

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

EVENT: THE OPENING OF THE INTERNATIONAL RUBBER CONFERENCE

VENUE: KUALA LUMPUR

DATE: 21 OCT 1985

TIME:

Distinguished Guests.
Ladies and Gentlemen.

It gives me great pleasure to be here this morning to declare open the International Rubber Conference, 1985. I consider it an honour to have been invited to address such an expert and august gathering.

2. In the context of today's world economy ridden by financial crises, balance of payments problems, negative growth and massive unemployment, it is opportune that scientists, planners and experts connected with the world elastomer industry should get together to assess developments, consolidate thinking, identify common interests, pool knowledge and formulate new strategies which would serve the common interest of producers, traders and consumers alike.

3. To arrest the inflation of the seventies, many of the industrial countries adopted restrictive monetary policies which, however, together with continuing large fiscal deficits only resulted in a slowing down of economic growth, and in some cases to even economic stagnation. This led to the recession that engulfed us all since four years ago. To escape from the shackles of recession, the developed countries have been enforcing subtle and not so subtle protectionist trading policies, even negating the spirit of various commodity agreements. Clearly, the nations that have habitually talked about care and concern for the Third World countries have been unmindful of the consequences of their actions. It may help them in the short term but destroying the capacity of the developing countries to buy goods, would damage the developed countries in the long term.

4. Economic success or failure in one sphere of the world economy will have inevitable and far reaching consequences on all other spheres. The oil shocks of the seventies had demonstrated dramatically that the interdependence of nations is a reality and that viable national economies can be sustained only by coming to terms with this fact of interdependence.

Ladies and gentlemen,

5. Inflation, recession, currency uncertainties and international debt problems have made traditional approaches and classical solutions to redress periodic economic swings considerably less effective. New ideas and novel prescriptions are needed to deal with unprecedented situations. Developing countries are finding their primary exports receiving less and less returns. At the same time, manufactured products imported into developing countries are costing more and more. In these circumstances, development plans and growth are adversely affected which in turn create serious socio-economic problems.

6. Against the persistent adverse terms of trade, the world, as a whole, needs an expanding supply of raw materials to propel the tempo of industrial progress. Energy problems are already with us. At the rate the world exploits non renewable resources, the situation can become alarming. Renewable resources, such as natural rubber, therefore assume a new significance in the considerations of tomorrow. I am encouraged by this stronger new image that natural rubber has. I am, however, concerned with the socio-economic implications of expanding natural rubber supply in the context of diminishing returns for it in the world consuming markets. An equitable solution must be quickly found. It calls for both national and international efforts. The national effort relates directly to science, technology, modernisation and efficiency. This must apply not only to natural rubber but also to all other primary export commodities.

7. I am pleased to note that a co-operative climate has begun to emerge between the natural rubber and synthetic rubber industries. This co-operation should be progressively strengthened and manifest itself in the search for new uses. On its future demand, natural rubber has decidedly an assured future because of its technical excellence and the lack of any real biological substitute. Its techno-economic strength is now such that we can confidently expect a growing relative role for natural rubber in the total elastomers market.

8. Future demand for natural rubber depends to a large extent on the level of expected consumption in the transportation sector, which accounts for 75 - 80% of rubber used annually. There are many factors affecting the future usage of rubber, both natural rubber and synthetic rubber in this sector and forecasting its demand involves considering the chemical, engineering, economic and commercial potentials of elastomer as an industrial raw material. After studying in depth these factors and assessing various demand forecasts advanced by several authorities, the Task Force of Experts appointed by the Malaysian Government concluded that the demand for rubber would be 15 and 18 million tonnes for 1990 and 2000 respectively. The share for natural rubber was estimated to be 5 million tonnes in 1990 and 6 million tonnes in 2000. This is substantial increase from the present 4 million

tonnes. However there should not be a rush to increase present acreage by 50%.

Ladies and gentlemen,

9. The natural rubber industry has made a very significant contribution to the economic development of South East Asian countries in general and of Malaysia in particular. Despite the rapid dominance of palm oil over rubber in recent years, rubber is still a major foreign exchange earner, contributing M\$3.68 billion last year. There are at least 3.5 million people who are directly dependent on the industry. Natural rubber therefore will continue to be a major element in the Malaysian economy for the rest of this century.

