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TRADE-RINGGIT

MORE RINGGIT TO BE USED FOR INTRA-ASEAN TRADE

By: Tham Choi Lin

PETALING JAYA, Aug 20 (Bernama) -- Malaysia expects to use the ringgit more widely for trade with its Asean partners following the signing of bilateral payment agreements (BPA) with the Philippines, Vietnam and Laos and with indications of more agreements to come in the wake of the regional economic crisis.

Finance Ministry Deputy Secretary-General (Policy) Datuk Dr Abdul Aziz Mohd Yaacob said negotiations to sign a similar agreement with Thailand were in the advance stage.

Indonesia and Myanmar have also indicated their interest and it is expected that the other Asean countries would follow suit, he said at a seminar for 200 commodity traders on the use of regional currencies and the mechanism of bilateral payment arrangement in external trade.

"However, the proposal to use local currencies in bilateral trade will not be confined to Asean countries. Malaysia has also proposed this idea to non-Asean countries like China, Japan and India, which have shown strong interest," he said.

About 70 per cent of Malaysia's trade settlements are conducted using the greenback which has appreciated against more currencies. Only about 15 per cent of the trade are in ringgit and 6.5 per cent in Japanese yen.

Asean is Malaysia's largest trading partner with volume increasing from US\$29.33 billion in 1994 to US\$37.32 billion in 1996 before declining to US\$27.46 billion in 1997.

The US dollar has always been the major settlement currency for intra-Asean trade which rose from US\$115.7 billion in 1994 to US\$115.2 billion in 1996 and decreasing by 15.5 percent last year with the currency crisis.

Abdul Aziz said the use of Asean currencies will enhance trade within the region because of the reduction in exchange rate uncertainty and transaction costs as the values of the Asean currencies relative to one another are more stable than in the US dollar.

He said the promotion of intra-Asean trade using local currencies will be a strategic initiative in light of its expected significant expansion with the creation of the Asean Free Trade Area and the Asean Investment Area.

He hoped that with the growing acceptance of the BPA mechanism within Asean, the bilateral arrangement can be expanded into a multi-lateral arrangement like the Asian Clearing Union (ACU) established in 1975 among seven south Asian countries, India, Bangladesh, Iran, Myanmar, Nepal, Pakistan and Sri Lanka.

The volume of trade among the ACU member countries increased multifold from US\$25.7 million in 1975 to US\$2.65 billion in 1997.

Abdul Aziz said the use of Asean currencies in intra-Asean trade has been in existence for quite some time although the volume had not been significant.

Last year, a fair share of Malaysia's trade with Brunei, Singapore and Thailand was settled using the respective currencies.

Nearly all trade with Myanmar, Vietnam and Laos were settled in the US dollars which was also used for 97 percent of Malaysia's exports and 93 percent of imports from the Philippines and from Thailand, 90 percent imports and 77 percent exports.

The proposal to use regional currencies in intra-Asean trade was made

by Prime Minister Datuk Seri Dr Mahathir Mohamad. The proposal was well received by Asean leaders in their second informal summit held in Kuala Lumpur last December.

Abdul Aziz also said the government will facilitate the private sector to undertake trading using local currency because the success of the BPA mechanism would depend on their support.

Meanwhile, Bank Negara's head of economics department Latifah Merican Cheong said the central bank has signed BPAs with 28 countries since its inception in 1988 and there have been no default in settlement.

Speaking at the same seminar, she said the BPA was a measure to trade in the immediate term due to the volatility of foreign exchange.

Latifah said that the BPA encouraged trade by the private sector because exporters are guaranteed payments and Bank Negara as the clearing house will bear all forex risks.

Bank Negara will settle the counterparty central banks in agreed foreign currency in two to three months, she added. -- BERNAMA

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