

Japan a good friend in times of need

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JAPAN is turning out to be a good friend of the region by helping its neighbours to overcome their present economic crisis. It has announced billions in loans and financial assistance to help them to revive their economies.

Malaysia is one of those which is benefiting from the various packages announced by Tokyo in the past few weeks.

Tokyo, which has often been accused of being tight-fisted in helping its neighbours, is now being viewed in a completely different light with its new initiative.

Perhaps Malaysia is getting more out of Tokyo than the other Asean members badly hit by the devaluation of their currencies which have been ravaged by the hedge funds and other speculators.

Instead of lecturing its harassed neighbours like the Western powers, Tokyo is coming out with huge amounts of funds to ease the financial pain being felt by the rest of the region.

Except for Singapore and Brunei, the other Asean governments badly affected are Malaysia, Indonesia, Thailand and to a lesser extent the Philippines. Tokyo is also extending similar help to South Korea.

Not surprisingly, the countries most seriously affected are those which had sought International



Monetary Fund assistance such as South Korea, Thailand and Indonesia.

Where Malaysia is concerned, it is trying to secure at least US\$5bil (RM19bil) from the Miyazawa Plan, named after the Japanese finance minister, which is valued at US\$30bil (RM 114bil). If Kuala Lumpur is successful in its request, then the amount should be sufficient to finance the RM16bil budget deficit for 1999.

However, the Japanese Government has gone even further in helping Malaysia. It has allowed its Ministry of International Trade and Industry to act as a guarantor in raising a RM2.2bil bond.

According to Second Finance Minister Datuk Mustapa Mohamed, this amount will be used by Bank Negara to finance general purpose development and to reduce its deficit.

This gesture has enabled Malaysia to raise funds, using the rating of a sovereign country, thus saving quite a bit on interest. Kuala Lumpur was forced to use this measure as its rating had been downgraded by an international rating agen-

cy.

Such a downgrading will make it difficult and expensive to raise funds internationally as financial institutions have the tendency to depend on such rating agencies to base their interest charges on.

This is therefore a very serious blow to any government or company wishing to seek such funds from international institutions.

It is unfortunate that such rating agencies should have such a powerful influence on the global financial market even if their analyses should be off the mark.

Due to the hostility of these international agencies, it is extremely difficult for countries needing fresh capital to find it in the traditional market.

These governments would have to improvise.

Prime Minister Datuk Seri Dr Mahathir Mohamad had already said that Malaysia was reviewing its borrowing policy.

For the time being, it would make greater use of the facilities provided by the Japanese Government and its financial institutions for this purpose.