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PM: No ringgit devaluation

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MALAYSIA'S economic management does not hinge on any single factor to achieve growth, Prime Minister Datuk Seri Dr Mahathir Mohamad said in defending the ringgit's peg to the US dollar.

"It is wrong to assess a country's competitiveness exclusively on the basis of its currency's value against the currencies of competing countries," he said when opening the Malaysian Capital Market Summit 2001 in Kuala Lumpur yesterday.

He described as "casual and shallow thinking" the idea upheld by some quarters that a devalued ringgit would push up export growth.

Dr Mahathir said even if this were done, only minimal impact would be felt as regional exports were already dropping, due largely to the sluggish United States' economy, once the world's main export market.

Other factors, like labour productivity, political and social stability and efficient underlying infrastructure, were equally important in determining competitiveness, he said.

"In the management of a country's economy there is no one single factor which can be manipulated in order to effect a positive turnaround.

"On the other hand, the mishandling of a major economic factor can bring about a real disaster. The devaluing of the currency can cause economic collapse."

Foreign fund managers were among the participants at the two-day summit, organised by the Asian Strategy and Leadership Institute (Asli), on "Towards a Resilient, Efficient and Competitive Capital Market."

At a Press conference later, Dr Mahathir said Malaysia had an "accommodative" economic policy.

"I don't fiddle around with interest rates as a means of solving economic problems. In Malaysia we look at every aspect of the economy and take corrective action."

He added that interest rates were low enough. "People are borrowing and it is also sufficiently high for people to keep money."

On the effects of the US economic slowdown on Malaysia, Dr Mahathir said moderate Gross Domestic Product (GDP) growth was expected this year.

"There is enough resilience to mitigate the adverse impact. The Government has various strategies ... directed at stimulating domestic demand ... to compensate for slower external demand."

The construction and services sectors would benefit most directly from the Government's stimulus programme, he said.

In his speech, Dr Mahathir said investment spending in Malaysia could double to RM1.5 trillion in the next decade.

"These are heady figures but they are real and credible," he said of the projection by the Securities Commission.

"The Malaysian capital market continues to provide excellent investment opportunities."

He added that Malaysia should consider the importance of electronic trading. The trend now, especially in the US, was for investors to trade on-line instead of using traditional brokers.