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Seeking new bilateral trade mechanism

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MALAYSIA and Thailand are working on a mechanism to implement accounts trade arrangement between the two countries to reduce dependence on the US dollar.

Prime Minister Datuk Seri Dr Mahathir Mohamad said through such a arrangement, countries like Malaysia and Thailand would be able to save the US dollar for trade with the rest of the world.

"That way, the shortage of hard currencies will not reduce trade between Malaysia and Thailand," he told Malaysian and Thai businessmen at the luncheon dialogue at the Le Meridien Royal Hotel here.

Allaying fears among Thai businessmen on the accounts trade arrangement, Dr Mahathir assured them that the arrangement is an additional mechanism available for the business communities to take advantage of when trading in each other's currencies.

He said that over 85 per cent of export receipts of Thailand in 2001 were in US dollars, while exports receipts in baht accounted for only four per cent.

"Similarly, over 78 per cent of import payments are in US dollar. Why don't we use our own currencies and save the dollars for trade with rest of the world?"

Dr Mahathir said Malaysia and Thailand should explore new and additional methods and mechanisms of doing business rather than staying with the conventional way, in order to strengthen resilience and to reduce the problems that surfaced following the 1997 financial crisis.

"Malaysia has concluded such agreements with over 30 countries and it has helped us expand trade, especially with countries that face severe foreign exchange difficulties.

"Trade with some countries increased four-fold," he said.

On co-operation, Dr Mahathir also said that Malaysia, Thailand and Indonesia have concluded the tripartite arrangement on natural rubber whereby these countries have agreed to establish a consortium to purchase and manage a rubber stockpile amounting to over US\$225 million (RM855 million).

"Through such co-operation, we need not allocate funds for subsidies to poor smallholders," he said.

He also urged Asean members not to be dependent on standard measures prescribed by international institutions.

"They are often not workable and bring even more hardship to the people. They reduce the options for us to manage our economy and social problems.

"We should uphold certain norms and methods, but not to the extent of destroying ourselves.

"We must remember that our interests are best served by us," he said.

Dr Mahathir also explained to the Thai businessmen why Malaysia sought a delay in implementing the liberalisation of the automotive sector under Asean Free Trade Area (AFTA).

"The Asian financial crisis has brought to the surface problems and weaknesses which we had not anticipated and which need rethinking.

"We need to be more flexible, to cope with a new scenario. What Malaysia has sought in order to address the problems created after the 1997 crisis and the economic slowdown, is a grace period in the transfer of motor vehicle products into the Common Effective Preferential Tariff (CEPT)," he said.

He cited the US imposition of protective tariffs and safeguard measures which indicated that even developed economies recognised the need to protect their domestic industries.

Irrespective of the situation, Dr Mahathir said Malaysia is strongly committed to fulfilling its part of the commitment under Afta.

As of today, he said Malaysia has committed 10,039 tariff lines or products under the CEPT scheme for Afta accounting 96.6 per cent of the total tariff lines.

"Of this 9,117 tariff lines or 90.82 per cent have duties of zero to five per cent.

"In fact, duties have been totally eliminated for over 6,048, representing 60.25 per cent. This is a significant achievement as compared to others in the region," he said.

Dr Mahathir also stressed the importance of regional co-operation.

"The global economic slowdown, challenges of globalisation and the increased competition posed by emerging economies in our traditional market pose serious threat to both our countries.

"It is, therefore, no longer a question of choice but a necessity for us within this region to co-operate."

On Malaysia-Thailand trade relations, Dr Mahathir said there was concern over the contraction of two-way trade between Malaysia and Thailand.

"The economic downturn last year led to a trade contraction amounting to US\$6.2 billion in 2001."

Figures for the first quarter of 2002 indicate that both imports from Malaysia and Thai exports to Malaysia contracted.

On investments, Dr Mahathir said the country's total cumulative investments in Thailand for the period 1998-2001 amounted to US\$966 million, and for the January-April 2002, approved investment amounted to US\$21.6 million. "There are over 60 Malaysian companies in Thailand."

Thailand's investment in Malaysia from 1998 to April 2002 amounted to RM94.7 million with 31 companies operating in Malaysia.

Later, Dr Mahathir launched the Malaysia-Thai Chamber of Commerce and met his counterpart Thaksin Shinawatra. He also had an audience with the Queen of Thailand.