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MALAYSIA HAS TO COME TO TERMS WITH COMMODITY PRICES, SAYS
MAHATHIR

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KUALA LUMPUR, APRIL 21 (BERNAMA ES)-- MALAYSIA HAS TO ACCEPT
THE FACT THAT DEPENDENCE ON COMMODITIES, NO MATTER HOW DIVERSIFIED,
IS NOT ENOUGH, PRIME MINISTER DATUK SERI DR MAHATHIR MOHAMAD SAID
TODAY.

HE SAID THE COUNTRY HAS TO THINK OF OTHER WAYS OF ACHIEVING
ECONOMIC STABILITY AND GROWTH.

OPENING A FOUR-DAY NATIONAL SEMINAR ON PRIMARY COMMODITIES
HERE, HE SAID MALAYSIA'S DIVERSIFICATION IN PRIMARY COMMODITIES HAS
NOT SAVED HER IN THE PRESENT WORLD-WIDE COLLAPSE OF ALL COMMODITY
PRICES.

"WE HAVE THEREFORE TO COME TO TERMS WITH THE REALITY OF THE
SITUATION: THAT IS, DEPENDENCE ON COMMODITIES, NO MATTER HOW
DIVERSIFIED, IS NOT ENOUGH," HE ADDED.

HE SAID WHAT THE COUNTRY NOW EXPERIENCING IS NOT THE USUAL
CYCLICAL CHANGES THAT HAVE ALWAYS AFFLICTED THE COMMODITY TRADE. IT
IS NOT THE USUAL SUPPLY EXCEEDING DEMAND ALTERNATING WITH DEMAND
EXCEEDING SUPPLY.

THE COMMODITY TRADE IS UNDERGOING A MUCH MORE FUNDAMENTAL
CHANGE, A CHANGE THAT IS STRUCTURAL IN NATURE, HE ADDED.

DATUK SERI DR MAHATHIR SAID PART OF WHAT IS HAPPENING NOW IS
DUE TO "OUR CLUMSY ATTEMPTS TO BRING ORDER TO THE COMMODITIES
MARKET."

"WE HAD SET UP NUMEROUS COMMODITY AGREEMENTS AND STOCKPILES SO
AS TO COUNTER CYCLICAL PRICE CHANGES.

"THE COST HAD BEEN HIGH. BUT SUCCESS WAS RATHER LIMITED," HE
NOTED.

HE SAID THE SUCCESS WAS NOT REALLY DUE TO THE AGREEMENTS AND
STOCKPILES. IT DEPENDED MORE ON THE COST OF PRODUCTION OR SCARCITY
OF RESOURCES OR THE VAGARIES OF NATURE.

HE ADDED THAT SOME COUNTRIES REFUSED ADAMANTLY TO JOIN
INTERNATIONAL COMMODITY AGREEMENTS WHILE SOME MEMBERS JUST IGNORE THE
AGREEMENTS WHEN IT SUITS THEM.

THE INTERNATIONAL COMMODITY AGREEMENTS ALL HAVE NUMEROUS
ACHILLES HEELS, HE SAID, ADDING THAT THE TEST OF THE AGREEMENTS COMES
WHEN SUPPLY EXCEEDS DEMAND.

HE SAID THE HIGH PRICES MAINTAINED BY THE AGREEMENTS ENCOURAGE
HIGHER PRODUCTION BY LOW-COST PRODUCERS.

"THE BUFFER STOCK MANAGER MUST BUY TO PREVENT FALLING PRICES.
WHAT THIS REALLY MEANS IS THAT THE COMMODITY PRODUCERS ARE PRODUCING
AND SELLING BASICALLY TO THEMSELVES."

DATUK SERI DR MAHATHIR SAID THAT IF THEY DO NOT PRODUCE, THEN
ILLEGAL PRODUCERS OR NON-MEMBERS WILL TAKE UP THE SLACK AND PROFIT.

"IT'S A CASE OF TAILS I LOSE, HEADS YOU WIN," HE SAID.

"IT OBVIOUSLY CANNOT GO ON FOREVER."

IN AN OBVIOUS REFERENCE TO THE U.S. GSA STOCKPILE, HE SAID
THERE ARE NATIONAL STOCKPILES WHICH THREATEN PRICES NOT ONLY WHEN
THEY ARE RELEASED, BUT MERELY BY THE THREAT TO RELEASE AND THE
OVERHANG THEY REPRESENTS IN THE MARKET.

