

SPEECH BY: DATO' SERI DR. MAHATHIR BIN MOHAMAD
(PRIME MINISTER)

EVENT: THE OPENING OF THE MALAYSIAN INTERNATIONAL COCOA FAIR 1994

VENUE: PUTRA WORLD TRADE CENTRE, KUALA LUMPUR

DATE: 19 OCT 1994

TIME:

Firstly, may I welcome all the foreign delegates with a 'Selamat Datang'. I wish to thank the organising committee for giving me this opportunity to address you in conjunction with the Malaysian International Cocoa Fair 1994 (MICF '94).

2. For the next few days, I believe , you will think, hear, see and speak of cocoa, the delectable food that was the gastronomic delight of the rich and the famous of yesteryears. While you are here I would also suggest you find the time to visit the many historical places and partake in the many activities organised in conjunction with Visit Malaysia Year 1994.

3. The Malaysian International Cocoa Fair is the first such fair to be held in Malaysia and the first of its kind in South-East Asia. The theme of this Fair, 'Prospects for Cocoa Production and Manufacturing in the 21st Century', is most appropriate and timely. If the cocoa industry is to face the challenges of the 21st century, steps should be taken now to chart the way forward. At the same time, the fair will introduce Malaysia as a regional centre for cocoa-based activities, especially in the processing and trading of beans and cocoa derivatives.

4. Malaysia at the moment is the fifth largest producer of cocoa in the world. In 1993 it had 350,000 hectares under cocoa cultivation producing some 200,000 tonnes of cocoa beans. Malaysia has eleven grinding factories with a total capacity of 100,000 tonnes per annum, thus processing at least 50 percent of total beans production. This is in line with the increasing trend of producing more value added products from Malaysian primary commodities. Over the last two decades the value of downstream processed and semi-processed products of all primary commodities produced in this country increased from RM446.7 million in 1974 to RM19.5 billion in 1993. I am confident primary commodities will continue to contribute significantly to the industrialisation process of the country.

5. Malaysia attaches considerable importance to cocoa despite the fact that it contributes less than one percent of total export earnings. This is evidenced by our

membership in the Cocoa Producers Alliance and the International Cocoa Organisation. In Malaysia cocoa is a source of livelihood, either directly or indirectly to about one percent of our population. It is also an inter-crop for many farmers. The organisation of this fair reiterates our continuing interest in cocoa as a viable commodity with potentials which can be further exploited.

6. Today and in the decades to come, information will be an invaluable resource. In addition to land, capital and human resources, information will be the driving force to spearhead the advancement of the cocoa industry in the future. Indeed, it is the current understanding among management gurus and futurists that the driving force of future economic growth and industrial transformation will be anchored on information and the capacity and skill to manage it. Such is the power of information technology that it has been able to help in levelling the playing field for competition between big and small businesses.

7. The interlocking relationship between information as an enabling resource and cocoa as a traded commodity in the international market is apparent. One of the reasons for the market or policy failures is the lack of information which results in underpricing, over production of the commodity and also the lack of technology transfer. Insofar as information on cocoa is concerned I understand that for the last three years cocoa consumption has exceeded production and therefore producers should increase production to take advantage of the expected price increase. However, since 1989 an overhanging stock, perceived to be in the region of 1.1 to 1.4 million tonnes of beans, which is equivalent to about five to seven months of consumption, has cast depressing shadow over cocoa prices. But has anyone really challenged the accuracy or even the existence of the 'statistical stock'? The so-called overhanging stock has been bugging the cocoa market for the last five years or so thus depressing any appreciable price increase. I believe the situation could be different if information technology can make available instantaneous information on production, daily sales, cost structures, warehouse capacities and the like.

8. Cocoa is being produced in the tropical belts where the developing nations of the world are located. None of the countries of the North produce cocoa, yet the biggest markets for cocoa and its derivatives are found in these developed nations. Indeed a few mega confectioneries that produce chocolates and beverages have carved out market shares exclusively for themselves so much so the producers of cocoa find it very difficult, if not impossible, to penetrate these products markets. In order to seal their fate even further, technologies associated with downstream manufacturing have been zealously guarded. The inequitable relationship between the producer countries of the South and the consumer countries of the North is made worse as developing countries produce more but have to sell their

beans or powder to the same handful of giant chocolate manufacturers of the North. Naturally the North is able to manipulate prices in its favour. It is not wrong therefore to interpret this as another example of the rich living off the poor. For instance, while the market value of cocoa from the five main cocoa producers of the world, namely Cote d'Ivoire, Brazil, Ghana, Malaysia and Indonesia in 1989/90 amounted to US\$2 billion, the commercial value of chocolate products produced by the world's five leading confectionery manufacturers was US\$36 billion. The issue here is what can or should be done to ensure an equitable distribution of the benefits contributed in no small measure by the sweat and toil of the cocoa growers.

9. In this respect I strongly urge that all tariff and non-tariff barriers be taken down so that international trade can be promoted freely in the true spirit of GATT. At the same time I would also like to suggest that each and every cocoa producing nation embark on a coordinated campaign to promote and educate the consuming public on the wholesomeness of cocoa, not only as a food product, but also as a commodity that contributes to the economic well-being of many developing nations. Also, in the true spirit of North-South cooperation information on cocoa trade, production, consumption, stock, technologies, should be managed and disseminated widely and efficiently by the International Cocoa Organisation. Through such measures I am confident that the production and consumption plans envisaged in the Fifth International Cocoa Agreement will bear fruit enabling the world cocoa economy to see better days sooner.

10. In holding this Fair and related activities, Malaysia seeks to share with all of you the vision to develop this part of the world as a sphere for cocoa activities especially for processing and manufacturing of chocolates and derivatives as well as trading. We have very liberal investment policies with good infrastructures and a very trainable labour force, and more importantly, political stability. The growing economies of this region will continue to provide opportunities and challenges even to the cocoa industry. The entrepreneurs among you perhaps could take advantage of the fact that the per capita consumption of chocolate in this part of the world is miniscule compared to that of the matured markets of Europe and North America. The potential is therefore greater.

11. In terms of statistics, Switzerland is the world's leading consumer with a per capita consumption of 4.8 kilograms while in the largest market, the U.S.A, the per capita consumption is only 2.1 kilograms. By comparison the figure for Malaysia is 0.7 kilograms and that of China is only 0.02 kilograms. What is more important is the fact that the Pacific Rim will be the next centre of growth and Malaysia could well be the gateway to this dynamic region. With the recent successful conclusion of the GATT talks and the renewed surge of the free market system in many parts of

the world, international trade will be the driving force that will propel future economic growth.

12. For its part Malaysia will continue to give emphasis to cocoa. Research and development will be undertaken both in cultivation and manufacturing research so that the industry will be able to customise products for the particular needs of the different markets and to be environment friendly. The need for R & D in the cocoa industry cannot be over emphasised. At the moment only cocoa beans which constitute about 12 percent of the cocoa fruit is being made use of while the rest is discarded. Malaysia's experience in the oil palm industry shows that the entire fruit, even tree trunk and leaves are of economic value. Similarly, more can be done for cocoa.

13. Malaysia will not be weary or be afraid to venture into untamed territories or markets. More importantly, Malaysians are culturally attuned to listening to your ideas and proposals on how we can together transform this region into varied industrial centres for our mutual benefit. We are prepared to forge strategic alliances and relationships to make the cutting-edge even sharper. Partnership with Malaysia is a proposition that should be seriously considered, especially in a globalised economy.

14. On that note, I take great pleasure in declaring open the Malaysian International Cocoa Fair 1994.