PM says bold reforms vital for recovery
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Prime Minister Najib Abdul Razak today said that Malaysia must undertake bold economic reforms and integrate with China and India in order to recover from an economic slump.

"Economically, Malaysia is under pressure on all fronts. Our rules remain overly cumbersome and, in certain sectors, restrictive," he said in a speech.

"It is not that we must choose to change, in fact we have no choice but to change," he told government officials, without elaborating on what reforms could be in the offing.

Since coming to power in April, the premier has already introduced some liberalisation measures, partly unravelling a decades-old policy of positive discrimination for majority Muslim Malays that has hampered competitiveness.

But the influential Malaysian Institute of Economic Research (MIER) has said the measures - including opening up parts of the service industry to foreign investors and removing an ethnic-based equity requirement for newly listed companies - had come too late.

Najib said Malaysia should bolster closer economic ties with its Southeast Asian neighbours in a marketplace of 3.5 billion people.

"Malaysia needs to integrate further with the region and encourage others to integrate with us. If our economy is to expand, it is unlikely that satisfactory growth rates will be found solely in the domestic market"

"If we include China and India in the equation, there are 3.5 billion potential customers," he added.

Dip in foreign investment

Najib said the government would attempt to achieve an 8.0 percent growth rate for the next 10 years to achieve its ambitious target of reaching developed-nation status by 2020.

The central bank said Wednesday that Malaysia's export-dependent economy shrank 3.9 percent in the three months to June year-on-year, in an improved performance from the 6.2 percent contraction seen in the first quarter.

Bank Negara credited higher public spending and positive growth in private consumption for the slowing rate of contraction.

The government has said the export-dependent economy is likely to contract by 4.0-5.0 percent this year due to the drop-off in exports and manufacturing caused by the global economic slump.

Foreign investment has also seen a big dip this year, as foreign direct investment for the first five months stood at RM4.2 billion compared to RM46 billion ringgit in 2008.