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Mahathir-Ringgit

RINGGIT'S PEGGING STAYS, SAYS DR MAHATHIR

KUALA LUMPUR, June 8 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today reiterated that the country has no intention of changing the ringgit's current peg of RM3.80 against the U.S dollar.

"We intend to maintain the 3.80 level per US dollar for a long time, even if other neighbouring currencies appreciate or depreciate, unless the situation is very severe," he said in his briefing to 14 foreign journalists, who were invited to Malaysia by the National Economic Action Council (NEAC).

Although with the pegging regime, it would make the ringgit look weaker when compared with currencies of other neighbouring countries, Dr Mahathir said: "It has no harm in that, we decided to take the advantage by having weaker currency."

The prime minister said Malaysia believed in market place stability, where people or businessmen could project or budget their businesses in the country without fear.

He also noted that Malaysia's economic outlook had improved significantly in response to the policy measures implemented by the government recently.

"We have now seen the economy turning around and we are confident that the one per cent growth targeted for this year is achievable," he said, adding that people, generally, were very optimistic about the future.

He also touched at length on the success of the capital controls which were not fully understood by foreign investors and institutionals when the measures were first introduced.

"When we first introduced the capital controls, many believed that we have turned our back from the rest of the world. But now, many have seen that the measures have given a lot of benefits," he said.

On claims by certain quarters that local banks had no money to lend out, Dr Mahathir said: "I do not know about the banks not having money, as far as I am concerned, they (the banks) have quite a lot of money. In fact we have reduced the Statutory Reserve Requirement (SRR) so that the banks will have more money. I have no problem over banks which do not have money."

He said the reasons why banks were not lending were because "they are now overcautious, and to this end, the government now is advising them to start lending."

Asked on the possibility of Malaysia allowing 100 per cent foreign ownership in the local financial sector, he said: "There are already foreign banks with branches all over, such as Citibank."

Dr Mahathir said Malaysia had always allowed foreign banks to operate in the country but there were certain restrictions.

"At the moment, we do allow participation with minority equity, we see no real necessity for us to allow new 100-per cent foreign banks because our own banks are not that strong to compete with foreign banks."

On foreign direct investments (FDIs), Dr Mahathir said Malaysia was the first country to open up for foreign direct investments.

Citing his meeting with chairman of British Airways Lord Marshall of Knightsbridge earlier in the day, he said: "(The) British have always been keen to have investments in Malaysia. Last year alone, their FDIs to Malaysia amounted to one billion pounds."

Asked why Malaysia is keen on undertaking huge projects in the country,

he quipped: "In Malaysia, we always do things in a big way. Doing big things is not abnormal for Malaysia ... we build hometowns complete with all the facilities inside."

Citing the KL International Airport as an example, he said: "When we wanted to build the new airport, we decided that we are going to build an airport that can stay there for the next 100 years, can cater up to 125,000 passengers."

Dr Mahathir also touched on politics, saying that he was confident that the ruling party would have a fair chance of winning the next general election.

"Whether we get the two-third majority or not is something else, but even then, we still have a good chance and we believe in Malaysia having a strong government, meaning a government which has a good majority in Parliament, so we are not bothered by defection."

The foreign media included representatives from CNBC Asia, The Australian Financial Review and The Observer from Britain, who were in the capital on a six-day visit organised by the NEAC.

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