

29/10/1997

Malaysia 'can afford' RM3.4b aid to Indons

Ramlan Said

KUALA LUMPUR, Tues. - The RM3.4 billion standby facility offered by Malaysia to help Indonesia revive its economy will not have any serious impact on the national Budget, Deputy Prime Minister Datuk Seri Anwar Ibrahim said today.

"Of course we have the money ... we have a surplus Budget," he said when asked whether Malaysia was capable of raising the funds.

He said the offer had been discussed with Prime Minister Datuk Seri Dr Mahathir Mohamad at the Cabinet meeting last week.

Anwar, who is also Finance Minister, said the funds would be made available immediately.

Asked whether Indonesia had asked for the assistance, he said: "They did not. It is a Malaysian offer ... it is a regional practice which agrees on the need to keep with the spirit of collaboration (among Asean countries)".

Speaking to reporters after presenting the Science Awards at the National Science Centre, he said conditions for utilising the funds were being discussed.

Yesterday, after a brief meeting with Indonesian President Suharto in Jakarta, Anwar announced that Malaysia was prepared to provide RM3.4 billion to a joint fund to help Indonesia rehabilitate its economy.

The assistance is outside any International Monetary Fund programme. The IMF is holding talks with Indonesia on a possible aid package following the rupiah's drastic fall against the US dollar.

Anwar expressed confidence that the Indonesian economy would be revived given its strong fundamentals and measures already taken by its Government.

"Because I am privy to some of their figures unlike the outsiders, I feel quite comfortable... they have taken measures which to my mind are quite adequate, and they are making the adjustments.

"They are in a strong position, the problem is more related to (a lack) confidence and not about fundamentals."

Anwar was also asked on his immediate concern in view of the prevailing economic situation.

He said the main thing to be done was to make the necessary adjustments to contend with the national and regional economic environment.

"Measures which we thought were necessary have been undertaken like those aimed at addressing the current account deficit and credit level problems.

"We also have to contend with factors beyond our control, therefore we need to be resilient at the national and regional levels."

That's why, he added, collaboration among Asean countries was essential during this time.

Alluding to Malaysia and the region's strong fundamentals, Anwar said: "I believe the analysts, however, shocking or hysterical they may sound on the situation, will finally have to confine themselves to looking at the fundamentals. The same applies to anyone who wants to invest and have a long-term arrangement with any economy."

Anwar reiterated that there was nothing wrong with the fundamentals, saying the panic feeling by investors to abandon the region was only temporary.

Citing the economic problems once faced by Mexico, whose currency was

devalued up to 56 per cent, he said its economy had recovered very fast although everyone had virtually written off any hope then.

"Malaysia is nowhere near the scale of problems that plagued Mexico. Our fundamentals are in place," he added.

On the trading circuit breakers used by Wall Street yesterday to check the slide of share prices, and whether such a system should be introduced in stock markets in the region, Anwar said:

"It has been studied by our stock exchange but as we have made a prior announcement that we do not intend to change rules midstream unless it is absolutely essential, I think we'll keep it at that."

Meanwhile, parliamentary Opposition Leader Lim Kit Siang questioned whether Malaysia was in a position to offer US\$1 billion to bail out Indonesia.

Lim said Malaysians had reacted differently to the news compared to Malaysia's commitment of US\$1 billion towards an IMF-initiated US\$17.2 billion international aid package for Thailand.

It was announced in the second week of August that Malaysia was taking part in the aid package.

In a Press statement, Lim said Malaysians generally felt that it was right and proper for the country to aid a neighbour in grave financial straits, although Malaysia's financial position was itself coming under pressure.

He said what worried Malaysians was that the economic crisis was not over, that more would come in the coming months and the road ahead was going to be a hard and rocky one.

"With these gloomy forecasts, Malaysians question the prudence and the judgment to commit US\$1 billion assistance to Indonesia, not because Malaysians do not want to help Indonesians in the way the country went to the assistance of Thailand, but because of the very changed economic and financial circumstances for Malaysia, raising the question of whether Malaysia could afford the US\$1 billion assistance to another country at this stage of our economic crisis," Lim said.

(END)