

OPENNESS, FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH IN MALAYSIA

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Malaysia is a small open economy. The openness of the Malaysian economy to international trade in terms of total trade to gross domestic product (GDP) has increased over time. The average of the ratio, i.e. total trade to GDP over the period 1970-1979 was 88.6 percent. The average of the ratio increased to 113.1 percent over the period 1980-1989 and 178.2 over the period 1990-1999. In 2000, the ratio was 230.8 percent. The openness of the Malaysian economy is expected to increase with liberalisation and globalisation of the world economy. Malaysia has achieved high economic growth rates since the 1970s, one of the success stories in Southeast Asia. The average economic growth rate per annum in Malaysia over the periods 1970-1979, 1980-1989 and 1990-1999 were 8.4 percent, 5.8 percent and 7.2 percent, respectively. The economic growth in Malaysia remained impressive after the Asian financial crisis, 1997-1998, which is a relatively short period. In 2000, the economic growth rate of Malaysia was 8.5 percent