19/12/1998

Mahathir: Funding from Japan adequate (HL)

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MALAYSIA has secured "adequate" funding from Japan to restore the country's economy, so much so that it does not need the US$4 billion loan offer by Singapore, at least for now, Datuk Seri Dr Mahathir Mohamad said.

The Prime Minister said for the time being, Malaysia which is also seeking loans from commercial banks, will not borrow from other countries except Japan.

"We do not really need too much money. Japan has come out with some funds for us, which is adequate," he told reporters after a meeting with heads of Federal Land Development Authority's (Felda) settlers in Kuala Lumpur yesterday.

Japan Prime Minister Keizo Obuchi had expressed to Dr Mahathir during their bilateral meeting in Hanoi early this week that the Japanese Government will extend a financial assistance package worth over US$2 billion (US$1 = RM3.80) to Malaysia.

The loan is not part of the US$30 billion (US$1 = RM3.80)Miyazawa initiative announced by Tokyo recently to help Asian economies affected by the economic crisis.

Meanwhile, at a press conference in the capital yesterday, Japanese Ambassador to Malaysia, Mr Issei Nomura, confirmed that Japan has pledged some US$2 billion in a financial assistance package to Malaysia.

The financial package, according to Nomura, consists of Official Development Assistance (ODA) yen loan amounting to US$1 billion, Japanese Export-Import Bank loan of US$500 million and trade and investment insurance of the Japanese Government to a commercial loan (US$560 million).

"A series of intensive consultations has been conducted between the two sides at an exceptionally high pace since August until last week," he said.

The ambassador also said the US$2 billion package is to be regarded separately from that of the Miyazawa Plan, another initiative by Japan to help the crises-hit economies of South Korea, Malaysia, Indonesia, Thailand and the Philippines.

The consultation on the ODA loan, Japanese Export-Import Bank Loan and the guarantee for commercial bank loan began well before the Miyazawa Plan was announced.

"(Therefore) it is quite natural to regard this assistance package as separate from the Miyazawa Plan," Nomura said, adding that after the Plan was announced, a team of Japanese Government officials from relevant ministries was despatched to Malaysia to discuss with the Malaysian side.

On loans from commercial banks, Dr Mahathir said, it will be from both international and national commercial banks. However, the amount has not been fixed yet.

To a question on what will happen to the Singapore US$4 billion loan offer, the Prime Minister said: "We are leaving it open ... At the moment, we don't need the money."

Asked how would the other issues that are linked to the loan can be settled, Dr Mahathir said Malaysia feels that there should be quid pro quo in settling the issues.

"We want to give Singapore water forever. But there must be quid pro quo. What we are giving should have something in return ... A lot of things should be decided and settled once and for all," the Prime Minister added.

Singapore had requested for an extension of its existing water pact with Malaysia beyond 2061, and Malaysia wants to maintain its Customs, Immigration and Quarantine (CIQ) facilities at the Tanjung Pagar railway station in Singapore.

Other issues that both countries hold a different opinion on are the Central Limit Order Book and the Central Provident Fund matters.

On Malaysia's fixed exchange rate policy against the US dollar, Dr Mahathir said it will remain as long as the international community allowed the destructive activity of speculators.

He added that the rate was fixed at 3.80 and it has provided certainty and stability, creating a more conducive environment for business and investments in Malaysia.

Dr Mahathir said there are now many countries that are advocating control over capital and hedge funds.

Malaysia has introduced staggeredly capital control measures since early September. One of the measures was to fix the ringgit rate at 3.80 against the US dollar.