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PM WARNS OF SERIOUS EFFECTS OF COMMODITIES FAILURE

KUALA LUMPUR, JULY 21 (BERNAMA ES)-- PRIME MINISTER DATUK SERI DR MAHATHIR MOHAMAD TODAY WARNED OF SERIOUS REPERCUSSIONS IN THE FINANCIAL WORLD IF THE COMMODITIES BUSINESS BREAKS DOWN.

HE SAID UNLESS THE DEVELOPED COUNTRIES HELP OUT OVER THE PROBLEM, THEY, TOO, WILL EVENTUALLY LOSE AS MUCH AS THE DEVELOPING COUNTRIES.

OPENING A FIVE-DAY INTERNATIONAL SEMINAR ON COMMODITIES HERE, HE SAID: "ALREADY WE HAVE THE EXAMPLE IN THE FATE OF THE INTERNATIONAL TIN AGREEMENT. OTHER COMMODITY PRODUCING COUNTRIES ARE GOING TO BE PUT ON THE CHOPPING BLOCK AND DEBTS CANNOT BE PAID".

POINTING OUT THAT THE SITUATION FACING THE COMMODITIES TRADE IS SERIOUS, HE SAID IT IS MORE SERIOUS FOR THE COMMODITY-DEPENDENT DEVELOPING COUNTRIES THAN FOR THE DEVELOPED COUNTRIES.

DATUK SERI DR MAHATHIR SAID THE DEVELOPED COUNTRIES AND THEIR BANKS ARE GOING TO PAY A HEAVY PRICE AS COUNTRIES DEFAULT ON THEIR PAYMENTS.

THE DEVELOPED COMMODITY PRODUCERS BALANCE THEIR EARNINGS THROUGH THEIR EXPORTS OF MANUFACTURED GOODS, WHICH ACTUALLY FETCH BETTER PRICES, HE ADDED.

HOWEVER, THE DISPARITY BETWEEN THE DEVELOPED AND THE DEVELOPING COUNTRIES INCREASES AS THEIR REVENUES, FOREIGN EXCHANGE EARNINGS, LEVEL OF EMPLOYMENT AND GNP PLUNGE.

IN TERMS OF THEIR OWN CURRENCIES, HE SAID, THE DEBT BURDENS INCREASE EVEN IF THEY CEASE TO BORROW.

"BUT THEY CANNOT STOP BORROWING. THEIR INFLATED DEBTS MEAN THAT MANY ARE NOW BORROWING IN ORDER TO PAY THEIR DEBTS," THE PRIME MINISTER SAID.

IN TURN, TRADE IN MANUFACTURES WILL SUFFER AS LESS MONEY IS AVAILABLE TO COMMODITY PRODUCERS TO BUY MANUFACTURED GOODS.

HE EMPHASISED THAT COMMODITY TRADE PROBLEM CANNOT BE VIEWED IN ISOLATION AS IT IS CLOSELY RELATED TO ALL TRADING AND FINANCIAL ACTIVITIES ON WHICH THE ECONOMIC HEALTH OF THE WORLD DEPENDS.

"WE WILL LEARN HOW VERY INTERDEPENDENT (THE WORLD) IS DURING A DEPRESSION AS THIS.

"THE SHORT TERM GAINS OF SOME INDIVIDUALS OR COMPANIES OR COUNTRIES SHOULD NOT LULL THEM INTO THINKING THIS IS SOMEONE ELSE'S PROBLEM. IT IS EVERYONE'S PROBLEM. UNLESS WE SOLVE THIS PROBLEM WE WILL ALL HAVE TO PAY," HE TOLD THE CONFERENCE WHICH MALAYSIA IS ORGANISING TO BRING COMMODITY PRODUCERS AND CONSUMING COUNTRIES TOGETHER TO OVERCOME PROBLEMS FACING INTERNATIONAL COMMODITIES.

THE PRIME MINISTER URGED PRODUCERS OF PRIMARY COMMODITIES TO ACTIVELY UNDERTAKE RESEARCH PROJECTS ON NEW USES FOR COMMODITIES TO INCREASE THEIR DEMAND.

PRODUCERS SHOULD ALSO ACTIVELY PARTICIPATE IN THE SEARCH FOR SUBSTITUTES, ADDING THAT "ALL WOULD NOT BE LOST IF THEY HAVE A SLICE OF THE BUSINESS OF EITHER PRODUCING OR USING THE SUBSTITUTES."

DATUK SERI DR MAHATHIR POINTED OUT THAT IN THE PAST THE PRODUCER DEVELOPING COUNTRIES WERE VERY UNWILLING TO SET ASIDE FUNDS FOR RESEARCH AS THEY REGARDED RESEARCH AS OF SECONDARY IMPORTANCE.

