

Reconsider using US\$ to trade: Ex-PM

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KOTAKINABALU: Former Prime Minister Tun Dr Mahathir Mohamed was of opinion that the government should reconsider using the US dollar as a trading currency.

"It is up to the government to decide if it should find an alternative to the US dollar as a trading currency. I am only giving my opinion as I have studied the movement unless of course US change president and have a more responsible president," he said.

He told reporters this after delivering his keynote address at the closing ceremony of the International CEO's Conference 2005 (ICC2005) here yesterday where he was asked if the Malaysian government should reconsider not trading with the greenback.

He also pointed out that central banks all over the world have reduced their holding of the US currency.

"I suspect that Malaysia has switched to other currency. In the period of one year, the Malaysian reserve (has) increased from RM32 billion to over RM70 billion (and) that is more than double," he said.

Mahathir was of the opinion that the increase could be due to other currency which has appreciated against the US dollar and added, "It could partly due to our performance perhaps but double the reserve in a short space of time cannot be because of the performance of the economy."

Earlier in his address titled "Leadership in the age of uncertainties - The effect of global events on business", Mahathir said that there was a time when one talks of being as safe as the Bank of England.

"The Bank of England is of course no longer safe. Under attack by currency traders, the pound devalued. We now put our faith in the US dollar because it is the standard currency for trade," he stressed.

"Then the currency traders started to devalue other currencies against the US dollar. We try to overcome the uncertainties caused by the currency devaluation through hedging but hedging cost money and is not foolproof."

He said the US dollar had devalued against other currencies though not against the Ringgit and stressed the uncertainties in the exchange rate of the US dollar against other currencies need to be handled as the usual hedging is no longer enough.

Budgets and prices have to be reviewed frequently, Mahathir pointed out and added that management of cash now becomes an important part of business.

"The question that will be asked is whether the value of the US Dollar will recover ... it might but probably never to its old strength," he said, adding, "Of course it might not. It may continue to slide, especially under the Bush Presidency which regards deficit as not worth reducing."

"After all, the US dollar is not backed by anything. In fact the backing, in the light of debts of over seven trillion dollars, is negative (and) only fear of a worldwide economic catastrophe if the dollar is rejected given its value now," Mahathir said.

According to him, the catastrophe will come one day because even the most powerful country in the world cannot repay its loans amounting to seven trillion dollars.

The uncertainty is concerned with the timing and not whether or not it will collapse, Mahathir pointed out.