

14/05/1999

3 missions overseas to promote bond: PM (HL)

Fadzil Ghazali

MALAYSIA will send three teams next week to the US, Europe and Asia to promote its US\$2 billion (US\$1 = RM3.80) sovereign bond, almost a year after the last roadshow was foiled at the eleventh hour by a sudden move by several international agencies to mutilate the country's sovereign ratings.

Prime Minister Datuk Seri Dr Mahathir Mohamad said First Finance Minister Tun Daim Zainuddin will lead the first team, Second Finance Minister Datuk Mustapa Mohamed the second team, and Bank Negara Malaysia the third team.

Dr Mahathir said he is confident that Malaysia's proposed sovereign bond issue would be well-received by its targeted buyers.

He said several international financial institutions have given the Government positive feedback on the country and the bonds issue, which will be used to finance programmes aimed at expediting the economic recovery.

"We have already tested the waters by getting international financial institutions to comment on the matter. We found that they are not influenced by the negative ratings made by international rating agencies. "This means that they (international financial institutions) are interested," he told reporters after launching the Umno Selangor new building in Shah Alam.

"We believe our bonds will have a favourable spread," Dr Mahathir said, adding that Malaysia's attempts previously to issue such bonds had been postponed as the timing was not good.

"When Malaysia previously wanted to send teams to promote its sovereign bonds, international rating agencies like Moody's and Standard & Poor's downgraded the country's credit ratings.

"If Malaysia had persisted in issuing bonds then, it would have to pay high interest rates at around 15 per cent, making the bond issuance exercise not practical," he added.

The poor ratings by the Moody's and Standard and Poor's had forced Malaysia to shelf its plan to issue sovereign bonds.

Both agencies had upgraded their ratings of Malaysia early this year. Malaysia's drastic measures introduced last year had brought about the desired result as the country's economy are showing strong signs of improvement lately.

Meanwhile, Mustapa told reporters he will spend 10 days on the road in five countries starting next Monday.

His team will visit Hong Kong, Tokyo, Milan, Frankfurt, Boston and New York.

He said the Government's financial adviser, Salomon Smith Barney, has registered with the US Securities and Exchange Commission in Washington on May 11 to state Malaysia's decision to issue the bonds. The Finance Ministry had confirmed it would initially issue US\$2 billion global bond and had filed to issue a total of up to US\$3 billion in sovereign bonds with the US Securities and Exchange Commission.

Business Times reported yesterday that Salomon Smith Barney has been appointed lead manager, while seven investment bankers will co-manage the bond issue.

Salomon reportedly will also be on the roadshow next week to help the Government tap funds from the international capital markets to help

finance Malaysia's economic recovery plan.

Last July, Daim and former Deputy Prime Minister Datuk Seri Anwar Ibrahim had to cancel their scheduled roadshows to several countries to raise funds after the rating agencies slashed Malaysia's sovereign ratings to a notch above junk bond status on the eve of their departure.

Malaysia has since questioned the rating agencies' "impeccable timing" and at the Asia Pacific Economic Cooperation summit in Kuala Lumpur last November succeeded in getting Apec to issue a call for a review of the activities of these agencies.

(END)