10. Natural rubber producing countries are not asking for favours from the developed consuming countries; but we certainly do not wish to be frustrated in our tireless efforts to eradicate poverty and secure for our peoples a decent standard of living. We wish to only urge a sharing of opportunities, to be left in peace to pursue the task of economic development.

11. Malaysia has been and still is in the avante garde of natural rubber research. Recognising the need for co-operative endeavours, Malaysia has painstakingly played the role of a catalyst. It has provided its research information to other natural rubber producing countries and extended its help to improve and increase natural rubber production, to upgrade processing techniques and to affirm the superiority and versatility of natural rubber. At no time did we mount a purely selfish propaganda on behalf of Malaysian rubber; rather, we expounded and propagated the excellence of natural rubber. We felt then and now that unless we are together and pursue a single aim with unity, we will forever remain divided and ruled by the dominant interests of consuming countries.

Ladies and gentlemen,

12. Malaysia is not morally opposed to any of its colleagues in wanting to substantially increase its rubber production or in selling its produce at prices that may work against Malaysia's own strategy of rubber production or favoured price levels. Being a developing country we fully appreciate the problems and aspirations of similar developing countries that want to increase agricultural output and realise the promises that advanced technology and science hold forth. We not only recognise the economic interdependence of the world at large but are even more conscious of the umbilical attachment between developing countries. However, we urge our colleagues not to sacrifice the future of the natural rubber industry for short-term gains. What is important is that there has to be a rationalisation of production policies, otherwise we shall willy-nilly be contributing to continued depressed prices.

13. I am optimistic that instead of entering separate teams to run against the experienced and fitter opponents, we can together send in a joint team. With our combined resources and strength we can at least anticipate a fair return for our labour. Far better that we progress together a little slowly perhaps, but more surely and securely. While exhorting for practical co-operation among rubber producing countries, Malaysia, on its part, is most willing to take increasing account of one another's interest. This is best done by understanding one another, and accommodating as best as we may our separate needs and interests. We do not believe, like some great nations, in espousing the loftiest of principles to the real problems of others while they walk the low road of their own self interests.

14. The need for harnessing the combined resources of natural rubber producing countries has led to the establishment of the International Rubber Research and Development Board (IRRDB) and the Association of Natural Rubber Producing Countries (ANRPC). With the former, opportunities to discuss projects for research advances, to pool scientific resources and to ensure a healthy exchange of information amongst research institutes are created and actively pursued. With the latter, a forum has been established for Governments of producing countries to discuss matters of mutual interest, harmonise policies affecting the natural rubber industry and formulate combined strategies, where appropriate, for the orderly development of the industry.

15. I learn with interest the formulation and development by the IRRDB of a full-scale international research and development programme based on co-operative work and the utilisation of special skills and facilities at the institutes in member countries. No doubt this unique international co-operation will contribute positively to the future well being of natural rubber producers. At the same time the ANRPC should be strengthened to act as the focus and nerve centre for greater solidarity and co-operation amongst producers at the governmental level. It should no longer act as a mere servicing secretariat but should initiate activities and projects of benefit to members. Member countries should be prepared to give greater financial and manpower support for this purpose. Consideration should also be given to widening the membership of the Association to include other producing countries such as Nigeria, Brazil and China so that a wider spectrum of research and marketing resources will be made available.

16. We have seen in its almost five years of operation that while the objectives of the International Natural Rubber Agreement (INRA) were welcome and laudable, the Agreement has only provided very transient reliefs despite several calls for funds and the purchase of more than 350,000 tonnes of rubber. No doubt, without the Agreement prices could

have further eroded and producers could have been in worse disarray. Indeed there are divergent views as to whether the International Natural Rubber Organisations, or INRO, has succeeded in supporting the price of natural rubber as it was intended to. Whilst it is generally accepted that the organisation has performed its function in achieving a measure of price stability according to the provisions of the Agreement, it is questionable as to whether the levels at which prices have been stabilised are in keeping with rising costs of production and the Agreement's wider objective of expansion of export earnings of developing producing countries. The operation of the Agreement to date has also unfortunately reflected the excessive rigidity of consuming countries in sticking to the letter of the law; the provisions of the Agreement which, in any case, were framed way back in 1979 based on economic and technical circumstances prevailing years before then. Consumer insistence on the automatic downward revision of the reference price by 1% in 1982 and 3% recently, to the exclusion of other important considerations such as a comprehensive assessment of the natural rubber market only revealed that to the consumers, the spirit of the Agreement was of less importance than the opportunity to strike a further bargain.

