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Malaysia's inclusion in the US Treasury's watchlist of potential currency manipulator shows the country's competitiveness and economic strength, Finance Minister Lim Guan Eng said.

KUALA LUMPUR: Malaysia's inclusion in the US Treasury's watchlist of potential currency manipulator shows the country's competitiveness and economic strength, Finance Minister Lim Guan Eng said.

He said on Thursday the US Treasury did not name Malaysia as a currency manipulator under the expanded monitoring list issued the previous day.

"Malaysia is an open economy that builds our competitiveness upon excellent infrastructure, rising productivity, high level of transparency, strategic location and close integration with the global supply chain," he said.

Lim said Malaysia, which was included in the monitoring list along with other major trading economies like Germany, South Korea, Japan and Singapore "only highlights the strength of the economy and the role played by Malaysia in the global economy".

He said all countries with total trade above US\$40bil a year with the US are assessed by the US Treasury for closer inspection.

Malaysia is among the 21 countries assessed. Countries would be placed into the Monitoring List if they meet two out of three conditions set by the US Treasury.

"Malaysia is included the Monitoring List due to two factors. Firstly, Malaysia has a trade balance with the US of more the US\$20bil a year. Secondly, Malaysia has a healthy current account surplus of more than 2% of its GDP.

“Both factors demonstrate the competitiveness of the Malaysian economy, instead of currency manipulation,” he pointed out.

Lim said Malaysia's competitiveness can be proven further by the country's performance in the World Bank's Doing Business 2019 Index and the recently updated IMD World Competitiveness Ranking 2019.

The World Bank ranks Malaysia as the 15th easiest place to do business out of 190 economies, an improvement of nine places from the 24th place in the previous year.

Meanwhile, IMD ranks Malaysia as the 22nd most competitive economy in the world, retaining its position from the previous year.

Tourism revenue had risen by 16.9% on-year to RM21.4bil in the first quarter of 2019, with total arrivals increasing 2.7% to 6.7 million tourists. This also helped contribute to Malaysia's current account surplus.

A country would only be named as a currency manipulator if it meets all three conditions.

“But as noted by the US Treasury, Malaysia does not intervene in the foreign exchange market to suppress the value of the ringgit, and therefore does not meet the third requirement.

“ Additionally, Bank Negara Malaysia has stressed that Malaysia runs on a floating exchange rate regime and any interventions carried out are only to avoid excessive volatility in the ringgit.

“As a result, the inclusion of Malaysia into the US Treasury's Monitoring List has no impact on the Malaysian economy, with no penalties or sanctions imposed on Malaysia.

Malaysia will continue to build its economic competitiveness fairly by adopting new technology, investing in its infrastructure, enhancing transparency, and simplifying government as well as business processes, while promoting free trade regionally and globally,”Lim said.