

SEEKING TIME TO REPAY

Revenue won't be enough, says PM

By Philip Rodrigues

KUALA LUMPUR, Sat. — The Government is seeking more time to repay its foreign debts because it expects to get less revenue next year, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said the sharp fall in commodity prices and a weakening ringgit would make it impossible for the Government to repay its debts on schedule.

He explained that commodity prices had fallen by more than two-thirds from previous levels, and the effects of falling prices on tax collection would only be felt next year as this year's taxes would only be collected then.

In fact, the Government was worried over the level of total revenue that could be raised next year, he added when opening a symposium on the "Bumiputra Economic Crisis" here organised by the Federal Territory Malay Chamber of Commerce and Industry.

(According to the latest Bank Negera report, the country's total external debt at the end of last year was \$40.34 billion — an increase of seven per cent compared with a 30 per cent rise in 1983 when the amount was \$31.8 billion.)

(Of the \$40.34 billion in external debts last year, \$30.4 billion had been borrowed by the Federal and State governments and their agencies.)

The Government has refinanced some

of its borrowing to take advantage of the drop in interest rates in Japan and Europe on several occasions, but this is the first time the Government has announced plans to reschedule debt repayments.

Dr Mahathir told the symposium that the revenue situation was made worse by the 40 per cent appreciation of the yen against the ringgit.

(Since the end of 1985, the ringgit has depreciated by 20.9 per cent against the yen, by some 7.3 per cent against the U.S. dollar and by 9.1 per cent against the sterling.)

Dr Mahathir said the Government's in-

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tervention in the money market was necessary as the ringgit's fall had adversely affected the nation's external borrowings.

The move was also necessary as the Government saw no reason why the ringgit should depreciate based on rumours, he added.

Following the yen's upsurge, he said, the Government had to spend more to service the same amount of loans.

In the face of slower economic growth, it would be an uphill task for the Government to raise additional revenue to meet higher servicing requirements, he said.

Given these circumstances, the Government was even worried over its abi-

lity to pay existing salaries for its 860,000 employees, Dr Mahathir said.

The Prime Minister also said the Government was asking creditor banks not to come down too hard on bumiputra businessmen during this difficult period.

"However, everyone, including banks and the Government itself, is facing hard times.

"We must think seriously about the causes for the economic ills. With hindsight, it is easy to determine the causes, but then the Government has repeatedly discouraged over-concentration in the property sector," he said.

The Prime Minister admitted that the Government's directive, asking banks to give out loans based on shares collateral, was a mistake which stemmed from its misconception.

Although bumiputras could obtain cheap shares following corporate equity restructuring, the values of these shares had fallen even below the purchase price which made it difficult for them to top up their collaterals, he said.

Dr Mahathir criticised those bumiputra businessmen who were only interested in getting licences and loans but not trying out new ideas.

He said he had several times mooted new ideas, such as franchise business, to his bumiputra friends but there were no takers.

"I feel very frustrated when these ideas are taken up by others and good results are produced," he added.