

25/02/2004

Ringgit-US\$ peg to stay for now: PM

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THE ringgit will continue to be pegged to the US dollar for the time being, Prime Minister Datuk Seri Abdullah Ahmad Badawi said yesterday.

Abdullah, who is also Finance Minister, said the Government's position remained unchanged although there were calls by some for the peg to be ended.

"We have benefited from the peg and it has ensured stability," he said in Petaling Jaya.

The ringgit was pegged at RM3.80 to a dollar from September 1998 following wide fluctuations in the local currency after speculators bet against it during height of the Asian financial crisis.

At one stage, the ringgit came close to touching RM5 to the greenback. The resulting instability led to many businesses floundering and becoming insolvent.

Then Prime Minister Tun Dr Mahathir Mohamad enforced selected capital controls which, although condemned by the international community and opposition parties at that time, proved to be the saviour of the Malaysian economy. Malaysia recovered much faster than any other country affected by the crisis and was the only nation not to seek help from the International Monetary Fund.

However, in recent months, following the fall of the US dollar against other major world currencies, some economists and individuals have asked the Government to review the peg or to remove it.

A majority of analysts and economists, including Bank Negara Malaysia and Ministry of Finance officials, however, believe that it is not necessary at this stage. They said a review should only be considered when regional currencies depreciate or appreciate more than 20 per cent either way, or when the euro rises above US\$1.40 or the yen appreciates to below 100 to the dollar.

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