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Berjaya Capital deal a commercial decision, says PM

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PRIME Minister Datuk Seri Dr Mahathir Mohamad yesterday described Berjaya Capital's plan to sell off its entire 68.983 per cent equity in an insurance subsidiary as a "commercial decision".

"It has nothing to do with the Government. It is a commercial decision. I think it is in the interests of their own company," he told reporters after attending MCA's Chinese New Year open house in Kuala Lumpur yesterday.

Dr Mahathir was to comment on Berjaya Capital's intention to dispose of its entire equity in Berjaya Prudential Assurance to three parties for RM722.715 million cash.

It was reported that one of the buyers, UK-based Prudential Assurance Co Ltd (PACL), will pay cash for its purchase, while the other two buyers will do it with fully secured and commercial terms.

Berjaya Capital said on Tuesday that the deal will add "positively to the country's foreign reserves" because it brings a significant amount of foreign hard currency to the company.

At the end of the day, Berjaya Capital's insurance subsidiary sell-off will result in PACL's shareholding in Berjaya Prudential increasing to 51 per cent when the sale is completed. At present, it holds 30 per cent equity.

Asked whether the 51 per cent stake is contradictory to the present 30 per cent foreign equity requirement, Dr Mahathir said: "But we all know now that we have agreed through the World Trade Organisation (WTO) to allow foreign companies to control insurance services at 51 per cent. So, the deal is in line with our agreement (with the WTO)."

Asked to comment on the rising interest rates in the country, Dr Mahathir said this is being triggered by those who prefer to keep their money in foreign banks instead of local financial institutions.

"The problem is the cost of money and not the interest rate. The interest rate is low enough. The base lending rate is low. But people take the money out from Malaysian banks and put it in foreign banks.

"When we want to borrow, the Malaysian banks have to borrow from the foreign banks and then the interest rate goes up," he added.

Dr Mahathir said there is now double interest when a local bank, which is faced with capital shortage due to depositors' withdrawals, wants to disburse loans because it has to borrow money from foreign banks.

He added that local banks have no choice then but to increase their interest rates to cover the higher interest imposed on them by foreign banks.

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