

Mahathir: US dollar collapsing

B.K. SIDHU, MUGUNTAN VANAR and RUBEN SARIO at the International CEO conference in Kota Kinabalu

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THE US dollar is facing an imminent collapse, Tun Dr Mahathir Mohamad warned yesterday.

The former prime minister told a conference of some 650 chief executives from 30 countries in Kota Kinabalu that a standard gold currency was the best alternative for international trade.

The dollar was only retaining some value because of fears of a global economic catastrophe if it was rejected as a currency of trade, he said in his keynote address, *Leadership in the Age of Uncertainties – The Effect of Global Events in Business*.

“But the catastrophe will come one day, because even the most powerful country in the world cannot repay loans amounting to US\$7 trillion,” Dr Mahathir said at the closing of the three-day international CEO conference.

“The uncertainty is with the timing, not whether it will collapse.”



Tun Dr Mahathir Mohamad taking a closer look at handicraft exhibited at the International CEO's Conference 2005.

Noting that the dollar had devalued by as much as 50% against the yen, he said it was doubtful if the greenback could recover to its old strength. Instead, it would continue to slide, as the present American administration under President George W. Bush did not consider deficits worth reducing.

Dr Mahathir said, due to America's huge deficit, the US currency had no backing, but continued to be in use because some people still accepted payments in dollars.

“But there will come a time when we will switch away from the dollar, and we have suggested the use of gold for international trade,” he said.

He added that if companies did not want to be “short changed”, they should insist on payments in alternative currencies such as the euro, or be paid in US dollars but in euro-equivalent in value.

Dr Mahathir later told reporters that he was giving his personal views after having studied the current depreciation of the dollar.

“Unless they (Americans) change their president and have a more responsible president who will try to reduce the deficit, they will have serious trouble with the US currency,” he said.

On whether Malaysia should reject the use of the greenback for trade, he said it was up to the Government to decide.

“But it has to be seen if the US will be responsible enough, and start to reduce its deficit,” he added.

Dr Mahathir said he believed central banks worldwide were reducing their US dollar reserves, and he suspected that Bank Negara was also switching to other currencies.

He also said that local companies going abroad should form an association open to credible members who can deliver the job.

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