

# FORCES BEHIND COMMODITY COLLAPSE: DR M

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KUALA LUMPUR, Mon. — Datuk Seri Dr Mahathir Mohamad blamed rapidly advancing technology as the single most important factor which caused the "total collapse" of the commodities trade.

The Prime Minister, in describing the situation facing the trade as serious, said that other factors amongst "a constellation of forces" responsible for poor commodity prices include:

- NON-co-operation by developing countries on price-fixing, subsidies and trade agreements;

- MARKET manipulation by Governments and traders; and

- THE terms of trade increasingly favouring developed nations.

Dr Mahathir explained that although technology had contributed towards

the "progress of commodities", it had, in some instance, caused their decline and fall.

"Technology had allowed increases in production but this means the market is more easily and more frequently flooded," he said when opening an international seminar on commodities here.

Dr Mahathir said new technology had also reduced the use of certain commodities, adding that tin plating and synthetic rubber were being increasingly used in place of the original commodities.

"Glass, paper, plastic and aluminium compete and displace tin. Copper is losing out to fibre glass. Ceramics is creating a whole new world in terms of materials for manufacturing which will make numerous metals out-of-date in the

manufacture of engines and components," he added.

Dr Mahathir also said that some powerful developed countries were against price-fixing and subsidies, and refuse to join commodity agreements because they negate free trade.

"They are against the operations of stockpiles which disturb market forces, regard subsidies as an unfair practice. But they conveniently forget this when they fix their prices, release their stockpiles and provide massive subsidies," he added.

Dr Mahathir said certain Governments were also involved in price manipulation and were abetted by commodity traders.

"Sometimes they benefit the producers but more often than not the producers suffer as agents, brokers, traders and the operators of

commodity exchanges speculate in commodities."

He added that since the exchanges were owned and operated by "these players" the rules could be adjusted as they deemed fit.

He said that situation in the commodities trade had been aggravated by the appreciation of currencies of the developed nations.

Dr Mahathir said various attempts to bring order to the market had failed and that the Rubber Agreement, International Tin Agreement and other commodities agreements had all failed.

He said the latest casualty was the Organisation of Petroleum Exporting Countries (Opec).

The problem could not be viewed in isolation and it was closely related to trading and financial activities, Dr Mahathir said.