

**New Economic Model: Rethinking NEP**  
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The government will this week unveil a New Economic Model aimed at luring foreign investors who analysts say have been alienated by corruption, political brawling and uncompetitive policies.

Prime Minister Najib Razak, who will announce the reforms on Tuesday, must strike a balance between the demands of investors and those of voters who handed the coalition its worst ever results in 2008 elections.

"We realise, whatever we do must be market-friendly and have the support of the people," he said at the weekend, according to state media.

Economists said the plan, aimed at attracting much-needed foreign funds to boost economic growth and create employment, will include the privatisation of government assets and the rolling back of an affirmative action programme.

The New Economic Policy, introduced in the 1970s to close the wealth gap between the minority Chinese community and majority Muslim Malays and indigenous groups, known as "bumiputras", is criticised as outdated and uncompetitive.

Foreign investment in Malaysia plummeted last year as a result of the global financial crisis, while its economy contracted by 1.7 percent as the crucial exports sector dried up.

Malaysia, Southeast Asia's third-largest economy, recorded RM32.6 billion worth of investments in 2009, down from RM62 billion in 2008.

Economists said that as the region emerges from recession, competition for investment has become fierce, with Thailand, Indonesia and Vietnam eroding Malaysia's attractiveness.

Efficient government

Manokaran Mottain, a senior economist with AmResearch, said Malaysia urgently needs to transform itself into a high-value economy, and not remain stuck as a middle-income nation.

Najib is likely to introduce strategies to promote a quality workforce, to develop more competitive markets, and introduce incentives to encourage private investment in Malaysia, he told AFP.

Yeah Kim Leng, group chief economist with RAM Holdings, said Malaysia only had to look south to tiny Singapore to see how billion-dollar investments are won thanks to efficient government and a big pool of talented labour.

"In Malaysia, corruption, lack of skilled human resources, the affirmative policy and red-tape are among the impediments to woo investors," he said.

Yeah said Malaysia's image abroad has been hammered by recent incidents including the caning of three Muslim women for having sex out of wedlock - a first for the nation - as well as conflict within the ruling coalition and an unprecedented challenge from the opposition.

"It has created a negative perception among international investors who are concerned about the future political stability of the country," he said.

Najib's new model, however, has excited Yeah who said the premier is "pressing hard on the accelerator of a locomotive".

Bumi policy to stay

He said he expected government-linked companies to divest their holdings in the utility, banking and services sector to boost liquidity in the stock market.

Najib will also identify ways to cut red tape and boost poorly rated public sector services, he said.

Yeah said he also expected the new model to include a rethink of the affirmative action plan introduced by Najib's father Abdul Razak, the country's second prime minister, after deadly race riots.

"We will not see a 100 percent roll back in the affirmative action plan but we will see some market-based policies to woo investments," he said.

Despite concerns the policy has bred an over-reliance among Malays and improperly benefited the elites, it has been fiercely guarded by the coalition which has ruled since independence in 1957.

The multi-racial coalition was deserted by ethnic Chinese and Indian minorities in the 2008 polls and now risks losing the support of Malays, who have long been its bedrock, to the resurgent opposition.

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