

01 JUL 2003

JAMALUDIN-GOLD

M'SIA READY TO IMPLEMENT USE OF GOLD IN TRADE SETTLEMENT

KUALA LUMPUR, July 1 (Bernama) -- Malaysia is ready to initiate the implementation of the use of gold in trade settlement, Second Finance Minister Datuk Jamaludin Jarjis, said here today.

He said that Bank Negara Malaysia has formulated a mechanism for the settlement of international trade using gold under the gold-based Bilateral Payments Agreement (BPA).

"Our BPA has been in operation since 1988 and to-date, 31 BPAs have been signed with a credit limit of almost US\$1 billion (RM3.8 billion)," he said in his closing remarks on "The Use Of Gold Dinar As An Alternative To International Currency Convention," here today.

Jamaludin said that the BPA could be used as a platform to launch the use of gold as a net settlement mechanism in further promoting bilateral trade.

"We are convinced that the gold-based BPA provides the first important step towards the use of gold in international trade," he added.

Jamaluddin said that there are two main reasons why gold-based BPA is important, firstly, it is part of a sound and prudential management practice to diversify holdings of foreign exchange reserves.

Secondly, for countries that do not have large foreign exchange reserves, using their gold reserves for settlement on a net basis would enable them to accelerate the expansion of their international trade as well as widen their trade with more countries.

He also assures that the use of gold, as a settlement mechanism for BPA, would not affect traders since they will not have to trade in actual gold but their net trade will be settled by their respective central banks based on the price of gold.

Jamaludin also stressed the view of Prime Minister Datuk Seri Dr Mahathir Mohamad earlier today that gold is the best choice for international trade as no country in the world could dictate gold prices and thus it is free from any country's influence on its value.

"We are all aware of the risks of being too over-dependent on a particular currency," he said.

Jamaludin said that the recent weakening of the US dollar against many currencies, particularly the euro, indicates the importance to seek an alternative means of settlement that could provide greater stability and minimise exchange rate risks.

He noted that the dollar has depreciated by more than 20 percent against the euro since 2002, this means nations holding the greenback has been adversely affected due to the devaluation.

Apart from being subjected to fluctuations, currencies are also vulnerable to speculation and manipulation like what happend during the 1997/98 Asian financial crisis, he said.

"These developments should give us added impetus and greater expediency towards using the more stable gold as an alternative in international trade settlement," he said.

Gold is also a good store of value and has remained stable over the years and historically, gold has also proven to be a good hedge against inflation, he added. -- BERNAMA

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