

PM: We won't forfeit national interest for short-term gain

KUALA LUMPUR: Malaysians must understand that there is no quick fix for sustainable economic growth, Prime Minister Datuk Seri Abdullah Ahmad Badawi said.

Rather, the country must be prepared to change from an economy driven by foreign direct investments to one spearheaded by innovation and niche specialisation.

"We need an economic transformation. This transformation cannot happen overnight. People want quick results and must be made to understand," Abdullah, who is also Umno president, said in his opening speech at the annual Umno general assembly.

He was addressing concerns that the economy is not buzzing along as well as what the official economic statistics show.

This was something that many had struggled to understand, said RAM Consultancy's economist Br Yeah Kim Long.

"There are certain misperceptions like, for example, that the government doesn't have enough money. It shows insufficient understanding of how the economy operates," Yeah said.

Although there were quick fixes, these could mean sacrificing strategic national interests and this was something that the government would not do.

For instance, to boost FDIs, he could do it "at the stroke of a pen". But this means "some loss of control". Malaysia has jealously guarded control of its banks for example, a prized sector sought after by foreign investors.

The government could also list state oil and gas firm Petronas on the stock market. This could instantly add RM400 billion in the value of Bursa Malaysia Bhd, making it one of the biggest markets in Asia.

"But we will not forfeit strategic national interests solely for short-term gain. Developing the stock market

is not as simple as preparing instant noodles," he said.

One of the first steps he took to managing the economy was to tackle the budget deficit, which is now down to 3.5 per cent this year from 5.3 per cent in 2003.

The second major decision was to tackle factors beyond the government's control, namely spiralling oil prices. Abdullah decided to cut subsidies so that there would be money to build schools, hospitals; roads and to improve water supply, among others.

What Malaysia needs is higher value-added activities in agriculture, manufacturing and financial services, Abdullah said. Specific areas are Islamic finance and the halal food industry.

"Malaysia is - now the largest issuer of Islamic bonds in the world, worth US\$30 billion (RM110 billion). The global halal industry is worth RM7 trillion a year. The potential of this industry must be fully explored," Abdullah said.