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PARLIMENT-RINGGIT

GOVT DOESN'T PLAN TO REVIEW FIXED EXCHANGE RATE REGIME FOR NOW

KUALA LUMPUR, July 26 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad today said the government does not intend to review the country's current fixed foreign exchange regime for the time being.

He said the ringgit was still supported by strong economic fundamentals like the country's current account surplus, low rate of rate of inflation and strong level of international reserves.

"In a situation where foreign exchange markets moved about easily, a fixed exchange rate regime would ensure stability for the purpose of trade and investment," he said in a written reply to Datuk Mustafa Ali (PAS-Dungun) at the Dewan Rakyat here.

The ringgit has been fixed at RM3.80 to one US dollar under the selective exchange controls introduced on Sept 1, 1998.

Dr Mahathir said under the present situation, changes to the fixed rate of exchange or lowering the value of the ringgit did not bring about any benefit to the country because global demand was weak and the electronics sector was experiencing a downturn.

In view of the current situation, Dr Mahathir said lowering the value of the ringgit against the US dollar would not help increase Malaysia's exports.

The prime minister also said the trade flows of neighbouring countries in the region, which had experienced falls in the value of their currencies of late, also did not show any increase in trade.

On the other hand, Dr Mahathir said a lowering of the value of their currencies had caused cost inputs from imports to rise and this would also fuel inflation.

He said a lower ringgit than the present parity would also also make services payments to be even higher.

He said uncertainty in the exchange rate also did not provide a conducive and stable environment for conducting business. -- BERNAMA

SHS SHY