

11 JAN 2002

MAHATHIR-YEN

MSIA CONCERNED OVER FURTHER DEPRECIATION OF YEN

KUALA LUMPUR, Jan 11 (Bernama) -- Malaysia today joined other Asian countries in expressing concern over the continued weakness of the yen as it would exert pressure on regional economies to devalue their currencies.

Prime Minister Datuk Seri Dr Mahathir Mohamad said a further drop of the Japanese yen could lead to a review of the ringgit's peg against the US dollar.

Malaysia fixed the ringgit at 3.80 per US dollar at the peak of the Asian regional crisis to stem speculative attacks on its currency.

"I am worried if it (yen) goes down (further), it may cause China to devalue and if China devalues it will force us to rethink our ringgit peg," he told a press conference after launching Dewan Muda, the youth council of the Malay Chamber of Commerce here.

Over the past two months, the yen had declined 10 percent versus the US dollar. The greenback was currently trading at around 132 yen.

Asked what would be the level that would aggravate his concern, he said, "I don't know. They say 140. We will study when it comes to 150."

Yesterday, a report quoted Eisuke Sakakibara, former Japanese vice finance minister for international affairs as saying that the yen might fall to 150-160 per US dollar towards the end of this year, reflecting the country's poor economic fundamentals.

Asked whether Japanese Prime Minister Junichiro Koizumi gave his assurance about the yen's value during their bilateral meeting, Dr Mahathir said: "He didn't really give an assurance."

"But he indicated they will try to ensure the yen doesn't depreciate anymore," he said.

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

The prime minister said that as such, at the current exchange level, the yen appeared to be stronger than the greenback.

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

Asked about the development of Plaza Rakyat, which has been stalled for some three years, he said: "We are still looking for ways to resolve it. Maybe we can recommence the project in one or two months."

The Plaza Rakyat is a mixed development project comprising a retail podium, a budget hotel and inter-state bus and taxi terminal.

About 30 percent of the project had been completed.

Wembley Industries Holdings Bhd, which undertook the Plaza Rakyat project, had in the middle of 2001 said it had continued with efforts to seek funds for the project while awaiting approval for its debt restructuring scheme. -- BERNAMA

MAD FR