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Japan may guarantee our bonds (HL)

Syed Nadzri in Nagoya

THE Japanese Government is showing enormous interest in providing guarantees for sovereign bonds issued by Malaysia.

This further heightens the level of foreign-investor confidence in the Malaysian economy.

Japanese Vice-Minister for International Affairs with the Ministry of Finance Eisuke Sakakibara said today discussions on the matter would be held soon between the two governments.

"We are eager to start anytime," he told reporters after calling on Prime Minister Datuk Seri Dr Mahathir Mohamad at Okura Hotel.

He said the details to be worked out include the type of currency to be used and the quantum to be guaranteed by Tokyo.

Malaysia is among the major recipients of funds from Japan's Miyazawa initiative - a US\$30 billion (RM114 billion) two-year aid package for Asia announced last October by Japanese Finance Minister Kiichi Miyazawa.

Yesterday's statement by Sakakibara formed part of the second stage of the Miyazawa plan involving loan guarantees of up to another US\$17 billion (RM64.6 billion).

The interest shown by Japan comes barely a week after a US\$1 billion (RM3.8 billion) 10-year global bond launched by Malaysia in New York was oversubscribed by three times.

Discussions between Dr Mahathir and Sakakibara, an influential figure in Japan's financial circles, took place just after the Prime Minister, who is on a six-day visit to Japan, arrived in the Japanese capital by bullet train from Nagoya where he had been since Saturday.

From the train station to the hotel, Dr Mahathir, accompanied by Datin Seri Dr Siti Hasmah Mohd Ali, did away with protocol by choosing a bus ride on board a special coach with the other members of the Malaysian delegation.

Sakakibara said: "The discussions were mainly about the success of Malaysian economic policies implemented since the region was hit by the financial crisis in 1997.

"I congratulated Dr Mahathir on the success of the bonds on the New York market. It is a feat. Six months ago, nobody thought that Malaysia would come back with such a resounding success," he added.

Sakakibara said despite some opinions otherwise, he and the Japanese Government defended Malaysia's capital control measures to deal with the crisis.

"Now, I am glad that I was right and that Malaysia was right," Sakakibara added.

(In Shah Alam on Tuesday, Second Finance Minister Datuk Mustapa Mohamed said the Government would receive proceeds of US\$1 billion from Malaysian Global Bond by the end of this week.

(The money from the successful bonds issuance in New York last Thursday, which received overwhelming foreign investor interest, would be used for "general development" purposes, he stated.

("They include building schools, clinics and roads, and others," he told reporters after witnessing the signing of a memorandum of understanding between Advanced Management and Technology Centre and Oriental Bank Bhd.)

Shortly after meeting Sakakibara, Dr Mahathir held a dialogue with 16 editors of Japanese newspapers, also at Okura Hotel.

And in his opening remarks, Dr Mahathir thanked the Japanese Government

for all its support.

He said loans obtained by Malaysia under the Miyazawa plan had been of tremendous help. "It is useful for Malaysia to always be in close contact with Japan."

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