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Dr M: We may rethink peg if yen falls further

PRIME Minister Datuk Seri Dr Mahathir Mohamad said yesterday that Malaysia may have to rethink its ringgit-US dollar peg if the value of the Japanese yen continued to fall against the greenback.

Dr Mahathir, who is also Finance Minister, acknowledged that if the yen depreciated and if China decided to devalue its yuan then the development could force Malaysia to reconsider the peg.

Malaysia fixed the ringgit at 3.80 per US dollar in 1998 when it also imposed selective capital controls to fight an Asian financial crisis and stem speculative attacks on its currency.

Asked if he was worried over the sharp fall of the yen, Dr Mahathir said: "I am worried if it goes down (further), it may cause China to devalue and if China devalues it will force us to rethink our ringgit peg."

The yen had declined 10 per cent versus the US dollar in the past two months. Asked at what level (of the yen) would aggravate his concern, he said: "I don't know. They say 140. We will study when it comes to 150."

Dr Mahathir said Japanese Prime Minister Junichiro Koizumi had indicated during their meeting yesterday that he would try to ensure the yen did not depreciate further.

He said Koizumi had also pointed out that at one time the yen was at 250 per US dollar.

"I hope of course that doesn't mean that he (Koizumi) will allow it to go down to the 250 level. That will create a lot of problems for us," Dr Mahathir said.

The Prime Minister was speaking at a Press conference after launching the Dewan Muda (Youth chamber) of the Malay Chamber of Commerce at the Putra World Trade Centre.

Dr Mahathir was also asked on how the Government planned to finance the acquisition of assets from Malaysia Airlines (MAS) worth RM6.1 billion.

He said the choices included bond issues.

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