INTEREST AND LOAN FREE INTERNATIONAL TRADE IMPORT & EXPORTS THROUGH R.M.U.

(Foreign Exchange Not Required)

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THE METAPHYSICS OF AN INTEREST FREE MONETARY SYSTEM RIBA FREE INTERNATIONAL TRADE

NO NEED TO BORROW FOREIGN EXCHANGE AND MORTGAGE OUR FUTURE GENERATIONS.

If we are determined not a mortgage our future generations who, otherwise, will be left only with a flag of independence and no more further assets with which to repay the then accumulated foreign debts, we have to think seriously about an alternative to the current international trade settlement system.

To avoid the continuous drain of foreign exchange, we must adopt a new mode of conducting International trade.

We must bear in mind that MONEY was created as a means of convenience in conducting exchange of goods, locally, regionally and subsequently in International trade.

Our foreign debts and borrowings are dependent on the way we conduct International trade. Therefore, we must tackle this issue in the first instance, which will also eliminate the misuse of the REAL meaning of the word MONEY on account of the induction of interest, 'RIBA' - which has brought uncountable miseries through harsh, dictatorial conditionalities, and has led us to modern economic slavery. Each passing day leads us more into the trap of the cobweb of modern economics, due to our indulgence in the prohibitive use of borrowed money with interest attached, which stands disapproved in Judaism, Christianity, Hinduism, and, is more emphatically pronounced, in Islam.

It becomes, therefore, necessary to conduct trade between member countries (i.e. International Trade) by introducing a new mode (method) for exchanging commodities, substituting the present commonly used US dollar by this new mode of exchange which will perform the same function, besides earning the Blessing of all major religions of the world;

we would not be subject to the harsh conditions of loan giving institutions.

This break-through against hegemony, desired and awaited for long by many world leaders, and recently mentioned by Li Peng of China, is now presented as a concrete, feasible, simple and practical method.

It is suggested that an appropriate name for this new medium of exchange should be the "Real Money Unit" (the RMU), by choosing the initials for which the money was created in its original sense as underlined above and adding the word "unit", as the unit of measurement.

For easy and frequent mental calculation, I have put the value of the $1 US = 1 RMU, as the majority of people convert their own local currency at the prevailing rate of exchange against the US dollar. This new mode of exchange, now referred to hereafter as the RMU, would work like a catalyst of currency converting table, but itself remaining unaffected, carrying no interest cost or other conditions.

IMPLEMENTATION

FOR EXAMPLE.
A Pakistani firm wishing to import rubber from Malaysia would know its price in US dollar terms. Let us say the value to be 100 US dollars. He opens the L/C instead of in US$s now in RMU for the same figure and amount i.e. 100 RMU instead of $100 US.

FLUCTUATION OF CURRENCY

The fluctuation of currency will not worry or create problems for cost calculation. Say if the prevailing rate of 1 US dollar imports is Rs.50, then the opener's account is debited by this very amount and if the prevailing rate becomes Rs.51 to a dollar then his account is debited at the rate of Rs.51 for each RMU, therefore he knows instantly his cost due to the fluctuation of currency.

INITIAL QUOTA ALLOCATION SYSTEM

(Quota refers to the minimum amount of exports to be achieved)
Taking the example of Pakistan, we would first take past annual trade figures of imports and exports already in existence between Pakistan and all other participating member countries. By this we would know the realistic figures of exports from Pakistan. The export performance of the past will be a good basis for the allocation of quota and if deemed fit should be increased by either 1.5 times or twice the export figure. It is more difficult to export than to import. Therefore, export figures should be taken as a basis of the quota as this will help in squaring the trade balances at the end of each calendar year, which is essential for controlling imports against expected export.

TRANSFEREABLE RMU

The party receiving the RMU, say the Malaysian bank, would convert

the RMU into the local Malaysian currency at the prevailing rate and credit it to the account of the seller. The Malaysian bank being in credit with RMU's not fully utilised, may transfer these to the other member countries, which in turn may import other commodities from Pakistan so that the Pakistani RMU amount in credit is utilised fully.
Notification of this transfer of RMU is to be given to both the countries maintaining records like clearance banking systems and at the end of each calendar year must square their trade balances, (either plus or minus).
The following year the quotas would be increased, judged from the past performance of the country. The quota would be reduced, otherwise, by non fulfilment to the same extent.

