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Ringgit peg to US dollar to stay for time being

MALAYSIA'S currency exchange rate regime will remain for a while longer as it is not causing anyone any harm, Datuk Seri Dr Mahathir Mohamad said.

"It is not doing any harm. If currencies of any neighbouring countries become stronger or weaker by 20 per cent and affect our competitiveness, perhaps at that time we may decide to devalue or revalue our currency," the Prime Minister told newsmen after delivering his keynote address at the three-day conference on Central Banking and Sustainable Development in the 21st Century in Kuala Lumpur yesterday.

Malaysia fixed the ringgit's exchange rate at 3.80 to the US dollar in September 1998 as part of the selective capital controls implemented to overcome the effects of the regional financial crisis.

The Prime Minister was asked whether the Government will lift the ringgit peg given the strong 10.3 per cent gross domestic product growth in the first half of this year.

Most international economists, who were once sceptical about the peg when it was implemented, have now supported the move, saying that it has created more benefits than harm.

However, some of them have said the selective controls should be lifted carefully and gradually, and when macroeconomic reforms have been put in place in the country.

Asked whether the Government will lift the exit levy on foreign investments, Dr Mahathir said the Government has no immediate plans to do so. "Not at the moment. I don't know (when). We will do it when we think it is the appropriate time (for us to lift the exit tax)."

The conference, organised by Bank Negara Malaysia and the Malaysian Economic Association, was to commemorate the establishment of the Tun Ismail Ali chair in monetary and financial economics at Universiti Malaya.

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