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Asean currencies for regional trade (HL)

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THE Association of South-East Asian Nations (Asean) is looking at the possibility of using only Asean currencies for intra-Asean trade. If this is viable, Asean trade with China, Japan and South Korea in future need not be in US dollar.

Currently, the greenback is the accepted currency for international trade, including intra-Asean trade which reached US\$155.2 billion (US\$1 = RM3.90) in 1996 or about 22 per cent of the grouping's global trade.

Asean leaders raised the proposal at separate meetings yesterday with China, Japan and South Korea.

Chinese President Jiang Zemin, Japanese Prime Minister Ryutaro Hashimoto and South Korean Prime Minister Koh Kun were said to have expressed no immediate objection to the idea.

Explaining the rationale behind the idea, Prime Minister Datuk Seri Dr Mahathir Mohamad said Asean members fear that trade in the region may be retarded due to the dollar's appreciation against their currencies.

Since July, the greenback has appreciated by more than a third of its value against major currencies in South-East Asia, including the South Korean won.

The Asean meetings with China, Japan and South Korea were part of the two-day Asean informal summit in Kuala Lumpur which ended yesterday.

Philippines President Fidel Ramos, at a separate press conference, said the idea of using Asean currencies for intra-Asean trade is the grouping's response to the currency turmoil that has affected economies in the region.

Ramos said the leaders also looked into the possibility of expanding barter trade and other non-monetary arrangements already in practice in the region.

Dr Mahathir said the meeting has brought the region closer to "collectively tackle the financial woes that have shaken several Asian nations". He debunked the popular assumption that "if your currency is devalued, you will become more competitive".

"In South-East Asian countries, what we produce and export usually contain high import content which invariably push their prices higher than the degree or percentage of devaluation. On top of that, workers would soon demand higher wages because there will be an increase in prices of imported consumer goods.

"In the end, there will practically be no advantage at all from the devaluation except for the losses that we have to pay," he said.

When asked if he felt the summit had made progress in tackling the currency woes, he said it helped "a lot of people" understand the currency problems better.

On whether the summit could have done more to overcome the financial crisis, he said: "I don't see how this summit can do more.

"I don't think anyone could really do more. I accept that."

Dr Mahathir said there was a sense of unity at the summit because the countries are suffering from "the same peculiar disease caused by the same virus".

Due to the current economic problems, the East Asian nations have been pushed together to work even more closely.

The leaders are expected to meet again before the Asia-Europe Meeting in April.

Dr Mahathir said if the feeling had been that northeast Asian countries should not be seen associating too closely with Asean, "now the feeling is that we should do something about it".

Meanwhile, International Trade and Industry Minister Datuk Seri Rafidah Aziz said the proposal to use Asean currencies for intra-Asean trade takes into account also the quoting the prices of goods in the respective countries' currencies.

"There is no such arrangements within Asean now. Officials will look into it ... a mechanism for doing trade and settlement of trade to conserve foreign exchange," she said.

On Monday, at a plenary session involving Asean, South Korea, Japan and China, the leaders discussed the primacy of the US dollar in international dealings. Some viewed that there should not be one international currency.

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