

## **Global economic report damns PM Najib for lacking will to reform**

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**BY THE MALAYSIAN INSIDER**

A global economic report has painted a gloomy outlook for Malaysia, predicting failure for the second phase of Putrajaya's economic transformation plan due to Datuk Seri Najib Razak's lack of will but added the prime minister remained secure in his job as there is no worthy successor.

There are no serious challengers to Najib's presidency in Umno until party polls are held in 2018, the Asianomics Country Report said in its latest update for international investors.

Asianomics Ltd was founded by Dr Jim Walker, a leading economist in Asia, for investors to get alternative perspectives, expose underlying economic realities and provide unconflicted macroeconomic research and strategic investment advice, according to the company's website.

The report said Najib is hanging on as the PM only because potential challengers such as Home Minister Datuk Seri Ahmad Zahid Hamidi is "too volatile personally to be qualified for the job", Defence Minister Datuk Seri Hishammuddin Hussein is just "the rather dull son of former Prime Minister Tun Hussein Onn" and Khairy Jamaluddin is too young for the job.

It added that Najib's position was also deemed safe because of a growing split in the opposition headed by Datuk Seri Anwar Ibrahim who appeared to be distracted by an impending jail sentence for sodomy.

"A weakened prime minister heads up a political party called by one cynic 'a universe of its own' whose most ambitious goal appears to be for its members to continue to loot the treasury through rent-seeking, while the opposition troika pulls in different directions as its leader (Anwar Ibrahim) contemplates a potential five-year jail term that would finish his political career.

"It is not a pretty picture for a once-promising country," the Asianomics Country Report said.

And yet, the report stated, the prime minister has displayed a puzzling inability to take action; content, it seems, just to stay in power after his Barisan Nasional (BN) coalition kept the government after GE13.

But it said there could be some trouble as the Sultan of Johor has begun flexing his muscles in the economic sector, setting a worrying precedent for the other eight sultanates in the Southeast Asian nation of 13 states.

The report noted that the Performance Management and Delivery Unit (Pemandu) had kept the Economic Transformation Programme (ETP) on track, but the next phase of the transformation programme is doomed due to the PM's flailing leadership.

In other words, the report said, there appeared to be a likelihood for continued drift with the prospects of badly needed, innovative economic and social policies simply not on the cards.

It noted that the lack of leadership was made more obvious when Najib allowed former prime minister Tun Dr Mahathir Mohamad to interfere and straighten issues out for him as well as for allowing neo-feudalism to creep in.

"Najib's lack of political will is already bearing down on policy execution to the detriment of the economy going forward... Prime Minister Najib has lost momentum; so too has policy execution," said the Asianomics Country Report.

The report noted that despite an increased transparency on the award of smaller projects under the Economic Transformation Programme (ETP), other bigger projects continue to be awarded behind closed doors.

Najib was also lambasted for having "swung to the side of the Umno hardliners in appeasing ethnic Malays", causing Pemandu to be "the biggest victim of his lack of gumption".

"Najib's position has not been helped by the re-emergence of Mahathir who has maintained influence among Umno's hardliners and the civil service's retired elite, who still have a say in civil service appointments through the Civil Commissions Board."

The report also focused on the role played by Johor as the state has 30% of the ETP infrastructure projects.

"There is talk of companies relocating manufacturing out of expensive Singapore to cheaper Malaysia. Johor, which is investing heavily in infrastructure (including high-speed rail and road links to Singapore), is the prime destination for such investment."

Despite the positive hopes for an economic boom in Johor under ETP, the report stated that there is cause for concern over creeping neo-feudalism.

"Mainland Chinese property companies are also deeply implicated,

which could be one reason for the sudden pick-up in Chinese FDI.

"Among the most widely reported cases is the Sultan's sale of 116 acres (47ha) of prime land in Johor to Chinese developer, Guangzhou R&F, last December. The deal allegedly earned the Sultan RM4.5 billion. Sentiment in Johor has been dented.

"Most troublingly, last month, the Johor state assembly (the Chief Minister was chosen and appointed by the Sultan) passed an amendment to the Housing and Property Board Enactment 2014, which gives the Sultan power to appoint four of the 11 board directors. The fact that the Sultan, whose position is ceremonial, is getting involved in executive duties, the exclusive realm of the elected state government, is the outcome of a weak leader at the centre," the report said.

The report further warned that big projects such as the Karambunai Integrated Resort City, the Tanjong Agas Oil and Gas Logistics and Industrial Park and the Kuala Lumpur International Financial District were likely to be delayed, if not shelved, due to economic and cost viability.

Besides Johor, the report also stated that "Kuala Lumpur is already suffering from an oversupply of commercial property, which is only going to worsen."

The report cautioned that companies will not be able to keep increasing capital expenditure (capex) and another year of low net profit growth cannot be ruled out.

Increasing prices of goods with removal of subsidies on sugar and excises on tobacco products as well as the looming Goods and Services Tax mid of next year and increase in electricity tariffs will cause households to face considerable headwinds, according to the report.

"Malaysia, beset by continuing racial and religious tension, seems to have sunk into a political torpor from which escape seems close to impossible."

The report also blamed the antics of overzealous Muslim authorities, responsible for body snatching, wedding crashing and Bible confiscation over the "Allah" row, for sinking the country to the lows.

It further warned that the "threatening racial and religious atmosphere" would "spur persistent emigration by the minority Chinese, who provide the impetus for an estimated 70% of the economy and pay 90% of the income taxes." – July 9, 2014.

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