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Japan agrees to Malaysia's proposal for fresh loans

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JAPAN has agreed to a Malaysian proposal for fresh loans at a "very attractive interest rate" to fund important projects, the National Economic Action Council said yesterday.

The agreement was reached during a meeting between the Japanese Finance Ministry's director of international market office, Kishimoto Shuhei, and First Finance Minister Tun Daim Zainuddin, who is also the NEAC chairman. (see CORRECTION above)

An NEAC spokesman said Shuhei sought details of the projects which would require the additional loans.

"As such, Daim will be drawing up the projects which will be financed by the new loans."

The spokesman declined to reveal the quantum of fresh loans required as they would depend on the projects themselves.

Shuhei, who arrived on Thursday with a delegation, would be meeting Daim on Monday to discuss the matter further.

It was understood the delegation's trip to Malaysia was initiated after Japanese Finance Minister Kiichi Miyazawa expressed surprise that Malaysia had yet to receive its portion of the US\$30 billion (RM114 billion) Japanese fund for Asian economies hit by the financial crisis.

In a recent interview with Japanese daily, Mainichi Shimbun, Prime Minister Datuk Seri Dr Mahathir Mohamad stated that Japan's aid package was so "slow-footed" that the financial crisis would be over before it was spent.

"The package was 'very effective' for Asian countries," Dr Mahathir had told the newspaper.

Malaysia was scheduled to receive some of the US\$5 billion by the end of last year.

On the delay in disbursing the loan to Malaysia, the spokesman said it was due to the bureaucracy in Japan.

In addition to the US\$5 billion loan, Malaysia can seek funds under a 600 billion yen (RM18 billion) scheme announced by Prime Minister Keizo Obuchi in Hanoi last month.

Japanese officials said earlier this month that Tokyo was poised to extend a third package of aid to Malaysia.

The aid was expected to be between 500 million yen and 1 billion yen to finance Malaysian projects.

The officials hoped the aid announcement would be made by the end of January but the timing depended on Malaysia's offer of eligible projects, to be assessed by the Export-Import Bank of Japan.

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