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Trade payments in RM, baht on the cards

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THAILAND has submitted to Malaysia a proposed baht-ringgit exchange rate to facilitate the use of each other's currencies in bilateral trade, an idea mooted by Malaysia to reduce dependence on the US dollar.

Visiting Board of Trade of Thailand chairman Vichien Tejapalbul said the Thai Government is awaiting a response from the Malaysia Government.

Indonesia, meanwhile, has expressed its readiness to start barter or counter trading with Malaysia.

Special Envoy of the Indonesian President for Asean region, Mr Iman Taufik, said the republic is keen on a counter- or barter-trade arrangement with Malaysia, as well as other nations in the region, to reduce its dependency on the US dollar.

Vichien said Malaysia's role in the establishment of a bilateral trading system with Thailand is to work out a mechanism to reduce credit risk exposure.

"Using ringgit or baht in trade will reduce the two countries' dependency on hard currencies like the US dollar," he told reporters after signing a trade cooperation agreement with the National Chamber of Commerce and Industry of Malaysia in Kuala Lumpur yesterday.

The arrangement was mooted by Prime Minister Datuk Seri Dr Mahathir Mohamad when he visited the country in April.

Vichien said with total bilateral trade standing at RM4-RM5 billion each year, Malaysia has been and will always be an important trading partner.

Malaysia is Thailand's fourth largest trading partner.

Speaking at another press conference, Taufik said Indonesia has decided that it is better to source more products from Malaysia than from the developed nations in view of the regional currency turmoil.

"Counter or barter trade will be a good approach for the republic to reduce its imports of capital goods which average US\$40 billion a year.

"We have to work closely... we must forget about made-in-Malaysia, made-in-Indonesia or made-in-Thailand. Let us concentrate on made-in-Asean. This will really help to boost trade," he added.

The special envoy said this way the countries' exposure to exchange rate fluctuations will also be reduced.

He noted that Indonesia is working hard to address its economic problems and the idea of using Asean currencies in trade is being actively pursued.

Taufik said there is excellent opportunity to increase intra-Asean trade by more than 25 per cent, for example in food and agricultural products, capital goods, electronics, and automotive components.

"We need to promote joint investments... also, joint promotion of Asean tourism is very important, since it is the fastest growing economic sector... and can help Asean solve its economic problems," he added.

On Malaysia's assistance to the republic, Taufik said Malaysia has been very supportive, despite the fact that it too has not been spared by the economic turbulence in the region.

He said the Indonesian Government has been fully cooperating with the International Monetary Fund (IMF) to undertake economic reforms.

Taufik said new trade and industry laws, including fair trade and anti-monopoly legislation, are being drafted for enforcement in November. A new bankruptcy law will meanwhile be enforced on August 25.

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