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MAHATHIR-EURO
M'SIA MAY RAISE RESERVES IN EURO

By: Mikhail Raj Abdullah

COPENHAGEN, Sept 24 (Bernama) -- Malaysia may slightly raise the amount of euro-denominated international reserves held by Bank Negara Malaysia, Prime Minister Datuk Seri Dr Mahathir Mohamad, said here today.

However, he said that Malaysia would have to see how the euro emerges as an alternative to the US dollar in international trade.

So far, Malaysia was still unconvinced that the European currency has gained stature as a lead trade currency to facilitate its wider usage and a possible alternative to the greenback, he said when responding to questions on the likelihood of Asian countries like Malaysia stepping up their usage of the euro.

He told a press conference after the two-day Asia-Europe Meeting (ASEM) which ended today that Malaysia was closely watching euro's performance.

According to ASEM officials, it was Dr Mahathir who had asked on the viability of using the euro as an alternative to the US dollar as well as the impact and implications to countries if the unit was used as a mode of settling international transactions during informal talks with his Asian and European counterparts converged at the Bella Center.

The discussion on euro was contained in the agenda for ASEM attended by 10 Asian countries and 15 members of the European Union (EU) and the European Commission.

The unit was introduced on Jan 1, 2000 with euro coins and notes only introduced in January this year in place of the local currencies of 12 EU members.

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

Initially, it was thought that the euro will always be of higher value than the US dollar, but actually, the euro depreciated against the greenback and now it has gained some ground, he said.

"We will look whether it will stay in that range or increase in value or not, it is very important for us to have an alternative currency to the US dollar when we trade," Dr Mahathir said.

But there is a tendency now for the value of the goods in euro to be translated into the US dollar and then converted back into the euro, which means basically that the euro is not standing on its own, he said.

Dr Mahathir said that what Malaysia would like to see was for the prices to be quoted in the euro irrespective if the prices quoted in dollar terms increase.

"We will have to come to the stage where the US will have to adjust their prices because of the value of the euro," the Prime Minister said.

For instance, he said that if the euro price for petroleum is less (vis-a-vis) the US dollar, then the value in dollar terms should go down.

"In other words, the euro should lead and the US dollar should follow. When that happens, I think we will switch (more) to the euro, or at least carry more reserves in the European currency," Dr Mahathir said. -- BERNAMA

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