

03/06/1999

Tokyo keen to provide guarantees to Malaysian bonds

Syed Nadzri in Tokyo

TOKYO, Wed: The increased level of investor confidence in the Malaysian economy was further demonstrated today when the Japanese Government expressed keen interest in providing guarantees to sovereign bonds issued by Malaysia.

Japanese Vice-Minister for International Affairs with the Ministry of Finance, Mr Eisuke Sakakibara, said discussions would be held soon between the two governments to work out the details.

"We are eager to start anytime," he told reporters after calling on Prime Minister Datuk Seri Dr Mahathir Mohamad at the Okura Hotel, here. He said the details, to be worked out, include the currency in which such an issue would be denominated and the portion to be guaranteed by Tokyo.

The undertaking forms part of the second phase of the Miyazawa Plan involving loan guarantees of up to an additional US\$17 billion (US\$1 = RM3.80).

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

The interest expressed by Japan came barely a week after a US\$1 billion 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 circle, 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 last 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 the ride on board a special coach with other members of the Malaysian delegation.

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

"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 had defended Malaysia's selective capital control measures.

"Now, I am glad that I was right and that Malaysia was right," he added. Shortly after meeting Sakakibara, Dr Mahathir held a dialogue with 16 editors of Japanese newspapers.

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.

The one-hour dialogue with the editors, moderated by Nikkei's International News Editor Hirotsugu Koiko, touched on a number of issues. Dr Mahathir was asked what had happened to the proposed East Asia Economic Caucus (EAEC), a concept he mooted about 10 years ago involving a loose grouping of Association of South-East Asian Nations (Asean), Japan, China and South Korea.

"We are still pushing for its formation. But there are already informal forums involving Asean and the three. This is EAEC though we don't call it

as such," the Prime Minister said.

On the political front and next week's elections in Indonesia, Dr Mahathir said developments in that country are important because any instability would affect its neighbours.

Interest in Malaysian politics was also evident as he was asked whether now was the best time to call for a general elections since the economy was back on track.

"Yes, the economy is doing well, unemployment is at 2.5 per cent and the opposition parties are not exactly getting along with one another. It's good to call for elections today ... but maybe even better tomorrow."

On his retirement, Dr Mahathir said, he has a responsibility to keep the country stable and would hand over the reins to his deputy when the time is right.

"At the most, I have one more term. Beyond that I don't think I have the capacity," he added.

Asked whether Japan, with its economic and social problems akin to the West, is still considered a role model for Malaysia, he said, when Malaysia adopted the Look East policy, it was not emulating Japan in total or likewise rejecting the West.

He said Malaysia was merely looking at the correct things to follow - like discipline and work ethics.

Learning from Japan, he said, includes learning from the mistakes too.

And like in most question-and-answer forums, there was no escaping queries about his younger-than-74 look.

Dr Mahathir said he was always careful about what he ate and what he did. "But living in Malaysia is good. In some other countries, the air is dry ... it wrinkles your skin. So if you want to look younger, come and live in Malaysia."

(END)