

PM: GAMBLING MADE WORLD ECONOMY SICK

KUALA LUMPUR, Mon. — The world economy is "sick" because it no longer relies on trade but gambles on commodity prices and currencies, Prime Minister Datuk Seri Dr. Mahathir Mohamad said today.

He said the pricing of petroleum in American dollars, for instance, makes nonsense of some national budgets when the dollar hardens against local currency or experiences a de facto devaluation.

"Remedies for the fluctuating dollar are not easily found. A stronger dollar will obviously increase fuel costs," he said when opening the third Asean Council on Petroleum (Ascope) conference and exhibition here.

Dr. Mahathir said that if the dollar was devalued, producer countries earn less and if they had borrowed in yen or other hard currencies, they would be in trouble.

"On balance, any movement in the

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dollar's value will result in more negative than positive effects on the economy of a developing nation.

"Clearly, what the world needs is a reasonably stable petroleum price that is neither too low nor too high and it must be real and not subjected to the vagaries of currency fluctuation," he added.

Dr. Mahathir pointed out that the situation where Asean nations once exchanged their spices for trinkets and glass beads brought by merchants from the West had not changed over the years.

"We are still getting trinkets. The recent breakdown in the tin market has once again illustrated the fragile situation of our commodities marketing system."

He said petroleum was now going through a similar process.

Dr. Mahathir said Malaysia was aware that low commodity prices

would benefit the rich consumers most but "we are quite unwilling to act as if all we need to do is undercut the prices of our competitors."

He said that where commodity trading was concerned, discipline and long-term gains were more important than the transient prosperity of a short-term approach.

If profits were to be made from petroleum, he added, it must come from increased volume rather than prices.

"We like the money we earn from petroleum but if price increases result in costlier imports, then we would rather stick to a steady and comfortable income."

Dr. Mahathir said that although he was "untutored in economics, much less in the intricacies of the petroleum market," his observations were valid after having dealt with the vagaries of oil and its prices on the economy of a developing country like Malaysia.