

Najib's handouts no boon for economy, says WSJ
The Malaysian Insider
October 12, 2011
By Debra Chong

KUALA LUMPUR, Oct 12 — By offering handouts instead of reforming the national economy, Datuk Seri Najib Razak is not helping Malaysia grow, the Wall Street Journal (WSJ) said yesterday.

The US newspaper criticised the prime minister for failing to follow through on previous pledges to overhaul lopsided economic policies and laws that favour Bumiputeras on a larger scale.

"Malaysian Prime Minister Najib Razak has unveiled a budget full of freebies designed to win over voters in the next general election, expected in the next six months. In the process, he is dashing expectations of economic reforms needed to promote growth," WSJ said.

"This combination of temporary handouts and tax breaks on one hand and welfare spending on the other doesn't help Malaysia's competitiveness," it said.

It noted the slew of cash handouts to the nation's 1.3 million civil servants and huge tax exemptions for, among others, parents with school-going children and taxi drivers.

The paper said the real danger was Najib's decision against "wean[ing] Malaysia off food and fuel subsidies" that have strained the treasury.

The 2012 Budget funds for subsidies is expected to total RM33.2 billion

"The export-dependent economy is already hurting from weak markets abroad and a rising cost of living at home — GDP growth fell below five per cent in year-on-year terms for the last two quarters — and needs long-term incentives to invest and build a stronger domestic consumer market," it said.

WSJ said Najib has liberalised foreign investment in 17 sub-sectors, which had for years forced foreigners to partner Bumiputeras before being allowed to set up businesses in the country.

But it said the reform measure will not have much impact because few of the workers hired in those sectors were Malays, who form the majority population and were the target of affirmative-action policies.

"The government needs to tackle bigger reforms in industries like manufacturing, where regulations still give Malays dominance," it said.

"Mr Najib has spoken of enacting radical changes when he presented a 'New Economic Model' last year, but he keeps disappointing voters by failing to follow through," it ended.

The Malaysian Insider

Copyright © 2011 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/malaysia/article/najibs-handouts-no-boon-for-economy-says-wsj/>