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ANALYSIS

# 'ECONOMY DOING WELL UNDER NAJIB'

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## PM not given due credit for nation's above-global-average growth, says expert

**KUALA LUMPUR**

MALAYSIA'S economic development under Prime Minister Datuk Seri Najib Razak is doing well and is set to transform the country into a developed nation.

This is despite the controversies surrounding 1Malaysia Development Bhd (1MDB) and Felda Global Ventures Bhd (FGV), according to an opinion piece written in *The Straits Times* yesterday.

Dr Bruce Gale, a former partner at the Hong Kong-based Political and Economic Risk Consultancy and, later, a senior writer with *The Straits Times*, said assessments had been coloured by a "small number" of controversies.

"One result of this approach has been a tendency to see every policy pursued by the government of Prime Minister (Datuk Seri) Najib Razak in negative terms. But, are all these things really true? And, if so, can the blame be laid squarely at the feet of the current prime minister?"

Gale, who provides independent research, analysis and editorial services to the private sector, touched on national debt, pointing out that in the Economic Report of the Ministry of Finance 2016/2017, Federal Government debt stood at RM655.7 billion at the end of June last year, an amount equal to 53.2 per cent of the gross domestic product (GDP).

While the numbers were worrying, Malaysia, like other governments, pumped huge sums of money to spur the economy in response to the global financial crisis, and the result was that debt, as a percentage of GDP, surged to 52.8 per cent, he said.

"But, since then, the proportion has remained fairly steady, rising in some years and falling in others. There is no pattern of persistently reckless or profligate spending."

Gale said while a large proportion of the debt was denominated in ringgit rather than a currency such as the US dollar, any sharp fall in the value of the ringgit or cessation of capital inflows into Malaysia was unlikely to prompt a debt crisis.

Pointing to the weak ringgit, Gale said the currency had weakened in recent years, but this was more likely due to foreign rather than domestic factors.

One major factor for this was the dramatic fall in international oil prices and a drop in demand for Malaysia's commodity exports.

However, on the positive side, the weak ringgit made Malaysia's exports cheaper and provided foreign direct investors with an opportunity to establish a presence in the country at minimal cost should they choose to do so.

"Those who contend that the weak ringgit reflects foreigners' low confidence in Najib's Malaysia have to explain why the stock market has not collapsed and why international institutions, such as the International Monetary Fund and World Bank, have consistently published positive assessments of the Malaysian economy."

While noting the impact of Najib's economic policies on the poor, especially in the abolition of subsidies and the introduction of the Goods and Services Tax (GST), had been hard, he pointed out that government subsidies had already become unsustainable and had to be removed despite their inflationary implications.

"Failing to do so would be to place the country on a perilous course. There would be little money left for spending on health and education — both vital issues for the poor — not to mention the sort of infrastructure necessary to ensure future economic growth and, therefore, jobs."

While the government had tried to alleviate the impact of these economic reforms on the poor by introducing programmes, such as the 1Malaysia People's Aid, such handouts were not a permanent solution, said Gale.

For that, he said, strong and balanced economic growth was needed, but this could come only if leaders were willing to take unpopular measures necessary to reform the economy.

As for the GST, Gale said this was necessary in order to force the middle class to share the tax burden.

While noting that tax avoidance in Malaysia was a serious problem, he said the GST's impact on the poor had been minimised by ensuring that many common food items, such as rice, fresh fruits, bread, meat and vegetables, were GST-exempt.

Noting the fact that the Malaysian economy was still beset with some serious systemic weaknesses, among which were low-labour productivity, a lack of affordable housing and high household debt, Gale said it was only fair to point out that at the aggregate level, household assets had been consistently maintained at more than twice this level.

"In other words, Malaysian households are comfortably net positive in assets. While developed countries have higher productivity levels, the productivity of Malaysian workers is improving at a faster pace."

Gale said as the Malaysian economy continued to grow at a rate well above the international average, Najib had not been given due credit.

"The reality is that under his leadership, Malaysia's macroeconomic policies have been broadly appropriate. Abolishing the subsidies and implementing the GST were both necessary and urgent."

He said though observers may react to recent corporate scandals with horror, they should beware of "allowing this visceral reaction to colour their judgement of other aspects of Malaysia's economic performance".