

PM: Oil prices will come down

OIL prices will go down now that the Gulf war has come to an end, Datuk Seri Dr Mahathir Mohamad said yesterday.

When the price comes down, it will cut down the country's revenue from oil, Dr Mahathir said in a Press conference after he had chaired the inaugural meeting of the Malaysian Business Council.

Referring to a paper, "The Effects of the Gulf War on Malaysian Economy," presented at the meeting, he said that it is most likely that oil prices will decrease because Kuwait as well as Iraq will have to pump more to finance reconstruction programmes.

"If oil price comes down, it may help our trading partners and therefore the market will continue to be good. We will be then able to export not only more manufactured goods but also crude petroleum.

"Another effect would be our own production costs that will go down if the oil prices go down," he said.

He, however, added that prices might be further depressed if both Kuwait and Iraq

produce more crude to pay for their reconstruction costs.

He said that together the two countries can pump up to four million barrels a day and this will result in a glut.

On the other hand, he said, that even if the prices go up, we may still gain as Malaysia is a nett exporter of oil.

"However", he added, "our trading partners may suffer as we have already noticed during the war how the oil prices affected the transport industry, especially air transport.

"The fear of travelling because of possibility of terrorist actions has affected our tourist industry.

"Then we have the problem of countries owing us money. Iraq for example has not paid for the palm oil it bought because of the war and now it is question whether it will be able to pay us," he said.

He said that this poses a problem as Malaysia has carefully cultivated Iraq as a major market for our palm oil and now that it may not have money to pay us we may have lost that market.
growth.