

'Right time to use euro'

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BY PAUL GABRIEL

KUALA LUMPUR: The European Commission (EC) has welcomed Prime Minister Datuk Seri Dr Mahathir Mohamad's suggestion for the private sector to use the euro in export trade.

The EC's Ambassador to Malaysia Thierry Rommel said it would be right to adopt the euro now due to the excessive depreciation of the US dollar.

He said Malaysia should ideally "diversify" into other international currencies.

"With the ringgit pegged to the US dollar, Malaysia is 100% vulnerable to the fluctuations of the dollar and the ringgit is completely in the hands of the US dollar.

"There are immense implications on the flow of merchandise and services (with US dollar depreciating). Your next best alternative is to diversify into a basket of other international currencies.

"The euro depreciates too, but by using a range of international currencies, you can hope to average out the bilateral gains or

losses," he said in an interview.

Last week Dr Mahathir urged the private sector to use the euro in their export trade as the US dollar was likely to depreciate further.

He said the depreciating US dollar influenced the export market and the value of Malaysian exports had declined.

The US dollar has fallen substantially over the past 18 months, by as much as 30% against the euro.

Rommel, who had worked as an economist with the International Monetary Fund, ex-

plained that the EU had a policy of not wanting to actively promote the international use of the euro as it felt that this was best left to the financial markets to determine.

"The European Central Bank's monetary policy is focused on price stability, not on exchange rate stability. But the euro has to be accepted by the international market on its own merits," he added.

He reiterated that the US dollar should no longer be the sole currency for international reserves and payments.