

Malaysia must brace for slowdown, says Anwar
The Malaysian Insider
August 25, 2011
By Shannon Teoh

KUALA LUMPUR, Aug 25 — Datuk Seri Anwar Ibrahim has warned Najib's administration to be efficient as the prospect of a double-dip recession in the United States and Europe is likely to hamper Malaysia's export-driven economy.

The opposition leader told the The Wall Street Journal in an interview today that Putrajaya must build up budget surpluses to buffer itself from a volatile global economy.

"That's what we did during my time as finance minister: We built up the reserves and we were able to withstand the shock a lot better as a result," the former deputy prime minister said of his time in charge of the Treasury between 1991 and 1998.

He called on Datuk Seri Najib Razak to focus on weeding out corruption and waste to reduce a deficit that hit a two-decade high of over 7 per cent in 2009 after the prime minister spent freely to stimulate an economy that had contracted by 1.7 per cent that year due to the global financial crisis.

Najib has committed to reducing the deficit to 5.4 per cent this year, reducing subsidies despite inflation hovering over 3 per cent — a two-year high — since March, a move that suggests there are limited funds for yet another stimulus package should the global economy wobble again.

Although Malaysia's GDP rebounded to a 7.2 per cent growth last year, its momentum has slowed with the first two quarters of the year recording a 4.9 and 4 per cent expansion respectively.

During Anwar's tenure as finance minister, Malaysia recorded surpluses from 1993 to 1997 before a clash between the Permatang Pauh MP and then prime minister Tun Dr Mahathir Mohamad over the country's response to the Asian financial crisis.

Anwar was sacked from government by Dr Mahathir before being embroiled in sodomy and corruption charges in 1998, after which the Barisan Nasional (BN) government has failed to produce a surplus budget in 13 years.

The PKR de facto leader also said "we have not seen the end" of the decline in the value of the US dollar and euro, which will be a further blow to Malaysia's exports.

He also expressed concern over whether China can continue being an engine of growth for Asian economies, saying "you've got to wonder how sustainable it is."

The Malaysian Insider
Copyright © 2011 The Malaysian Insider
Source: <http://www.themalaysianinsider.com/malaysia/article/malaysia-must-brace-for-slow-down-says-anwar/>