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Japan-M'sia-Aid

MALAYSIA'S DEVELOPMENT: THE EASTERN CONNECTION

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KUALA LUMPUR: When the Malaysian economy was severely hit during the East Asian economic crisis in 1997, there was hardly any country or organisation willing to lend a helping hand.

While some international lending agencies imposed stringent conditions before they would render help, others refused to even look at Malaysia.

The battering the Malaysian economy received, resulted in the stalling of many socio-economic development projects.

However, a ray of hope appeared in the horizons when Malaysia's promotion of the Look East Policy, which came into being in 1982 a year after Dr Mahathir Mohamad took office as the Prime Minister, put paid to all the effort expanded in this direction. The policy among others calls for the emulation of the work ethics and management practices of the Japanese.

A FRIEND IN NEED

The Japanese government lent a helping hand when Malaysia needed it most.

Since 1998, Japan has given US\$5.7 billion (RM21.66 billion) in financial assistance to help in the recovery of the Malaysian economy.

Given under very concessional terms and conditions, the Official Development Assistance (ODA) loans helped cover the cost of development of several infrastructure and human resources development projects which otherwise may have been stalled.

Malaysia had not requested for ODA loans from Japan prior to that (since 1994) because the country was doing well economically then.

Malaysia had enjoyed a boom in direct investment and had achieved continuous high growth rates averaging eight percent per year prior to the crisis.

The government, which had left infrastructure improvement to the private sector to limit public expenditure, had also managed to maintain a budget surplus over a five-year period beginning in 1993.

It had also prudently restricted public borrowings from foreign sources to minimise exchange risks.

However, when the economic crisis triggered by currency speculators hit the country, Malaysia turned to Japan for help in 1998.

Japan placed great importance to supporting the self-help efforts of developing countries like Malaysia toward an economic take-off, the Economic Section Head and First Secretary in the Japanese Embassy here, Toru Maeda, told journalists during a recent media study tour of several ODA projects here and in Sabah and Sarawak.

POSITIVE RESPONSE

So, Japan, which had announced the New Miyazawa Initiative (NMI) to actively support the Asian countries affected by the economic crisis, responded positively to the request.

Under the NMI, a US\$30 billion (RM114 billion) financial support scheme was established to aid the Asian countries affected by the crisis. The scheme comprised US\$15 billion (RM57 billion) in ODA loans and the Export-Import Bank of Japan finance for financial support in the medium-to-long-term, and the remaining US\$15 billion for economic reform short-term capital needs.

In December 1998, at the Japan-Asean Summit Meeting, Japanese Prime Minister Keizo Obuchi promised Dr Mahathir seven ODA loans amounting to 117 billion yen (RM4.178 billion), an amount which was larger than any previous package.

WHERE THE LOANS GO TO

Japan Bank for International Cooperation chief representative in Malaysia, Takayuki Ogai, said the seven ODA loans targetted human resource development, infrastructure development which contribute to environmental improvement, and support for small and medium scale industries.

The human resource development projects are a 14.026-billion yen (RM500.92 million) loan for a Look East Policy scholarship programme; a 9.737-billion yen (RM347.75 million) loan for the Beris Dam Project at the Muda River in Kedah to supply water to Penang; a 18,549-billion yen (RM662.46 million) loan for the Universiti Malaysia Sarawak development project; a 5,285-billion yen (RM188.75 million) loan for the Higher Education Loan Fund (Help) 2 project, and a 1,093-billion yen (RM39.03 million) loan for the Pahang-Selangor Raw Water Transfer Project.

The Tuanku Jaafar Power Station project in Port Dickson, which received a 49.087 billion yen (RM1,753 million) loan, is categorised as an infrastructure development project which contributes to environmental improvement. The project involves replacing the existing environmentally problematic power generation plant with a combined-cycle generation plant.

The replacement will reduce the power station's environmental impact, raise power generation efficiency and make the system more stable.

The last is a 16.296-billion yen loan for the fund for small and medium scale industries.

SYMBIOTIC RELATIONSHIPS

Why is Japan assisting Malaysia so much when others were at best cautious?

"(It is) because the Japanese government thinks Malaysia is a very important country in terms economic and social aspects," Maeda said.

He explained that there were many Japanese companies operating in Malaysia and Japan's foreign investment here also had a big impact.

Todate, there are about 1,400 Japanese affiliated companies operating in Malaysia and 800 of them are in manufacturing with 340 of them in electronic and electrical industries. Last year, Japan was also the second largest investor here after the US with 100 direct approved projects worth approximately RM1 billion.

Maeda said ODA loans gave priority to assisting basic infrastructure improvement which is a prerequisite to socio-economic development.

Usually, basic infrastructure projects like water and power supply, sewerage, roads and bridges or human resource development are not very profitable in the short term and so the private sector couldn't support them, he said.

"So government loans such as the ODA with very concessional terms and conditions are necessary (to develop these projects)," he added.

Maeda also pointed out that the funds for the ODA came from the Japanese tax payers and from postal savings funds.

"The ODA loans are used for the people of developing countries because the relationship between the people of Japan and the developing countries is very important for the future," he said.

The government of Japan, he also said, is in the final stages of negotiations for a new package of loans under the ODA and he hoped it will be finalised this month.

NEW LOAN PACKAGE

Sources said the new loans amounting to US\$1.1 billion (RM4.18 billion) are for three projects -- the second phase of the Tuanku Jaafar Power Station Rehabilitation Project in Port Dickson, the Kenyir Hydro-Electric Power plant expansion project in Terengganu and the national sewerage treatment plant project.

Malaysia, the sixth largest recipient of ODA loans, first started receiving the loans in 1969 and has been provided 16 packages so far.

The loans were mainly for infrastructure improvement, especially for the electricity and gas sector which took about half of the total loans.

These projects too have played an important role in increasing the inflow of foreign direct investment which has contributed to the nation's remarkable growth. -- Bernama

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