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I would like to thank the organisers for inviting me to speak at this seminar on the Gold Dinar in Multi-Lateral Trade. I hope I can help to make clear the idea and the concept of the Gold Dinar.

2. For some time now the Muslims and their countries have become synonymous with backwardness, authoritarian and frequently unstable Governments and lately with terrorists and terrorism. Yet Islamic states were not like that before, nor were Muslims involved in acts of terror. In fact Muslim countries were where the persecuted of Europe, in particular the Jews, sought refuge. The pogroms and the inquisition in Europe forced the Jews to migrate to the Muslim countries in North Africa. Yet before that when Muslims ruled Spain, the Jews, the Christians and the Muslims were able to live together in peace.

3. If today there is so much animosity between Jews and Muslims it is not because of religious differences. The fact is that the Europeans who in the past never liked the Jews and massacred them every now and then, wanted to get rid of the Jews. Together with the Zionists they took Arab land in Palestine and gave it to the Jews for the setting up of the state of Israel. In the process the Palestinian Arabs were expelled from their homes and their land and ever since these people have been living in makeshift refugee camps in Lebanon and Jordan.

4. When the Arabs attacked Israel in a conventional war, they were not only defeated but more of their land was seized by Israel. The Israelis were able to win because they were strongly supported by Europe and then America. Every time the Arabs fought to get back their land, they actually lost more land.

5. The conflict is therefore about land, not about religion as it is made out to be. If the Palestinians indulge in acts of terror today, if other Muslims indulge in acts of terror, it is because conventional war has become impossible for them. We do not condone acts of terror by anyone. Suicide bombing against

civilians must be considered as acts of terror. So are the killings of Palestinian children and civilians by the Israeli armed forces -- all are acts of terror. And the Israeli army is no less a terrorist organisation now as is Hamas, as was the previous Jewish Irgun Zvai Leumi, the Stern Gang and others, all are terrorist organisations.

6. The events of September 11 2001, have however focused the world's eyes on Muslim terrorists and this has led to a very distorted view of Islam and the Muslims. This view has affected Muslims in all areas. They are being discriminated against everywhere.

7. This unfortunate repercussion of September 11 has resulted in the whole world's economy being unable to grow. And now, as a direct consequence we are being threatened by a war against Iraq, a Muslim country and a major oil producer. Without doubt this will make the economies of the world even less able to grow, especially those of Muslim states.

8. The West and in particular the Americans are very angry. So are the Muslims. Angry people cannot act rationally. But if we want to solve the problem we have to strive to be rational, to remain calm and not let emotions control us.

9. At the moment most Muslims are only bent on revenge. They are hitting back because of anger. They do not seem to care whether they achieve ultimate success or not. Every time they hit, the other side would hit back. And every time the other side hits back they would retaliate in kind.

10. The question is how long will we go on like this. The Palestinians have been fighting for the past 50 years. Their position has not improved. In fact it has become worse. In fact the position of the Muslims worldwide has become worse. And if what is happening now is any indication it would continue to be so for decades. The Muslims of this world, all 1.3 billion of them, will continue to be oppressed and humiliated.

11. There are of course some of us who believe that it is the fate of the Muslims to be oppressed in this world because in the akhirat we would be in heaven. If this is the fate of the Muslims, why did the Prophet strive to save the Muslims from the oppression of the Khuraish? Why did he and his followers migrate to Madinah; why did he unite the Ansars and the Muhajirin and gather them into a strong force in order to repel the enemy? Indeed the Al-Quran enjoins the Muslims to equip themselves for their defence, to educate themselves, to achieve success in life even as they must seek merit for the hereafter, so they may impress the Jahilliah and spread the teachings of Islam. In a matter of 100 years the

Muslims had created a powerful Muslim world extending from Spain in the West to China in the East.

12. Did the Prophet preach to his followers that they should suffer in silence because for them there will be heaven in the next world? In fact he prepared them to defend Islam with their wealth and their lives, to defeat the enemy. He did not advocate just seeking revenge upon the enemy in anger through attacks and killings.

