

Increasing use of the ringgit in trade

ABOUT RM58bil of Malaysia's trade with three trading partners is transacted in ringgit, says Datuk Seri Anwar Ibrahim.

The Prime Minister said about 25% or RM39.2bil of Malaysia's bilateral trade with China was transacted using the ringgit and renminbi.

"We have been the most successful with China," he said during the Prime Minister's Question Time in the Dewan Rakyat yesterday.

Meanwhile, about RM10.7bil of trade with Indonesia and RM8.2bil with Thailand were transacted in ringgit and the local currencies of the two nations.

"This is an encouraging development although we have a long way to go as there has yet to be action from other countries.

"Vietnam and Cambodia have given an acknowledgement through the local currency settlement framework, which was inked during the 43rd Asean Summit in Jakarta recently," he said.

He added that Malaysia is among Asean nations that have been aggressively pursuing the de-dollarisation approach to reduce dependency on the greenback.

Anwar, also the Finance Minister, noted that the US Federal Reserve has hiked interest rates by 525 basis points since early 2022.

Malaysia, meanwhile, only increased its overnight policy rate (OPR) by 125 basis points.

The US Fed rate hike which strengthened the US dollar had taken a toll on the strength of regional currencies, he said.

The Prime Minister was replying to Datuk Seri Noraini Ahmad (BN-Parit Sulong) who had asked about the de-dollarisation plans



All smiles: Anwar (front, second from right) posing with Sekolah Menengah Kebangsaan Ketari students who were visiting the Parliament yesterday. - Bernama

to encourage the use of the ringgit in trade with other countries and the response to the initiative.

Noraini had also posed a supplementary question on whether the de-dollarisation approach will be extended to other countries that have a high trade volume with Malaysia including BRICS (Brazil, Russia, India, China and South Africa) nations and how Malaysia will ensure that investments, especially from the United States, are not affected.

Anwar said the greenback is still the main and strongest currency when it comes to international trade and many countries have opted to use the US dollar.

He said although about 15% of Malaysia's trade is with Singapore, the republic is not keen on using the ringgit as the trading currency.

China, on the other hand, has been receptive to trading in the ringgit.

"I don't see Japan and Hong Kong being interested (in trading in the ringgit)," he added.

South Korea is also not keen while India has restricted the use of Indian rupee for trade outside of the country except for citizens, he said.

As for vietnam, which is Malaysia's 10th biggest export market, the country has agreed to expedite negotiations on the matter.

"For BRICS, the most obvious is China. There are no efforts so far to expand this to Africa and Latin America.

"I believe with the success on the Asean level with China, there is a possibility to realise this as it provides an opportunity to strengthen the currencies of both countries," he said.

Last week, Anwar said Malaysia has begun to "actively and aggressively" use the ringgit when trading with several countries, with

the move towards de-dollarisation in an effort to increase demand for the local currency.

The Prime Minister has also then proposed the setting up of an Asian Monetary Fund (AMF), emphasising the need to lower reliance on the greenback as well as the US-backed International Monetary Fund.

Yesterday, he also replied to a supplementary question by Ku Abdul Rahman Ku Ismail (PN-Kubang Pasu) on whether the idea of using the dinar as a trading currency will be revisited.

Anwar said the government may revisit the idea of using the dinar as a reserve currency, adding that this will be discussed at the meeting on Islamic economics and finance to be held in Kuala Lumpur in December.

He said using the gold dinar for 5%-6% of trade with Muslim countries will be a good start.