

'Ringgit peg to stay -- unless other currencies depreciate by 20pc'

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MALAYSIA'S export competitiveness will not be affected by the depreciation of the yen although it makes the ringgit dearer and exports more costly, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

Therefore, he said, the Government will not change its current fixed exchange rate of RM3.80 to the greenback to offset the costly exports.

"At this point of time, we don't see any necessity to change (the peg) because we are fairly efficient and even if the ringgit is more costly, we are still competitive," he told a news conference after opening MSC-Lucent Bell Labs Technology Forum in Kuala Lumpur yesterday.

Dr Mahathir was asked whether the Government would revise its fixed exchange rate in view of the depreciation of regional currencies caused by the yen's depreciation and how this would affect Malaysia's export competitiveness.

The Prime Minister, however, does not rule out a review on the ringgit peg to the US dollar if the regional currencies continue to depreciate by 20 per cent.

"We have to weigh that very carefully, whether it is worthwhile to change the exchange rate or not.

"If we change, we are going to both gain and lose. We have to weigh things very carefully before we make a decision," he said.

The peg has remained unchanged since it was fixed in September 1998 in the wake of the Asian crisis.

Reports have suggested that the ringgit is now overvalued following the depreciation of most currencies against the US dollar.

Dr Mahathir said there will be gains and losses when the exchange rate is adjusted.

If the ringgit appreciates relative to other currencies, Malaysian imports will cost less.

"Since we buy a lot from Japan and if the yen depreciates, we can buy from Japan at a lower price.

"On the other hand, our exports will become costly," he said, adding that the Government has to weigh the pros and cons very carefully before deciding to change the ringgit peg.

But if the currencies of neighbour countries depreciate by 20 per cent and remain so, then Malaysia has to consider the move, he said.

On Wednesday, Bank Negara Malaysia Governor Datuk Dr Zeti Akhtar Aziz said it is not the central bank's policy to react to short-term fluctuations on the foreign exchange markets. — *By Hamisah Hamid*