

THE CHILEAN-MALAYSIAN BUSINESS LUNCHEON
SANTIAGO, CHILE, 29 SEPTEMBER 1997

Firstly, let me thank you for your presence and your keen interest in furthering your business relations with Malaysian businessmen.

2. Trade today constitutes a vital element in global economic growth. World merchandise trade reached US\$10,340 billion in 1996. Asia's share of that global trade in 1996 was 25.3 percent, compared to Latin America (4.7 percent), Africa (2.3 percent) and Central, Eastern Europe and CIS (1.8 percent). Asia accounted for 26.6 percent of total world merchandise exports and 25 percent of total global merchandise imports. This economic dynamism of Asia is and will continue to be derived from Asia's economic links to the rest of the world.

3. Malaysia, being part of Asia, and recorded as the world's 18th trading nation, is no exception. According to WTO International Trade Report 1996 Malaysia maintained its position as the 19th largest exporter in the world, with a 1.5 percent of share of global exports. In the period 1990 - 1996, Malaysia emerged as the fastest growing exporter in the world, with an export growth rate of 18 percent compared to the world average of seven percent for this period.

4. The situation is of course different at the moment. We dared to disagree with those who dictate the finances of the world. We are being punished for refusing to acknowledge the fairness of the system which can impoverish poor countries instantly.

5. Today globalisation is bringing people in every continent closer together. Differences in culture, values, religion and language is no longer a barrier to expanding economic relations. While Chile and Malaysia may have differences in cultural backgrounds, our tradition of tolerance and understanding living in a cosmopolitan society, will facilitate our efforts to forge strategic alliances with each other. In fact, this diversity in both our countries' cultures and practices will enhance the potential for innovation and improvement.

6. Both Chile and Malaysia are individually linked to a larger regional entity and consequently a larger regional market for the other. Malaysia recognises the various developments taking place in Latin America, a region that Chile belongs to. We accept the fact that where there is the lure of a larger regional market, bilateral consideration would inevitably be subjected to regional dictates. However, this need not be an impediment to our efforts to increase greater economic linkages. Malaysia has always been committed to fair and liberal multilateral trading environment and believes in and practises the policy of transparency and predictability.

7. Malaysia today is both a recipient of foreign direct investment as well as an investor overseas. We are therefore able to relate to the needs of both parties. As an investor, we hope the host nations have transparent and predictable policies that will ensure investment security while as a recipient we certainly provide the same assurances. To enhance trade and investment flow, Malaysia

has concluded seven agreements with Chile namely the Economic, Scientific and Technical Cooperation Agreement, Bilateral Payment Agreement, Trade Agreement, Investment Guarantee Agreement, MOU for establishment of Air links, MOU for cooperation in Trade Promotion between MATRADE and DIRECON and MOU between the Malaysian Royal Customs and Excise Department and the Department of Customs of Chile.

8. In terms of bilateral trade, Malaysia' s total trade with Chile has increased significantly over the past five years from RM146.92 million (US\$58 million) in 1990 to RM624.52 million (US\$249 million) in 1996. For the first half of 1997 total trade recorded was RM350.9 million (US\$140 million). There is considerable scope for expansion in the value and volume of trade as the economies of both countries are experiencing high growth rates which will invariably require imports of capital, intermediate and consumer goods. The large group of Malaysian businessmen in my delegation is here to explore greater cooperation in trade and investment. It is my fervent hope that bilateral trade will continue to grow strongly.

9. Malaysia' s major imports from Chile have been copper, iron ore, fish meal and fresh fruits. Copper constituted over 75 percent of Malaysia' s total imports from Chile in 1996. Chile' s major imports from Malaysia include radio broadcast receivers, sound recorders of reproducers, automatic data processing machines and television receivers and natural rubber. With regard to investments, three Malaysian companies have substantial interest in Chile in the area of commercial property, housing development and fish canning and packaging. Malaysian investments in Chile including proposed investments, is estimated at US\$70 million.

10. My visit to this region is part of Malaysia' s continuous effort to increase trade and investment with the countries of the South. Distance is no longer a barrier to economic relations, among South Countries, as IT and efficient transportation links have removed these impediments and has provided vast opportunities for economic cooperation and integration. While the developed countries are important to developing nations as a market for their products, we should not forget the tremendous benefit that could be derived from greater South-South cooperation in trade and investment.

11. This kind of cooperation could extend beyond the shores of our two countries to incorporate cooperation in third countries. Chile can take the lead for such efforts in this region given your strong linkages with NAFTA and MERCOSUR, while Malaysian businessmen can do the reverse for the regional and subregional markets in our area.

12. In this regard, Malaysia has regularly participated in such activities as the Santiago International Fair (FISA). I would like to invite the Chilean business community to participate in International Trade Fairs held in Malaysia to create greater awareness of Chilean products in the Malaysian market and to spur greater business interaction between the Chilean and Malaysian private sector. Malaysia welcomes Chilean investments in Malaysia. While there has been

some past Chilean investments in the footwear and shipping sector, there is scope to increase this to include other sectors where Chile has the expertise. An area that Chilean and Malaysian businessmen may want to look into is the establishment of regional warehousing and distribution centres.

