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Mahathir-Asean

ASEAN NEEDS TO IMPROVE FACILITATION MEASURES AND EXPLORE NEW MECHANISM

By: Zulkefli Salleh

BANGKOK, July 6 (Bernama) -- Datuk Seri Dr Mahathir Mohamad said today that Asean needs to give more attention to improving facilitation measures that are causing huge costs to businesses to be competitive.

The prime minister said that while trade liberalisation had been adequately addressed, Asean needed to look into customs clearance, product standardisation, harmonisation of rules and regulations and transparency in procedures and approval.

"The business community is often faced with these procedural and regulatory constraints that almost negate any tariff liberalisation initiatives," he said in a luncheon address to Thai and Malaysian businessmen, here.

He said Asean needed to widen and deepen the cooperation in these areas as it moved to create a bigger market with the establishment of closer economic partnership arrangements with other countries.

"We need to create the right environment for our business to be competitive," said Dr Mahathir who is on a two-day visit to Thailand.

Dr Mahathir said the integration process within Asean was right on track but fuller integration of the grouping had yet to be achieved.

He also stressed that countries within Asean should explore new and additional methods and mechanisms of doing business to strengthen their resilience and reduce problems that surfaced following the 1997 financial crisis.

He singled out the accounts trade arrangement currently being pursued between Thailand and Malaysia as one example of the new mechanism.

Dr Mahathir allayed anxiety among Thai businessmen that this system would replace the normal methods of trade.

"Let me assure you that this accounts trade arrangement is an additional mechanism available for the business community to take advantage of when trading in each other's currencies," he said.

Dr Mahathir said that over 85 per cent of Thailand's export receipts in 2001 were in US dollars and export receipts in baht accounted for 4.0 per cent. And similarly, over 78 per cent of import payments were in US dollar.

"Why don't we use our own currency and save the dollars for trade with the rest of the world. That way, shortage of hard currency will not reduce rates between us," he said.

Malaysia had concluded accounts trade arrangements with over 30 countries and this had helped it expand trade, especially with countries that face severe foreign exchange difficulties, he said.

Trade in some countries increased four-fold, he added.

Fielding a question from the floor on how Asean could strengthen itself to prevent the 1997 financial crisis from recurring, Dr Mahathir said: "We need to be less dependent on the US dollar. The account trade arrangement could be one way."

He said Asean should also avoid implications as had happened in the steel industry which had resulted in losses to every Asean country.

Asean should instead cooperate and package their competitive edge to make the region more attractive, he added.

Dr Mahathir, who later held bilateral talks with his Thai counterpart, Thaksin Shinawatra, said that Malaysia placed great emphasis on strengthening bilateral ties with Thailand.

"Yesterday, I had a very fruitful discussion with his excellency, Dr

Shinawatra, on various areas of cooperation that both countries can pursue," he said, referring to his informal meeting with the Thai premier in Chiang Mai.

Dr Mahathir expressed his confidence that the level of trade between the two countries could be significantly increased over the next few years.

He noted that the cross flow of investment was expanding and the business community was already taking advantage of the liberalisation in trade and services and investment within the context of the Asean cooperation initiative.

Malaysia is Thailand's fifth largest trading partner and Thailand is Malaysia's sixth trading partner. Trade between the two countries accounted for five per cent of Thailand's global trade, and four per cent of Malaysia's global trade.

Malaysia is the sixth largest export market for Thailand and fourth largest supplier to Thailand. The level of trade amounted to US\$6.7 billion in 2000.

Dr Mahathir said, however, that the economic downturn last year led the trade figure to contract to US\$6.2 billion.

Figures from the first quarter of 2002 indicated a contraction in both imports from Malaysia and Thailand's exports to Malaysia.

"This is of concern to us and greater effort needs to be taken to reverse this trend," Dr Mahathir said.

"Given the size of the two economies, the resources and expertise available, I am confident that the level of trade can be significantly increased over the next few years.

"I am confident that the level of investment will improve as both our countries implement some of the big projects that have been agreed upon and as our economies recover fully from the crisis, along with improvement in the global economic environment," he said.

Dr Mahathir reiterated Malaysia's commitment to the Asea Free Trade Area (Afta), saying that to date the country had committed 10,039 tariff lines or products under the Common Effective Preferential Tariff (CEPT) scheme for Afta, accounting for 96.9 per cent of the total tariff lines.

"What Malaysia has sought in order to address the problem created after the 1997 crisis and the economic slowdown is some grace period in the transfer of motor vehicle product into the CEPT scheme," he said.

Dr Mahathir also launched the Malaysian-Thai Chamber of Commerce which he said could serve as another vehicle in promoting and fostering closer cooperation between the private sectors of the two countries.

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