

Nafta may pose problems to other countries, says PM

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MALAYSIA is worried over the emergence of the North American Free Trade Agreement (Nafta) because it will block trade from other countries, Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday.

He said the formation of Nafta, creating the world's largest trading bloc stretching from the freezing Yukon Territory in Canada to Mexico with a consumer market of some 360 million people, will pose a difficulty to other countries, including Malaysia, in penetrating the Mexican market.

"We are worried about the matter and, for sure, a free-trade area like Nafta will mean that our goods will not be able to compete with goods from the US and Canada that are made in Mexico," he told newsmen after a meeting with Bukit Tangga Felda settlers at Sekolah Kebangsaan Bukit Tangga in Gurun, Kedah.

Asked what will be Malaysia's next step, Dr Mahathir said: "Malaysia will continue efforts to penetrate the free-trade area because our trade with the US is about 18 per cent.

"We are also trying to increase trade with Mexico and hope that nothing will come in the way of the effort," he said.

US President George Bush announced in Washington on Wednesday that the setting up of Nafta marked the beginning of a new era on the North American continent.

The agreement will tear down import tariffs, cut Customs inspections and eliminate red tape governing trade among the three countries.

Dr Mahathir added that Malaysia is also dissatisfied with the US over the setting up of Nafta because the proposal to set up the East Asian Economic Caucus (EAEC) had been strongly objected to.

"Nevertheless, efforts to set up the EAEC will continue. We have not given up the idea," he said.

On the latest development on the EAEC, the Prime Minister said a number of Japanese businessmen had shown interest over its formation. However, he said, the Japanese Government had not yet accepted formation of the EAEC.

"The Japanese Government is under some pressure from the US. Japanese minivans, for instance, have been rejected in the US market. In a situation like this, the Japanese have to consider the interest of the Eastern countries," he added.

Dr Mahathir also said if Japan and South Korea are still adamant about not joining the EAEC, other countries can fill the gap. He, however, is convinced the two countries will eventually join.

In Kuala Lumpur, the Malaysian Textile Manufacturers Association (MTMA) said Nafta may bring about stiffer competition for the textile trade, which has always been considered a highly regulated industry.

The spectre of stiffer com-

□ See Back Page, Col. 6

Nafta may pose problems: PM

□ FROM PAGE ONE

petition, however, is not new for the textile industry whose production has traditionally exceeded consumption, said an MTMA spokesman.

"The textile industry is one of the most competitive trades. Whether Nafta is there or not, it will always face keener competition.

"New low-cost production centres are coming up. Our manufacturers and export-

ers have to gear themselves to face the keener competition by cutting costs and diversifying their export market," he said when asked to comment on the impact of Nafta on Malaysian exports. The US and the EC are currently the major importers of Malaysian textiles.

"The Ministry of International Trade and Industry (Miti) and the MTMA are now looking into ways of encouraging our manufactur-

ers to explore and enter new markets."

Institute of Strategic International Studies (Isis) assistant director-general Professor Dr Ismail Salleh said Malaysia should take advantage of the huge market opportunities created by Nafta by setting up operations in the territory.

"It will be easier if a manufacturer has already established its export market there," he added.