

## New Economic Model

# Khazanah to divest stake in Pos Malaysia



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**KUALA LUMPUR:** Government investment arm Khazanah Nasional has resolved to divest its controlling 32% stake in POS Malaysia Berhad through a two-stage strategic divestment process.

Prime Minister Datuk Seri Najib Abdul Razak announced this while unveiling the New Economic Model (NEM) at the Invest Malaysia 2010 conference yesterday.

He said the first stage of the divestment process, which begins immediately, will adhere to proper corporate governance and regulatory processes.

"A full consultation with the various stakeholders will be undertaken," said Najib.

"POS Malaysia will be prepared for the strategic divestment by addressing various aspects of its business environment including its regulatory structure, usage of government-controlled land and the position and welfare of its employees.

"The long outstanding matter of low income of some of the staff, including postmen, will be reviewed.

"To ensure both public and commercial interests are balanced, the government will undertake a comprehensive review and update the regulatory framework of the postal system.

"In stage two, Khazanah will draw up a bidding and evaluation process to select new and entrepreneurial shareholder to further modernise POS Malaysia. Further details of this exercise will be announced later," he said.

The NEM is expected to see greater collaboration between public and private firms.

Najib also announced that the Malaysian Industrial Development Authority (Mida) will be corporatised and renamed as the Malaysian Investment Development Authority.

Mida is the principal government agency responsible for the promotion and facilitation of investments in the manufacturing and services sectors in Malaysia.

Najib said Mida has been instrumental in the nation's transformation under different phases of industrial development over the last four decades and has emerged as a well-recognised institution among both foreign and domestic investors.

"The time has come for key changes in Mida in order to make it a more effective investment promotion agency," said Najib.

He said Mida will be given the necessary organisational flexibility to attract and retain the manpower and talents it needs in order to be an internationally competitive national investment promotion agency.

"The government has also agreed to empower Mida with the necessary authority to negotiate directly with investors for targeted projects.

"In addition, Mida will also be designated as the central investment promotion agency for the manufacturing and services sectors, excluding utilities and financial services, to enhance the coordination and cohesion among the various investment promotion

## Benefits to businesses under the NEM

**AN EQUITABLE ENVIRONMENT IN WHICH INVESTORS WILL THRIVE. THIS INCLUDES:**

- Business rights**  
Due recognition of rights and responsibilities of business owners
- Rule of law**  
Ability to manage businesses with the assurance of a fair and credible legal system
- Ownership freedom**  
Freedom to fully own businesses and choose partners
- Intellectual property**  
Intellectual assets will be protected
- SME recognition**  
Regulations are appropriate and proportionate to small businesses
- Market transparency**  
Absence of rent-seeking and quotas, with support to businesses based on market principles

**AN EFFECTIVE ECOSYSTEM FOR BUSINESS OPERATORS WILL BE DEVELOPED, WHICH WILL INCLUDE:**

- Public services**  
Faster approvals across the board
- Licensing efficiency**  
Elimination of unnecessary licensing and undue regulatory burden
- Dynamic clusters**  
Benefit derived from scale through industry clustering and networking
- Human capital**  
Improved access to the best talent based on ability to pay
- Funding**  
Flexible and prompt access to SME funding under strong governance rules
- Efficient courts**  
Swift resolutions of legal disputes
- Transformation fund**  
Fair access to special assistance during the economic transition period
- Regional integration**  
An integrated regional market and support to grow into regional champions

**AN EFFICIENT MARKET WILL PROVIDE INVESTMENT GROWTH OPPORTUNITIES THROUGH:**

- Transparency**  
Confidence in the openness and fairness of government tenders
- Fair market pricing**  
With minimal exceptions, subsidies and price controls will be eliminated
- Barrier free**  
Liberalisation of all sectors.
- Fair competition**  
Ability to operate on a level playing field created by the enactment of a competition law
- Public-private partnership**  
More opportunities to collaborate with the public

bodies in the country.

"These changes will enable Mida to approve incentives in real time and act swiftly to engage investors more effectively," added Najib.

He also announced that Petronas will list two subsidiary companies with good track record on Bursa Malaysia this year.

"I would like to see GLCs and government holding agencies pursuing strategic collaborations with private sources of capital in order to provide prospective investors with exposure to the government order book and build national competencies.

"We have made progress in the area of divesting non-core assets and Khazanah alone has over the course of the last nine

months divested significant stakes in Tenaga Nasional, Malaysia Airports and PLUS for the purpose of increasing the liquidity of these counters. But more such progress in this area must be made.

"To promote higher levels of economic investment, expansion and growth, several parcels of land in Jalan Stonor, Jalan Ampang, Jalan Lidcol, Kuala Lumpur have been identified to be tendered out and developed by the private sector.

"This asset, if not developed will be wasteful and the government will incur cost of maintaining it. This initiative will be a good kick-off for more outright sale and joint ventures between the public and private sectors in land development," he said.

