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IMF: NO IMMEDIATE PRESSURE TO REMOVE OR REVALUE RINGGIT PEG

KUALA LUMPUR, Oct 26 (Bernama) -- An International Monetary Fund official says there is no immediate pressure for Malaysia to remove or revalue the ringgit's peg to the US dollar, the country's last remaining selective capital control mechanism.

Mohsin Khan, director of its training arm, IMF Institute, said although Malaysian exports had fallen, imports had dropped even more and this had helped to maintain the country's positive trade balance.

The IMF Institute is a department of IMF involved in the training of finance ministry and central bank officials.

Mohsin told newsmen at the Takaful and Islamic Banking Week here today that the opposite went for other regional countries which were suffering from widening imbalances in their external account or shortages in reserves.

Malaysia, he said, has a surplus external account and high stocks of foreign reserves.

Its economic indicators also showed a sustainable and promising outlook which Mohsin attributed to the country's sensible policies in dealing with economic issues.

"IMF recognises that Malaysia took its own approach to battle the regional financial crisis by developing unique and successful policies."

Many had doubted whether its policies were ever going to work but they had proven the doubters wrong today, he said.

"This was substantiated in IMF's last report on Malaysia that its economy is doing very well," he said.

On the progress of Malaysia's Islamic banking, Mohsin said it was undoubtedly the most flourishing, most progressive and best regulated Islamic banking system in the world today.

Mohsin said Malaysia was well ahead of other countries in Islamic banking while others were just learning from the Malaysian experience which entailed a sensible approach in handling financial issues.

Malaysia, he said, had developed concepts and robust plans that emerged from a lot of discussions and consultations between the government, Bank Negara Malaysia (BNM) and banks.

In many other Muslim countries, Mohsin said action was paralysed by debates over Islamic banking issues.

"But here debates take place after the action has taken place. This enables changes to be done arising from the policies rather than spending a lot of time debating and not taking any actions," he added.

To a question on whether Labuan has a good chance of becoming a regional centre for Islamic financing, Mohsin said there was no other regional centre for Islamic financing.

"Brunei is going to start and Bahrain is another one. There is not too much of competition and if Islamic banking is going to grow internationally these are the centres that would become the most important ones," he added.

To a question, Mohsin said he did not think the United States was not keen on the idea of monitoring the flow of funds.

The idea of monitoring the flow of funds was mooted by Prime Minister Datuk Seri Dr Mahathir Mohamad at the height of the regional financial crisis to track down speculators that ravaged financial markets.

Mohsin said the US had recognised that it had to be done but it took quite a while for that as it was difficult to achieve accuracy.

But he said the US was now moving towards that direction.

Mohsin said it was not because of the Sept 11 terrorist attacks on US landmarks as the US had already started tracking money laundering movements a year ago.

The Sept 11 attacks, he said, just made it more necessary to find out about the movement of funds by terrorist groups.

Mohsin said IMF had never opposed the idea but it was just concerned with the fact that monitoring the flow was something difficult with regard to accuracy. -- BERNAMA

MFZ SHY