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70pc of Malaysian trade in US dollars (HL)

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THE bulk of Malaysia's trade is conducted in US dollars and the sooner importers and exporters start using regional currencies to settle intra-regional trade the better, says International Trade and Industry Minister Datuk Seri Rafidah Aziz.

They need not wait for the Asean governments to work out the mechanism for the payments arrangement before doing so, she told Business Times, adding:

"As long as (traders) are willing to accept each other's currencies and as long as there is something to buy and sell that can be offset or settled with the currencies they have, the practice can start straight away."

Ministry figures show that last year 73.6 per cent of Malaysia's exports, or US\$162.95 billion, and 64.9 per cent of imports, or US\$143.42 billion, were conducted in US dollars.

The country's exports totalled US\$221.4 billion and imports US\$221 billion in 1997. Only 2 per cent, US\$4.43 billion, of total exports, and 10.6 per cent, or US\$23.426 billion, of total imports are transacted in yen.

The idea of using regional currencies, including the Japanese yen, for trade settlement as a means to reduce dependence on the US dollar has gained momentum in recent weeks.

Prime Minister Datuk Seri Dr Mahathir Mohamad, in a three-nation swing-around as part of his continued consultations with his Asean counterparts in the past few weeks, had won over the Philippines and Thailand, as well as Brunei.

Then last Saturday, the idea was endorsed by Asean finance ministers in Jakarta.

Prior to that, Deputy Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim secured the Japanese Government's commitment to enhance the role of the yen in regional trade during a working visit to Tokyo in early February.

Anwar was also in Jakarta last weekend.

It is understood that the central banks of the Malaysia, Thailand and Philippines, which will be the first members to start using their own currencies in bilateral trade, are coordinating efforts to create the mechanism for the Asean payments arrangement.

Rafidah said the traders she had met were mostly receptive of the proposal.

"Some of them are already doing it... those who are hesitant say it is because they are not keen to hold certain regional currencies," she said.

One Malaysian company, which has shown that settling trade in regional currencies is both workable and beneficial is Padi Beras Nasional Bhd. the company, which decided to enter into arrangements with its trading partners to use their respective currencies instead of the US dollar since last September, has already chalked up about RM8.4 million in foreign exchange savings from such deals.

Malaysia is of the view that the concept of bilateral payment arrangements, which it has practised to great effect for several years, can be widened to cover Asean members.

Rafidah said that Malaysia and its Asean trading partners can conceivably start with primary commodities and then move on to other

products.

She stressed that the arrangement is not only meant for big importers and exporters, but also the small and medium-sized industries (SMI).

These smaller operations should also be able to take advantage of the mechanism to reduce the impact of the depreciation of the ringgit against the US dollar, she said.

On efforts to identify alternative sources of goods and services, in view of the fact that such imports from the developed countries have become much more expensive, Rafidah said if quality products can be provided by Asean countries, the private sector should take the initiative to start sourcing from them.

"Do not wait for the Government. The problem is everybody waits for the Government... we cannot do everything for them. We can open the doors, put in the mechanism, facilitate (such as through the Asean Free Trade Area)... but they must do it.

"They must go round themselves and look for Asean suppliers and markets."