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'Politics may be at play'

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Dr M says re-pegging the ringgit is one way to stabilise it

By MAZWIN NIK ANIS
mazwin@thestar.com.my

PUTRAJAYA: The ringgit has weakened despite strong economic fundamentals and Tun Dr Mahathir Mohamad says political factors may have played a part.

"We are told that our economic fundamentals are strong but the ringgit is declining in value; it could have been caused by politics," the former prime minister said.

Tra told that I'm the cause of the political crisis," he said cynically, in an apparent reference to his criticism against Prime Minister Datuk Seri Najib Tun Razak's administration of late, particularly on the issue of IMDB.

Dr Mahathir said that while the depreciation of the currency in the 1997-1998 Asian financial crisis was the work of currency traders, today's scenario "had some political influence" to it.

"When I decided to peg the ringgit back then, it was because (currency) traders were devaluing our money so that they, in turn, could make money.

"It was not because of economic or political reasons," he said after delivering a keynote address at a seminar organised by Universiti Kebangsaan Malaysia's Centre for Human Resource Studies.

The weakening ringgit, which fell to a nine-year low against the US



We were with him: Participants taking a selfie with Dr Mahathir after the conference at IOI Palm Garden Resort in Putrajaya.

dollar, saw a slight recovery after Bank Negara's assurance that the weakness of the currency was temporary and that the current levels were not reflective of the country's long-term fundamentals.

Analysts believed that the ringgit would remain under pressure due to a combination of factors, including global monetary policy divergence, weak crude oil prices, possibility of a downgrade in Malaysia's

sovereign credit rating by Fitch Rating as well as political uncertainties and controversies surrounding IMDB.

Yesterday, the ringgit strengthened 1% against the US dollar to 3.73 from 3.77 on Tuesday. However, it weakened compared to the Japanese yen, Taiwanese dollar, Korean won and Singaporean dollar. The ringgit was at its weakest against the Singapore dollar at 2.78

yesterday, a further weakening by 0.14% compared to a day earlier.

Dr Mahathir said the value of the ringgit depended on many factors, including the political and economic performance of the country.

"If people lose confidence in the country's performance, then they will run away. When they don't want to use the ringgit, it loses its value," he pointed out.

He added that because of the ringgit's depreciation, the country could not enjoy the benefits from the devaluation of the Japanese Yen.

Asked if Bank Negara should re-peg the ringgit, Dr Mahathir said that it was one way to stabilise the local currency.

"We can strengthen or weaken it but we retain control over the value of the ringgit. We give confidence to people when they know that someone is in control," he said.

The former prime minister was also of the opinion that instead of pegging it against the greenback or other major currencies, authorities should consider going back to the gold standard.

The gold standard is a monetary system in which the standard economic unit of account is based on a fixed quantity of gold.

