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Japan looking into providing soft loans to Malaysia

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JAPAN is looking into the feasibility of giving loans to Malaysia, Vice-Minister for International Affairs of the Japanese Ministry of International Trade and Industry (Miti), Mr Hisamitsu Arai said yesterday.

He said that Malaysia is interested in obtaining loans from Japan and he has discussed with Minister of International Trade and Industry Datuk Seri Rafidah Aziz as to how to introduce their policies into the Malaysian financial corporations.

It was reported earlier in August that Tokyo was ready to offer several billion yen in low interest loans in the year to March 1999.

The Malaysian Government has recently made an official request for Japanese loans as the country battles the Asian financial crisis.

Japan had made several loans of 10 billion yen (100 yen = RM2.98) to Malaysia each year through the 1980s.

Tokyo's last loan to the country was in 1994, when Japan provided 61.5 billion yen in official development aid to help construct the KL International Airport.

Dr Mahathir had said in Kuala Lumpur on August 6 that Malaysia was seeking to borrow US\$1 billion to US\$2 billion (US\$1 = RM4.21) from Japan, saying that he wanted the loans to be denominated in yen rather than US dollars.

Speaking to reporters after a one-and-a half hour meeting with Rafidah in Kuala Lumpur, Arai also said that both Miti Japan and Malaysia is looking at setting up of a study group to focus on strengthening the supporting industries.

"Japan is currently facing economic problems and Malaysia has a minor problem as well.

"It is necessary for Malaysia and Japan Miti to cooperate to help supporting industries because small industries may face problems now especially technologically and financially.

"Therefore, we need to encourage and support small- and medium-scale industries (SMIs) to overcome the present economic difficulties.

"In my discussion with Rafidah, we agreed to set up a study group on strengthening supporting industries in Malaysia because supporting industries are key industries of the manufacturing sector," Arai said.

Meanwhile, on Japanese investments to Malaysia, Arai said that the current level of investments is impressive.

"At the moment, we are looking at how to maintain the current investments. Companies in Japan are facing problems and companies affiliated in Malaysia may be affected.

"Therefore, investments into Malaysia may be affected, and it will be necessary for us to support and maintain the current investments. Once the economic difficulties is overcome, Miti Japan will encourage Japanese companies to come," he said.

When asked if there were any Japanese companies in Malaysia considering to relocate elsewhere, Arai said that so far, he had not heard anything of that sort.

"There are however, news of such things in other Asian countries. However, I am confident that Japanese companies in Malaysia are doing well," he said.

Asked if he knew of any new Japanese companies coming over to Malaysia, Arai said that he was not in the position to announce it but there are

lots of Japanese companies interested in the potential of Malaysia.

He said that in the medium-and-long-term, there will be more Japanese companies in Malaysia especially in the manufacturing sector, high technology and also the Multimedia Super Corridor.

Arai also said that Japan is committed to help Asian countries.

Japan has provided US\$43 billion to address the Asian economic crisis.

He said that Malaysia has also requested to sign a bilateral payment agreement with Japan, as it did with the Philippines and Thailand.

"I will convey the proposal to the Home Government. At the moment, the Japanese Government's position is to study the proposal seriously," he said.

Meanwhile, speaking to reporters later, Rafidah said that Malaysia and Japan are looking at two specific areas of further cooperation, namely the financing for SMIs, and financing for human resource development.

"Malaysia has agreed to present a paper on our ideas for their consideration. If necessary, we will talk so that we can come up with a package that is practical and relevant to our needs," she said.

Rafidah said that no specific amount was mentioned in her meeting with Arai, adding that both parties agreed that it "must be an acceptable amount to be meaningful.

"With our input, they will evaluate how much to give and the mechanism for disbursing," she said, adding that it is part of the Japanese US\$43 billion package for Asia.

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