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PM: We can just produce enough for our own needs

MALAYSIA does not depend much on oil and if its price becomes too low, the country can just produce enough for domestic needs or even stop production, Prime Minister Datuk Seri Dr Mahathir Mohamad says.

"If the price falls below our (production) cost, we do not see why we should produce," Dr Mahathir said.

Oil prices are expected to drop significantly this year unless the Organisation of Petroleum Exporting Countries (Opec) takes urgent measures. Brent, the North Sea benchmark oil, is currently hovering around US\$10 (US\$1 = RM3.80) a barrel.

According to the industry weekly, Oil and Gas News, prices could well fall to US\$5 a barrel this year.

In 1997, oil prices slid from US\$25.60 in January to US\$16.80 at the end of the year, while in 1998, they averaged a high of US\$15.57 in January, and a low of US\$10.06 in November.

"Our economy is 80-per cent dependent on the export of manufactured goods... oil contributes only a small fraction," Dr Mahathir told reporters who were among some 30,000 Hari Raya well-wishers at his official residence yesterday.

According to the Statistics Department, crude petroleum earned RM7.0 billion in export revenue in the first 11 months of 1998. The commodity accounted for 2.7 per cent of total exports.

At 2.1 million tonnes, the volume sold was 14.5 per cent higher than the corresponding period a year earlier, but free on board prices declined by 3.0 per cent.

In 1997, crude oil accounted for RM7.07 billion or 3.2 per cent of total exports.

Electrical and electronic products were again the biggest export revenue churning in January-November 1998. They earned RM138.4 billion, or more than half (53 per cent) of the country's total exports.

"If they want to continue to produce so much oil, it is up to them... it is their problem," the Prime Minister said, apparently referring to the world's major oil producers.

"They depend almost exclusively on oil, we do not," he added.

Opec's 11 members are scheduled to meet in March, but they are now expected to meet earlier, probably next month.

Asked how Petronas might be affected if oil prices plunge to US\$5, Dr Mahathir said the impact would not be great.

"We have not been very big in oil production... we are involved in pipelines and things like that," he said.

Malaysia is not a member of Opec. Petronas, one of the larger oil producers in Asia, pumps some 630,000 barrels a day.

When contacted, Petronas officials did not have any immediate response.

Opec was set up in November 1969 with the primary objective of stabilising prices through production restraint. Its members are Algeria, Indonesia, Iran, Iraq, Libya, Kuwait, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.

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