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Malaysia to source for more yen-denominated loans

PRIME Minister Datuk Seri Dr Mahathir Mohamad said Malaysia will seek yen-denominated loans equivalent to between US\$1 billion (US\$1 = RM3.99) and US\$2 billion.

Speaking to newsmen upon arrival from his five-day working visit to Japan in Subang yesterday, Dr Mahathir said there will be no more borrowings in US dollars because of the fast appreciation of the greenback.

"If you borrow in US dollars, you are going to be in trouble. It is better not to do business in US dollars at all if possible ..." he said when asked on the amount of yen-dominated loans that Malaysia expects to seek from Japan.

An official of the Japanese Embassy in Kuala Lumpur told Business Times that Malaysia has so far borrowed a total of RM300 million from Japan. This includes the RM14.6 million grant under the Tokyo's Overseas Economic Cooperation Fund.

Dr Mahathir also said the idea of trading in the currencies of the respective trading partners did not receive any objection, particularly from Japan.

However, he said such a move was not favourable to International Monetary Fund (IMF) first deputy managing director Stanley Fischer.

"He (Fischer) felt that we are going backwards. I don't know how you can say we are going backwards. After all, there is no currency which can claim to be a world currency," he said, adding that Japan had also indicated its willingness to trade using the yen with Malaysia.

International Trade and Industry Ministry figures showed that 73.6 per cent of Malaysia's exports and 64.9 per cent of imports last year were conducted in the US dollars, while only 2 per cent of the total exports and 10.6 per cent of total imports are transacted in yen.

Both Dr Mahathir and Fischer were in Tokyo for a symposium organised by the Institute for International Monetary Affairs.

The Prime Minister, during a news conference on the last day of his visit to Japan on Thursday, had said that Malaysia will begin accepting yen loans again as the Japanese currency has depreciated against the US dollar.

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

Yesterday, the yen was traded at 139.49 against the greenback.

Dr Mahathir had also said that the Government is negotiating the rates for new yen loans, adding that these loans can be used for many things.

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