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JAPAN TO BE FLEXIBLE ON ASIAN COUNTRIES ISSUING SOVEREIGN BONDS

By: Khairdzir Yunus

TOKYO, June 2 (Bernama) -- Japan has assured Malaysia that it will be flexible in its offer to help recession-hit Asian countries when they issue sovereign bonds through a partial guarantee, Japan's Vice Finance Minister for International Affairs Eisuke Sakakibara, said.

He said he gave the assurance during a meeting with Prime Minister Datuk Seri Dr Mahathir Mohamad when they met here today.

Speaking to reporters after the meeting, Sakakibara said: "I have explained the second phase of the Miyazawa plan which is the partial guarantee of the sovereign bonds up to US\$17 billion."

"The prime minister told me he is interested and we could pursue that. I (also) told the prime minister that we are flexible on how to activate the partial guarantee," he said.

Sakakibara added: "But if the scheme could help Malaysia raise capital at a cheaper cost, we would be able to facilitate that."

Japan's Finance Minister Kiichi Miyazawa had said on May 15 that Japan would set up a US\$3 billion guarantee fund with the Asian Development Bank (ADB) to back sovereign bonds issued by Asian countries.

He had said that the partial guarantee of sovereign bonds may serve as a catalyst for restoring the credibility of issuers at a lower cost.

Japan would also provide US\$230 million to the ADB, to subsidise interest payments and had passed legislation that would allow the Import-Export Bank of Japan to guarantee sovereign bonds to be issued by emerging economies or to purchase them directly.

The country would make available the US\$3 billion fund by October to guarantee sovereign bonds issued by Asian countries and the guarantee would be for a two-year term.

The bonds issuance by affected Asian economies with Japanese backing would provide an alternative for the region to absorb more funds rather than rely too much on the banking system.

It is expected that US\$17 billion of long-term sovereign debt could be raised from the markets through the new instrument.-- BERNAMA

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