

Case for controlling supply

By HARDEV KAUR and SHARIF HARON

HIGH-COST producers should get out of the business altogether if agreement among nations to reduce production does not work, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

Opening the five-day international seminar on commodities in Kuala Lumpur yesterday, he said with declining demand, which results in declining prices, the obvious answer is to reduce supply.

"The problem is how to discourage the traditional or new producers from once again increasing supply when prices swing upwards due to reduced supply," Dr Mahathir asked.

He said he believed it is important for the efficient producers to avoid large profit margins. In the long term narrow profit margins are always safer for business, including the commodities trade.

Research among producers should be very closely related to the market. Higher yield through new technology by itself is likely to be detrimental to producers. More important is the research on increasing usage which is usually done by consumers, Dr Mahathir said.

"It is about time that producers actively collaborate, finance and actually partici-

pate through their own scientists in research projects on new uses," he added.

The producer developing countries have always regarded research as of secondary importance. Dr Mahathir noted that they have been very unwilling to set aside funds for this purpose. To finance research on application rather than on production is anathema to them.

But the fact is that newer uses for their products must mean increasing demands. Perhaps they can invest in the new application to get some benefit from the research results, Dr Mahathir said.

"They should also actively participate in the search for substitutes. All will not be lost if they have a slice of the business of either producing or using the substitutes," he added.

He said Malaysia had for a long time strenuously kept out synthetic rubber. This, however, did not stop others from using synthetics. "Probably it would have been more profitable to Malaysia if it had invested in areas which will maximise its profits from synthetic while nursing its natural rubber industry," he said.

Cont'd Back Page, Col. 1

Case for curbing supply

BT
22 JUL 1986

FROM PAGE ONE

The Prime Minister said the situation facing the commodities trade is serious, more so for the commodity-dependent developing countries than for the developed countries.

He warned that if the commodities business breaks down there will be a lot of repercussions in the financial world. Already we have the example of the collapse of the International Tin Agreement.

"Other commodity producing countries are going to be put on the chopping block. Debts cannot be paid. The developed countries and their banks are going to pay a heavy price as countries default on their payments. The traders in manufacturers are going to suffer, as less money will be available to certain commodity producers to buy manufactured goods," Dr Mahathir warned.

He added that commodity trade problems cannot be viewed in isolation. It is closely related to the trading and financial activities on which the economic health of the world depends.

"The developed countries eventually will lose as much as the developing countries unless they help with this problem," Dr Mahathir added.

"We learn how very interdependent it is during a depression such 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," Dr Mahathir added.