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Gold dinar viability depends on level of acceptance

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THE viability of the proposed single Islamic currency, the Islamic Gold dinar (IGD), hinges on the number of nations which are willing to accept it as a medium of exchange.

Economists said with greater number of countries recognising it as legal tender, the IGD will have a more far-reaching effect.

"We keenly await further development and details on Malaysia's planned adoption of IGD as an Islamic currency," an economist told Business Times.

They said the best argument for the IGD is that it is a forward-looking idea rather than a backward debate.

"It is a vision which Islamic states should work towards. However, the market will await more details on this," said Suresh Kumar, an emerging markets analyst at Standard & Poor's MMS International in Singapore.

The proposed currency is based on dinar and dirham denominations, which are tied to the value of gold and silver in the open market.

e-dinar Ltd, an Internet-based Labuan-incorporated company promoting the use of a single Islamic currency, is tapping Malaysia as a site for minting the Islamic gold dinar.

e-dinar is an exchange system enabling the use of gold as money with 300,000 people using it to date from 160 countries worldwide since its introduction in 1997 through the website www.e-dinar.com.

"The more countries accept this currency, the higher the level of acceptance will be," said Yang Sy Jian, head of economics at UOB-Kay Hian Research in Singapore.

According to statistics from the Bank for International Settlements, the US dollar figured in 90 per cent of all transactions in the global foreign exchange market, reflecting its widespread usage.

The Islamic dinar, with a specific 22k gold weight equivalent to 4.25gm, was first minted in 1992 by Prof Umar Ibrahim Vadillo. He is the founder of e-dinar and the president of World Islamic Mint.

The Islamic dinar has been used initially by the Murabitun World Wide Movement, a Muslim organisation promoting Islamic dinar and dirham, and has since gained huge popularity in Europe, South Africa, and the UAE, where it has also been minted.

Prime Minister Datuk Seri Dr Mahathir Mohamad first expressed interest in universal currency that could help unite Muslim countries after attending the OIC summit in Doha, Qatar in November 2000.

There had been proposals to use the yen and even Singapore dollar as a single currency, but people preferred to continue using the greenback due to its extensive usage worldwide, according to economists.

"This is why previous proposals that have been raised in Malaysia, like the use of yen or Singapore dollar, have failed," Suresh said.

Economists said setting up a new trading currency is no easy feat as one needs to make that currency acceptable.

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