

# Boom time ahead for KL, says IMF

STAR 12 DEC 2002

KUALA LUMPUR: Malaysia is on a path of economic recovery after an externally induced slowdown last year, the International Monetary Fund (IMF) says in its latest report.

It said the domestic economy was well placed to benefit from a global recovery.

The IMF said that market sentiment on Malaysia, as reflected in its sovereign ratings, remained favourable and Malaysia's external sector was relatively robust despite an adverse global environment in 2001 and early 2002.

In its Dec 10 report, the IMF recognised that Malaysia's fundamentals were supportive of the exchange rate peg as a stability anchor, and that the value of the ringgit did not appear to be misaligned.

It welcomed the Government's commitment to ensure competitiveness through deepening structural reforms, as well as its readiness to monitor the situation closely.

The report said that while several IMF directors saw no imminent need to reconsider the peg at this time, many other directors were of the view that a carefully prepared move toward a more flexible exchange rate regime would broaden Malaysia's options over the medium term to cope with future shocks and manage risks associated with capital flows.

(See accompanying report in *Star Business*)

Commenting on the report, Prime Minister Datuk Seri Dr Mahathir Mohamad rejected the IMF's suggestion that Malaysia should abandon its currency peg.

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## PM: Peg has helped us recover

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He said that the peg policy had helped the country to recover from the currency crisis.

"I don't understand why they said it is bad. They keep on harping on this currency regime.

"I don't see stability in countries where the currency is being floated; but you can see China is doing quite well, Malaysia is doing quite well.

"Argentina may not be doing so well but it is a different kettle of fish," he told reporters after launching a book entitled *In the Time of the Mishmish* by Alijah Gordon in Putrajaya yesterday.

Dr Mahathir, who is also the Finance Minister, said the peg would remain unless "something bad happens."

He cited an example of "something bad" as possible competition with a neighbour-

ing country whose currency depreciated, resulting in Malaysia being no longer competitive.

"Or (their currency) appreciates so much that the cost of imports by Malaysia would be very high."

Asked whether the report was a vindication for Malaysia, Dr Mahathir said IMF had a long time ago indicated that Malaysia was going the right way in dealing with the financial crisis.

"Long ago, they said we did the right thing, that there is an alternative way of dealing with the financial crisis.

"But at the end of it all, they will say we should do away with the fixing of the exchange rate so that the exchange rate will be determined by currency speculators.

"They are not interested in stability because they can't make money when the curren-

cy goes up or down," he added.

Asked to comment on Italian Prime Minister Silvio Berlusconi's request that Kuala Lumpur extend support to Italian businessman Ottavio Quattrocchi in his extradition fight with India, Dr Mahathir said he would not interfere with the judiciary.

An Indian newspaper, *The Statesman*, reported on Tuesday that the diplomatic intervention had put Malaysia under pressure.

He also said that Malaysia would co-operate with Indonesia in its investigation to track funds said to be supplied by the Jemaah Islamiah to finance the Bali bombings.

Indonesian police said last week that about US\$30,000 (RM114,000) used to fund the attack came from the group and passed through the hands of a Malaysian man they identified as its treasurer, Wan Min Wan Mat.