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Mahathir-Indonesia

MAHATHIR ANNOUNCES US\$250 MILLION LOAN FOR INDONESIA

By: Azman Ujang

CAIRO, May 11 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad disclosed yesterday that Malaysia has given a US\$250 million loan to Indonesia while it awaited for the balance of the International Monetary Fund (IMF) bailout package to be released to revive its economy.

He said Indonesia would repay the loan to Malaysia once the IMF released the balance of its rescue package.

Speaking to Malaysian students at the Malaysian Ambassador's residence here, he said Indonesia urgently needed the assistance as its economy was in a dire state and student riots had broken out following the withdrawal of subsidies on fuel prices, which was a condition for the IMF package.

As a result of the financial crisis in both Indonesia and Malaysia the value of their currencies had depreciated with the rupiah falling by more than 400 per cent and the ringgit by about 50 per cent, he said.

Malaysia's loan to Indonesia was a "bridging finance," he told a news conference at the end of his three-day official visit to Egypt.

He said the World Bank had pledged US\$3 billion to Indonesia as the balance of the IMF bailout package but the amount would be disbursed in three phases of US\$1 billion each.

"Indonesia hopes to get US\$3 billion and hence it has to get the bridging finance. They will get another portion from Japan and Australia," he said.

"We try to help as much as we can," he said.

Asked whether Malaysia as Indonesia's nearest neighbour was "very alarmed" by the situation in Indonesia with student riots and some of the demonstrators being shot dead last week, he only replied, "We cannot interfere in our neighbour's affairs but we will help as much as we can."

"We also want to know, what else we can do," Dr Mahathir said.

Asked whether he would hold talks with President Suharto who is also here for the G-15 summit beginning today, he said it was likely.

Asked how far the current economic downturn would affect Malaysia such as in terms of operating expenditure and the Budget for next year, Dr Mahathir said this had not been fully determined.

"How bad it will be we have not determined. But certainly it will have an effect. If we notice, our companies are no longer declaring their profits as they used to do. Hence if they are not making profits, the government also cannot collect tax," he said.

Speaking on the same subject when earlier addressing Malaysian students, the Prime Minister presented a gloomy corporate scenario for this year.

He said that last year, the 15 biggest companies in Malaysia announced profits totalling RM9 billion, but a study for this year showed they could only make a total of RM1.5 billion, a five-fold drop.

Hence the government had to further reduce its expenditure as tax collection which was the government's main source of revenue was expected to drop drastically this year.

In view of this Malaysia had to take various steps such as reducing government expenditure, reducing imports and increasing external trade.

On the outcome of his visit here, Dr Mahathir said his talks with President Hosni Mubarak and Prime Minister Dr Kamal Ahmed Al-Ganzouri were very positive and could resolve a number of problems which were in the way of bilateral trade.

One of the problems was that Malaysian palm oil was required to undergo radioactive tests.

"Egypt has now agreed that such tests are no longer necessary. This we hope will increase Malaysia's palm oil exports to Egypt," he said.

Malaysia's Sime Darby has a joint venture project with Egypt via two palm oil refineries with one in the Suez area and the other at Ramadan Industrial Estate near here.

Syed Aminuddin Syed Zakaria, Assistant General Manager (Finance) Sime Darby Edible Oil Products Egypt Company, told Bernama that the joint venture in operation since 1993 had become very viable.

He said the oil palm imported from Malaysia was processed and refined at the two mills and sold entirely in the Egyptian market.

"So far there are no plans to expand the market to other Arab countries as Egypt uses a large quantity of palm oil," he said.

Dr Mahathir said to increase bilateral trade, there should be direct flights between Kuala Lumpur and Cairo. Now Malaysia Airlines flies here via Dubai and Beirut.

"The Egyptian Government has agreed to Malaysia Airlines flying direct to Cairo but should have a pact with Egypt Air," he said.

Malaysia Airlines Senior Vice-President Datuk Bashir Ahmad told reporters that the passenger load on the KL-Dubai MAS flights was increasing.

However in the absence of a "Fifth Freedom" agreement between Malaysia Airlines and Egypt Air, MAS was unable to pick up passengers at Dubai and Beirut for Cairo.

"An agreement to this effect can be negotiated with Egypt Air in the future to enable MAS to pick up passengers from the two points. For now direct flights will not be profitable," he said.

Dr Mahathir said Malaysia and Egypt had also agreed that their nationals will have 15-day visa free entrance.

On Malaysia's investment in Egypt, he said as Malaysia at present lacked capital, a triangular pact could be adopted with other Arab countries coming in as investment partners including Saudi Arabia.

Dr Mahathir will attend the G-15 summit beginning today before leaving for Sudan for a four-day official visit -- the first by a Malaysian Prime Minister to Africa's largest nation.

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