

PM: No need to devalue ringgit at present

TOKYO: Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday that despite currency devaluations in neighbouring countries there was no current reason to devalue the ringgit.

"Our neighbours have their currencies devalued, and lots of people think Malaysia should also devalue in order to stay competitive," he said in a speech here. "Of course, there may be instances when we may have to devalue our currency," he added. "But not at the moment."

Mahathir is also acting finance minister, following the recent resignation of Tun Daim Zainuddin, and has not said when he will name a permanent replacement.

Falling international reserves and outflows of funds in recent months have raised doubts about the durability of the ringgit peg, currently set at 3.80 to the US dollar, although economists say it is still too early to sound the alarm bell.

Speculation that Malaysia might deval-

ue the ringgit was rife in financial markets last month and exporters have clamoured for a devaluation to offset sliding regional currencies.

Mahathir said that while a devaluation would indeed cut the cost of exports, that would only be a temporary gain at best and it would be offset by a number of factors, including rising imports that would spark a jump in the cost of living and force wages higher as well.

"So in the end, the advantage of devaluation is not there," he said. "We find that devaluation just like that is not going to help us at all."

Mahathir has often criticised the West and blamed overseas speculators for much of the Asian financial crisis that rocked the region in 1997.

In 1998, Malaysia introduced strict capital controls and a fixed exchange rate in a bid to shield the economy and the ringgit from attacks by currency speculators. - Reuters