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Pact on using regional currencies (HL)

Ashraf Abdullah in Bangkok

PRIME MINISTER Datuk Seri Dr Mahathir Mohamad said last night that Malaysia, Thailand and Indonesia have agreed to set up a central clearing house for intra-Asean trade using their respective currencies.

Dr Mahathir, who arrived here yesterday, told reporters that Malaysia would work with Indonesia and Thailand to set up the clearing house soon.

"They have agreed to trade using local currencies," he told Malaysian journalists after a two-hour meeting with his Thai counterpart Chuan Leekpai.

Dr Mahathir said although trade would involve Asean's private sector, the Governments would have to co-ordinate the foreign exchange mechanism.

"As such we need a central clearing house. He (Chuan) has suggested that one of his Deputy Prime Ministers go to Malaysia and meet his counterpart (Datuk Seri Anwar Ibrahim) to discuss it (the clearing house)."

Dr Mahathir expressed the hope that the other Asean countries would accept the idea.

"I hope it will involve the whole of Asean. Indonesia has agreed, Thailand has agreed. What remains is to work out a mechanism. And I hope to propose it to the Philippines too," he said.

Dr Mahathir said setting up a central clearing house would fall under the purview of the Finance Ministry as it involved dealing with foreign currencies.

He said he chose to visit the Asean countries himself because things were changing rapidly and he wanted to brief the leaders on the changes.

Dr Mahathir had earlier arrived at the Toung Meng Air Force base.

Today, the Prime Minister is expected to visit the Malaysian Embassy here before leaving for Manila where he would hold talks with President Fidel Ramos.

Last month, Dr Mahathir met with Indonesia's President Suharto and Singapore Prime Minister Goh Chok Tong to discuss regional economic issues.

The move to have intra-Asean trade to be conducted in local currencies is to avoid the high cost of doing business in the now stronger US dollar.

It was a key topic at the Informal Asean Summit held in Kuala Lumpur in December.

The experience of Malaysian company, Bernas or PadiBeras Nasional Bhd, is proof of how trading, using each other's currencies, would 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 rupee.

This resulted in a saving of RM5 million on the first consignment of 20,000 tonnes of Thai rice imported using the new arrangement.

In Jakarta, Deputy Prime Minister Datuk Seri Anwar Ibrahim held talks with President Suharto last night, reports Bernama.

The talks, which were held at the President's residence, lasted more than 75 minutes.

Speaking to reporters at Halim Perdanakusuma Airport before boarding his flight for Kuala Lumpur, Anwar described his talks with President Suharto as routine.

"We discussed the latest developments on the economic problem affecting the region," he said.

An aide to Anwar said Malaysia was concerned over the economic situation

in Indonesia and the effect it could have on regional economies if not handled speedily.

Before his talks with the President, Anwar, who is also Finance Minister, held discussions with Indonesia's Finance Minister Mar'ie Mohammad on financial and intra-Asean trade matters.

(END)