13. The Chilean business community must not only look at the opportunities in Malaysia, but must consider Malaysia as a strategic location in the ASEAN region as a whole. ASEAN has now become a nine member regional market of 480 million people, bigger than EU and NAFTA. ASEAN has established linkages with MERCOSUR to promote trade and investment links. Being two of the fastest growing regions, there are opportunities for the private sectors of the two regions to cooperate. While Malaysia can be a launching pad to ASEAN and the markets around the region, Chile, similarly could be used as a gateway to the Latin American market by Malaysia. Chile is widely recognised as having one of the most open, stable and liberalised economy in Latin America, with a market based economic system in which the private sector is the engine of growth and the public sector assuming a guiding and supportive role. This is similar to Malaysia.

14. Let me update those present today on Malaysia' s industrial policy for the next ten years. Malaysia has successfully shifted from an agro-based economy to an export oriented manufacturing economy. Currently Malaysia faces a tight labour situation and does not encourage labour intensive industries. The focus now is to move manufacturing operations beyond just mere production to include R&D, design capability, development of integrated supporting industries, packaging, distribution and marketing activities. We are gearing ourselves to produce high value added products and services for the global market.

15. We forecast that the manufacturing sector' s share of the GDP will increase from 33.1 percent in 1995 to 37.5 percent in the year 2000. By the end of our Second Industrial Master Plan in the year 2005, the manufacturing sector would probably achieve a share of 38.4 percent of GDP. In our shift to capital intensive and high technology industries, the Government offers an attractive package of fiscal and non tax incentives including tax relief up to ten years, Investment Tax Allowance, Reinvestment Allowance and employment of expatriates. Sectors being promoted include aerospace, advance electronic, software engineering, bio technology and advance materials.

16. A significant development in Malaysia is the Multimedia Super Corridor (MSC), a 15 km x 50 km zone extending south from Malaysia' s present capital Kuala Lumpur. Companies wanting to use the MSC as a test bed to create, distribute and employ multimedia products and services can locate their operations here. Malaysia offers the MSC as a global bridge to the information age. Let me very quickly summarise what the MSC has to offer.

17. First, on the physical side, we will offer you the world' s best physical infrastructure. We are building the Kuala Lumpur City Centre, a massive intelligent building complex. We are building a new hub airport. We would also be having rapid train and highway links between Kuala Lumpur and the airport,

passing through two new intelligent garden cities, Putrajaya and Cyberjaya.

18. When the first phase is operational in January 1998, the new Kuala Lumpur International Airport will have 80 gates with two parallel runways. It will also become an integrated logistic hub with the latest technology and equipment to facilitate movements of people and goods. Cyberjaya is a city which will provide the physical and psychological environment for the pursuit of information age technologies and business. This city of intelligent buildings, multimedia enterprise estates, multimedia university, commercial and residential housing and recreation facilities will be able to support a living population of 100,000 people and a working population of 150,000 people. Putrajaya will be the new administrative centre of the Government.

19. Secondly, we will have in place the world' s best soft infrastructure of cyber laws, policies and practices. We have formulated a comprehensive framework of cyberlaws on intellectual property, digital signature, computer crimes, distance learning, telemedicine and electronic government. Companies with MSC status will enjoy a five year tax exemption, renewable up to ten years or 100 percent Investment Tax Allowance and duty free importation of multimedia equipment. Other incentives include unrestricted employment of local and foreign knowledge workers, freedom of ownership, freedom to source capital globally for MSC infrastructure and the right to borrow funds globally.

20. Thirdly, we will install a high-capacity global telecommunications and logistics infrastructure built on the MSC' s 2.5-gigabit to 10-gigabit digital optical fibre backbone and using the latest ATM switches to provide fibre to the building. This network will have a 5-gigabit international gateway with direct links to the U.S., Europe and Japan, as well as the other nations in South East Asia.

21. Fourth, we have set up a Multimedia Development Corporation or in short the MDC, a one-stop agency, to manage and market the MSC.

22. However, I cannot but reemphasise that no matter how meticulous the plan for economic development by a government, it will never materialise without the active participation of the private sector. We have managed to attract the attention and gain the interest and support of some of the world' s biggest multimedia corporation. Nippon Telephone and Telegraph (NTT), which has been cooperating with us in this project from the outset, will be one of the first companies to have operations in the MSC by setting up its research and development facilities. We hope and welcome Chilean corporations especially those in the information technology field and related areas to locate their plants, research and development facilities, and operations in the MSC.

23. With the vision that we have set for Malaysia and the various development projects that we have put in place opportunities both in trade and investment abound for foreign business enterprises. Some countries may have cheaper land prices, lower rentals, and lower wages than Malaysia, but we continue to offer a stable, strong and business friendly government, consistent policies, a safe and healthy environment, and forward-looking, dynamic and innovative economic

regime to help investors succeed without undue constraints.

24. I would, therefore, like to take this opportunity to invite all Chilean businessmen to take a keener interest in Malaysia and seek out trading and investment opportunities both in Malaysia and, jointly with Malaysian businessmen, in third countries. The future of stronger Chile-Malaysia economic partnership lies with you.