

Malaysia well-poised to take advantage of k-economy

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MALAYSIA is well-poised to take advantage of information technology (IT), the Internet and the new knowledge-based economy (k-economy) as the other developing countries are catching up in attracting foreign investments in conventional manufacturing sector.

Former World Bank senior vice president Professor Joseph E. Stiglitz said Malaysia has experienced the "natural evolution" from producing chips and electronic products and moving to value-added IT products.

"It is a natural evolution but hard of real sourcing of the growth in that industry," he told reporters on the sidelines of the three-day Conference on Central Banking and Sustainable Development in the 21st Century in Kuala Lumpur yesterday.

Stiglitz, who is an economist in Stanford University, said many countries are looking at Malaysia's past success in its industrial sector, particularly in the electronics and electrical sectors.

"So much so that they are now able to catch up in attracting foreign investments in the manufacturing sector which has turned into low profits for Malaysia.

"Malaysia must now move

ahead to produce a more value-added products, not only in manufacturing hardware but software," he said.

Stiglitz said Malaysia has been successful in its transition from commodity-based economic resources to manufacturing industries. In this regard, he expects Malaysia to maintain the natural resources as the basis of its transition to a more diversified economy.

"And, at the same time, it

has been able to have much more conclusive growth process," he said, adding that the country's national economic policy has ensured benefits to all groups of people.

However, he said Malaysia is still lacking in investment in technical engineering training to propel the country into an IT and multimedia hub.

"Huge investments in technical training and research are needed to spur and sustain economic growth of the country," he said.

But he acknowledged that Malaysia's economy is basically healthy and its export sector is doing very well and the growth rate is robust.

"Even residential construction is increasing, and one would not expect commercial real estate market to recover quickly because of too much excess capacity.

"But what is the next stage of development?" he asked, adding that he was to meet Prime Minister Datuk Seri Dr Mahathir Mohamad yesterday to discuss, among others, the next stage of development strategies.

On the selective capital control measures, Stiglitz said the world economies need to constantly reassess the ap-

propriateness of self-regulation. However, he noted that Malaysia has already lifted some of the selective exchange control measures to keep track with the liberalisation of its economy.

But, Stiglitz said, not many countries have been able to retain the fixed exchange rate regime for a long time.

"What I think, I detected evolving consensus that there is a lot about volatility in the exchange rate. It has nothing to do with bad or good economic policies.

"For instance, the exchange rate between the US dollar the Japanese yen and the euro, these big currencies have been fluctuating all over the place," he said.

The difference between developing and developed countries is that the latter are able to absorb the trade risks, Stiglitz said. For the smaller open economies, the exchange rate effect can be much larger and the ability of these economies to absorb the risks can be much less.

He cited Hong Kong and Argentina as among the few countries which managed to retain the fixed exchange rate regime for a longer period, the most about five years. —

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