

18/04/2000

PM hits out at foreign fund managers calling for review of ringgit peg

PRIME Minister Datuk Seri Dr Mahathir Mohamad has hit out at foreign fund managers for renewing their calls for an upward review of the ringgit's peg against the US dollar.

He said the same foreign funds had earlier said that Malaysia made the right choice when it pegged the local unit at a low level of RM3.80, which had raised Malaysia's external reserves.

"Now, they 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 calls of late made by fund managers for an upward review of the peg.

The fund managers had 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 next year.

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

While criticised then, the policy has since been commended by many quarters since it has given Malaysia that 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, but Malaysia has maintained that there would be no change to its policy unless there were concrete moves to control global currency speculators and hedge funds.

Meanwhile, Reuters reported Finance Minister Tun Daim Zainuddin saying that there was no strong reason now to scrap the ringgit peg.

In a speech at the US-Malaysia Business Council, he said, "there is no compelling reason to remove the ringgit peg at this point in time."

He said the ringgit rate was supported by macroeconomic fundamentals, and manufacturing companies were in favour of it.

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