

24/11/2002

KL gives Beirut RM1b loan (HL)

Ashraf Abdullah

MALAYSIA will give Lebanon a US\$300 million (RM1.14 billion) concessionary loan to rebuild the war-torn nation, making it the biggest loan contributor after Saudi Arabia and France.

The three main contributors made their pledges at yesterday's one-day Pledging Conference on the Reconstruction of Lebanon in Paris.

The meeting was attended by 18 countries. Other participating countries were Germany, Italy, Canada, Bahrain, Qatar, Belgium, Denmark, Spain, the United States, Britain, Japan, Kuwait and Oman as well as the United Arab Emirates.

Also known as the Conference on Support for the Programme for Economic Reforms in Lebanon, it is a follow-up to the Paris I conference last year initiated by France to boost reforms in Lebanon.

France had invited countries and financial institutions friendly to Lebanon to the conference and to identify forms of support they could offer Lebanon.

French President Jacques Chirac said some of the world's richest countries agreed to offer up to US\$4.3 billion in financial support for Lebanon.

The package includes nearly US\$3 billion in cash and US\$1.3 billion for development projects.

Prime Minister Datuk Seri Dr Mahathir Mohamad said Malaysia had agreed to give Lebanon the loan to ease its debt burden which was severely hampering rebuilding efforts.

"Lebanon has huge debts totalling 140 per cent of its GDP (gross domestic product). This is not sustainable.

"Eighty per cent of its revenue have to be used to repay its debts, and this makes it difficult for the Government to rebuild the country."

Dr Mahathir said the best solution was for Lebanon to restructure its loan repayment so that it would not have to pay very high interests.

He said Malaysia often did its utmost to help nations facing financial crisis. In 1997, Malaysia gave a US\$1 billion loan to Thailand. The country also pledged a US\$1 billion credit to Indonesia which was not disbursed.

"We hope our US\$300 million loan and the contribution made by others will help reduce Lebanon's debt deficit," he said.

Saudi Arabia and France will give Lebanon US\$700 million and US\$500 million loans respectively.

Dr Mahathir said Lebanon was a good paymaster and had never defaulted on repayments.

In 1992, after a war which lasted 15 years, Lebanon found itself seriously handicapped. The Government's expenditure was twice its revenue.

The inflation rate exceeded 100 per cent and the country's currency had been greatly devalued.

In addition, the country had to rebuild a badly damaged infrastructure and its administration.

It also had to meet many social requirements in education and health, and in terms of salary adjustment.

Lebanon was forced to finance its reconstruction chiefly through short-term borrowing at high interest rates. This aggravated its fiscal deficit. The debt stock will represent 170 per cent of its GDP at the end of 2002.

Lebanon has embarked on a programme of structural reforms aimed at

modernising the economy and curbing the fiscal deficit.

It hopes to preserve the monetary stability crucial to restoring confidence and to consolidating the return of capital that fled the country during the civil war.

Diplomats say efforts made were starting to bear fruit. In addition to reducing the fiscal deficit, several other encouraging trends are visible. The balance of payment has been in surplus for several months now.

President of Lebanon's Council of Ministers Rafik Hariri said Lebanon would carry out measures such as reducing its public expenditure by nine per cent, and privatise the telecommunications, electricity, water and transportation sectors.

Dr Mahathir later called on Chirac at Elysee Palace. Hariri, speaking after a meeting with Dr Mahathir, thanked the Prime Minister for his presence in Paris.

He said although Malaysia's loan contribution was important, what was even more important was the presence of Dr Mahathir, a leader of the Muslim world.