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A common currency

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THE introduction of the Euro is hurting Britain, which has yet to adopt the new currency along with two other 'pre-in' countries Sweden and Denmark.

Economic efficiency through the elimination of exchange rate commissions means the loss of certain jobs in the banking industry. This development affects British banks as financial operators must shift to other businesses. London is suffering as Frankfurt becomes more competitive and challenges the role of British banks with its expertise in the Euro currency and Euro trading bonds.

British premier Tony Blair is still unable to fix a precise date for a referendum on the Euro. Meanwhile, surveys are sounding the feelings of the British over the issue of adopting the Euro. 'The Euro exists physically,' says Dr Giovanni Capannelli of the Asia-Europe Institute at Kuala Lumpur's University Malaya. 'It will bring great advantages, especially to European Union (EU) member countries which join the Euro area.'

As far as an Asian currency is concerned, he believes it must be seen in a larger context. 'It means a unification of the monetary policy and the creation of a larger economic zone.'

Since it took 45 years for Europe to achieve monetary integration, a similar process in Asia looks very far off. The question is whether it is even desirable or practical. Prime Minister Datuk Seri Dr Mahathir Mohamad pondered over the matter when representatives of the EU visited him in Putrajaya on Jan 10 to discuss the Euro banknotes and coins.

The great problem is the immensely diverse political and economic systems of Asia. To have an Asian currency means abolishing the elements of diversity to have a large common framework of unit.

There is a strong rationale for East Asia to form stronger unity in financial markets to represent Asia in a more stable way in international forums. Otherwise, world monetary decisions will continue to be made without any Asian input. 'With the Euro, a bridge has been opened in the world,' says Capannelli. 'The international financial system is now open to introduce other currencies more easily.'

For instance, in taking the European experience, East Asia can cooperate on fiscal and monetary policies and move towards the process. The creation of an Asian Monetary Fund has already been proposed by Japan. To that end, Asia needs a unified voice, but there is no agreed formula yet when that can be achieved. 'The European model is an important reference,' adds Capannelli. 'But it need not be followed strictly. In terms of sequence, Europe moved from policy to plans - free trade area to customs union to monetary union - and is now thinking how to reach political union.'

He elaborates, 'The 1997 financial crisis exposed the weaknesses of the Asian financial systems. Firstly, it's important to eliminate them, a major priority for Asian regional integration. Secondly, It's very important to follow the World Trade Organisation guidelines for trade liberalisation and the Asean Free Trade Area.'

As for the possibility of a world currency, Capannelli contends that it is merely a dream, an ideal. 'When you talk of free trade, what is implied is freer trade. The creation of a single currency such as the Euro needs a long process of reflection. It means shifting from diversity to unity. Governing the world by a single currency will have to take another century

or the next millennium.'

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