## NEAC chief upbeat on NEM

**NATIONAL** Economic Advisory Council (NEAC) chairman Tan Sri Amirsham A. Aziz believes the council's recommendations will propel Malaysia to "break out" from the middle-income trap to emerge as a high-income economy by 2020.

He, however, said the responsibility was not solely dependent on the government but also the people to boldly embrace change in the fast-moving economic climate.

"As much as the government tries hard to put the plan in motion, the people must complement the plan by embracing multi-tasking and transformation though they are something new to learn.

"We've ourselves to be blamed if we declined to embrace multi-tasking because it is one of the ways to go for high-income economy," he told reporters when met at the engagement session on the sidelines of "Invest Malaysia 2010" conference yesterday.

Asked when he expected Malaysia to become a high-income economy, Amirsham said: "We've set the target by 2020 when we should be able to get through the high income of US\$15,000 minimum per capita.

"That is the target (but) if we can do it earlier, why not?" asked the former Minister in the Prime Minister's Department in-charge of the Economic Planning Unit (EPU). - Bernama

## Contributors to sluggish growth

**ABSENCE** of private investment, difficulties in doing business, low value-added industries, low-skilled jobs and low wages were among the factors identified that contributed to the country's sluggish growth since the 1997-1998 Asian financial crisis.

Stagnating productivity growth, insufficient innovation and creativity as well as lack of appropriately skilled human capital were also slowing economic growth, the National Economic Advisory Council (NEAC) says in the NEM for Malaysia Part 1 Report released yesterday.

The council says the Asian financial crisis caused significant outflows of foreign portfolio investments and foreign direct investment (FDI) as well as a fall in overall investment which has not recovered.

"The crisis was a watershed in Malaysia's growth. Since the crisis, Malaysia's position as an economic leader in the region has steadily eroded," it says.

The NEAC also says the contraction in aggregate investment in Malaysia was driven mostly by a decline in private investment which has stagnated.

Several factors had dragged the level of private investments in recent years, which among others, included the heavy presence of government and GLCs. It says cumbersome and lengthy bureaucratic procedures affected both the cost of investing and the potential returns on investments while persistent shortage of skills has had an impact on investments as well.

## Wawasanita lauds bold move

**THE** Malaysian Bumiputera Women Entrepreneurs Association (Wawasanita) has welcomed the New Economic Model (NEM) and expressed confidence that it can lift up the country's economy to high-income level.

Wawasanita adviser Datuk Iamelah A. Bakar described NEM as Prime Minister Datuk Seri Najib Razak's brave step that must be taken to make Malaysia more competitive in the face of global economic environment. "I am sure NEM will give new breath to invigorate the country's stock market by drawing foreign investors to invest," she said. - Bernama

## 'New model fulfils people's needs'

**SABAH** Chief Minister Datuk Seri Musa Aman said the New Economic Model (NEM) fulfilled the needs of the people in overcoming the challenges ahead.

Musa, who is also the state Finance Minister, said the NEM was conducive and investment-friendly in respect of the private sector and business community.

"The NEM is able to increase the gross domestic product, whilst emphasising creativity and innovation," he said in a statement yesterday.

Musa also expressed confidence the NEM would impact positively on Sabah's development through various plans and programmes to improve the people's socio-economic status. - Bernama

## EPF allowed to invest more overseas

**THE EMPLOYEES** Provident Fund (EPF) will be allowed to make more significant investments overseas under the New Economic Model (NEM).

Prime Minister Datuk Seri Najib Abdul Razak said EPF currently dominates local equity and bond markets with up to 50% of daily Bursa volume represented by EPF-related trades.

The premier said the situation is not healthy for the market or for the EPF and the fund will be allowed to

invest more assets overseas, both diversifying its portfolio and creating more room domestically for new participants.

"EPF currently has about 6% assets invested offshore and this will increase significantly," Najib said in his keynote address at the Invest Malaysia 2010 conference.

"EPF will also increase its direct investments in the real economy of Malaysia, as an alternative to market

investments - taking positions in healthcare, commodities, property and other long-term investments that match EPF's requirements to protect the real rate of return on its assets.

On another note, Najib said the government and EPF will form a joint-venture to develop 3,000 acres in Sungai Buloh into a new hub for the Klang Valley. "This will lead to over RM5 billion of new investments being made that will have an immediate effect on

domestic growth, with an enormous potential for the private sector to participate in prominently," Najib said.

EPF chief executive officer Tan Sri Azlan Zainol said EPF plans to increase its overseas investments to 10% of the fund size over the next one or two years. He said investments abroad would be in the equities of public listed companies.

Azlan said EPF, which had invested

up to 7% of its fund size overseas thus far, would continue investing in its current target markets in US, Europe, Singapore, Thailand and Indonesia.

He said EPF would also continue to invest in government securities, loan stocks as well as give out loans to the government which provided reasonable good returns.

The EPF has a fund size in excess of RM370 billion.