisive effort and sustained momentum in implementing this agenda," it said.

They also called for an "effective communication strategy" to forge "broad public support" for these efforts.

"Further gradual liberalisation of product and labour markets will help exploit policy complementarities, encourage private investment and harness the benefits of reform," the report said.

Najib, who came to office last year, said the New Economic Model was designed to boost growth, create a high-quality workforce, and attract badly needed foreign investment.

The model also aims to stem Malaysia's 'brain drain' with measures to retain skilled professionals, and make markets more competitive by phasing out price controls and subsidies.

The affirmative action policy which hands Malays privileges in housing, education and business has been criticised as uncompetitive and improperly benefiting the elites.

Opposition from right-wing groups

Under the planned changes to the policy, the government will seek to raise the income levels of all disadvantaged groups, rather than focusing solely on ethnic Malays, the dominant ethnic group in the Southeast Asian nation.

NONENajib's reforms face opposition from conservative Malay rights groups.

The country has sizeable ethnic Indian and Chinese minorities, who mostly deserted Najib's

ruling coalition in the 2008 general election.

The IMF also said that Malaysia's near-term growth prospects were favourable.

The economy was projected to expand by 6.7 percent in 2010 but growth is expected to moderate to 5.3 percent in 2011, the IMF report said.

It also said that IMF staff felt Malaysia's ringgit currency appeared to be "weaker than its equilibrium level in real effective terms."

The IMF executive board, according to the report, agreed with the Malaysian authorities' view that a stronger ringgit could boost over time the role of domestic demand as a growth driver and promote a shift toward higher-value added industries.

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