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Mahathir-Economy

RINGGIT TO BE PEGGED AT FIXED RATE

KUALA LUMPUR, Sept 1 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today Bank Negara will peg the ringgit to a fixed rate "very soon" but the rate will be decided by market forces for the time being.

This, along with capital control measures announced by the central bank to curb speculation in the ringgit, is ultimately aimed at defending the currency against further attacks by speculators.

Foreign direct investors wanting to set up production facilities will be encouraged to come here as with a fixed exchange rate they have a very good chance of making profits with minimal costs.

He said this in a special interview over RTM on the country's economic situation. He was interviewed by a panel comprising New Straits Times Press Group Editor-in-Chief Datuk A. Kadir Jasin, Bernama Acting Executive Editor (Economic) Yong Soo Heong and Public Bank Berhad's Director of Economics Division Nasaruddin Arshad.

Dr Mahathir said that with a fixed rate, people would know the real value of the ringgit and "once we regain control of our exchange rate, we can lower our interest rates and not have somebody else control our interest rates."

The ringgit would no longer be a legal tender or have value outside the country, he said.

"However, as we know that there is ringgit outside Malaysia, we will allow such ringgit to be repatriated for a period of one month from today," he said.

He also said that a fixed ringgit might affect transaction costs but with fixed rates, there was no need to hedge while the transaction cost would not be subject to devaluation or revaluation if paid at a later date.

Also, it would enable interest rates to be lowered, he said, adding that these were part of the "shocking" measures he had mentioned earlier.

Saying that the work of speculators was threatening to impoverish the nation, he added that more measures would be announced, such as those amending laws related to the stock market.

Dr Mahathir said the capital controls would also enable the authorities to lower interest rates, which in turn would make loans cheaper and generate greater business activity.

The Prime Minister also said that Malaysia would continue to encourage genuine long-term investors while those already here would be able to continue repatriating their profits.

On the other hand, stock market speculators who destroy companies would be discouraged as "asset stripping is not something we want."

Both locals and foreigners who buy shares will have to hold them for one year.

The measures to control foreign exchange announced by Bank Negara today will continue until Malaysia was sure that there were profound and fundamental changes in the international financial systems, he said.

The measures could be considered as a last resort and could be permanent, he added.

"What we have done is to freeze ringgit in external accounts, the ringgit is no longer legal tender overseas but is only legal domestically," he said,

"What is obvious is that people can no longer stay with a free market system," he said in reference to capital controls being implemented in Hong

Kong and Chile.

He also said that foreigners could use their credit cards here and that there was no limit in their spending except whatever amount the cards allowed.

However, Malaysians could only spend RM10,000 overseas if they use their credit cards, he said.

The measures announced today were decisions made by the government and not the central bank, he said when asked if the new measures would not repeat the mistake Bank Negara had made when it followed International Monetary Fund (IMF) style prescriptions.

He said the IMF was too slow in responding to the needs of the economies attacked by currency speculators.

-- BERNAMA

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