

21 APR 2004

MAHATHIR-CHINA

MALAYSIA NEEDS TO RESPOND FAST TO CHINA'S GROWING NEEDS

KUALA LUMPUR, April 21 (Bernama) -- The change in China as it becomes prosperous will affect its trade with the world and Malaysia should respond as quickly as possible to China's growing needs, said former Prime Minister Tun Dr Mahathir Mohamad.

"While we cannot accurately foretell the changes in China's economy and world trade, one thing certain is that whatever China needs would have to be on a large scale and some of these needs could be met by Malaysia if we prepare for them," he said.

He said this in his address on "Improving Malaysia-China Trade" at Tsinghua University in Beijing, China today. His speech text was released here.

As China becomes prosperous, the needs and lifestyle of its people will change and Malaysia must prepare to take advantage of them so that it does not miss out the opportunities, Dr Mahathir said.

He related a case in point when an American aircraft manufacturer decided to produce narrow-bodied, mid-sized aircraft in China in cooperation with the Chinese during the early days of China's modernisation.

The manufacturer thought China would need these relatively small aircraft for its domestic routes but as travel picked up rapidly, China was in need of bigger aircraft even for its domestic routes.

Having made the wrong projection, the company lost out, he said.

"For the rest, we will have to play it by the ear to respond as quickly as possible to China's needs. Whenever an opportunity arises for more trade between Malaysia and China, try to seize it," he said.

Dr Mahathir said the potential for trade between Malaysia and China was great.

An enriched China, he said, would mean a big increase in demand for quite a few of Malaysia's products, products which China cannot produce in the quantity that it needs.

For example, Malaysia produces palm oil, something that China cannot produce enough even if it consumes three million tonnes of the commodity, of which half comes from Malaysia, he said.

At the same time, earnings from Chinese tourists who accounted for half a million arrivals to Malaysia per annum, will help off-set Malaysia's imports from China.

Malaysia could also cater for China's growing demand for good education through its universities and other higher learning institutions.

As for fuel needs, Dr Mahathir said the demand will be big as China produced three million cars in 2003 and would produce much more in the future.

Malaysia does not produce much oil but together with Indonesia, they have huge gas reserves which will be able to cater to China's gas fuel demand.

Even after China's Three Gorges Dam project and its new nuclear power plants are completed, the country's demand for energy would still outstrip the supply.

On China's aluminium requirements, Dr Mahathir said China used up a large amount of power for its aluminium smelters and this was wasteful and uneconomic as it lacked fuel resource.

The smelters would have to be shut down and China would have to import

large amount of aluminium.

On the other hand, he said Malaysia through its 2,400 MW Bakun Hydroelectric Dam could support a number of aluminium smelters.

Therefore it would be logical for China to source its aluminium needs from Malaysia, from smelters which may be partly-owned by China, he pointed out.

Meanwhile, as much as China is going to be the industrial centre of the world, it will also be the biggest market for the components and raw materials to feed its burgeoning industries.

While it is likely for many countries to outsource from China, China's industries are also bound to outsource and Malaysia and other Southeast Asian countries stand to benefit from this, he said.

Despite being a low-cost country, he said its low wages and low cost will not remain its competitive advantage forever.

As cost of production goes up, there will be pressure for China to revalue the Renminbi or to float it as its accession to the World Trade Organisation (WTO) will result in less government control over the currency.

When this happens, Chinese goods will become more expensive, imports cheaper and higher consumer income will create demands for imports.

At this stage, Malaysia may be able to once again export manufactured goods to China in addition to large amounts of palm oil, rubber and gas.

It will take a long time before China's demand stabilises, he added. --

BERNAMA

SHO SD