

LONG-TERM GAINS MAY BE AFFECTED

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THE Prime Minister has called on Third World producers of primary commodities to refrain from over-producing as short-term measures affect long-term gains.

Commodity trading is an exercise in discipline, he said.

At the moment, the world economy is in a "sick" state because it no longer relies on trade but instead gambles on commodity prices and currencies.

He pointed out that though Malaysia is not the greatest exporter in petroleum, nevertheless petroleum exports is a major contributor to the country's foreign exchange earnings.

"We believe we understand commodities, particularly in the context of Third World producers.

"There was a time when the nations of Asean exchanged their spices for trinkets and glass beads brought by the mer-

'Exercise discipline when trading'

chants from the countries of the West.

"That situation has not changed. We are still getting trinkets.

"The recent breakdown in the tin market has once again illustrated the fragility of our commodity marketing system. Now petroleum is going through nearly the same process."

Dr Mahathir said producing countries, although knowing full well that low commodity prices benefit the rich consumers most, still over-produce with scant regard to the consequences.

"We over-produce as if that would 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."

The Prime Minister said producing countries have to realise that what they are doing is ultimately detrimental to themselves.

"All these as we know are logical and real but we go on doing these things and refusing to acknowledge that where commodity trading is concerned, disci-

pline and long-term gains are more important than transient prosperity of a short-term approach."

Dr Mahathir said Governments and citizens were not overly concerned about the future prospects of the petroleum industry as they were more interested in their nations' cost of living. And to that extent if a substitute could be found for petroleum they would use it.

He said even Malaysia is interested in substitutes for petroleum and is currently engaged in doing research on palm-oil diesel as one of the means to diversify energy sources.

Even though Malaysia exports petroleum, the Government sees it only in the context of the economy as a whole.

"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," said Dr Mahathir.