MUCH DIPLOMATIC EFFORTS ARE NEEDED TO REDUCE THE THREAT OF
THESE CONSUMER STOCKPILES TO THE PRODUCERS, HE SAID.

HE SAID THE GOVERNMENT INITIATED THE SEMINAR BECAUSE THERE IS
AN URGENT NEED TO UNDERSTAND THE COMMODITIES TRADE AND THE PROBLEMS
THAT IT FACES IN THIS DAY OF RAPID AND TECHNOLOGICAL PROGRESS,
INSTANT COMMUNICATIONS, UNSTABLE EXCHANGE AND SPECULATION ON A
MASSIVE SCALE.

HE SAID THAT LARGE SCALE FRAUD, INTERNATIONAL POWER POLITICS AND THE OLD ADAGE THAT "MIGHT IS RIGHT" HAVE TO BE TAKEN INTO ACCOUNT.

THE PRIME MINISTER SAID THAT TECHNOLOGY IS ALSO RESPONSIBLE FOR REDUCING USAGE OF SPECIFIC COMMODITIES AND FOR FINDING SUBSTITUTES.

WHEN THESE NEW TECHNOLOGIES SUCCEED, THERE IS FURTHER SHRINKAGE OF THE MARKET FOR THE COMMODITY CONCERNED.

THUS TIN IS LESS USED BECAUSE NEW TECHNOLOGY REDUCED THE AMOUNT OF TIN REQUIRED WHILE SUBSTITUTES SUCH AS GLASS, PAPER, PLASTICS AND ALUMINIUM REPLACE TIN IN THE PACKAGING INDUSTRY.

AS THE USAGE OF TIN DECREASES AND HUGE NEW DEPOSITS ARE FOUND, THE PRICE OF TIN COLLAPSES, HE SAID.--MORE

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MALAYSIA HAS TO COME TO TERMS 42KUALA LUMPUR (LAST)

DATUK SERI DR MAHATHIR SAID MARKETING IS ANOTHER PROBLEM BECAUSE ONLY A MINUTE FRACTION OF THE COMMODITIES CAN BE USED IN THE PRODUCER COUNTRIES AND THE REST MUST BE SOLD TO THE RICH DEVELOPED COUNTRIES.

TRADITIONALLY, THE RICH CONTROL THE MARKETS WHICH ARE ALSO LOCATED IN THEIR COUNTRIES, HE ADDED.

THUS NOT ONLY ARE THE PROFITS MADE IN THE RICH CONSUMER COUNTRIES BUT THE SPECULATIONS ALSO TAKE PLACE THERE.

HE SAID THE MARKET AND THE SPECULATORS ARE NOT CONCERNED OVER THE FATE OF THE PRODUCER COUNTRIES AS THEIR ONLY INTEREST IS TO MAKE AS MUCH MONEY FOR THEMSELVES AS QUICKLY AS POSSIBLE.

DATUK SERI DR MAHATHIR ALSO NOTED THAT PRICES WERE MADE UNSTABLE BY INSTANT COMMUNICATIONS THAT LINKED THE MARKETS WORLDWIDE.

HE SAID PRODUCER COUNTRIES HAVE ONLY A MINOR SHARE IN THE SHIPPING AND INSURANCE BUSINESS WHICH TAKE A BIG SLICE OF THE PROFITS FROM THE COMMODITY TRADE.

ON EXCHANGE RATES, HE SAID THAT THE INSTABILITY IS SUCH THAT SELLING PRICES CAN BE QUITE MEANINGLESS.

TIN SOLD IN POUND STERLING CAN RESULT IN GOOD PROFITS FOR THOSE COUNTRIES WHOSE CURRENCIES HAVE DEPRECIATED AGAINST THE POUND WHILE A LOSS MAY BE SUSTAINED BY OTHER COUNTRIES WHOSE CURRENCIES HAVE DEPRECIATED AGAINST THE POUND.

PRODUCERS MUST THEREFORE ACCEPT THE VAGARIES OF A CURRENCY OVER WHICH THEY HAVE NO CONTROL, HE SAID.---BERNAMA ES