

Yen loan from Japan will help reduce country's debt - Dr Mahathir

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KUALA LUMPUR, July 23 (Bernama) -- The government is considering securing a loan facility from Japan to reduce the 'high cost of money' as the interest rate on debt taken by the previous administration was too high at six per cent, said Prime Minister Tun Dr Mahathir Mohamad.

He said the value of the Japanese yen was cheaper than the ringgit with one yen equalling 1 US cent, while RM1 was worth 25 US cents, and repaying Malaysia's debt in the Japanese yen meant the country would not be burdened with a high interest rate of more than six per cent.

He also said the government would only borrow yen to the value of the US dollar or ringgit debt.

Replying to a question from Datuk Seri Ahmad Zahid Hamidi (BN-Bagan Datuk) in the Dewan Rakyat here today, Dr Mahathir also revealed that the previous government had paid a 10 per cent commission to Goldman Sachs on the loan secured.

"This means, the previous government only received 90 per cent of the loan amount, but paid interest on 100 per cent of it. The interest on the 90 per cent was 6.6 per cent," he said.

Elaborating further, Dr Mahathir said at one time, the government received a soft loan offer from the Japanese government at 0.7 per cent interest and a repayment period of 40 years.

"We do not know if the Japanese government is able to grant the same low rate once more. But, repaying the debt with a low yen rate means we will not be burdened with a higher interest rate than the original six per cent."

"The yen loan will replace the US dollar or ringgit loan. We will still be in debt but the cost will be less. This is why we are trying to secure the yen loan," he added.

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