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Move away from US\$, PM tells Asia

KUALA LUMPUR: Prime Minister Datuk Seri Dr Mahathir Mohamad says the US dollar is unstable and Asian countries should rethink their dependency on it, moving away from the currency over the longer term, a Reuters report says.

Noting the dollar's recent fall against the euro, Mahathir told a seminar in Tokyo yesterday: "The US dollar is not a stable currency at all. We have to think of some other ways of determining exchange rates.

"We need to rethink

whether we can depend on the US dollar or not.

"Initially yes, we have to depend on the US dollar, but we should move away from the US dollar."

The ringgit has been pegged at RM3.80 to the dollar since 1998, and the government says it will adjust the peg only if there is a marked and sustained movement in currency values.

However, it has shown no inclination to come off the peg, which it says has provided the stability to keep

the economy growing in the aftermath of the Asian financial crisis.

Mahathir expressed support for an Asia-wide bond market, whose first steps came on Monday with the pledging of about US\$1 billion (RM3.80 billion) for an Asian Bond Fund that will invest initially in Asian sovereign and quasi-sovereign dollar-denominated bonds.

However, he said: "But what we notice is that, initially, the bond is denominated in US dollars."