THE POTENTIAL OF USING GOLD DINAR FOR
INTERNATIONAL TRADE AMONG OIC COUNTRIES

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THE POTENTIAL OF USING GOLD DINAR FOR INTERNATIONAL TRADE AMONG OIC COUNTRIES

By

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ABSTRACT

This purpose of this research was to study the possible introduction of Gold Dinar into Organization of Islamic (OIC) countries and to examine the implications of using the Gold Dinar, especially with the respect to international trade. The present study, casts light, through investigating the current usage of Gold Dinar in international trade, on the pros and cons of using Gold Dinar, and emphasizes its strengths. This research, aims to examine interest in using the Gold Dinar as well as to outline the obstacles to expanding its use. Moreover, there is also a focus on using the Gold Dinar as a payment settlement method for international trade. To achieve the objectives of this research, qualitative research methods including content analysis and interviews were used. The study utilized personal interviews with scholars, and studying books, journals, magazines, as well as the empirical analysis from the available evidence such as documents published by the IMF, UN and OIC. The study found that establishing a Gold Dinar trade bloc would encourage intra-trade among OIC members. This effect would be more robust than those generated by the currently existing economic blocs within the OIC countries. Obstacles to implementing the Gold Dinar among OIC countries included political, social, and cultural factors. However, the main obstacle was a lack of understanding and the application of the Islamic Shari’ah. Malaysia’s proposal that Muslim countries use the Gold Dinar is a serious, practical idea if Islamic countries would implement it. Adopting the Gold Dinar amongst OIC countries with an Islamic fiscal policy an Islamic monetary system would lead to the amendment of international monetary relations in the direction of creating a stable and just global monetary system. The implementation of Gold Dinar would solve the problems inflation, change the value of money and bring stability to our financial obligations and transactions.

Keyword: OIC, gold, dinar, standard, trade.
ABSTRAK


Kata Kunci: OIC, dinar emas, standard emas, syiling emas, perdagangan antarabangsa
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<td>1.</td>
<td>BNM</td>
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<td>3.</td>
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<td>Gross National Product</td>
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<td>IBFIM</td>
<td>Institute of Islamic Banking and Finance Malaysia</td>
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<td>Islamic Development Bank</td>
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<td>19.</td>
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<td>OIC</td>
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<td>Organization of the Petroleum Exporting Countries</td>
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CHAPTER ONE
INTRODUCTION

Background of the Study

Abu Bakr ibn Abi Maryam reported that he heard the Messenger of Allah, may Allah bless him and grant him peace, says:

"A time is certainly coming over mankind in which there will be nothing left which will be of use save a dinar and a dirham." (The Musnad of Imam Ahmad ibn Hanbal)

In a claim by a Muslim scholar Ibn Khaldun in his book Muqaddimah (1989:298) that God created the two precious metals, silver and gold to serve as a measure of value for all capital accumulations. With the spread of Islam, the dinar was minted in large quantities and gradually displaced the bezant gold coin as the major international currency, circulating throughout the Muslim world and the Christian Europe as well.

Gold had played an important role as currency for many centuries in a way or another until the end of Bretton Wood’s system (Imran N.Hosein, 1997). After the collapse of Bretton Wood’s system, fiat money and a floating rate exchange system have taken place in the monetary system. Fiat money is created out of nothing which is by printing by the power of an issuing authority, Federal Reserve. The problem with the conventional financial system is the practicing of interest by commercial bank or we called it Riba. That is the root cause of uncertainty value paper money in this current financial system. And interest comes from commercial bank as a loan especially for car and house is widely used. Economies that look healthy one moment are seriously ill the next (Riane Eisler, 2007).

By the early 1970s, as the costs of the Vietnam War and increased domestic spending accelerated inflation, the U.S. was running a balance of payments deficit
The contents of the thesis is for internal user only.
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United Nations, Commodity Trade Statistics Database (COMTRADE).

