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RINGGIT-PEG

NO NEED TO ALTER BENEFICIAL RINGGIT PEG, SAYS MAHATHIR

By: Muin Abdul Majid

PUTRAJAYA, April 4 (Bernama) -- Datuk Seri Dr Mahathir Mohamad has reiterated that Malaysia will continue to peg the ringgit against the US dollar as it has done no harm to businesses and brought about immense benefits to them instead.

He said that businesses had gained from being able to budget their costings since they do not have to contend with volatile foreign exchange risks and losses with the ringgit fixed at RM3.80 to the greenback.

The prime minister said that Malaysian businesses were all for the peg "because when they budget for something, they know that at the end of the year, they can achieve their budget."

Besides this, "they do not have to hedge, which is a cost to doing business, and (hence) do not have to face the possibility of the currency devaluing and causing a lot of problems for their costing," he said when responding to questions as to whether the ringgit's peg against the US dollar would last indefinitely or whether there would come a time when it would return to a free float.

The prime minister's remarks were made during a meeting at his office here with some 20 foreign journalists who covered the Extraordinary Session of the Islamic Conference of Foreign Ministers on Terrorism which ended yesterday.

Malaysia imposed selective capital controls on Sept 1, 1998 and this included pegging the ringgit at RM3.80 to the US dollar following speculative attacks against the ringgit after the Thai baht was heavily battered from similar speculative manipulation in June 1997.

The speculative attacks on the ringgit led it to dip to as low as RM5.20 against the US dollar. This precipitated the regional financial crisis.

The peg, although criticised internationally as being unorthodox at that time, managed to stop the volatility in the local currency and allowed the authorities to execute expansionary monetary policies to kick-start the Malaysian economy which almost grounded to a halt because of the financial crisis.

Dr Mahathir said: "The peg has not done us or the business people any harm."

However, he said Malaysia might consider devaluing the ringgit "if we find that our rate of exchange is making us no longer competitive."

This would only take place if Malaysia's competitors or neighbours were to devalue or revalue their currencies by at least 20 percent, he stressed.

He said when such revaluation or devaluation "becomes quite permanent, we will consider at that time."

"It is not something that we will do immediately, but we will consider whether we need to change the exchange rate," he explained.

Asked whether Malaysia was on target in achieving its Vision 2020 developed economy status plans, Dr Mahathir said: "As far as we are concerned, we can still achieve our target of becoming a developed country by 2020."

However, "we are too dependent now on electronics," he said in reference to Malaysia's exports where 82 percent were made up of manufactured goods and of this, 50 percent comprised electronics products.

"We have to get away from the dependence on electronics and we are doing that now by moving into information and communications technology

(ICT) and multimedia. We are making progress there," he said.

"We can achieve growth provided of course the rest of the world is not facing some major catastrophe," he said. -- BERNAMA

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