

10 JUN 1998

MAHATHIR-JAPAN

JAPAN CAN HELP ITSELF BY HELPING OTHERS

An analysis

By: Michael Raj

KUALA LUMPUR, June 10 (Bernama) -- There is no better time than the present for Japan to help itself by helping others, a recipe for success which had worked before in stimulating East Asia's economic advancement and it can still be relied upon to help these economies regain their former glory again.

This growing conviction among certain leaders and analysts was clearly put across by Prime Minister Datuk Seri Dr Mahathir Mohamad to his Japanese counterpart, Ryutaro Hashimoto, as well as top corporate officials when he was in Tokyo last week.

No doubt, Japan itself is somewhat in a financial mess, but there is no denying that it is still an economic powerhouse possessing vast amounts of investible money, an item sorely lacking in the now depleted economies of East Asia.

As Dr Mahathir told Hashimoto candidly at a dinner last Thursday that while the rest of East Asia is depressed and poor, Japan is the "richest depressed country in the world."

The Malaysian leader feels that Tokyo still has the capacity to grow and be the locomotive of growth for the region, even at a time when East Asia is plagued by the currency crisis.

"You have the capital, the technology, the skills and everything else needed to grow your economy. You should employ all these assets and provide the lead that the region needs," said Dr Mahathir.

It is a role Japan has to play, whether it likes it or not, for it would help countries like Malaysia, which could continue to be lucrative markets and test-beds for Japanese products, as was the case before.

"What Malaysia and the rest of the region needs is a revival of Japanese investments, to create jobs, to enrich people, stimulate economic growth and incidentally to create good markets for Japan," he told a seminar attended by 200 corporate leaders and economists from Japan.

As for Hashimoto, his remarks on the night of the dinner may have echoed his countrymen's preoccupation with the tit-for-tat nuclear tests between India and Pakistan, but deep down, the Japanese economy must have been nagging him more than any bomb.

The bottomline is that East Asia is desperate for money and Japan has the money. Hence, before Malaysia can again become a good market for Japan, the latter must invest in Malaysia and stimulate its economy.

Dr Mahathir did not deny that Malaysia is still "looking East" to Japan, even in learning about its (Japan's) mistakes such as when Tokyo failed to address its bad loans problems which led to the current spate of banking scandals.

Japan's failure to act has been an eye-opener for Malaysia. But Malaysia, on its part, set up Pengurusan Dana Harta Bhd, an asset management company which would buy over non-performing loans (NPLs) of the banking system, 11 months after the currency crisis erupted.

Despite the many brickbats that others had hurled at Japan for not doing enough, Dr Mahathir did commend Tokyo for being the sole standard bearer for Asia at the recently-concluded Group of Eight (G-8) meeting of industrialised countries.

He revealed that before the Birmingham meeting, Hashimoto sent his envoy to brief him and take note of Kuala Lumpur's viewpoints and even sent the envoy back after the summit to explain the outcome.

Praising Japan for consulting Malaysia and possibly other East Asian nations as well, Dr Mahathir made a note that West Asia and Central Asia, both important regions, need to be consulted as well.

Dr Mahathir also revealed that he sounded out Malaysia's intention to source for yen loans once again in talks with Hashimoto, in what is seen as a major shift in policy now that the Japanese currency has depreciated against other major currencies.

With the yen hovering at seven-year lows of around 141 yen against the US dollar, the time is opportune for Malaysia to borrow in yen to mitigate the effects of borrowing in other volatile currencies such as the greenback.

Though some may criticise the move for it may increase the country's indebtedness, the reality is that the government has no choice but strive to increase liquidity in the banking system to generate business activity.

Some analysts say with the private sector hard-pressed to generate activity in view of high interest rates attached to loans, the onus is on the government to be the catalyst for growth, as was the case in the early days.

And given Malaysia's good credit rating coupled with it having prepaid loans during boom times, Japanese banks, which are among the largest in the world, would only be too willing to lend. It was later revealed that Malaysia might borrow in yen equivalent to US\$1-US\$2 billion, a sum which would come in handy in financing infrastructure and for environmental-friendly projects.

Still, Dr Mahathir did not hide his disappointment over Japan backing off from a rescue scheme to help troubled Southeast Asian economies affected by the currency crisis after it showed keen enthusiasm initially. Though Japan was ready to give US\$50 billion at one time, he lamented that the Japanese succumbed to pressure from certain quarters which claimed that Tokyo's assistance could negate the effectiveness of aid provided by the International Monetary Fund (IMF).

It was felt that Japanese aid in that direction could scuttle efforts in forcing Indonesia, Thailand and South Korea to accede to the demands of the IMF, especially in opening up their markets to foreign dominance.

Analysts take the view that Japan already has extensive equity in these economies, which had been achieved through its investible funds, efficiency, product sales and transfer of technology, not by extracting reforms when the economies are vulnerable.

Many have decried the tough conditions by the IMF, saying that aid recipients, which had been forced to open up their economies to foreign participation, is akin to "extracting blood from the bone."

Given the slump in domestic demand, Japanese banks could put their funds to better use by helping out East Asia. But first, they must think less about what others will say and provide that helping hand to resuscitate their neighbours' economies.

In pointing this out, the Prime Minister made it clear that the region grew

-- especially over the last decade -- because the countries in the region worked

together, a formula which can work again. And analysts believe that Japan and its neighbours can again make this work successfully this time around if they try a little harder. -- BERNAMA

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