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MAHATHIR-DINAR

MECHANICS FOR DINAR'S USAGE ALL SET, SAYS MAHATHIR

KUALA LUMPUR, March 26 (Bernama) -- Malaysia, which has proposed to make 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 here today.

He said that any problems from the usage of gold dinar could be resolved and the risk of 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 would practically disappear," Dr Mahathir said.

He said this in opening the International Islamic Capital Market Conference. The prime minister also launched the International Capital Market week.

Dr Mahathir said that making dinar a currency for international trade did 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 can be seen 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 the world's demand and the demand in a given country. But the fluctuation would be minimal," Dr Mahathir said.

He also said that the gold dinar, being 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, Dr Mahathir said.

Therefore, he said that 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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