Search Button

The Indian Express
The Financial Express
Latest News
EIW
Market Indicators
Screen
Celebrity Chat
Express Computers
Express Power
Advertisers Forum

Express Careers
Business Forum
Match Maker
Express Properties
Palki - Travel & Tours
Information Technology
Astrosurf
Eco-India
Dr Know
Morning Digest
Graffiti
Crossword
Drumbeat: Ad Buzzaar

Corporate Economy Expressions Markets Leisure

**Tuesday, August 18, 1998**

# Euro may challenge dollar's monopoly

**Our Banking Bureau**

Mumbai, Aug 17: Euro is set to challenge the monopoly of US dollar as the world currency of exchange when it makes its trading debut on January 4, 1999. According to Deutsche Bank Group's chief economist Dr Norbert Walter, Euro for once will provide an alternative to US dollar and US monetary policy will have reduced control on the world currency markets. "Dollar will behave differently compared to earlier times", he said.

Dr Walter is currently touring Asia-Pacific region meeting with Deutche Bank's corporate clients and monetary authorities and informing them about the impact of Euro. As of now, there are eleven countries signed up for Euro and many are expected to join by 2003, when Euro will become fully operational and the only currency in all the member countries. Till then Euro will co-exist with the existing currencies in the member countries.

"It is very likely that Asian enterprises and countries who are trading partners with Europe will increasingly use the Euro for foreign trade and foreignexchange transactions. The evidence suggests that the Euro can gain a world market share of about 35 per cent over the next 10 years," he said.

Euro is also being marketed as an alternate reserve currency to the central banks of the world. Some countries like China and Taiwan has already indicated their intention to have about 25 per cent of their forex reserves in Euro. India is also expected to follow the trend and keep around 15 per cent of its reserves in Euro.

"The Euro's share in world currency reserves could also grow to the same level over the medium term, but that will occur only if the big reserve holders in Asia start to diversify their foreign exchange



Printer-friendly page

reserves," he said. "I would suggest that nations should spread risk by keeping their reserves in US dollar and Euro."

European market is expected to witness dramatic changes with the emergence of Euro. Earlier European markets were `trapped market' because it was easy to get in but difficult to get out due to the illiquidity in the currencymarket. "From the day one of the trading, Euro is going to become the second largest currency in the world. It will be a big-bang change. The cozy protected national markets will be shaken out of their slumber, Dr Walter said.

The biggest change will be on the institutional frame works. It will no more be possible for national markets to have separate interest rate regime. The effect will extend from bonds to equity valuations. "The benchmarking for valuations will no more be national but European. Performance of companies will no longer be benchmarked within their national markets, but it will be a European benchmark," he said.



Top