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Brunei boost for Asean's currency plan

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THE proposed move to use regional currencies for trade among Association of South-East Asian Nation (Asean) member countries gains further momentum, with Brunei being the latest member country to show its support.

Brunei had conveyed its support for the use of regional currencies during a one-day working visit by Prime Minister Datuk Seri Dr Mahathir Mohamad to the oil-rich country last week.

The visit to Brunei was part of Dr Mahathir's series of visits to several Asean countries to discuss the impact of the present economic problems besetting the region.

Prior to Brunei, Dr Mahathir had visited Indonesia, Thailand, the Philippines and Singapore.

These countries had also been very receptive to the idea of using regional currencies for commercial transactions among Asean member countries.

Thus, it was not surprising that Dr Mahathir, during his visit to the Philippines on February 6, had named Malaysia, Indonesia and Thailand as the first among the core group of Asean member countries to begin trading in their respective currencies.

A day earlier the Prime Minister had visited Thailand and he had said that Malaysia, Thailand and Indonesia had agreed to set up a central clearing house for intra-Asean trade using their respective currencies.

The support shown by Brunei should be welcomed as it will set the pace for other Asean member countries to show their support for the move to use regional currencies in intra-Asean trade.

It was also timely that Brunei, although least affected by the currency problems in the region, showed its support especially when Asean Finance Ministers are expected to discuss the proposal to use regional currencies for intra-Asean trade in a meeting in Jakarta this week.

Being one of the nine members of the grouping, Brunei will certainly want to offer its opinion and ideas during the meeting scheduled for February 27-28.

Besides Malaysia and Brunei, the other Asean members are Indonesia, the Philippines, Thailand, Singapore, Vietnam, Myanmar and Laos.

While one could argue that Brunei's contributions will not have a significant impact on the recovery of Asean economies, it should be remembered that the small but rich country is still part of the regional grouping.

As such, Brunei's contributions to the grouping is much appreciated by its Asean colleagues, especially those member countries which are currently experiencing economic difficulties. Moreover, Brunei has nothing to lose in offering its assistance to its Asean colleagues.

The proposed move to use regional currencies among Asean member countries for intra-commercial transactions was actually mooted during the Asean Ministerial Meeting in July as the Thai baht begin to crumble, marking the beginning of the financial turmoil in the region.

The move to use regional currencies was reinforced during the Asean Summit in December where the grouping's heads of government had proposed that member countries use their own currencies when dealing with one another to reduce the impact of the depreciation of their currencies against the US dollar.

It has yet to be ascertained whether such a move to use currencies of

respective countries will solve the financial problems in the region but it is certainly one way to reduce dependence on the US dollar in trading, especially when the US currency is getting strong.

The experience of Malaysian company, Bernas or PadiBeras Nasional Bhd, is proof that trading, using the currencies of Asean members, will reduce import costs under the present currency situation.

Bernas had in the past imported rice in US dollars, but from last month, it began buying Thai rice in ringgit and rice from Pakistan in rupees. This resulted in a saving of RM5 million on the first consignment of 20,000 tonnes of Thai rice imported using the new arrangement.

Such a move will not only overcome the economic problems but will also help increase trade between Asean countries especially now that the member countries are short of foreign currencies.

Thus, by using local currencies, member countries can save their respective foreign currency earnings for the purpose of buying outside the Asean region.

"This will not only improve trade between Asean countries but will also keep the costs lower. It will also enable us to save US dollars and pound sterling for the purpose of buying outside the region," Dr Mahathir had said after his brief visit to Brunei.

Dr Mahathir had also dismissed suggestions that countries outside Asean will object to the proposal to use regional currencies for intra-Asean trade.

"I don't think they will mind. We want to use foreign currencies to purchase goods from outside the region and, at the same time, the move should enable us to build up our reserves of foreign currencies," he had said.

Dr Mahathir had also not discounted the possibility that Asean would eventually have a common currency for the purpose of intra-regional trade, almost similar to the one to be implemented by the European Union.

But whatever the situation may be, the outcome of the Asean Finance Ministers meeting will probably set the direction for member countries to take in making the move to use regional currencies.

Success will only be achieved with full support from all Asean member countries. This includes a small country in the grouping such as Brunei.

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