

05 FEB 1998

Mahathir-Philippines

CURRENCY CRISIS TOPS MAHATHIR VISIT

MANILA, Feb 5 (Bernama) -- Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad arrives here Friday to take up the use of Asean currencies instead of the US dollar in intra-regional trade payments.

Accompanied by five senior officials, Dr Mahathir will plane in from Bangkok, one of the three Asean partners backing the plan, where he is pursuing a similar mission.

The Malaysian leader will meet President Fidel Ramos at 5.30pm at Malacanang Palace and their talks are expected to last for two hours, a diplomat said.

"Dr Mahathir will be here only for a few hours and his visit is low-key as part of his consultation process with other Asean leaders," he told Bernama.

The talks will focus on the use of Asean currencies to settle intra-regional import-export trade payments and to lessen dependence on the greenback which had been blamed for Asia's currency meltdown.

Malaysia, the Philippines and Thailand are so far the only Asean member states which had agreed in principle to push the intra-regional currency scheme.

Indonesia backed off from joining the scheme on account of the sharp volatility of its rupiah against the US dollar compared with the ringgit, peso and baht.

As of Jan 30, the rupiah fell 324.1 per cent against the greenback, while the ringgit and the peso dropped 73.1 per cent and 62.4 per cent respectively.

Although other Asean members had yet to define their stand, they are expected to join the scheme once it proves successful in licking the US dollar-denominated currency turmoil.

Dr Mahathir's visit follows the agreement among senior Malaysian, Filipino and Thai finance officials to pursue the intra-Asean currency scheme to ease the continuing speculative pressures on their currencies.

Although the US dollar remains the reference rate, its use is expected to fall by 30 per cent among the three Asean countries once they start implementing their so-called "currency for currency" swap, officials said.

"Instead of paying in US dollars, Philippine importers will have to pay ringgit for imports from Malaysia and baht for imports from Thailand," Trade and Industry Secretary Cesar Bautista said.

He said senior central bank officials will meet again after Dr Mahathir and Ramos agree on the drawing up of the implementation mechanics of the swap scheme.

Being eyed is the setting up of a regional clearing house to facilitate the payments of goods traded among Malaysia, the Philippines and Thailand.

Also to be firmed up is whether the payments will be settled based on the day-to-day US dollar rate or at a later date when transactions shall have been completed. -- BERNAMA

ALJ RM