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MAHATHIR-DINAR

DR MAHATHIR SAYS IMMEDIATE USAGE OF GOLD DINAR NOT POSSIBLE

KUALA LUMPUR, July 1 (Bernama) -- Prime Minister Datuk Seri Dr Mahathir Mohamad said today that it is impossible to see an immediate usage of gold dinar for trade between all countries.

"For a time, the use of the so-called hard currency such as the US dollar or the euro or yen will have to continue.

"But pairs of countries can begin to use the gold in the form of gold dinar to settle their balance of payment. It should be possible to then advance by involving a group of countries," he said.

Opening the International Convention on Gold Dinar as an Alternative International Currency here, Dr Mahathir reiterated his call for the usage of gold in international trade and pegging of local currency.

The prime minister pointed out that bilateral payment arrangements to gold-based system can be applied by settling the balance of trade in gold instead of a foreign currency.

"But even this can be inconvenient. It is easier for a credit or a debit note to the value of the gold to be made. If absolutely necessary, only gold should be transferred," Dr Mahathir said.

Otherwise, he said the metal should be kept in the central bank in the form of ingots or coins of a certain purity and value, to back the value of the deficit in the balance of trade.

"Within a country, paper money can still be used with the money pegged against gold at the rate determine by the authorities.

"But the authorities must guarantee that the gold can be purchased from the Treasury at the stated rate," Dr Mahathir said.

Dr Mahathir said the advantage of using gold was that its prices was more stable compared to currencies like the US dollar which had recently depreciated by 30 percent against the euro.

"It (the greenback) can devalue further. But gold cannot be so devalued simply because it is a metal that can be used for other purposes besides coins.

"The fluctuation in the gold price in any currency would be quite limited. Gold, therefore, is a more stable reference currency," he said.

Turning back to the gold-based bilateral payment arrangements (BPA), the Prime Minister said its benefits to traders and businessmen were quite apparent.

By converting commercial risk associated with trade into sovereign risk, such a mechanism would strongly enable traders to penetrate new non-traditional markets with greater confidence, he said.

The BPA process would also cut the cost of doing business by removing the need for banks to confirm letters of credit.

"At the national level, the gold-based BPA mechanism would help to diversify export markets and avoid over-reliance on the traditional export markets.

"In the process, we can also reduce the over-dependence on foreign currencies in international trade," added Dr Mahathir. -- BERNAMA

MAD TJK