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Govt to look at all angles before deciding on peg

By Azlan Abu Bakar; Kamarul Yunus

THE Government will look at all angles before it decides on any move on the ringgit/US dollar peg, Second Finance Minister Tan Sri Nor Mohamed Yakcop said.

"Whatever we will do will be in the best interest of the country," he said at a loan-signing ceremony involving the Titan Group in Kuala Lumpur yesterday.

The six-year-old peg issue came up again after its principal architect, former Prime Minister Tun Dr Mahathir Mohamad, on Wednesday suggested that it was time to review the ringgit's fixed exchange rate of RM3.80 to the dollar.

At a separate function earlier, Bank Negara Malaysia Governor Tan Sri Dr Zeti Akhtar Aziz said although the peg was not meant to be permanent, it would be reviewed only if there were fundamental structural changes or potential misalignments in the local currency.

"At the very outset, We have been saying that we will look at the developments, and if there are fundamental structural changes that have taken place, or if there are potential misalignments of our currency, we will review," she told reporters after launching the Financial Mediation Bureau.

Dr Mahathir said the weakening of the dollar had caused the ringgit to depreciate against other major currencies.

He said while the depreciation of the greenback had little impact on Malaysia's imports from the US, it was now costlier to buy products from Japan, Europe and elsewhere.

Dr Mahathir's administration put the peg in place in late 1998 as one of several measures to shield the economy from the regional financial crisis at the time.

It has worked well, although with the rapid improvement of the economy, many are asking whether it is still necessary to keep the peg.

Zeti said Malaysia is not looking at the performance of the ringgit against only a single currency when looking at a possible review of the peg.

(END) Source : Business Times