

NEW STRAITS TIMES

DATE: 18 / 9 / 2010

By Ooi Tee Ching
bt@nstp.com.my

FORMER Prime Minister Tun Dr Mahathir Mohamad has warned against any move to fully liberalise the ringgit, saying it would open the country to attacks by currency speculators.

"Do we really want to have the financial crisis once again?" he said, referring to the 1997 Asian financial crisis which saw the ringgit losing half of its value, falling from above 2.50 to under 4.10 to the US dollar.

Dr Mahathir, then the premier, had blamed speculators like US financier George Soros for destabilising the ringgit.

"The present financial crisis in the world is due to an abuse of regulations in the financial market. No positive steps have been taken so far to regulate it. Certainly, currency trading remains unregulated and selective," Dr Mahathir said in a posting on his blog yesterday.

In an interview with CNBC last Saturday, Prime Minister Datuk Seri Najib Razak made a comment that the government may consider allowing the ringgit to trade offshore.

Dr Mahathir believes that the move to allow free trading of ringgit abroad would not facilitate foreign direct investments (FDIs).

"If the ringgit strengthens, cost of investment in Malaysia would increase.

"On the other hand, the currency traders may once again cause the ringgit to de-

Dr M: Ringgit at risk of attack if fully liberalised

"THE PRESENT FINANCIAL CRISIS IN THE WORLD IS DUE TO AN ABUSE OF REGULATIONS IN THE FINANCIAL MARKET. NO POSITIVE STEPS HAVE BEEN TAKEN SO FAR TO REGULATE IT. CURRENCY TRADING REMAINS UNREGULATED AND SELECTIVE"

— Tun Dr Mahathir Mohamad
Former Prime Minister

preciate. This may result in increased FDIs. But remember how we went into recession when our ringgit was devalued by foreign currency traders?" he asked.

"So I hope the government will explain why it wants the ringgit to be traded (off-

shore) again. I hope it is not because we want to be good boys who will always do what we are told to do," he said.

In a statement issued late yesterday, the Federation of Malaysian Manufacturers (FMM) also cautioned the government against rushing to fully internationalise the ringgit as it could attract "short-term hot money and speculative inflows/outflows".

It would be more appropriate to further facilitate trade and commerce such as in Bank Negara Malaysia's recent liberalisation of foreign exchange administration rules on August 18 2010.

"To attract more investments, government policies should be focused instead on addressing structural constraints to resolve longstanding issues in critical areas like education, human capital development, de-politicising of the economy, meritocracy and transparency and the fight against corruption etc to support economic transformation," it said.

The federation stressed that stability of the ringgit is what attracts long-term investments, including FDIs.

The ringgit ended higher against the US dollar yesterday, at 3.1010/1040, up from 3.1150/1180 on Wednesday.