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Banks don't need infusion of public funds, says Koizumi

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THE Japanese financial system, especially banks carrying bad debts, does not need an infusion of public funds to keep afloat as measures to arrest the situation seem to be adequate, Japanese Prime Minister Junichiro Koizumi said yesterday.

He said the Government had formulated measures that would prevent a situation that could lead to financial unrest.

Financial institutions, he said, had been inspecting company accounts last year and working out possible solutions on dealing with non-performing loans.

"At the moment, I do not think that there is a situation that will require the infusion of public funds," he told a Press conference on the eve of his week-long visit to five Asean nations, including Malaysia.

The Government has done a rigorous assessment of financial institutions and encouraged them to disclose information adequately and to increase their reserves to deal with bad debts, he said.

Koizumi, who would discuss economic reforms in the region with Asean leaders including Prime Minister Datuk Seri Dr Mahathir Mohamad, said his government had been encouraging financial institutions in spontaneous managerial efforts.

He had been asked if banks would be recapitalised, nationalised or liquidated as part of efforts to stem the tide of bad loans.

He said he was not in a position to name specific financial institutions or the problems they were facing.

He added that the Government was doing its best to prevent further financial unrest.

Koizumi declined to state if bank managers incapable of resolving the current problem of bad debts would be allowed to stay on after the matter had been settled.

Banks, saddled with mounting bad debts, are in the way of efforts to kick-start the economy which has been in recession for some time.

The Japanese government has come to the aid of private financial institutions in the past, with the most recent being a 1.8 trillion yen bailout of banks in late 1997 and early 1998.

Japanese banks currently hold an estimated 151 trillion in bad debts and risky loans.

On trade with China, he said both countries had agreed to settle problems dealing with the import of several items, including shitake mushrooms, across the table.

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