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KL agrees to form secretariat on gold dinar for trade

Kamarul Yunus

MALAYSIA, the main proponent of using the gold dinar for trade settlement, has agreed in principle to set up a secretariat to oversee the implementation of the project.

Prime Minister Datuk Seri Dr Mahathir Mohamad said he will inform the Cabinet to seek approval for the setting up of the secretariat.

"I will tell the Cabinet and if they (the Cabinet) agree, we will ask Bank Negara Malaysia to set up such a secretariat. They will then inform countries that are interested to use the gold dinar," he told reporters after closing a two-day seminar on gold dinar in Kuala Lumpur yesterday.

He was asked about a suggestion by Iran's central bank vice governor Bijan Latif who proposed the setting up of the secretariat in Malaysia.

At a dialogue in conjunction with the closing ceremony, Bijan said the secretariat can be a useful means to promote the use of gold dinar in trade settlement among Islamic countries.

"The secretariat will play the role to explain the concept of using the gold dinar in trade settlement," he said.

On the standard value for the proposed gold dinar, Dr Mahathir said it has yet to be determined, but stressed that it will be based on the current market value.

For countries that value their reserves in US dollar, he said, the price of gold would be set in US dollars. The current market price for gold is about US\$10,000 (US\$1 = RM3.80) per kg, or US\$10 million per tonne.

Gold dealers in London fixed a recommended price of US\$313.40 per troy ounce at mid-morning yesterday, up from US\$312.70 on Tuesday

Earlier in his speech, Dr Mahathir said a pair of good trading countries with fairly well-balanced trade should initiate the use of the gold dinar for global trade rather than starting with too many countries.

"We should not be too ambitious to launch the gold dinar for multilateral trade at one go.

"Problems that arise can be resolved and the system improved (and) after the bugs have been got rid off, trade using the dinar can be expanded gradually to involve more countries," he said.

He stressed that the gold dinar is exclusively for international trade.

"It is not intended to use the gold dinar as currency for everyday transactions in the domestic market," he said.

On Tuesday, Special Economic Adviser to the Prime Minister Tan Sri Nor Mohamed Yakcop urged central banks in Organisation of Islamic Conference to consider gold dinar as the instrument in their respective BPAs as the first step to facilitate trade.

However, Nor Mohamed warned developing nations against implementing the gold dinar mechanism in haste.

"It would not be a wise attempt to change, with one stroke, the existing monetary and financial system.

"We can and should, however, start small and move forward step by step on an incremental basis," he said.

Nor Mohamed said there would not be any problem for developing countries, especially Malaysia, to introduce the gold dinar payment mechanism as the infrastructure is already in place through existing BPAs.

Malaysia, for instance, has signed BPAs with more than 20 countries since it first signed such arrangement with Iran in 1988.

Nor Mohamed was presenting his working paper on the role of central

banks in the implementation of gold dinar proposal.