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Dollar pains

THE US dollar is not as strong as it once was and there is mounting argument against the preponderance of its use to settle trades if the country continues to lose.

Prime Minister Datuk Seri Dr Mahathir Mohamad has suggested that Petronas consider using the euro in its oil and gas trades. The greenback has depreciated by 25 per cent against the euro and, as the Prime Minister has stressed, this means that we would have earned that much more if the European currency had been used instead. The reasoning in favour of the switch is compelling. Pertamina, the Indonesian oil company, is reported to be already considering dropping the dollar for the euro in its oil and gas transactions.

The greenback has facilitated trade and played a vital role in fostering economic expansion over the last few decades. But in principle, any other currency could have performed the same functions if the world had been willing to accept, and widely use, this other alternative.

With America as the world's largest economy and leading trading nation, backed by its immense military power and technological resources, it is understandable that the greenback readily became the world's reserve currency. However, it has been made volatile by the influence of US domestic politics and economic priorities. Besides, the huge US national debt imposes an underlying downward pressure on the US dollar which is detrimental to those with large greenback holdings.

It is time we change our mindset and not be shocked and awed by the once-almighty US dollar. We must reduce our over-reliance on any single currency for international transactions, and oil and gas would be a good start.