

Najib's Window Dressing Can't Hide Malaysia's Woes

The Diplomat

January 31, 2017

By Luke Hunt

The embattled premier's cosmetic measures cannot conceal economic realities in the country.

The Malaysian economy has been put through the hoops. In spite of reassurances from the country's beleaguered premier Najib Razak that the current economic turbulence is only a temporary affair caused by offshore factors, the evidence does point to the contrary.

Najib's government knows this. It has side-stepped long-held promises to win Malaysia recognition as a developed country by 2020. And it has announced a string of statements and measures designed to either distract from these economic realities or aim to address them.

One revenue-raising initiative announced was charging Thai vehicles a fee for simply crossing their land border. That move has angered the Thai transport ministry which is now mulling a reciprocal tax.

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Adding insult to injury is the loss of the annual Malaysian Formula One Grand Prix. Tourism and Culture Minister Nazri Aziz announced in November that Malaysia would no longer host the race in Sepang once the current agreement expires in 2018 because it had proven too costly.

Malaysian taxpayers had shelled out about \$10 million a year to host the event since 1999, still a paltry sum when compared with eye-watering losses incurred by the fund One Malaysia Development Bhd (1MDB).

Much of ASEAN has suffered since the Shanghai stock market crashed in mid-2015, signaling a crunch in commodity prices and in the Chinese economy where growth, according to Beijing's own numbers, has fallen to about half of what it enjoyed a few years back.

In Malaysia, export growth has suffered double-digit falls as a result and GDP growth for 2016 is expected to come in at just 4.2 percent, a dreadful number by local standards.

Jarryd de Hann, an analyst with Future Directions International, argues that a slowing economy, political corruption and social tensions were expected to hinder the government's goal to become a developed country by 2020, announced 25 years ago by then premier Mahathir Mohamad.

He noted that in 2009, Najib said Malaysia must sustain economic growth at more than eight percent if it was to reach its fully industrialized target. However, GDP growth rates have fallen short of those expectations, averaging just 5.35 percent between 2010 and 2015.

The Malaysian Institute of Economic Research has also said the country is increasingly relying on domestic growth, which has its limits given the country's small size, and that this was also holding back growth.

Because of this, Malaysia is now aiming to become a fully developed country by 2050 through Najib's T50 Transformation plan, a replacement for Mahathir's Vision 2020, announced in last year's budget when the prime minister also claimed his country was now an upper-middle income country.

Najib is clinging to power after he suffered a reduced majority and lost the popular vote at elections in 2013, with controversy over 1MDB leading to mass protests and demands for his resignation. "There are concerns that democracy in Malaysia is deteriorating with the government tightening its control over the media following allegations of political corruption," de Hann wrote.

Few leaders have faced the barrage of international headlines and allegations of corruption like Najib. But he does seem to have found some reprieve relatively speaking with the new data released from Transparency International – the organization charged with ranking countries by perceptions of corruption.

In its latest rankings, Malaysia dropped just one place in 2016, to 55th place out of 176 countries on the Corruption Perceptions Index (CPI) compared with 54th out of 168 countries a year earlier, an impressive performance given the extent of the allegations.

TI-Malaysia President Akhbar Sata, who holds a Datuk title, said the drop was not significant given the Malaysian Anti-Corruption Commission had been effective in handling high profile cases after a management reshuffle.

His response beggars belief, as did TI's Malaysian ranking.

Authorities in the United States, Switzerland, Singapore, and Hong Kong are also investigating the disappearance of more than \$1 billion from 1MDB amid allegations it was stolen from people close to Najib. Reports say as much as \$4 billion is missing.

Even foreign businessmen in Cambodia complain that Malaysian corruption is much worse than what they had experienced while working out of Phnom Penh. They are concerned that TI's ranking of Cambodia in 156th place on the CPI was out of touch.

TI's ranking aside, the bigger issues will continue to haunt the Malaysian economy and importantly act as a deterrent for much-needed foreign investment until they are resolved. In that light, Najib's latest moves to cut spending and raise revenue should be seen as little more than minor window dressing.

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