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FDI-ECONOMY

FDIS FAR SUPERIOR THAN SHORT-TERM PORTFOLIO CAPITAL

PUTRAJAYA, Jan 9 (Bernama) -- Foreign direct investments (FDIs) are far superior than short-term portfolio capital flows in financing economic development, Laura D' Andrea Tyson, Dean of the London Business School, said here today.

FDIs provide for patient long-term investors, transfer of technical expertise, encouragement of exports and complementation of trade openness, she said at a one-day global forum on globalisation and the world economic outlook themed "Competing in a Globalised World: Becoming a World-Class Player."

She cited the situation in Argentina which was once the darling of foreign investors, but they withdrew their funds suddenly and left the country to face a depression right now.

Tyson, who was the national economic adviser in the Clinton administration, said short-term capital flows were also erratic and could move out of a country quickly and easily.

However, she said in the last decade or so, industrialised countries had attracted 70 percent of the FDIs.

But last year, China had emerged an important destination for FDIs, taking an estimated US\$50 billion (RM190 billion).

As such, she said other emerging market economies would have to look at improving ways to attract FDIs.

Referring to the sudden reversal of portfolio capital flows, she said the international agencies were looking at ways to prevent this by initiating a standstill on such moves.

Much progress on the standstill proposal has been made, she said.

To a question from the floor on how effective Prime Minister Datuk Seri Dr Mahathir Mohamad was as an economist, she said he has been very successful as reflected by the level of economic development in the country.

Much credit in the improved level of education, trade openness and sound economic development could be attributed to the Mahathir administration, she said. -- BERNAMA

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