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Call to move away from dependence on the US dollar

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IT has been suggested that Southeast Asian countries should reduce their dependence on the US dollar in the wake of the regional currency crisis.

In making the call, Asean Business Forum said countries in the region must now consider diversifying into currencies that were less volatile and, within the region, cooperate with Japan in terms of yen asset holdings.

Its secretary-general Datuk Mohamed Iqbal said in a statement that the region should also welcome the introduction of the Euro in 1999 as a viable alternative to the US dollar as its inclusion in national foreign exchange reserves would reduce currency volatility.

The EU plans to launch the Euro as the single currency for most EU members on Jan 1, 1999.

Also, thought might be given to a still wider and more stable benchmark such as a hardened special drawing rights basket, Iqbal said.

Asean in particular, he added, needed stable currency regimes to liberalise trade and investment.

He noted that as economic interdependence increased, so did the consequential spill-over of both positive and negative effects. The most rapidly transmitted and damaging of these were currency confidence crisis.

The ABF also urged advanced countries which had been, and expect to continue to be, beneficiaries of Southeast Asia's rapid growth and development to offer to cooperate and assist in current stabilisation efforts in the financial market.

"Easier market access, encouragement of industry-related investment and where appropriate, increased official development assistance, can do much to re-ignite the developing economies in the region," Iqbal said.

Regional currencies have fallen by some 10 to 60 per cent against the US dollar since the baht's devaluation against the US unit on July 2.

Iqbal also announced that ABF, which comprises leading Asean businessmen, was organising the "Asean Financial Initiatives for the 21st Century" conference and exhibition in Kuala Lumpur from Dec 1 to 3.

The event is in conjunction with Asean's 30th anniversary.

Some 400 officials, including International Monetary Fund managing director Michael Camdessus, European Monetary Institute president W. Duisenbery, Japan's Board of Executive Governors, Foundation for Advanced Information and Research chairman Yuichiro Nagatomi and senior officials of the World Bank are expected to attend.

All nine Asean Finance Ministers are also attending and will take part in a panel discussion to be chaired by Deputy Prime Minister Datuk Seri Anwar Ibrahim on the second day of the conference.

Also invited are Finance Ministers from the Group of 15 as well as Finance Ministers from China, Japan, South Korea, Australia and India.

Prime Minister Datuk Seri Dr Mahathir Mohamad is expected to deliver the keynote address at the conference.

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