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# Time to look inward for economic growth

*Economic experts feel that GLC reforms can lead to more private sector entrepreneurship when the govt reduces its footprint*

by ALIFAH ZAINUDDIN

THE newly minted Economic Action Council (EAC) should look at new growth wealth areas and surpass beyond trade and infrastructure — the latter of which had already reached their potential — to sustain the country's economy.

Malaysia's past economic rise had been pumped by exports and billions of investment in infrastructure projects, allowing the country to deliver high growth figures. However, the global economic downturn has a devastating impact to trading nations like Malaysia.

Institute for Democracy and Economic Affairs CEO Ali Salman said trade-based growth, which Malaysia has historically depended on, would be constrained due to the rise of economic nationalism and trade wars, while infrastructure-led growth has been reversed by the government's cancellation or postponement of big-ticket infrastructure projects.

"In our view, the untapped growth lies in meaningful government-linked company (GLC) reforms and public procurement reforms. GLC reforms should lead to more private sector entrepreneurship when the government reduces its footprint.

"Public procurement reforms based on transparency...open competition would not only bring in more players, but can also reduce the cost of services.

"In other words, the Pakatan Harapan government does not need to look outward for growth entirely, but inward. The Look East or Look West (policy) is (a thing of the) past. It is



(From left) Zeti, Rafidah, Jomo Kwame and Tay are part of the Cabinet ministers, members of the CEPs and corporate figures who forms the newly minted EAC which has been given the mandate to boost and stimulate sustainable economic development, fair wealth distribution and enhance the people's wellbeing

time to look inward," he told *The Malaysian Reserve* recently.

Malaysia's economy is forecast to grow 4.5% this year, down from an initial projection of 4.7% in 2018, amid continued risks of a US-China trade war and slowdowns in many major economies.

Following growing concerns over the absence of clarity in Malaysia's economic direction and reform agenda, the government announced the formation of a high-powered council on Monday which included several Cabinet ministers, members of the Council of Eminent Persons (CEP) and corporate figures.

Prime Minister (PM) Tun Dr Mahathir Mohamad chairs the EAC.

Other members include economic advisor to the PM Dr Muhammed Abdul Khalid, former International Trade and Industry Minister Tan Sri Rafidah Aziz, former Bank Negara Malaysia governor Tan Sri Dr Zeti Akhtar Aziz, CEP member Professor

Dr Jomo Kwame Sundaram and banker Tan Sri Tay Ah Lek.

The 16-member council has been given the mandate to boost and stimulate sustainable economic development, fair wealth distribution and enhance the people's wellbeing.

The group is also expected to focus on issues pertaining to high living costs, manpower, poverty and home ownership.

Yesterday, Economic Affairs Minister Datuk Seri Mohamad Azmin Ali brushed off rumours that Dr Mahathir established the EAC due to dissatisfaction with the Cabinet's performance.

Azmin, who also sits on the EAC, said the setting up of the action council — comprising individuals with the expertise and skills, as well as a good reputation in the community — is needed to provide useful input to the government.

As such, Asian Strategy and Leadership Institute's Centre for Public

Policy Studies senior research analyst Lim Pau Hua said the formation of the EAC is timely as the nine-month-old Pakatan Harapan administration was seen as a "chicken with its head cut off" with no clear economic direction.

Lim said bilateral economic relationship with China; need-based affirmative actions; the strengthening of TVET (technical and vocational education and training) to transform labours standards; and urban poverty problems are four critical priorities that the council should address.

He also believes that the government should adopt an expansionary policy to increase after-tax profits for sustainable high-development value investment projects by cutting their business taxes amid the global economic slowdown.

"Lower taxes to attract these investment projects can ensure stable growth and productivity of the state economy, while allowing the state social-economy to continue to develop

in the long run," Pau Hua said.

Meanwhile, UOB Asset Management Bhd CEO Lim Suet Ling said investors would welcome the setting up of the EAC and would focus on the council's initiative to spur economic growth, especially given some macro headwinds and potentially slower global growth.

However, she said the impact on the local bourse would depend on the effectiveness of the economic initiatives which would only be known in the medium term.

Bank Islam Malaysia Bhd chief economist Dr Mohd Afzanizam Abdul Rashid said the EAC should help the government to communicate with members of the public about its policies effectively, given the prominence of the council members.

"This could help instil confidence in the general public and investors alike as policies and government initiatives will be closely scrutinised by the council," he said.