

18/04/2000

PM hits out at calls for review of RM-US\$ peg

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PRIME MINISTER Datuk Seri Dr Mahathir Mohamad yesterday chided foreign fund managers for renewing their calls for an upward review of the ringgit's peg against the US dollar.

Speaking to newsmen after chairing the Umno supreme council meeting, Dr Mahathir noted that these are the same foreign funds who had earlier said that Malaysia made the right choice when it pegged the ringgit at a low level of RM3.80 which had raised Malaysia's external reserves.

"Now, they (foreign funds) are saying we have big reserves because our currency is weak. But at the same time, the same foreigners are calling for a slightly stronger ringgit.

"I don't think they know what they are talking about," he said when asked to comment on recent calls by fund managers for an upward review of the peg.

According to earlier reports, the fund managers claimed that if the peg was not revised upwards and the accommodative monetary policy not reviewed, Malaysia would risk facing economic overheating and over-inflation by next year.

Malaysia introduced selective capital controls in September 1998 and pegged the ringgit at RM3.80 against the US dollar in efforts to insulate the country from unscrupulous currency manipulators.

Although the move was criticised by foreigners when it was introduced, the policy had since received encouraging response from many quarters as it had given Malaysia the much-needed breathing space to introduce expansionary measures to stimulate the economy.

Now that the economy has recovered, there have been increasing calls for the selective controls to be dismantled and the ringgit revised upwards.

However, Malaysia has maintained that there would be no change in its policy unless there are concrete moves to control global currency speculators and hedge funds, especially in outlining a new international financial architecture.

On the Wall Street plunge, Dr Mahathir said this happens everywhere. "It is happening everywhere... the Dow Jones, Nasdaq and so on," he said.

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