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SOUTH KOREA-RECOVERY

SIMILARITIES IN RECOVERY STAGED BY MALAYSIA, SOUTH KOREA

KUALA LUMPUR, Jan 21 (Bernama) -- Despite the different approaches undertaken by Malaysia and South Korea in tackling the financial crisis, similarities existed in their efforts towards recovery, the foremost of which was that it was driven by the strong will of their leaders and the people's firm commitment.

Both approaches, one led by the International Monetary Fund (IMF) rescue plans and reforms and the other by economy-boosting measures not prescribed by the IMF, seemed to be working quite well, said South Korean Ambassador to Malaysia Lee Byoung-Ho.

"Today, our two leaders' (President Kim Dae-Jung and Datuk Seri Dr Mahathir Mohamad) hands-on style in managing economic policies is well known worldwide," he said during a special lecture on Security & Economic Challenges: South Korea's Policy Response at the University of Malaya here today.

Lee said South Korea was expected to record double-digit growth this year from 9.0 percent in 1999 and minus six percent in 1998.

Relating the stormy days during the height of the crisis, he said South Korea's external debt had reached US\$150 billion, of which 40 percent were short-term debts with one-year maturity.

Also, more than US\$2 billion had rushed out of the South Korean capital market on a daily basis, creating a severe shortage in foreign reserves and left it with no choice but to resort to the IMF bailout mechanism.

Today, its forex reserves stood at US\$75.6 billion as against US\$3 billion in December 1997 while unemployment had turned around to 4.4 percent from a high of 8.6 percent during the crisis.

South Korea too, he said, decided not to withdraw the remaining US\$1.5 billion of the US\$7.5 billion the IMF had promised under its supplementary reserve facility which indicated an eventual graduation from the IMF programme.

The IMF package for South Korea totalled US\$58 billion.

Lee said as South Korea was riding out of the crisis, reform and restructuring took place in all areas of its society. Already, reform programmes in the banking, corporate, labour and public sectors had been undertaken with substantial results.

The landscape of the South Korean economy was also undergoing fundamental changes, by shifting its focus from manufacturing industries to information technology (IT) industries.

As for its relationship with Malaysia, he said bilateral trade this year was expected to exceed that of 1997. That year, the trade volume between both nations reached an all-time high of US\$7.6 billion before slipping to US\$5.8 billion in 1998 and US\$6.4 billion for the 11 months of 1999.

South Korea's export to Malaysia grew by five percent whereas Malaysia's export to South Korea increased by 41 percent. For South Korea, Malaysia is the eighth largest trading partner while South Korea is Malaysia's fifth largest.

As for investments in Malaysia, he said that had been affected by the crisis but expected more new investments to flow into Malaysia with the economic recovery.

However, existing companies were still making investments here. An example was Samsung Electronics in Seremban which made an investment to the

tune of US\$17 million for its expansion.

On bank reforms, he said the efforts taken were almost similar to Malaysia with South Korea now having fewer than 20 large banks. The difference with the merger exercise in Malaysia was that the South Korean banking sector was opened to foreign acquisition. -- BERNAMA

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