

Trade situation serious, says PM

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THE commodities trade has been almost completely destroyed and various attempts to bring order to the market has failed. The situation is serious.

This pointed assessment of the commodities market was made by Prime Minister Datuk Seri Dr Mahathir Mohamad in opening the five-day international seminar on commodities in Kuala Lumpur yesterday. He said the International Natural Rubber Agreement, the International Tin Agreement and other commodity agreements have all failed.

It may be unreasonable to expect consumers to prop up prices, but even agreements between producers have not succeeded. The Prime Minister cited the example of the Organisation of Petroleum Exporting Countries (Opec) where each member would rather produce more and earn less. This is despite the fact that common sense dictates that their members curtail production and respect agreement on quotas.

He said the commodities trade has obviously declined and, further more, the decline is not cyclical. Even the spurts in demand reflect the declining trend and there seems little doubt that

"for some commodities the end is near."

He cited a number of reasons for this phenomenon, among them the policies pursued by developed nations, some of which are also producers of primary commodities, and the advancement of new technology.

"Admittedly, technology has contributed in many ways towards the progress of commodities. But in some instances, this very progress has been the cause of the decline and fall of some commodities," Dr Mahathir said.

While new technology results in increased production of commodities, it also reduces their usage. Tin plating, for example, requires less tin now than in the past and new technology has enabled today's rubber tree to produce ten times more rubber than the original rubber tree "smuggled out of the Amazon forest".

Between over-production and displacement by substitution, commodities are being squeezed out of the market. The trend is for new technology to increase production of various commodities while reducing the need for them.

"What this means in commercial
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terms for the producers is that there is no future in commodities," Dr Mahathir said.

Though primary commodities are also produced by developed countries they do not depend on commodities to sustain a high level of economic performance. They are produced simply because they are there or the means of production, such as vast acreage of land, is there.

A small proportion of the population of developed countries are involved in this production. But they have sufficient political clout to cause their governments to pander to their wishes, Dr Mahathir observed.

Thus production of these commodities are often subsidised and the subsidy itself stimulates more production. The excessive amount produced cannot be consumed domestically and the governments then try to protect the domestic market.

"If the product is still not consumed, it is dumped into foreign markets. Or, worse still, it is used as an aid item for needy countries, which effectively deprives the competing products of developing countries of their markets," Dr Mahathir said.

Soyabean oil, butter and beef are among the aid items which create havoc with the exports of many developing countries.

The Prime Minister took to task the developed countries for their double standards. While he did not mention the country it was obvious that he was referring to the United States.

He said: "It is well known that some powerful developed countries are against price fixing and subsidies. They refuse to join commodity agreements, saying these negate free trade. They are against the operations of stockpiles, which disturb market forces.

"Subsidies are also regarded as an unfair practice that artificially influence prices. They have even suggested that low wages in developing countries are a form of subsidy," he added.