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Steps to ward off currency speculators (HL)

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KUALA LUMPUR, Tues. - To contain speculation on the ringgit, the Government has announced that effective Oct 1, the ringgit can no longer be tradeable overseas, and Bank Negara will soon introduce a fixed exchange rate for the ringgit.

These are among several measures introduced by Bank Negara "to regain monetary independence and insulate the Malaysian economy from the prospects of further deterioration in the global economic and financial environment".

Bank Negara acting Governor Datuk Dr Zeti Akhtar Aziz told a Press conference that those holding ringgit in overseas banks have to bring the ringgit back within a month from today after which it would lose its value.

Also, withdrawals of ringgit from external accounts will require the central bank's approval except for the purchase of ringgit assets.

Commenting on the move, Prime Minister Datuk Seri Dr Mahathir Mohamad said the measures were aimed at containing speculation on the ringgit and minimising the impact of short-term capital inflows on the economy.

He said the fixed exchange rate regime would be introduced "very soon" and it could possibly be "before the end of the year".

"At the moment, we are allowing the traders - not the currency traders but the people who need the money - to buy the ringgit or other foreign currency for their trading needs," he said at a Press conference after a special interview which was broadcast "live" over radio and television.

The Prime Minister was interviewed by New Straits Times Press Group Editor-in-Chief Datuk A. Kadir Jasin, Bernama Economic Service acting Executive Editor Yong Soo Heong and Public Bank Bhd's director of Economics Division Nasaruddin Arshad.

When asked whether the ringgit would be pegged to the US dollar, Dr Mahathir said: "Whether we like it or not, it has got to be pegged to a foreign currency."

As for the level of ringgit that the Government would consider fair and be comfortable with, he said: "We are comfortable at having an exchange rate that is basically steady and would reflect exactly the value of things."

He said the fixed rate regime would be imposed for as long as necessary, until Malaysia was sure that there were profound and fundamental changes in the international financial systems.

Dr Mahathir said the move to adopt a fixed exchange rate was to insulate the economy from a system which had been abused by currency traders who reaped huge profits while impoverishing "whole countries, regions and peoples".

Commenting on possible foreign perception that Malaysia's recent economic and financial measures had resulted in making the nation a "pariah" in the eyes of the world, Dr Mahathir said:

"Those who say that should look at themselves as well. Maybe they can find some similarities."

\* SUPPORT FOR MOVE: P2

\* INTERVIEW WITH PM: P12, 14 & 15

\* DETAILS OF MEASURES: P21, 22 & 23

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