

PM warns of recession if belts tightened too soon
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KUALA LUMPUR, Nov 13 — Datuk Seri Najib Razak has pledged to trim Putrajaya's spending next year but said the country could face a recession if the government cuts down on debts too fast.

"My Budget also involves some fiscal tightening, using economic growth to lower the overall level of borrowing," the sixth prime minister posted on his official 1 Malaysia blog yesterday.

"But I am also certain we must not cut borrowing too far and too fast because if we do we risk plunging our economy into stagnation or recession and that would mean the poor paying the highest cost of all," he added.

Najib is currently attending the Asia Pacific Economic Caucus (APEC) Leaders Summit in Hawaii.

In his blog post, the trained economist moved to calm fears that Malaysia would be dragged down by the ongoing euro zone debt crisis.

He assured Malaysians the country's economy was still strong and would remain so through the strengthening of the private sector to draw more foreign investment and by giving entrepreneurs more opportunities to venture into business, especially in the rural areas.

"While I cannot promise to solve the crisis the euro zone any more than I can stop flooding in Thailand, I can promise that whatever I do, it will be conscientiously done to avoid risking our economic stability," he vowed.

Najib, who will be seeking his first mandate in the polls widely expected to be called in the next six months, has been pushing to carry out administrative and economic reforms.

He said liberalising service sectors such as engineering, legal services and telecoms to foreign investment will make Malaysian entrepreneurs more globally competitive.

"Foreign investment pays for modernisation and growth and helps integrate Malaysia's economy ever more closely with the developed world.

"It increases competition and so helps keep prices low. It drives innovation and so increases skill levels in Malaysia and makes Malaysian jobs in export-facing sectors more secure," he said.

Najib also cited a World Bank study on the ease of doing business for 2012, which showed Malaysia strengthening its position and entering the top 20, as "food for thought for those who are constantly knocking our performance".

Domestically, the PM said there is a need to develop and implement best practices that will ensure long-term growth, through "innovation, creative thinking and increased productivity".

"We must embrace out-of-the-box thinking and explore non-conventional solutions to problems.

"We must seek sustainable ways to increase output, maximise resources, and reduce wastage, and we must do so creatively. Innovation and creativity fuel the growth of industry leaders and strong economies; we must follow suit," he said.

The country's debt hit RM407 billion in 2010, according to the Auditor-General's report, and is approaching the existing legal liability limit of 55 per cent of the economy.

Fears over the debt level forced Second Finance Minister Datuk Seri Husni Hanadzlah to come out and say the government could still fund its spending as it has large reserves including some RM30 billion in trust funds.

On November 1, Performance Management and Delivery Unit (Pemandu) chief Datuk Seri Idris Jala also repeated his warning that Malaysia still risked becoming bankrupt within a decade if it spends borrowed money on operational expenditure such as subsidies instead of investing the cash.

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