

MAHATHIR CALLS FOR STABILITY IN WORLD OIL MARKET

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KUALA LUMPUR, DEC. 2 (BERNAMA ES)-- THE PRIME MINISTER TODAY CALLED FOR A REAL PRICE STABILITY IN THE WORLD OIL MARKET WHICH HAS BEEN ROCKED BY EXCESSIVE PRICE FLUCTUATIONS THAT ONLY +BENEFIT THE WEST AND NOT THE OIL-PRODUCING THIRD WORLD NATIONS+.

SUCH PRICE STABILITY MUST ALSO BE FREE FROM THE VAGARIES OF U.S. DOLLAR FLUCTUATIONS SINCE ANY DOLLAR MOVEMENT WOULD DO MORE HARM THAN GOOD TO THIRD WORLD ECONOMIES, DATUK SERI DR. MAHATHIR MOHAMAD SAID.

OPENING THE FOUR-DAY THIRD ASEAN COUNCIL ON PETROLEUM (ASCOPE) CONVENTION AND EXHIBITION HERE, HE STRESSED THAT EVERYONE WOULD BE BETTER OFF IF PRICES REMAIN STEADY AT A LEVEL WHERE NEITHER THE PRODUCERS NOR THE CONSUMERS SUFFER.

+I AM SURE THE OIL PRODUCING COUNTRIES WOULD WANT THIS. THE WORLD ECONOMY IS SICK BECAUSE IT NO LONGER RELIES ON TRADE. INSTEAD IT GAMBLES ON COMMODITY PRICES AND CURRENCIES+.

DATUK SERI DR. MAHATHIR SAID IF THE RISING OIL PRICE WERE A CAUSE OF RECESSION AND HARDSHIP FOR POOR NON-OIL PRODUCING COUNTRIES, THEN SURELY THE CURRENT FALLING PRICES SHOULD RESULT IN ECONOMIC STABILITY IF NOT AN UPTURN.

+BUT THE FACT IS THAT DECLINING OIL PRICES SEEM QUITE INCAPABLE OF STABILISING THE WORLD'S ECONOMY, MUCH LESS REVERSE THE RECESSIONARY TREND.+

+WHAT IS HAPPENING IS THAT DEVELOPING OIL-PRODUCING COUNTRIES ARE GETTING DESPERATELY CASH SHORT, WHILE THE NON-OIL PRODUCING DEVELOPING COUNTRIES ARE BECOMING WORSE OFF THAN THEY WERE WHEN OIL PRICES WERE HIGH.+

THE PRIME MINISTER TOLD THE CONFERENCE THAT CURRENT BREAKDOWN IN THE WORLD TIN-MARKET ONCE AGAIN ILLUSTRATED THE FRAGILITY OF THE COMMODITY MARKETING SYSTEM.

+ NOW PETROLEUM IS GOING THROUGH NEARLY THE SAME PROCESS,+ HE SAID.

HE SAID THERE WAS A TIME WHEN ASEAN COUNTRIES EXCHANGED THEIR SPICES FOR TRINKETS AND GLASS BEADS BROUGHT BY THE MERCHANTS FROM THE COUNTRIES OF THE WEST.

+ THAT SITUATION HAS NOT CHANGED. WE ARE STILL GETTING TRINKETS (FOR OUR COMMODITIES,+ HE SAID.

+ WE OVERPRODUCE AS IF THAT WILL EARN US MORE. BUT ALL THAT HAPPENS IS THAT THE MORE WE SELL, THE LESS WE EARN. IF THIS GOES ON, A POINT WILL BE REACHED WHEN WE CANNOT EVEN RECOVER THE COST OF PRODUCTION,+ HE SAID.

TURNING TO THE U.S. DOLLAR ON WHICH OIL IS PRICED, DATUK SERI DR. MAHATHIR SAID A HERDENING OF THE DOLLAR AGAINST THE LOCAL CURRENCY OR A DE FACTO DEVALUATION OF THE DOLLAR WOULD MAKE NONSENSE OF THE BEST PLANNED OF NATIONAL BUDGET.

HE SAID ALTHOUGH A PRODUCER COUNTRY WOULD GAIN FROM A STRONGER DOLLAR, THE COST OF SERVICING LOANS AND IMPORTS WOULD NULLIFY THE GAINS, WHILE COUNTRIES WHICH HAVE TO IMPORT FUEL WOULD FACE AN EVEN GREATER BURDEN.

SAYING THAT THE OBSERVATIONS HE MADE ON THE OIL MARKET ARE HIS OWN AND COMING FROM SOMEONE UNTUTORED IN ECONOMICS, HE SAID ON THE OTHER HAND, IF THE DOLLAR IS DEVALUED, PRODUCER COUNTRIES WOULD EARN LESS AND IF THEY HAVE BORROWED IN YEN OR OTHER HARD CURRENCIES, THEY WOULD BE IN TROUBLE.

THE CONSUMER COUNTRIES WOULD GAIN A LITTLE WITH DOLLAR DEVALUATION BUT AGAIN THEY WOULD HAVE TO FIND MORE LOCAL CURRENCY TO PAY OFF LOANS MADE IN OTHER CURRENCIES.

+ ON BALANCE, ANY MOVEMENT OF THE DOLLAR WOULD RESULT IN MORE NEGATIVE THAN POSITIVE EFFECTS ON THE ECONOMY OF A DEVELOPING NATION.

+ A STABLE OR STEADY EXCHANGE RATE ON THE OTHER HAND CAN BE ACCOMODATED THROUGH IMPORTS OR BORROWINGS WITHIN THE MEANS OF A COUNTRY,+ HE SAID.

IN HIS VIEW, THE FUTURE OF THE PETROLEUM INDUSTRY IS VERY MUCH LINKED TO PRICES.

HE TOLD TOP-RUNG OIL INDUSTRY DECISION MAKERS FROM THE REGION ATTENDING THE CONFERENCE THAT IT IS WRONG FOR THEM TO TALK OF THE POSSIBILITY OF INCREASING DEMANDS BY HOPING THAT PRICES COULD BE JACKED UP SO THAT MORE PROFITS CAN BE MADE..

IF PROFITS ARE TO BE MADE IT MUST COME FROM INCREASED VOLUME RATHER THAN PRICES, HE ADDED.

HE ALSO SAID THAT GOVERNMENTS AND PEOPLE ARE NOT OVERLY CONCERNED ABOUT THE PROSPECT FOR THE PETROLEUM INDUSTRY DESPITE SO MANY PROJECTIONS BEING MADE AT ENERGY CONFERENCES.

+ EVEN THOUGH MALAYSIA EXPORTS PETROLEUM WE SEE IT ONLY IN THE CONTEXT OF OUR OVERALL ECONOMY.

+ WHAT IS GOOD FOR THE PETROLEUM INDUSTRY IS NO NECESARILY GOOD FOR THE DIFFERENT COUNTRIES YOU REPRESENT OR INDEED FOR THE WORLD+.--BERNAMA ES