17. The International Natural Rubber Agreement which is due to expire this month has been extended for another two years. An UNCTAD-sponsored negotiating conference for a successor agreement was held in April-May this year in Geneva. Producing countries jointly submitted a number of carefully formulated proposed amendments with a view to updating and improving the Agreement. They deal largely with the economic provisions of the Agreement such as the instrument of market intervention, the buffer stock price range and the need for demand measures. Unfortunately there was no meeting of the minds and the conference was inconclusive. I understand a second negotiating conference will probably be held some time next year.

18. I earnestly call for an attitudinal change on the part of consuming countries, at least to meet us half-way in working out the evidently needed improvements to the provisions of the current INRA. I trust and I am hopeful that good sense will prevail on behalf of all of us, producers and consumers so that we can achieve a rational, fair and meaningful consensus and finally come to agreed terms on a successor agreement. I do not believe that the formation of a producers' cartel will help. Neither do I believe in the perpetuation of commodity agreements which do not take into account economic realities. The point that needs repeating here is that commodity problems are global problems with global consequences and it is the duty of those who are better off to give strong and sustained support to efforts at international co-operation such as international commodity agreements.

19. The Malaysian natural rubber industry cannot remain

static. A bold and imaginative strategy must be designed to enable the industry to face up to the dynamic changes taking place both nationally and in the consuming countries. Central to this new strategy are co-ordinated research and development activities that have a direct bearing on the industry's continued viability and efficiency.

20. If in the past we were able to triumph over the worst of situations and prove wrong the prophets of doom, then it was because of our remarkable research contributions. Here I must recognise the pivotal role of the Malaysian Rubber Research and Development Board and its subsidiary units, the Malaysian Rubber Producers' Research Association and, in particular, the Rubber Research Institute of Malaysia. As a research institute, the Rubber Research Institute of Malaysia has ensured significant research achievements but for which the rubber industry in general and the Malaysian natural rubber industry in particular would have been eclipsed. However, we cannot rely on past achievements and simply hope that they would be sufficient to secure progress for the future. The present challenges are acute, and the changing circumstances call for vigorous vigilance and further intensifying of research and development efforts to ensure profitability of investment in rubber. More specifically, the main thrusts of research and development activities should be: to develop and intensify measures for raising productivity through increased yield; to accelerate effective reduction of immature period in large scale commercial plantings; to direct special efforts at mechanisation and labour saving devices; to ensure speedy and effective transfer of research innovations to smallholders; to catalyse and assist in the expansion of the Malaysian rubber-based industry; to continually upgrade the technical quality of natural rubber to meet the increasingly stringent consumers' requirement; to continue finding new uses for natural rubber and to exploit its techno-economic advantages further.

21. Through science and technology we have revolutionised the industry to such an extent that natural rubber is no longer simply regarded as an agricultural commodity but as an industrial performance material of technical excellence and high economic value. The underlying philosophy of the Malaysian approach is to make all our products cost efficient, quality conscious and reflect modern presentation requirements and standards. We would like you not only to discuss these at this Conference but to see at first hand how these changes are being implemented in the plantations, smallholdings and factories in the country.

22. You will, over the next five days, discover how seriously committed we are to the course of the natural rubber industry. We also hope to hear from the overseas participants what they have to offer. The sharing of knowledge and information at this Conference is sincerely encouraged. I am confident that your deliberations will contribute to wards a determined action plan to respond to

the critical challenges ahead, safeguard the well defined place we have secured for natural rubber and propel the natural rubber industry to yet greater heights of achievement.

Ladies and gentlemen,

23. I wish you all every success and have much pleasure in declaring open the International Rubber Conference, Kuala Lumpur, 1985.