13. It is clear that we Muslims are openly and blatantly ignoring the clear teachings of our religion in favour of quarrelling over contentious issues and interpretations while ignoring the oppression by the enemies of Islam, while failing to prepare for the defence and safety of the ummah and Islam.

14. One of the clearest teachings of Islam is that all Muslims are brothers and that no one should question the religion of anyone as long as he takes the oath that "there is no God but Allah and Muhammad is His Prophet." The split amongst the Muslims into hundreds of different sects is due to the denial of the Islam of rival groups in order to justify the fight against them.

15. All who submit to "Allah and His Prophet" must be considered as Muslims and must be brothers of each other. Race and nations and borders should not stand in the way of Muslim unity nor should ideologies and political parties. There is only one Islam that was brought by the Prophet. The breakup of the Muslims into sects and groups all occurred after the death of the Prophet. It follows that the differences in the interpretations of Islam, differences which lead to the many splits and the formation of splinter groups, which are opposed to each other, is due to different interpretations of the teachings of Islam. But we all subscribe to the basics and it is a basic creed of Islam that all Muslims are brothers. If we can forget our differences in the interpretations of Islam, if we go back to the basics which we all accept then it is possible for us to unite. Certainly now, when the Muslim ummah everywhere is threatened and oppressed, when our holy places are being desecrated, when we are so weak and poor, particularly poor in knowledge and skills in this age of technology, certainly now we must forget our differences and unite.

16. However, our unity should not be for the purpose of futile attacks on the enemy. We should unite in order to build up our capacity and our strength. Simply by being united and strong, we would be freed from oppression. It will take time but Allah has enjoined upon us to be patient.

17. "Innallah hamaassabirin". The Prophet was patient;

He did not seek revenge for the humiliation and oppression he was subjected to. He retreated to a safer place in order to build up his strength. And he created sufficient wealth among his followers to support his struggle to return to Makkah.

18. We have to do the same. The Muhajirin and the Ansars among us must unite, must build up our capacities in terms of wealth and technology, in terms of stable Islamic communities, in terms of following all the undisputed injunctions of Islam.

19. Pure materialism is abhorred by Islam but there is no injunction against the legitimate acquisition of wealth. Tithe must be paid on our wealth but we are also enjoined to be charitable. We know that the third Caliph, Saidina Othman, was wealthy. During the campaigns by the Prophet he donated camels and other supplies for the defence of the Muslims.

20. If the Muslims are going to protect themselves they must have sufficient wealth. Allah has endowed Muslim countries with inexhaustible wealth. These need to be administered for the good of the ummah.

21. But wealth can also be acquired through commercial activities, through the production and distribution of goods and services and through trade.

22. Today trade between Muslim countries is small. It is not suggested that we reduce our trade with the non-Muslims. But we should endeavour to increase the trade between Muslim countries.

23. We can trade through the exchange of goods, through barter. But today we use money. Since we don't have a currency which is strong enough and stable enough in exchange rate terms, we have to use the American dollar. But the dollar is also not stable. Today the dollar has depreciated against many other currencies. This means that despite the increase in the price of oil for example, we are actually earning less due to the devaluation of the dollar. It is the same with the other currencies. It is the same with our own currencies. They all fluctuate in value. And they are all subject to speculation and manipulation as happened in Malaysia and other East Asian countries, in Russia and in Latin America.

24. The reason for this is that paper currency has no intrinsic value. You can print any figure you like on currency notes but in exchange rate terms the figure means nothing. The Malaysian Ringgit is 3.8 to one U.S. Dollar. The Turkish Lira is 1.5 million to one U.S. Dollar. The Indonesian Rupiah is 9000 to one U.S. Dollar. The purchasing power within the country is different from the purchasing power outside the country.

Sometimes countries have as many as four exchange rates -- one official, one for domestic economy, one for export and one for import.

25. Clearly this situation in terms of international finance is chaotic and anarchic. But since the system benefits the powerful countries they are unwilling to correct it.

