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MALAYSIA-GROWTH

MALAYSIA'S ONE PCT GROWTH FORECAST REALISTIC, SAYS IMF EXPERT

SINGAPORE, Oct 28 (Bernama) -- Malaysia's forecast of one percent growth for 1999 is realistic and the country is likely to begin to recover next year, said International Monetary Fund (IMF) deputy research director Flemming Larsen.

Larsen said there was a good chance that Malaysia will recover in the second half of next year along with several other Asian countries that were affected by the economic crisis.

"Also Malaysia is so open in its trade. It will obviously benefit from what happens in the region. So I think it's quite likely Malaysia will begin to recover next year," he said after holding a press briefing on the IMF's latest world economic outlook here today.

On Malaysia's growth forecast announced last Friday by Prime Minister Datuk Seri Dr Mahathir Mohamad, he said: "I think that is a realistic forecast at this stage, it could be a bit lower, it could be a bit higher."

"It would depend on policies of Malaysia, confidence of Malaysian consumers and foreign investors and on what happens in the rest of Asia and the world and bearing in mind, the strength of key Malaysian markets in Europe and North America," he added.

On capital controls introduced by Malaysia last month to insulate its economy from being further ravaged by the crisis, Larsen said the IMF did not have strong views against the use of capital controls in "odd cases" but there was concern over its imposition in the midst of the crisis.

"The hope now is that the Malaysian authorities will succeed in their efforts to restructure the economy and tackle problems existing particularly the financial system.

"This will allow Malaysia to relatively soon lift these controls and avoid the uncertainty that otherwise might affect investors' willingness to invest in Malaysia in the longer run," he said.

Larsen said capital controls certainly could provide the breathing space for changes to be undertaken but they can delay changes needed elsewhere in the economy and affect the restoration of confidence among investors.

It also casts doubts on the openness of Malaysia which had been one of Asia's most successful economies with its efforts to integrate into the global trading system and attracting large amounts of foreign direct investment, he said.

Larsen also said that on the onset of the crisis, Malaysia clearly had some room to tackle the problems in its financial system and economy. --

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