

**Najib says 'tough' challenge awaits him**  
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Prime Minister-in-waiting Najib Razak vowed to sharpen the country's competitive edge and regain the ruling party's two-thirds majority in Parliament when he takes the helm, even as financial turmoil takes a toll on the resource-rich nation.

The country faces lower revenues due to plummeting prices for its petroleum and palm oil as well as a drop in its overall exports and foreign investments that have been driving moderately high economic growth, said Najib, set to be in the saddle in March.

"It is going to be tough. I've got my hands full," the current deputy prime minister told AFP in an interview on the sidelines of the 21-member Asia-Pacific Economic Cooperation (Apec) summit which he attended.

parliament stimulus package najib 041108 pc 02"Malaysia has solid fundamentals but what is hurting us is in terms of our export market, commodity prices falling and the lack of FDIs (foreign direct investments) flowing in next year," Najib said.

He said Malaysia had to compete hard for investments with countries such as China and India.

"So, we really have to make ourselves much, much more competitive and attractive and our best hope is to stimulate domestic demand by introducing our fiscal stimulus and implementing projects that are productive and have high multiplying effects," he added.

Malaysia has joined countries such as China and Japan in introducing programs to stimulate growth amid financial turmoil, allocating RM7 billion to "high-impact" projects including roads, schools and low-cost housing.

The government has scaled down its growth target to 5.0 percent for 2008 and 3.5 percent next year although some experts believe the figure next year could be lower as the effects of the financial crisis take a bigger toll.

**Najib confident nation can avert recession**

Asked whether he was confident Malaysia could avert recession, Najib said, "I still think so, provided our execution of these stimulus projects is on track."

He did not expect any radical measures to contain a sliding Malaysian ringgit currency and also felt that any reduction of interest rates - which have been unchanged at 3.5 percent for more than two years - would not necessarily spur growth.

"The ringgit is sliding a bit but still reflects our fundamentals, so we don't envisage any drastic measures except to continue to operate on this present managed float basis," said Najib, who is also finance minister.

Any immediate interest rate reduction "is not going to lead to too much impact" on growth, he said, while pointing out that he would be guided by a special central bank panel on the issue.

Najib said Malaysia had learned its lessons well from the 1997-98 East Asian financial turmoil, when the country plunged into political and economic chaos.

"Our banks, for example, are very liquid, our NPL (non-performing loans ratio) is below 2.5 percent, our capital adequacy ratio is below the international norm," he said.

But as Malaysia steps up spending to prop up the economy amid sagging revenues, the government deficit is widening and expected to hit 4.8 percent of gross domestic product next year.

Najib appeared unperturbed.

"Historically, we went up to 5.6 (percent) but for as long as it is only for a one-year period, then the next year we can bring it down," he said.

### **Aim to recapture two-third majority**

The son of Malaysia's second prime minister Abdul Razak, Najib has won the leadership of the ruling Umno unopposed, clearing the way for him to be appointed prime minister next March.

Prime Minister Abdullah Ahmad Badawi is being forced to step aside after the Barisan Nasional coalition that has ruled Malaysia for 51 years recorded its worst-ever election result in March, losing its two-thirds majority.

Najib said Umno would have to be strengthened by addressing "some of our internal shortcoming and weaknesses as evident during the last election.

"The party itself has to be rejuvenated in terms of our image and how the outside people perceive Umno and BN."

Opposition leader Anwar Ibrahim has warned that he has enough support from defecting lawmakers to topple the ruling coalition.

"Unless there is a mass defection which appears to be remote, we should be in power until the next general election when we have to face the public," Najib said.

"We're determined to do well and try to recapture our two-third majority that traditionally we have enjoyed, God willing."