26. If we want to avoid being short-changed we must have a currency that has intrinsic value. Gold does fluctuate in price but the fluctuation is minimal. It is not possible to devalue gold by one hundred percent or one thousand percent. Nor is it possible to revalue gold by the same percentage. The fluctuation in the value of gold can only be by a few percentages, up or down.

27. When the Allied nations met in Bretton Woods to determine the principle for the rate of exchange of international currencies in order to facilitate trade, they decided to use gold as a standard. The value of the U.S. Dollar was fixed at one dollar for 1/35 ounce of gold or 35 U.S. Dollars per ounce. All other currencies were valued in gold through the rates of exchange with the U.S. Dollar.

28. This worked quite well until some countries wanted to devalue their currencies in order to become competitive in the international market. Then other countries also decided to devalue in order to remain competitive. Finally the U.S. Dollar was devalued against the Gold.

29. At this stage the gold standard could not be sustained. The market claimed that it could determine the exchange rate through the demand and supply of currencies freely traded in the market. But profiteers moved in and they manipulated the value of the currencies so that there was chaos in terms of exchange rates of currencies. Business became very difficult. Indeed many good businesses went bankrupt when the domestic currency gets devalued. The hedge Funds which claim to insure the value of the currencies made huge sums of money speculating and manipulating the values of the currencies.

30. This anarchy in the international financial regime will remain because it benefits the rich and the powerful. If we want to protect ourselves we must evolve our own payment system, our own trading currency.

31. The Gold dinar can provide the currency for trade between nations. If we value all trade items against gold, then we will have no problem with the exchange rate. We know that in the last resort we can melt the gold and sell it in the market. You obviously cannot do

that with paper currency, worst still with figures on a computer. They have no intrinsic market value as gold has.

32. But gold is bulky. We cannot be carrying gold all over the world in order to pay for goods we want to import. But we need not do that.

33. It is not intended to use the gold dinar as currency for everyday transactions in the domestic market. For this we can use national currencies. If there is inflation then the currency can buy less gold and other goods. And vice versa. So there is no necessity to carry bags of gold coins for transaction within the countries.

34. But even for international trade the transport of gold bullions or gold coins would be very minimal. Through bilateral payments arrangements the imports can be balanced by the exports and the differences settled in gold dinars. The Central Bank can provide a guarantee for the gold required for the payments of the balance. In the following weeks or months the deficits may be reduced or a surplus achieved. In that case the payments of the balance can be made through accounting arrangements between the Central Banks. It is only occasionally that a necessity might arise for the actual gold dinar to be used to pay for the purchase of imports.

35. We cannot really verify the amount of money a country has. A country's own currency cannot be regarded as its reserve. But gold dinars or gold bullion or gold ingots can serve as a country's reserve. Still in the end we have to trust each other. If we are good Muslims then the cases of fraud by Central Banks would be minimal.

36. Assuming that Malaysia exports to a Dinar Area country a hundred million Dinars worth of motor vehicles and then imports 110 million dinars worth of oil, then the payment required by Malaysia would be just 10 million dinars. The ten million dinars is credited to Malaysia's trading partner. If in the following month the trading partner buys 110 million dinars worth of Malaysian cars and Malaysia buys 100 million dinars worth of oil, then no payment need to be made by either party. The 10 million dinars that has to be paid by Malaysia's trading partner for the motor vehicle can be offset by the credit of 10 million dinars from the previous month's transactions.

37. Today with computers we can close account and pay more frequently. Through this method it is not necessary to purchase or earn hard currency.

38. Of course there may be some countries which are so

poor that they cannot have gold dinars. We can buy some raw materials to be paid in gold dinars. They can be helped to build up the reserves of gold dinars.

39. There will be problems. But if we begin with just a pair of countries we would be able to minimise problems and demonstrate whether it works or not. We will be able to identify the weaknesses and the faults and correct them.

