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Mahathir-Slavery

DEBT-SLAVERY STILL BEING PRACTISED, SAYS DR MAHATHIR

KUALA LUMPUR, Nov 3 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today that debt slavery is not yet totally eliminated although the practice has been outlawed universally.

He said that countries which were unable to pay their foreign debts were actually being made debt-slaves of the rich countries whose governments or banks had lent to them.

Speaking at the inauguration of the Islamic Financial Services Board, he said that if Islamic banking was practised in the international financial lending this debt-slavery phenomenon of borrowing countries would not happen.

Dr Mahathir, who is also Finance Minister, said Islamic banking was enjoined because of the oppressive practices prevalent in those days when debtors who could not pay back the money they owed were made debt-slaves of the lenders.

However, the international community was not about to adopt Islamic banking, he added.

"They are not going to lend if they cannot gain control over their borrowers in order to recover their loan, irrespective of the misery this might cause," he said.

Dr Mahathir said the fact that they had been imprudent in their lendings did not mean they should incur losses.

Yet even in the ordinary banking system it was common for banks to take hair-cuts if, for some unexpected reasons, their loans went sour, he said.

"Clearly, debt slavery has not been fully abolished in the international financial system," he said.

Dr Mahathir said the idea that someone must lose in order that someone else would gain was slowly being rejected.

"We now talk about smart partnership and the win-win concept," he said.

The prime minister said that in the Islamic system, risk was shared by the lender and the borrower and there should be a win-win situation and obviously smart partnership was involved.

He said that as a partner, the Islamic bank must carefully scrutinise the honesty and reliability of the borrowers.

As such, due diligence was more essential in the Islamic banking than in the present system, where the borrower could always be bankrupted and his collateral seized, he said.

Dr Mahathir said the international financial market could benefit from the adoption of at least some aspects of the Islamic financial system.

Admittedly, much skill and expertise in business would be needed if the Islamic financial system was to work smoothly, he said.

Therefore, it was imperative that conventional systems be allowed also, if business and growth were not to be stifled.

Dr Mahathir said the option to use the Islamic financial system must be open and voluntary so as not to cause turmoil and economic regression, something which Islam did not wish to promote.

Later, he witnessed the signing of the Articles of Agreement of the Islamic Financial Services Board (IFSB) by the founding members.

This formalised the establishment of the IFSB, which signifies the greater attention accorded to the prudential and regulatory dimension in the global development of Islamic banking and finance.

The IFSB will serve as an association of central banks and monetary

authorities and other institutions that are responsible for the regulation and supervision of the Islamic financial services industry.

The founding members include Malaysia, Indonesia, Bahrain, Saudi Arabia, Sudan, Iran, Kuwait and Pakistan.

Malaysia is the host of the IFSB secretariat.

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