

17/12/1997

Proposal to conduct trade in local currencies gains momentum

THE move to have trading in the region conducted in the respective local currencies gained momentum yesterday, with Asean Finance Ministers being asked by their leaders to study it while South Korea proposed that an expert group be set up to see how this could be done.

Both China and South Korea raised the matter in the Asean+1 talks yesterday. Asean also proposed to Japan in their discussions that it use local currencies when trading with countries in the region.

Generally, the proposal was based on the fact that there was a lack of US dollars in the region and thus suggested to reduce dependence on hard currencies.

Prime Minister Datuk Seri Dr Mahathir Mohamad said Asean during its meeting with China, decided that ministers would work out an arrangement on this.

Dr Mahathir said South Korea considered the proposal useful given the depreciation of the won and had proposed the formation of an expert group to study how such trade could be conducted.

Philippine president Fidel Ramos said in a separate Press conference that Japan should consider using local currencies when trading with countries in the region.

He said the proposal was conveyed to Japan's Prime Minister Ryutaro Hashimoto at the Asean+1 meeting yesterday.

Ramos said the Asean leaders had agreed that there was a need to consider alternatives to using US dollars in intra-regional trading.

"This is being studied by Asean finance ministers and officials, and there will be a meeting early next year to further discuss the matter."

"But we have also asked Japan to look into the possibility of using Asean currencies," Ramos said adding that the meeting would also be attended by officials from Japan.

He said due to the far-reaching implications of the currency problems, he had proposed that Asean, together with its dialogue partners, academic institutions, individual analysts and the International Monetary Fund study comprehensively the matter on a global scale.

"This is to find the causes and effects of this phenomenon to guide us in our response to the problem."

He also proposed that the United Nations study the matter and said he had discussed the matter with UN Secretary-General Kofi Annan when they met earlier.

Ramos said the leaders went beyond monetary measures in responding to the financial problems and not only re-affirmed their commitment to open trading but also to accelerate the implementation of the Asean Free Trade Area.

"Some leaders even proposed the consideration of a Free Trade Area comprising Southeast Asian and Northeast Asian countries."

He added that in recognition of the economic problem's global dimension, the leaders had called on the major economies - namely Japan, the European Union and the United States - to exert greater effort to overcome the situation.

He added that the leaders also acknowledged the IMF's central role in restoring stability to currency markets.

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