

Malaysia needs to show reform progress and soon, says economist
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By Lee Wei Lian

KUALA LUMPUR, Dec 8 — Malaysia is at a crossroads and needs to make significant progress in terms of reforms within the next few years to escape the middle-income trap, said an economist from Nomura International yesterday.

Nomura economist for Southeast Asia Euben Paracuelles said the outlook for Malaysia was less positive due to its relatively weak public finances which could be boosted via cuts to its onerous subsidy programmes.

Paracuelles said the country needs to cut back on subsidies. — Picture by Jack Ooi
He also said that reforms to the country's affirmative action programmes did not appear to be making headway and that the government seemed "to have forgotten about it."

"It (reforms) have to be within the next couple of years," he told reporters here yesterday following a briefing on the outlook for Asia ex-Japan. "Why we are less positive on Malaysia is because of public finances; they need to cut back on subsidies which will provide room."

He noted however that making progress on reforms to the country's controversial affirmative action programmes would be "politically difficult".

Paraceulles said Malaysia should look at how Singapore moved quickly into high-value economic activities.

Since taking office in 2009, Datuk Seri Najib Razak has initiated a reform agenda which included a government and economic transformation programme to be driven by the special purpose performance management unit Pemandu.

While government officials and some economists have pointed to Malaysia's rise in rankings such as the World Economic Forum's Competitiveness Index and the World Bank's Doing Business Index this year as proof that Najib's reforms are working, many critics have noted a lack of radical reforms which they say effectively amounts to policy tinkering that would deliver only lacklustre results.

Former Finance Minister Tengku Razaleigh Hamzah criticised the pace of reforms in the country last month, saying that it was coming in "drips and drabs" and there appeared to be no overall plan to transform the country and society.

A World Bank report said in November that Malaysia's biggest advantage was its relatively low-cost base and its weakness was the skills of its human resources.

The report said that while Malaysia is a very competitive country in the sense that it can provide businesses with an attractive package with which to compete in global markets, the country could realise larger gains by tackling structural reforms to increase competition and competencies in the economy rather than improving the business environment.

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