

Yen Loan From Japan Will Help Reduce Country's Debt, Says Dr M

MALAYSIA TODAY

Jul 23, 2018

By MT Webmaster

(Bernama) – Prime Minister Dr Mahathir Mohamad says the government is considering securing a loan facility from Japan to reduce the high cost of funds as the 6% interest rate on the debt taken by the previous administration is too high.

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. He added that repaying Malaysia's debt in Japanese yen meant the country would not be burdened with a high interest rate of more than 6%.

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

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

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

At one time, Mahathir said, the government received a soft loan offer from the Japanese government at 0.7% 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 6%.

“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.”

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Sources: <http://www.malaysia-today.net/2018/07/23/yen-loan-from-japan-will-help-reduce-countrys-debt-says-dr-m/>