

Search for substitutes, urges Dr M

Commodities' future bleak

NST 22 JUL 1986

KUALA LUMPUR, Mon. — Primary commodity producers should take part in the search for substitutes as an insurance against the failure of the commodities trade, **Datuk Seri Dr Mahathir Mohamad** said today.

"All would not be lost if they have a slice of the business of either producing or using the substitute," he said when opening the five-day *International Seminar on Commodities* here.

Malaysia, he said, had strenuously kept out synthetic rubber although this had not stopped others from using synthetic.

"Possibly, it would have been more profitable for Malaysia if it had invested in areas which will maximise its profits from synthetic while nursing its natural rubber industry."

Research

The Prime Minister also proposed that producers actively collaborate finance and have their own scientists to undertake research to increase the use of commodities.

Previously, he said, research was done by consumers and that producer developing countries had always regarded research as of secondary importance.

He also felt that efficient commodity producers should avoid

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large profit margins.

He said these suggestions could be considered by primary commodity countries if they hoped to overcome the problems facing the commodity sector.

Dr Mahathir had earlier painted a bleak picture for primary commodities saying that the "end was near" for some commodities.

"The commodities trade has been almost completely destroyed. The various attempts to bring order to the market have failed.

"The Rubber Agreement, the International Tin Agreement, and other commodity agreements have all failed."

He said the situation facing the commodities trade was serious adding that if the commodities business broke down there would be a lot of repercussions in the financial world.

"Debts cannot be paid. The developed countries and their banks are going to pay a heavy price as default on their payments.

"Then trade in manufactures is going to suffer as less money is available to certain commodity producers to buy manufactured goods."

Dr Mahathir said the rapidly advancing technology was the single most important factor which caused the downfall of the commodities.

While admitting that

technology had contributed in many ways towards the progress of commodities, in some instances this very progress had been the cause of the decline and fall in commodities.

New technology had, for example, enabled more of the particular commodity to be produced but the increase in production caused the market to be flooded.

It had also reduced the usage of various commodities and had resulted in a multitude of synthetic or natural substitute materials.

Losing out

As an example, he said, copper was losing out to fibre-glass while tin was competing with and being displaced by glass, paper, plastic and aluminium.

Dr Mahathir said between over-production and displacement by substitutes, the commodities were being squeezed out of the market.

Another factor, the Prime Minister said, was the practice by certain developed countries to subsidise the production of primary commodities and dump them in foreign markets when they could not be consumed locally.

He said the practice was even worse when it was used as an aid item for needy countries, which effectively de-

prived the competing products of developing countries of their markets.

He added that it was on record that some powerful developed countries were against price fixing and subsidies as shown by their refusal to join commodity agreements because they negated free trade.

"They are also against the operations of stockpiles which disturb market forces. Subsidies are also regarded as unfair practice that artificially influence prices."

To compete in their concept of a free market they had even suggested that low wages in developing countries were a form of subsidy.

"They devise 'countervailing duties' in order to jack up the price of cheap imports.

"But they conveniently forget all these when they fix their prices, release their stockpiles and provide massive subsidies.

"Clearly for these countries, there are two standards — one for what they do and one for what others do."

The Prime Minister added that traders in the developed countries also helped manipulate prices of commodities.

Sometimes they benefited the producers, but more often than not the producers suffer as agents, brokers, traders and the executives of commodity exchanges speculate in commodities.