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Concern over ringgit's fluctuations against dollar

DEPUTY Finance Minister Datuk Dr Affifuddin Omar said Malaysia was more concerned about the ringgit's fluctuations against the greenback than its value vis-a-vis the US dollar.

Affifuddin said extreme changes in the exchange rate would make the ringgit an unstable currency, and thus make it difficult for businessmen to plan their activities.

Citing an example, he said the present unstable market conditions in which the ringgit could swing from a rate of 4.1 to 4.2 to the US dollar in a short period was unhealthy for economic activities.

"What we are worried about is the extreme exchange rate fluctuations. Greater stability in the rate will provide for easier planning," he said in reply to a supplementary question from Lim Guan Eng (DAP-Kota Melaka).

He said a positive aspect of having a lower ringgit value to the US dollar was that it helped to make Malaysia's exports more competitive in the global scene.

"Hence, there is a silver lining in the devaluation. For instance, earnings from exports have increased by RM34 billion. This is the first time in 10 years when our current account is positive."

In reply to another supplementary question by Lim on a statement made by Prime Minister Datuk Seri Dr Mahathir Mohamad on Malaysia's plan to promote barter trade in its export activities, Affifuddin explained that the Government would not be changing the entire economic structure to a barter trade system.

"What is meant by Dr Mahathir is not that we plan to change the entire system to barter trade. Barter trade in some economic activities will help to ease the impact of the ringgit's devaluation on the economy," he said.

To another supplementary question by Chia Kwang Chye (BN-Bukit Bendera) on the establishment of guidelines and steps taken to monitor currency trading, he said Malaysia had started initiatives to impose some control on currency trading during the recent International Monetary Fund meeting in Hong Kong.

Replying to the original question by Buniyamin Yaakob (BN-Bachok), Affifuddin said currency trading was widely practised at all international currency markets.

He said as Malaysia practised the open market system, it was difficult to stop currency trading as there was no specific law governing the activities.

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