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Asean to draw up guidelines on use of region's currencies

KUALA LUMPUR, Sun. - Asean will formulate policies and guidelines to enable member countries to use their currencies to promote greater intra-Asean trade, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

The policies and guidelines would ensure that the proposed use of Asean currencies would be effective and would not negate efforts to reduce the region's dependency on other currencies such as the US dollar, he said.

Dr Mahathir was speaking to reporters at Dataran Merdeka after presenting prizes to the winners of the third Le Tour de Langkawi cycling race.

He was asked to comment on the Asean Finance Ministers' decision at the Jakarta meeting which endorsed the Bilateral Payment Arrangement among Asean members.

"This is what we have been urging all this while. The idea is to get away from having to use currencies not belonging to Asean countries because to do so would automatically `devalues' our currencies."

Dr Mahathir said the policies and guidelines would be essential if the proposal was to be effective.

"For example, if we are going to sell to Asean countries, do we sell at a lower price or not? If we sell at a very low price, then some Asean countries might buy them and re-export.

"This will then negate the whole exercise."

Dr Mahathir said the proposal must also be viewed alongside provisions outlined by the World Trade Organisation, to see whether they contravene (WTO) regulations.

On how intra-Asean trade, using the members' respective currencies would work, he said:

"It is very simple really. You just calculate how much you import and how much you export and pay the difference."

This would significantly reduce the members' dependency on the US dollar, especially since intra-regional trade was large.

Dr Mahathir said the central banks of Asean countries would set up their respective clearing houses to facilitate the smooth implementation of the proposal.

"They (the clearing houses) can contra (goods) every day. That is not a problem. With electronics, you can calculate everything up to the minute."

On the perception that industrialised countries under the the Group of Seven were not doing enough to help Asian countries to overcome their economic problems, Dr Mahathir said:

"I don't expect much from them. Here is a situation where they do not feel obliged to help us at all although they have benefited from the lower costs of our products now.

"They will only extend help when their economies feel the negative impact of the currency problems which some countries in Asia are facing."

On his trip to Myanmar next week, Dr Mahathir said he hoped it would lead to an increase in trade and economic interaction between the two countries.

He said Malaysia also wanted to participate in the reconstruction of Myanmar which joined Asean in July last year.

"At the same time, we hope to sell the idea about the free market system."

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