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MAHATHIR-IFSO

M'SIA OFFERS TO HOST ISLAMIC FINANCIAL SERVICES ORGANISATION

KUALA LUMPUR, June 25 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said Malaysia hoped to be able to host the Islamic Financial Services Organisation (IFSO), an institution that has been proposed to set up the specific standards and financial practices in Islamic banking.

Speaking to reporters after opening the 20th Al Baraka Symposium for Islamic Economies, he said the establishment of the institution has been agreed upon but the host country had yet to be decided upon.

"We want IFSO in Malaysia and all Muslim countries to be members. It is also related to the Organisation of Islamic Conference," he said.

He added that Bahrain was another bidder but its Prime Minister would still agree if the institution was located in Malaysia.

In his address earlier during the symposium, Dr Mahathir said the setting up of the institution would help establish and maintain the soundness of Islamic banking.

Considering the huge amount of money held by the Muslim countries, and the fact that the monies are deposited outside the Muslim world where Islamic banking was not available and where they cannot earn any interest, the loss to the Muslim world is enormous.

Yet there are so many Muslim countries in need of funds and they are forced to accept loans under the riba system, he said.

"If we are able to set up Funds and Islamic Banks, we can not only earn from the investments but we will be reducing the burden of our poor Islamic brothers," he added.

Furthermore banking in Islam was not purely for the lender to make profits at the expense of the borrower but for both parties to benefit from the financial transaction.

Therefore, Islamic banking was far superior than the present commercial banking practices and this together with the establishment of the IFSO will benefit all, he added.

In his speech, Dr Mahathir also said that it would be useful for Islamic countries to evolve a system of exchange rates which would enhance trade between them in the form of a payment system which was not dependent on the US dollar.

Malaysia, he added, has introduced a "Bilateral Payments Arrangements" in which total trade between two countries are computed over a fixed period of time and only the difference between the total value of export and imports paid in an agreed currency.

Since its introduction, he said trade with many developing countries under this arrangement had increased by more than 400 percent over a few years.

Today, Malaysia has such arrangements with 24 countries, of which a third are Muslim countries, he said.

More countries are to come but some countries have their own law, which makes it difficult for them to have the BPA, he said.

As to whether the BPA would help Malaysia reach its overall trade of US\$200 billion this year, he said Malaysia hoped to achieve exports of US\$100 billion this year from US\$98 billion last year. He, however, added that the US slowdown was a bit of a problem.

Besides the BPA, Dr Mahathir said Islamic countries could also create their own common currency. The recent proposal of an Islamic gold dinar

will create an Islamic trading bloc which will have a powerful voice in international trading regimes and the shaping of the new financial architecture.

Nevertheless the Muslim world would still have to trade with the rest of the world as individual countries or as a regional group or as an Islamic Financial Community. -- BERNAMA

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