THUS, TO FINANCE RESEARCH ON APPLICATION RATHER THAN ON PRODUCTION IS ANATHEMA TO THEM.

DATUK SERI DR MAHATHIR SAID THAT FOR A LONG TIME, MALAYSIA HAS STRENUOUSLY KEPT OUT OF SYNTHETIC RUBBER, BUT THIS HAS NOT STOPPED OTHERS FROM USING SYNTHETIC. MORE

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HE SAID THAT RESEARCH AMONG PRODUCERS SHOULD BE VERY CLOSELY RELATED TO THE MARKET OTHERWISE HIGHER YIELD THROUGH NEW TECHNOLOGY BY ITSELF IS LIKELY TO BE DETRIMENTAL TO PRODUCERS THEMSELVES.

WHAT IS MORE IMPORTANT IS THE RESEARCH ON INCREASING USAGE.

DATUK SERI DR MAHATHIR SINGLED OUT RAPIDLY ADVANCING TECHNOLOGY AS THE MOST IMPORTANT FACTOR WHICH HAS CAUSED THE DOWNFALL OF COMMODITIES.

THE TREND IS FOR NEW TECHNOLOGY TO INCREASE FURTHER THE PRODUCTION OF VARIOUS COMMODITIES WHILE REDUCING THE NEED FOR THEM.

WHAT THIS MEANS IN COMMERCIAL TERMS FOR THE PRODUCERS IS THAT THERE IS NO FUTURE IN COMMODITIES.

NEW TECHNOLOGY, FOR EXAMPLE, HAS ENABLED MORE OF THE PARTICULAR COMMODITY TO BE PRODUCED.

"THUS, TODAY'S RUBBER TREE PRODUCES 10 TIMES MORE RUBBER THAN THE ORIGINAL RUBBER TREE SMUGGLED OUT OF THE AMAZON FOREST.

SIMILARLY, NEW TIN FIELDS ARE MORE EASILY FOUND THROUGH SATELLITE SURVEYS AND MORE SOPHISTICATED PROSPECTING METHODS."

BUT THE INCREASE IN PRODUCTION SIMPLY MEANS THAT THE MARKET IS MORE EASILY AND MORE FREQUENTLY FLOODED, HE SAID.

THE GLUT REDUCES PRICE AND WILL CONTINUE TO DO SO UNTIL THE LESS EFFICIENT ARE FORCED OUT OF BUSINESS, HE ADDED.

THE PRIME MINISTER SAID THAT NEW TECHNOLOGY HAS ALSO REDUCED THE USAGE OF VARIOUS COMMODITIES AND RESULTED IN MANY SYNTHETIC OR SUBSTITUTE MATERIALS, AS SEEN IN THE TIN INDUSTRY.

TIN PLATING, FOR EXAMPLE, REQUIRES LESS TIN NOW THAN IN THE PAST.

TRADITIONALLY, THE MAIN USE OF TIN IS AS TIN PLATE IN THE FOOD PACKAGING INDUSTRY. NOW GLASS, PAPER, PLASTIC AND ALUMINIUM COMPETE AND DISPLACE TIN.

COPPER, TOO, IS LOSING OUT TO GLASS FIBRE.

ELSEWHERE, ALUMINIUM AND TITANIUM ARE GRADUALLY LOSING OUT TO THE NEW CARBON FIBRES AND SYNTHETIC COMPOSITES IN THE MANUFACTURE OF AIRCRAFTS AND SOON IN MOTOR CARS.

DATUK SERI DR MAHATHIR SAID CERAMICS ARE CREATING A WHOLE NEW WORLD IN TERMS OF MATERIALS FOR MANUFACTURING WHICH WILL RENDER OUT OF DATE NUMEROUS METALS IN THE MANUFACTURE OF ENGINES AND COMPONENTS.

"BETWEEN OVER-PRODUCTION AND DISPLACEMENT BY SUBSTITUTES, THE COMMODITIES ARE BEING SQUEEZED OUT OF THE MARKET," HE SAID.

"WHEN CERAMICS FOR EXAMPLE DISPLACE THE METALS, THE DEPENDENCE OF SOME OF THE INDUSTRIALISED COUNTRIES ON IMPORTS OF THE METALS FROM THE DEVELOPING COUNTRIES WILL BE REDUCED."

"THE INVENTION OF THE MICROCHIP ON THE OTHER HAND, HAS REDUCED THE NEED FOR METAL CONDUCTORS TO ALMOST NOTHING. --BERNAMA ES