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MAHATHIR-CURRENCY

US CURRENCY MAY NEVER REVERT TO OLD STRENGTH

KOTA KINABALU, March 29 (Bernama) -- The US currency may recover but will probably not revert to its old strength due to the country's huge deficits and lack of positive backing, former Prime Minister Tun Dr Mahathir Mohamad, said here today.

"I have studied the movement of the US currency. Unless the deficit is reduced, they are going to have serious trouble with their currency," he said.

He said that the greenback has devalued against other currencies although not against the ringgit, which is pegged at RM3.8 per US dollar.

Dr Mahathir said that uncertainties in the exchange rate of the US dollar against the other currencies needed "to be handled, the usual hedging is no longer enough. Budgets and prices have to be reviewed frequently. And management of cash becomes an important part."

Currently, central banks worldwide, have reduced their holdings of the US currency, he told reporters when asked to elaborate on his speech at the International CEO's Conference 2005, which ends today.

He said that Malaysia might have switched to other currencies because in just one year, the Malaysian foreign reserves had increased to over RM70 billion from RM32 billion.

"This is more than double and that increase could be due to holding other currencies that has appreciated against the US dollar," he said.

Asked whether this increase was due to the country's economic performance, he said: "(it was) partly due to the performance. But to double in a short span of time cannot be because of the performance of the economy (alone)."

Dr Mahathir also reiterated the usage of gold for international trade.

Asked about the concession award given by Petronas to Shell to explore for oil in the Sulawesi Sea, which Indonesia claimed was its area, he said that he would not want to answer that.

"The government is handling that," said Dr Mahathir, who is Petronas advisor.

As for rising unemployment rate, he said that there were various reasons like "what they qualified in and what the industries want."

Poor command of English was also another reason, he said.

"So, there are many causes. I think the government is studying it and will find a solution," he said. -- BERNAMA

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