

PM on when ringgit may be re-pegged

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KL may consider a change if currencies of competitors moved up or down by 20%

From **Jamaluddin Muhammad**

TOKYO: Malaysia may consider changing the ringgit peg if the currencies of its competitors depreciated or appreciated by 20% and stayed there, Datuk Seri Dr Mahathir Mohamad said yesterday.

Bernamea quoted the prime minister as saying that Malaysia was a manufacturing country and 82% of its exports constituted manufactured goods which were made from imported components, sometimes with as much as 50% foreign content.

The ringgit has been fixed at 3.80 to the US dollar since Sept 1, 1998.

"When you devalue the ringgit, the cost of import would appreciate in terms of the ringgit. So we don't gain anything because the import would be more costly because of the need to import the component," he said.

Mahathir said at the same time

the gain would be very marginal because the people would demand higher wages as the imported goods and foodstuff would have appreciated in terms of the ringgit.

"Once they ask for higher wages, it would drain totally the gain that we get from devaluation of the ringgit," said Mahathir who is also the acting finance minister.

In view of the matter, he said, Malaysia was carefully studying the impact of devaluation or revaluation of its currency.

The prime minister said this when responding to questions from the floor after delivering his speech, *Beyond Globalism and Globalisation* at the 7th International Conference on the Future of Asia, here.

The annual conference is organised by the Japanese media group, Nihon Keizei Shimbun and attended by, among others, academicians and journalists.

Mahathir also said that Malaysia had no problems in exporting its

products because of the depreciation in the yen and the Indonesian rupiah at the moment.

Meanwhile, Bank Negara, in its fortnightly announcement of its net international reserves position in Kuala Lumpur yesterday, disclosed that external reserves continued to slide to RM98.6 billion (US\$25.9 billion) as at May 31, compared to RM99.2 billion or US\$26.1 billion as at May 15.

The central bank said the reserves position is adequate to finance about 3.8 months of retained imports and is 5.5 times the short-term external debt.

It also pointed out that continued inflows for trade and foreign direct investment have partly offset outflows in the form of portfolio funds and repayment of external loans.

It added that the further narrowing of interest rate differentials has reduced the incentive to retain funds abroad. The level of international reserves improved in the first week of this month.