40. Gold is a precious metal. There has never been a time when there was no demand for gold. It is also not so plentiful that its price will fall the way paper currency or even other precious metals can fall. Yet it is not so limited in quantity that anyone or any trader can corner it and manipulate the price.

41. In different countries the price of gold will differ in terms of the currency of that country. That is a function of the currency of the country. The value of one gold dinar is one gold dinar no matter what the exchange rate of a currency is against the gold dinar. If the value of goods or services is expressed in gold dinar, the value remains the same no matter which country is involved in the trade.

42. Thus an exporter can declare the agreed price in dinar to the importer in another country and to the Central Bank in his country. Depending on the agreement reached the Central Bank will pay the exporter the current local currency equivalent to the gold dinar price. At the importer's end, he would pay to his country's Central Bank the local currency equivalent of the agreed price in dinar. At the end of the week or month the Central Banks will total up the value in dinar of the exports and imports between the two trading countries. If they are not balanced then the country with a surplus will have a credit account against the country with a deficit. The difference can be paid in dinar or in goods or the country with the surplus can hold the dinar for future purchase from the country in deficit.

43. In multi-lateral trade, the process may be a little more complicated but it is entirely, manageable. A clearing house can be set up for a group of trading countries and the deficit and surpluses balanced. The process is not unlike the clearing of the cheques of numerous banks at a central clearing house.

44. Provided there are goods or services to be supplied by all participating countries, the amount of gold dinars that needs to be kept as reserve backing and for payment in the last resort is very small. Ideally there would be no need to transport and pay in dinars. The imports and exports in most instances would cancel themselves. The profits come from disposing of the

goods or services domestically when the local currency would be used.

45. There will be problems of course. But there are problems now. Countries with no "hard currency" i.e. U.S. dollars cannot pay for their imports anyway. In addition the U.S. currency is not as stable as gold. Not only can it appreciate or depreciate widely but a country's currency can be made to depreciate so much against the U.S. Dollar that its imports cannot be paid for, priced as they are in U.S. Dollar. The gold dinar cannot depreciate much against the U.S. Dollar.

46. Gold price can also be manipulated but not as easily as U.S. Dollar or other currency. No one can sell gold at below market price because he just will not be able to deliver when called upon to do so. Short-selling will be very difficult if not impossible.

47. However local currency prices of gold can still fluctuate if left to the market. It is up to the country concerned whether to control exchange rates or not. But speculation and manipulation will not be as easy as when local currency is valued against the U.S. Dollar.

48. It must again be stressed that the Gold Dinar is exclusively for international trade. It is not to be used as local currency. In a sense it is like the U.S. Dollar now. Some countries of course use the U.S. Dollar locally for paying hotel bills by foreigners. But the dinar is heavy and cumbersome to carry. So it cannot be used as freely as the U.S. Dollar locally. This again lends credibility to the dinar and the local currency, which has to be used for local payment.

49. We should not be too ambitious as to launch the Gold Dinar for multi-lateral trade at one go. We should begin by pairing off the countries willing to use the Gold Dinar. A pair of good trading countries with a fairly well balanced trade should initiate the use of the Gold Dinar. Problems that arise can be resolved and the system improved. After the bugs have been got rid off then the trade using the dinar can be expanded gradually to involve more countries.

50. Traders in particular will be happy because their prices in Gold Dinar would not be affected by changes in the exchange rates of the importing countries or the exporting countries. In dinar, the prices will always remain the same.

51. It is not the intention to make the dinar a common currency for all countries. It is not really the Gold Standard with a fixed value against local currency. If countries print more local currency there would still be inflation within the country. But trade would be stable and enhanced. Speculators and manipulators will not be

able to undermine international trade.

52. Of course the Gold Dinar can be a trading currency, for all countries, not necessarily Muslim countries. But Muslim countries are in the best position to demonstrate the viability of the system. They are in a position to manage their economies rationally and in the process show the world that they are capable of growing with stability and in peace. And this will do more towards countering oppressions by their enemies than the futile violent retaliations.