

Nothing to fear from multi-reserve currency

By **TEH SHI NING**

THE global economy is moving toward a multi-reserve currency regime and this ought to be welcomed rather than feared, a visiting academic said here yesterday.

Amid international debate over currency wars, Barry Eichengreen, economic and political science professor at the University of California, Berkeley, focused on the longer term at the Institute of Banking and Finance's (IBF) fourth annual Distinguished Speaker Series.

Technology has eliminated the cost of switching between currencies for importers, exporters, and bond underwriters, while the global economy has expanded sufficiently to support deep and liquid markets in more than one currency, he said.

Examining the three most likely candidates in a multi-reserve world, Prof Eichengreen noted that pessimism over the euro remains pervasive but thinks there is more reason for pessimism over the US dollar.

"The dysfunctional, polarised politics in the US makes it harder for us to bring the budget deficit under control and raises the question of whether the US will come to grips with these problems before things get out of hand," he said.

He thinks China's moves to internationalise the yuan may unfold "more quickly than people anticipate".

Already, China is encouraging neighbours to trade in yuan and is moving away from its old export-dependent development model to boost domestic demand, he said.

Chinese officials have shown seriousness over moves to a more open financial system and allowing the yuan to rise is in its interest.

On the current quarrel over the yuan's value, Prof Eichengreen said: "My fear is that American politics, which is pushing policymakers to bash China a bit to move more quickly, may slow adjustment rather than speed it up."

At last night's gala dinner, the IBF conferred its Distinguished Financial Industry Certified Professional title on 15 senior management executives from the financial industry.