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MAHATHIR-ISLAMIC

USE ISLAMIC BANKING TO AVOID DEBT-SLAVERY, SAYS MAHATHIR

By: Shakir Husain

DUBAI, May 16 (Bernama) -- Muslim countries must develop Islamic banking institutions in order to create non-usurious sources of funding, former Malaysian prime minister Tun Dr Mahathir Mohamad said.

Countries borrowing from usurious foreign banks and institutions such as the International Monetary Fund (IMF) and the World Bank risk becoming "a kind of debt-slave to the lenders," he told an Islamic finance conference here Sunday.

Dr Mahathir said governments should first look at interest-free sources in their quest for project financing.

"There is no reason why Muslims and Muslim countries cannot have access to Islamic finance for whatever needs. The skills in the management of Islamic banking have already been developed," he said.

He said now Muslim countries needed the political will to develop their Islamic financial institutions.

"The means and systems are there. It is for us to decide whether we should apply our wealth in accordance with our religion or not," Dr Mahathir said.

He called on rich Muslim countries to "consider it their duty to provide Islamic banking facilities to save Muslims from any form of debt-slavery."

Dr Mahathir said he would not "pass any judgement on anyone if such facilities are not available in Islamic countries."

Islamic finance experts point out that many Muslim countries are still not ready to create legal frameworks for the sector, which is growing in popularity among populations and has witnessed phenomenal growth.

"Today Islamic banking has developed new instruments in order to compete with usurious banking and to provide better alternatives. As a result Islamic banking has become more attractive," Dr Mahathir said.

He warned that "borrowing beyond our capacity to repay can result in our being debt-slaves to other nations."

Some poor debtor countries use up to 85 percent of government revenue to pay the loans, and to ensure payments international agencies such as the IMF would "literally take over the management of the country's economy," the former prime minister told the conference.

Taking a dig at the huge US foreign debt, Dr Mahathir said if a country is powerful, then it can "go on spending borrowed money" without worrying about defaulting repayments.

"You don't have to pay because your lenders dare not bankrupt you. The US is not in trouble despite owing the world US\$8 trillion. If it is bankrupted, it and the lenders would lose all their money."

He said the lenders have already lost a third of the money owed to them by the US because of the dollar's falling value. -- BERNAMA

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