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Mahathir-Dinar

MECHANICS FOR DINAR USAGE ALL SET, SAYS PM

KUALA LUMPUR, March 26 (Bernama) -- Malaysia, having proposed the gold dinar as a currency for international trade, has worked out the mechanics for its usage, Prime Minister Datuk Seri Dr Mahathir Mohamad said today.

He said that any problem arising from the usage of the gold dinar could be resolved and the risks faced due to speculation would be reduced to almost nothing.

"World trade can actually expand because the cost of business will be much reduced as the need to hedge will practically disappear," he said when opening the International Islamic Capital Market Conference here. He also launched the International Capital Market week.

Dr Mahathir said that making the dinar a currency for international trade does not mean it would replace the currency of any country.

International trade requires the determination of the exchange rate of the currencies of the trading countries, he said.

Dr Mahathir, who is also Finance Minister, explained that paper currency has no intrinsic value, making the exchange rate arbitrary and subject to manipulation like what had occurred during the Asian financial crisis.

In comparison, gold has a definite value based on the demand for the metal, he said.

"Its value may appreciate or depreciate according to world demand and the demand in a given country. But the fluctuation will be minimal," Dr Mahathir said.

He also said that the gold dinar, made of gold, would largely follow the price of gold.

The local gold price would then determine the exchange rate for the local currency against the dinar, he said.

Therefore, he said, the price of imported goods in dinar could be computed in the local currency and vice versa for local goods to be exported.

Dr Mahathir said that the dinar could be held as a central bank reserve with minimum need for its movement.

"Trade need not be paid in actual dinar, but the imports and exports of a pair of trading nations can be balanced and only the difference paid in dinar," he said.

He added that the surplus or deficit could be credited or debited against future imports or exports.

-- BERNAMA

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