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Asia sees the euro as alternative to US dollar

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ASIAN leaders are said to be keen on the idea of the less-than-year-old euro be considered as a possible alternative to the United States dollar in international commerce.

Danish Prime Minister Anders Fogh Rasmussen said the issue was discussed at the Fourth Asia-Europe Meeting that began on Sunday.

"I wouldn't be surprised if in the future Asian countries were to use the euro as a means of payment in international transactions," he was quoted saying.

The matter with regard to the euro was raised by Prime Minister Datuk Seri Dr Mahathir Mohamad during a dinner meeting on Sunday.

Dr Mahathir had raised the viability of using the euro as an alternative to the greenback in international trade, as well as the impacts and implications to countries if the unit was used as a mode of settling international transactions.

The discussion of the use of euro in international transaction was contained in the agenda for the leaders on how to strengthen the international monetary system.

The main aim is to promote economic, financial and monetary integration to promote growth between Asia and Europe.

Leaders from 15 European Union members and 10 Asian countries, including Dr Mahathir, attended the twoday meeting.

Though the unit has been in existence for a few years, euro bank notes and coins were only introduced on Jan 1 this year in place of the local currencies of 12 of EU members.

Over a short period, the currency has shown some level of resilience after its debut, and it is now about par with the US dollar.

As a regional currency the euro is also less susceptible to each country's domestic agenda. The US dollar, on the other hand, while dominant in world commerce and appearing nearest to a global currency, has often been subject to Washington's domestic policies.

As a result, international contracts and deals conducted in US dollars are often at risk of being subverted.

Malaysia, for one, has always suggested the need for an alternative currency to the US dollar. During the period following the 1997 Asian financial crisis, there were attempts to conduct trade between neighbouring countries in local currencies rather than the greenback.

The euro, monitored by the European Central Bank, is currently used widely in Europe and has replaced the currencies of Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland.

Denmark, Sweden and Britain, though members of the EU are currently not participating in the single currency programme.

Apart from the possible use of the euro, Asem 4 also discussed the current global economic situation and leaders hope to send a strong political signal of their desire to revitalise the sluggish world economy.

The leaders also discussed the World Trade Organisation Doha Development Agendas and its contribution to sustainable development via a new round of balanced multi-lateral trade negotiations.

With both regions possessing their own strengths, and a third of the world's population, the leaders of Asem discussed measures to cooperate in trade and investment via two action plans on trade facilitation and

investment promotion.

Leaders also touched on the challenges posed by enhanced globalisation such as the need for better co-ordination to fight abuses of the global financial system, including the requirement for increased measures to prevent financing of terrorist organisations.

The EU interest in Asem lies with the growth markets of Asia, represented by China and the newly industrialised countries.