

18/04/2001

Dr M says it again: No need to re-peg ringgit

Saiful Azhar Abdullah

PRIME Minister Datuk Seri Dr Mahathir Mohamad has dismissed suggestions that the ringgit is overvalued and reiterated that the Government will not re-peg it.

"The ringgit is not overvalued at all ... we are still able to compete ... if we cannot compete, yes... but we can compete," he said when asked on the current value of the ringgit following the fall in regional currencies.

Speaking to reporters after opening the International Islamic University Malaysia in Gombak yesterday, Dr Mahathir said the ringgit peg would stay because "we don't see the regional currency falling or increasing by 20 per cent and staying at that level".

"They (regional currencies) may go beyond that but they will come back ... but that's not the reason for changing (re-peg)," he added.

Dr Mahathir said the fact that Malaysia was still able to compete internationally showed that the ringgit was not overvalued.

This could be seen by the country's high level of exports.

However, the US economic slowdown could subsequently affect exports, he said.

Even if the ringgit was re-pegged lower to make things cheaper and competitive, the products still could not be sold if there was no demand, he added.

Meanwhile, the Malaysian Institute of Economic Research also said it was not the time to re-peg the ringgit.

Executive director Dr Mohamed Ariff said there was no external pressure to re-peg the ringgit at the moment.

He felt that such a move could have been considered had the economy been growing at about six per cent and regional currencies were stable.

"We have missed the boat (to re-peg the ringgit) but we cannot stick to the RM3.80 exchange rate to the US dollar forever," he said.

Mohamed Ariff also said there was no serious mismatch with the ringgit's exchange rate at RM3.80 to a US dollar as "we don't have problems of shortage of US dollars in the economy although we were undervalued at one time".

However, the value of the ringgit depends not only on how the economy is doing.

"The key lies in the central bank's reserves, which are still large compared with during the (regional) crisis."