

12/12/2002

PM: Peg on ringgit to remain

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PUTRAJAYA, Wed. - Malaysia will not remove its currency peg on the ringgit despite a positive report from the International Monetary Fund that the economy was on track, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said the peg would be retained unless there were drastic changes in regional currencies.

"Not unless something bad happens, like if the currencies of our neighbouring countries with whom we compete depreciate until we can no longer be competitive, or if they appreciate so much that the cost of Malaysia's imports would be very high."

He said Malaysia did not want the exchange rate to be determined by currency speculators who were not interested in the country's economy but only in making money.

"You know what happened to us when the currency was determined by speculators. They want the currency to go up and down so they can make money," he said at his office today.

"They keep harping on this fixed currency regime. They think it is bad, but I don't see stability in countries where the currency is floated.

"But we can see China doing quite well. Malaysia is also doing quite well."

The IMF report, released yesterday said IMF directors found Malaysia's macro-economic policies to be "prudent" and that the country was now recovering.

Dr Mahathir said the IMF had begun to accept Malaysia's stand on the currency peg for some time.

"I think they have accepted that long ago. They said we did the right thing," he said.

On reports that a Japanese official had expressed support for Australian Prime Minister John Howard's remarks on launching pre-emptive strikes against terrorists in neighbouring countries, Dr Mahathir said he needed to verify the official's statement first.

Japanese counter-terrorism ambassador Hiroshi Shigeta was reported to have said he was "comfortable" with Howard's statement.

"I'll have to find out the truth of what he said. Sometimes I don't accept reports coming from certain quarters," Dr Mahathir said.

Dr Mahathir, who left tonight for Japan on a two-day visit, said he would discuss areas of bilateral co-operation with Prime Minister Junichiro Koizumi.

On a report today that health insurance premiums had increased by 20 to 30 per cent to offset rising treatment costs, Dr Mahathir said the Government wanted to implement a national health financing scheme but the people had to fund it.

He said the Government was willing to bear the cost of free treatment but only for the poor and added that private hospitals and insurance companies consider making some concessions for the poor.

On the request by the Italian president that Italian businessman Ottavio Quattrochi is not extradited, Dr Mahathir said the decision should be left to the court.

"The President has the right to write to me, but what's important is that the decision is not made by me but the court," he said.

Quattrochi is wanted by the Indian Government for his alleged

involvement in the Swedish Bofors arms scandal. The case is now under judicial review.

Earlier, Dr Mahathir launched the book *In the Time of the Mishmish: A Painting in Twenty Parts* by Dr Alijah Gordon. American-born Gordon, now a Muslim and married to a Malaysian, wrote about her experiences in Egypt between 1954 and 1956 during the time of Gammal Abdel Nasser. She is regarded as a social activist for global injustice, in particular the Palestinian cause.