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Dr M: US\$ may never recover its old strength

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FORMER Prime Minister Tun Dr Mahathir Mohamad painted a gloomy picture of the US dollar, saying the greenback will probably never recover its old strength.

In a dialogue session at the International CEOs Conference in Kota Kinabalu, Sabah, yesterday, Dr Mahathir said the dollar may continue its slide, especially under the Bush presidency which regards deficits as not worth reducing.

He said the dollar is not backed by anything and given American's US\$7 trillion (US\$1 = RM3.80) debts, the backing is actually negative.

Dr Mahathir said only fear of a worldwide economic catastrophe if the dollar is rejected provides the greenback the value it has now.

"But the catastrophe will come one day because even the most powerful country in the world cannot repay loans amounting to US\$7 trillion," he said.

Fielding a question from Suria Capital Holdings Bhd chairman Tan Sri Ibrahim Menudin on the currency, Dr Mahathir said the uncertainties in the exchange rate of the US dollar against other currencies must be handled.

"The usual hedging is no longer enough. Budgets and prices have to be reviewed frequently, and management of cash becomes an important part of business," he said.

Dr Mahathir, who is the chairman of the Perdana Leadership Foundation, described currency trading as "trading in nothing".

He added that the dollar's decline of 50 per cent against the euro and quite a lot against the yen shows that the US currency is not stable after all.

"When we are paid in US dollar, we are paid less because the currency has been devalued by 50 per cent.

"If you don't want to be short-changed, you should ask to be paid in other stronger currencies such as the euro-equivalent, not the current value of the US dollar," Dr Mahathir said.

He said when the world starts rejecting the dollar as a trading currency, it will collapse. "It is certainly on the way to collapse."

"The time will come when you have to move away from the US dollar," he said, referring to his earlier suggestion for the use of gold as the standard currency in place of the greenback.

(END) Source : Business Times