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Dr M: Malaysia will begin accepting yen loans again

Lokman Mansor in Tokyo

TOKYO, Thurs: Malaysia will begin accepting yen loans again as the Japanese currency has depreciated against the US dollar, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

He said while borrowing in the yen was once stopped because it had appreciated and cost more to repay, now is a good time to borrow yen since the currency has fallen to seven-year lows against the greenback.

The yen was yesterday traded at 137.3 against the greenback.

Speaking to Malaysian journalists here last night, Dr Mahathir said the Government is negotiating the rates for new yen loans.

"These loans can be used for many things. There are project financing and special loans for environmentally-friendly projects," he added.

Only 15 per cent of Malaysia's external debt of RM166.29 billion last year was in yen. The bulk, or 76 per cent of the total debt, was in US dollar and the remaining 9 per cent in other currencies, according to Bank Negara Malaysia's annual report for 1997.

Dr Mahathir is in Tokyo on a five-day working visit, during which he addressed two international-level conferences of economists.

At these forums, the Prime Minister renewed his call for reform of the international financial system and for countries in which currency traders operate to regulate their activities.

Asked about International Monetary Fund first deputy managing director Stanley Fischer's response that Dr Mahathir's proposal for bilateral balanced trade would slow progress and be a step back to pre World War arrangements, the Prime Minister said: "What's wrong with going back to something that was good? I don't agree that we shouldn't go back. Sometimes we take the wrong turn and we have to go back. Even the West has gone back many times."

On whether the developed countries would support his proposal for reform of the international financial system, he said, at the moment the rich countries are doing well and do not see any need for reform.

"They are not losing any money. In fact they are making a lot of money, so why should they reform? But one day they will lose money. Then maybe they will ask for reform," he said.

Dr Mahathir said the currency traders too will eventually realise the mistake of attacking the currencies to the point of driving whole countries towards bankruptcy.

"I believe eventually they will destroy their market, and when they destroy the market, they will not get anything out of the market anymore. At that stage, they will realise their mistake.

"Yes, it will be too late but what is there we can do? They are powerful and very big. We are small. So we need to think about how we can probably get out of the system," he said.

Asked how he envisioned the world then under such hopeless conditions, Dr Mahathir said:

"The world took 70 years to learn that Communism doesn't work. During that period, millions of people died. That's the price of making mistakes. That is the price for not recognising something that is bad early.

"Maybe the world will go through the same cycle. That is why I mentioned that although governments may comply and say, yes that is good, the people may not say so," he added.

Dr Mahathir said the people might resent their own companies being taken over by foreigners, and may act against the foreigners.

He said it will take a long time before Asia recovers from the present economic turmoil, for some countries longer than others.

"When it does recover, it will be quite a different kind of situation. I don't believe we can just go back to square one."

He said Malaysia, through the National Economic Action Council, is studying the way other countries handle similar problems including taking extraordinary measures.

"People are learning to do things that may not be the standard method but nevertheless they are willing and brave enough to do it, and because of that they are safe.

"We ourselves must begin to think that there is no orthodox way of dealing with an unorthodox situation. We may have to think of unorthodox ways of dealing with the situation."

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