

DR M: EAEG WILL BENEFIT WORLD TRADE

By V.K. Chin *Foreign Trade*

SANTIAGO, Fri. — World trade will benefit from the formation of the East Asia Economic Group (EAEG), Datuk Seri Dr Mahathir Mohamad said here today.

This is because collectively, its members form a massive market to those outside the region as well, he said.

Addressing leading Chilean businessmen this morning, the Prime Minister explained that the Malaysian-initiated grouping was merely a forum for East Asian countries to defend the free trade system.

"It also has the objective of enhancing economic co-operation among East Asian countries," he said.

Dr Mahathir pointed out that developing countries were greatly dependent on the developed world for trade and investment.

However, the developed countries had their own regional groupings and, at the same time, their own economic imperatives which tend to spill over and adversely affect the developing world, he said.

"We hope they will set up a good example for the developing countries by restructuring their regional groupings and devising solutions to their problems in ways which are consistent with the free trade principle," he said.

On his Chilean visit, Dr Mahathir said the purpose was to meet with political and business leaders and to identify and pursue common areas of interest.

He described Malaysia's programme to attract investment as liberal and foreign investors would have a competitive

edge in world markets as well as access to the burgeoning markets of South-East Asia and East Asia.

For Chilean industries, Malaysia provided a depot and base for rapid and efficient distribution for their products to the countries in East and South-East Asia, he said.

Otherwise direct shipments from Chile would be costly and infrequent due to shipping constraints, he added.

He said foreigners could participate in the privatisation programme as the companies involved would be listed in the stock exchange.

Yesterday, Dr Mahathir told the Chilean Council for International Affairs that the EAEG would never become inward-looking

or protectionist because its members would have the most to lose by doing so.

Speaking on *Co-operation and Competition in the Pacific*, he said:

The proposal was now being discussed within Asean, he said, adding that much outside pressure was being exerted on Asean to abandon it.

"It would seem that East Asians are not to be allowed to even set up a consultative mechanism while trade blocs take shape elsewhere."

Despite such distractions, developing countries must continue to build up bilateral relations and widen their trading base to include non-traditional markets.

Dr Mahathir said the

big countries had the power to force open the markets of developing ones and a recent Unctad report had estimated that at least US\$25.6 billion of exports from these poor governments were affected by non-tariff measures.

He pointed out that both Malaysia and Chile had suffered from such unfair practices of the superpowers. In 1985, when the finance ministers of G-7 decided to weaken the US dollar to stimulate American exports, this had resulted in Malaysia having to take a very big revaluation loss on its Yen-dominated external loans.

A few years later, powerful lobby groups in the United States, envious of

the success of Malaysian palm oil, started a smear campaign by branding it a poison.

He said palm oil users were forced to label their products as being made from tropical oils, thus insinuating that it is dangerous.

The Prime Minister hoped Chile, apart from enhancing trade, would continue to give priority to ties with East Asia.

With its high growth rates and its ever-increasing demand for machinery, consumer products, food and raw materials, East Asia should be an attractive profit centre for Chilean businessmen, he said.

"East Asian countries are also looking for new markets and new opportunities for investment. They can be encouraged to look to Chile and South America," he said.

"Chile, in fact, is uniquely placed to act as a bridge between East Asia and the rest of South America."

"Certainly, Malaysia would like to use Chile as a base to expand its economic and trade ties with the rest of South America. You have an open economy and good infrastructure."

"The decision of both our governments to discuss these issues in the next few days will contribute to this."

"I look forward to the day when Malaysia Airlines and Lan Chile fly to each other's capitals, establishing for the first time a southern route linking both our countries and regions."

Dr Mahathir and the Malaysian delegation are on a six-day official visit to Chile. They will leave next week for Brazil and Argentina on similar visits.