

# How manufacturers can keep the North

# Be more efficient,

# American market says PM

## From Balan Moses

MEXICO CITY, Wed. — Malaysian manufacturers must be more efficient if they wished to retain their traditional North American market in the face of competition from the proposed formation of the North American Free Trade Area (Nafta), Datuk Seri Dr Mahathir Mohamad said yesterday.

The Prime Minister said Malaysia would have to manufacture its products more efficiently and at lower costs.

Malaysia-made items are bound to face stiff competition because other countries will also be vying for the North American market with similar goods.

Manufacturers from certain other countries might enjoy preferential treatment arising from trade arrangements between their governments and those from North America, he added.

For example, radios assembled in Mexico by the Japanese may have to compete with radios made in Malaysia for the US market.

"We should not be easily disappointed by such a situation. Instead, we should find ways to produce our goods more efficiently and at lower costs to overcome the competition," Dr Mahathir was speaking to newsmen following talks with Mexican President Carlos Salinas de Gortari after arriving here for a six-day visit.

The Prime Minister was replying to a newsman's question on whether the proposed formation of Nafta, scheduled for 1993, would adversely affect the existing market for Malaysian products in North America.

Although the concept behind Nafta was still vague, it was evident that goods could be channelled to the North American market through Mexico without tar-

iffs or at reduced rates.

Mexico does not want itself to be used as a corridor for the North American market. Goods entering Mexico must satisfy its domestic contents criteria.

Asked how Malaysia could benefit from Nafta, Dr Mahathir said it could process palm oil in Mexico on a joint venture basis, financed by Mexican interests.

Palm oil could be processed into cooking oil, for use in making soap and other domestic products, the Prime Minister said, adding that such an arrangement would satisfy the local contents criteria under Nafta.

Asked if Nafta's formation could lead to Malaysia losing its position as a sound investment location, Dr Mahathir said this depended entirely on the Malaysian response to the situation.

He said: "We face this risk not only from Mexico but also from East European countries and other nations which are now the focus of investors worldwide.

"It is all up to us. If we are more efficient, ensure that peace and stability in the nation is maintained and treat investors properly, I am confident they will come to our country."

Dr Mahathir's talks with President Salinas centred on a variety of issues, including air links between Mexico and Malaysia, bilateral trade and cultural ties.

He said President Salinas was keen on visiting Malaysia for a first-hand look at the country.

"He is very interested in understanding how we have remained politically stable and achieved economic growth. I think that if we are to have stronger trade links with Mexico, there will be a need to visit each other.

"Malaysia Airlines may

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be able to extend its service to Mexico City, provided we have a working relationship with Mexico on the matter. Aero Mexico, the Mexican national airline, does not fly to the Far East, not even to Japan.

"We fly to Los Angeles. We should be able to progress on the matter after the details have been discussed by officials from both sides."

On trade links, he said Malaysia was prepared to become a depot for the distribution of Mexican manufactured goods or raw materials.

On tourism, he said a Malaysia-Mexico Week could be held to introduce Mexican culture to Malaysians. The Mexicans could also hold seminars and promote Malaysia in areas of mutual benefit.

Later, at a state banquet hosted by President Salinas for the Prime Minister and his 32-member business delegation, Dr Mahathir touched on Nafta and Malaysia's concern over its implications on international trade.

Addressing the issue in the context of the growing trend towards economic regionalism, he said Malaysia and other countries in East Asia were concerned about Nafta's effect on them.

The Prime Minister said these countries looked to Mexico for help to ensure that the regional grouping did not adversely affect the free and open international trading system that the former depended on.

Most developing countries needed access to a broad spread of markets and therefore did not want to see the world fracture along fault lines, he added.

Foreign Minister Datuk Abdullah Ahmad Badawi,

who led a Malaysian delegation in talks with their Mexican counterparts, said the meeting also focussed on Nafta and its implications.

Speaking to newsmen later, he said Mexican officials had given an assurance that Mexico would help ensure that Nafta did not resort to protectionist policies.

"Mexico, they said, would ensure that the trade arrangement practised the principles of free trade and an open market. They indicated that they did not want the grouping to move towards protectionism."

The Prime Minister was accorded a military welcome on his arrival.

He was met at the De La Ciudad International Airport by Foreign Minister Fernando Solano and senior Mexican Government officials. A 19-gun salute was fired in his honour.

The Prime Minister is being accompanied by Datin Seri Dr Siti Hasmah, Foreign Minister Datuk Abdullah Ahmad Badawi, Culture and Tourism Minister Datuk Sabbaruddin Chik, Primary Industries Minister Datuk Seri Dr Lim Keng Yaik, senior civil servants and a 32-member business delegation.

While Dr Mahathir met President Salinas for talks, members of the Malaysian delegation held talks with their counterparts on bilateral issues.

Datin Seri Dr Hasmah, who had a separate programme, called on President Salinas' wife, Madam Cecilia Occeli De Salinas.

In the evening, Dr Mahathir conferred the *Most Exalted Order of the Crown* to President Salinas on behalf of the Yang di-Pertuan Agong Sultan Azlan Shah. The Prime Minister also handed over a letter from the King to President Salinas.