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Malaysia is optimistic, says Daim

Carolyn Hong in Shanghai

MALAYSIA is optimistic of weathering the impact of a United States economic slowdown because its economic fundamentals remain strong and it has identified measures to cope with it.

Finance Minister Tun Daim Zainuddin said yesterday that Malaysia was confident of achieving a positive economic growth for this year despite the impact of a slowing US economy and uncertainty of the recovery of the Japanese economy.

"Our economic fundamentals remain strong and we have already identified measures in coping with a US economy slowdown including lowering the cost of production, enhancing productivity as well as diversifying our sources of exports," he said when meeting investors in China after opening Maybank's Shanghai, its first branch on mainland China.

Maybank Shanghai had begun operations on Dec 28 last year.

The US and Japan are Malaysia's main markets, accounting for nearly 50 per cent of total exports.

On Tuesday, Prime Minister Datuk Seri Dr Mahathir Mohamad had announced a package of "pre-emptive measures" to sustain the country's growth. The growth rate for this year is expected to be between five and six per cent, lower than the official forecast of seven per cent.

Daim said for the long and medium term, Malaysia will continue to aim for a sustainable economic growth with low inflation, full employment and improved standard of living.

In addition, it will strive towards a healthy domestic financial and external accounts position.

"Although we have been meticulous and pragmatic in our preparations to move ahead, we constantly remind ourselves that the world economic environment is undergoing rapid and dramatic changes, and we have to prepare ourselves.

"In this regard, we are seriously addressing the challenges of globalisation, liberalisation and the digital wave, in particular their implications for the nation's competitiveness," he said.

Outlining Malaysia's economic strategies to the investors present, Daim said the country was in the final stages of formulating the Third Outline Perspective Plan (2001 - 2010) and the more detailed Eighth Malaysia Plan (2001 - 2005).

These plans, he said, would incorporate strategies and programmes to place Malaysia's growth trajectory at a more sustainable level in line with the Vision 2020 target.

He said many foreign investors already consider Malaysia an excellent base for investments in the Asean region, particularly with the establishment of the Asean Free Trade Area and outcome of a more liberal trading environment in the World Trade Organisation.

The country provided a wide range of incentives including the Pioneer Status, Investment Tax allowance, Reinvestment Allowance and incentives for High Technology industries.

There is also a tailor-made Pre-Packaged Incentive for strategic projects - heavy capital and high technology investments with long gestation periods which generate extensive linkages, and have a significant impact on the economy.

Daim said although the Malaysian response to the East Asian crisis had created controversy, the stability that ensued facilitated the lowering of

interest rates without creating pressures on the ringgit.

"More importantly, the stability and predictability facilitated the revival of economic activities as well as financial and corporate restructuring. There were no major lay offs, no massive closure of companies and no social unrest," he said.

He added that the Malaysian economy has improved and its growth rate had picked up, due to sustained external demand and stronger aggregate domestic demand.

Saying the nation's resilience to external shocks has improved since the crisis, Daim noted that the external reserves rose to US\$30.9 billion (RM117.4 billion) at the end of 1999, equivalent to 5.9 months of retained imports.

This had declined to US\$29.9 billion at the end of last year (4.5 months of retained imports), largely due to a narrowing merchandise surplus balance as growth in imports outpaced exports growth.

He said Malaysia had achieved good progress in financial and corporate sector restructuring. Banks have become stronger, with non-performing loans moderating to 6.3 per cent (six-month classification) from a peak of 11.4 per cent in August 1998.

At the end of November last year, NPLs acquired and managed by Danaharta remained at RM47 billion, of which RM37 billion was removed from the banking system.

Danaharta has also conducted four property tenders involving 449 properties, and sold 325 properties.

On its part, Danamodal has completed the recapitalisation of 10 banking institutions amounting to RM7.59 billion, of which RM3.7 billion remained outstanding with the repayment by some banking institutions as at end January.

The Corporate Debt Restructuring Committee has resolved 42 cases with debts totalling RM27.3 billion as at end of last year, while 12 cases worth RM12.1 billion remain outstanding.

Daim noted that the stock market performance has been lacklustre but said this was in line with the declines in the regional bourses, in Dow Jones and Nasdaq.

"The decline in the stock markets worldwide is largely attributed to concerns regarding the impact of a slowing US economy," he said.

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