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Euros: Bank Negara to decide

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THE Government will let Bank Negara Malaysia decide whether it wants to stock its international reserves with more euros now that the currency has

strengthened against the US dollar.

Prime Minister Datuk Seri Dr Mahathir Mohamad said as a result of the euro appreciating about 25 per cent for the past few weeks, the central bank's international reserves have shot up to about US\$36.5 billion (US \$1 = RM3.80) as at May 31 2003.

The increase is supported mainly by the higher repatriation of export earnings. Bank Negara's international reserves as at April 30 stood at US\$35.4 billion.

"But of course, the US\$36.5 billion reserves do not mean that they are all in US dollars and maybe the increase might be due to the euro appreciating against the US dollar," Dr Mahathir told reporters in Putrajaya yesterday.

Dr Mahathir had earlier chaired the fourth and final Budget 2004 session with all the menteri besar, chief ministers and the Backbenchers Club.

"I think Bank Negara is managing its reserves very well... whether it wants to buy more euros, is up to the bank to manage... we normally don't talk about it," said Dr Mahathir.

Dr Mahathir had urged the business community to consider using the euro in their export trade because they actually get 25 per cent less in value by continuing to use the greenback which is also expected to depreciate further.

Meanwhile in his speech, Dr Mahathir said the impact of the Severe Acute Respiratory Syndrome (SARS) and the recently ended US led war against Iraq on the economy will only be felt in the second quarter of this year.

Malaysia registered a gross domestic product (GDP) of 4 per cent in the first quarter of this year.

Dr Mahathir said the Government had taken several measures to improve the economic conditions such as the recent RM7.3 billion economic stimulus package to strengthen the economy as well as ensure that a GDP growth of 4.5 per cent can be achieved in 2003.

However, he said there were several issues that need to be addressed by the state and local governments to ensure the allocation provided by the Federal Government would reach the target group.

On Budget 2004, Dr Mahathir said some participants of the dialogue had suggested that the Government reduce certain taxes while increasing

revenue from other taxes.

"Some of the suggestions, the Government may consider. But we cannot spend more and collect less.

"And the private sector also cannot simply call on the Government to give more incentives, reduce tax and at the same time spend more money on infrastructure and the like. That we cannot do," said Dr Mahanthir.

On tax collection, Dr Mahathir said he was satisfied with the performance of the officers entrusted with the task such as Customs tax which saw a marked improvement registering more than RM40 billion, a three-year high.

"Sometimes, there will be some tax collection that are inadvertently missed but I am sure that they will refocus their attention to ensure that all taxes will be paid," said Dr Mahathir.