

Dr M: Trade in euro or yen

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Weaker dollar 'will affect oil prices'

KUALA LUMPUR: Countries and businesses should trade in euro, the yen or gold instead of the US dollar to ensure that a hike in oil prices does not hurt them, said former prime minister Tun Dr Mahathir Mohamad.

He said the recent increase in the oil price was due to the weak US dollar, which had depreciated by more than 50% against the euro.

"Obviously, if the oil price in US dollar remained the same, the (oil) producers would actually be short-changed - getting paid less than half the price they used to get before the US dollar devalued.

"To get back their money's worth, they have to increase the price," he said at the second East Asia Forum at the Shangri-La Hotel here yesterday.

Dr Mahathir said that although the increase in oil price in terms of US dollar was about 100%, the increase in terms of the pound, euro and yen was less.

"What we are seeing is a distorted picture of the world's finances because of the fall in the value of the standard currency we are using," he said.

He said a country's reserves

in US dollars no longer reflected the true value or wealth of the nation.

Malaysia, he said, had doubled its reserves in US dollar terms over the last one year.

"Has it (the country's wealth) truly doubled?"

"If designated in euro or yen or even pound, what is the increase in the value of the reserves?" he asked.

Dr Mahathir said the administration of US president George W. Bush was not likely to know

the true causes of the US dollar depreciation and the apparent rise in oil prices.

"Bush is not likely to link it with the huge deficits of the US or the spendthrift ways of his government," he said.

Dr Mahathir also said non-oil producing South-East Asian countries should develop their hydro-electric potential and ignore protests by international environmentalists whose countries had become rich by exploiting the environment.

"Of course, due care should be taken not to destroy the forests but the international environmentalists should be reminded that their countries had fully exploited their hydro potential without care for the environment and they have become rich because of this.

"If they don't want others to develop their hydro potential, then they should compensate these countries by paying for the oil needed," he said.

Dr Mahathir later told reporters that Australia could not consider itself a part of East Asia because it had nothing to offer countries in the region.

"They are ethnic Europeans - they cannot be Asians," he said.