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S'pore-Finance

S'PORE SAYS IT DID OFFER HELP TO M'SIA TIDE OVER THE 1998 CRISIS

By: Salbiah Said

SINGAPORE, Jan 25 (Bernama) -- Singapore says it did propose to provide financial assistance to Malaysia during the 1998 economic crisis, by including the supply of water to Singapore after the expiry of the 1962 Water Agreement.

Foreign Affairs Minister S Jayakumar said today Malaysia had requested a package of financial assistance from Singapore amounting to RM15 billion, consisting of additional ringgit deposits with Malaysian banks in Kuala Lumpur, purchase of the ringgit, and purchase of Malaysian stocks.

"As these actions involved considerable financial risks for Singapore, we proposed to provide the financial assistance within a framework of wider co-operation between the two countries, which included the supply of water to Singapore after the expiry of the 1962 Water Agreement," he told Parliament.

He was asked by a Member of Parliament (MP) to respond to remarks by Foreign Minister Datuk Seri Syed Hamid Albar that during the economic crisis when Malaysia was looking for a loan from Singapore, the city state had agreed but made it "very onerous."

Jayakumar said, at the height of the Asian financial crisis in early 1998, the ringgit was under speculative attack, and confidence in the Malaysian stock market had fallen.

At that time, the Singapore Government was holding substantial funds in ringgit as part of its reserves, and it also had investments in Malaysian stocks, said Jayakumar.

"Other investors were selling their ringgit and Malaysian stocks, but we held on to ours despite the risk of currency and capital losses. We did not want the ringgit and Malaysian stock market to further weaken," he said.

Malaysia, he said, had also requested the RM15 billion package to be converted into a US dollar loan, but Singapore offered a medium-term US\$4 billion loan at an interest rate which was significantly lower (about 4 percentage points lower) than what Malaysia would have had to pay in the market.

However, Singapore did not proceed with this financial assistance package following a bilateral meeting in Hanoi during the Asean Summit in December 1998 as Prime Minister Datuk Seri Dr Mahathir Mohamad had informed his Singapore counterpart Goh Chok Tong that Malaysia no longer needed it.

"As you can see, Singapore had tried to be helpful to Malaysia during the financial crisis. The terms of our proposed assistance were far from 'very onerous'", said the minister.

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