TRANSPARENCY

The purpose of transparency and clear maintenance of accounts, we should utilise the funds for the development of trade, industries, investments and all others, but must prohibit the use by government and Defence for their own particular purpose.

TARIFF

We must learn and adopt the benefits applicable to the European Community in structuring the tariff as the World Trade Organisation (the WTO) will also not differ from the opinion that what is beneficial to the European Countries is also beneficial to our new trading partners comprising the Middle East, SSARC countries, Far East, African Countries, China and Korea, which form a larger block and are bigger than Europe in territory, as well as in human and natural resources. The basic raw material should not carry import duty.

It goes without saying that unless our attitude is made to change, no matter whatever the system, it will have no chance of success.

In a recent statement, Mr Lim Keng Yaik, Malaysian Minister for Primary Industries, rightly pointed out that it is the adverse tariff structure alone which has created hindrances in mutual trade development. He specifically cited the example that in Pakistan duty on imports of Palm Oil, whether refined or raw is Rs.7800/- per ton, whereas duty on imports of Soya Oil from the USA is Rs.6800/- per ton, which has obstructed the utilisation of the US 100 million dollars credit offered by Malaysia since 1992 for the import of Palm Oil and also much desired investment from his country for the establishment of a Palm Oil Refinery.
(a clipping from "Business Recorder" dated 20th April, 1999 is available.)

We have all kinds of raw materials needed within our member countries, therefore, I do not see any valid reason why we cannot develop substantial trade among member countries. We must increasingly rely on our own resources without being forced into acquiring ostentatious imports.

Initially, the few member countries would participate, but there would be an extending and enlarging of the number of countries having identical objectives, as may be witnessed in the case of the European Community.

THE RMU IS NOT A CURRENCY

Now the Euro is in the process of being made into a "Single Currency" that is (1) single , (2) currency.. Our RMU is not a currency in the making, as that of the Euro, neither it is aiming for singularity, but to be a common medium of exchange of our commodities and retaining without replacing the currencies of member countries, that is to say, it is aiming to be a common medium of accounting, a unit for the exchange of commodities, goods and services, which would act as a catalyst for trade without disturbing existing national currencies.
It would certainly solve the current impasse raging over the EURO.

RMU IS BACKED 100% BY NATIONAL CURRENCIES AND THE PERFORMANCE OF EXPORT QUOTAS IN REAL GOODS AND SERVICES.

RMU is transferable and will have the identification of the issuing country. Before the import of goods for the opening of the L/C the importer would pay 100 % of the amount due to its bank in its local currency at the prevailing rate exchange to the US dollar (which is calculated on the basis that one RMU is equal to one dollar). The Bank, in turn, would open an LC/Letter of Credit for the RMU equivalent, so that it is backed 100% by Its currency. When the bills are negotiated under the L/C, the exporting country receives the RMU. With this RMU commodities can be bought from the issuing country and the balance, if not utilised, they may be transferred to other countries for them to import the goods so that at the end of each calendar year the balance of trade is not in favour of any one country. It would be the aim at each the end of each calendar year to square up to the trade balances, failing which the quota for import will be reduced for the subsequent Year to the extent of the deficit amount outstanding. Therefore their imports will also be reduced proportionately.

Details of such workings would be made available.

In the beginning the RMU system would run in parallel to the existing cobweb system operated by the IMF and World bank organisation..

The RMU will only prove to be an Aladdin's Lamp when sincere efforts Are made towards its implementation, without which, even with a Genii at one's command might prove inoperable.

THE DESIRE FOR A NEW MODE OF INTERNATIONAL TRADE

A reference to the recent visit of Mr Li Peng, the Chairman of China's National People's Congress (Parliament) to Pakistan and his emphatic support to forge ahead with not only a new economic system, but more

importantly, a new financial system in international trade to further strengthen the need for establishing an RMU type of system.
(A clipping from "Dawn", dated 11th April 1999 is available).

COULD IT BE TAKEN AS A DISADVANTAGE ?

Of course, the import of goods and raw materials might initially be curtailed to the extent of its non-availability within the member countries whose geographical boundaries for the time being extend from Turkey to Korea and China in the North and Africa in the South.

Tell us what is not already available in the developing countries even to satisfy the lavish life style of the Arabian nights enjoyed by some of the people. The true purpose of industry is to cater for the needs of all people and humanity at large; and not to develop at the cost of mortgaging our present and future economic well-being and the happiness of our children.

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