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Mahathir-Ringgit

RINGGIT'S POST-BUDGET FALL NOT SURPRISING, SAYS PM

By: Wan A Hulaimi

EDINBURGH, Oct 24 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said here Thursday that he was not surprised at the continuing fall of the Malaysian currency although the 1998 Budget announced last week contained several measures to restore investor confidence.

He said this was because the ringgit's loss of value against the US dollar was caused by currency speculators out to make a quick profit and had got nothing at all to do with the government's budget, economic fundamentals or their lack of confidence in Malaysia.

Addressing a gathering of Malaysian students here, he said unlike multinational companies which invested in Malaysia for the long term, currency speculators had no interest in Malaysia.

Replying to a student who asked why the ringgit continued to fall even after the recent budget, Dr Mahathir said: "We were not surprised after the budget was announced the currency kept going down. That means they [currency speculators] have already decided what to do."

Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim in tabling the 1998 Budget in Parliament last week announced measures to strengthen economic fundamentals, including by reducing the current account deficit and postponing several mega projects worth over RM65 billion, stabilising financial markets and further deregulation and liberalisation of the economy.

Dr Mahathir, who is here to attend the 31st Commonwealth Heads of Government Meeting (CHOGM), blamed the fall on the ringgit on two factors -- greed and fear.

He said that greed turned people into currency speculators, and they would sell when the ringgit was going down because they were afraid that the ringgit would lose value.

"So between greed and fear the ringgit loses its value. It is affecting not only Malaysia but also Hong Kong, Taiwan, and Australia," he said.

The fact that they (the speculators) were making money by making other people poor did not affect them at all, Dr Mahathir said.

Asked if oil-rich Brunei, which has yet to be affected by currency speculation, would come to Malaysia's aid, Dr Mahathir said: "The way currency trading works is that if a currency trader has US\$1 billion and he deposits it in a merchant bank, he has access to US\$20 billion."

"On the other hand, the countries that are affected do not have that kind of money. The currency traders have access to US\$100 billion. The central banks in Southeast Asia do not have access to that kind of money even if all the countries in the region were to combine," he said.

He reiterated that currency trading must be regulated.

"It must be open... You must have an open market where everybody says how much he is trading," he said.

Referring to US currency speculator George Soros, whom he has blamed for the attack on Southeast Asian currencies, Dr Mahathir said: "He says he is not doing it. He suddenly has US\$500 million which he is giving to Russia. Where did he get the money from?, " he asked.

Dr Mahathir said he had been criticising the currency speculators openly, but unfortunately, every time he opened his mouth to criticise, they sold more ringgit, which has since July fallen by over 20 per cent against the US dollar.

In reply to a student's question about the unrelenting attack on the

Malaysian ringgit by the speculators, the prime minister said: "Malaysia gets it in the neck because I have been opening my mouth."

"Others have kept quiet. It is like sitting quietly in a tiger's cage hoping that the tiger will not eat you," he said.

"There are poorer countries in the world - the basket cases - whose currencies have not gone down, but they have picked on Malaysia because we are rich, even if they say that our fundamentals are bad, which means that we do not manage our country well.

" If you are poor like the so-called church mouse, they will not bother us too much. So if you want to rock a currency, you rock a currency of people who are rich enough," Dr Mahathir said.

"They have also criticised our "so-called mega projects", Dr Mahathir said in reply to a question from another student who asked if Malaysia had had its priorities right.

He said that Malaysia had the money to embark on those projects until they made the country poor.

"Of course they have criticised us for building the tallest building in the world. It is imprudent for us to build the tallest building in the world. The excuse is that we shouldn't be doing that." he said.

Dr Mahathir said that in Malaysia with the low labour cost, it did not cost much to finance such projects.

For instance, the Multimedia Super Corridor (MSC), where the focus is on building infrastructure for a multimedia hub and where people from all over the world coming to the MSC will pay money to Malaysia for using the facilities there.

"It is not like Silicon Valley. In Silicon Valley, the Americans are building for themselves. It (the MSC) will create jobs for us, so it is not right to say the MSC is a mega project. It is not."

He called on Malaysians to exercise discipline and buy local goods such as Proton cars to avoid a recession.

Dr Mahathir said a recession could result from job losses caused by the decline in the value of the ringgit and the increase in the cost of imported goods.

"With discipline we can. If we let them do what they like there will be a recession," he added. -- BERNAMA

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