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RATING-MALAYSIA
STANDARD & POOR'S AFFIRMS ALL RATINGS ON MALAYSIA

KUALA LUMPUR, June 28 (Bernama) -- Standard & Poor's today affirmed all its ratings on Malaysia, including the triple-'B'/'A-3' foreign currency and single-'A'/'A-1' local currency sovereign credit ratings, after resolution of the country's leadership succession.

"The outlook on the long-term ratings is positive," the international rating agency said in a statement.

Sovereign credit analyst, Chih Wai Liew said the affirmation reflected Standard & Poor's expectation that the Malaysian government's economic policies and its commitment to corporate restructuring would not falter as a result of the retirement of Prime Minister Mahathir and the transition to his successor.

Malaysia's political landscape was rocked on June 22, 2002, by Mahathir's resignation during the annual general assembly of the United Malays National Organization (UMNO).

Nevertheless, he retracted his resignation and on June 25, UMNO's Supreme Council announced that the leadership of UMNO and the ruling coalition, and Malaysia's premiership, would be passed over to Deputy Prime Minister, Abdullah Ahmad Badawi in October 2003.

"This succession plan has effectively reduced the near-term uncertainty in Malaysia's policy environment and will prevent a disorderly transition after Mahathir is gone.

"For the next 15 months until the official transfer of power, UMNO leaders are expected to present a cohesive front and avoid a major leadership tussle that could lead to policy drift", said Liew.

Nevertheless, the statement said Abdullah's premiership could still be susceptible to challengers in the longer term.

In particular, a perceived weak showing by the ruling coalition at the next general election, due by January 2005, could erode his position.

Even if elections are held before Mahathir hands over, a less than impressive election outcome could be viewed as the electorate's lack of confidence in Abdullah, it added.

Political power is concentrated in Malaysia, and without a strong support base like Mahathir, Abdullah's administration is likely to be characterized by a consensus-building approach.

He will also have to balance the demands of Malaysia's multiracial society, the statement added.

Immediate and difficult issues at hand include modifying the "bumiputera" policy (the country's affirmative action policy) to one based more on meritocracy, while maintaining popular support from ethnic Malays.

Going forward, a rapid improvement in Malaysia's fiscal balance, consistent pursuit of corporate restructuring, and a move by the government toward a less interventionist economic management would strengthen Malaysia's credit standing.-- BERNAMA

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