

CME calls for unified Asean currency to compete with US dollar, Euro

By **S. Joan Santani** - April 18, 2024 @ 3:09pm



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KUALA LUMPUR: The Centre for Market Education (CME) has called for deeper cooperation among regional central banks to design a new monetary system with a unified currency, aimed at competing with the US dollar and the Euro.

In a statement today, CME said such a currency should be based on a new commodity standard, adopting a unit of account based on a basket of many goods.

"Given the fact that the ringgit is not the only Asian currency under stress (the Indonesian Rupiah (IDR) broke the psychological barrier of IDR 16,000 against the US dollar for the first time in four years), the CME invites Asean central banks to a higher degree of cooperation for supporting the purchasing power of their citizens," the statement said.

Making its case for a unified currency, CME said such a move would avoid individual states irresponsible behaviour. "Furthermore, such a currency should aim at competing with the USD and the Euro as reputable reserve of value," it said.

On adopting an Asean unit of account based on a basket of many goods, CME said central bank new currency notes may be used as reserves (base money) for a competitive banking system.

CME said the unit of account would be defined as a specific amount of a large number of goods and services, such as the consumer price index basket.

Money would be denominated in unit account and a one-unit account bill (currency note) would be exchangeable at the central bank for one unit-account's worth of some other asset, such as treasury bills, that have a well-defined, market-determined value in terms of the unit-account. This will increase the value stability of the new currency.

On the ringgit's performance CME agrees with the general consensus that the resurgent weakness of the domestic currency is mainly due to external factors.

Namely due to higher-for-longer US Federal Reserve rates which will prolong the interest rate differential between Malaysia and the US, thus favouring an outflow of capital toward the American markets;

As well as the prolonged geopolitical tensions, in particular in the Middle East, supporting currencies which are recognised as a more reliable reserve of value like the greenback.

CME commended Bank Negara Malaysia's action to preserve a delicate balance between the price dynamics, the ringgit behaviour and the potential risks of a global economic slowdown.

"CME believes that it is extremely positive to know that BNM will not introduce capital controls, because such a move would further discourage entrepreneurial ventures in the country."

"CME also strongly agrees with the primacy of structural reforms, rather than monetary policy, when acting domestically to support the currency by encouraging the awakening of entrepreneurial spirits," it said.

According to CME, those reforms need to encourage businesses by building a favourable ecosystem from the institutional, financial and fiscal perspective.