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Malaysia, Thailand, Philippines may initiate trading in respective currencies

Carolyn Hong in Manila

PRIME MINISTER Datuk Seri Dr Mahathir Mohamad said last night that a core group of Asean countries, namely Malaysia, the Philippines and Thailand, might be the first to begin trading in their respective currencies.

Dr Mahathir, who held a two-hour meeting with Philippine President Fidel Ramos yesterday, said the need to increase intra-Asean trade and the use of Asean currencies were among the issues they discussed.

He said Ramos was very keen on the idea but thought that initially, a few Asean countries should form the core group.

"Initially, we are thinking of three countries, namely Malaysia, Thailand and the Philippines.

"But we have to talk to the other (Asean) countries to see what they have to say," he said after attending a dinner hosted by Ramos at the Malacanang Palace.

Dr Mahathir said they agreed that the governors of the Asean Central Banks should meet to discuss the mechanism of payments in Asean currencies.

"We would like them to meet as soon as possible," he said, adding that he would initiate the meeting upon his return to Malaysia.

Asked about the possibility of a single Asean currency, he said this was something that would have to be considered but for the moment, the focus was on the use of currencies of the trading partners.

Asked for an assessment of the current economic situation, he said they believed that the situation has abated and hoped that this would be permanent.

Dr Mahathir said he had also discussed with Ramos the need for co-operation among Asean member countries in presenting a united case to international bodies, including the International Monetary Fund and other countries.

"If we have problems, we should discuss it together and present a united front, rather than each country meeting on its own," he said, adding that Asean should talk as a group.

Asked if they discussed Japan's response to the region's economic problem, he said they did not discuss specifics although they felt that Japan should play a bigger role.

He said Japan should be a little more forthcoming in terms of extending help to the Asean countries.

The International Herald Tribune reported yesterday that Southeast Asian countries intended to inform Japan next week that it must hasten bank reforms to stimulate its economy if it wants to make a more effective contribution to regional recovery.

The report said Asean's views will be conveyed by Deputy Prime Minister Datuk Seri Anwar Ibrahim when he visits Tokyo soon.

Yesterday's meeting with Ramos comes a day after Dr Mahathir met with Thai Prime Minister Chuan Leekpai. Dr Mahathir arrived in Manila from Bangkok and will leave for Singapore today.

Earlier yesterday in Bangkok, Ashraf Abdullah reported that Dr Mahathir had expressed the hope that Asean would eventually have a common currency for the purpose of intra-regional trade.

Speaking after a brief visit to the Malaysian Embassy in Bangkok, the Prime Minister said he saw no reason for Asean member nations to use the

currency of a third country for trading purposes.

"Initially, we cannot have a single currency because we don't have an agreement on it. But we hope that eventually we might be able to have a common currency for the purpose of trade, somewhat like the euro," Dr Mahathir said when asked whether a single Asean currency would solve the economic problems in the region.

His visit to the embassy was preceded by a breakfast meeting with his Thai counterpart Chuan Leekpai. Dr Mahathir, accompanied by his wife Datin Seri Dr Siti Hasmah Mohd Ali, then left for Manila to meet President Fidel Ramos.

On Thursday night, Dr Mahathir had a two-hour meeting with Chuan.

"Right now, we want to use the various Asean currencies. We will settle (the payment) in the currency of the country which is selling to us."

"It will also enable us to save US dollars and pound sterling for the purpose of buying outside the region," he added.

Dr Mahathir said there was no reason for countries outside the region to object to the proposal.

"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 our reserves of foreign currencies."

He added that Malaysia was ready to start trading with its own currency almost immediately.

"But if it is going to be on a big scale, we will have to set up a clearing house so that we don't have to actually pay for whatever we buy. We can contra it by exchanging certain goods with each other and pay the difference," he said.

Dr Mahathir said some Malaysian companies had already started such an arrangement, like purchasing rice.

Bernas or PadiBeras Nasional Bhd had in the past imported rice in US dollars but started buying Thai rice in ringgit and rice from Pakistan in rupee starting last month.

This worked out to a saving of RM5 million on the first consignment of 20,000 tonnes of Thai rice imported under the new arrangement.

On Thursday night, Dr Mahathir said after his meeting with Chuan that Malaysia, Thailand and Indonesia had agreed to set up a central clearing house for intra-Asean trade using their respective currencies.

He said although trade would involve the private sectors of the Asean nations, the Governments would have to co-ordinate the foreign exchange mechanism.

Asked yesterday whether Asean would be accused of protectionism if the move was implemented, he said:

"There is no protectionism here. Anybody can trade using their currencies. There is no rule to say that we can only trade in the currency of a certain country.

"If the trade is between Thailand and Malaysia, there is no reason why we should use the currency of a third country for settlement. If we have enough faith in our currencies, then we should use our currencies."

He said if countries in the region were dependant on a certain foreign currency, they would be exposed to the instability of that currency as its fluctuation would affect their economies.

The Asean Informal Summit in Kuala Lumpur in December concluded that besides their own currency, the regional grouping should also look at the yen and euro as alternative currencies for intra-Asean trading.

Currently, the US dollar dominates 60 per cent of global commercial transactions and 80 per cent of financial markets.

On a proposal by the Thai Bankers' Association that Singapore dollar be used as a common currency for regional payments, Dr Mahathir said:

"Well it is an idea that we can examine. We have no objection to examining it. If it is workable, why not?"
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